Amatola
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AMATOLA WATER BOARD

INTEGRATED ANNUAL REPORT 2014/15

Amatola Water · Amanzi

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PUBLIC ENTITY GENERAL INFORMATION

Registered name of Public Entity:	Amatola Water Board, was established by the then Honourable Minister of Water Affairs and Forestry, as proclaimed in Government Gazette Number 18409, of 14 November 1997. This was done by the Honourable Minister as empowered by the Water Services Act No. 54 of 1956 in terms of section 108(2).
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Website:	www.amatolawater.co.za
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REPORTING FRAMEWORK

Introduction

Amatola Water had adopted a combination of legislative and best practice reporting framework.

Amatola Water has adopted basic reporting framework requirements set out by and in the National Treasury Annual Report Template aligned to PFMA and WSA legislative requirements.

The Board of Amatola Water and Management in striving to achieve integrated reporting and sustainability reporting has through this report; implemented a format which combines the integrated report framework endorsed by the International Integrated Reporting Council (IIRC) and has combined this report with the Global Reporting Initiatives Sustainability Reporting Guidelines, the fourth generation guidelines, more commonly known as the G4 Guidelines.

Integrated Reporting

An integrated report is a concise communication about how an organisation strategy, governance performance and prospects in the context of its external environment lead to the creation of value in the short, medium and long term. Integrated reporting however; is a process founded on integrated thinking that results in a periodic integrated report by an organisation about value creation over time and related communications regarding aspects of value creation.

In true Integrated Reporting style in this report the content elements are fundamentally linked to each other and not mutually exclusive. Although the organisations management has undertaken to do an integrated report it is in the process of entrenching the integrated reporting processes within the organisation to catalyse integrated thinking, which is the active consideration by the organisation of the relationships between its various operating and functional units and the consideration of the stakeholder uses or affects. Integrated thinking leads to integrated decision making and actions that consider the creation of value over the short, medium and long term.

Sustainability Reporting

The Water Board is striving to achieve sustainability reporting, in line with Global Reporting Initiatives (GRI), the next generation of sustainability reporting (G4), which was released in May 2013. Previously Amatola Water undertook standard disclosures within the context of G3. Sustainability reports, reporting in line with GRI, conveys disclosures by an organisations of its most critical impacts, be it positive or negative on the environment, society and the economy. The Water Board aims to generate reliable, relevant, and standardized information with which to assess opportunities and risks, and enable more informed decision- making within the business and among the stakeholder's.

Amatola Water acknowledges its role and ultimate impact on the public at large in that it has undertaken to fully integrate the process of sustainability reporting. This report combines the aspects of annual and sustainability reports in a condensed narrative format. It addresses the long term integrated value offering including financial, human, social, environmental and intellectual capital. Amatola Water acknowledges that it is in the process of fully appreciating sustainability and integrated reporting and that through continuous improvement and implementation it will increase its standards of reporting.

The standard and specific G4 disclosures are attached hereto on pages 106-119.

REPORTING PROFILE

This Amatola Water Board annual integrated report is reporting information for the financial year from 1 July 2014 to 30 June 2015. The Water Board annually reports in terms of its legislative compliance on its performance for the financial year which commences 1 July until 30 June. Last year, the Water Board released its first attempt at an integrated annual report for the financial year 2013/2014 in August 2014.

The Board of Amatola Water and the Management acknowledge that this is the first attempt at sustainability reporting and second attempt at integrated reporting, but is dedicated and committed to achieving higher standards in both qualitative and quantitative reporting of this nature. The Board of Amatola Water and Management aims to achieve "In Accordance" reports and with the comprehensive option of disclosures made up of standard and specific disclosures as indexed pages 106-119 of this report.

Principles of Integrated Reporting

The Water Board strives to upgrade its standards for disclosure of information and this report, and in so doing, going forward, have implemented (and are committed to improving on) the seven basic guiding principles from the International Integrated Reporting Framework.

These principles are:

- STRATEGIC FOCUS AND FUTURE ORIENTATION
  As an integrated report this report provides insights into the organisation's strategy, and how it relates to the organisation's ability to create value in the short, medium and long term, and to its use of and effect on the capitals.

- CONNECTIVITY OF INFORMATION
  As an integrated report this report shows a holistic picture of the combination, interrelatedness, and dependencies between the factors that affect the organisations ability to create value over time.

- STAKEHOLDER RESPONSIVENESS
  As an integrated report this report provides insights into the nature and quality of the organisations relationships with its key stakeholders, including how and to what extent the organisation understands, takes into account and responds to their legitimate needs and interests. The organisations has identified its stakeholders and created varied opportunities for stakeholder communications, including direct dialogue. In line with G4 principles, the organisation also publishes contact details for relevant departments in the company that receive stakeholder feedback.

- MATERIALITY
  As an integrated report this report discloses information about matters that substantively affect the organisation's ability to create value over the short, medium and long terms.

- CONCISENESS
  This annual integrated report aims to be concise with full, and transparent disclosures.

- RELIABILITY AND COMPLETENESS
  This annual integrated report includes all material maters, both positive and negative, in a balanced way and without material error. For reliability the organisation provides messages and commitment statements from CEO and the Chairman of the Board and Chairman of Audit and Risk Committee and furthermore discloses in this report the extent of third party independent assurances.

- CONSISTENCY AND COMPARABILITY
  The information in this annual integrated report is presented (a) on the basis that is consistent over time and (b) in a way that enables comparison with other organisations to the extent it is material to the organisations own ability to create value over time. The Water Board is committed to providing consistent and comparable information. Furthermore, in line with the G4 guidelines, the organisation actively discloses quantitative and qualitative data.

The Principles of Sustainability Reporting

The Content Principles

Amatola Water when defining this report content reviewed the Global Reporting Initiatives Reporting Content Principles and attempted to achieve these Content Principles as listed below, and are committed to improving through its reporting on the assurance of these content principles:

- MATERIALITY
  The information in this report covers aspects that:
  - reflect the organisation's significant economic, environmental, and social impacts; or is
  - Substantively influence the assessments and decisions of stakeholders.

- STAKEHOLDER INCLUSIVENESS
  The organisation identified its stakeholders and explained how it had responded to their reasonable expectations and interests.

- SUSTAINABILIT Y CONTEXT
  This report presents the organisation's performance in the wider context of sustainability.

- COMPLETENESS
  This report includes coverage of material aspects sufficient to reflect significant economic, environmental and social impacts, and to enable stakeholders to assess the organisation's performance in the reporting period.

- BALANCE
  This report reflects positive and negative aspects of the organisation's performance to enable a reasoned assessment of overall performance.

The Quality Principles

The Water Board in ensuring quality of this report considered the following quality principles to define the report quality.

- COMPARABILITY
  Amatola Water attempted to select, compile and report information consistently. The report information is presented in a manner that enables stakeholders to analyse changes in the organisation's performance over time, and that could support analysis relative to other organisations. Put simply the report allows the reader to ascertain if there had been consistency in the monitoring methods and if possible to use the information to analyse the trends over time. Where information on trend analysis is not available the report advises such.

  The Management and Board of Amatola Water acknowledges that sustainability and integrated reporting are new areas for the organisation and that mechanisms will be implemented to sustain this type of reporting going forward, to the best of its ability and budgetary availability. However, the organisation has shown commitment in this report to commence with this type and approach to reporting and improve hereon.

- ACCURACY
  The organisation reported information that is confirmed to be sufficiently accurate, to the best of their knowledge and detailed enough for stakeholders to assess the organisation's performance. Most features of the report are linked to the strategy performance of Amatola Water and such information is tested externally and evidence is available of proof of performance, where applicable. However, where statements are not supported by evidence at the time of reporting such is mentioned in the report in line with true disclosure.

- BALANCE
  The report reflects both positive and negative aspects of the organisation's performance to enable a reasoned assessment of overall performance.

- TIMELINESS
  The organisation report on this information annually which is a regular schedule set out in legislation, and the management and the Board attempts to ensure information is available in time for stakeholders to make informed decisions.

- CLARITY
  The organisation attempts to make the information in this report available in a manner that is understandable and accessible to stakeholders using this report. Put simply a consorted effort has been made to simplify the information and make it understandable.

- RELIABILITY
  The organisation had gathered, recorded, compiled, analysed and disclosed information and processes used in the preparation of a report in a way that they can be subject to examination and that establishes the quality and materiality of the information. Put simply it means, the information is a true and accurate report to the best of management's knowledge and would be able to be audited as it has been in some aspects. The process used to undertake the compilation of this integrated sustainable report has been based on a learning curve and will be improved going forward. The process entailed setting out a framework and then ensuring reporting in line with the reporting principles on content and quality. More defined processes for sustainability reporting are yet to be fully integrated into the systems and processes of the company.

The Combined Assurance Barometer

Amatola Water aims to provide an assured annual integrated report, and in so doing has achieved both internal and external audit as well as Safety Health and Environmental auditing for various areas of the business. This however was being done within the narrow definition of Combined Assurance. The scope and the basis of the assurance reports and if there is or is not assurance being provided by the three lines of defence is captured in a table after each heading. The table is referred to as a Combined Assurance Barometer. This Barometer is reflected under each main section of this report. The Annual Financial Statements are accompanied by the report of the external auditors who provides an independant auditors opinion on aspects of this report.

Relationships between the Water Board and its various assurance providers are of an independent nature. Assurance Providers report to the Audit and Risk Committee independently and not in fear or favour. The Combined Assurance Barometer depicts further the committees that have oversight of the functional areas and reports on assurance.

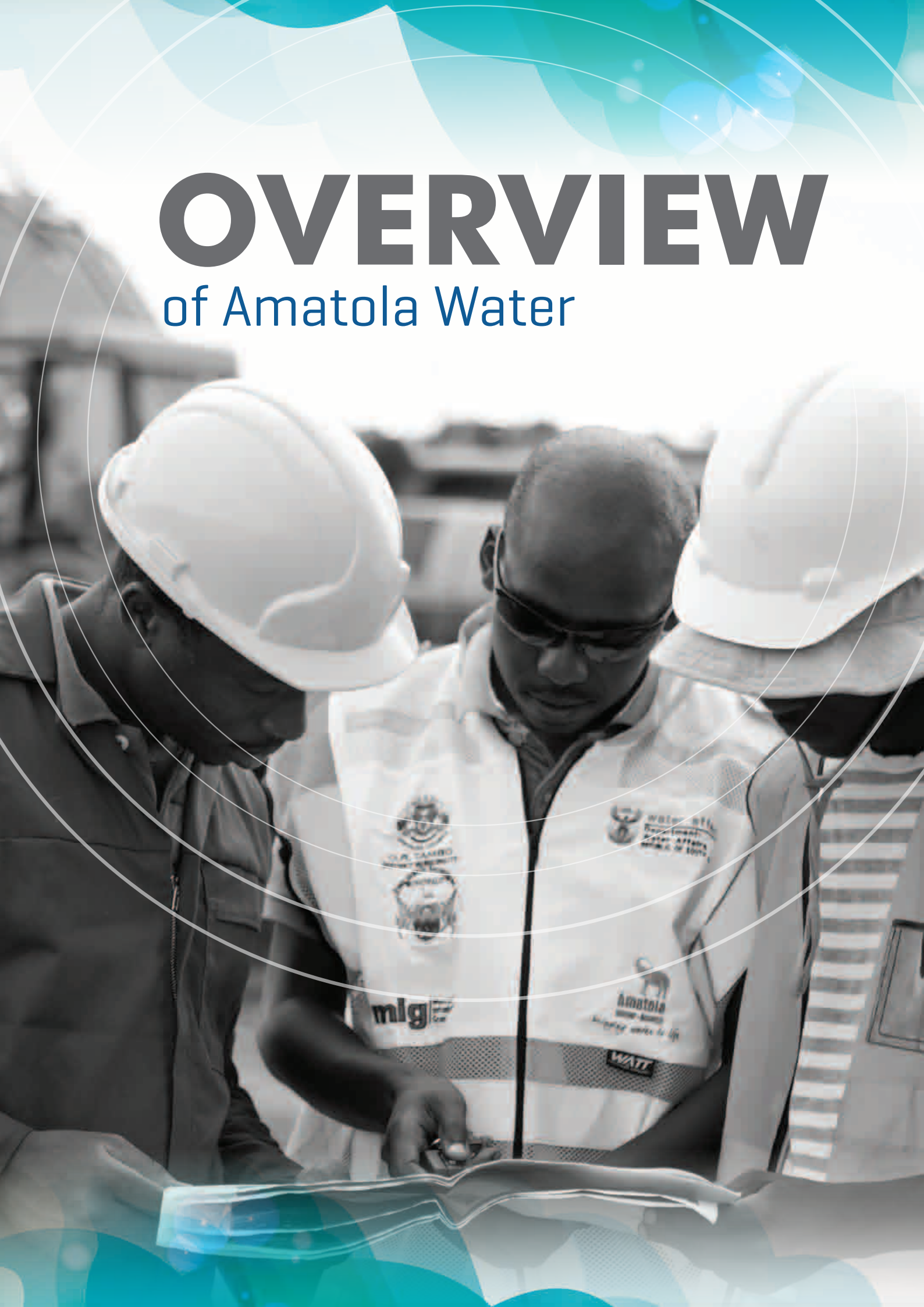
The Combined Assurance Barometer allows readers to contextualise the extent of third party independent assurance reports and auditing that happens across the organisation. The green colour coding depicts the confirmation of that level of reporting whilst the yellow is inbetween and red depicts no level of assurance provided.

Should the reader, have any questions on this report or its contents please feel free to contact Amatola Water Board as per the addresses and contact persons detailed in the Public Entity General Information located on page 1 of this report.

Future plans

The Water Board over the next financial year has undertaken to commence effective planning in order to enhance efficiency and transparent reporting in line with GRI and G4.

OVERVIEW
of Amatola Water



OVERVIEW OF AMATOLA WATER

Combined assurance barometer		
Management responsibility for the specific risk area	Internal assurance providers	External assurance providers
All Directors	Internal Auditors	External Auditors and independent subject matter experts
Yes	No – internal auditors don't audit the annual report but they do audit aspects of the report through the auditing plan Yes - Aspects of sustainability reporting are audited through performance management No- the Annual Report is not audited against the IR framework or G4 Sustainability reporting framework in an entirety	No – external auditors don't audit the annual report Yes – external auditors audit aspects of the report and review the annual integrated sustainable report No – Integrated Reporting Yes – aspects of sustainability reporting as reported in the performance information
Oversight		
ARC and Board	ARC	ARC and Board

Table 4.1 : Combined Assurance Barometer for the overview section.

VISION, MISSION AND ORGANISATIONAL VALUES

Vision

"To lead sustainable bulk water services in the Eastern Cape"

Mission

"Amatola Water strives to contribute to the socio-economic development as a Regional Water Utility by providing bulk potable water and bulk sanitation to Water Service Authorities"

Values

Amatola Water values continue as: "We are inspired by an unwavering commitment to empower our stakeholders through the consistent demonstration of:

- Responsibility
- Excellence
- Integrity
- Accountability

EXTERNAL ENVIRONMENT

Amatola Water operates in the water sector of the Eastern Cape Province of the Republic of South Africa. Supply of water in the water sector from the reservoirs to the tap is within the constitutional mandate of the local government. There are challenges experienced and recognised by Local and National Government within the water sector and in particular around service delivery.

These are including but not limited to:

- The backlog and increasing demand of potable water
- In the Eastern Cape the vast and significant levels of poverty and the increasing population growth.

LEGISLATIVE AND OTHER MANDATES

The Amatola Water Board (herein after referred to as the Water Board or the organisation) is a Public Finance Management Act No. 1 of 1999 (referred to as the PFMA in this report), listed Schedule 3B Public Entity, which is a National Government Business Enterprise. The Honourable Minister of Water and Sanitation is the Executive Authority of the Water Board. The Water Board was formed in terms of the Water Services Act No. 54 of 1956, (referred to the Act in this report).

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

To confirm the Act provides for the definition of water supply services to mean the abstraction, conveyance, treatment and distribution of potable water, water intended to be converted to potable water or water for commercial use but not water for industrial use. (Section 29 read with Section 1 of the Act)

The Water Board is designated to act within a prescribed area as proclaimed in Government Gazette Number 18409, of 14 November 1997. This was done by the Honourable Minister as empowered by the Water Services Act No. 54 of 1956 in terms of section 108(2).

SERVICE AREAS

Figure 4.2 : Amatola Water Gazetted Area and Area of Operation.

These areas are Peddie, Mdantsane, East London, Komga, King William's Town, Zwelistsha, Stutterheim, Keiskammahoek, Middledrift, and Victoria East within the Eastern Cape. On 12 March 2010, the then Honourable Minister of Water and Environmental Affairs gave notice of the extension of the service area of Amatola Water Board to include the Municipal area of Nlambe, in the Government Gazette Number 188 of 12 March 2010.

In addition the Act provides that the Water Board can perform an activity other than its primary activity in Section 30 of the Act, only if

- It is not likely to limit the Water Board's capacity to perform its primary activity;
- It is not likely to be to the financial prejudice of itself, any water services institution, existing consumers and other users serviced by it within its service area;
- It is in accordance with the board's policy statement; and
- It is provided for in a business plan.

The Act confirms other activities of a Water Board may include, but are not limited to:

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

The Water Board provides only the following services in line with Section 30 (secondary business):

- Operation and maintenance services on bulk water infrastructure.
- Advisory services.
- Project Implementing Agent of bulk water and sanitation infrastructure.

Amatola Water is further governed by all Water and Water Board Related Policy Frameworks, to its extent of applicability, from the Department of Water and Sanitation, as issued from time to time.

Amatola Water also from time to time obtains directives from the Honourable Minister to focus of key matters. Previously the Honourable Minister, in February 2014, give the Water Board a directive to prepare the due diligence report for the regional water utility, and report such to the Honourable Minister by 31 March 2014. This Directive was successfully completed.

On 20 June 2015, the Honourable Minister provided another directive to the Amatola Water Board. The directive was to implement phase 3 of the Nooitgedagt/ Coega Low Level Scheme at Nelson Mandela Metropolitan Municipality. The Water Board has already commenced with discussions with the Municipal Manager and positioned itself to operate as directed.

ORGANISATIONAL STRUCTURE

Introduction

The Water Board has positioned itself to ensure it achieves effective and efficient service delivery economically to best meet the needs of its strategic mandate. Although the organisational structure is currently under review the Water Board has the following high level top structure in place.

Value Creation

The Water Board's organisational structure is aimed at achieving a value creation that has both long and short term impact on service delivery.

Sustainability

The impact of the organisational structure can be seen from the financial sustainability and operational review reports made in this integrated sustainable annual report.

Trend Analysis and Looking Forward

The details of the organisational structure can be found under the review of the operations section of this report.

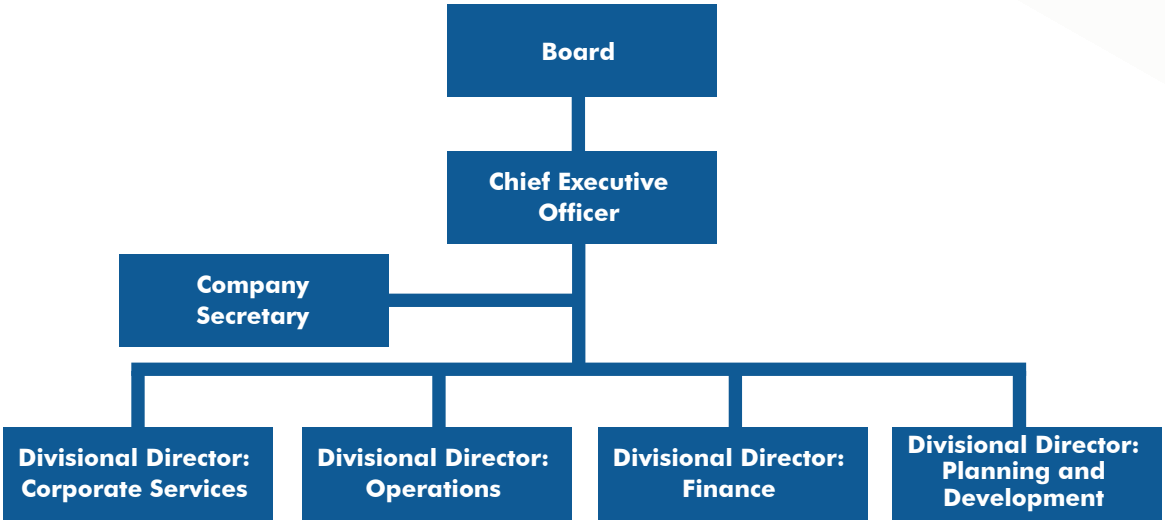
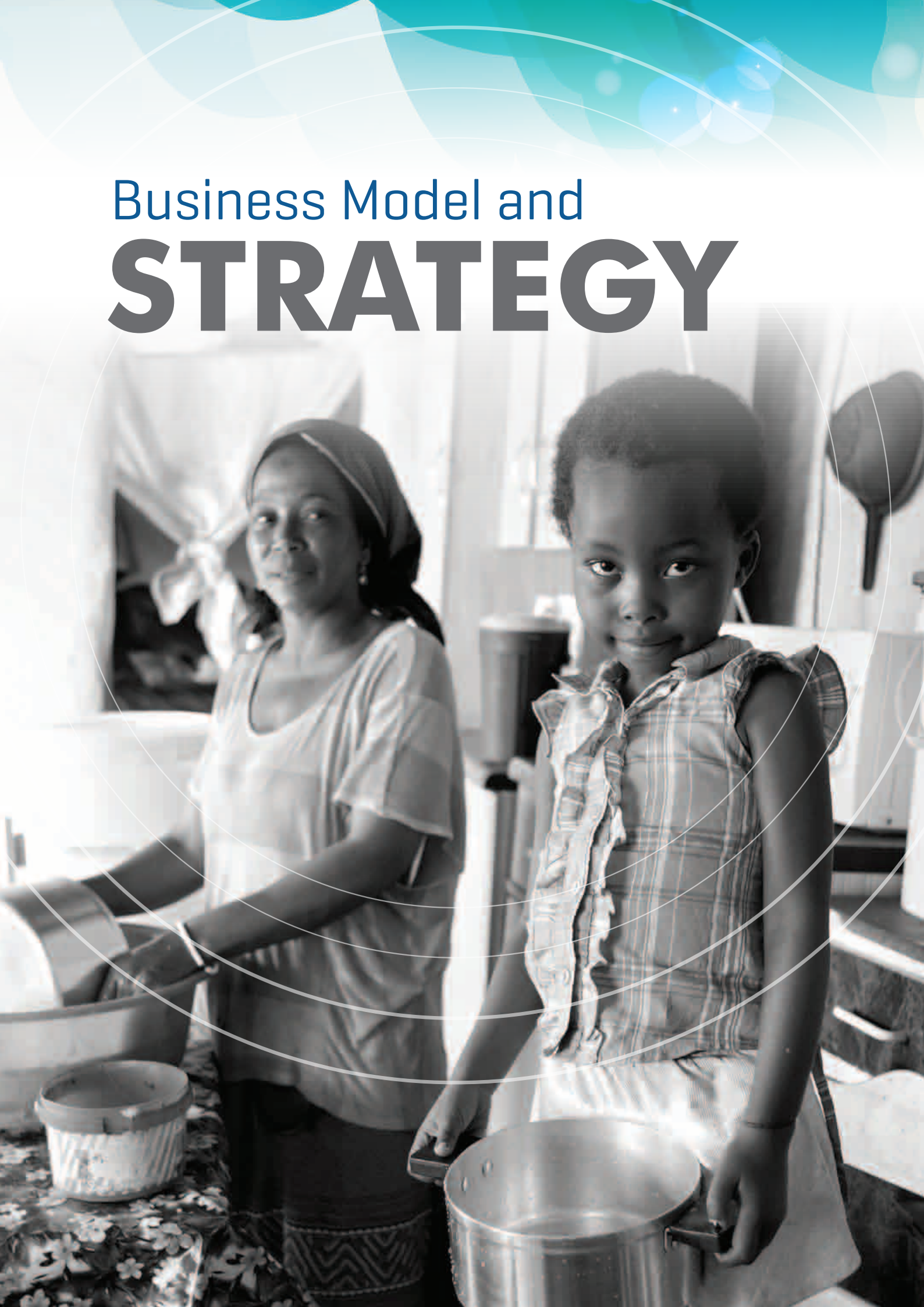


Diagram 4.1 : High level organisational structure.

Business Model and STRATEGY



BUSINESS MODEL AND STRATEGY

Combined assurance barometer		
Management Responsibility for the specific risk area	Internal assurance providers	External providers
ALL DIRECTORS	Internal Auditors	External Auditors and independent subject matter experts
YES	Yes – the predetermined objectives are assured internally	Yes – the predetermined objectives are assured externally
Oversight		
Board	Board and ARC	Audit and Risk Committee and Board

Table 5.1 : Combined Assurance Barometer for the ARC Business Model and Strategy.

BUSINESS MODEL

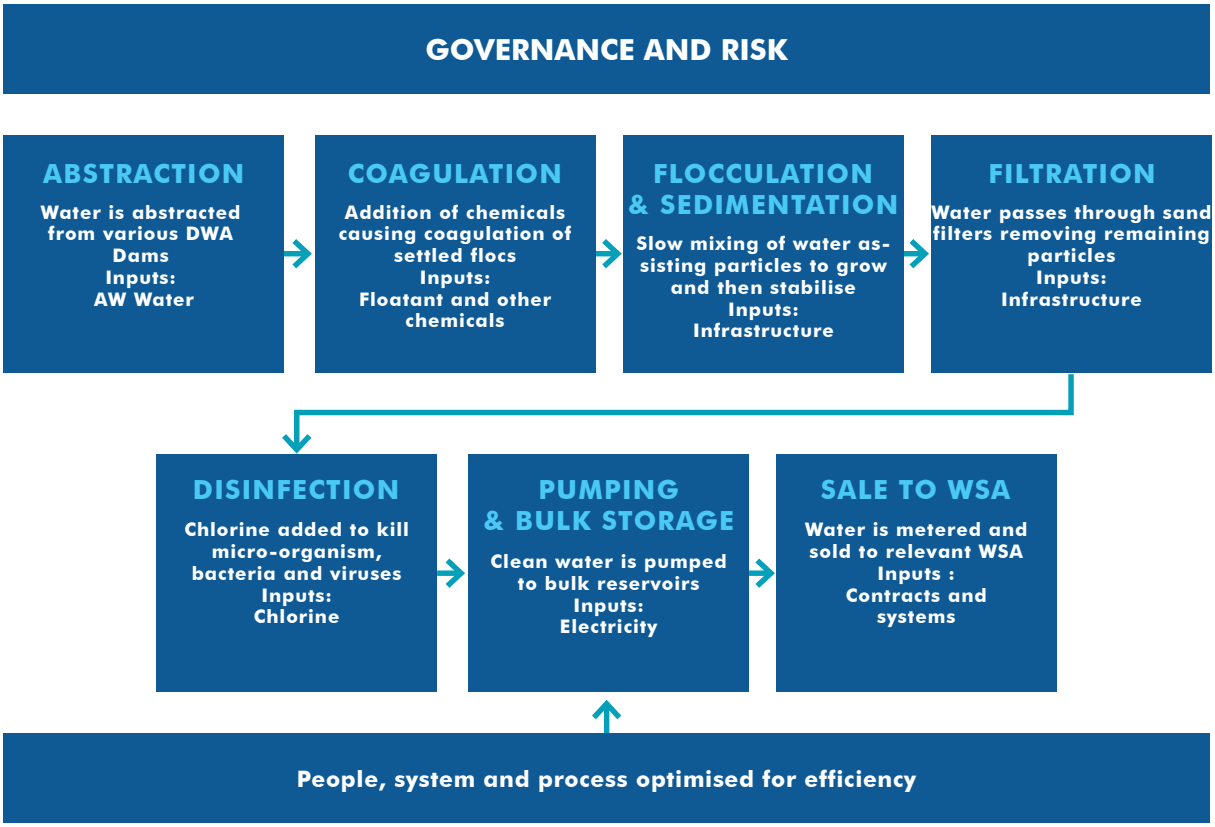


Diagram 5.1 : Business Model.

STRATEGY AND RESOURCE ALLOCATION

Amatola Water is starting its third year of its 20-year strategic direction. The strategic direction is based on what Amatola Water, as an Entity of State, understands its purpose, mandate and role in service delivery in the Province is. In the second year the Board has refined some of the strategy based on its experience in the last year as well as alignment to latest government direction.

In this process of alignment, the organisation, for the first time has adopted a 20-year planning horizon for its long-term strategic goals, as the State has done in documents such as the National Development Plan. During the alignment process some of the key documents consulted were: National Development Plan; the President's State of the Nation Address; Department of Water and Sanitation policy documents; and the Department of Water and Sanitation's Annual Performance Plan.

According to Schedule 4B of the South African Constitution, local government must provide water and sanitation services limited to potable water supply systems and domestic waste water and sewage disposable systems. With local government mandated with the distribution of potable water, the abstraction of raw water and the production of potable water therefore remains the responsibility of water boards. The Institutional Reform and Re-alignment (IRR) documents further confirm the water board's role.

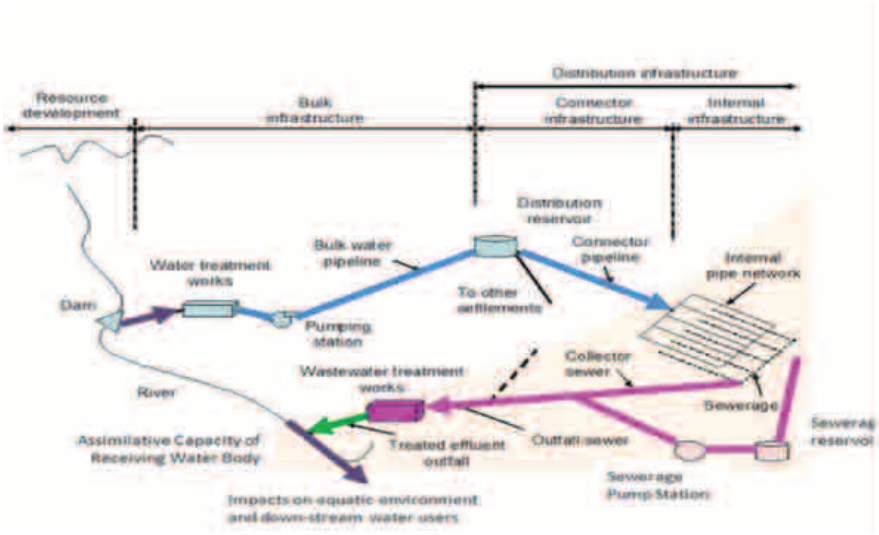


Figure 5.1 : Water Supply Value Chain.

As such Amatola Water desires to provide bulk potable water, bulk sanitation to Water Service Authorities and managing water resource management infrastructure in the Province. Amatola Water intends to achieve this over time by:

- Focusing first on its Primary business of bulk potable water. Starting with the upgrade of six water treatment works increasing services available for consumers through the relevant municipalities.
- Then to take Right of Use of municipal owned bulk water and sanitation infrastructure in individual geographical areas.
- Increasing from its current base and expertise the operations and maintenance of dams for the Department of Water and Sanitation within the Province.
- Providing Project Implementation Agency services and Advisory services on bulk water services within the province, assisting in the development of the relevant infrastructure in the Province.

As a unique post-democracy rural Water Board, the Utility believes this new strategic direction will allow it to perform the function it was created for in a manner that successfully contributes to the quality of life of the citizens within the Province.

As part of Amatola Water's contribution to a decent standard of living for all South African citizens and enhancing rural livelihoods, the utility has adopted the Guidelines for Human Settlement Planning and Design (Red Book) standard of approximately 750 litres per household per day on all infrastructure projects.

In this regard, the organisation believes that, in considering the 20-year planning cycle and the National Development Plan, it needs to start now to achieve the desired standard for all South Africans.

In setting goals, objectives and targets in order to achieve its Mission, Amatola Water used the 10 outcomes of a successful water utility as its framework, as indicated below. These are represented in the following diagram.

Diagram 5.2 : Ten outcomes of a successful water utility.

AMATOLA WATER 20 YEAR LONG-TERM STRATEGIC GOALS

WSU Area	20 Year Goal
CS	80% of WSA's in the province as contracted customers through ownership or ROU
WQ	Achieve Blue and Green Drop standard at all bulk works - (owned and ROU)
WQ	Providing accredited laboratory water services to all WSA's AW has bulk supply contracts with
CE	Contribute to decent living standards and enhance socioeconomic development within communities in EC through quality adequate water services
SS	Strong and well established relationships with stakeholders – internal and external
SS	To be the center of a fully-fledged provincial water utility (IRR)
FV	Improve solvency, liquidity and profitability to achieve a AAA- Finch rating
WA	98% Assurance of Supply at a minimum service level of 750l per household per day
IS	98% Availability and assurance of Water Supply and 90% reliability of sanitation services
IS	80 % of the Eastern Cape infrastructure master plan implemented
OR	Fully implemented businesses continuity system (IMS, Quality systems, Knowledge Management)
OO	Continuous alignment of People, Skills, Systems, Policies and Procedures for Strategy Implementation
OO	Continuous improvement philosophy institutionalized
LG	Enhance Strategic Effectiveness
LG	Innovative, Nationally recognized Water Sector Leadership
LG	Balanced, skilled work force for Regional Water Utility needs
LG	Renowned knowledge and experience hub in the water sector

Table 5.1 : Amatola Water's 20 year Strategy Goals.

AMATOLA WATER 5 YEAR MEDIUM TERM STRATEGIC OBJECTIVES

BSC	WSU Area	5 Year Objectives	Obj No.	Alignment	
				Gov Out	DWS Obj
Stakeholder & Customer Perspective	CS	2 additional Bulk water supply contracts with WSA's (4 currently)	CS1	12	SO2.1
	CS	Increase Revenue volumes to 150 mega litres per day	CS2	12	SO2.1
	CS	Manage key customer satisfaction scores in terms of bulk potable water supply, bulk waste water, raw water and water resource infrastructure management to achieve 8/10	CS3	9	SO2.1
	CS	Acquire 2 contracts for Waste water works	CS4	12	SO2.1
	WQ	Achieve Statuary Quality compliance at All AW Owned and all ROU plants within 3 years of take over	WQ1	9	SO3.1
	WQ	Achieve and maintain accreditation for 30 water quality parameters at laboratory.	WQ2	9	SO3.1
	CE	Increase the number of schemes with capacity at 750l per household per day at treatment works to 7	CE1	8	SO2.1
	SS	Increase the contribution to economic transformation and improve overall AW image	SS1	12 & 9	SO1.3
	SS	Collaboration to improve service delivery with other relevant Local, Provincial and National institutions	SS2	12	SO2.1
	SS	Influence and support the process and model for a Regional Water Utility in the Province	SS3	6 & 12	SO1.6 SO2.1
Financial	FV	On-going strengthening of Balance Sheet to provide sustainable bulk water services (Ratios)	FV1	12	SO1.6 SO1.2
	FV	Build contribution R100 million from financial surpluses for internal infrastructure investment/capex fund	FV2	12 & 6	SO1.6 SO2.1
	FV	Secure R800 million of funding for infrastructure development	FV3	12 & 6	SO1.6 SO2.1
	FV	Sustainable & Affordable Tariff increases within 2% of inflation	FV4	12 & 8	SO1.6
Internal Processes	WA	Until institutional realignment and reform AW dis not responsible for this function and therefore there is no relevant 5 year objective at this time			
	IS	98% Availability of water supply for all bulk water services	IS1	6	SO2.1
		Yearly improvement of 20% in bulk sanitation services availability	IS2	8	SO2.1
	IS	Complete AW Plant Upgrade and KSD PI Projects	IS3	6	SO2.1
	IS	Develop an fully integrated provincial master plan including funding considerations	IS4	6	SO2.1
	IS	Minimize production and distribution losses to 12%	IS5	6 &10	SO2.2 & SO4.1
	OR	Business continuity system implemented	OR1	12	SO1.2 SO1.6
	OO	Aligning People, Skills, Systems, Policies and Procedures for Strategy Implementation	OO1	12 & 4	SO 1.1 SO1.6
	OO	Implement continuous improvement system – IMS (Prioritize high risk areas)	OO2	12	SO 1.2 SO1.6
	OO	Improving corporate governance	OO3	9 &12	SO3.1 & SO1.2
	LG	80% of Strategic Implementation	LG1	12	SO1.6
Learning and Growing	LG	Alignment between staff skills available and job requirements	LG2	12	SO1.1
	LG	Entrenched Batho Pele Principles	LG3	12	SO1.1
	LG	Research and position papers completed	LG4	12	SO1.1
	LG	Functional, self-funding technical learning academy	LG5	12	SO1.1 SO1.3

Table 5.2 : Amatola Water 5 year Medium Term Strategic Objective.

CATALYTIC INITIATIVES

The following are the list of key Catalytic Initiatives which will drive the successful implementation of the strategy and success of Amatola Water:

- Influence and support the process and model for a Regional Water Utility in the Province
- Develop a fully integrated provincial master plan including funding considerations
- Increase the relevance of AW as an institution and improve overall image
- Complete AW Plant Upgrade and KSD PI Projects
- Entrenched Batho Pele Principles

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

MONITORING AND EVALUATING

To measure and manage the successful implementation of its strategy Amatola Water has developed and monitors a balanced scorecard with clear measures and targets for the next five years. Amatola Water has also developed a comprehensive corporate performance management system which includes divisional and corporate reviews by management as well as oversight by Board committees detailed in the governance section of this document.

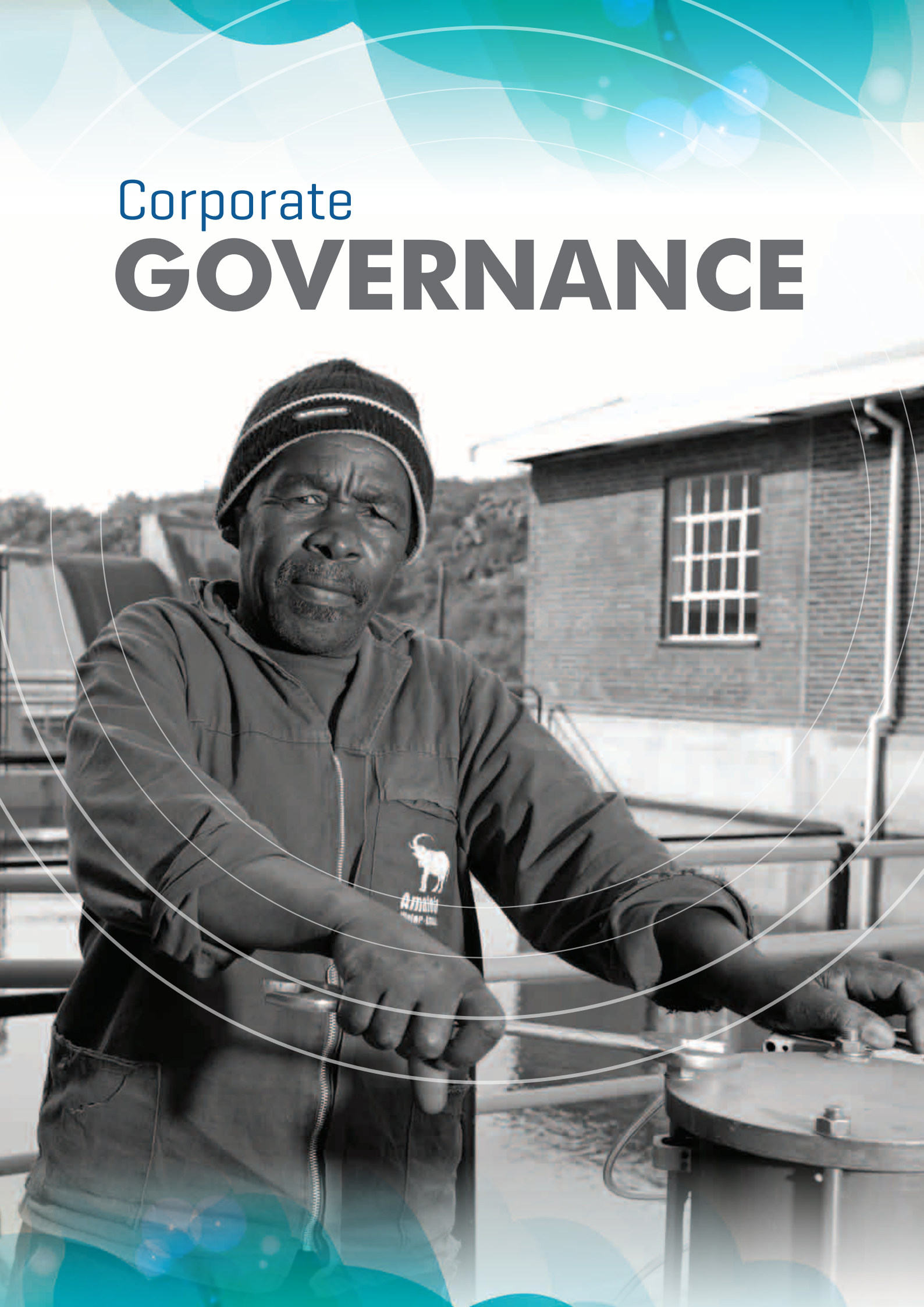
SOCIAL, ENVIRONMENTAL AND STAKEHOLDER ENGAGEMENT CONSIDERATIONS

Stakeholder engagements are key to the success of Amatola Water and the success of its strategy. As such it is included in the ten areas and is detailed in the sections Stakeholder Relationship and Support later in this document.

Social considerations are key to Amatola Water successfully delivering on its mandate and performing its role in service delivery in the country. Considering that Amatola Water is a rural Water Board servicing rural areas predominately made up of indigents and with significant service backlogs, the Board is very focused on the social responsibility mandate and community upliftment it can perform through successful strategy implementation. As such this is also included in the Ten Areas of Successful Water Utility under Community Sustainability.

Maintaining Environmental Integrity and preserving nature for generations to come is a principle Amatola Water adheres to and is also included within the ten areas under Environmental Sustainability.

Corporate
GOVERNANCE



CORPORATE GOVERNANCE

Combined assurance barometer		
Management Responsibility for the specific risk area	Internal assurance providers	External assurance providers
All Directors	Internal Auditors	External Auditors and independent subject matter experts
Yes	Yes – the predetermined objectives are assured internally	Yes – the predetermined objectives are assured externally
Oversight		
Board	Board and ARC	Board and ARC

Table 6.1 : Combined Assurance Barometer for Corporate Governance Section.

Hierarchy Tiers and Reporting Lines

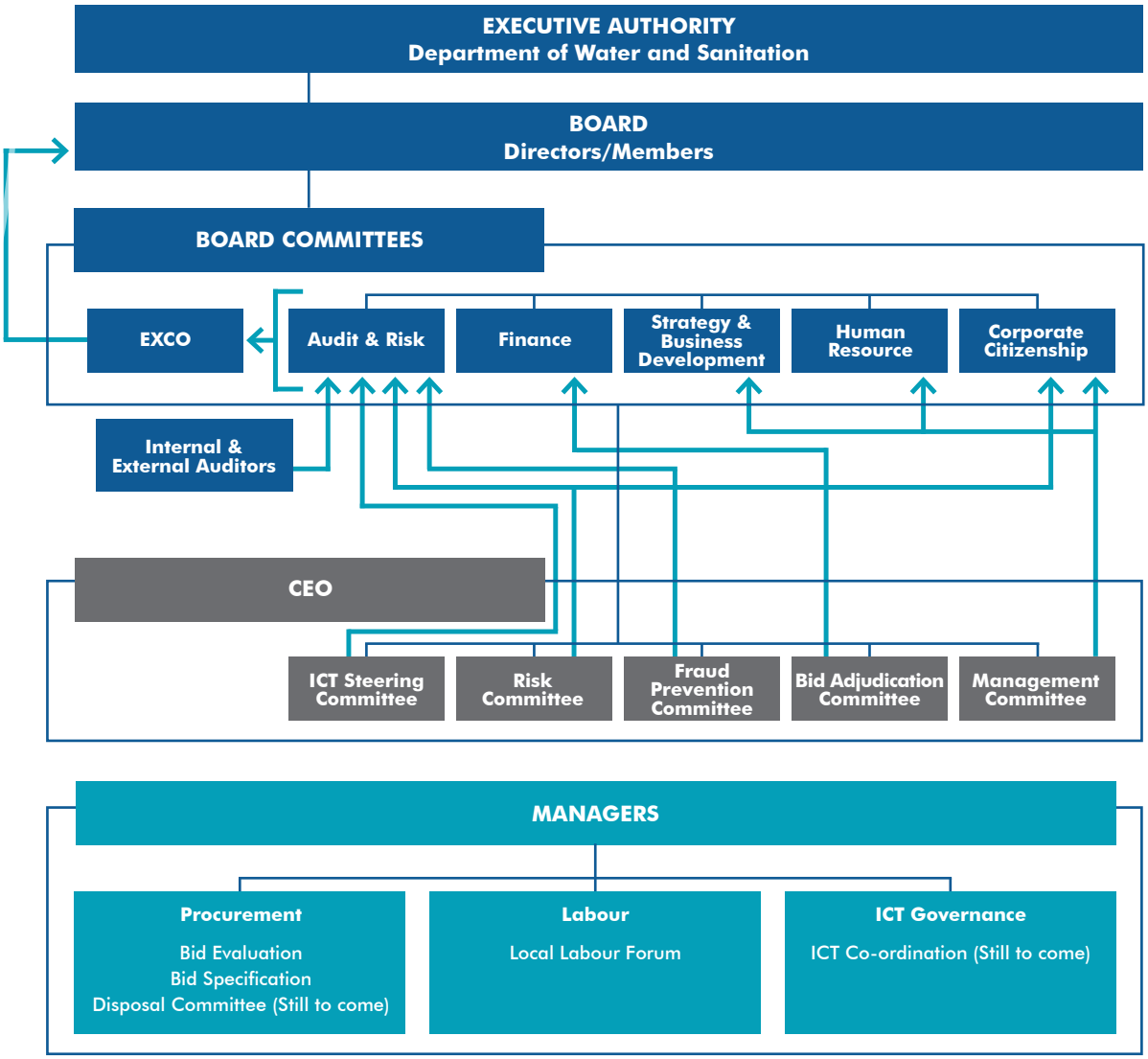


Diagram 6.1 : Hierarchy tiers and Reporting lines strategic and operational levels.

Corporate Governance at a Strategic Level

Introduction

Corporate Governance embodies processes and systems by which public entities are directed, controlled and held to account.

In addition to legislative requirements based on a public entity's enabling legislation, corporate governance is applied through the precepts of the PFMA and runs in tandem with the principles contained in the King III Report on Corporate Governance which is effective through the Protocol on Corporate Governance.

Parliament, the Executive Authority (the Department of Water and Sanitation) and the Board of Amatola Water as the Accounting Authority, are ultimately accountable for ensuring good corporate governance is enforced at the Water Board. These governance structures are considered to be key stakeholders of the Water Board.

Each party accepts their role in ensuring Good Corporate Governance, and are committed to ensuring that the Water Board remains a Good Corporate Citizen.

The governance structure of the Water Board supports the ability to create value for the organisation over the short, medium and long term. This is done by ensuring effectiveness, showing commitment, staying relevant and up to date with developments and challenges within the environment and the impact of challenges and developments, having the right skills set and diversity. The structures in the governance framework enable the value creation for the Water Board to ultimately achieve its mandate.

From the below report one can note that the leadership structures, based on skills and diversity influence the design of the governance structures. The governance structures are informed by the strategy and primarily by the legislative requirements and best practices. The Amatola Water in aiming to be a good corporate citizen has been has implemented governance practices that exceed legal requirements and that is recommended by the King Code on Good Corporate Governance.

This governance report is a culmination of the processes implemented, actions taken by the Board and Senior Management to influence and monitor strategy and risk. The overall approach by Executive and Non-Executive Directors are linked to the underline values of the Water Board of responsibility, excellence, integrity and accountability to ultimately achieve the vision and mission of the Water Board. It can be seen from risk management, compliance management, code of conduct, fraud prevention, conflict of interest, the Water Board management and Board can be see and has through their actions during the year, accepted responsibility for and accountability for ensuring that the values of the company are upheld, that the strategy of the company is achieved, and that the systems of the above are underlining to the performance of the objectives of the company so that ultimate stakeholder value is created.

Value Creation

The governance structure, the processes and procedures implemented underpin value creation, not only reviewing and improving areas requiring attention but by enforcing a structure that meets strategic need and linked to strategic focus. The value creation of the current structures can be reviewed through the financial and operational review reports in this Annual Report.

Sustainability

The impact of the governance structure can be indicated by the effectiveness and implementation and turnaround of decision making and resolutions taken. The Board through engagement with management has stressed and emphasized matter of procurement and transformation through its various committees. The impact of the directives given by the Board, has been reported under the financial sustainability section of this report and in particular around transformation.

Trend Analysis

This report covered the trend analysis of the Board and Board committees by looking into the number of meetings over the last two years.

Looking Forward

The Board is going to collectively review the delegations of authority matrix underpinning the governance structures in the coming year with the aim of ensuring effectiveness, and enhancing efficiency and ensuring ultimate best practice and legislative compliance.

PORTFOLIO COMMITTEES

Parliament exercises its role through evaluating the performance of Amatola Water Board, by interrogating the Water Board's annual financial statements and other relevant documents which have to be tabled as well as any other documents tabled from time to time.

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

Amatola Water Board had been invited by the Honourable Minister of Water and Sanitation to appear before the Water and Sanitation Portfolio Committee on various issues as depicted below.

Date of engagement	Type of engagement	Content	Follow up issues
October 2014	Orientation	Orientation Workshop	Not applicable
25 February 2015	Presentation	Annual report, AFS, and Performance Report for 13/14 financial year	• Report on the forensic investigation insisted by the Union • How we evaluated waste in improving efficiency and controlling water loss • Names of auditing firms.
29 April 2015	Presentation	Strategic objectives, performance indicators spending and budget allocation for 2015/16	Not applicable
3 June 2015	Presentation	Infrastructure Master Plan of Department of Water and Sanitation as it relates to the capital investment in new water and sanitation infrastructure for the entire value chain, including refurbishment of existing infrastructure and national water resource strategy 2 and inclusion of sanitation component. (Mid-term budgets for Capex)	Implementation of the RBIG and MIG projects in EC

Table 6.2: The table is a depiction of all the engagements with and the Portfolio Committee.

EXECUTIVE AUTHORITY

Oversight by the Executive Authority, the Honourable Minister of Water and Sanitation, rest by and large on the prescripts of the PFMA. The PFMA governs/ gives authority to the Executive Authority for oversight powers of the business enterprise.

The Executive Authority also has the power to appoint and dismiss the Board of the Public Entity and has further powers as set out in the Act. The Executive Authority must also ensure that the appropriate mix of executive and non-executive directors (who are board members) is appointed and that the Director has the necessary skills to guide the public entity.

The Executive Authority has met with the Board of Amatola Water on occasion and continuously engages with its public entity on various areas. The below are its strategic engagements however, it should be noted that operationally there are various other project steering committees overseeing project implementation and reporting feedback is facilitated therein.

The table below depicts the dates, type of engagement, content discussed and follows up issues raised between the Board and the Executive Authority. As can be seen from the table engagements with the Executive Authority are on-going and continuously throughout the year.

Date of engagement	Type of engagement	Content	Follow up issues
April 2014	Presentation	Bulk Potable Water Services	Not applicable
October 2014	Meeting CEO and Chairman of Board		Not applicable
November 2014	Discussions	Gender Transformation	Not applicable
March 2015	Meeting with the Board	General Operational feedback	Not Applicable
Quarterly reporting	Reporting	Shareholder performance	Board attendance and internal audit findings
Quarterly reporting	Reporting	Job Creation Report Youth Accord	Not applicable
On-going	Reporting	Various topics from parliamentary questions	Not applicable

Table 6.3: The table is a depicts engagements with Executive Authority.

THE ACCOUNTING AUTHORITY / THE BOARD OF DIRECTORS

The Board of Directors is the Accounting Authority (hereinafter referred to as the Board) of Amatola Water Board, The Board of Directors constitutes a fundamental base for the application of corporate governance principles in the organisation. Amatola Water Board is headed by and controlled by an effective and efficient Board, comprising of the appropriate mix of executive and non-executive directors representing the necessary skills to strategically guide the Water Board. The majority of the members are non-executive to ensure independent and objectivity in decision making. The Board has an absolute responsibility for the performance of the Amatola Water Board, and is fully accountable to the Executive Authority for such performance. The Board provides strategic direction to the public entity.

The mission statement of the Board's is to lead Amatola Water in the pursuit of the organisation's Corporate Vision and to assist it to fulfil its mandate of water services provision to the benefit of the Nation.

The Board is involved intimately with the creation of the strategy, and then with the documenting of the strategic risks. As custodians of risk and strategy they confirm commitment to creating value by contributing both skills and expertise to the creation of the strategic risk register and the strategy, setting the values and purpose and mission of the organisation.

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

The duties of the Board has seen captured in the Charter of the Board and grouped into three main functions that being strategic leadership and direction setting, risk management and control, and disclosure.

Primary role of the board is to ensure that the organisation succeeds in discharging its mandate of providing a full range of water services to improve the quality of life of citizens in a manner that is efficient and that complies fully with all relevant regulatory and policy requirements.

The Charter goes on to reiterate role of the Board as follows including but not limited to its role and duties as captured in the PFMA and WSA:

STRATEGIC LEADERSHIP AND DIRECTION	RISK MANAGEMENT AND CONTROL	DISCLOSURE
• Establish vision, mission and values, • Approve goals, strategy and policy, • Ensure organisational integrity • Ensure independence from any vested interest • Appoint the CEO in line with the Act.	• Identify and monitor business risks • Identify and monitor performance indices • Ensure effective system of control • Focus on technology and systems • Review "going concern " status • Ensure legal and regulatory compliance • Ensure proper use and protection of assets • Monitor and reward management performance • Ensure management succession planning	• Ensure an effective communication between the organisation and its internal and external stakeholders • Ensure balanced and meaningful reporting, providing a fair reflection of the organisation's performance • Ensure transparency on any matters of significance, interest and relevance to stakeholders

Table 6.4: The table is a depicts the role of the Board.

Overall, the Board's responsibilities are as follows:

- hold absolute responsibility for the performance of Amatola Water Board;
- retain full and effective control over Amatola Water Board;
- to ensure that the Amatola Water Board complies with applicable laws, regulations and government policy;
- formulate, adopt, monitor, review corporate strategy, major plans of action, risk policy, annual budgets and business plans;
- determine policy processes to ensure the integrity of Amatola Water Board risk management and other internal controls;
- ensure that the shareholders' performance objectives are achieved;
- manage potential conflicts of interest;
- develop a clear definition of levels of materiality;
- present the financial statements and the assurance of integrity, objectivity and reliability of those statements;
- maintain integrity, responsibility and accountability;
- ensure efficiency and effectiveness of operations, optimum utilisation of resources, legal compliance, safeguarding of assets and the existence of sound and effective internal controls;
- ultimately be accountable for the process of risk management;
- review its own performance and that of the Chairman of the Board;
- review the annual report which contains disclosures around the sustainability of the organisation; and
- review collectively and individually through committees, the social, economic and environmental performance and impact.

Chairman of the Board

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

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

Board Charter

As recommended by the King III Code on Corporate Governance, the Board has a Board Charter setting out its responsibilities and sets out the overall responsibility of the Board Committees. These are captured above.
The Board Charter in the new financial year will be reviewed together with the entire governance structure to further ensure continued alignment with legislation, policy practices and to be benchmarked against best practice in the industry both national and internationally. To date the Board has continued compliance with the Board Charter and reviewed the terms of reference of Committees to ensure alignment with strategic objectives as required.

Composition of the Board

The Board is composed of the executive Chief Executive Officer, and 12 Non- Executive Directors. Currently there are three vacancies on the Board after the resignations of Board Members at the end of June of last financial year and early September of the financial year which is being reported in. Therefore; currently the Board has nine Non-Executive Directors. Of those nine Non-Executives, five are black females and four are black male representatives.

The Board of Amatola Water

Ms. Mlonzi

Amatola Water Committee
Chairman of the Board

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

Cllr. Koyo

Amatola Water Committee
Chairman Finance Committee and member of EXCO and Corporate Citizenship Committees

Cllr Koyo is the Executive Mayor of Chris Hani District Municipality and the Deputy Chairman of the South African Local Government Association (SALGA) in the Eastern Cape. He has extensive experience in finance, procurement and human resources. He holds a Bachelor of Agriculture degree from Fort Hare University and qualifications in the field of local government.

Prof. Louw

Amatola Water Committee
Chairman of Strategy & Business Development and EXCO and member of Finance Committee

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

Mr. Matika

Amatola Water Committee
Chairman of Human Resources Committee and member of EXCO and Strategy & Business Development Committees and Audit and Risk Committee

Mr Matika is a former councillor of Buffalo City Municipality Metro (BCMM) and has played a role in the South African Local Government Association (SALGA), having served as the Chairman of the SALGBC Executive Committee and an EXCO member in the Eastern Cape branch. He has an extensive background in union affairs, human resources management and labour matters.

Mr. Dzengwa

Amatola Water Committee
Member of Finance and Strategy & Business Development Committees

Mr Dzengwa, has extensive experience in business management, development finance and budgeting. He has Masters Degrees in Business Administration (MBA) and Public Administration (MPA). He has worked in senior management positions in renowned institutions such as ABSA Bank and the Development Bank of South Africa (DBSA). His early career started as a public service financial and budgeting manager in the Eastern Cape and in National Government. His most recent engagement was as the Head of Innovate Eastern Cape. Simphiwe has served in varioius leadership positions in community, student, youth and political organisations. He is a full member of the Institute of Directors and has vast experience in Board and Corporate Goverance matters.

Ms. Ramncwana

Amatola Water Committee
Member of Human Resources

Ms Ramncwana has qualifications in Organisational Development, Project Management, Navigator Leadership, as well as a Bachelor of Social Work degree and Honours in Industrial Relations and Human Resources respectively. She has been employed as a Human Resources Manager for Transnet Port Terminals in East London. She is currently the National Employment Equity and Employee Wellness Manager for Transnet National Ports Authority in their Head Office in Parktown.

Mr. Ngwekazi

Amatola Water Committee
Member of Human Resources and Corporate Citizenship Committees

Chief Ngwekazi is the head of Amabhele Traditional Community in Peddie. He is also a member of Nompumelelo Hospital Board. He is a teacher by profession with a Bachelor of Arts degree in Education. He has certificates of management in tourism and sport. He is deputy secretary of the Congress of Traditional Leaders in the Eastern Cape. He is also involved in the Rural Development Forum in the Rharhabe Kingdom. He is currently a member of Provincial House of Traditional Leaders, in the Eastern Cape.

Ms. Rulumeni

Amatola Water Committee
Member of the Audit and Risk Committee and Strategy and Business Development

Ms Rulumeni holds a bachelor's degree in Social Sciences and a post graduate diploma in Industrial Relations. She has a mixture of national and international experience in various areas including Strategic Mentorship and Coaching. She has worked for the German Technical Cooperation as Technical Advisor and has previously worked for the British Council in the United Kingdom as a Project Manager for British Investments in South Africa. She is currently involved in a Climate Change Project. Ms Rulumeni is a Public Representative and a PR Councillor for Buffalo City Metro Municipality.

Ms. Ncamiso

Amatola Water Committee
Member of Human Resources Committee

Ms Ncamiso is a Councillor and a former Speaker of the Council of Ndlambe Local Municipality. Her qualifications include a Teacher's Diploma from the Cape College of Education, an Advanced Certificate in Education from Rhodes University, a Certificate in Executive Leadership Municipal Development Programme from the University of Pretoria and a Local Government Law Administration Certificate from the University of Fort Hare.

Mr. Billings (resigned September 2014)

Amatola Water Committee
Member of Finance Committee

Mr Lionel Billings has worked for companies such as Volkswagen SA, Telkom SA, and the Coega Development Corporation. He is currently employed with Business Partners as the Head: National Consulting Services and initially occupied the office of Chief Operating Officer for the Eastern Cape Division. At the Coega Development Corporation he was responsible for international investment promotion and business development as manager in the Metals Unit.
His qualifications include BComm Acc, BComm Acc (Hons), and he qualified as a chartered accountant with the South African Institute of Chartered Accountants (SAICA) after serving articles with KPMG.
He is a member of South African Institute of Chartered Accountants and has served on the Equity Development sub-committee for the Eastern Cape, as well as a member of the district association representing members in commerce and industry.

Mr. Makibinyane

Amatola Water Chief Executive Officer

Lefadi Makibinyane is the Chief Executive Officer of Amatola Water. He joined Amatola Water in Feb 2015 from the Consulting Engineers South Africa (CESA), where he also served as CEO. Makibinyane is an accomplished Engineer and executive, having worked in various leadership positions in both public and corporate institutions, including the City of Tshwane Metropolitan Municipality; Fieldstone Africa; Industrial Development Corporation of South Africa (IDC), the South African Breweries (SAB), and SASOL, among others.He holds an Honors Degree in Chemical Engineering from the University of Teesside, Middlesbrough, in the United Kingdom, a post Graduate Certificate in Project Management as well as Masters in Business Leadership from the University of South Africa's School of Business Leadership, in Pretoria. He also serves as a non-executive director on the Boards of Rand Water, the Construction Industry Development Board (CIDB), the Gauteng Partnership Fund and also as a member of the Presidential BBBEE Advisory Council.

Board Appointment

All Board Members or Non-Executive Directors are appointed by the Honourable Minister of Water and Sanitation as per the Act. The Board Members appointment to office is for four years with a maximum of three terms. The Board was advised by the Honourable Minister that their term would be in full force and effect until the new board was appointed. The Act sets out the criteria which the nomination committee considered when recruiting for the Board selection.

In table 4 the initial appointment dates of the non-executive members, together with qualification/ expertise areas and demographics are set out.

Board Attendance

The Board has shown commitment in ensuring they achieve their objectives by also ensuring that they monitored their attendance to board meetings as a deliverable on the performance scorecard of the organisation. The Board has proved to have attendance resulted in 1st quarter of 85%, in 2nd quarter 73%, in 3rd quarter 56%, and in 4th quarter 78% as the performance for the financial year. The Board urged its members to maintain the desired 80% as directed by the Honourable Minister. The Board had continued to strive to achieve the desired outcome and confirmed its commitment as the year rolled out.

Name	Initial Appointment Date	Qualifications Areas of Expertise	Race	Gender	Number of meetings total	Number of meetings attended
N. Mlonzi	01:02:2006	B. Proc; LLB, Honours in Business Administration, – areas of expertise law	Black	Female	7	5
L. Louw	01:02:2006	National Secretarial / Tourism Certificate; Bachelor in Commerce; Honours in Business Economics; Master's in Business Economics, Doctorate in Business Management.	White	Female	7	4
K. Ncamiso	01:02:2010	Diploma Primary Teaching, Advanced Certificate in Education, Executive Leadership Municipal Development Programme, diploma in local governance law and administration	Black	Female	7	6
N. Rulumeni	01:02:2010	Bachelor Social Science including courses on Project Management; Various legislation; Performance Management; Strategic Management	Black	Female	7	6
Z. Ramncwana	01:02:2010	Diploma in Labour Law, Advanced Program in Organisational Development, Fundamentals for project management, Navigator leadership development program, EAP Certificate, BA Social Work Honours – areas expertise HR and Labour	Black	Female	7	4
M. Matika	01:02:2002	Advanced arbitration conflict management, Local Government Finance, Councillor Development, King II and King III	Black	Male	7	6
M. Koyo	01:02:2002	Diploma in Agricultural Extent and Rural Development, Diploma in Agriculture, Masters in Business Administration	Black	Male	7	4
S. Dzengwa	01:02:2010	Masters in Business Administration, Masters in Public Administration, Bachelor of Arts – Honours, Bachelor of Arts	Black	Male	7	6

Name	Initial Appointment Date	Qualifications Areas of Expertise	Race	Gender	Number of meetings total	Number of meetings attended
S. Ngwekazi	01:02:2010	B.Arts in Education Certificate in sport and tourism management areas expertise human resources and labour issues	Black	Male	7	7
L. Billings (resigned 2 Sep 2014)	20:11:2011	CA(SA)	Coloured	Male	2	0

Table 6.5: Attendance to the Board Record

Outgoing Board and Resigned Members

The following are non-executive board member resigned during the period of the financial year 2014/2015. Upon resignation notice, the process undertaken by the Chairman was to immediately notify the Honourable Minister. The immediate response of the Board was to ensure that no skills and competency gaps were experienced on committees and the reshuffling of the appointments of the members where undertaken. The impact of the resignation was minimal and mitigated by the reshuffling of the board members on representative committees.

Name	Designation (in terms of the Public Entity Board structure)	Date appointed	Date resigned	Qualifications	Area of Expertise	No. of Meetings attended
L. Billings	Board Member and ARC Member	12 December 2011	2 September 2014	CA (SA)	Accounting, Business Finance, Auditing	0

Table 6.6: List of non-executive board members resigning or outgoing during.

New Appointments

There have not been any new appointments to the Board during the Financial Year 2014/15. It is common knowledge that the Executive Authority was in the process of appointing a new board and the current Board's membership remains valid until the new board is appointed.

Induction and Training of Non-Executive Directors

All Board members are expected to have the background knowledge and skills to fulfil their role, which is verified in the process of selecting Board Members, as per the policy on board practices set out by the Executive Authority.

All new board members upon appointment are trained on Corporate Governance, by the Executive Authority. The principles around training interventions are set out by and in the policies of the Executive Authority together with the approval requirements and remuneration allowances.

Training needs are identified in line with relevance to the Board and from time to time reviewed by the Board. All training needs and training is reviewed by the Chairman of the Board for approval prior to engagement. Training needs are identified in line with achieving the objectives of the terms of reference of the Committees and the Board Charter. Examples of training areas are new legislation applicable to Water Boards, DWS policies/ practices applicable to Water Boards, industry / region related changes or developments. These training interventions are yet to be implemented and subject to approval and budgetary allowances.

A formal training programme for board members would be identified and approved together with budget allocations confirmed prior to engaging with training. The process above is captured in a policy on Board Practices by the Executive Authority.

Remuneration of Board Members

The remuneration of the members of the board is determined by the policy regarding board practices and remuneration of board members set out by the Executive Authority. Those members that are not remunerated in accordance with this policy are the independent members of the Audit and Risk Committee as they are determined in terms of an agreement between the Chairman of the Board and the member of the ARC in consultation with the board. The Board members' travel allowances and any other expenses are all covered in terms of the policy from the Honourable Minister. The below report reflects the emoluments of the board memebers. Due to this report reflecting 2013/14 results, resigned members are also reflected.

Name	Board Meetings	Travel and Other Reimbursements	2015 Totals	2014 Totals
NR Mlonzi - Chairperson	51 913.87	-	51 913.87	42 299.03
L Louw	68 518.43	1 331.44	69 849.87	103 208.27
M Koyo	49 147.35	2 143.12	51 290.47	42 514.23
S Somyo	-	-	-	25 892.34
M Matika	86 152.90	11 618.20	97 771.10	112 470.73
S Ngwekazi	56 017.87	17 652.32	73 670.19	51 246.13
N Hackula	-	-	-	27 696.73
N Rulumeni	63 886.12	854.40	64 740.52	39 531.02
Z Ramncwana	48 194.46	753.00	48 947.46	70 300.41
S Dzengwa	50 274.26	17 982.73	68 256.99	59 610.61
KC Ncamiso	54 766.70	14 929.80	69 696.50	39 515.68
L Billings	-	-	-	10 224.74
Total	**528 871.96**	**67 265.01**	**596 136.97**	**624 509.92**

Table 6.7: Non Executive Board Members' Emoluments for year ended June 30 2015

Performance of the Board

The board undertakes and annual performance review which is done by the chairman in line with the performance toolkit provided by the executive authority. The chairman of the board is also assessed based on performance. These reports are to be submitted to the Honourable Minister.

Each member's contribution to the board and committees are individually evaluated annually. The committee chairpersons will submit to the Chairperson of the Board their assessments of the contributions of each member including the attendance of the committee meetings. The assessment of the performance of the committee chairperson is done by the members of the committee and submitted to the Chairperson of the Board. The performance of the Chief Executive will be monitored by the Executive Committee of the Board or its subcommittee.

The performance of the Board's Chairperson will be evaluated by the members of the Board. The Board will regularly review its mix of skills and experience in order to assess the effectiveness of the Board as a whole. A consolidated report on the performance of the Board and its members will be compiled by the Chairperson for submission to the Honourable Minister at the end of each year of the Board's term of office

Succession Planning

Succession planning has to be considered at both the Board and Management Level. The Executive Authority when appointing the board of directors considers succession planning. This is as per the recommendations of King III principles. The Management of the Water Board has a recruitment policy which they implement for the hiring of staff, and has a performance agreement and performance management policy which allows for personal development plans. Succession planning is encouraged although there is no promise of actual promotion or hiring, planning is seen as essential for development and furthering employee happiness. Specific policies in this regard are available.

Company Secretary

Due to the nature of the Amatola Water Board the company secretary does not do annual returns as per the Companies Act requirement.

The Company Secretary provides support to the Board as follows:

- Guidance to Board members related to the discharge of their duties;
- Development of systems, processes and procedures to support the Board;
- The induction of new Board members;
- Updating the Board on new and relevant legislation;
- Guidance on ethics and good governance and
- Assists the Board as custodians of good corporate governance
- Management of the enterprise wide integrated risk model and legislative compliance model.

The Company Secretary is the custodian of all governance, ethical and risk and compliance matters in the organisation and is a central link between the Board and the Management Committee of the organisation, providing guidance to the board and its sub-committees on the manner in which to discharge their responsibilities, as well as providing advice and support the Management Committee on all governance, ethical and legal matters in the organisation. It is recognised that all the functions falling with the Company Secretary area are oversight functions. The Company Secretary has a direct reporting line to the Board and administratively reports to the CEO.

The Company Secretary is available to all the Board members, all the time, to provide assistance, guidance or advice, independently. Though the Company Secretary attends board meetings in an advisory capacity, the

Company Secretary is not a member of the board of directors and ensures an arm's length relationship with the board and its members.

Board Committees

Since a Board cannot attend to all the matters effectively it is recommended that the establishment of the following committees:

- Executive Committee
- Audit and Risk Committee;
- Human Resources Committee;
- Corporate Citizenship Committee;
- Finance Committee; and
- Strategy and Development Committee

Board Members sit on various committees to ensure cross pollination and adequate transfer of skills and prevent pockets of skills in one focus committee. The skills set for the various board members and the requirements of that committee have been taking into consideration when determining committee representation to ensure best value addition. To enhance value creation you will notice form the committee structure that processes and policy have been put in place to monitor the culture of the organisation and the attitude to risk and mechanisms for addressing integrity and ethical issues.

The responsibility for sustainability reporting vetting is not specifically documented in Terms of References but the collective responsibility for ensuring reporting on risk matters and general matters relating to social, economic and environmental aspects are divided throughout the Board Committees, with specific escalation mechanisms put in place. The Board Committees reports to the Board in each and every board meeting and where these items are tabled is therefore escalated if there are critical concerns identified by committees. To date no matters of critical concern has been escalated to the board based on economic, environmental and social matters of sustainability.

It should be noted that the Terms of Reference of all Committees are approved by the Board and is reviewed periodically. The Committees Chairman's, report to the Board quarterly on the performance of the Committee and the matters arising from those Committees. The terms of reference dictates the matters that are within the powers of the Committee to approve and the matters for escalation. The impact of having a governance structure with board committees that focus on strategic implementation and sustainability requirements is that efficiency in decision making is achieved. The impact on making decisions ultimately impacts on the decisions taken by the operations of the Water Board.

EXECUTIVE COMMITTEE

The Executive Committee is responsible for the monitoring of the execution of Amatola Water's strategy and adherence to broad governance policy in delivering the core business of the organisation. It deliberates on issues relating to business planning and monitors business and executive performance. It also discharges any powers delegated to it by the Board.it is the primary governance structure dealing with major, on-going leadership matters in the company with further ensuring emphasis on the oversight mandate in its terms of reference. It is empowered to consider and give more intensive attention to the priority business matters, remuneration matters and top strategic concerns of the organisation. This allows it to lend enhanced leadership direction and support MANCO in management of the day-to-day operations on the water board.

The following is a table depicting the demographics and the attendance record of the committee.

Name	Area of expertise	Race	Gender	Number of meetings total	Number of meetings attended
L. Louw	Business strategy	White	Female	1	1
N. Mlonzi	Law	Black	Female	1	1
M. Maktika	Public Sector	Black	Male	1	1
Koyo M	Public Sector	Black	Male	1	1

Table 6.8: Table depicts the Executive Committee members skill/demographics and attendance.

Trend Analysis

Years	Number of meetings	Key issues
2012/13	2	General issues raised by the Board.
2013/14	1	Matters raised by the Union which was then escalated into a forensic investigation reported in the Ethics Report.
2014/15	1	CEO appointment

Table 6.9: Table depicts number of issues and trend analysis.

Going Forward

Going forward when the governance structure is reviewed the role of the Executive Committee would be reviewed.

AUDIT AND RISK COMMITTEE

The audit and risk committee assists the Board in fulfilling its oversight responsibilities. The audit committee reviews the financial reporting process, the system of internal control and management of financial risks, the audit process, the process for monitoring compliance with laws and regulations and its own code of business conduct And the Fraud Prevention Strategy. In performing its duties, the committee maintains effective working relationships with the Board of directors, management, and the internal and external auditors. To perform his or her role effectively, each committee member obtains an understanding of the detailed responsibilities of committee membership as well as the company's business, operations, and risks.

The oversight responsibilities of the Audit and Risk Committee, in line with PFMA and Treasury Requirements, cover the following areas:

- General Financial Reporting
- Annual Financial Reporting
- Internal Audit
- External Audit
- Risk Management
- Compliance with laws and regulations
- Compliance with Code of Conduct of Amatola Water
- Fraud Prevention Strategy
- Reporting Responsibilities and Other responsibilities

The audit and risk committee ensures that they host in – committee sessions to exercise independence freely, and have room to discuss confidential matters. ARC extended these sessions to internal audit, external audit and management independently of each other. These sessions are then reported on where necessary to the board.

The specific approval delegations that the committee has is to:

- Review and approve the annual internal audit plan.
- Review and recommend to the Board the appointment, replacement, reassignment, or dismissal of the outsourced internal auditor (where the Board has delegated this authority to the committee, the committee can approve such actions, which must also be consistent with organisational supply chain management practices).
- Review and approve the annual internal audit budget and final fee.
- Approve the conducting of forensic investigations, as deemed necessary by the Committee.

The Composition and Duties of the Audit Committee are in compliance with the PFMA requirements. The Audit Charter is reviewed annually with the aim of improving the Charter to ultimately achieve best practices recommended.

Name	Qualifications	Independent External Member or Board Member	Race	Date appointed	Date resigned	Gender	Number of meetings total	Number of meetings attended
K. Mockler	CA(SA)	Independent Non Board Member	White	01 Jul 2010	Not Applicable	Male	5	5
G. Spalding	B. Accounting CA(SA)	Independent Non Board Member	White	01 Jul 2013	23 Oct 2014	Male	1	1
L. Mangquku	CA(SA), MBL, Advanced Company Law I & II	Independent Non Board Member	Black	01 Jul 2013	Not Applicable	Male	5	2
S. Bruce	CA(SA)	Independent Non Board Member	White	01 Nov 2014	Not Applicable	Male	3	2
N. Rulumeni	Bachelor of Social Science	Board Member	Black	01 Feb 2010	Not Applicable	Female	5	4
M. Matika	Advance Certificate in Arbitration	Board Member	Black	23 Oct 2014	Not Applicable	Male	5	3

Table 6.10: The following is a table depicting the demographics and the attendance of the committee.

Key activities undertaken by the audit committee in this financial year of reporting is to actively start engaging with performance reviews of internal audit and internal audit charter, and reviewing internal audit reports, engaging with the internal audit plan, engaging with management reports including contingent liability reports, engaging with risk and compliance management, and engaging with external audit and reviewing its own terms of reference. Over and above that the ARC spearheaded the roll out of the integrated annual report and sustainability reporting with the ultimate aim of achieving global reporting standards and full disclosures in line with national reporting templates.

Mr. Mockler	Mr. Mockler is a Chartered Accountant with extensive experience. His expertise boasts exposure through a myriad of private and public entities. He was the CEO of South African Institite of Chartered Accountants, and was a SA representative on the council of the International Federation of Accountants. He served on various boards and audit committees, including but not limited to Mpumalanga Gambling Board, South African Qualifications Authority, Profmed, South African Dental Association and National Development Agency.
Mr. Bruce	Mr. Bruce is a Chartered Accountant (SA), has vast and broad experience in external audit, business risk, taxation, financial statement analysis and management consulting.
Mr. Spalding	Mr. Spalding qualified as a Chartered Accountant in 2008. His experience covers grounds from being a forensic auditor to director as he climbed the corporate ladder. He has vast experience in internal audit throughout various public sector departments.
Mr. Mangquku	Mr. Mangquku is a Chartered Accountant (SA). His expertise include finance and investment management, capital raising, deal structuring and project management together with mergers and advisory services. His qualifications include a Masters in Business Leadership.

Table 6.11: The following is a short synopsis of the ARC independent member profiles.

Trend Analysis

Years	Number of meetings	Key issues
12/13	3	Annual Report / AFS/ Internal and External Audit Reports
13/14	6	Annual Report, AFS, Irregular Expenditure
14/15	5	Irregular expenditure, annual report, integrated reporting, non-conformance report.

Table 6.12: Trend Analysis.

Value Addition

There are value addition as an oversight player ascertained from various internal and external reports.

Going Forward

Going forward the committee anticipates engaging more with the committee work plans and performance reviews of the committee by the committee, improving quality reporting of sustainability and integrated reporting and improving on internal auditing scope and ultimately aim to achieve combined assurance.

HUMAN RESOURCES COMMITTEE

The Human Resources Committee is responsible for Remuneration and Human Resource matters. Its activities are geared towards aligning Amatola Water with South Africa's national vision of an effective, efficient and progressive public sector organisation.

The primary functions of the Committee are to:

- Oversee the formulation of policy relating to organisational transformation and human resources, issuing recommendations concerning policy implementation and/or policy revision, as appropriate;
- Guide and monitor the implementation of transformation and HR programmes within the organisation; and
- Report to and advise the Board on all findings and or recommendations pertaining to its work.

As part of the 20 year Board Strategy (2013/2033) this committee also has an oversight role to ensure that management reports cover the Employee and Leadership Development outcomes. The five (5) year objectives of this outcome are:

- Enhanced Strategic Effectiveness
- Build Cross-Functional Excellence/ Effectiveness
- Develop Operational Competence (individual)

In addition to the above the HR Committee focus on the following issues:

EMPLOYMENT EQUITY

- Monitor implementation of the Employment Equity Plan of the organisation, examining the progress made towards attainment of targets and the implementation of methodologies and strategies.
- Compile assessments of the market and any other factors that influence the progress of transformation initiatives and report back on these matters to the Board, issuing the Committee's comments and/or recommendations, as appropriate.
- Closely monitor the profile of all persons appointed to vacant posts in the organisation (including internal promotions).
- Ensure that all legal requirements regarding the submission of Amatola Water's Employment Equity Plan are complied with.
- Receive a report on Amatola Water's Employment Equity status and or report from the Employment Equity -committee.

REMUNERATION

- Evaluate Amatola Water's rates of remuneration
- Evaluate Amatola Water's rates of remuneration to compare the competitiveness of Amatola Water's total remuneration package to those of other role players.
- Report back to the Board and comment and/or make recommendations if necessary regarding Amatola Water's remuneration structure.

TRAINING AND DEVELOPMENT

Amatola Water recognises the importance of its stakeholder the employees and their personal development, and in so doing the HRC is discharged with responsibilities under this section.

- Assess the organisation's training needs;
- Prioritise the training programme in order to meet the strategic objectives of the organisation and its operational requirements, as well as its employee development and employment equity needs;
- Ensure that Training and Development activities complement the implementation of (or form part of) the organisation's Performance Management System
- Any other issue that impacts on Human Resources practices at Amatola Water.

EMPLOYEE WELLNESS

- Consider and investigate the wellness of employees in the organisation and formulate advice and recommendations concerning suitable interventions to address wellness matters in the promotion of employee wellness. Its work in this regard shall have reference to:
  - Employee benefit schemes
  - Diversity
  - Industrial Relations: The Committee considers and articulates broad parameters for Amatola Water's Management Negotiation Team to reference in matters relating to negotiations with employee unions (and particularly those relating to the allied conditions of service and remuneration of Amatola Water's employees).
  - HIV/AIDS and other health programmes
  - Other wellness programmes

The committee approves in terms of special delegations: all HR related strategies and plans aligned to the HR policies already approved by the Board

Name	Qualifications	Race	Gender	Number of meetings total	Number of meetings attended
M. Matika	Labour Relations	Black	Male	5	5
S. Ngwekazi	Public Sector	Black	Male	5	4
Z. Ramncwana	Human Resources Management and Labour Relations	Black	Female	5	4
KC Ncamiso	Public Sector	Black	Female	5	5

Table 6.13: The table depicting the demographics and the attendance of the committee.

Performance of this committee is addressed annually and the committee reports quarterly to the Board. The management reports on the strategy intervention and their activities against the strategic intervention to this committee.

Trend Analysis

Years	Number of meetings	Key issues
12/13	3	General
13/14	5	General
14/15	5	Employee wellness

Table 6.14: The table depicts the trend analysis over years in respect of number of meetings and key issues.

Value Addition

For the direct value addition of this Committee on Operations referred to the Human Resources Section of this report.

Going Forward

In the year ahead the committee wants to focus on further enhancing its value creation within Amatola Water by focusing on corporate culture and employee wellness and performance against predetermined objectives linked to this quadrant.

CORPORATE CITIZENSHIP COMMITTEE

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

The role of the Corporate Citizenship Committee is to assist the Board in fulfilling its oversight responsibilities. The focus of the Committee is on matters relating to, or having a bearing on the overall corporate citizenship of Amatola Water. The responsibility for the formulation of related policies and strategies will be assigned to this committee. The Corporate Citizenship Committee focuses on a range of matters which will relate to, or have a bearing on the image of Amatola Water as a responsible citizen capable of responding to its environment in a holistic manner including relationship management with stakeholder, suppliers and service providers.

Amatola Water recognises that corporate citizenship is about the contribution an organisation makes to society through its core business activities, its social investment and philanthropy programmes and its engagement in public policy. The manner in which the organisation manages its economic, social and environmental relationships and the way it engages with its stakeholders such as the Board, employees, clients, business partners, government and communities has an impact on the organisation's long term success. This broad overview will guide the activities of the Committee.

As part of the 20 year Board Strategy (2013-2033) this committee will also have an oversight role on any matters relating to the Stakeholder Support and Community Sustainability.

The main objectives are to:

- Strengthen and deepen of relationships with Statutory, Contracted and Non statutory stakeholders;
- Contribute to descent standard of living in support of rural livelihoods and
- Provide services and invest in technologies or systems in an environmentally responsible and sustainable manner

More Specifically the committee functions are:

- Providing effective leadership based of ethical foundations.
- Ensuring that Amatola Water is, and seen to be a responsible corporate citizen by having regard to not only the financial aspects of the business of the organisation but also the impact that business operations have on the environment and the society within which it operates.
- Ensuring that the organisations' performance and interaction with its stakeholders is guided by the Constitution, the Bill of Rights and best practice in terms of good governance

- Ensuring that collaborative efforts with stakeholders are embarked upon to promote ethical conduct and good corporate citizenship.
- Ensuring that management develops corporate citizenship policies
- Ensuring that Amatola Waters' corporate citizenship commitment covers areas such as community investments, internal citizenship and human rights.
- Providing guidance on the promotion of corporate citizenship that is based upon a coordinated approach coupled with local flexibility taking into account the diverse cultures in which Amatola Water operates.
- Review a report on the Declaration of Interests which should completed and approved as follows:
    - Chief Executive's and the Board Members' declarations to be approved by the Chairman of the Board;
    - Company Secretary's and Directors' to be approved by the Chief Executive and all other employees to be approved by the relevant Divisional Directors.
- Social Responsibility Project donations linked to current and potential clients exceeding R500 000 which relates to the core business of Amatola Water.
- Any donations to Department of Water and Sanitation exceeding R500 000.
- Monitoring the overall BBBEE organisational scorecard.
- Monitoring safety and health management plans of the organisation and monitoring the environmental management plan of the organisation.

Name	Area of expertise	Race	Gender	Number of meetings total	Number of meetings attended
M. Koyo	Finance	Black	Male	3	3
S. Ngwekazi	Public Sector	Black	Male	3	2
N. Rulumeni	Public Sector	Black	Female	3	3

Table 6.15: The table depicting the demographics and the attendance of the committee.

Performance is reviewed by chairman and assed annually. Committee reports to the board quarterly. The management reports on the strategy intervention and their activities against the strategic intervention to this committee.

Trend Analysis

Years	Number of meetings	Key issues
12/13	4	Independent verification of declarations and corporate citizenship policy.
13/14	3	Environmental responsibility.
14/15	3	Independent declarations and environmental sustainability

Table 6.16: Trend analysis over years of key issues and number of meetings.

Value Addition

The value addition of this committee can be assessed from the Review of the Operations section of this report.

Going Forward

It is anticipated that the CCC becomes the Social and Ethics committee with a more focused approached to reporting and delegations for the reporting on economic, environmental and social dimensions of operations.

FINANCE COMMITTEE

The focus of the Finance Committee is on all matters which relate to, or have a bearing on the overall financial management and performance of Amatola Water. Its tasks include review of budgets, treasury activities, procurement, and optimum debtors' management.

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

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

The main objectives are to:

- On-going strengthening of Balance Sheet to sustainable services (Ratios)

- Surplus per financial year contribution to build reserves and infrastructure investment
- Explore sourcing of funding alternatives for infrastructure development
- Sustainable and affordable Tariff
- Reliable infrastructure
- Upgrade plants to provide minimum 5 megs per day
- Influence Provincial Water Infrastructure Sector Plan (Master Planning)
- Minimise production and distribution water losses

The Finance Committee focuses on a range of matters, which relate to, or have a bearing on, the overall financial management and financial performance of the organisation. As a committee, it is accountable to the full Board of Amatola Water for its decisions and will operate within the Terms of Reference given below.

The Committee should meet at least once per quarter to deliberate issues and formulate responses and instructions on:

- Issues relating to the financial budgeting of the organisation including the preparation of Annual Operating and Revenue Budgets and periodic Budget Reviews;
- Policies and measures adopted to effect full cost recovery by the organisation and optimum management of bad debt;
- Policies and strategies relating to Treasury activities undertaken by Amatola Water, including its involvement with the securing and disposal of investments and the conclusion of long-term loan facilities and agreements.
- The review of Amatola Water's Quarterly Financials prior to these being presented to the Board.
- The Committee will also monitor the implementation of the set Procurement and BBBEE Targets and will make recommendations regarding the further refinement and implementation of Supply Chain management procedures;
- Special meetings may be convened to deliberate on any matter relating to these terms of reference that may arise in the interim between scheduled meetings.
- Provide guidance on the assessment and analysis of the risks inherent to PPP projects.
- Guide the formulating and negotiating of the terms and conditions of investment agreements.
- Project financing and borrowings for business development within the approved business plan

The committee's delegated authority includes approving:

- Framework for Annual Bulk Water Tariffs increases
- Bad debt write-off for bulk supply contracts
- Restriction of supply of water for bulk supply contracts
- Disconnection of supply of water for bulk users
- Reversal of interest for amounts exceeding R 250 000
- Investments with new financial institutions
- Sureties using moveable assets
- Opening bank accounts with new institutions
- Bank account signatories
- Unbudgeted expenditure exceeding R 500 000 of the total the Water Board budget
- Debt management

The following matters maybe discussed and recommended to the Board for approval:

- Any finance related policies and strategies;
- Annual budget and reviews.

Name	Area of expertise	Race	Gender	Number of meetings total	Number of meetings attended
M. Koyo	Finance	Black	Male	4	4
L. Louw	Strategy	White	Female	4	2
S. Dzengwa	Finance	Black	Male	4	3

Table 6.17: The following is a table depicting the demographics and the attendance of the committee.

Performance

Performance is reviewed by chairman and assed annually. Committee reports to the board quarterly. The management reports on the strategy intervention and their activities against the strategic intervention to this committee.

Trend Analysis

Years	Number of meetings	Key issues
12/13	4	General issues as per Terms of Reference
13/14	3	General issues as per Terms of Reference
14/15	4	Procurement BBBEE transformation

Table 6.18: The Trend Analysis of meetings and key issues.

Value Addition

The value addition of this committee can be assessed in the finance section of this report.

Going Forward

Going forward this committee's intention is to strengthen its oversight on performance deliverables as part of its terms of reference.

STRATEGY AND DEVELOPMENT COMMITTEE

The role of the Strategic and Business Development Committee is to assist the Board in fulfilling its oversight responsibilities. The specific focus of the Committee is on matters relating to, or having a bearing on strategic direction and general performance of Amatola Water including business development.

As part of the 20 year Board Strategy (2013-2033) the Strategy and Business Development committee will also have an oversight role on any matters relating to the Customer Satisfaction, Product Quality, Operational Resiliency, Operational Optimisation and Water Resource Adequacy.

The main objectives are to:

- Increased customer base and penetration (delivery options/ services)
- Improved customer satisfaction
- Ensure uninterrupted water supply services to customers
- Develop adequate systems, structures, policies and processes to enable strategy implementation
- As responsible public entity ensure strong Governance, Compliance, Risk and Fraud Prevention systems
- Adequate water security and assurance in support of water supply

The Strategic and Business Development Committee focuses on a range of matters, which relate to, or have a bearing on the strategic direction of the organisation. The Committee is accountable to the full Board of Amatola Water for its decisions and will operate within the Terms of Reference given below:

- Matters relating to the strategic business planning processes of the organisation across all business units and functions.
- Guide the development and implementation of the business strategy of the organisation as a whole.
- Oversee and guide adherence to the overall strategic plan, strategic objectives and corporate scorecard of the organisation.
- Monitor the implementation of the business plan.
- Monitor the implementation of the transformation process plan.
- Provide guidance to the Board on the strategic fit of the PPP in the context of the the Water Board mandate.
- Guide the formulating and negotiating of the terms and conditions of investment agreements.
- Guide the identification, evaluation and development of new business opportunities which are aimed at viability, profitability, sustainability and growth of Amatola Water.
- Guide the formulation and implementation plans, proposals and strategies in respect of future demand growth projections through the analysis of regional water sector plans.

- Provide guidance on the identification of target markets and development plans and strategies that focus on the primary and secondary activities of Amatola Water.
- Guide the development of a Marketing Strategy
- Provide guidance on the development and execution of a comprehensive key accounts management strategy
- The Committee to attend to any other matter of strategic nature referred to it by the Board.
- Also, the Strategic and Business Development Committee will exercise general oversight role in regard to Key Accounts Management aimed at fostering long term relationships to retain current business and create new business opportunities.
- Furthermore the Committee is mandated to recommend to the board submissions around strategic asset management and stakeholder partnership approaches. (Including the engagement of partners for innovative solutions to less cost.)

The Committee's delegations include:

- Approving the following:
  - Marketing Strategy
  - Key Account Management Strategy
- Monitoring and amending the Corporate Score Card
- Monitoring quality management plans of the organisation
- Assisting in the resolution of contract management disputes and challenges to ensure sustained business relationships.
- Assist in the Identification of key performance and risk areas.
- Assist in ensuring that the strategy will result in sustainable outcomes
- The Committee may consider Project financing and borrowings for business development (in line with the approved business plan) and provide input to the Audit and Risk Committee and the Finance Committee.

Name	Area of expertise	Race	Gender	Number of meetings total	Number of meetings attended
L. Louw	Strategy	White	Female	5	2
N. Rulumeni	Public Sector	Black	Female	5	4
M. Matika	Public Sector	Black	Male	5	5
S. Dzengwa	Finance	Black	Male	5	3

Table 6.19: Table depicting the demographics and the attendance of the committee.

Performance

Performance is reviewed by chairman and assed annually. Committee reports to the board quarterly. The management reports on the strategy intervention and their activities against the strategic intervention to this committee.

Trend Analysis

Years	Number of meetings	Key issues
12/13	4	General as per terms of reference
13/14	3	Stakeholder Management
14/15	4	Performance reporting, Strategy and Business Plan

Table 6.20: Trend Analysis.

Value Addition

The value addition of this committee can be assessed through the business model and strategy sections of this report.

Going Forward

Going forward its anticipated that the committee streamline its oversight responsibilities to further enhance the workplan of the committee.

DELEGATIONS OF AUTHORITY

In accordance with the WSA, the Board may delegate any operational power to:

- a committee of the board;
- its chief executive; or
- any of its employees.

This is done through the delegations of authority matrix.

The CEO is responsible for the environmental, economical, and social topics in the company. All these areas are collectively reported to the board through various aspects.

Going forward when the governance structure is reviewed the terms of reference of Committees would all be reviewed together including the delegations of authority. Annually management is requested to, comment on the operational applicability of the delegations of authority and advise on any further assistance the delegations of authority would be to facilitate with effectiveness and efficiency along the value chain.

THE CHIEF EXECUTIVE OFFICER (CEO)

The Chief Executive Officer consistently strives to achieve the organisation's financial and operational goals and objectives, and ensures that the day-to-day business affairs of the organisation are properly monitored and managed. He ensures continuous improvement in quality and value of services provided by the organisation, and that it achieves and maintains a satisfactory position within the water industry. He also fosters a corporate culture that promotes ethical practices, encourages individual integrity, and fulfils social responsibility objectives and imperatives.

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

- not to neglect to submit monitoring data required by the Board in a timely, accurate and understandable fashion, to keep the Board fully informed,
- take steps to make the Board aware of relevant trends, anticipate adverse media coverage and contemplate significant external and internal changes, and particularly changes in assumptions upon which any Board strategy has previously been established,

- Not to fail to advise the Board that it is not in compliance with its own policies on governance and delegation of authority, if, in the CEO's opinion, this is the case and especially in instances where such conduct of the Board is known to be detrimental to the working relationship between the Board and the CEO.

The CEO is contracted in terms of a performance agreement which is reviewed yearly and his appointment is for a period of 5 years subject to renewal for further terms.

The permanent CEO, Mr. L. Makibinyane, was appointed to office as of 1 February 2015. For the period of 1 July 2014 till 30 January 2015, Mr. M. Mziwa was the Interim CEO of Amatola Water Board.

Corporate Governance at Operational Level

To ensure good corporate governance is maintained there are various committees put in place at the operational level. These and the reporting lines are depicted in the Governance structure above in page 18.

These committees are:

- Manco
- Corporate Risk Committee
- Bid Adjudication Committee
- It Steering Committee
- Fraud Prevention Committee

Further committees below this level of management committee exist and they are independent in nature and reports or submits information to the above committees.

All committees are formally constituted and all have terms of reference and reporting lines to the CEO in his capacity of Accounting Officer.
Going forward these terms of references and the governance frameworks will be reviewed with an aim to create value to the key functions in the business. The IT Steering Committee Terms of Reference is currently being redrafted to be in line with IT Governance Principles to address an already realised need to enhance IT Governance in the company.

The Committees at operational level are in place to ensure independence and to maintain the integrity of decision making. The impact of having effective committees is efficiency in decision making. That is required especially in the business that demands quick response times to crises intervention.

THE MANCO

The Management Committee comprises the Chief Executive and four Divisional Directors and the Company Secretary in an advisory capacity. The core responsibilities of the Management Committee include the development and implementation of policies as well as managing the daily operations of the organisation in line with realising the strategic goals of the organisation. Management ensures that relevant legislation and regulations are adhered to and that adequate internal financial controls are developed, implemented and maintained. MANCO focuses on project reporting and critical areas, as well as areas highlighted by the Board and or Board Committees. All directors provide collective feedback to matters raised in this Committee. MANCO also meets with the Water Board Union representatives monthly and further engages the both extended management staff as required. Matters of Internal audit is not raised in a silo as the CEO encourages and requires Internal Audit to meet management also once a month to discuss reports, report status, and internal audit findings.

The MANCO

Mr. Msiwa

Interim Chief Executive Officer

Mr Msiwa is a professional Engineer holding among other qualifications a Masters Degree in Business Leadership (UNISA) and BSc Civil Engineering (Natal University). He is a former Chief Executive of Umgeni Water and has worked for various organisations including Nelson Mandela Metro (then Port Elizabeth Municipality). He specializes in the development and implementation of the Turn-Around Strategies in the water sector. He is currently retired and holds the position of Interim CEO at Amatola Water.

Mr. Makibinyane

Chief Executive Officer
Appointed 1 February 2015

Lefadi Makibinyane is the Chief Executive Officer of Amatola Water. He joined Amatola Water in Feb 2015 from the Consulting Engineers South Africa (CESA), where he also served as CEO. Makibinyane is an accomplished Engineer and executive, having worked in various leadership positions in both public and corporate institutions, including the City of Tshwane Metropolitan Municipality; Fieldstone Africa; Industrial Development Corporation of South Africa (IDC), the South African Breweries (SAB), and SASOL, among others. He holds an Honors Degree in Chemical Engineering from the University of Teesside, Middlesbrough, in the United Kingdom, a post Graduate Certificate in Project Management as well as Masters in Business Leadership from the University of South Africa's School of Business Leadership, in Pretoria. He also serves as a non-executive director on the Boards of Rand Water, the Construction Industry Development Board (CIDB), the Gauteng Partnership Fund and also as a member of the Presidential BBBEE Advisory Council.

Mr. Thompson

Planning and Development

Mr Thompson is a seasoned Professional Engineer with a vast experience in the public and private sectors. He holds a Bachelor of Science degree in Civil Engineering. His area of responsibility includes infrastructure planning, project development, scientific services and water resources.

Ms. Roboji

Corporate Services

Ms Roboji has over 15 years experience in the Corporate Services sphere obtained from working in various public sector institutions. She has post graduate qualifications in Industrial Psychology and Business Information Systems. Her areas of expertise include corporate services, strategy and policy formulation, knowledge management and ICT governance.

Mr. Bomela

Operations
Resigned 15 August 2014

Mr Bomela is a Professional Engineer responsible for operations, engineering, maintenance and physical asset management support. His qualifications include a bachelor's degree in Electrical Engineering from the University of Cape Town, a Master of Science degree in Electrical Engineering and a Masters in Business Administration from Stellenbosch University.

Ms. Gidana

Operations
Appointed 1 March 2015

Asanda Gidana is a civil engineering technologist, who has acquired a BTech in Civil Engineering as well as NQF8: Executive Development. She has a 16 years post-graduate experience in public and private sector experience in infrastructural development. She has been involved in contract administration and project and programme management of multi-disciplinary infrastructural projects and has worked with staff complement of more than 500 from illiterate to professional staff, thus strengthening her ability to manage human resources and broadening her understanding of people. She has accumulated sound expertise with respect to other key strategic areas critical within Public Sector Administration. She is also a Change Management Agent.

Mr. Govindsamy

Chief Financial Officer
Appointed 15 July 2015

Mr. Kevin Govindsamy is qualified Professional Accountant with a B.Com, M.Com and CIMA Diploma. He has extensive experience in the field of Accounting and Taxation. His experience includes both private and public sector companies including Tongaat Hullett, Kraft Foods, SABMiller and South African Revenue Services (SARS). His solid manufacturing experience will benefit and suit Amatola Water.

Mr. Dlamuka resigned 31 May 2014.

Adv. Singh

Company Secretary

Advocate Singh practices in the Amatola Water Board, as the Company Secretary responsible for Governance, Risk and Compliance. Her qualifications include an LLB and LLM (Masters in Maritime Studies) as foundational degrees. She commenced her private practice affiliated with the Kwa-Zulu Natal Society of Advocates, gaining experience in commercial, civil and criminal matters. She expanded her horizon by working in both National and Provincial Public Entities. She served as a Board member and an Audit and Risk Committee member in the Eastern Cape Information Technology Initiative and has collectively served on 19 various operational and oversight committees, which has enhanced her experience and knowledge in Governance, Risk and Compliance.

New Appointments to MANCO

The Director Operations was appointed on 1 March 2015 and the Director of Finance was appointed on 15 July 2015. The appointments were done after the Honourable Minister of Water and Sanitation had uplifted the moratorium that was placed on recruitment.

Performance driven

The MANCO demands high standards of reporting as a decision making body and also it monitors resolution implementation and matters arising implementation.

Remuneration and incentives

The Board is remunerated as per the policy dictated by the Executive Authority. The policy has been interpreted into procedure manuals for implementation within the operations of the Water Board. The management of the Water Board is remunerated in line with a remuneration policy and incentives are paid in line with a performance management system which is linked to the overall achievement of the strategy of the organisation.

The Water Board management acknowledges that performance management system requires a review to become an ultimately integrated performance system. Incentive bonuses are only paid upon approval of the board of the Water Board through the recommendation of the HR Committee.

The impact of incentives on the human, intellectual, social, relationship and financial have been considered when proposals are placed before the committee. The active engagement with the local labour forum also continues to enhance the policy development around these matters.

Over the last financial year the employees had a cross the company performance incentive, which was implemented in terms of the policy and followed the governance approval structure.

Name	Term	Cash Component/ Fees	Backpay	Vehicle Allowance Package+ Fringe Benefits	Re-imbursive allowances/ Upset Allowance	Family Cover, Disability and Group Life	Performance Bonus and Long Service Awards	AW Pension / Provident Package	Leave Payout	Medical Package	2015 Total	2014 Total
L Makibinyane: CEO	1 February 2015	864 906.05	-	50 747.00	30 000.00	8 635.65	-	109 375.00	-	8 750.00	1 072 413.70	-
Mr M Msiwa: Interim CEO	Contract Expired: 28 February 2015	1 265 792.40	-	-	103 051.16	-	113 921.57	-	-	-	1 482 765.13	1 972 002.64
C Thompson -Divisional Director: P & D		1 370 622.04	40 408.39	144 000.00	64 620.90	60 509.40	92 418.88	-	-	21 000.00	1 793 579.61	1 720 930.30
A Gidana - Divisional Director: Operations	1 March 2015	325 113.12	-	40 613.20	-	16 015.80	-	33 979.76	-	7 000.00	422 721.88	-
X Bomela- Divisional Director: Operations	Resigned 15 August 2014	152 946.16	-	33 437.51	29 530.32	9 867.40	-	-	183 672.97	3 500.00	412 954.36	1 848 980.76
Y Roboji - Divisiona Director Corporate Services		786 500.94	31 244.93	120 000.00	6 302.30	46 832.52	35 150.55	129 588.32	-	21 000.00	1 176 619.56	499 741.94
J Dlamuka - Divisional Director: Finance	Resigned 31 May 2014	-	-	-	-	-	-	-	-	-	-	1 422 106.15
TOTAL		**4 765 880.71**	**71 653.32**	**388 797.71**	**233 504.68**	**141 860.77**	**241 491.00**	**272 943.08**	**183 672.97**	**61 250.00**	**6 361 054.24**	**7 463 761.79**

Table 6.19: Renumeration of Directors.

Introduction

The Water Board values are:

- Accountability,
- Integrity,
- Responsibility, and
- Excellence.

The Amatola Water Board accepts that its value of integrity is intricately linked to ethical behaviour. The values of the Water Board are reviewed annually. In the financial year 2014/2015 the Board and Management retained the same values because they found the values to remain relevant for Amatola Water Board. It should be noted that during the sessions on unpacking the strategy and values the Union are invited and play an important part in the proceedings.
The Water Board acknowledges that the overarching Ethics Programme is in its infancy stages, but has been implemented through various individual initiatives undertaken. These initiatives are detailed in this report under the Fraud Prevention, Conflict of Interest and Gifts, Code of Conduct. The overarching Ethics Programme will be rolled out with the reviewed Fraud Prevention Strategy and Policy.

The Leadership of the Water Board has through those various initiatives undertaken by it, shown commitment to the value system of the Water Board, including entrenching those values in all aspects of doing business. The values of the Water Board have been implemented in the everyday business operations of the company. The value system remains alive through creating awareness of these values and by providing a portal for information and providing access to the governance officials for all staff to ask any ethical questions to.

The Water Board supports and it is committed to support the Ethics Principles covered in various South African legislation including the ethos of the Public Service Integrity Management Framework, and the King III Code of Corporate Governance, not only because of the nature of public entity, but because of the importance and impact of adversity in this area on the Water Board's stakeholders.

The function of Ethics Management is housed within the Office of the CEO, led by the CEO and Directors collectively. The function of Ethics Management at board level is the responsibility of the Board in its entirety, but reporting from Management Level emanates from the CEO through to the Corporate Citizenship Committee and the Audit and Risk Committee. More detailed reporting procedures are captured in the Fraud Prevention Strategy and Conflict of Interest Policies and the various terms of reference of the committees.

The Board of Amatola Water and Ethics Responsible Officials had shown and acknowledge the strong leadership commitment that sets a clear ethical tone which is critical to the success of the ethics management interventions. The Board of Amatola Water and Management acknowledges that various other interventions can be undertaken and is going to be undertaken; before the desired level of ethics is achieved in the company.

Value Addition

The ethical foundation of the workforce from the Board to the Staff of the Water Board, anticipates the value creation over a short, medium and long term. That value creation is to increase stakeholder consciousness and perception of the Water Board supported by the creation of awareness to enhance quality reporting of fraudulent activity and thus significantly reducing fraudulent activity. The activities reported herein under are considered to be integrated into management due to the approach taken on these initiatives. The monitoring of Ethic is done quarterly to the Audit and Risk Committee, which monitoring is enhanced by the independent nature of the Audit and Risk Committee.

Sustainability

The Water Board believes that in reporting on the organisations ethics management, and enforcing a strong ethics management programme, such should lead to an ethical culture and by implication improve the integrated sustainability of ethical behaviour within and by the Water Board. The impact of the programme of ethics management on the organisation can be identified by the number of the fraudulent activity within the company. The impact of the ethics programme will be fully appreciated after gap analysis and customer satisfaction are assessed.

Ethics Programme Implementation

The Ethics Programme which is in its infancy stage albeit all the various initiatives undertaken under ethics has been continuing over the years. The Ethics Programme has been earmarked to be achieved over the next financial year with the roll out of the new reviewed Fraud Prevention Strategy. The ethics initiatives under the programme currently being undertaken are individually discussed hereunder and are functioning effectively as reported below.

Trend Analysis

Trend analysis will be used to assist with this reporting, and is being used the first time. The trend analysis is reported in each section below.

Going Forward

To further endorse the commitment of the Board to anti-fraud practices and inculcating a culture of ethical behaviour, Amatola Water Management is committed to various initiatives / activities:

- Undertake ethics management gap analysis
- Implementing the overarching Ethics Programme
- Join an independent body for benchmarking and rolling out best practices – Ethics SA
- Ensuring annual training and awareness of staff on fraud, conflicts of interest, and ethics campaigns

- Truly asses the effectiveness of the ethics within the company after entrenching the ethics office.
- Ensure compulsory attendance to fraud and fraud prevention, ethics and conflict of interest workshops annually which ideally would be linked to Professional Development Plans.
- Test the overall impact of organisations actions of ethics on stakeholders perception

Fraud Prevention Strategy

Fraud is defined in the Water Board to be used in its widest possible meaning, and is intended to include all aspects of economic crime and acts of dishonesty. Specific types of fraud are defined in the Fraud Prevention Strategy and Policy. Amatola Water Board commits itself to the total combat of fraud and other acts of dishonesty. No Fraud against the Water Board would be tolerated. All allegations of fraud are investigated and all transgressors are brought to account through both the disciplinary and legal channels, to the fullest extent possible.

To capture and enforced the commitment of the Water Board to Fraud Prevention, the Water Board had implemented the Fraud Prevention Strategy. This strategy contains the Fraud Prevention Policy and the Fraud prevention procedures. Within this document the Fraud prevention approach and detecting and reporting fraud is captured. The detection and reporting of fraud is entrenched through the integration of the risk assessment and management, internal audit procedures, and the Fraud Response Plan. The strategy sets up a Fraud Prevention Committee which terms of reference is attached to the policy.

Reporting structures for fraud matters are escalated to the highest levels in the organisation and Board, through the Audit and Risk Committee. The independence of the evaluation of the reporting is enhanced by the independent members on the Audit and Risk Committee.

Currently there is an active fraud hotline independently run by Deloitte. The fraud hotline is confirmed to be active. All callers remain anonymous unless they choose to reveal with name. There is an escalation procedure which maintains the privacy of the report content and the reporter or whistle-blower and prevents contamination of results and investigations. All allegations / reports to the Fraud Hotline are investigated, first by the CEO and then where appropriate escalated for further internal or external investigations be it forensic in nature or desktop in nature would be determined based on the allegations made.

Reports of fraud and corruption is not only facilitated through the fraud hotline but also reports can be made to the

- Chief Executive Office,
- Directors,
- Company Secretary,
- Board
- Internal Audit
- External Audit and
- Audit and Risk Committee as appropriate.

All stakeholders are welcome to report fraud and where necessary being aware of sensitivity, the necessary escalation if required or action after investigation will be undertaken. Autonomy of the reporting structures and the confidentiality of whistle-blowers and disclosures will always remain paramount throughout the communications and investigations and actions taken.

Management creates awareness of fraud prevention through many means, new staff is inducted, posters are put up, policies are found on the intranet, but more over active knowledge of fraud and what it means is inculcated in management's awareness of doing business.

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

Year	Number of calls received on hotline	Number of Reports generated	Areas	Actual Fraud Confirmed	Results
13/14	33	2	Accounting, financial reporting	Yes	Disciplinary and dismissal
			Staff HR Related	No	
14/15 (period 1/07/14 30/06/15)	39	6	Suppliers/ procurement – supply chain	No	All allegations had not resulted in fraud. The last matter escalated to the board the board is still investigating that matter.
			Conflict of interest-governance	No	
			Unethical behaviour	No	
			Procurement / tender irregularities	No	
			Procurement / tender irregularities	Still investigated	
			HR issues	No	

Table 6.21: Trend Analysis of the fraud hotline activity.

The above table depicts that there has been an increase in activity on the fraud hotline but upon investigation no fraud was identified. The calls received in 2013/14 financial year were 33 with only 2 reports generated. The calls received include dropped calls, enquiry, fax line, test call, and wrong numbers. The two reports generators in 13/14 financial year was around accounting, financial reporting and staff HR related issues. The staff HR issues matter was escalated to the board with no evidence of fraud being established. The accounting, financial reporting allegation, upon investigation had shown fraud and after the disciplinary hearing the employee was dismissed.

In the financial year of 14/15 the number of calls received on the fraud hotline and 6 reports where generated. 3 of the 6 reports were escalated to the Board of the Water Board. The areas reported are depicted above. All areas upon investigation had resulted in no fraud. The last procurement / tender irregularities, is still being investigated.

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

Forensic investigation: critical incidents

It was reported in the 2013/14 period that a forensic investigation was underway. The investigation concluded on 12 March 2015, with the submission of the final report. The investigation was raised because of various allegations made by the Union. The Board conducted the forensic investigations into some of those matters raised. The findings and the recommendations from the Audit and Risk Committee was that internal controls needed to be strengthened and that one matter required further investigation and reported to the Audit and Risk Committee by the CEO.

MINIMISING CONFLICT OF INTEREST AND GIFT REGISTERS

Amatola Water Management has through the years done annual written disclosures of interest and reported accordingly to the Corporate Citizenship Committee as disclosures of interest forms had been completed. The gifts register was managed as per the policies and procedures of Amatola Water Board. Not only were the board and the staff disclosing annually through standard forms but also at board and committee levels. During meetings of the Board declaring conflicts of interest is a standard procedure by every member. The Chairman's of those meetings requests verbal and written disclosures and these are verified Disclosures that are made during these meetings are discussed in the meeting to determine if the party is to be recused or not.

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

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

The reports will continue to be generated by MyDisclosure with external verifications. More importantly the Water Board will be implementing a system which will compare supplier disclosures with that of the employees and board members to generate an integrated report comparing and highlighting conflict areas that need to be managed.

the Water Board management confirm that the effectiveness of MyDisclosure to the board would continue to create value added service through interrogation and best practice implementation and management of potential areas of conflicts to minimise and eliminate fraud and potential fraud form occurring. Going forward related party disclosures will be also undertaken. For now the system is still to go live and reports figures at the time of drafting this report is subject to verification.

Although Disclosures occur annually any changes can be made during the year as the system is always live and always available to edit any disclose. The onus is on the employees and board members to ensure full disclosure. For this financial year it is noted that there are 4 (four) possible conflict of interest and they are in the process of being escalated to management for monitoring and prevention of potential conflicts. Further awareness campaigns are planned for all employees and board members to ensure awareness and prevention of the conflicting situations from arising.

Gift reporting happens through a register kept at each Directors Office. The register is checked from time to time. Gifts going forward will be declared MyDisclosure online and such will facilitates with reporting. It should be noted that gifts under the value of R400 is not disclosed under the policy.

Based on the proficiency of the individuals within the forensic team who captured data from the written disclosure forms, provided by Amatola Water, and the import and review process that followed, we estimate a 0.1% chance of error on the MyDisclosure data capturing process.

Trend Analysis

Trends previous financial year has been difficult to obtain due to the individual reporting or information to the CCC, but the consolidated information from this year and electronic reporting from this financial year will be the basis of the trend analysis of conflicts of interest and gift disclosures.

CODE OF CONDUCT

Amatola Water is inspired by an unwavering commitment to empower our stakeholders through the consistent demonstration of responsibility, excellence Integrity, and accountability. Integrity of the highest regard is paramount to all employees within Amatola Water. Amatola Water Management and Board is committed to ensuring a zero based fraud and corruption and maintaining the highest form of standards of behaviour and ethics by implementing various means to mitigate against these from occurring. One such means is by instilling from top down a code of conduct for Board Members and Employees. The review of the fraud prevention strategy has rolled over into a review of the code of conduct also and the codes will also be drafted to ensure continued compliance to legislation and to best practices.

The code of conduct dictates principles for employees to adhere when serving the public and it also has obligations set out for employees when engaging with customers, with suppliers and lenders, competitors, society at large, and the Water Board, its board and stakeholders, to fellow employees, and management, and for management to employees.

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

The effect of the code of conduct can be determined or evidenced by the amount of breaches of the code. The lesser the results the more effective the codes are. The disciplinary matters relating to breach of code of conduct is currently zero for the financial year.

Breaches of the code of conduct would be dealt with internal through disciplinary measures, for internal staff and for the board members breaches of code of conduct would be required to be escalated to the Honourable Minister.

Risk, Compliance and Assurance Reporting

Integrated Risk Management

Introduction

In last year's annual report Amatola Water Board, Chairman, reported that managing risk was the cornerstone of the Water Board success throughout the Board term. The management through the Chief Risk Officer, who is the Chief Executive Officer, adopted over the previous year a new broader approach to risk management that being the integrated enterprise risk management policy.

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

With now an entrenched focus on the Strategic Risks, Divisional Risks and Process Risk identification, rating, and mitigation approach Amatola Water has matured from where it was, in the approach of the reporting and effective management of risk. Under the watchful eye of the Audit and Risk Committee through the Corporate Risk Committee and the Fraud Committee, Amatola Water Board management reports on the mitigation of risks and where necessary more detailed turnaround strategies.

The integrated risk management report below identifies the specific risks that hinder the opportunities identified in the strategy through the short, medium and long term. One should note that the strategy is a 20 year strategy which is reviewed yearly to create the annual corporate scorecard. The corporate scorecard is used as a basis for the strategic fraud and risk review session every two years. The 15/16 financial year strategic risk review has already been done and registers are being assessed and populated prior to submission for approval.

Risk Management Policy

The Water Board complies with the PFMA, National Treasury Regulations (as amended), and circulars, while adhering to the King III Report on Corporate Governance and the COSO Risk Management Framework with the aim of maintaining adequate and effective systems of internal control and risk management. Effective risk management is crucial to good business management and good corporate governance.

Risk management can be summarised as:
Understanding the risks that the organisation faces and what their impact would be on the achievability of the organisation's objectives, and then mitigating those risks that would have an unacceptable impact on the organisation.

It is common when interrogating the strategy of identification of risk that one should go to the formation of the source documentation. The source documentation for the strategic risk register is the strategy. The strategy investigated the key opportunities from which value could be created for the ultimate stakeholder. But since risks are ever evolving reviewing the mitigation registers are more frequent than doing the strategy. in the below table you will see the specific steps taken to mitigate and manage key risks.

The strategic risk register is the core of the internal audit planning strategy and assists to inform the Audit and Risk Committee, and Internal Audit the areas of high risk that needs auditing.

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

Integrated risk management at the Water Board encompasses strategic risks and operational risks and process risk which have the potential to undermine the achievements of the organisations business strategic objectives. The Chief Risk Officer ultimately is responsible for the monitoring of risk management. The organisations risk management efforts are guided by the integrated risk management framework and risk management policy. Assisted by its internal auditors, the Water Board undertakes the strategic risk identification process every second year to facilitate the Board's assurance of strategy development and implementation, so as to mitigate the identification risks. Information gathered during the identification process forms the core of the internal audit planning strategy to ensure resources are focused.

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

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

To establish a common understanding of the term "risk", the Water Board will consistently refer to risk as being:

"The possibility of any event, negative or positive, either internally or externally generated (where the impact may be internal or external), which may critically impact on the achievement of the business objectives".

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

The Accountability, Roles and Responsibilities of the Audit and Risk Committee, Accounting Authority, CRO and Management is understood and appreciated within the organisation.

Value Addition

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

Sustainability

The impact of the Risk Programme on the operations is to allow better planning and facilitate decision making.

The sustainability of an effective risk management system depends on the commitment of the management and the board.

Trend Analysis

Over the last two years the maturity of the risk reporting and analysis has improved. What is important is that the maturity and appreciation for risk is growing within the company. With the dedication of the MANCO risk adverse thinking is going to be featuring more on the mainstream discussions.

Risk Universe

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

- Water and Wastewater Quality
- Customer Satisfaction
- Stakeholder Relationships and Support
- Infrastructure Stability
- Financial Viability
- Water Resource Adequacy
- Community / Environmental Sustainability:
- Leadership and Employee Development
- Operational Resiliency
- Operational Optimisation
- Country Broader Risks

Risk Appetite and Risk Tolerance and Materiality

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

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

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

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

It should be noted also that materiality has been set by the management in line with legislative requirements. Materiality is discussed further under the financial section of the report. Materiality is considered when determining risk tolerance and appetite.

The Amatola Water Board Management identifies its risks by categorising and rating the inherent and residual risks in light of the impact and likelihood. The following are the scales used to assist with rating of risk. Management and the Board has accepted the tolerance levels rating as depicted below.

Impact	Impact can be defined as the material loss to the organisation, should that risk materialise	
1	Negligible	no monitoring required
2	Very Minor	requires monitoring at middle management level
3	Minor	requires monitoring and action at middle management level
4	Potentially important	a threat that reuires management attention
5	Important	a threat that could cause reasonable damage in the short term
6	Serious	reasonable financial impact in the short term
7	Major	major financial impact that requires management intervention
8	Significant	a threat that could cause significant financial loss over the short term
9	Critical	a threat to the long-term sustainability of the organisation
10	Catastrophic	near and / or collapse of the organisation

Likelihood	Likelihood can be defined as the probability that an oadverse event, which could cause materialisation
1	Very little chance of the risk occuring
2	20% chance of the risk occuring
3	30% chance of the risk occuring
4	40% chance of the risk occuring
5	50% chance of the risk occuring
6	60% chance of the risk occuring
7	70% chance of the risk occuring
8	80% chance of the risk occuring
9	90% chance of the risk occuring
10	The risk has already or is currently occuring

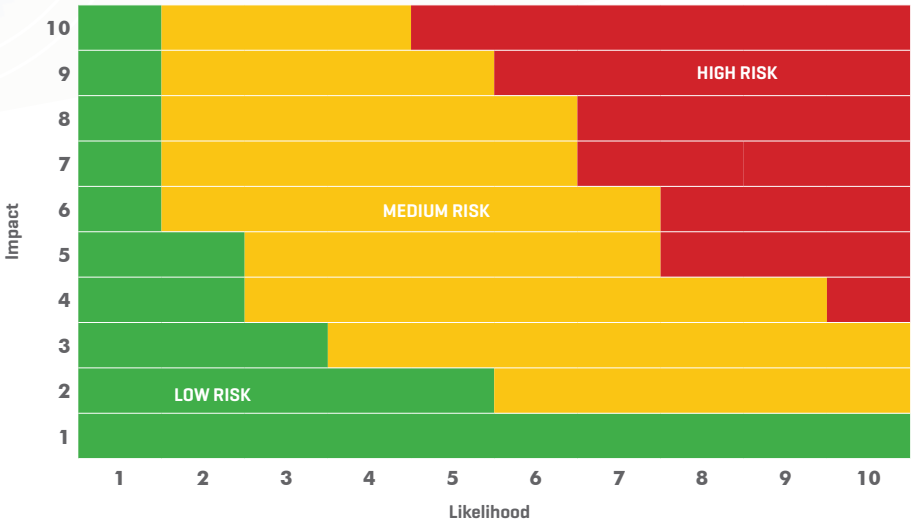


Diagram 6.2 : The Imapact and Likelihood Tolerance Levels

The following is a list of strategic risks impacting the organisation over the last financial year and the controls put in place to mitigate those risks.

Risk ref	10 Areas	Strategic Objective	Risk Description	Controls
SR1	Customer Satisfaction. Stakeholder Relationships and Support.	Increased customer base and penetration (delivery options/ services).	• Not achieving/ concluding Right of Use agreements.	• The control environment in SCM are being addressed, • The SCM policy of the organisation is being reviewed, • Even the organisational structure is being reviewed
SR2	Stakeholder and Customer	Improved customer satisfaction. Strengthen and deepen relationships with statutory, contracted and non-statutory stakeholders.	• Misalignment between the Water Board deliverables with that of customers' expectations/ needs. • the Water Board becoming irrelevant. • Inability to manage misperceptions.	• meetings with stakeholders at the highest level, stakeholder strategy being developed
SR3	Water and Waste Water Quality.	Achieve statutory quality compliance at all the Water Board owned and ROU plants efficiently.	• Spread of water-borne diseases and environmental degradation/ pollution.	• Align the asset management plan with the service delivery strategy. • Sufficient budgeting.
SR4	Community/ Environmental Sustainability.	Contribute to decent standard of living in support of rural livelihoods.	• Missing the opportunity to reduce poverty, in rural areas.	• Institutionalisation of the integrated management system (business continuity plan and disaster recovery plan).
SR5	Community/ Environmental Sustainability.	Provide services and invest in technologies/ systems in an environmentally responsible and sustainable manner.	• Technological redundancy and Inefficiencies.	• Influence amendments to the new National Water Act. • Influence Department of Water Affairs in terms of water resources planning and development. • Long term water resource planning to align to water supply master plan of the Eastern Cape.

Risk ref	10 Areas	Strategic Objective	Risk Description	Controls
SR6	Community/ Environmental Sustainability.	Strengthen and deepen relationships with statutory, contracted and non-statutory stakeholders.	• The Water Board becoming irrelevant	• Formal process to embed customer needs into project requirements (A better defined customer service objective). • To have monthly liaison meetings with customers at a top level.
SR7	Financial Viability.	On-going strengthening of balance sheet to sustainable services (ratios). Surplus per financial year contribution to build reserves and infrastructure investment. Explore sourcing of funding alternatives for infrastructure development. Sustainable and affordable tariff.	• Non allocation of funds directly from national fiscus for water development.	• Visibility in the Provincial government level. • Enhance thought leadership position. Visibility in local government political forums.
SR8	Financial Viability.	On-going strengthening of balance sheet to sustainable services (ratios). Surplus per financial year contribution to build reserves and infrastructure investment. Explore sourcing of funding alternatives for infrastructure development. Sustainable and affordable tariff.	• Qualified audit resulting in disestablishment (IRR).	• Influence the provincial water master plan to adopt 750 litres per household per day. • Increase the residual economic impact of projects at a community level. • Formalise CPG strategies.
SR9	Financial Viability.	On-going strengthening of balance sheet to sustainable services (ratios). Surplus per financial year contribution to build reserves and infrastructure investment. Explore sourcing of funding alternatives for infrastructure development. Sustainable and affordable tariff.	• Inability to access the capital markets.	• Targeted lobbying e.g. EC Premier, Mayors, SALGA. • Seek assistance from National Government (e.g. National Treasury, Honourable Minister, and DWA).
SR10	Water Resource Adequacy.	Adequate water security and assurance in support of water supply.	• Restricted access to water resources to meet 98% assurance in water supply.	• Applying for SANAS accreditation for laboratory. • Continuously align with emerging trends with SANS 241 standards.
SR11	Infrastructure Stability.	Reliable infrastructure. Upgrade plants to provide minimum 5 megs per day. Influence Provincial Water Infrastructure Sector Planning (Master Planning). Minimise production and distribution losses.	• Continuously operating infrastructure above design capacity or standard operating procedures. • Asset stripping. • Premature infrastructure obsolescence.	• Environmental scoping and analysis report. • Align infrastructure plan to new technologies.

Risk ref	10 Areas	Strategic Objective	Risk Description	Controls
SR12	Operational Resiliency.	Ensure uninterrupted water supply services to customers.	• Business disruptions.	• Implement stakeholder management plan. • Plan monthly engagements with customers. • Participate in SALGA infrastructure task team. • Suppliers day. • Collaboration conference with stakeholders.
SR13	Leadership and Employee Development.	Enhanced strategic effectiveness. Build cross-functional excellence/ effectiveness. Develop operational competence (individual).	• Inability to position the Water Board on water policy and with customers (being seen as the leader in the sector/ setting the agenda).	• Cascade the five key performance areas in the Divisional Directors contracts to all. • Institute disciplinary action to non-compliance.
SR14	Leadership and Employee Development.	Enhanced strategic effectiveness. Build cross-functional excellence/ effectiveness. Develop operational competence (individual).	• Inability to attract and retain key individuals, talent, skills.	• HR Development Strategy. • HR Management Plan. • Review structural and strategic alignment. • Development of employee wellness plan (emotional intelligence).
SR15	Infrastructure Stability and country boarder risks.	Ensure uninterrupted water supply services to customers	• The risk of frequent and lengthy power outages on the continued operations of the Water Board	• engagement with Eskom to determine the pattern of load shedding (Sandile and pede) the Water Board will engage with Eskom on their strategy • Back up mobile high capacity generator to the plants (mini hydro schemes) needs to be investigated and feasibility studies or even desktop analysis needs to be done. • Asset management policy needs to be reviewed • Alternative energy sources needs to be investigated like hydro and solar power • the new financial year scorecard has targeted the development of the BCP and DRP
SR16	Financial Viability.	On-going strengthening of balance sheet to sustainable services (ratios). Surplus per financial year contribution to build reserves and infrastructure investment. Explore sourcing of funding alternatives for infrastructure development. Sustainable and affordable tariff.	• The continuing failure to ensure that the policies and procedures of the Water Board are being adhered to	• The Board to lobby the National Fiscal Committee and SALGA relative to direct allocations.

Risk ref	10 Areas	Strategic Objective	Risk Description	Controls
SR17	Financial Viability.	On-going strengthening of balance sheet to sustainable services (ratios). Surplus per financial year contribution to build reserves and infrastructure investment. Explore sourcing of funding alternatives for infrastructure development. Sustainable and affordable tariff.	• The risk of cash flow problems affecting the sustainability of the Board operations due to problems in collecting amounts owing to the Water Board, by management	• Ring fence surpluses for secondary businesses to fund infrastructure. • Influence the ASB to adopt IFRS for Water Boards. • Develop a funding strategy plan (financial prospectus). • Determine the relevance, utilisation as well as replacement values for infrastructure.

Table 6.22 : Strategic Risk Register for the period.

The below is a heat map of the residual risk rating after the controls are put into place. These residual risks are then mitigated by management and the mitigation plans are monitored through reporting lines.

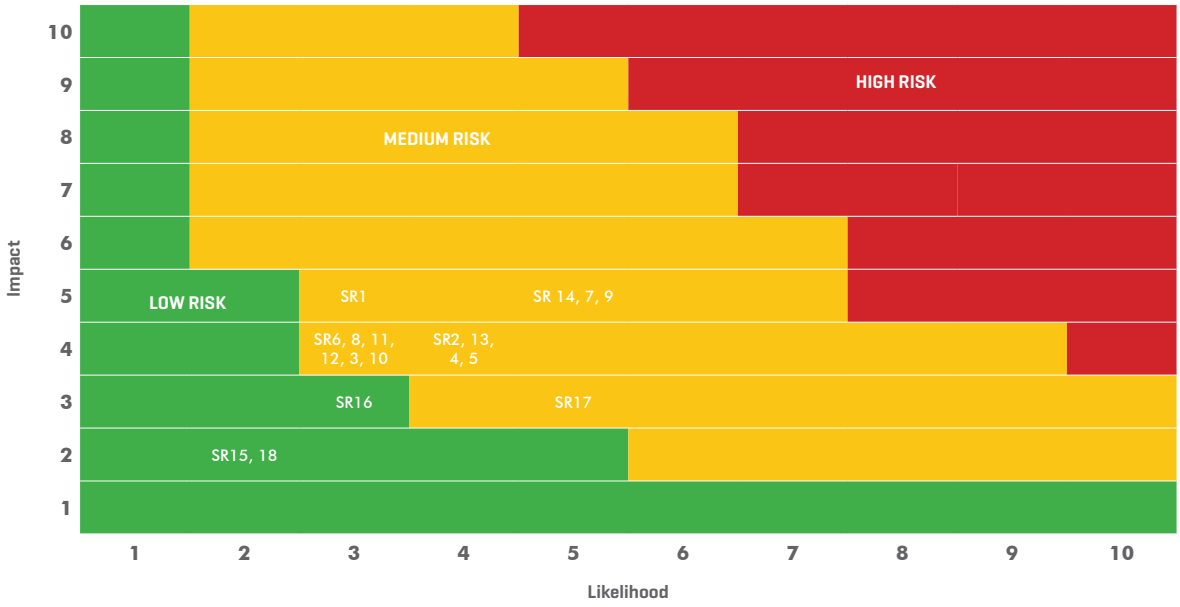


Diagram 6.3: The heat map of the strategic risk for the year.

Effectiveness of Risk Management

The ultimate test for the risk management system is to test the effectiveness of the system. To date Amatola Water is still formulising and entrenching the processes and integrating the approach throughout the operations. The management acknowledges that documenting and reporting is only one aspect of management of risk and therefore has a strategy to implement and inculcate risk management in the organisation. Operationally MANCO when dealing with matters, reviewing policies and undertaking general business, investigated the risks associated with recommendations made, and these are considered prior to the resolutions being made. It should be noted that a template for internal memorandums tabled at board and committees have been developed and these include the risk, compliance to laws and policies disclosure.

This strategy includes:

- Training of champions – training of champions are through the national treasury e-learning.
- Rotation of champions – the champions are rotated every two years.
- The formulising of terms of references for the Corporate Risk Committee – this was done during the last financial year and is expected to be reviewed again this financial year.
- The intention of having Risk and reporting of Risk and Compliance on the agenda of the board as a standing item.
- The association of the company to the institute of risk management South Africa to keep up to date with the necessary trends in risk management and keep key individuals trained and up to date with Continuous Development.
- Cascading risk mitigation into individual performance agreements.

Internal Control Unit

Although there is no dedicated Internal Control Unit, the management recognised the need to ensure that procedures and processes are continuously developed and embedded throughout the managements daily activities. It should be noted that the Water Board has an Information Management System (IMS) where non-conformances can be logged. This system is used extensively in the areas of Safety and Health and is trying to be further integrated throughout the company. The IMS system is also what the Water Board uses to develop standard operating procedures and processes.

It is confirmed by management that going forward both quality controlling and in particular ISO 19001 will be investigated for adoption and implementation.

Compliance with Laws and Regulations

Introduction

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

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

> "To the Staff of the Amatola Water
>
> RE: Endorsement of the Compliance function and commitment to legislative compliance
>
> Regulatory and best practice requirements are continuing to place an increasing focus on compliance within public entities. This includes the need to ensure compliance not only with applicable legislation, but also supervisory requirements and industry guidelines/ Rather than seeing the adherence to these requirements as an imposed necessity, the Water Board views it rather as a way of conducting business in a manner that is fit and proper.
>
> The Water Board in line with its core vision, mission and values is dedicated to enterprise wide legislative compliance and is committed to ensuring the adherence to legislative requirements.
>
> The Water Board, is required to establish a compliance function in terms of the Water Services Act and the King code on good corporate governance. The code and its principles require the Water Board to establish a part of the risk management framework of the business and that it should be supervised by an approved compliance officer. We have therefore established a compliance function and have appointed a compliance officer.

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

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

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

Chief Executive Officer."

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

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

Amatola Water Management acknowledges that Legislative Compliance is a wide function and is operationally demanding, and to build an entrenchment of the values in the day to day business would be hard. In particular compliance through the planned programme is still going to go through a learning curve but in striving to achieve the compliance to the universal register top ten legislation, Amatola Water would eventually succeed in achieving full compliance. The universal register focuses on national legislation and regulation and integrates the rating of the importance of the legislation and report in line with the risk ratings and reporting structures.

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

Value Addition

The value addition of the new programme for compliance is still to be experienced but it is anticipated that with proactive compliance thinking the awareness would be created to manage and prevent breaches in legislative compliance.

Sustainability

The impact of the programme is still to be determined.

Trend Analysis

Due to the programme being new there is no trend analysis to note. However, last year's external audit report makes mention of compliance with legislation issues arising around issues of annual financial statement and annual report, revenue management, audit committee, consequence management, internal audit and expenditure management. Legislative compliance to PFMA, and SCM legislation would be prioritised as part of the universal legal register.

Forward Looking

Going forward the following will be achieved under the area of compliance:

- Roll out and development of the compliance plan
- Implementation of training calendar for specific legislation
- Monitoring and reporting on breaching and mitigation strategies.
- Cascading compliance into individual performance scorecards

King III Code on Corporate Governance Compliance

The Amatola Water Board as a custodian and promoter of Good Corporate Governance is committed to the compliance and the implementation of the provisions and recommendation of King Code of Corporate Governance III.

During last year the board had adopted an independent system of assessing compliance against King III principles and the PFMA. The instrument assists Amatola Water with monitoring and reporting on its compliance to the King III principles and furthermore aids the Board in enhancing compliance to these principles.

In the Annual Report of 2013/14, Amatola Water had reported 88% compliance to the King III principles. This year the results have improved. Amatola Water Board is proud to announce that it has obtained a 97% compliance rating to the King III Code on Corporate Governance.

Diagram 6.4: The summary of Governance Compliance Results.

Over the year, Amatola Water has focused on improving its reporting standards and identified IT Governance as a concern area for management to focus on over the coming financial year. The above dashboard shows that the Water Board obtained 97% compliance. The weighting graphic depicts the areas where principles have not been complied with as red. The light green areas of the report depict the principles that have been explained but that does not apply to the Water Board. As noted above, the areas of IT Governance, and Third party independent audit of the sustainability report are still to be engaged with. These areas can explain the status of lower percentage under the sub-categories of accountability, board role and duties and remuneration. It is noted that since last year there has been an increase under accountability from 70% to 92% because of the impact of the adoption of integrated sustainability reporting. The above results have not been audited externally and are management's subjective view.

Assurance Providers

Introduction

The Water Board has internal and external auditors. The internal auditors are PriceWaterHouseCoopers and the external auditors are Ernest and Young. It should be noted that management also undertakes internal audits in terms of certification be it to test, OHSA, or ISO Compliance prior to apply to obtain certification and accreditation. Independence of assurance providers is considered very important to protect by other management and board. After all audits undertaken, reports are submitted to the Board through the ARC, and the management monitors any findings in line with a report which is terms the non-conformance report. Management monitors improvements put in place so as to mitigate and prevent the finding from reoccurring. This Audit Non-Conformance Report is tabled at MANCO, ARC and FINCO.

The overall impact of having assurance reports done these processes to so as to not only enhance validation of information but rather to ensure verification and accuracy of the underpinning processes and controls when providing quality water and service delivery.

Value Addition

Assurance reports not only provide value to shareholders, but by their nature provide value to the management to ensure quality operations are undertaken. Assurance also assists in ensuring that controls are put in place that is mitigated risk, be that financial or fraudulent in nature.

Sustainability

Assurance planning and reporting is very critical and has an impact on the organisation and indirectly on the society at large. The impact of assurance reporting is shown on reputation and credibility. The better the assurance report the better the reputation is of the Water Board. Assurance reporting is required legislatively and there are intentions to host internally an Internal Audit function to ensure on-going value addition and monitoring of controls.

Trend Analysis

The trend analysis for assurance reporting can be gathered from various reports from both internal and external audits. It should be noted that in the year 2012/13 the Water Board achieved an unqualified external audit report. In the year 2013/14 the Water Board achieved an unqualified external audit report with an emphasis of matter on areas of restatement of corresponding figures and possible irregular and fruitless and wasteful expenditure not disclosed.

Forward Looking

All assurance reporting findings are captured in a report called the non-conformance report and managed and monitored by management and the audit and risk committee to ensure that the recommendations are all implemented to minimise and remove the non-conformances.

Internal Audit

There is a PFMA ad King III requirement to appoint Internal Auditors. Furthermore the assurance internal audit can provide makes assists the company from a reputational focus as it creates shareholder value and stakeholder appreciation of the organisation. Internal audit is currently an outsourced function. Internal Audit plans a critical role in Amatola Water's Corporate governance. The Internal audit function reports directly to the Audit and Risk Committee. Towards the end of the financial year the active engagement of internal audit was noted by its presence to the management committee at least once a month.

Internal audit is guided by the following framework documents, which outlines their parameters of their duties namely the:

- Internal audit charter which is approved yearly
- Terms of Reference of the audit and risk committee
- National Treasury guidelines
- PFMA and other related legislation
- Internal auditing professional standards

The Internal audit is primarily guided by the internal audit plan which is agreed annually for the ambit of the internal audit scope of work.
Internal Audit seeks to provide an independent, professional service. This objective is achieved through compliance with:

- The Statement of Responsibilities of Internal Auditing;
- The Code of Ethics for internal auditing;
- The International Standards for the Professional Practice of Internal Auditing, issued by the Institute of Internal Auditors.

The standards for internal auditing govern the work of the auditing profession and form a basis for measuring the performance or quality of Internal Audit. The above standards address:

- The independence of Internal Audit from the activities audited and the objectivity of internal auditors.
- The proficiency of internal auditors and the professional care they should exercise.
- The scope of internal auditing work.
- The performance of internal audit assignments.
- The management of internal audit.

Internal audit is tasked by the Audit and Risk Committee to develop with Management for approval at the Audit and Risk Committee, the Amatola Water Board Internal audit plan which is developed against the backdrop of the Strategic Risk Register.

The internal audit plan for the financial year 14/15 included:

- Auditing areas of
  - Revenue (compliance with revenue policy, review controls to ensure appropriateness and alignment with policy and standards, review of policy to ensure alignment with standards, revenue recognition – stage of completion and agency fees) payroll,
  - Supply chain (review systems to detect, monitor, record, and report unauthorised, irregular, fruitless and wasteful expenditure; review controls over condonement of such expenditure, review controls and systems over SCM Contract management, supplier database management, review of a sample of transaction for compliance with SCM policies and processes, follow up on SCM findings with AGSA and Internal Audit)),
  - Infrastructure (infrastructure planning, maintenance, asset recording and management),
  - Information technology (review and assess the current status of IT governance, policies, and standards in alignment with the DPSA's CG of ICT policy framework readiness (phase 1)/ desktop

review and review and assess the current IT General Controls),

- Undertaking follow up reviews (populate tracking template with internal audit findings of 2014, follow up on items addressed by management, follow up on key external audit findings (which are not covered in plan), populate the tracking template with internal audit findings of 2014, follow up HR and Payroll findings (internal audit and AGSA), follow up on the Q2 and Q3 finance reports focus on substance and general content rather than accuracy.

- Reviewing the fraud prevention plan.
- Annual High level Risk Review.
- Updating charters.
- Reporting on assurance: financial report Q2 and Q3 finance reports with focus on projects, revenue, recognition, project expenses and accruals for accuracy.
- Review performance information - Q3 report submitted to Department of Water and Sanitation.

Internal audit reports to the Audit and Risk Committee quarterly in terms of the Internal Audit charter and Audit and Risk Committee Charter. Internal audit also has in-committee sessions with the Audit and Risk Committee, and the outcome of such sessions through the chairman of the audit and risk committee is escalated where necessary to the entire Board. The Audit and risk committee reports regularly to the Board also.

Appointment of Internal Auditors

The appointment of the internal auditors is undertaken on an open tender process. The Delegations of Authority allow for the Audit and Risk Committee to act as the Bid Evaluation Committee and the Board to be the Bid Adjudication Committee. The tender of the new Internal Auditors for the period of 15/16 financial year are currently being engaged with. The recommended practice by the Audit and Risk Committee was to ensure there was a proper handover, facilitated by continuous improvement and no gap period had been taken into cognisance by the Management and to be implemented as such.

Contract period

The internal auditors were appointed in November 2011, on a 3 year contract. The internal audit contract expired on November 2014 and was extended till end of August 2015.

The internal auditors have confirmed that their presence for reporting purposes and accessibility through continuous engagements, up till the period until the new internal auditors are appointed.

Going forward

It should be noted that the organisation in striving to achieve combined assurance and ultimately control based auditing practices, in the future intends to internalise the internal audit function. The benefits of internalising the function of internal audit have been realised in various organisations and would be appreciated when audit non-conformance findings are reduced and eradicated.

Performance of Internal Audit

The international professional practices framework (IPPF) which guides the work of internal auditors, defines internal auditing as both an assurance and consulting activity (without providing more consulting services over auditing) providing a value adding service to the organisation by evaluating the effectiveness of risk management, internal control and governance processes within an organisation. The ARC has confirmed that the Internal Auditors have provided a balance between the consulting area services and auditing services and that the independence of the internal audit over the financial year 14/15 had not been compromised.

External Audit

External Audit is appointment by the Water Board through an open tender process. The ARC acted in the capacity of the BAC, and the Board adjudicated the tender in accordance with the delegations of authority.

The External Auditors appointment for 2014/15 was approved by the AGSA after they acknowledged receipt of the completed consultation checklist dated 02 June 2015. The AGSA identified the intention of the Water Board to reappoint Ernst and Young as its external auditors. The AGSA did not object to the appointment of the external auditors for the financial year of 14/15 and subject to the following conditions:

- The Water Boards are required to bring to the attention of your appointed auditors the content of the General Notice issued in Government Gazette No. 38464 of 11 February 2015 or any new general notices issued by the AG from time to time.
- The appointment is granted for one financial year as contemplated in terms of Section 25($) of the Public Audit Act, Act No. 25 of 2004.
- On completion of the audit, the Water Board is required to submit a copy of the audited annual report to the AGSA
- The auditors may not assist in the compilation of the Annual Financial Statements.

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

The role and functions and mandate is included in the legislative mandate of the AGSA.

Contract Period

The term for the external audit is 3 years and they were appointed in June 2013, and started with the audit process in 2014.

Performance of External Audit

It should be noted that the external audit performance for the financial year has been reviewed by the Audit and Risk Committee and the results sent to the Board.

Other Assurance Reports

There are various other forms of external auditing that occur throughout the operations. One such is the SHE Compliance auditing prior to verification and achieving ISO accreditation or Blue and Green Drop Certification. OHSA auditing is currently being engaged with. More detail of these reports can be found on page 84 of the SHE Report.

Assurance: Combined Assurance

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

Performance REVIEW

PERFORMANCE REVIEW

Combined assurance barometer		
Management Responsibility for the specific risk area	Internal assurance providers	External assurance providers
All Directors	Internal Auditors	External Auditors and independent subject matter experts
Yes	Yes – the predetermined objectives are assured internally	Yes – the predetermined objectives are assured externally
Oversight		
Board	Board and ARC	Board and ARC

Table 7.1: Combined Assurance Barometer for the Performance Review Section.

In order to attain our strategic intent, Amatola Water has set aligned strategic objectives, which will focus and direct the business activities of the water board over the planning period. Each of the Amatola Water strategic objectives are underpinned by:

- Specific goals,
- Defined catalytic initiatives,
- Key activities and
- Targets.

As indicated by King III and the principles of Integrated Reporting, performance against pre-determined objectives is a key element that stands alongside financial reporting when reporting on the success and failures of a business in the period reviewed. In the public sector the importance of this performance and related performance information is re-emphasized by being the primary indicator for achieving the institution's mandate rather than financial performance alone. This performance review strives to achieve a transparent view of Amatola Water's overall performance in the 2014/ 2015 financial year, dating from July 2014 to June 2015.

The pre-determined objectives for Amatola Water comprise the organisation's balanced scorecard which is approved by the Board and submitted to the Minister for approval as part of the Shareholders Compact. The standard balance scorecard approach and the guidelines for Integrated Reporting were adopted during the reporting period.

The year under review was Amatola Water's second year of implementing its 20-year National Development Plan aligned strategy and accompanying scorecard. The strategy included a significant refocus on the organisation's primary mandate and the developments in this area. Many of the targets set were based on new measures and were set aggressively to rapidly implement this change in direction. Although progress was made on the majority of targets not met, Amatola Water has also moved away from categorizing targets as partially achieved and indicated them only as achieved in total or not. About 68 percent of these targets were achieved, which although below the institution's target of 75 percent achievement, still represent a considerable change in direction and success.

What is most notable from the performance under review is that there is a great need to balance the focus both inwards and outwards with the aim of strategically positioning the organisation to achieve its mission.

What we have done well?

- Scorecard Target Achievement:
    - Amatola Water has improved overall performance compared to the baseline of 63 percent targets achieved and however not achieving the set target of 75 percent.
    - The improvement on performance is largely attributable to the outward focus of the water board's interventions in strengthening stakeholder relations and the balance is a contribution in the improvement internal processes.
- Achieving Key Service Delivery Indicators regarding the Primary Mandate of bulk water:
    - Quantity: 111 Mℓ/day of bulk potable water was supplied by Amatola Water owned (93 Mℓ/day) and Right of Use (ROU) plants (18Mℓ/day), significantly above the 101Mℓ/day target and 110 Mℓ/day baseline.
    - Quality: SANS Class 1 potable water standard was achieved at 98.2 percent above the 98 percent target including at the new ROU plant, indicating how Amatola Water was able to supply the additional quantity of water while still maintaining high quality water standards.
    - Assurance of Supply: Achieving 98 percent assurance of supply as the source (dam) and 98.9 percent uninterrupted supply with adequate pressure at supply reservoirs to customers, achieves the set targets and meets the highest reliability of supply standards for customer and consumers.

- Minimised losses:
  Production and network losses combined were reduced impressively to 9.32 percent, against a target of 12 percent and a baseline of 12 percent. This is a significant achievement, minimising the environmental, financial and social impact of such losses and unaccounted for water.

- Number of temporary jobs created:
  The target on temporary jobs created has been exceeded as project implementation intensifies in KSD PI, Ndlambe Bulk Water Supply and Amatol Water plant upgrades

- Financial Improvement and Stability:
  - Revenue has been maintained during the year with significant increases attributable to Project Implementation Agent (PIA) fees and Right of Use (ROU) revenue. Primary revenue growth has been majorly influenced by a tariff increases while volumes on sold water relatively have not increased compared to last year.
  - Strategic directions of focusing on primary business has been re-established when achieving 78.1 percent of revenue being section 29 activities.
  - Amount of grant funding received in the year under review amounted to R150 million for Amatola Water plant upgrades.

- Strategic Direction:
  - Although the entity sustained by maintaining revenue generated from operations, the strategic direction of focusing on bulk water services has been reaffirmed consecutively. This is demonstrated by the level of engagement on section 30 activities which have significantly decreased while maintaining level of engagement in section 29 activities.

What we have not done well?

Although there has being significant success there are still many areas in which Amatola Water can further improve its performance.

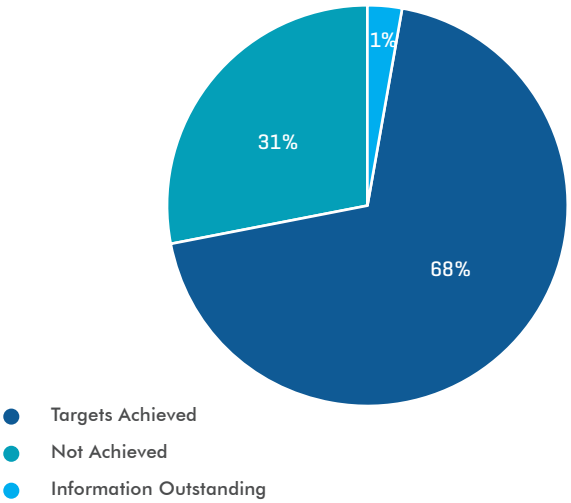
- Scorecard Target Achievement:
  - The significant adverse performance in the corporate scorecard is mainly within the financial perspective indicators. This is merely a call to review the financial strategy of the water board in the context of financial sustainability.

- Capex Initiatives:
  - Targets on both internal and external funded CAPEX programmes have not been me. The challenges for this adverse performance stem from the lack of internal capacity in the administrative and management functions required to execute these strategic water infrastructure projects. Other sets of challenges are stakeholder related of which management have development a stakeholder relations framework that will be used to derive strategies that will assist in deepening and strengthening relations.

- Cost drivers and Employee initiatives:
  - Labour costs as a percentage of total cost target continuously has not been achieved therefore requires monitoring alongside employee to revenue ratio in order to sustain the organisation. The Board will continue to concentrate on managing the related costs.

Overall the results are as per the chart below:

Analysis of Target Achievement 2014 - 2015



	WSU	Ob No.	Objectives	Me No.	Measure / Indicator	Baseline	Y1 Target	YTD Actual	Reasons for performance / Corrective Interventions	YTD Result
Stakeholder & Customer Perspective		CS1	2 additional Bulk water supply contracts with WSA's (4 currently)	CS1.1	Number of bulk potable with different WSA's (Owned or ROU)	3	3	3	Bulk Supply contracts with ADM, BCMM, and Ndlambe LM and Makana LM ROU	
		CS1		CS1.3	Volume of Water Sold by owned and ROU plants	110Ml/ day	101Ml/ day	111Ml/ day	This was achieved due to a combined AW owned plants 93Ml / day and ROU plants (Makana) 18Ml/ day.	
	CS	CS2	Increase Revenue volumes to 150 mega litres per day	CS2.1	Average Customer satisfaction score	n/a	6	6	The survey was not conducteed in the 2014/15 financial year. It will be conducted in the 2015/16 financial year.	
		CS2		CS2.2	% compliance to customer kpa as per customer charter	n/a	80%	100%	Amatola Water did not previously have customer charters in place. As such there is no baseline and the 70% compliance is deemed by management as a significant target in the first year.	
	WQ	WQ1	Achieve Statuary Quality compliance at All AW Owned and ROU plants efficiently	WQ1.1	% Compliance SANS Class 1 potable water (Owned and ROU)	99%	98%	98.20%	Have exceeded the SANS 241:2011 drinking water standard of 96% and the target for the year of 98%	
		WQ1		WQ1.2	% Compliance with effluent license standards (Owned and Rou)	n/a	60%	94.88%	Target Achieved	
		WQ2	Blue drop advisory services	WQ2.1	No of blue drop advisory service contracts	1	2	2	Makana LM and Ndlambe contract that contains Blue Drop advisory services. There are also others ADM and BCM - As part of the product offering..	
	CE	CE1	Contribute to decent living standards and enhance public health within communities in ADM through quality adequate water services	CE1.1	Number AW Schemes with capacity to supply 750l per household per day at terminal reservoir	2	4	6	Binfield, Laing, Glenmore, Nahoon, Sandile and Kenton on Sea.	
	CE	CE2	Provide services and invest in technologies / systems in an environmentally responsible and sustainable manner	CE2.1	% compliance with environmental management plans across AW (owned and ROU)	50%	60%	60%	Target achieved	
		CE2	DWS	CE2.3	No. Permanent and contract employees (direct) (Jobs created)	385	355	374	Moratorium on recruitment created opportunity to recruit on contract basis to enable	
		CE2	DWS	CE2.4	No. of Temporary Jobs Created (indirect)	979	600	1042	Target achieved	
	SS	SS1	Strengthen and deepen relationships with statuary, contracted and non-statutory stakeholders	SS1.1	% Compliance with Executive Authority mandates (MTSF, NDP and DWA Strategy)	90%	100%	100%	Target Achieved	
		SS1		SS1.2	% Compliance with supplier open tender contractual commitments	78%	95%	73%	Compliance with contractual commitments target has not been achieved although there has been an improvement during the year. Management's focus in the year ahead will be to deepen on interventions that would strengthen stakeholder relations. (The age analysis should be between the people funded from AW funding and those funded from outside AW funders. The motivations are based on liquidity risk and how the mater is being remedied 60 days)	
		SS2	Be center of new provincial regional bulk utility IRR	SS2.1	No of consultative meetings with key interest groups effected by IRR	4	4	5	The target has been achieved. Amatola Water is in constant consultation with various stakeholders within the province and nationally.	

Green: Target achieved **Red : Target not achieved** **Yellow: Information outstanding**

	WSU	Ob No.	Objectives	Me No.	Measure / Indicator	Baseline	Y1 Target	YTD Actual	Reasons for performance / Corrective Interventions	YTD Result
Financial Perspective	FV	FV1	On-going strengthening of Balance Sheet to sustainable services (Ratios)	FV1.1	Liquidity Ratios: Current ratio	1.13	1.25	1.01	The current ratio is not favourable at the end of the fourth quarter as the current liabilities have increased more than current assets. The target has not been achieved due to the slow collection of debtors and a significant reduction in cash funds.	
		FV1		FV1.2	Debtors Days	122	60	116	The debtors' days are adverse and management is actively engaging with stakeholders in resolving this issue, ORTDM remains the largest contributor to this.	
		FV1		FV1.3	Employee to revenue (R Million)	R0.75 Mil	R1.1 Mil	R0.9 Mil	Employee to revenue is adverse as revenue generated from operations has been lower than target, even though the number of employee is lower than baseline.	
		FV1		FV1.4	Solvency ratio	0.87	1.25	1.82	Solvency ratio is favourable.	
		FV1		FV1.5	Return on assets %	0.02%	0.50%	-0.07%	The return on asset is adverse due to lower than expected surplus at the end of the year.	
		FV1		FV1.6	Net profit margin % (All)	9%	3.50%	-0.16%	Net profit margin achieved is lower than the target due to a decrease in seondary revenue and fixed administrative costs.	
		FV1		FV1.7	Gross profit margin % (All)	34%	30%	29.40%	Gross profit margin target has not been achieved due to the reduction in raw water sold while treated water sold has been maintained by a tariff increase.	
		FV1		FV1.8	Total expenditure R in 000	R312	R600	R345	The overall expenditure is within budget and cut back with a significant reduction in secondary business activities.	
		FV1		FV1.9	BBBEE spend	100%	100%	104%	The target has been exceeded during the year however, there is a need for improvement on BBBEE spend on Qualifying Small Enterprises, Emerging Micro Enterprises, Black Female Owned Enterprises and Youth.	
		FV1		FV1.10	Electricity Cost (R/KL)	0.67	0.7	0.83	Electricity usage per kilo litre is adverse due to the increase in the tariff charged by Eskom.	
		FV1		FV1.11	Chemical Cost (R/KL)	0.28	0.39	0.33	Chemical usage per kilo litre is within target since the chlorine and coagulant contracts are in place.	
	FV	FV2	Surplus per financial year contribution to build reserves for infrastructure investment	FV2.1	Revenue in Rands (in million Rands)	R329	R401	R338	Revenue achieved is below target due to the reduction in raw water sold and, secondary revenue that has not been realized as planned for the year under reviewed.	
		FV2		FV2.2	Surplus in Rands (in Million)	R29	R30	R0.6	The targeted Surplus has not been achieved due to the reduction on raw water sold and secondary revenue while costs containment measures are applied on discretionary spending.	
		FV2		FV2.3	Amount of targeted surplus placed in reserve fund (in million Rand)	R18.9	R10	R0	Management does not have a target amount to put into reserves since the outcome is a deficit.	
		FV2		FV2.4	% Primary Revenue / Total Revenue	77%	68%	78%	Primary revenue has been maintained although there is a reduction on secondary revenue.	
				FV2.5	% Labour costs of total costs	39%	37%	38.50%	The labour costs to total costs are adverse. Management continues to proactively to monitor labour input costs.	
	FV	FV3	Explore sourcing of funding alternatives for growth of new infrastructure (excluding replacement)	FV3.1	Amount of Grant funding secured	R0	R150 mil	R150 mil	The target has been achieved.	
	FV	FV3	Sustainable & Affordable Tariff	FV3.4	% average increase of tariff (within government targeted inflation)	9%	8%	8%	Tariff consultation process is completed and the Minister has approved an average tariff increase of 8%	

Green: Target achieved **Red : Target not achieved** **Yellow: Information outstanding**

	WSU	Ob No.	Objectives	Me No.	Measure / Indicator	Baseline	Y1 Target	YTD Actual	Reasons for performance / Corrective Interventions	YTD Result
Internal Processes Quadrant	WA	WA1	98% Assurance of supply in ADM, Ndlambe and ORTDM Region (Sandile and Mzintlava Dams)	WA1.1	% assurance level (1 in 50 year drought / restriction)	98%	98%	98%	Target Achieved	
	IS	IS1	90% Availability of water supply for all bulk services	IS1.1	% availability of water supply for all bulk services	n/a	80%	100%	The target was exceeded and upgrades did not impact yet on production.	
		IS2	AW Plant Upgrade and KSD PI Projects	IS2.1	% annual grant allocation spend AW Plant Upgrade	n/a	100%	55%	The project commenced in 2014 with appointment of Professional Service Providers and the award of various contracts from the 1st to 4th quarter of 2014/15 FY.	
		IS2		IS2.2	% annual grant allocation spend KSD (RBig & MIG)	80%	90%	99%	Target Achieved	
		IS2		IS2.3	% Infrastructure CAPEX vs. Revenue (Internal funded)	3%	4%	25%	The target has been achieved due to a resulted effect of an increased capital expenditure in the upgrades of Amatola Water plants.	
		IS2		IS2.4	Overall capex project completion dates within targets as a percentage	0%	85%	93%	Target Achieved	
		IS2		IS2.5	Increased access to services measured by Rand spend on Capex Projects	R0 Mil	R150 Mil	R266 Mil	Target Achieved	
	IS	IS2		IS2.6	% Infrastructure Maintenance of Revenue	8%	6%	7%	A combined focus on maintenance and infrastructure planning to ensure reliability and condition of assets has resulted to a favourable achievement.	
	IS	IS3	Develop an EC water master plan to direct future funding streams	IS3.1	% alignment of water resources master plan to the water supply master plan	n/a	50%	25%	AW current IMP being implemented as evidenced by 4x WTW upgrade projects in construction to match Water resource capacity	
	IS	IS4	Minimize produced and distributed water to efficiently reduce water losses	IS4.1	% total water loss AW Owned and ROU	12%	12%	9%	Effective planned maintenance and close monitoring through telemetry has yielded results.	
	OR	OR1	Interconnected supply to Amahlathi, Ngqushwa, Nkonkobe, Ndlambe	OR1.1	No of individual schemes connected to system	1	1	1	AW Plant Upgrade project in progress. Debenek WTW connected	
		OR3	Accredited laboratory	OR3.1	Number of elements accredited for:	0	6	6	SANAS Audit conducted on 12 and awaiting finalisation and minor no-conformances found. (Provisional accreditation pending finalisation)	
	OR	OR4	Ensure uninterrupted water supply, with adequate pressure to customers	OR4.1	No. unplanned interruptions to supply >24 hours	n/a	2	0	Exceeded target. No unplanned interruptions > 24 hrs were reported.	
	OO	OO1	Aligning People, Skills, Systems, Policies and Procedures for Strategy Implementation	OO1.1	% alignment of skills set to strategy	n/a	60%	60%	Target achieved: Organogram was approved by Manco in Nov/Dec 2014 people done, skills done, systems, policies, procedures done	
		OO1		OO1.2	Number of policies reviewed and aligned with strategy	3	7	9	The test was to review the policies company wide. Reviewed policies: 1. Wellness, 2. Renumeration, 3. Relocation, 4. Blacklisting, 5. Recruitment, 6. Acting allowance policy, 7. Environmental policy, 8. Performance information, 9. Compliance policy.	
		OO1		OO1.3	Number of reviewed Systems and Procedures aligned with strategy	n/a	5	3	Procedures to follow approved policies.	
	OO	OO2	Fully functional governance, compliance, risk and fraud prevention systems for clean audit	OO2.1	Un-qualified Audit	Unqualified	Y	Y		
		OO2		OO2.2	Effective internal controls and risk management Internal audit findings: Number Repeats	57	10	42	These items are being closely followed by the CEO Office and the Audit Risk Committee and progress is being consistently made in resolving and reducing these.	
		OO2		OO2.3	Effective internal controls and risk management Internal audit findings: Number unresolved	35	10	32		
		OO2		OO2.4	% Compliance to KING III	n/a	60%	97%	This target was achieved	
		OO2		OO2.5	% Compliance to applicable legislation in Legal register	n/a	80%	100%	There has been adverse legislative no compliance findings.	
		OO2		OO2.6	% implementation of Integrated Risk Framework and Fraud prevention plan	n/a	70%	100%	The policy is being monitored and performed accordingly.	
		OO2		OO2.7	Board member attendance	n/a	80%	78%	Board members have been urged to attend meeting. Written apologies will only be accepted in future.	

Green: Target achieved **Red : Target not achieved** **Yellow: Information outstanding**

	WSU	Ob No.	Objectives	Me No.	Measure / Indicator	Baseline	Y1 Target	YTD Actual	Reasons for performance / Corrective Interventions	YTD Result
Learning and growth Quadrant	LG	LG1	Enhanced Strategic Effectiveness	LG1.1	% Achieved of the Corporate Scorecard Targets	65%	75%	69%	The final score will be provided once the audit review has been completed at this stage the target has not been achieved.	
		LG1		LG1.2	Average Board Committee Rating of adequacy of submissions (Out of 5)	2.6	3	3.49	The target has been achieved but we are continuously improving frameworks and reporting mechanisms.	
		LG1		LG1.3	% MANCO resolutions which are implemented in prescribed timeframes	n/a	90%	82%	The tagert has not been achieved and MANCO has subsquently deferred some of the operational resolutions to its committees and task teams to accelerate implementation.	
		LG2	Build Cross-Functional Excellence/ Effectiveness	LG2.1	Average Divisional Performance Review Scores	n/a	3	0	The Divisional Performance reviews were not done.	
				LG2.2	% identified critical posts filled by predetermined recruitment time	n/a	80%	100%	Target Achieved	
		LG3	Develop Operational Competence (individual)	LG3.1	% of annual approved training plan implemented	n/a	80%	82%	Target exceeded	
		LG3		LG3.2	% Staff Turnover	9%	7%	6%	Target exceeded	
		LG3		LG3.3	DWA Total Number Of staff presently on Training courses, learner-ships, bursaries	21	150	158	Target exceeded	
		LG4	Entrenching the appropriate corporate culture: Decisive Leadership; resolving Organisational Politics; and Issues of Conflict	LG4.1	Average rating of corporate culture survey (Out of 5)	n/a	3.5	n/a	Survey to be re-conducted due to the low response rate from employees	
		LG5	To be a renowned knowledge hub for the water services sector in the Eastern Cape	LG5.1	% implementation of the knowledge management program		50%	100%	Knowledge management is the process of capturing developing, sharing and effectively using organizational knowledge for the knowledge management programme the following steps have been identified: Identification of knowledgement management targeting certain business processes 25%, develop a process 25%, draft a programme 50%, external engagements: prowaf, irr, DWS reviews and policies reviews 100%	

Table 7.2: Balanced Scorecard Performance Report.

Green: Target achieved **Red : Target not achieved** **Yellow: Information outstanding**

Chairman's REPORT

Amatola Water has had another excellent year, I am delighted to introduce our 2014/2015 Sustainability and Integrated Report. In the past year our employees successfully delivered water services to the people of the Eastern Cape. Their hard work, commitment and pride in delivering the very best for all our customers has helped us achieve record levels of customer service and become the most trusted water utility in the Eastern Cape Province.

I am very pleased to report that Amatola Water has received an unqualified audit report. Overall performance against predetermined objectives has improved compared to the previous financial year. The financial performance reported for the entity has not been good, after providing for a doubtful debts amounting to R22 million for raw water abstraction in Peddie and Glenmore. These costs have been acknowledge by the Department of Water and Sanitation in the prior financial year.

The issues relating to non-payment of debts for services rendered to municipalities have generally posed a significant threat to water boards' financial viability. Amatola Water is not immune to the risk exposure pertaining to non-payment of debt for services rendered but however is engaging consistently with various stakeholders.

I am proud to announce that the key service delivery targets have been met as the Water Utility continues to supply good quality drinking water, reliably and efficiently with no significant water supply interruptions. The R500 million investment on six plant upgrade projects are well underway to ensure that this basic service is accessible to those communities which were previously deprived of this human right.

Amatola Water's environmental strategy takes into account most of the policy positions highlighted by the Department of Water and Sanitation (DWS) together with the Southern African Development Community (SADC) in the recent SADC National Water Week. It is in our philosophy that economic growth and development can be achieved in a sustainable manner taking into account exogenous climate changing conditions, natural population dynamics and, needs for high levels of service from communities. I am comfortable to pronounce that raw water resources in our area of operations are sufficient to meet new water supplies to communities in terms of water and sanitation services backlog elimination.

The strategic direction of Amatola Water to entrench itself in a long-term sustainability path aligned to its core mandate has been realised were primary business activities are accounting for 78 percent of total revenue recorded for the period under review. In this reporting period, the Board continuously provided wise leadership, oversight and an outstanding progress in entrenching integrated and sustainable thinking while embracing good principles of governance as advocated in King III.

The greatest challenges facing Amatola Water in the province are water and sanitation service backlog with increasing demand of potable water. The challenges are extended in the province as it is vastly and significantly having high levels of poverty while the population is growing. These are service delivery challenges experienced and recognised by Cooperative Governance and Traditional Affairs (Cogta) and National Government within the water sector. Amatola Water has realised a step forward in its mission to strive to contribute to socio-economic developments in the Eastern Cape Province and the development of Regional Water Utility. The directive from the Honourable Minister of Water and Sanitation to implement Phase 3 of the

"In the past year our employees successfully delivered water services to the people of the Eastern Cape. Their hard work, commitment and pride in delivering the very best for all our customers has helped us achieve record levels of customer service and become the most trusted water utility in the Eastern Cape Province. "

Nooitgedagt/Coega Low Level Scheme at Nelson Mandela Metropolitan Municipality (NMMU) is a significant step in the growth footprint of the business operations. The Board views this as an opportunity to start engaging strategically within the processes of Institutional Reform and Realignment (IRR) which objectively advocates the establishment of economic viable Regional Water Utilities.

The Board acknowledges that it currently upholds its corporate citizenship status and also the compliance to King III standards. The governance compliance to the King Code has improved over the year and management and the Board strives to maintain and strives to exceed expectations of the compliance to King as it focuses on particular areas of compliance. The Board is currently reviewing its governance structures to streamline and ensure value creation.

Integrated risk management over the year continued and strategic risks have been monitored by the Board Committee through the Audit and Risk Committee.

The year ahead, the Board anticipates that it will strive for continued compliance standards to be met and that integrated reporting will be entrenched into process management in the Board. The ISO standards for quality management is also going to be adopted going forward. The Board anticipates a stronger stakeholder management engagement and emphasis on performance against predetermined objectives.

The Water Utility in the years ahead will be taking actions to meet customer expectations of providing continuously fresh drinking water, at the lowest possible cost. A key aspect of this will be building increased resilience in our supply network so that our customers receive and even more reliable service. We remain committed to protecting and enhancing the environment, while supporting socio-economic development interventions in the Eastern Cape Province. Looking ahead, I know that the Board, leadership team and all our employees, are firmly focused on continuing to provide all our customers with a consistently high standard of service and great value for money.

It is in the heart of Amatola Water to develop and to nurture sound relationships with key stakeholders in paving the way for a better life for all citizens living within the Eastern Cape Province through service delivery.

This is the great opportunity to acknowledge our main shareholder, the Department of Water and Sanitation under the progressive leadership of the Honourable Minister in providing a clear line of march and strategic direction in the delivery of basic water and sanitation services.

To the staff of Amatola Water, thank you for your commitment and dedication in ensuring the success of Amatola Water in inherently difficult and challenging situations in the Province.

The Board also takes to this opportunity to welcome the newly appointed executives Mr. Lefadi Makibinyane (CEO), Mrs. Asanda Gidana (Director: Operations) and Mr. Kevin Govindsamy (Director: Finance). I wish to also extend my sense of appreciating the hard work and dedication demonstrated by the entire management team in ensuring sustainability of the water utility.

My heartfelt gratitude goes to the Amatola Water Board for their calm and wise leadership with no fear engaging in providing strategic oversight to the organisation.

Finally, a special thanks goes to all Amatola Water stakeholders which includes Water Service Authorities, Government Departments and Local Municipalities in trusting Amatola Water with the business of providing water and sanitation services in the respective communities in the province. We are looking ahead to continue this strategic partnering in championing progressively the delivering essential and basic water and sanitation services.

Nothemba Mlonzi
Chairman of the Board

Chief Executive's REPORT

PERFORMANCE REVIEW FOR 2014- 2015

Amatola Water has continuously demonstrated good performance in the delivery of its mandate against the predetermined targets for 2014-2015. This annual integrated report reflects on the 2014/2015 achievements and challenges in the second year of the implementation of our five year strategy with its catalytic initiatives. Below is a table which displays some of the lowlights and highlights for the review period:

	Reported in 2013/2014 Integrated Annual Report	Reported in 2014/2015 Integrated Annual Report
Overall performance against predetermined objectives	63% targets achieved	68% targets achieved
Audit opinion	Unqualified	Unqualified
Kl sold	41 630 Mℓ	40 942 Mℓ
Total revenue	R329 Million	R335 Million
Percentage of primary business	71.9 percent	78.0 percent
Additional capital infrastructure	R10 Million	R84 Million
% of total water losses	10%	9%

Table 7.3: Low lights and high lights for the financial year.

Amatola Water progressively maintained performance during the period while delivering on a strategy which is geared in achieving targets in the annual performance plans which have been aligned with South African Government outcomes and Department of Water and Sanitation's broader objectives. The base concept behind the strategy which is mainly to remain firmly entrenched in organisation's primary business is evident as the level of engagement on secondary activity has declined. This strategic positioning of moving towards section 29 activities does not undermine the national importance to deliver on much needed water and sanitation infrastructure. The appointment of Amatola Water through the issue of directive by the Minister in terms of section 41 (1)(ii) to implement Phase 3 of the Nooitgedagt/Coega Low Level Scheme at Nelson Mandela Metropolitan Municipality is one of the fundamental steps in realising the vision to lead sustainable bulk water and sanitation services in the Eastern Cape Province.

The extension in the footprint of Amatola Water business operations in secondary business (Section 30) through the implementation of water and sanitation infrastructure clearly demonstrates the capability and competence of Amatola Water's leadership/championship character in the water sector. The successful collaboration with Ndlambe Local Municipality and OR Tambo District Municipality in the rolling out multi-year water and sanitation bulk infrastructure is truly our commitment of radical transformation and inclusive growth to ensure that the communities in those regions achieve in receiving the delivery of reliable supply of water and sanitation services. Our engagement in implementing bulk water infrastructure propelled the yield of creating 1042 temporary job opportunities.

The regulated standards in the levels of water quality have not been compromised during the period. Throughout the period there was no interruption of water supply which exceeded 24 hours even when there were power interruptions by Eskom. While we have made excellent progress our customers expect us to stretch further based on our water competence in assisting them to achieve or maintain the Blue Drop and Green Drop status of their water systems. The utility has managed to reduce its distribution and production losses combined from a baseline of 10% to 9%.

" Amatola Water progressively maintained performance during the period while delivering on a strategy which is geared in achieving targets in the annual performance plans which have been aligned with South African Government outcomes and Department of Water and Sanitation's broader objectives. "

The organisation has adhered to stricter compliance measures in improving internal control environment which is evident in reduction of the number in repeat internal audit findings and unresolved internal audit findings. Internal systems and control reviews have been undertaken in order to identify critical gaps in the business processes that are needed to be addressed by management.

The financial performance of the entity has been challenged during the period as we have made a provision for a doubtful debt of R22 Million with DWS. Labour costs remain high however there is remedial interventions to contain costs within the target range with great emphasis in cutting discretionary spending. The financial position has been characterised by strength gained from additional capital infrastructure and net cashflow remaining constant above R120 Million. Debt collection from customers and, meeting contractual arrangements with service providers remain a challenge within the management of working capital.

The financial viability of Amatola Water will only be strengthened when the utility has a significant balance of economic viable schemes over and above the schemes which are serving the social need of this basic government service. Amatola Water's gazetted area of operations is predominantly rural and necessitates the use of social schemes for service delivery which poses a potential threat to the economic viability of the water utility. It is thus important to support DWS in its intervention of establishing viable regional bulk utilities through the Institutional Reform and Re-alignment (IRR) process. Amatola Water is currently a rural water utility which has to continue bolstering its secondary business to augment its primary business for sustainability purpose in the short to medium-term.

The highlights of the water utility's future plans are specifically elaborated in detail under the section dealing with strategy and resource allocation respectively.

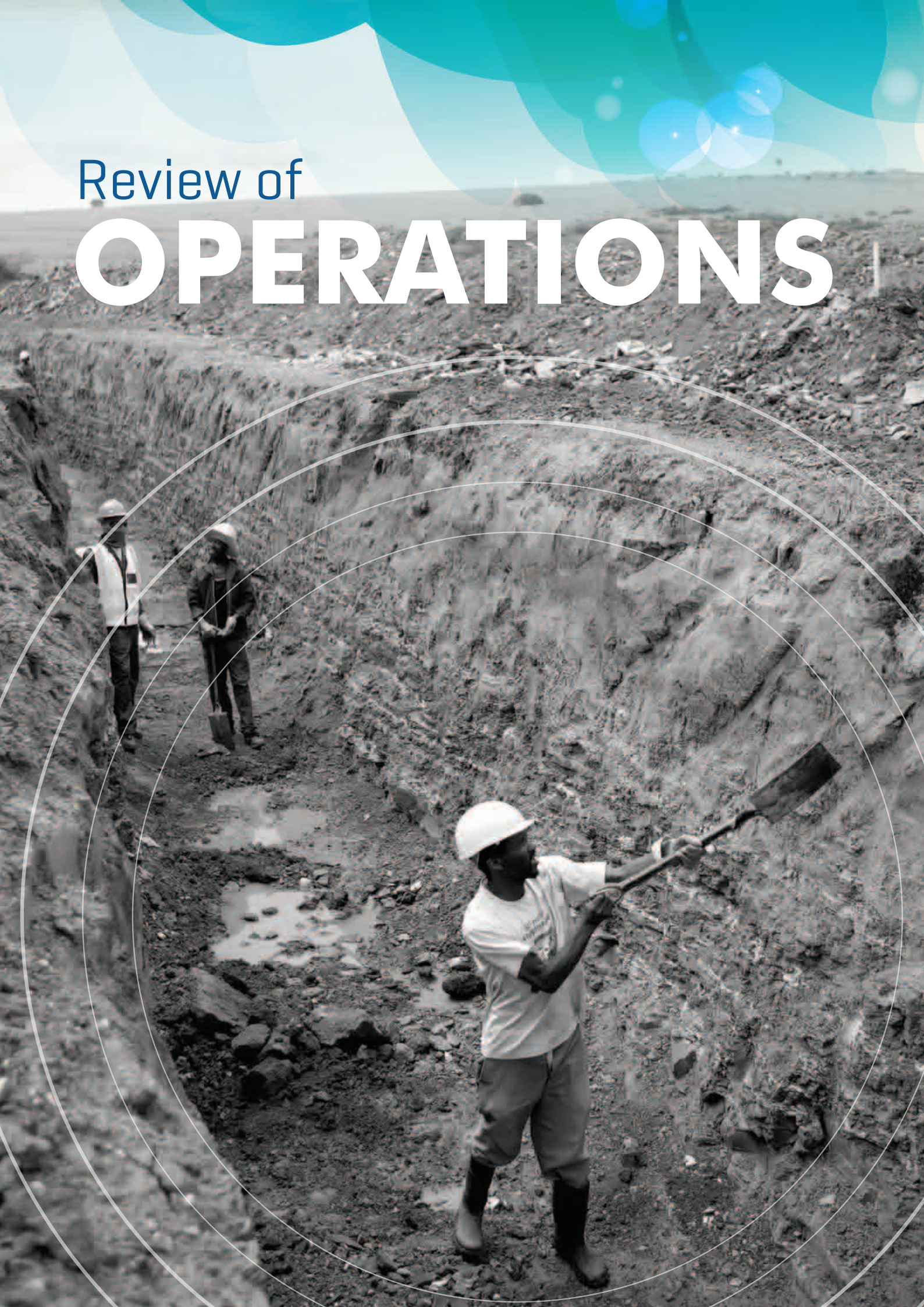
Our achievements this year are all due to the hard work and dedication of our workforce and service delivery partners in the water sector. On many occasions, our people have battled against difficult work conditions to deliver great service to our customers and I would like to thank each and everyone of them for their contribution to Amatola Water success in 2014/2015.

I would like to thank the Board under the calm and wise leadership of its Chairman, Ms. Nothemba Mlonzi for extensive engagement with the executive management and stakeholders.

Finally I would like to thank our intergovernmental partners starting with our Shareholder represented by the Honourable Minister Nomvula Mokonyane who has shown support and recognition to the Water Board capabilities through the Directives given and always there to hear us out, the Provincial Leadership of the Eastern Cape who continue to show interest in the service provisioning of water and sanitation and to the Executive Mayors of Local Governments where we act as their Implementing Agent for Bulk Water and Sanitation projects.

Lefadi Makibinyane
Chief Executive

Review of OPERATIONS



REVIEW OF OPERATIONS

Combined assurance barometer		
Management Responsibility for the specific risk area	Internal assurance providers	External assurance providers
All Directors	Internal Auditors	External Auditors and independent subject matter experts
Yes	Yes – the predetermined objectives are assured internally	Yes – the predetermined objectives are assured externally SHE and other quality audits also happen
Oversight		
Board	Board and ARC	Board and ARC

Table 8.1: Combined Assurance Barometer for the review of Operations Section.

Introduction

Amatola Water remains highly committed to meeting all obligations of its Bulk Supply Agreements and conducts regular maintenance and inspection of all its assets as an intrinsic part of continued operations management. Amatola Water's participation to the Provincial Water Infrastructure Master Plan as implementation agency (IA) of various projects in the Eastern Cape is seen as the positive contribution to the elimination of the water supply and sanitation backlogs in the Eastern Cape Province.

Value creation

Amatola Water view the value creation as an important step to interact with its customers and community to sustain the bulk water supply and sanitation through the continuous upgrading of the infrastructure.

Sustainability

Amatola Water strives for sustainable growth and will ensure the organisation continues to provide and extend sustainable water services to all municipalities and rural areas in the Eastern Cape Province.

Trend analysis

Amatola Water has managed to supply 106Mℓ/day of portable bulk water supply through it costumers and with the upgrade of their 6x Water Treatment Works; it is expected to increase its supply capacity to 150Mℓ/day.

Looking forward

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

Working closely with provincial stakeholders, municipalities that fall under supply area and communities, Amatola Water is developing a Infrastructure Master Plan that will be integrated to the Provincial Water Infrastructure Master Plan by 2016 and this will put the organisation in the right track to the formation Regional Water Utility.

INFRASTRUCTURE STABILITY AND RESILIENCE

- **Introduction**
  Amatola Water strives to balance continued provision of reliable bulk water supply to existing customers and to support economic growth whilst extending and increasing access to vulnerable municipalities and rural areas to reduce backlogs and improve local development in the Province of Eastern Cape. The entity's infrastructure development programme therefore comprises:

  - Infrastructure upgrades of Amatola Water Treatment Works; its networks and Scientific Service Laboratory to continue to achieve product quality and a sustainable supply to customers,

  - Infrastructure development projects and expansion to supply rural areas and municipalities to reduce backlogs and increase community sustainability.

- **Status of water access in the Eastern Cape**
  Although 90% of South African households had access to piped water in 2013, only 78,5% of Eastern Cape households enjoyed such access. This situation does, however, represent a substantial improvement from 2002 when only 73,9% of households in this province had access to piped water (courtesy of Statistics South Africa on 2014 General Household Survey report).

- **Schemes owned and operated by and their areas of supply**
  Schemes owned and operated by Amatola Water and their areas of supply are shown in the Table 1 below. Currently Amatola Water produces an average of 106 Mℓ/day. Whilst some Water Treatment Works have operational headroom, others are operating above design capacity.

Raw Water Source	Scheme	Waterworks Capacity (Mℓ/day)	Supply Area / Nature of Area Served
Sandile Dam	Sandile	18	Dimbaza Town, Middledrift Town, Fort Cox College, Bulembu Airport and more than 128 surrounding villages (20% Urban & 80% rural)
Craighead Weir	Peddie	6.6	Peddie Town, Nompumelelo Hospital, Peri-urban areas of Durban and Feni and surrounding villages (20% Peri-urban & 80% rural)
Debe Dam	Debi Mnyameni	1.5 0.2	Rural Rural
Mnyameni Dam	Masincedane	4	Rural (20% Peri-urban & 80% rural): Kieskammahoek Town
Binfield Park Dam	Binfield Park	4.8	Urban areas of Alice, Kyalethu & Ntselamanzi, rural service centres of Lower & upper Hoefield, 38 rural villages, Fort Hare University and Phandulwazi Agricultural College
Boyed Dam	Glenmore	0.5	Rural
Laing Dam	Lain	33	Bisho / Balassi / Berlin / Llitha / Zwelitsha / Pakamisa / Ndevana / Postdam / Mt. Coke / Mdantsane (63% Urban & 17% peri-urban & 20% rural)
Nahoon Dam	Nahoon	33.7	East London / Reeston / Mdantsane / Newlands / Macleanstown (95% Urban & 5% per-urban)
Ground Water	Albany Coast Reverse Osmosis Plants	3.8	Port Alfred, Bathurst, Kleinemonde, Kenton on Sea, Boesmansriviermond, Cannon Rocks and Alexandria
Total		**106.1**	

Table 8.2: Water Scheme owned and operated by Amatola Water.

INFRASTRUCTURE MASTER PLAN

The Amatola Water Infrastructure Master Plan (IMP) is based on the twenty-year capital expenditure programme to ensure the existing infrastructure operated by Amatola Water is augmented and upgraded to meet the future demands of the region in a sustainable, efficient and effective manner. The IMP is being reviewed to be integrated with the Provisional Water Master Plans.

- **Performance with Infrastructure Master Infrastructure plan**

In 2013/14 Amatola Water has secured R500m funding through Regional Bulk Infrastructure Grant (RBIG) programme to upgrade its bulk infrastructure to improve access to water in the areas of its supply and water quality.

Six Water Treatment Works which were identified in the IMP are being upgraded using the grant funding.

MAJOR INFASTRUCTURE PROJECTS IMPLEMENTED IN 2014/15 FINANCIAL YEAR

- **Internal Capital Infrastructure Projects**

  - Amatola Water Six Water Treatment Works Upgrade

Background
Amatola Water has been granted funding by National Treasury in terms of the Appropriation Act for the upgrading of its Water Supply Schemes. These funds are administered by the Department of Water and Sanitation (DWS) under the RBIG Programme. The project involves the upgrade of Peddie, Sandile, Debe Nek, Masincedane, Binfield and Nahoon water supply scheme infrastructure. These upgrades will allow Amatola Water to provide bulk potable water capacity to eliminate backlogs and increase water supply. This initiative will have an impact in uplifting rural communities, lower bulk tariffs for municipalities through greater economies of scale and extend Blue Drop quality water services to a significant portion of the rural communities located in the Amathole District Municipality and the Buffalo City Metro Municipality.

No	Project	Original Budget	Status (% of work completed)	Start date	Expected Completion Date	Challenges/ Comments
1	Upgrade of Sandile WTW to 60 Mℓ/day and associated upgrading of Bulk Storage and Reticulation	R155,996,300.00	50%	Nov 2014	Nov 2016	• Land compensation claims • Poor performance by Contractors
2	Upgrade of Binfield WTW to 12 Mℓ/day and associated upgrading of Bulk Storage and Reticulation	R91,390,750.00	36%	Sept 2014	June 2016	
3	Upgrade of Masincedane WTW to 6.5 Mℓ/day and associated upgrading of Bulk Storage and Reticulation	R81,716,000.00	55%	Sept 2014	Dec 2015	
4	Upgrade of Debe WTW to 5.0 Mℓ/day and associated upgrading of Bulk Storage and Reticulation	R38,688,750.00	15%	Oct 2014	Feb 2017	
5	Upgrade of Nahoon WTW to 53.0 Mℓ/day and associated upgrading of Bulk Storage and Reticulation					

Table 8.3: Shows the status of 6x Amatola Water Six Water Treatment Works being upgrade.

Jobs impact:

Local jobs created	No of Jobs
Debe WTW Upgrade	10
Masincedane WTW Upgrade	17
Binfield WTW Upgrade	9
Sandile WTW Upgrade	87
Total	**123**

Table 8.4: Show the Temporary Jobs created

- **External Infrastructure Projects (Section 30 Infrastructure Projects)**

Amatola Water has been appointed as an Implementation Agency by DWS to implement various Water and Sanitation Bulk Infrastructure projects and, also to implement the Rapid Response Intervention for the Eastern Cape Municipalities. R3.6 billion is allocated to implement tis Water and Sanitation Bulk Water Supply for the entire province.

Figure 8.1: External Projects being implemented by Amatola Water in the entire Eastern Cape Province.

No	Project	Approved Budget 2014/15	Budget Allocation in 2014/15	Status (% of work completed)	Start date	Expected Completion Date	Challenges/ Comments
1	KSD PI Intervention	R 2 033 865 886	R495 000 000	71%	12/11/2012	31/07/2016	• Approval of Water Use Licence for Mthatha WWTW and Mthatha Dam abstraction • Court Interdict due to land claims. • Cost of standing time and delays in Construction progress due to Land claims • Sustainability Plans for the new infrastructure.
2	Sidwadweni Bulk Water Supply	R93,000,000	R93,000,000	100%	March 2011	Feb 2016	• Sourcing additional R170million is required to complete the project
3	Coffee Bay Bulk Water Supply	R116,000,000	R116,000,00	37%	March 2011	Feb 2016	• Sourcing additional funding for completion of next phases
4	Ndlambe Bulk Water Supply	R113,000,000	R113,000,000	75%	March 2011	Feb 2016	• Delays in Water Use License approvals • Eskom Electricity Connections • Land issues with the Farmers • No easy access to SAN Parks
5	James Kleynhans Bulk Water Suppl	R97,000,000	R10,000,000	20%	Sept 2015	Feb 2017	• Eskom Power Supply to be upgraded on time to meet the commissioning period.
9	Sterkspruit Bulk Water Supply	R60,000,000	R60,000,00	100%	March 2011	Feb 2016	
10	Paterson Bulk Water Supply	R6,549,650.00	R6,549,640	100%	March 2007	Feb 2016	• Sourcing Additional R21 million to complete the project

Table 8.5: Project Status Report.

Progress report:

- **KSD PI Programme**

WATER	MIG Funding	RBIG Funding	PROGRESS	COMPLETION	NO OF BENEFENCIARY	JOBS CREATED
Mthatha Raw Water and Thornhill WTW Upgrade	0	6	90%	Mar-16	432 208	784
Libode, Nqandu and Ngqeleni Corridor	2	4	70%	Dec-15	156 200	852
Mqanduli Corridor	6	2	66%	Jul-16	151 690	1584
Mthatha South Corridor	2	4	70%	Mar-16	217 711	3096
Signal Hill Strategic Linkages and Airport Corridor	5	0	80%	Feb-16	131 741	1368
SANITATION	MIG Funding	RBIG Funding	PROGRESS	COMPLETION		
Mthatha WWTW Upgrade	0	3	69%	Jul-16	467400	325
Northern Outfall Sewers	0	4	47%	Jun-16	149 600	132
Southern Outfall Sewers	4	0	80%	Dec-15	217 800	125

Table 8.6: Show Progress to date and Jobs created

- **Ndlambe Bulk Water Supply**

Local jobs created	No of Jobs
Ndlambe Bulk Water Supply	327

Table 8.7: Show Temps jobs created

- **Rapid Response Unit (RRU) Contract**

  The Department of Water and Sanitation in Eastern Cape Province has extended the appointment of Amatola Water for another 3yrs starting for R10m per year from March 2015 as Implementing Agency for the Rapid Response Unit initiative and thereby dealing with water supply and sanitation crisis situations in support to Local Government in the Eastern Cape Province. Some of the RRU interventions were successfully implemented.

  WAY FORWARD TO IMPROVE THE IMPLEMETATION OF THE PROJECTS:

  - Capacitate the project team by make use of Professional Service Providers to take over the project management and construction supervision
  - Implementation for the Project Management System will improve the monitoring; control and project reporting.

STAKEHOLDER AND SECTOR INSTITUTIONAL RELATIONS

- **Forum Interactions**

  Amatola Water continues to participate in various forums within the water sector at local, Provincial and National Government levels. Local government interaction occurs on a one on one basis with municipalities and at the meetings of the Eastern Cape Water Committee and its sub-structures. The purpose of the Committee is to co-ordinate the development and management of water services in the Eastern Cape Province with a focus on backlog eradication, sanitation, infrastructure asset management and revenue generation linked to water services.

  Amatola Water is actively engaging at the provincial level with various government departments relating to secondary services and in particular with the Department of Water and Sanitation (DWS).

  National forum activities undertaken by the organisation include active membership of the South African Association of Water Utilities (SAAWU) and the Provincial Water Forum in the province. It also serves on various project steering committees of national studies undertaken by the Water Research Commission (WRC). Amatola Water is also a patron member of the Water Institute of Southern Africa (WISA).

- **Customer Relations**

  Achieving full adherence to the corporate values of Amatola Water is largely dependent on the organisation's ability to communicate in a continuous, transparent and precise manner with its customers and stakeholders. The organisation utilizes service level agreements to regulate customer relations when rendering services. The supply of bulk water is regulated through bulk supply agreements and secondary services are regulated through Memorandums of Agreement.

- **Bulk Supply Agreements**

  The Water Services Act No 108 of 1997 requires that the Water Board enters into supply agreements with its customers, it is intended to supply potable Bulk Water. Amatola Water has three bulk supply contracts with the Buffalo City Metropolitan Municipality (BCMM), Amathole District Municipality (ADM) and the Ndlambe Local Municipality.

  The existing agreement with BCMM is for a 30 year period ending in 2033. The bulk potable water supply agreement between Amatola Water and Amathole District Municipality (ADM) is for a three year period which has been extended until June 2017. The bulk supply agreement between the Ndlambe Local Municipality and Amatola Water is effective for a period of 20 years until July 2030.

- **Memorandums of Agreement**

  Amatola Water has entered into three significant Memorandums of Agreement for the operation and maintenance of customer infrastructure. The customers include the Makana Municipality, Ndlambe LM and the Department of Public Works in Port Elizabeth

POTABLE WATER PRODUCTION

The volume of potable water produced was in the order of 35.5 million cubic meters for the financial 2014/2015 year. An average total plant production loss of 4.1% was achieved during the year compared with the SAWU benchmark of 7%. Similarly, total network losses for treated water have decreased from 5.5% to 5.2% against the 12 percent SAAWU benchmark over the past year. See figure 1 below which represent a comparison in the % water losses during the past two years.

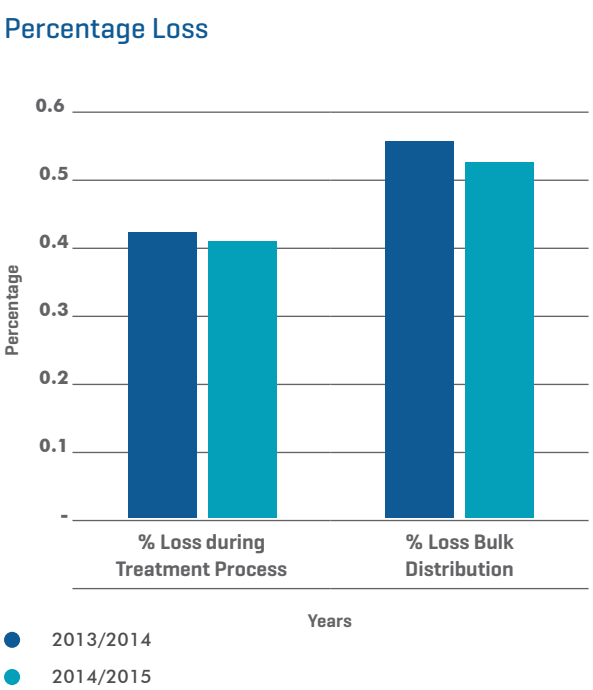


Figure 8.2: Represent a comparison in the % water loss during the past two years

- **Integrated System**

The Amathole Water Resources Systems supply water requirements of the Buffalo City Municipality which consisting of East London, Mdantsane , King William's Town Bisho urban complex and some of Amathole District Municipality which consisting of the town of Stutterheim and Mlungisi Towhship, and villages in the surrounding rural areas.

The water resources that form part of the Amathole Water Resources System are the following seven dams namely, Gubu, Wriggleswade, Maden, Rooikrantz, Laing, Bridledrift and Nahoon Dams.

Wriggleswade Dam provides an additional safe yield of 31.8million m^3/a. Three million cubic meters of this is allocated for compensation towards irrigation use, while the balance is earmarked for domestic / industrial use. The available yield for domestic and industrial use will eventually be impacted on once the environmental water requirements for the system has been agreed upon and finalized,

Various water demand strategies have been compiled and tabled in the Amathole System Reconciliation Strategy Report which needs to be implemented by the relevant stakeholders in the future. The effective implementation of these strategies will then determine the expected augmentation date within the Amatole System.

- **Drought management**

A study to determine rules to optimise the operation of the Amatola system has been initiated by DWS and completed by the Operating Rules Study Team. The operating rules, which have since been approved by DWS, entail a transfer of water from the Wriggleswade Dam to dams downstream in the System, when the water levels in these lower dams drop to predetermined levels. The transfer rates are such that they sustain the requirements on the dams only and are not used to re-fill the dams. The ASATSG has reviewed the system yield, based on the adopted operating rules, using the Water Resources Yield Model which is presented in the table 1 below.

	Yield (million m3/a)		
Dam	Scenario 1 (5) Transfer from Wriggleswade Dam only when required	Scenario 2 (6) Transfer when Wriggleswade Dam is spilling	Scenario 3 (7) Transfer when Wriggleswade Dam is spilling (higher dam trigger levels)
Maden	0.5	0.5	0.5
Rooikrantz	3.7	3.7	3.7
Gubu	2.9	2.9	2.9
Wriggleswade, Laing, Bridledrift, Nahoon	87.3	93.6	95.3
Sub Total	94.4	100.7	102.4
Total Yield including return flows	**100.1**	**106.4**	**108.1**

Table 8.7: Yields of the integrated Amatole Water Supply System (as in 2011).

Notes

- Yields are at 98% assurance of supply.
- EWRs are not included.
- Transfer losses from Wriggleswade Dam are included.
- The possible impact of climate change is not included.
- Approved operating rules.
- Proposed amendment to the approved operating rules (transfer rates in accordance with the approved operating rules).
- As per 6 above but raised transfers trigger levels of downstream dams.

The ASATSG has further reviewed the system yield, based on varying operating rules, the results of which indicate that the system yield could be further increased to 108.1 million m^3/a by adjusting the transfer trigger dam levels of the downstream dams under Scenario 2, i.e. transfer when Wriggleswade Dam is spilling.

It is specifically to be noted that the transfer rates from Wriggleswade Dam under both Scenario 2 and 3 are those stipulated in the approved operating rules, i.e. Wriggleswade Dam to Nahoon Dam 0.8

m^3/s; Wriggleswade Dam to Laing Dam 1.3 m^3/s. All reconciliation planning for future surface water supply schemes is therefore based on a system yield of 100.1 million m^3/a (approved operating rules) with the maximum possible system yield of 108.1 million m^3/a being considered as a possible scenario.

Agreements have not as yet been concluded between DWS and BCMM to facilitate the effective implementation of the new adopted operating rules, but are near conclusion. Despite the above, the system yield of 100.1 million m^3/a has been used as the basis for the current reconciliation planning scenario.

The higher possible yield of 108.1 million m^3/a [as per Amathole System Administrative and Techinical Support Group (ASATSG) presentation of march 2015] has however been considered as a scenario in the reconciliation planning. Wriggleswade Dam are utilised to supplement raw water supplies to Bridledrift and Nahoon Dams. Wriggleswade dam is linked by a tunnel and canal system that has the capacity to transport $3m^3/$ sec either into the Buffalo River or Nahoon River catchments. Water can be released into the Yellowwoods River that flows into the Buffalo River to supplement Laing and Bridle Drift Dams or into the Nkobongo River that flows into the Nahoon River, feeding into the Nahoon Dam.

Yellowwoods Transfer:
Previous environmental studies on the KwaNkwebu River, a tributary of the Yellowwoods River, recommended limiting the rate of transfer between the Wriggleswade and Laing Dams to a rate lower than that for which the transfer system had been designed, in order to protect an environmentally sensitive reach of the river. It was initially envisaged that this would limit the yield possible from the System, requiring by-pass infrastructure to circumvent the constraint.

The new adopted operating rules are however such that transfers are undertaken at lower rates, but over longer periods of time, thereby avoiding the need for by-pass infrastructure to ensure that the system yield is achievable. i.e. the proposed transfer rates from Wriggleswade Dam to Nahoon Dam to be at 0.8 m^3/s and from Wriggleswade Dam to Laing Dam at 1.3 m^3/s

- **Reconciliation Options**

The following options to reconcile the projected water requirements with supply from the Water Board are prioritised for implementation in terms of the Strategy:

- Operation of the Water Board as an integrated system so as to maximize system yield;
- Implementing water conservation and water demand management (WC/WDM) measures;
- The re-use of water;
- Stream flow enhancement through the removal of invasive alien plants from river catchments;
- New surface water supplies; and
- Desalination of sea water.

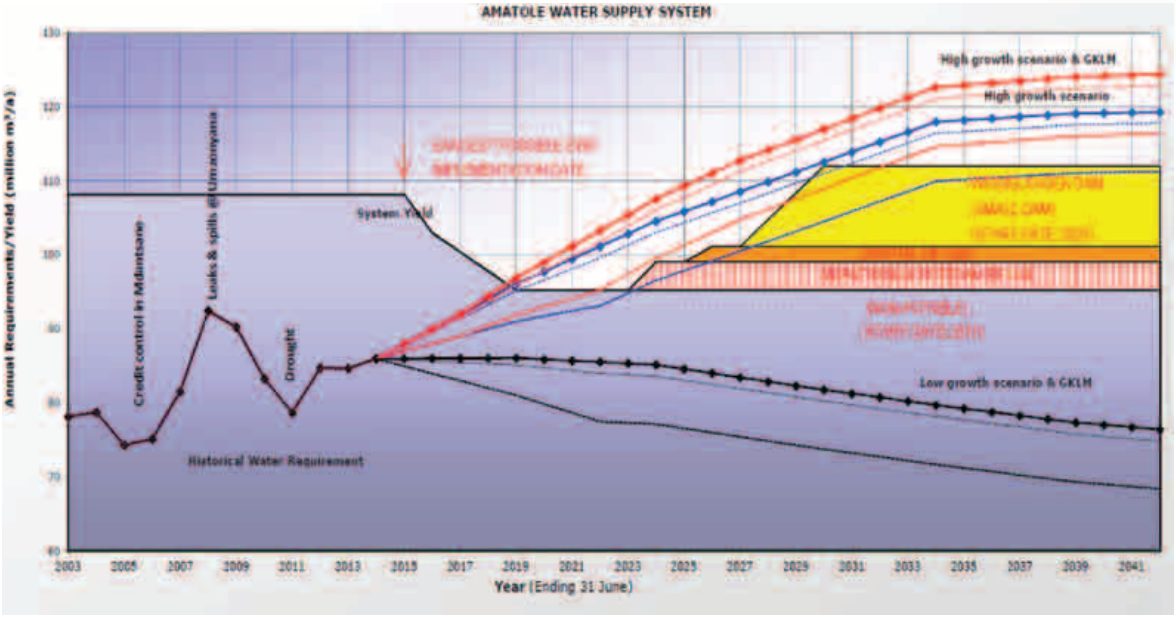
It is also required in terms of the Strategy that water quality concerns be addressed at source, to prevent the need to operate the System to address water quality concerns by means of releases from dams for dilution purposes.

- **Water Balance**

Figure 1 below shows the current high- and low-growth water requirement scenarios against supply available from the System, as per the approved and proposed operating rules. From the graph it can be seen that the historical water requirement since 2010 is generally in line with the updated high growth water requirement projection, but with a medium to low growth trajectory since 2011.

Based on the current high-growth water requirement scenario, measures to reduce the requirement or to increase the system yield would have to be implemented by:

- Using yield from sum of individual dams (94.9 million m^3/a): 2018
- Using yield available with approved operating rules (100.1 million m^3/a): 2021
- Using maximum yield possible from the System (108.1 million m^3/a): 2027



PROPOSED OPERATING RULES WC/WDM 100% EFFECTIVE PART EWR RE-USE SURFACE WATER

Figure 8.3: Shows the current high- and low-growth water requirement scenarios against supply available from the System

- **Projected Water availability and resource utilization of schemes operated by Amatola Water**

Below find Table indicating Dam capacities; relevant available yields and project water use for the next 5yrs.

Dam Names	Capacity in Mm^3 (Live storage)	Total firm yield Mm^3/a	Urban/ Domestic Mm^3/a	Irrigation Mm^3/a	Environmental Mm^3/a	Raw water use in 2015/2016 in Mm^3/a	Raw water use in 2016/2017 in Mm^3/a	Raw water use in 2017/2018 in Mm^3/a	Raw water use in 2018/2019 in Mm^3/a	Raw water use in 2019/2020 in Mm^3/a	Surplus (+)/ shortfall (-) for 2015/2016 in Mm^3/a	Surplus (+) / shortfall (-) for 2019/2020 in Mm^3/a
Binfield Park Dam	36.850	16.500	1.000	8.000	0.000	4.292	4.334	5.272	5.423	5.576	4.208	2.924
Cata Dam	12.100	6.200	0.000	5.300	0.000	0.000	0.000	0.000	0.000	0.000	0.900	0.900
Dabi Dam	1.000	0.050	0.033	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.050	0.050
Debe Dam	6.000	2.150	0.350	0.000	0.000	0.724	0.731	1.431	1.509	1.588	1.426	0.562
Gubu Dam	8.800	2.870	2.300	0.783	0.000	1.557	1.573	1.588	1.604	1.620	0.530	0.467
Laing Dam	19.800	18.270	14.900	1.900	0.000	10.464	10.569	11.190	11.359	11.529	5.906	4.841
Mnyameni Dam	2.060	4.000	0.450	0.700	0.000	1.037	1.047	1.446	1.496	1.546	2.263	1.754
Nahoon Dam	19.900	8.410	5.600	1.250	0.900	12.840	12.969	13.098	15.449	18.580	-6.580	-12.320
Pleasant View Dam	2.000	0.000	0.030	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Rooikrantz / Maden Dam	4.800	4.180	3.100	1.240	0.000	3.820	3.859	3.897	3.936	3.976	-0.880	-1.036
Sandile Dam	30.960	18.000	11.600	6.800	0.000	9.475	9.570	12.964	13.401	13.964	1.725	-2.764
Wriggleswade Dam	91.210	31.800	16.900	3.000	0.000	0.000	0.000	0.000	0.000	0.000	28.800	28.800
Glen Boyd Balance Dam	0.150	1.000	0.000	0.000	0.000	0.395	0.399	0.403	0.407	0.411	0.605	0.589
Albany Coast		0.520	0.802	0.000	0.000	0.999	1.009	1.019	1.029	1.039	-0.479	-0.519
Total	**235.63**	**113.950**	**57.065**	**28.973**	**0.900**	**45.603**	**46.059**	**52.308**	**55.613**	**59.829**	**38.474**	**24.248**
% of Firm Yield for domestic use			50%	25%	1%	40.0%	40.4%	45.9%	48.8%	52.5%	33.8%	21.3%
% of Firm Yield for all uses			76%			66.2%	66.6%	72.1%	75.0%	78.7%	60.0%	47.5%

Table 8.8: Dam capacity in million cubic meters for major dams.

Developments

The ASATSG has undertaken a conceptual (desktop) review of the Sandile/Binfield Park Dams supply augmentation option, identified in the Strategy Study as one of the more favourable augmentation options due to its low URV and short lead time (no need to construct a dam; it uses surplus yields from these existing dams). The findings of the review however indicated that the surplus yields available from these dams to augment supplies to the Water Board are significantly lower than previously anticipated and that more detailed investigations are required to confirm the dam yields. The need to register and monitor water use from these dams was also identified. It can also be noted that the Department of Agriculture and Rural Development (DoARD) are reviewing the agricultural water requirements from these dams, whilst DWS have initiated processes to develop operating rules for the respective dams.

A screening of surface water supply options workshop was held on 26 March 2012, the key outcomes of which are as follows:

The following schemes/options are considered the most viable of the options identified to date and should be put forward for more in-depth study for consideration for implementation:

- Wesselshoek Dam (Kwelera River) – the most favourable of the options at this point in time;
- Ravenswood Dam (Keiskamma River) – only if a large yielding dam is required; and
- Stone Island Dam (Nahoon River) – potential environmental implications.

NOTE: * A number of the above comments were extracted from the status report March 2015 of the Amatole System to provide information on the whole complexity of status and future water resource development requirements to ensure sustainable water resources within the Amatole Region.

A similar operational analysis report was completed by DWA for the Sandile and Binfield Park dams. A draft report was completed during December 2012 that provides drought operating rules for these systems.

Business systems improvement

Geographical information systems (GIS)

The GIS unit assists the whole of Amatola Water in supporting all divisions with spatial data/ information for planning purposes, projects and operational activities. GIS technology were used in projects such as MWIG in ORTDM, King Sabata Dalindyebo Presidential Intervention(KSD PI) projects, Kouga LM Water Conservation and Demand Management and Amatola Water Due Diligence report which examine the existing Water and Waste Water Treatment Works in the whole of Eastern Cape Province.

The collection, verification and maintenance of spatial data for infrastructure within Amatola Water's area of operation are an ongoing task undertaken by the P&D Division within Amatola Water. Updating of attribute data is ongoing as new infrastructure is developed. GPS data has been collected during the past year to verify spatial data of Amatola Water's infrastructure. Schematic diagrams of water schemes are updated on a continued basis which assists the organisation in managing water losses.

ENVIRONMENTAL SERVICES

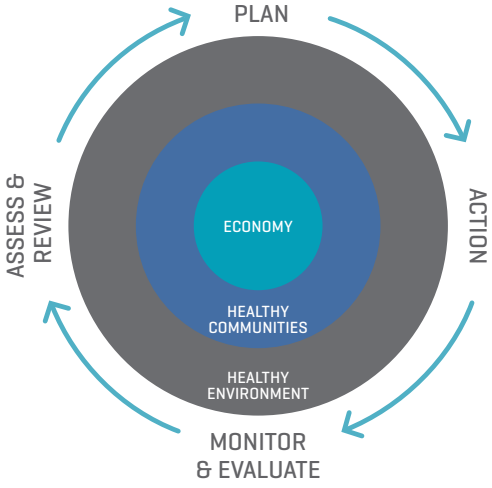


Figure 8.4: The adaptive management cycle with environment, people and economics at the centre.

Environmental management is complex, merging concepts of triple bottom lines, corporate governance and corporate social and environmental investment into environmental sustainability is challenging. Increasing pressure on environmental resources results in a challenge to integrating social, economic and environmental factors in planning, decision-making and implementation so that resource development and use is able to serve both current and future generations sustainably (see Figure 2 for the adaptive management approach).

The annual strategic review and the development of organisational 20-year goals and 5-year objectives provided an ideal opportunity to review environmental sustainability issues for the organisation. Several key environmental challenges

have been identified for Amatola Water: these have relevance both as a consequence of Amatola Water activity but may also have a consequence to Amatola Water activity. Broadly, these are Amatola Water's environmental footprint, environmental compliance, monitoring and auditing, integrated environmental management, technological challenges, climate change uncertainty and organisational environmental awareness.

In the last year, several initiatives have contributed to addressing facets of these key challenges. The finalization of Amatola Water's Environmental Sustainability Strategy serves as framework for matters relevant to environmental sustainability and governance for the organisation. The strategy recognizes the role that Amatola Water plays in giving effect to the National Development Plan, particularly within the context of the Eastern Cape. Aligning the long- and short-term growth vision for the organisation allowed identification of key strategic environmental interventions that are critical to supporting and achieving environmental sustainability.

These are as follows, with examples provided in boxes:

- Monitoring, assessing and evaluating effect of and on organisational activities
- Managing and mitigating environmental impacts
- Promoting environmental awareness
- Supporting co-operative environmental governance; enhancing organisational sustainability
- Participating in relevant environmental research.

Providing environmental inputs at the outset of internal and external development projects have meant that environmental issues could address, or influence, key decisions timeously (refer to Figure 2 for the adaptive management process followed). As details of technical designs become available, relevant environmental authorization applications are submitted to relevant provincial and national authorities, thus preventing project delays. The approved environmental management plans are used to audit environmental compliance and contribute to reducing impacts on the environment. Involving Amatola Water as an Interested and Affected Party on key provincial initiatives means that the organisation can actively contribute to provincial environmental sustainability by providing input into these projects as they develop and progress.

Continued service to the Water Research Commission through reviewing research proposals and conference abstracts, as well as participation in reference groups for research projects, creates the opportunity to remain informed of water sector research and technology developments, and contributes to Amatola Water's involvement in professional networking. On-going participation in provincial forums such as the Environmental Quality Management Forum and the Renewable Energy and Energy Efficiency Forum, means that Amatola Water remains abreast of relevant local environmental legislation and relevant information pertaining to environmental management so that timeous interventions can be implemented. These varied environmental inputs contribute to ensuring environmental monitoring and compliance within an integrated environmental management framework.

Climate change and water resources

Amatola Water recently participated in a WRC funded research project investigating the potential impacts of climate change on water resources in the Amatole Water Supply System. On-going monitoring of water resources will be required, of both quantity and quality, and Amatola Water continues to work closely with the DWS and other regional stakeholders in this regard.

PLANT AND SYSTEMS MANAGEMENT

Non-revenue water

Bulk and distribution losses within the Amatola Water bulk systems are monitored by the Water Resources department. This is done through a combined effort in water loss/demand management program and meetings with the Operations and Finance Divisions. Water loss reports are produced on a monthly basis. A combination of bulk water meter balance reports, meter variance reports and water meter line diagrams are used to track down water losses. Water meters are calibrated according to a set programme and specific needs.

Water balances are recorded monthly for all water abstracted, treated and distributed within the supply networks of Amatola Water. The identification of problem areas is done through logging of key water meters and physical inspection of bulk pipeline routes. Early identification of water losses assists the water board in addressing and reducing water losses which, in turn, results in reduced loss of revenue. Amatola Water completed Phase 3 of the Kouga Municipality water conservation and demand management project during the past year.

Three Year Telemetry Plan

Amatola Water compiled a three year master telemetry plan for all Primary Business plants inclusive of Makana. This plan is divided up into short, medium and long term interventions.

Where budget allowed, all identified short term interventions were undertaken during the 2014/2015 financial year. Items earmarked for the medium and long term will be budgeted for accordingly in the next financial years. This plan has now been updated for this 2015/2016 financial year as well as for the corresponding next two financial years.

SCIENTIFIC SERVICES

The Scientific Services department employs 17 staff members and utilises an annual budget of about R10 million. There are two sections within the Scientific Services Department, i.e., Microbiology and Chemistry who are responsible for ensuring the quality of the water.

Scientific Services Responsibility

Water quality at Amatola Water is managed throughout the value chain, beginning in the catchment, following up at the purification stations and continuing into the distribution networks. This rigorous program entails proper sampling from all designated sampling points, followed with testing of the water samples by Amatola Water Scientific Services. The Scientific Service department has recently applied for SANAS (South African National Accreditation System) laboratory accreditation; twelve analytical methods have been approved by SANAS, of which two for the microbiology and ten for chemistry (inorganic chemistry). The laboratory also participates in proficiency testing schemes to ensure the integrity of the data, performance against peer laboratories and demonstrating confidence in their technical competence. Together, these two laboratories test for the suite of analyses as stipulated in the South African National Standard for potable water (SANS 241).1627

Support to the Municipalities

Amatola Water laboratory is providing support to some of the Eastern Cape Municipalities to improve water quality. In the past six years, it has provided support to the following municipalities: Joe Gqabi District Municipality, Chris Hani District Municipality and OR Tambo District Municipality. Similar support is still being provided in Ndlambe Local Municipality; Makana Local Municipality and Amathole District Municipality.

OPTIMIZING OPERATIONAL EFFICIENCIES

Water Production

An increase of 0.4% on bulk potable water supply was recorded in this year and this increase was mainly Buffalo City taking water from the Nahoon Dam water treatment works and an increase of supply to the Amathole District Municipality rural supply schemes. Most of the plants operated by Amatola Water is running above its installed capacity therefore the small increase in sales. The bulk raw water supply has decreased by 10.1 percent compared to the previous financial year. This decline is attributed to the efficiencies of Da Gama textiles which has embarked on recycling water. The 0.4 percent increase on bulk portable water is in line with Amatola Water's initiative (CS1) of achieving 160 Mℓ/day by 2024.

Storage and Supply Capacity Expansion

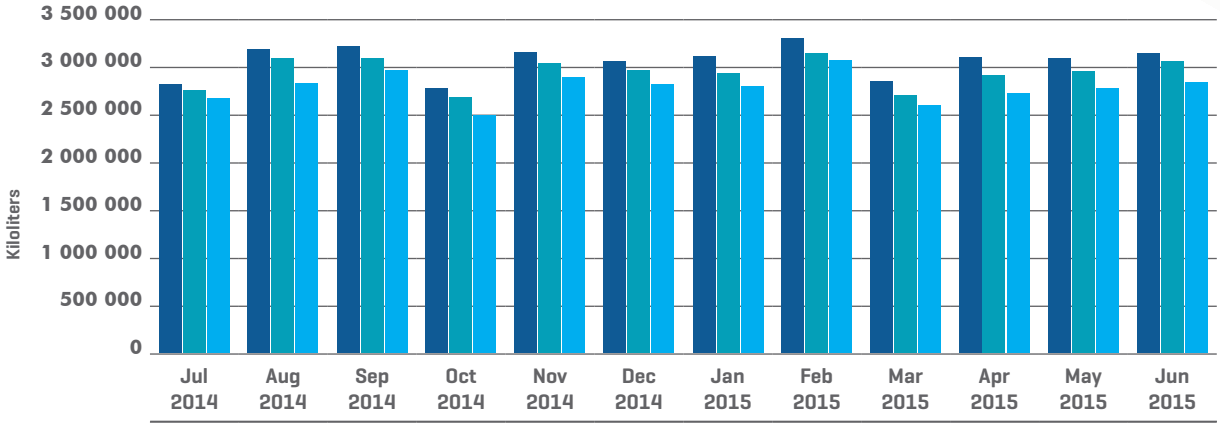
Amatola Water's clients received an assurance of supply at 99.77% during the year under review and exceeded the set target of 80% as per Amatola Water's initiative (IS1). The organisation is in the process to upgrade its capacity problems at five plants namely Sandile, Masincedane, Binfield, Debe and Peddie water treatment works to meet the demand and also to erase the current backlog in the Eastern Cape. Funds from National Treasury will be used to subsidize the upgrades to ensure that that every household have excess to portable water in these areas. The projects are between tender and construction stage.

Water Losses

Intervention plans were put in place and that has paid off, during the year under review and the plant production water losses reduce to 4.08% from 4.22% with an overall total water loss of 9.32% against 12% target as per Amatola Water's initiative (IS4) whilst the national standards is 19%. The high water losses in some of the plants are caused by operating above capacity and required more often backwashing. These plants are currently being upgrade to meet the future demand. The Amatola Water's stringent target of 12% was in line with the National Department's "War on leaks" program.

Routine maintenance and inspections throughout the abstraction, treatment and distribution infrastructure have been invaluable in minimizing water losses in the other plants. Operations, through the implementation of programs such as meter calibration and maintenance, network inspection, monthly water balance reviews, network planned maintenance, water losses have been recorded at 5.24% versus 5.53% of the previous year in distribution networks. The telemetry systems is closely monitored 24/7 by Control Room process controllers and network controllers are guided to problematic reservoirs to check pipelines for burst and overflowing of network reservoirs.

Water Losses 2014 to 2015



	Jul 2014	Aug 2014	Sep 2014	Oct 2014	Nov 2014	Dec 2014	Jan 2015	Feb 2015	Mar 2015	Apr 2015	May 2015	Jun 2015
Raw Water in (Kl)	2 826 995	3 180 950	3 226 413	2 766 975	3 141 309	3 051 034	3 104 980	3 309 625	2 848 649	3 104 683	3 079 509	3 151 760
Treated Water out (Kl)	2 762 877	3 072 023	3 084 982	2 683 190	3 030 565	2 965 358	2 938 814	3 152 003	2 698 860	2 908 100	2 942 517	3 051 164
Plant Loss (%)	2.27	3.42	4.38	3.03	3.53	2.81	5.35	4.76	5.26	6.33	4.45	3.19
Volume Billed (Kl)	2 661 247	2 807 486	2 955 966	2 497 183	2 893 005	2 824 480	2 789 036	3 058 608	2 605 376	2 740 263	2 775 310	2 832 827
Network Loss (%)	3.68	8.61	4.18	6.93	4.54	4.75	5.10	2.96	3.46	5.77	5.68	7.16

Figure 8.5: Water losses 2014 to 2015.

PRODUCTION EFFICIENCY

Pump Efficiency Monitoring Program

There has been an overall increase in the ratio of Kwh/cubic meter of water produced from 0.834 in 2013/2014 to 0.858 in the 2014/2015 financial year. This equates to an increase of 2.8% in energy consumed.

Although there was an overall increase in the Kwh/cubic meter ratio, it is still within the target as per Amatola Water's initiative (FV1.10) of 0.860. Having said that though, it is anticipated that as soon as the entire identified pump refurbishments have been completed that were identified in the Pump Efficiency report, there will be an increase in overall pump efficiency resulting in an overall decrease in the ratio for the 2015/2016 financial year.

Additional factors that have also contributed to this increase in the ratio include the following:

- Total potable water production decreased by 0.062% year on year whilst the electricity usage increased by 2.8%.
- The main contributor to this minor increase in electricity usage has been the many load shedding outages that were imposed upon Amatola Water by Eskom.

Below is the Kwh/cubic meter of water produced ratio tables for the 2013/2014 and 2014/2015 financial years.

JULY 2013 to JUNE 2014 WTW	Capacity Mℓ/d	Total 13/14 Kwh	Total 13/14 m^3	13/14 Kwh/m^3
Rooikrantz WTW	1,2	169708	0	0,00
Masincedane WTW	2	72438	955929	0,08
Glenmore WTW	0,5	158784	209442	0,76
Dabi WTW		0	0	0,00
Peddie WTW	6,56	730057	2710960	0,27
Mnyameni WTW	0,29	7815	101924	0,08
Nahoon WTW	33,7	9467172	12381422	0,76
Laing WTW	33	9957448	8874544	1,12
Sandile WTW	18	4759635	6524421	0,73
Debe WTW	1,5	893853	774180	1,15
Binfield Park WTW	4,8	1102570	1910560	0,58
Albany Coast	2,41	2134767	868995	2,46
TOTAL	**103,96**	**29454247**	**35312377**	**0,834**

JULY 2014 to JUNE 2015 WTW	Capacity Mℓ/d	Total 14/15 Kwh	Total 14/15 m^3	14/15 Kwh/m^3
Rooikrantz WTW	1,2	0	0	0,00
Masincedane WTW	2	64194	914610	0,07
Glenmore WTW	0,5	183630	270018	0,68
Dabi WTW		0	0	0,00
Peddie WTW	6,56	755706	2623318	0,29
Mnyameni WTW	0,29	6887	88180	0,08
Nahoon WTW	33,7	9641813	12070625	0,80
Laing WTW	33	10391226	9168433	1,13
Sandile WTW	18	4632560	6267067	0,74
Debe WTW	1,5	924479	701837	1,32
Binfield Park WTW	4,8	1243328	2160977	0,58
Albany Coast	2,41	2426122	918934	2,37
TOTAL	**103,96**	**30269945**	**35290363**	**0,858**

Table 8.8: Water production trend analysis.

Plant and Systems Management

Safety, Health and Environment

The organisation has continued with the implementation and improvement of the OHSAS 18001 Management System. This has assisted with the mitigation of possible risk for legal actions being taken against Amatola Water due to gross negligence.

OHSAS 18001 SABS Audit

Safety, Health and Environmental (SHE) performance is a priority performance measurement for Amatola Water to comply with. These include legal requirements pertaining to our product quality, environment, safety and health standards.

Our Integrated Management System (IMS) Policy that guides us to achieve this also emphasizes the achievement of injury and incident free operation.

The SABS OHSAS 18001 audit undertook in June 2015 and has confirmed management's commitment and overall effectiveness of our OHSAS 18001 Management System.

There were 16 (1 x major & 15 x minor) non-conformities recorded against the requirements of OHSAS 18001:2007 and against the statutory and regulatory requirements.

A detailed close out plan has been prepared to address these non – conformances and is in the process of being implemented by the responsible departments.

Disabling Incident Frequency Rate (DIFR)

Statistical information has been collected, to determine its occupational health and safety relating to occupation health diseases, rate of injuries and lost day's management system. This form of measurement is an internationally recognized and adopted form of measurement.

The current disabling incident frequency rate (DIFR) for the organisation record is still on 0.59 which is well within the company target of 0.80. The following graphical information shows the 2014/15 disabling injury frequency rate and annual trend in this indicator.

Disabling Injury Frequency Rate 2014/15

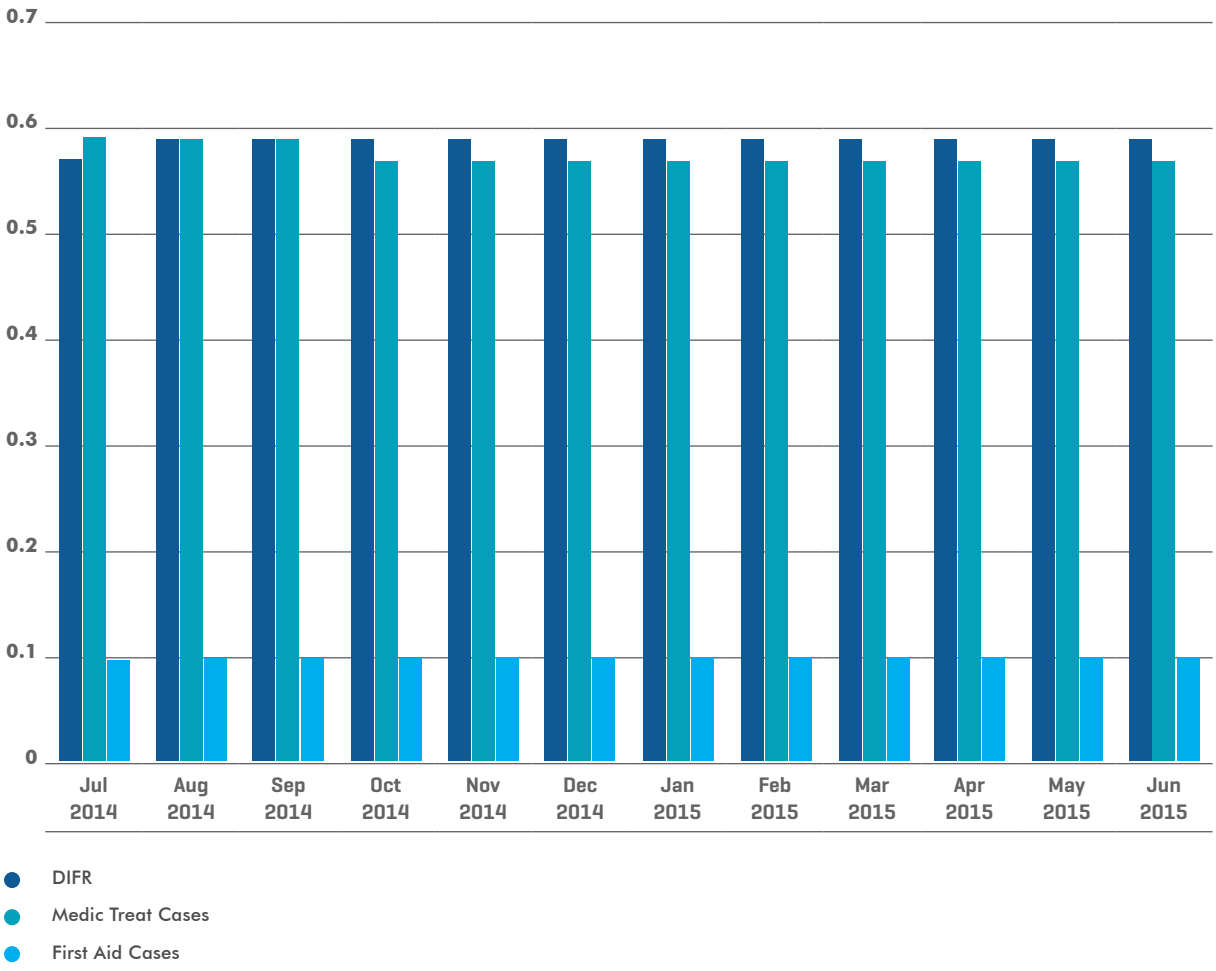


Figure 8.6: Disabling Injury Frequency Rate 2014/15.

Contractor and Construction Management

Several initiatives to improve compliance with safety, health and environmental legislation for construction work were introduced during the period under review. Projects were evaluated to make sure that they comply with the conditions of all the applicable legal requirements, including authorizations and permits, were all verified by our SHE department.

In order to enhance the Integrated Management system that has been adopted by Amatola Water the entity also developed a specification to institutionalise Document Management Control and have a system that will support the integration and manage the document control. This specification will be a guide for budgeting and rollout in the next financial years. This is in line with Amatola water initiative of aligning systems, policies and Procedures for Strategy Implementation.

INFRASTRUCTURE STABILITY AND RESILIENCE

The past financial year has once again seen a steady trend of moving from corrective maintenance to that of a more proactive maintenance philosophy. This has been particularly evident in the Makana area of operation where a more proactive stance of undertaking maintenance has been the main focus.

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

The implementation of a proactive planned maintenance schedule for all primary business reservoirs and pipelines which started in the 2013/2014 financial year has now also been completed and is being implemented.

We have also completed the implementation of a planned maintenance system for all critical Programmable Logical Control (PLC) batteries at the various plants and pump stations.

The primary business sector achieved a ratio of 83:17 for planned v/s unplanned maintenance and thereby exceeded the company benchmark target of 80:20. An impressive total of 95% for both planned and unplanned maintenance were also completed.

The Makana engineering maintenance department achieved a ratio of 87:13 for planned v/s unplanned maintenance and thereby also far exceeded the company benchmark of 80:20. Here, 89% of all planned maintenance work and 95% of unplanned maintenance was completed.
Although many challenges were experienced with the implementation of the artisan utilization report, there has been a general improvement in this regard from the previous financial year. This has been the main contributor to us achieving the very good results indicated above.

Three Year Telemetry Plan

Amatola Water compiled a three year master telemetry plan for all Primary Business plants inclusive of Makana. This plan is divided up into short, medium and long term interventions.

Where budget allowed, all identified short term interventions were undertaken during the 2014/2015 financial year.

Items earmarked for the medium and long term will be budgeted for accordingly in the next financial years.

This plan has now been updated for this 2015/2016 financial year as well as for the corresponding next two financial years.

PRODUCT QUALITY

Amatola Water's water quality compliance in all its water treatment works and distribution network is in line with the SANS 241:2011 Part 1 & 2 which is a National Standard used to measure water quality compliance.

The SANS 241:2014 Draft is out for comments and will bring a more realistic parameters. Department Water and Sanitation (DWS) already changed the Blue Drop Compliances and set its own standards which are derived from SANS 241:2011/14 to regulate the Blue Drop System.
In the first half of the financial year the chemical consumption average 33 701kg per month with the second half average at 28 092kg, this is due to floods at the end of previous financial year and beginning of this financial year. Water was transferred from Wriggleswade Dam to Nahoon Dam during March to end May 2015 which changed the water characteristics followed by a heavy rain fall.

There is no much change on the overall compliance from last financial year vs this financial year although the plants are still in a process of being upgraded and are still running above capacity. This is in line with Amatola Water's initiative (WQ1) with a target set at 98% which is above the SANS 241:2011/14 target of 96% as set out by the South African National Standard Act. Amatola Water uploads all the water quality data on the DWS Blue Drop website. This data can be viewed by the public on the DWS "My Water" website.

Blue and Green Drop Certification

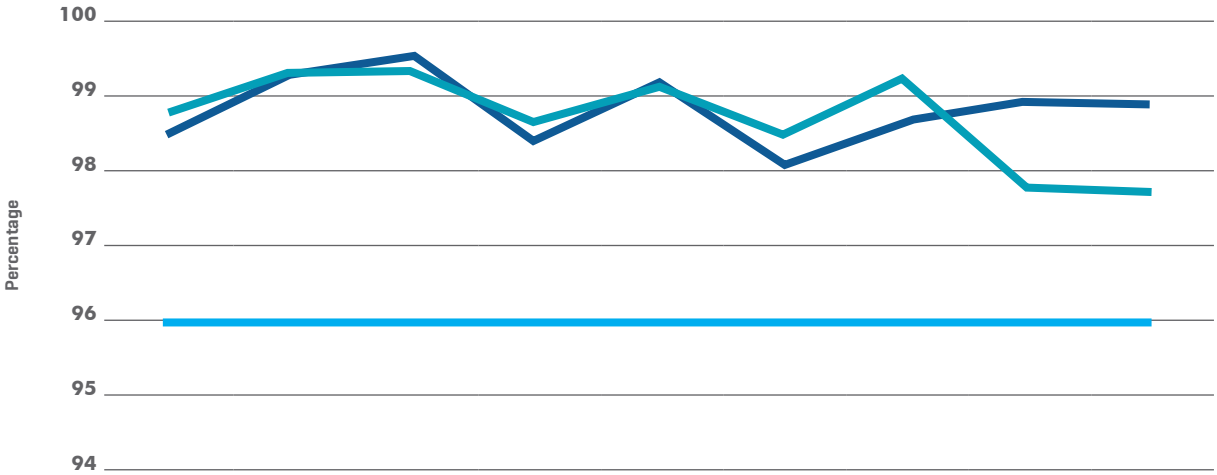
Although Amatola Water as part of its KPI's indicated their Blue Drop Readiness, it cannot report on the outcome due to the none availability of results. The department promises to do an assessment next year 2016 the entity is hopeful that the results will then be released for next year's assessment.

Amatola Water and Buffalo City Metro Municipality, continues with regular meetings to integrate the Water Safety Plan and continuously Identifying Risk that are jointly managed and will continue developing holistic risk plan for the entire system.

Amatola Water has also setup a Blue Drop Committee which meets on a monthly basis to update its own Blue Drop Readiness Plan.

In support of the Blue Drop and Green Drop Certification process Amatola Water has integrated the LIMS to the IMS reporting system, in order to report Quality non-conformances direct from LIMS with limited human interference. This was completed and launched in this financial year under review. This is in line with Amatola water initiative of aligning systems, policies and Procedures for Strategy Implementation.

Water Quality Results



	2007	2008	2009	2010	2011	2012	2013	2014	2015
Water Works	98.53	99.28	99.52	98.40	99.19	98.12	98.70	98.93	98.90
Distribution Network	98.78	99.34	99.35	98.70	99.10	98.52	99.20	97.80	97.70
SANS 241: 2014	96.00	96.00	96.00	96.00	96.00	96.00	96.00	96.00	96.00

Water Quality Results – 98.2% level of compliance

- Water Works
- Distribution Network
- SANS 241: 2014

Figure 8.7: Water Quality Results.

Leadership and Employee Development

People Resourcing

Introduction

Every effort has been made to ensure that Amatola Water employ the right people and that it obtains and retains the right skills in order to take the organisation forward, in terms of its performance, capability, resourcefulness and delivering on the mandate.

Value Addition

The Human Resources Department coordinates the flow of people into, through and out of the organisation. Human Resources (HR) initiatives support this flow of human capital, and are grouped into key functions including, but not limited to: attraction, retention, capacity building and performance management. The alignment and effectiveness of these functions ensures that Amatola Water has the right people in the right positions at the right time. This in turn enables the organisation to deliver on its mandated services.

Sustainability

Staff recruitment was kept to a minimum, with only 12 replacements for critical and scarce skills positions during the year on a like-for- like basis so as to maintain the current level of staff numbers but also ensuring continuity to service delivery, cost effectiveness as well as vigorously minimizing staff losses.

Trend Analysis

Labour turnover decreased from 13 percent in 2013/2014, to 5.9 percent in the 2014/2015 period. The decrease in labour turnover could be attributed to the job security and stability in the organisation. Staff exits are detailed below: (G4-LA1)

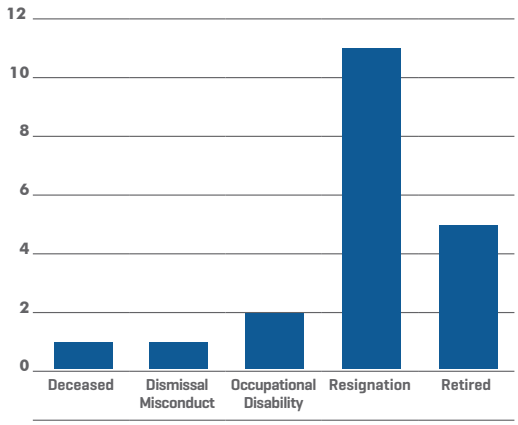


Figure 8.8: Staff Exits for 2014/2015 Financial Year.

Looking Forward

A staff complement of 355 had been projected for the period ending June 2015. An actual staff complement of 334 was maintained at a lower total than the projected staff complement, with 302 employees for Section 29 business and 32 employees for Section 30 business.

An actual staff complement of 334 was maintained at a lower total than the projected staff complement, with 302 employees for Section 29 business and 32 employees for Section 30 business, as reflected in the following table: (G49)

Year (ACTUAL) Staff Compliment	Section 29 Business	Section 30 Business	Total
June 2015	302	32	334

Figure 8.9: Staff Compliment.

Details of staff establishment per Division, as at 30 June 2015, were as follows:

Division	Staff Number
Operations	235
Finance	34
CE's Office	14
Planning & Development	27
Corporate Services	24
Permanent Employees	334
Non-permanent Employees	38
Grand Total:	**372**

Figure 8.10: Staff Establishment.

No target was set for the implementation of the recruitment plan for the year under review, due to the Moratorium placed on recruitment by the Minister of Water & Sanitation. Only the recruitment for critical and scarce skills positions was done. During the year under review, only 12 appointments were made, as per the figures below:

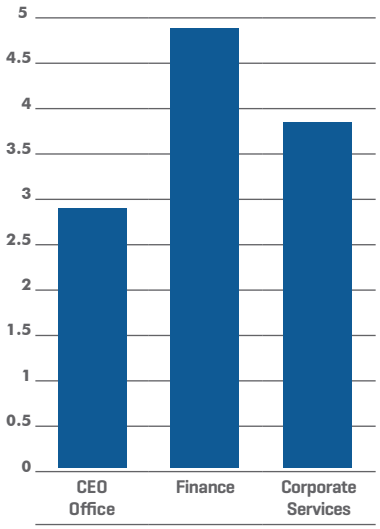


Figure 8.9: The recruitment of permanent employees per Division.

In promoting equal opportunity employment, the employment of permanent staff fell within the following race and gender categories in line with the Employment Equity Plan of Amatola Water:

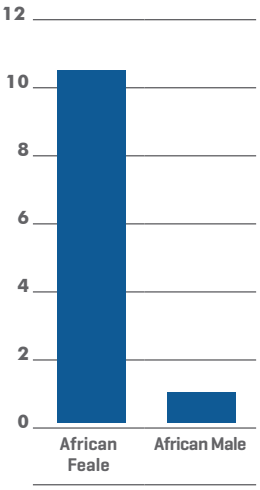


Figure 8.10: Equity Spread.

During the year under review, the organisation was able to achieve a percentage of 7.4 percent in career advancement of internal employees, when 25 internal employees advanced to higher positions (termed internal promotions for the purposes of this report) through the normal recruitment process and placement through the approved new organogram.

The career advancement of internal employees appointed to higher positions in Amatola Water is displayed per Division below:

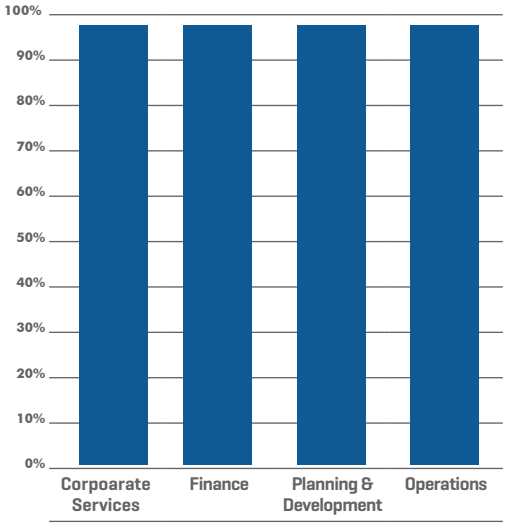


Figure 8.11: Career Advancement.

The organisation continually assessed its current and future workforce needs, aligning these with its business objectives. Staff recruitment focused on critical and scarce skills positions only, as approved by the Minister of Water Affairs & Sanitation. Transformation regarding equity and diversity was encapsulated in the organisation's Employment Equity Plan that is periodically reviewed.

ORGANISATIONAL DEVELOPMENT

Introduction

Organisation development aims to manage change and align people, process and practices using planned interventions to improve culture and organisational effectiveness.

The organisational values of Integrity, Excellence, Accountability and Responsibility define the working environment within the organisation. Amatola Water continues to recognize the importance of living these core values to ensure that due consideration is given to the needs and interests of all stakeholders.

Value Addition

Amatola Water's long term 20-year strategy continued to focus on aligning Amatola Water's structure with the Business Strategy; a framework for the restructuring of the organisation's Primary and Secondary functions at a functional and activity level. A revised organisational structure supporting this strategy was submitted to the Board in June 2015.

Sustainability

Change management initiatives with specific focus on effective and efficient communication were maintained through staff information sessions, divisional meetings, extended management committee meetings and electronic staff briefs. The creation of a positive culture that underpins the implementation of the corporate strategy and organisational citizenship remained one of the key priorities. A Researcher from Rhodes University, in conjunction with the HR Department, embarked on an organisational effectiveness study in May 2015. The purpose of this study was to elicit employee opinions on the organisational culture and effectiveness. The survey covered many aspects of how work gets done and its intention is to provide a broad assessment of important dimensions such as mission and strategy, leadership, managerial behaviour, work group climate, employee satisfaction, and overall effectiveness. The questionnaire also intended to establish a baseline measurement for gauging progress in these key areas of organisational performance in the organisation. The research is planned for finalization in the 2015/2016 financial year.

Individual staff performance contracts are aligned with the organisational objectives to ensure that the strategies formulated by the Board and Senior Management are operationalized. Performance is reviewed on a quarterly basis to ensure that the implementation of the corporate scorecard is reviewed, monitored and challenges identified and, where needed, appropriate solutions developed.

Personal Development Plans (PDPs) are a part of Amatola Water's Performance Management System. The goal is to improve organisational performance by focusing on those developmental issues that are most important to Amatola Water and support effective employee performance management to facilitate both performance planning and feedback at the end of the performance period. Personal Development Plans are annually developed to assess employee's interest in management and professional advancement, and to help in career planning. The PDP is part of each employee's annual performance contract and forms the core of the organisation's Skills Development Plan.

Trend Analysis

Implementation of the organisational structure is an ongoing process and filling of positions will be prioritized after Board approval whilst the organisation is cognizant of the moratorium by the Minister of Water and Sanitation on recruitment.

Looking Forward

- Entrenching the appropriate corporate culture: decisive leadership; resolving organisational politics; and issues of conflict.
- Conduct a culture survey (organisational effectiveness study via Rhodes University)
- Aligning people, skills, systems, policies and procedures for strategy implementation.
- Facilitate organisational development processes and focus on identified priority areas to enhance the effectiveness of individuals, business units and the organisation as a whole.
- Align Amatola Water's structure with the Business Strategy.
- Communicate and create awareness of the organisation's structure.
- Communicate the vision, mission and corporate scorecard.
- Cascade Corporate Values to all levels of staff

Amatola Water has set average annual performance targets for the entity over the next five years. The 2015/16 financial year target is 78% achievement and escalates to 90% by the 2018/19 year.

Employment Profile

Employment Equity is the vehicle through which equity in the workplace can be achieved by creating and promoting equal employment opportunities and fair treatment in employment practices, through the elimination of unfair discrimination and the implementation of affirmative action measures to redress the disadvantages in employment experienced by designated groups in the past, in order to ensure an equitable representation in all occupational categories and/or levels in the workplace.

Value Addition

Employment Equity contributes to the development of a favourable environment for all employees irrespective of gender, race or disability to realize their full potential without any unfair discriminatory practices.

Sustainability

Amatola Water drafted a new 5 year employment equity plan which is valid from 2015 to 2020, in order to monitor and evaluate the performance of the organisation in line with the goals and objectives of the Employment Equity Act.

Trend Analysis

Amatola Water shows a slight improvement on female representation to 27.16% in the organisation. However it remains below the desired

provincial target of 46.2%. The representation of black employees remains constant year on year and largely meeting the desired provincial target of 94.3%. The People with disability representation remain at 0.89% and below the desired organisational target of 3%.

Looking Forward

Amatola Water will embark on a concerted effort to address the two areas of concern which are female representation at mostly managerial level and place more emphasis on improving the representation of people with disability in the organisation.

Amatola Water subscribes to the principles of Employment Equity and as such has drafted a new Employment Equity Plan (2015-2020) which will be reviewed annually. The plan guides the organisation's human resource practices in promoting employment equity, the recruitment and development of employees from designated groups and the advancement of gender representation to meet Employment Equity targets in line with the Employment Equity Act. Amatola Water submits an Employment Equity Report to The Department of Labour annually and a report for the 2014/2015 reporting period was submitted on 15 June 2015.

Occupational levels	Male				Female				Disability		Total
	A	C	I	W	A	C	I	W	Male	Female	
Top Management	1	0	0	0	0	0	0	0	0	0	1
Senior Management	0	0	0	1	2	0	0	0	0	0	3
Professionals & Mid-Management	9	0	0	5	4	3	1	0	0	0	22
Skilled technical workers & Junior Manage	49	11	3	12	17	3	1	5	1	0	101
Semi- Skilled	98	6	0	2	40	4	0	3	1	0	153
Unskilled	46	0	0	0	8	0	0	0	1	0	54
Totals Permanent	**203**	**17**	**3**	**20**	**71**	**10**	**2**	**8**	**3**	**0**	**334**

Table 8.11: Amatola Water staff profile as at 30 June 2015 is reflected in the above table.

Workforce Profile per Occupational Level and Economically Active Population						
Designated				Female		
Occupational Level	the Water Board	EAP	GAP	the Water Board	EAP	GAP
Top Management	100%	94.2%	5.8%	0%	46.2%	-46.2%
Senior Management	67%	94.2%	-27.2%	66.67%	46.2%	20.47%
Professionally Qualified & Middle Management	77.27%	94.2%	-16.93%	36.36%	46.2%	-9.84%
Skilled Technical or Junior Management	88.12%	94.2%	-6.08%	25.7%	46.2%	-20.5%
Semi-Skilled	98.7%	94.2%	4.5%	30.7%	46.2%	-15.5%
Unskilled	100%	94.2%	5.8%	14.8%	46.2%	-31.4%

*Red – indicates under-representation
*Grey – indicates over-representation

Table 8.12: GAP Analysis between EAP targets and Amatola Water workforce.

Training and Development

The modern workplace, both in the South African and in the global business context, has to among other things optimally develop, deploy and retain the knowledge and skills of its workforce to remain a commercially viable going concern. Major worldwide shifts in business, such as globalisation and rapid changes in information technology have also increased the need for appropriate human resource provisioning. These developments, coupled with the political and economic changes in South Africa, have heightened the need to identify and develop strategic skills for the benefit of individual employees, organisations and the South African society as a whole. In the light of the above, Amatola Water recognises that the competence of its human capital is a critical factor for its current and future progress, competitiveness and sustainability as a business. It further recognizes that in order to meet the skill challenges in the organisation, it is strategically necessary to invest in the education, training and skills development of its employees, especially with regards to scarce and critical skills.

Value Addition

Skills Development at Amatola Water contributes meaningfully to talent attraction and retention strategies to ensure strategic objectives are achieved. The implementation of Training and Development influences both directly and indirectly to the strategic posture of Amatola Water. Furthermore, the training and development initiatives fosters a culture of lifelong learning, and strategically positions Amatola Water as employer of choice.

Sustainability

ining and Development initiatives create a pool of highly skilled and competent employees to respond to current and future human capital needs of Amatola Water.

Trend Analysis

Amatola Water is committed to the skills development of its employees and the organisation at large. This commitment is demonstrated by an approximate 139% increase in the training and development budget from 2014/15 fiscal year to 2015/16 fiscal year.

Looking Forward

Training and Development will continuously and adequately contribute to the creation of an enabling environment for the attainment of the organisation's strategic objectives.

Training & Development Strategy

Amatola Water's training priorities are dictated by its Workplace Skills Plan, which is the product of a detailed performance development plans and a skills audit report. The plan is submitted annually to the Energy & Water SETA (EWSETA) and details the training interventions the organisation has implemented and the training intervention the Water Board plans to implement in the next financial year. Training and development endeavors by Amatola Water form part of the principles that guide the approach adopted to ensure the success of the business strategy in supplying quality water. The development and provision of competencies central to the achievement of the business goals remain a priority for Amatola Water's strategic role.

Learnership Programme in Water and Wastewater Treatment Practice

The Amatola Water Learnership programme forms part of a route towards achieving a nationally recognised qualification. It is a structured learning experience which is a combination of theoretical and workplace learning and is directed towards the achievement of a South African Qualifications Authority (SAQA) registered qualification.

In an effort to invest in training and development initiatives, the learnership programme has been in implementation for several years and is guided by the Skills Development Committee. With a competency-based approach, Amatola Water is steadily building its workforce through a wide array of formal, informal and networking development opportunities for employees.

Amatola Water has contracted 10 general workers on an in-house learnership programme for 12 months, on Water and Wastewater Process Controller Learnership (NQF Level 4). Each year the organisation will offer opportunities for development to expand employees' skills and knowledge. The programme is developed according to the critical and scarce skills needs that have been identified in the Sector Skills Plan.

Learning Academy

Amatola Water has full accreditation from the Energy & Water SETA as a training provider on Water and Wastewater Treatment Process Control Supervision at NQFL 2 & 4. Since 2002, Amatola Water has been providing learnership opportunities to its internal staff and adjacent communities as part of its skills development programme. With knowledge and expertise gathered over years of sustainability, the organisation has realised the urgent need to confront water challenges by establishing a learning academy to address the

skills shortage in the water and sanitation sector, including addressing high unemployment, poverty and other related challenges, which require an integrated and holistic approach to knowledge management and skills development.

Guided by the organisation's strategy, the academy aims at developing leaders in technical expertise and future managers that will emerge as key players in water and sanitation initiatives. To expedite the implementation of the programme, Amatola Water has signed two (2) memoranda of understanding with Ndlambe Local Municipality and Chris Hani District Municipality respectively to train 100 unemployed youth with a pass in Maths and Science at Matric or Grade 12 level.

Financial Study Assistance

Amatola Water is committed to continuously developing its qualified and skilled staff as part of its endeavors towards staff development and staff retention. During the reporting period, the Water Board has assisted 42 employees with bursaries.

Management Development Programmes

As part of staff development, the organisation endeavours to up-skill its staff for upward mobility with specific emphasis to women development in the water sector. This programme is vital in that it encourages a central focus on internal staff with a view to both contribute to personal development of staff and contribute to the achievement of organisational objectives and goals. It provides training skills necessary to enhance and increase the efficiency and effectiveness of the supervisor, administration and operations for them to provide the highest level of excellence in their service to external customers.

Programme to enhance Professional Engineering Capacity

A total of three (3) new technicians are now registered as Candidate Technicians with The Engineering Council of South Africa (ECSA). Two (2) Candidate Technicians are to be attached to the King Sabatha Dalindyebo Presidential Intervention for the upgrade of the Bulk Water Supply and Sanitation and one (1) is to be attached to the Sandile Dam to Ndlambe Local Municipality Bulk Water Supply Pipeline to gain the required experience to be admitted as Professional Technicians and Technologists.

Recognition of Prior Learning

Two (2) out of four (4) traineeship, for the Plumbing trade, have successfully completed their Trade Test. The remaining two (2) employees need to go for another attempt to a Trade Test. Twelve (12) Artisan Aides were assessed through a Recognition of Prior Learning (RPL) process and subsequently placed on a training programme with specific focus on Mechanical and Electrical Trades to address the shortcomings identified through the RPL process. It is envisaged that both Mechanical and Electrical Trainees will be eligible for Trade Testing in the next financial period.

EMPLOYEE WELLNESS AND OCCUPATIONAL HEALTH MANAGEMENT

As a relatively high risk work environment, Amatola Water Board makes every effort to ensure that employment practices comply with the Occupational Health and Safety Act. As the means to achieve this, pre-employment medicals, routine compliance medicals as well as exit medical examinations are carried through all the time.

Further, Amatola Water Board makes every effort to enhance the wellbeing of employees through a series of employee wellbeing programmes.

Value Addition

Routine and periodic medical examination is very important to ensure proper placement as well as effective and optimum utilization of the workforce.

Sustainability

The wellness programmes Amatola Water Board regularly conducts do not only ensure sound health and wellbeing of employees. Because employees are cared for emotionally and health wise, probabilities of retaining them for e longer time period within the organisation is enhanced.

Employee Wellness

Amatola Water Board has a contract-based program designed to assist in the identification and resolution of productivity problems associated with employees impaired by personal concerns, including but not limited to health, marital, family, financial, alcohol, drug, legal, emotional, stress or other personal concerns which may adversely affect employee job performance. Following an in-house survey to solicit inputs as well as to enhance participation from employees the following wellness programmes were embarked upon;

A Companywide Wellness Day

The wellness day aimed at creating awareness and education on health related issues as well as diseases management was held in the month of April 2015. Apart from the medical screening, which was the feature for the day, the programme comprised of talks from financial expects on personal financial wellbeing, stress management, TB and other chronic diseases awareness as well

as a presentation from a dietician. The day also provided for employees to socialize.

Weight Loss and weight management campaign

As a way of promoting healthy leaving, Amatola Water Board, through a professional dietician enabled employees to embark on an eight weeks weight management programme. After an indebt individual health profiling of employees, a combination of an exercise programme and healthy eating plans were designed as per each employees' health profile. Regular weigh-ins were arranged to monitor progress and motivate where necessary. The results were resounding and through a combination of Body Weight Index Metrix the most improved was in excess of 9 kgs over the period.

Chronic disease management programme

Amatola Water Board recognizes that at times life challenges would result in chronic health conditions. Inevitably these conditions would put a toll on employees' health and consequently affect productivity. In order to promote awareness as well to provide support the wellness department has developed a chronic register wherein employees are assisted to manage their health conditions with medical advice from the institutionalized medical services. Where necessary the government's primary health care system is utilized where employees are provided with support from the local clinics.

Health awareness and education

There was mobilization and empowerment of peer educators to increase HIV/AIDS awareness throughout the sites of Amatola water through a refresher course during this period.

In collaboration with other health professional bodies and None-Governmental Organisation, Amatola Water regularly holds health awareness in line with the national health calendar developed and adopted by the South African government. Topics like Breast and Prostate Censor Awareness, TB talks were held.

2014 World Aids Day

Amatola Water held the World Aids Day commemorations at the Sandile Water Treatment Works. The theme of the day was "Accessing and Managing Medication". A full health screening for the employees and their family members was conducted Department of Health. The companywide commemorations were preceded by education talks and awareness' conducted by Peer Educators at the various plants.

Occupational Health Compliance and Management

The water processing environment is regarded as one of the high risk areas in terms of The Occupational Health and Safety Act and regulation, act no 85 of 1993. In terms of this act Amatola Water Board is required to be in full compliance in order to eliminate occupational injuries and diseases. With the health id the in-house medical services Amatola Water Board conducts mandatory pre-employment health medicals, periodic medicals (as required by legislation) as well as exit medical. Regular "walk though" inspections are also conducted to monitor compliance.

Looking Forward

In order to leverage the psycho-social support to employees, Amatola Water Board intends utilizing independent service providers which can be accessed by employees and their families on their own and freewill. This will ensure that the services are utilized with limited duress often associated with administrative processes.

STAKEHOLDER MANAGEMENT AND SUPPORT

Introduction

The nature and quality of Amatola Water's relationships with its key stakeholders is very strong. All Amatola Water relationships are valuable mutually beneficial relationships. Amatola Water always responded to the legitimate needs and interests of the stakeholders. Risk issue has also been looked at. All the risk and their mitigation strategies pertaining to stakeholder and customers have been identified. An ongoing monitoring procedure will continue to take place in the current financial year.

In realising this vision and in ensuring the successful execution of its mandate, the organisation relies heavily on various interactions with its respective stakeholders. These are the various individuals and groups who have interests or influence in the business and can affect or are affected by the achievement of the organisation's objectives.

In the period under review there were numerous interactions and engagements which took place. Stakeholder engagements were partially managed in line and as part of its stakeholder management strategy and plan which was drafted. Ongoing engagements with customers, government departments and suppliers also took place. These engagements were responding to concerns and key issues that were raised. There was mostly enhancement and retention of old relationships but also formation of new relationships. With the

new CEO on board, formation of new relationships will continue to take place and they will be in line with his new vision and strategic direction of the organisation. In the current financially year they will be managed strictly and fully in line and as part of the reviewed and amended stakeholder management strategy and plan.

How Amatola Water choose its stakeholders in the period under review

In its quest to achieve its mandate as well as go beyond this expectation, Amatola Water board has adopted the vision of leading sustainable bulk water services in the Eastern Cape Province. In realising this vision and in ensuring the successful execution of its mandate, the organisation relies heavily on various interactions with its respective stakeholders. These are the various individuals and groups who have interests or influence in the business and can affect or are affected by the achievement of the organisation's objectives. Among others, DWS is recognised as a primary stakeholder and statutory partner for Amatola Water. Other stakeholders such as employees, suppliers, clients, general public and the environment are seen as necessary partners to achieving and benefiting from organisational goals.

Amatola Water worked collaboratively with its stakeholders in order to form and maintain inclusive relationships. A framework document that outlines Amatola Water's various stakeholders, highlighting their interests and expectations from the organisation and guides the utility's engagement with these stakeholders, was established. This framework detailed a stakeholder matrix and indicated which Amatola stakeholders are, their interests and influence within the organisation. This stakeholder matrix will be reviewed on an annual basis to ascertain the relevance of each stakeholder in the current financial year

Amatola Water identified stakeholders and classified in three categories namely: -

Statutory stakeholders: includes the legislated stakeholders that directly and indirectly affect the Water Board operations. Statutory stakeholders are usually guard governance and compliance, strategy, performance and risk.

Contracted stakeholders: includes all stakeholders that make it possible for the Water Board to deliver on its legislated mandate both internally and external.

Non-contracted: includes all stakeholders who have both direct and indirect interest in the operations of Amatola Water.

STATUTORY STAKEHOLDERS	
Stakeholder	**Purpose of stakeholder engagement**
Executive Authority (DWS)	Strategic direction and support, performance of the Water Board
National Treasury	Support; Decision-making
Provincial Government	Collaboration
Local government (Water Services Authorities)	Long Term Commitment & loyalty
CONTRACTED STAKEHOLDERS	
Stakeholder	**Purpose of stakeholder engagement**
Organized Labour	Buy-in and support with regards conditions of service
Internal and external audit	Support, influence
Employees Extended Management Committee Forum	Information sharing and keeping employees up to date with latest developments
Suppliers • Black women owned businesses and aspiring entrepreneurs preventatives from Sthe Water BoardEN, Sthe Water BoardIC and the BMF Gender Desk • 50% black owned companies	Encouraging women-owned enterprises participation in Amatola Water business activities.
Investors (DBSA)	Funding
NON-CONTRACTED STAKEHOLDERS	
Stakeholder	**Purpose of stakeholder engagement**
Media	Communication platform; Influence
Business Fraternity	Networks, Support, Influence
Water Research Commission (WRC)	Strategic alliance
Small Enterprise Development Agency (SEDA)	Partnership formation around construction incubation programme.

Table 8.13: Engagements with Stakeholders and Purpose.

Engagement structures 2014/2015			
STAKEHOLDER	STRUCTURE	OBJECTIVE / AGENDA	FREQUENCY
Buffalo City Metropolitan Municipality (BCMM)	Water Safety Plan and Lab Data	Meeting	Bi lateral discussions
	Bi-Annual Planning Meeting	Meeting	Ad Hoc
Department of Water Affairs & Sanitation (DWS)	O&M meetings	Meeting	Bi Monthly
	Amathole System Reconciliation Meetings	Technical and Steering Meetings	Quarterly and Twice a year
	Mzimvubu Steering Meeting	Mzimvubu Ntabalenga Dam Project Planning	Ad hoc
	All Town Study	Meeting	More or 2/ 3 times a year depending on appointment of Consultant
King Sabata Dalindyebo Local Municipality (KSD)	Governance & communication water work stream	Meeting	Monthly
	Water & sanitation work stream	Project update	Monthly
	KSD PI PMU	Project update	Monthly
Makana Local Municipality	Amatola and Makana teams attending blue drop	Meetings	Monthly
	Makana Crisis Committee	Meetings	Monthly
	Makana Portfolio Committee Meeting	Meetings	Monthly
	Makana Operations and Maintenance Committee	Meetings	Weekly
Ndlambe Local Municipality	Operational no formal structure	Operational Resilience	Ad hoc
OR Tambo District Municipality (ORTDM)	Water services joint task team (JTT)	MWIG – project progress meetings	Monthly
Office Of The Premier (OTP)	Provincial Skills Development Forum	Meetings, workshops/seminars	Quarterly
Sundays River Valley Local Municipality (SRVLM)	RRU Crisis Call Down Unit	Meetings	Monthly

Table 8.14: Approach to Stakeholder Engagement.

Sector Institutional Relations - Forum interactions

PROWAF

Amatola Water was represented by the former Chief Executive Officer in the provincial water sector forum called PROWAF which is headed by the Provincial Head of the Eastern Cape Department of Water and Sanitation in collaboration with the MEC for Local Government & Traditional Affairs It is in this forum where provincial water and sanitation matters affecting the Eastern Cape are being discussed. Amatola Water will continue with its full participation in this provincial structure.

National Water Policy Review - consultation continued

Amatola Water not only engaged in local relations but also engaged with national water sector entity such as Water Research Commission. Through this entity, Amatola Water hosted a sanitation and water supply working group. This group comprised of various stakeholders such as municipalities, Department of Water Affairs & Sanitation (DWS) local and national as well Water Research Commission (WRC). Those stakeholders looked into all the challenges around water supply and sanitation in the Eastern Cape and identified challenges that were a hindrance to the implementation of the country's water policy.

Water Services Authority IDP Engagement Sessions

Amatola Water participated in the budget review and Integrated Development Plans (IDP) of Buffalo City Metropolitan Municipality. The intention is to ensure that Amatola Water projects are included in the IDPs so that they can be properly funded.

Last Stakeholder briefing session in the year under review

The year under review ended with a stakeholder briefing session to foster strong and inclusive relationships with the stakeholder community, as an integral part of the core business. In this event the newly appointed Amatola Water CEO, Mr. Lefadi Makibinyane outlined the organisation's vision and plans for the ensuing five years.

New relations have been formed during the SAICE Eastern Cape Branch awards in which Amatola Water was represented. Those relations were between Amatola Water and the civil engineering fraternity.

Potential stakeholders

Amongst many identified potential customers for Amatola Water, the Nelson Mandela Bay Metropolitan Municipality is a key potential

customer. After attending Amatola Water stakeholder briefing session, NMBM held some business discussions with Amatola Water. The discussions with this potential customer already took place and they covered almost the entire spectrum of Amatola Water's business and follow up engagements will continue in the current financial year.

Whilst establishing new stakeholder relations, Amatola Water will continue to strengthen its working relations with key strategic customers such as Buffalo City Metropolitan Municipality and Ndlambe Local Municipality. It will also continue to facilitate & strengthen its partnerships with such as Department of Water and Sanitation, Office of the Premier, Provincial Treasury, and Eastern Cape Planning Commission.

Trend analysis and forward looking

In the past three years, stakeholder management was implemented out of the stakeholder matrix and proper engagement plan because there was not stakeholder relations unit in place. It is only in the year under review that a stakeholder matrix with stakeholder strategy & plan had been developed. In this financial year Amatola Water is planning to work collaboratively with its stakeholders. It will form partnerships with local municipalities to tap into local communities. It will also update the stakeholders on IRR for stakeholders to gain common understanding on IRR. Amatola Water will be strengthening its relationships with its statutory stakeholders.

It is also planning to strengthen relations with the customer's finance team on key issues and challenges around non-payment by the customers. Amatola Water has already started the process of reviewing its stakeholder engagement structures. Monitoring will also take place in a systematic way that will manage those relationships at high level. Continuous engagements with customers on customer feedbacks (key issues & challenges) are also a high priority.

There are some improvements around some stakeholder engagements that need to be dealt with in this financial year which were identified as weaknesses during the year under review. Listed below are the areas that need improvement.

- Stakeholder management
- Systematic way to manage customer relationship interaction at high level
- Frequent contact & communication with customers
- Customer relations surveys was not done due to internal processes
- Enterprise development upliftment

Governance around stakeholder management

- Stakeholder management reports to the Corporate Citizen Committee.
- During Amatola Water risk enterprise wide workshop. Some risks pertaining to stakeholder management and customer management were identified together with their mitigation strategies. They will be monitored in this financial year.
- Engagements with customers and other statutory stakeholders occurred regularly in the ordinary course of business, for example our Operations division in most cases it engaged on a day to day basis with customers.
- In the period under review there was no customer research survey contacted due to the realignment of the organisation. The research study will be conducted in this this year of 2015/2016.
- Amatola Water stakeholder engagement structures mostly bilateral relations have been reviewed and will be effective managed in the current financial year. The ideal situation is for each customer to have a bilateral relation.

CUSTOMER SATISFACTION AND COLLABORATION

Amathole District Municipality

Amatola Water provides bulk raw and potable water services to the Amathole District Municipality (ADM). The water board had, in line with the SALGA/South African Association of Water Utilities (SAAWU) guidelines, negotiated a three year supply agreement with Amathole District Municipality, signed on 26 June 2014 valid till 30 June 2017.

Buffalo City Metropolitan Municipality

Buffalo City Metropolitan Municipality became a Water Services Authority in July 2003, following the announcement of powers and functions by the Minister of Provincial and Local Government. At the time of the pronouncement, Amatola Water had already entered into a 30-year supply contract (with an escape clause) with Buffalo City Metropolitan Municipality sign on the 30 May 2002. This agreement remains valid till 30 May 2032.

Ndlambe Municipality

Amatola Water has entered into a bulk water supply agreement with the Ndlambe Municipality to supply the Kenton-on-Sea and Bushman's River areas with potable water. The agreement was signed on 30 March 2010 and is a 20 year agreement valid till July 2030.

Department Water and Sanitation

Amatola Water has the Operation and Maintenance Management Agreement with the Department Water and Sanitation (DWS) to manage the department's 21 dams, which has translated into many other opportunities for the utility. These include the appointment as the department's project implementing agent in cases where either a new bulk water infrastructure is to be constructed or where emergency interventions are required due to drought, floods, gross water quality negligence or the upgrade and refurbishment dysfunctional infrastructure.

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

National Department of Public Works

Amatola Water has been performing operation and maintenance of standalone water and sewer systems and Dam Safety to dams belong to National Department Public Works. The agreement budget increased from R17m to R21 million. Amatola Water now manages 20 of original 78 systems which include six major water and sewerage works at Patensie, Kirkwood and St Albans Correctional Services. Amatola Water was tasked to only run the major works and the department would use its own staff to run the small standalone systems.

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

OR Tambo District Municipality

Amatola Water provided support in ORTDM as an Implementing Agent (IA) for the following projects:

- ORTDM Municipal Water Infrastructure Grant (MWIG)
- Mthatha pipe replacement project

The Mthatha pipe replacement project is an MIG funded project at an approved value of R80m. This project is intended to replacing the decapitated/decaying Asbestos Cement (AC) pipes around the Mthatha Town. The project that was completed this financial year is Ikwezi pipe replacement project. The current project that is under construction is the pipe replacement from the Fort Gale reservoir to the new Mthatha Mall (TB Ngebs), which is intended to unlock business as the new mall is another Mthatha economic hub. The Mthatha pipe replacement is not progressing as expected due to budget challenges. It was therefore decided to focus on critical areas that have major leaks of constant bursts.

The District Municipality has also appointed the Water Board to implement is MWIG projects for the two wards in KSD (Ward 26 and Ward 28) and Ntontela at Ngquza Hill. The budget for the 2014/15 financial year was R33.8m, which was all spent successfully. This included drilling and equipping boreholes, protection of springs, rising mains and command reservoirs.

- **KSD Ward 26**: the project progressed well and at least three rising main pipelines constructed and complete as planned. Two storage steel tanks constructed and complete. The spring that was connected with booster pump is being pumped to the elevated still tank and concrete reservoir and at least eight stand taps were connected on each reservoir in order for the community to continue having clean water while reticulation will commence in the next financial year 2015/16.

- **KSD Ward 28:** the project also progressed as planned and at least one rising main pipeline constructed and complete. Four bulk gravity mains to connect strategic reservoirs were constructed and complete. Three storage steel tanks constructed and complete. This is the vast ward that has villages scatted apart thereby there were strategic linking reservoirs that had to be constructed. The reticulation will commence in the next financial year 2015/16.

- **Ngquza Hill Ntontela (Ngquza Hill ward 1,2 &3 and PSJ ward 17 and 18)**: at least 34 springs were under construction in wards 2, 3, 17 & 18 in this financial year and 21 in ward 1 were constructed last financial year. Rising main pipeline been constructed in Ward 18 and three boreholes in construction in wards 17 & 18. The community is still benefiting from the 21 springs that were constructed last financial year as the reticulation and commissioning of the boreholes will be continue to the next financial year 2015/16.

The new financial year will see all the three MWIG projects being completed and the community benefiting through these water sources.

Makana Municipality

Amatola Water entered into a five year RoU contract with Makana Municipality on the 1st October 2013 as part of the Amatola Water initiative (CS1). This contract is aimed at capacitating the Makana bulk water infrastructure, being the Waainek, James Kleynhans, Riebeeck East and Alicedale bulk water systems, to meet the current needs of the Municipality amidst serious failure in service delivery to the consumers in the municipal area. The initial impact of interventions was seen by introducing a DWA funded RRU project to do emergency repairs when residents took to the streets in protest against the municipality for failing to provide a consistent and safe water supply to consumers.

Subsequently to that tripartite agreement was concluded with ECDC, Amatola Water and Makana Municipality to fund Crisis Intervention Projects to the total value of R98m. This funding saw the emergency repairs of motors and pumps in the Howiesons Poort pump station, and James Kleynhans Water Treatment Works, purchase of more pump sets for both these pump stations, refurbishment of air valves on the Howiesons Poort rising main, upgrading of the panels, installation of bulk meters, installation of telemetry system, refurbishment of filters and clarifiers amongst the six intervention areas of the project. The integrity of the electrical supply to the pump stations has been in very bad condition which caused many failures in the water supply but this has subsequently been rectified by the upgrading of the existing and installation of the new overhead power lines.

All 4 Makana plants are now currently operating at maximum designed capacity and stretched to beyond during high peak demand period. Over 12 months, a total of 11 398 755 kl was supplied to Makana with a total bill of R29 522 775. Quality compliance was initially a challenge due to process units being in a state of general disrepair and needed to be repaired and/or refurbished. But as soon as the water availability improved, the high demand created new challenges.

James Kleynhans WTW is continuously encountering high Turbidity and TDS concentrations. The Plant capacity to handle the high turbidity and sludge is still a huge problem which the new planned upgrade will incorporate. In the meantime filters and clarifiers are being cleaned as per schedule and shutdowns roster which results into high water losses.

Day to day training is done for SHE, Operations and Maintenance tasks as the Water Board employees are supporting the Makana employees to carry out their tasks as per the the Water Board standard.

The planned vs unplanned maintenance for 2014/15 financial year is 87% vs 13%. This has exceeded the target of 80:20 and proves that the planned maintenance regime is definitely impacting on reducing the number of breakdowns that affect water supply and quality.

While there is a lot of work still to be done in the area, Amatola Water has the capacity to capacitate the Makana Municipality to eventually manage the water supply infrastructure.

Amatola Water has also subsequently submitted a Bulk Water Service Provision Support Proposal to the Makana Municipality in order to provide an operation & maintenance service to their entire bulk infrastructure which includes both Water Treatment & Waste Water Treatment Plants for the next 10 years.

Summary of Amatola Water Customer Satisfaction Survey

The Customer Satisfaction Survey is an initiative undertaken by Amatola Water (AW). This study is conducted on annual basis by AW to obtain statistical data aimed at determining the different levels of quality of service offered by AW to customers. Ideally, the organisation use the results from this customer survey in their planning and delivery of service to its customers in order to ensure that the needs of these customers are met. The year under review is 2014/2015 and customer survey results are mainly for this period.

The key objectives of the customer satisfaction survey are:

- To measure customers' perceived value and to fully understand what creates a value proposition for the customers.
- To identify gaps and opportunities in the water services that Amatola Water is offering.
- To critically evaluate client impressions and perceptions on the service rendered by AW.

In terms of the study population, the sample identified for this survey was so small due to the number of customers AW has and this sample includes only current customers. These customers were sent a questionnaire via e-mail. The customers responded to the fifteen survey questions that mainly dealt with the following key sections: relationship management; product & service; customer focus and communication. The following customers were sent questionnaires: Buffalo City Metropolitan Municipality (BCMM); Ndlambe Local Municipality; Makana Local Municipality; OR Tambo District Municipality (ORTDM); Sarah Baartman District Municipality (former Cacadu District Municipality) and Department of Public

Works (DPW). All the respondents had technical background and had direct dealings with Amatola Water.

AW always make sure that it does not compromise on compliance and, customer satisfaction is always assured through meeting all requirements of bulk supply agreements especially on water quality and availability of water supply. AW is aware that municipalities are now engaging in a range of possible contractual/partnership agreements with other public and private sector entities to improve delivery of basic services. AW finds itself in an increasingly competitive environment, which demands continuous business reinvention in order to remain relevant and competitive as an existing world-class industry/sector leader.

The purpose of this customer survey was also to serve as a dip stick measurement to test the overall satisfaction level from AW customers and also to provide AW with the necessary statistical information to note the levels of satisfaction and dissatisfaction by its customers. This allowed AW to become aware of the needs of its customers thus enabling AW to plan more effectively continuously for future projects. The credibility of the results of this survey was based on verbatim tool meaning that it took the exact words or raw data which has been obtained from the respondents.

Some figures which depict good responses from the customers.

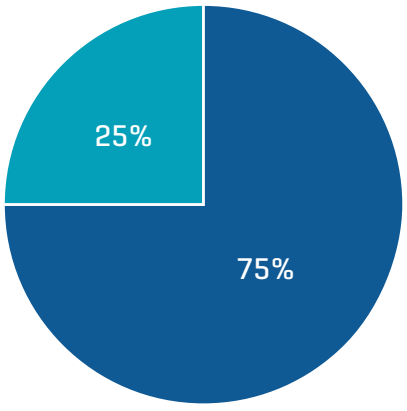


Figure 8.12: AW is a good organisation to do business with.

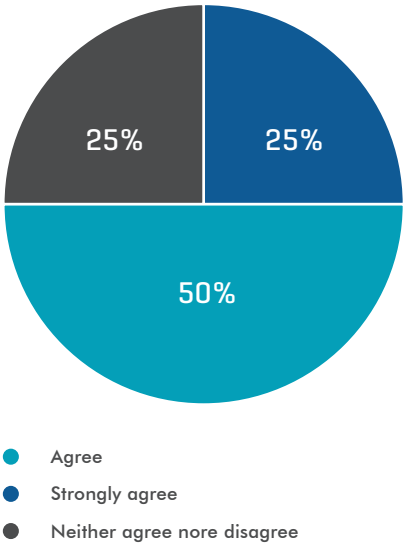


Figure 8.13: Does AW listen to customers requests?

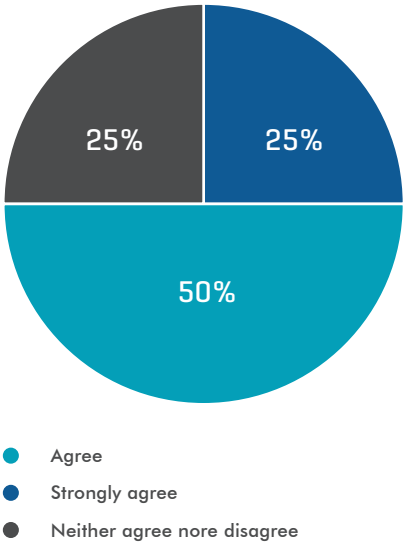
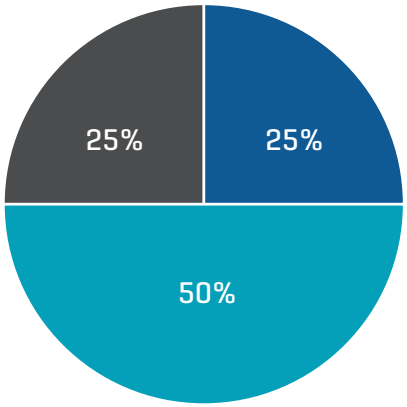


Figure 8.14: Extent of agreement / disagreement Confidence in AW as a local partner:



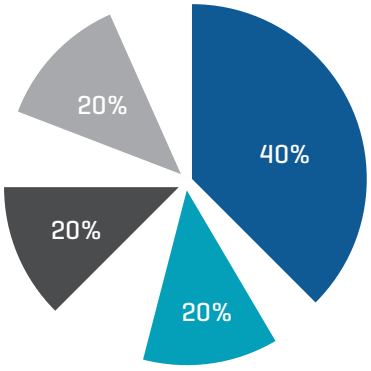
- Agree
- Strongly agree
- Neither agree nore disagree

Figure 8.15: Extent of agreement / disagreement Recommend AW as a supplier of Water Services.

Strengths which came out of the findings:

- Agree that AW is a good organisation to do business with
- AW is very helpful and supportive.
- They have confidence in AW as their local partner.
- Agree that they will recommend AW as a supplier of water services.
- Most respondents do agree that AW does listen to them.
- In terms of the overall value customers received from Amatola Water. The organisation has done very well.
- Majority of customers rated AW 6 out of 10, this is not a bad score but it can improve.

Some illustrations which depict areas of improvement.



- They are helpful / supportive
- Willing to listen
- Lack of consistency
- Slow to respond

Figure 8.16: Reasons for saying AW is good or not good to do business with:

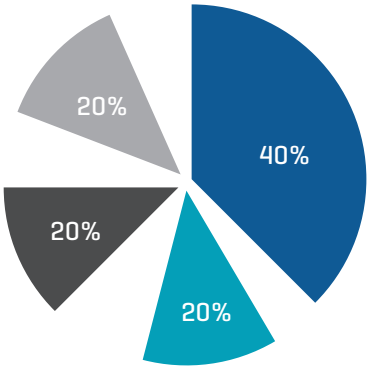
Weaknesses which came out of the key findings:

- Lack of consistency
- Slow response rate
- The perception of customers regarding the overall dealing with customers is the same.

Recommended areas of improvement which came out of this study:

- Communication/consultation/contact.
- Be more responsive.
- Should look more on join up thinking.
- Should focus more on openness and transparency.
- New forms of communication.

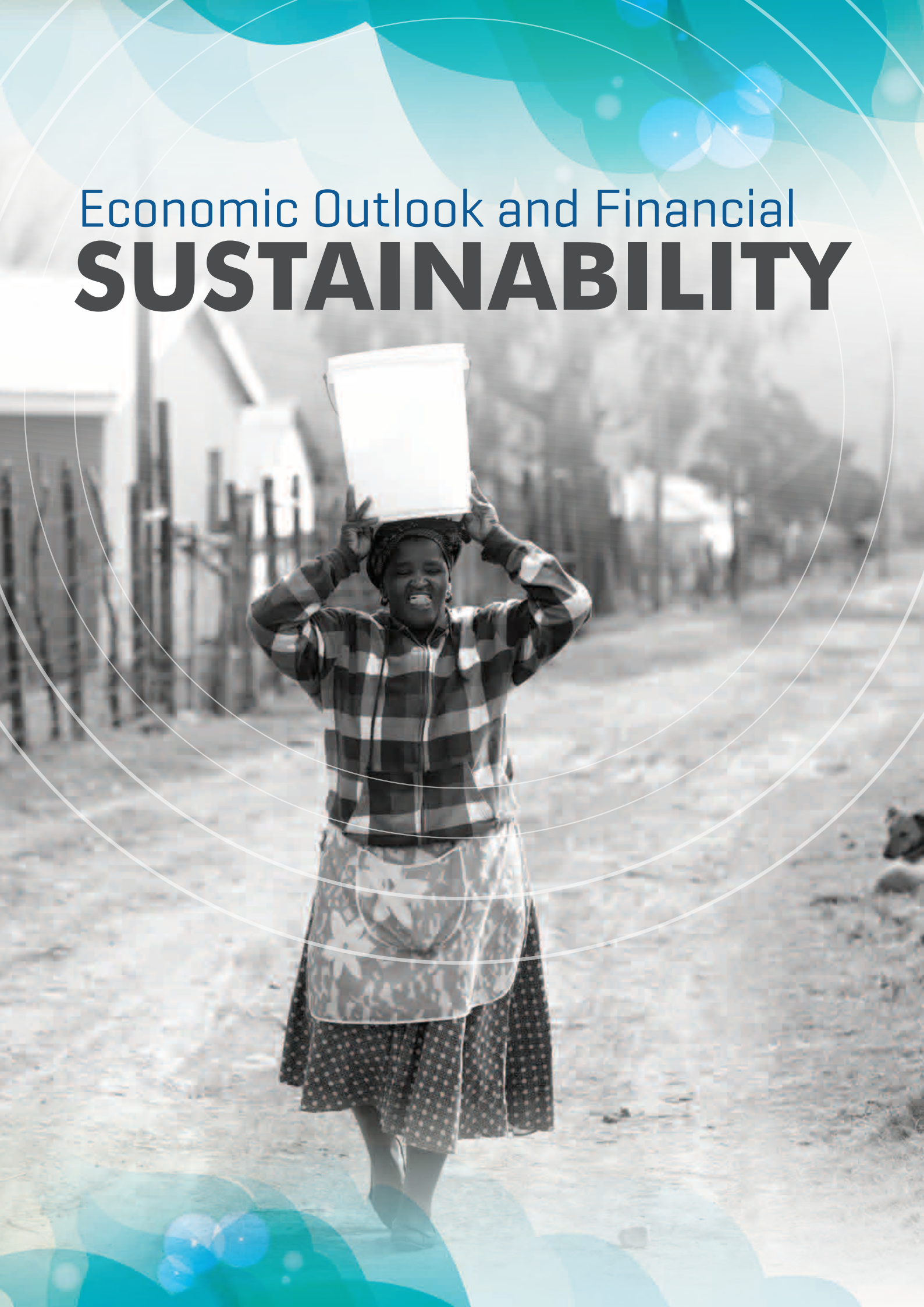
Improvement will be on the items listed below as per advises on respondent.



- Improve communication/consultation/contact
- Be more responsive
- More Joined up thinking
- More transparency

Figure 8.17: Good practises that should follow.

Economic Outlook and Financial SUSTAINABILITY



ECONOMIC OUTLOOK AND FINANCIAL SUSTAINABILITY

Combined assurance barometer		
Management responsibility for the specific risk area	Internal assurance providers	External assurance providers
All Directors	Internal Auditors	External Auditors and independent subject matter experts
Yes	Yes	Yes
Oversight		
FINCO, ARC and Board	ARC	FINCO, ARC and Board

Introduction

The 2014/2015 financial year has been characterized by steady consistent performance and challenges. Amatola Water continued during 2014/2015 to demonstrate attributes of being a leader in sustainable bulk water services in the Eastern Cape which is evident by interventions in delivering on much needed water and sanitation services in full support of socio-economic development and job creation in the province.

The economic outlook and financial sustainability of Amatola Water during the year under review is a continuation from a sound financial footing of the previous year with the following as being the major achievements:

- Revenue R335.2 million has been maintained during the year. Primary revenue growth has been majorly influenced by a tariff increases while volumes which remain constant versus last year.
- The operating profit margin achieved before taking into account the provision for a doubtful debt with DWS is 4.6% (R15.3 million) and has remained constant.
- Capital expenditure of R83 million has been incurred to upgrade of the Amatola Water Treatment Plants.
- Cash resources remain constant at R120 million.
- Salary negotiations for 2015/16 were successfully concluded in two days.
- Concerted effort has been demonstrated in support of economic transformation and inclusive growth by continued support of Qualifying Small Enterprises, Emerging Micro Enterprises and Black Owned Businesses.

Financial Sustainability and Value Creation

Revenue generated from operations has not grown as planned due to Amatola Water not realizing projects under section 30 activities. The entity has however sustained revenue levels by maintaining volumes of treated water sold. Operation and management contracts with Amathole District Municipality and Joe Gqabi District Municipality ended which resulted in a significant reduction on revenue generated from section 30 activities. The project implementation agency fees increased due to implementation of active construction contracts under the KSD PI Programme in the OR Tambo region.

Labour costs increased by 7.3% versus prior year. It is approximately 39% of total costs. However, remedial interventions have been put in place to address the situation. Among these is the stern control of overtime, while also aiming to review some allowances relate policies.

Administrative expenses have remained low in the year under review compared to last year reviewed with cost containment measures targeting expenditure line items.

Amatola Water's asset base is very weak and therefore we have begun the process of refurbishing the infrastructure assets to increase capacity and productivity to ensure that all of our assets operate at a financially viable capacity and to also ensure suppressed water demand is met with the available capacity. This will have the resultant effect of increasing the asset base of Amatola Water thereby allowing the entity to be able to become self-funding via capital replacement reserves and access to capital markets as dictated in the 20 year strategic view of Amatola Water.

Debt collection remained one of the major challenges during the period under review. The rate of converting debtors to liquid cash remained far too long to service creditors. This continues to pose a serious cash flow risk for the organisation.
Amatola Water's gross profit of 29.4% is marginally lower then prior year driven by lower volumes.Consolidated Results 2014/2015.

Consolidated Results 2014/2015

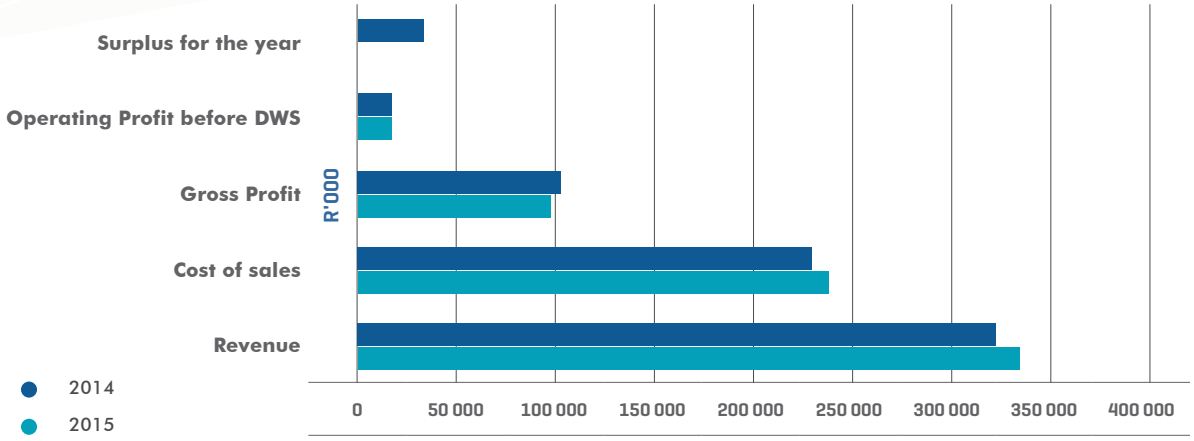


Figure 9.1: Consolidated Results 2014/15

Trend Analysis

Review of consolidated financial performance

PRIMARY BUSINESS

Primary business is defined as an engagement in section 29 activities in terms of the Water Services Act. Amatola Water sold less water in the year under review compared to last year reviewed. The reduction volumes sales is attributable to a decline by 10.5 percent in raw water volumes sold while there is a slight increase of 0.6 percent on treated water sold. Right of use volumes sold at Makana has increase sharply by 42.8 percent. The same trend is depicted in the sales mix by revenue when treated water sales increased by 9.5 percent, raw water sales decline marginally and Right of Use sales increasing significantly by 42.8 percent.

The adverse performance worsens due to some of the utility's non-viable water treatment works which under-recovering on costs due to the volumes of water produced. Major focus has been placed on improving production in the non-viable water treatment works through capital injection, with anticipated positive returns in the future.

Emphasis was also placed on costs reduction measures, especially in the management of direct and overhead costs. The utility continued to monitor the standard costs per kiloliter against the actual costs and all major variances were investigated. This initiative yielded positive result during the year.

Amatola Water also strongly recommended the review of the raw water pricing strategy and the need for amendment of raw water pricing, especially in rural areas such as the Eastern Cape, which are to some degree poverty stricken. In this regard, a request was also put forward that some of our schemes be treated as social schemes, thereby capping the raw water increase to ensure access to affordable water to the end users. Amatola water will endeavor to be cost effective for the supply of water.

Below is a graphical representation of performance for this business:

Segmented Sales Volume - Primary

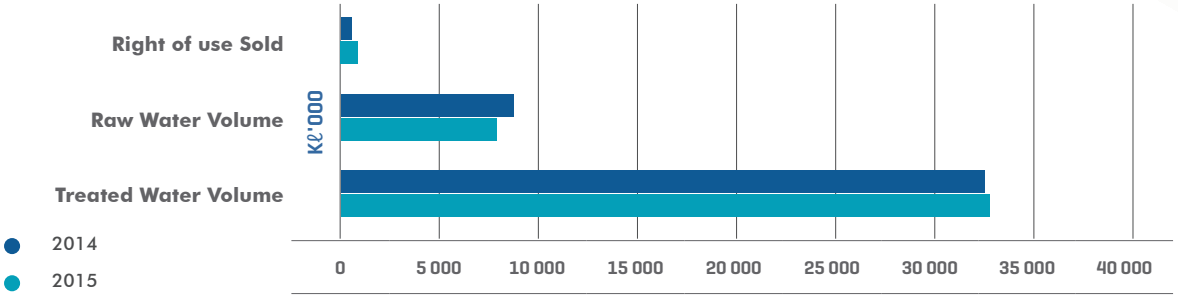


Figure 9.2: Segmented Sales Volume - Primary Business

Sales Mix by Revenue - Primary

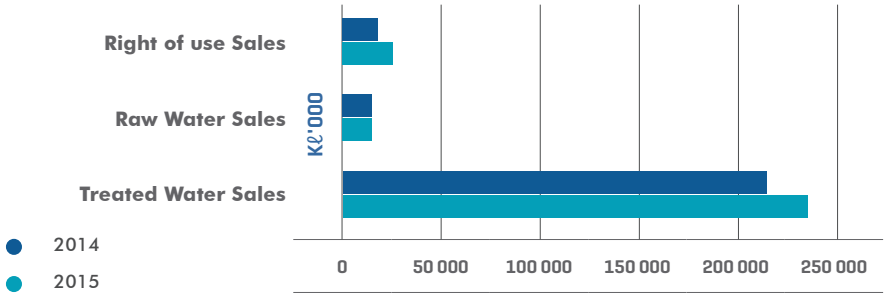


Figure 9.3: Sales Mix by Revenue - Primary Business

SECONDARY BUSINESS

Secondary business activities are defined categorically under section 30 of the Water Services Act. The level of engagement in secondary business activities has declined since the termination of the Operation and Maintenance contracts with Amathole District Municipality and Joe Gqabi District Municipality with a final handover of all plants as per transfer agreements.

Amatola Water has made significant strides in its Project Implementing Agency (PIA) work, with the majority of the work comprising the King Sabata Dalindyebo Presidential Intervention (KSD PI).

SUPPORT SERVICES

Amatola Water support and administrative costs contribute negatively to the achievement of targeted surpluses and key performance ratios despite numerous cost containment measures implemented. Fixed labour costs are the main driver of these costs generally noted to be excessively high and managements 'strategies have been developed to curb these costs through rationalising of discretionary benefit or allowance policies. In the year ahead, active monitoring of these costs will be improved by placing systems that will enhance control environment.

Below is graphical representation of performance for this business:

Sales Mix by Revenue - Secondary

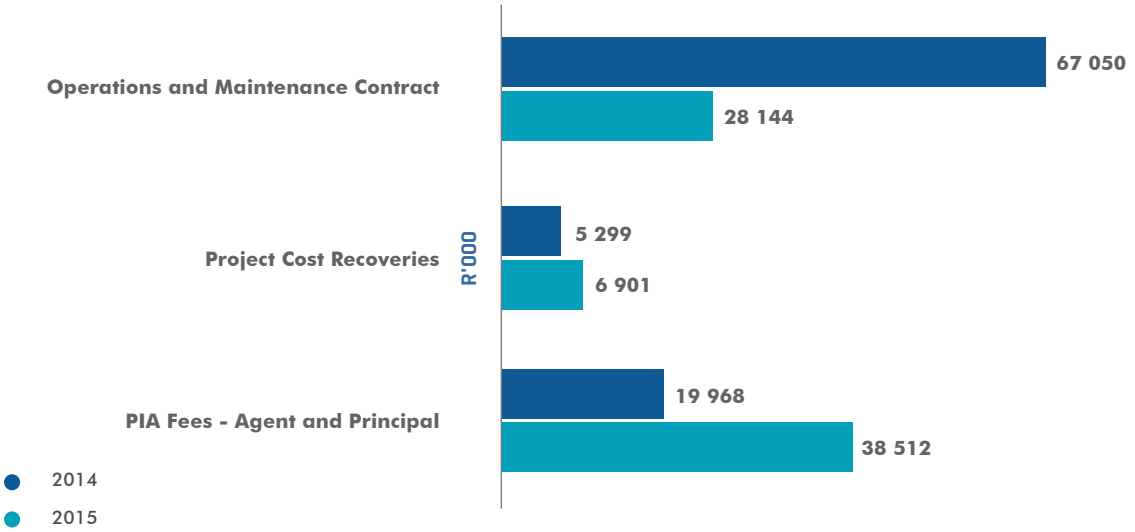


Figure 9.4: Sales Mix by Revenue - Secondary Business

SUPPLY CHAIN MANAGEMENT

The total value of procurement spend for Amatola Water for the 2014/15 Financial Year amounts to R1.6 billion with the three highest value spend on Level 3 for R 311 million Level 2 for R274 million and Level 4 for R176 million. Amatola Water constantly pursues uplifting enterprises that fall within the previously disadvantaged groups. Hence the focus to have the majority spends on Suppliers with a BBBEE rating of level 1 to 4. The amended BBBEE codes were introduced by the Department of Trade and Industry in October 2012 and were effective for implementation in May 2015. These amended codes will change focus of Amatola Water procurement spends from spending on Level 1 to 4 Suppliers to Level 1 to 3 Suppliers.

Irregular and Emergency procurement spend amounting to R11.9 million and R14.1 million respectively is recoded for the financial year under review. Internal processes were introduced to strengthen controls in order to reduce irregular and emergency procurement transactions.

Supply chain management processes will be aligned to promote the strategic objectives of the business. Staff vacancies will be filled and training will be enhanced to continuously improve effectiveness and efficiency of the supply chain management unit. The implementation of a contract management module on the ERP system remains a high priority to reduce risks.

More focus will be placed on ethics to ensure compliance to legislation but also to enhance awareness and to reduce the risks of fraud in the business. Amatola Water has ensured the implementation of Supply Chain Management Policy that promotes the procurement of all goods and services in a fair, competitive, transparent, cost effective and equitable manner.

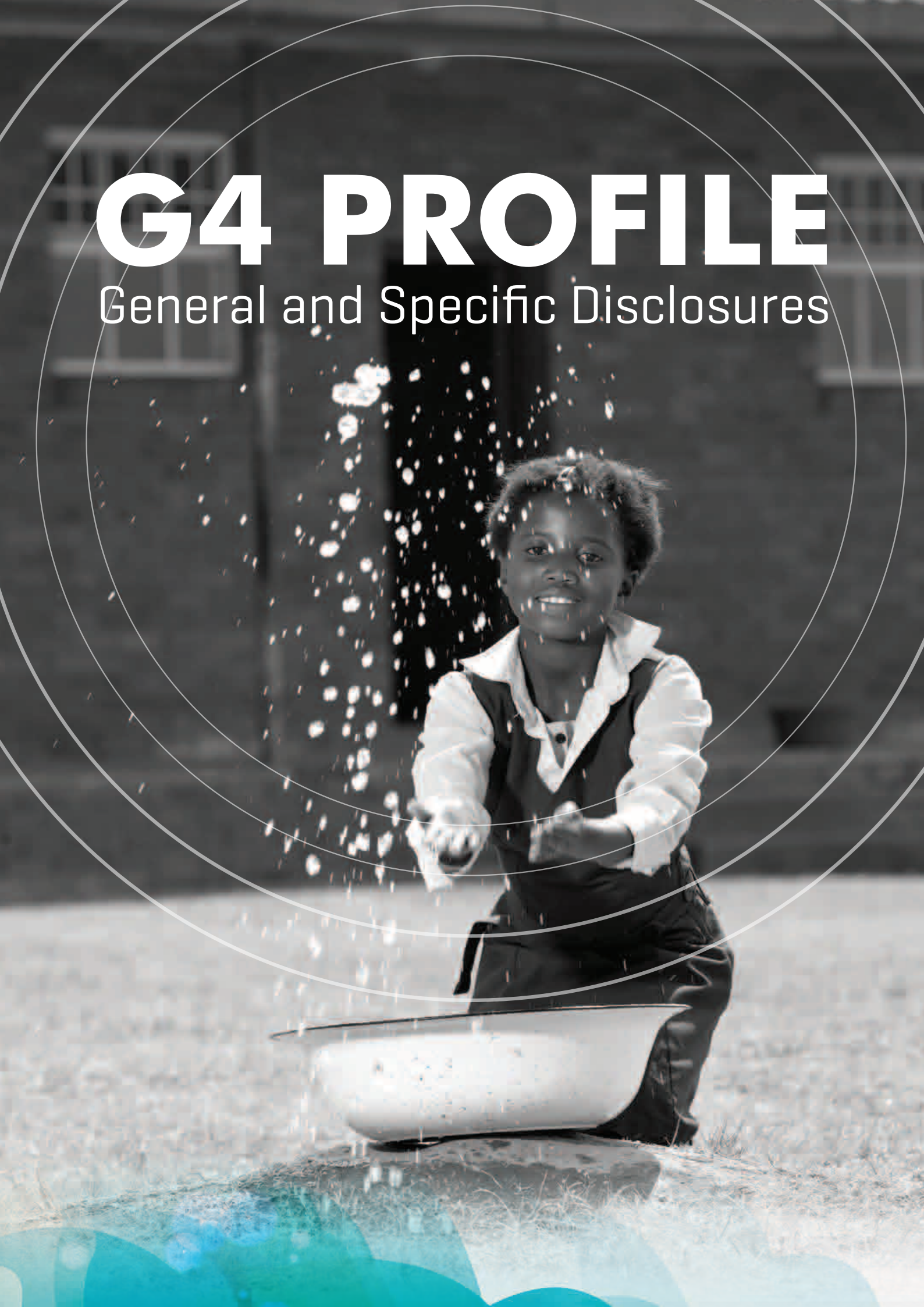
Looking Ahead

For the coming financial year the organisation expects more improvements in its financial performance. Some of the critical focus areas for the next financial year include:

- Capacitating key administrative functions such as Project Management, Supply Chain Management, Human Resources and Information Technology.
- Decreasing of debtors' days by engaging with to customers.
- Improving the control environment by assessing key control deficiencies identified.
- Improve performance in the delivery water infrastructure projects.
- Institutionalize B-BBEE initiatives that promotes inclusive growth targeting at supporting Small Medium Enterprises, Qualifying Emerging Enterprises and Black Women Owned Businesses.

G4 PROFILE

General and Specific Disclosures



GENERAL AND SPECIFIC DISCLOSURES

Combined assurance barometer		
Management Responsibility for the specific risk area	Internal assurance providers	External providers
CEO	Internal Auditors	External Auditors and independent subject matter experts
Yes	No	No
Oversight		
Audit and risk committee Finance Committee Strategy Committee	Audit and Risk Committee	Audit and Risk Committee and Board

General Standard Disclosures			
General Standard Disclosures		Page Number	External Assurance Indicate if the standard disclosure item has been externally assured. If yes, include the page reference for the External Assurance Statement in the report
Strategy and Analysis			
G4-1	Provide a statement from the most senior decision-maker of the organisation (such as CEO, chair, or equivalent senior position) about relevance of sustainability to the organisation and the organisation's strategy for addressing sustainability	66-67	No
G4-2	Provide a description of key impacts, risks, and opportunities.		Yes
Organisational Profile			
G4-3	Report the name of the organisation	1	Yes
G4-4	Report the primary brands, products, and services.	1	Yes
G4-5	Report the location of the organisation's headquarters	1, 8, 169	Yes
G4-6	Report the number of countries where the organisation operates, and names of countries where either the organisation has significant operations or that are specifically relevant to the sustainability topics covered in the report.	7-8	Yes
G4-7	Report the nature of ownership and legal form.	7	Yes
G4-8	Report the markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries).	8-9	Yes
G4-9	Report the scale of the organisation, including: • Total number of employees; • Total number of operations; • Net sales (for private sector organisations) or net • revenues (for public sector organisations); • Total capitalization broken down in terms of debt • and equity (for private sector organisations); • Quantity of products or services provided	90, 8, 9, 102-105, 132, 141-142,133	Yes
G4-10	Report the total number of employees by employment contract and gender; • Report the total number of permanent employees by • employment type and gender; • Report the total workforce by employees and supervised • workers and by gender; • Report the total workforce by region and gender; • Report whether a substantial portion of the organisation's work • is performed by workers who are legally recognized as selfemployed, or by individuals other than employees or supervised workers, including employees and supervised employees of contractors; and report any significant variations in employment numbers (such as seasonal variations in employment in the tourism or agricultural industries).	90	Yes
G4-11	Report the percentage of total employees covered by collective bargaining agreements	87-93	Yes
G4-12	Describe the organisation's supply chain	105, 158-159	Yes

General Standard Disclosures			
G4-13	Report any significant changes during the reporting period regarding the organisation's size, structure, ownership, or its supply chain, including: • Changes in the location of, or changes in, • operations, • including facility openings, closings, and expansions; • Changes in the share capital structure and other • capital formation, maintenance, and alteration • operations (for private sector organisations); and • Changes in the location of suppliers, the structure • of the supply chain, or in relationships with suppliers, • including selection and termination.	7-10, 13, 22, 26-27, 38	Yes
Commitments to external initiatives			
G4-14	Report whether and how the precautionary approach or principle is addressed by the organisation.	N/A	N/A
G4-15	List externally developed economic, environmental and social charters, principles, or other initiatives to which the organisation subscribes or which it endorses	N/A	N/A
G4-16	List memberships of associations (such as industry associations) and national or international advocacy organisations in which the organisation: • Holds a position on the governance body; • Participates in projects or committees; • Provides substantive funding beyond routine • membership dues; and • Views membership as strategic.	N/A	N/A
Identified Material Aspects and boundaries			
G4-17	List all entities included in the organisation's consolidated financial statements or equivalent documents. Report whether any entity included in the organisation's consolidated financial statements or equivalent documents is not covered by the report.	N/A	N/A
G4-18	Explain the process for defining the report content and the Aspect Boundaries. Explain how the organisation has implemented the Reporting Principles for Defining Report Content.	N/A	N/A
G4-19	List all the material Aspects identified in the process for defining report content.	N/A	N/A
G4-20	For each material Aspect, report the Aspect Boundary within the organisation, as follows: • Report whether the Aspect is material within the organisation. • If the Aspect is not material for all entities within the organisation (as described in G4-17), select one of the following two approaches and report either: · The list of entities or groups of entities included in G4-17 for which the Aspect is not material; or · The list of entities or groups of entities included in G4-17 for which the Aspects is material • Report any specific limitation regarding the Aspect Boundary within the organisation	N/A	N/A
G4-21	For each material Aspect, report the Aspect Boundary outside the organisation, as follows: • Report whether the Aspect is material outside the organisation; • If the Aspect is material outside the organisation, • identify the entities, groups of entities or elements for which the Aspect is material. In addition, describe • the geographical location where the Aspect is • material for the entities identified; and • Report any specific limitation regarding the Aspect Boundary outside the organisation	N/A	N/A
G4-22	Report the effect of any restatements of information provided in previous reports and the reasons for such restatements.	N/A	N/A
G4-23	Report significant changes from previous reporting Periods in the Scope and Aspect Boundaries	N/A	N/A
Stakeholder engagement			
G4-24	Provide a list of stakeholder groups engaged by the organisation.	95	Yes

General Standard Disclosures			
G4-25	Report the basis for identification and selection of stakeholders with whom to engage	93-95	No
G4-26	Report the organisation's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process	93-100	No
G4-27	Report key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to those key topics and concerns, including through its reporting. Report the stakeholder groups that raised each of the key topics and concerns.	N/A	N/A
Report Profile			
G4-28	Reporting period (such as fiscal or calendar year) for information provided.	3	No
G4-29	Date of most recent previous report (if any).	3	No
G4-30	Reporting cycle (such as annual, biennial).	3	No
G4-31	Provide the contact point for questions regarding the report or its contents.	1	No
GRI – Content Index			
G4-32	Report the "in accordance" option the organisation has chosen. • Report the GRI Content Index for the chosen option. • Report the reference to the External Assurance Report, if the report has been externally assured. GRI recommends the use • of external assurance, but it is not a requirement to be "in accordance" with the Guidelines.	3	No
Assurance			
G4-33	Report the organisation's policy and current practice with regard to seeking external assurance for the report. • If not included in the assurance report accompanying the • sustainability report, report the scope and basis of any external assurance provided. • Report the relationship between the organisation and the assurance providers. • Report whether the highest governance body or senior • executives are involved in seeking assurance for the organisation's sustainability report.	3	No
Governance			
Governance structure and composition			
G4-34	Report the governance structure of the organisation, including committees of the highest governance body. Identify any committees responsible for decision-making on economic, environmental and social impacts.	17-54	Yes
G4-35	Report the process for delegating authority for economic, environmental and social topics from the highest governance body to senior executives and other employees.	17-54	Yes
G4-36	Report whether the organisation has appointed an executive-level position or positions with responsibility for economic, environmental and social topics, and whether post holders report directly to the highest governance body.	17-54	Yes
G4-37	Report processes for consultation between stakeholders and the highest governance body on economic, environmental and social topics. If consultation is delegated, describe to whom and any feedback processes to the highest governance body.	17-54	Yes
G4-38	Report the composition of the highest governance body and its committees by: • Executive or non-executive; • Independence; • Tenure on the governance body; • Number of each individual's other significant positions and • commitments, and the nature of the commitments; • Gender; • Membership of under-represented social groups; • Competences relating to economic, environmental and social • impacts; and • Stakeholder representation	17-54	Yes

General Standard Disclosures			
G4-39	Report whether the Chair of the highest governance body is also an executive officer (and, if so, his or her function within the organisation's management and the reasons for this arrangement).	17-54	Yes
G4-40	Report the nomination and selection processes for the highest governance body and its committees, and the criteria used for nominating and selecting highest governance body members, including: • Whether and how diversity is considered; • Whether and how independence is considered; • Whether and how expertise and experience relating to economic, environment and social topics are considered; and • Whether and how stakeholders (including • shareholders) are involved.	17-54	Yes
G4-41	Report processes for the highest governance body to ensure conflicts of interest are avoided and managed. Report whether conflicts of interest are disclosed to stakeholders, including, as a minimum: • Cross- board membership; • Cross-shareholding with suppliers and other • stakeholders; • Existence of controlling shareholder; and • Related party disclosures. The highest governance body sets the tone for the organisation, • and has a major role in defining its purpose, values and strategy.	17-54	Yes
Highest governance body's role in setting purpose, values, and strategy			
G4-42	Report the highest governance body's and senior executives' roles in the development, approval, and updating of the organisation's purpose, value or mission statements, strategies, policies, and goals related to economic, environmental and social impacts.	17-54	Yes
Highest Governance Body's Competencies and performance evaluation			
G4-43	Report the measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental and social topics.	17-54	Yes
G4-44	Report the processes for evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics. Report whether such evaluation is independent or not and its frequency. Report whether such evaluation is a self-assessment. Report actions taken in response to evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics, including, as a minimum, changes in membership and organisational practice.	17-54	Yes
Highest governance body's role in risk management			
G4-45	Report the highest governance body's role in the identification and management of economic, environmental and social impacts, risks, and opportunities. Include the highest governance body's role in the implementation of due diligence processes. Report whether stakeholder consultation is used to support the highest governance body's identification and management of economic, environmental and social impacts, risks, and opportunities.	17-54	Yes
G4-46	Report the highest governance body's role in reviewing the effectiveness of the organisation's risk management processes for economic, environmental and social topics.	17-54	Yes
G4-47	Report the frequency of the highest governance body's review of economic, environmental and social impacts, risks, and opportunities	17-54	Yes
Highest governance body's role in sustainability reporting			
G4-48	Report the highest committee or position that formally reviews and approves the organisation's sustainability report and ensures that all material Aspects are covered.	17-54	Yes
Highest governance body's role in evaluating economic, environmental and social performance			
G4-49	Report the process for communicating critical concerns to the highest governance body.	17-54	Yes

General Standard Disclosures			
G4-50	Report the nature and total number of critical concerns that were communicated to the highest governance body and the mechanism(s) used to address and resolve them.	N/A	No
Remuneration and Incentives			
G4-51	Report the remuneration policies for the highest governance body and senior executives for the below types of remuneration: • Fixed pay and variable pay: -Performance-based pay -Equity-based pay -Bonuses -Deferred or vested shares • Sign-on bonuses or recruitment incentive payments • Termination payments • Clawbacks • Retirement benefits, including the difference between benefit • schemes and contribution rates for the highest governance • body, senior executives, and all other employees. Report how performance criteria in the remuneration policy relate to the highest governance body's and senior executives' economic, environmental and social objectives.	17-54	Yes
G4-52	Report the process for determining remuneration. Report whether remuneration consultants are involved in determining remuneration and whether they are independent of management. Report any other relationships which the remuneration consultants have with the organisation.	17-54	N/A
G4-53	Report how stakeholders' views are sought and taken into account regarding remuneration, including the results of votes on remuneration policies and proposals, if applicable	17-54	N/A
G4-54	Report the ratio of the annual total compensation for the organisation's highest-paid individual in each country of significant operations to the median annual total compensation for all employees (excluding the highest-paid individual) in the same country.	N/A	N/A
G4-55	Report the ratio of percentage increase in annual total compensation for the organisation's highest-paid individual in each country of significant operations to the median percentage increase in annual total compensation for all employees (excluding the highest-paid individual) in the same country.	N/A	N/A
Ethics and integrity			
G4-56	Describe the organisation's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics.	17-54	N/A
G4-57	Report the internal and external mechanisms for seeking advice on ethical and lawful behavior, and matters related to organisational integrity, such as helplines or advice lines.	17-54	N/A
G4-58	Report the internal and external mechanisms for reporting concerns about unethical or unlawful behavior, and matters related to organisational integrity, such as escalation through line management, whistleblowing mechanisms or hotlines.	17-54	N/A

Specific Standard Disclosures				
Material Aspects List identified material aspects		DMA and Indicators List Specific Standard Disclosures related to each identified material aspect, with the page number or link	Omissions In exceptional cases, if it is not possible to disclose certain required information, provide the reason fro omission (as defined on Reporting Principles and Standard Disclsoures)	External Assurance Indicate if the standard disclosure has been externally assured If yes include the page reference for the external assurance statement in the report
Economic				
Economic Performance				
G4-EC1	Direct economic value generated and distributed	N/A	N/A	N/A

Specific Standard Disclosures				
G4-EC2	Financial implications and other risks and opportunities for the organisation's activities due to climate change.	N/A	N/A	N/A
G4-EC3	Coverage of the organisation's defined benefit plan obligations.	N/A	N/A	N/A
G4-EC4	Financial assistance received from government.	115-168	N/A	Yes
Market presence				
G4-EC5	Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation.	N/A	N/A	N/A
G4-EC6	Proportion of senior management hired from the local community at significant locations of operation.	N/A	N/A	N/A
Indirect economic impacts				
G4-EC7	Development and impact of infrastructure investments and services supported	N/A	N/A	N/A
G4-EC8	Significant indirect economic impacts, including the extent of impacts.	N/A	N/A	N/A
Procurement practices				
G4-EC9	Proportion of spending on local suppliers at significant locations of operation	N/A	N/A	N/A
Environmental				
Materials				
G4-EN1	Materials used by weight or volume	N/A	N/A	N/A
G4-EN2	Percentage of materials used that are recycled input Materials	N/A	N/A	N/A
Energy				
G4-EN3	Energy consumption within the organisation.	N/A	N/A	N/A
G4-EN4	Energy consumption outside of the organisation	N/A	N/A	N/A
G4-EN5	Energy intensity	N/A	N/A	N/A
G4-EN6	Reduction of energy consumption	N/A	N/A	N/A
G4-EN7	Reductions in energy requirements of products and services.	N/A	N/A	N/A
Water				
G4-EN8	Total water withdrawal by source.	78	N/A	N/A
G4-EN9	Water sources significantly affected by withdrawal of water.	78	N/A	N/A
G4-EN10	Percentage and total volume of water recycled and reused.	N/A	N/A	N/A

Specific Standard Disclosures				
Biodiversity				
G4-EN11	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	78	N/A	N/A
G4-EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	N/A	N/A	N/A
G4-EN13	Habitats protected or restored	N/A	N/A	N/A
G4-EN14	Total number of IUCN red list species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	N/A	N/A	N/A
Emissions				
G4-EN15	Direct greenhouse gas (GHG) emissions (Scope 1).	N/A	N/A	N/A
G4-EN16	Energy indirect greenhouse gas (GHG) emissions (Scope 2).	N/A	N/A	N/A
G4-EN17	Other indirect greenhouse gas (GHG) emissions (Scope 3).	N/A	N/A	N/A
G4-EN18	Greenhouse gas (GHG) emissions intensity	N/A	N/A	N/A
G4-EN19	Reduction of greenhouse gas (GHG) emissions	N/A	N/A	N/A
G4-EN20	Emissions of ozone-depleting substances (ODS).	N/A	N/A	N/A
G4-EN21	NOx, SOx, and other significant air emissions.	N/A	N/A	N/A
Effluent and Waste				
G4-EN22	Total water discharge by quality and destination	N/A	N/A	N/A
G4-EN23	Total weight of waste by type and disposal method.	N/A	N/A	N/A
G4-EN24	Total number and volume of significant spills	N/A	N/A	N/A
G4-EN25	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention2 Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.	N/A	N/A	N/A
G4-EN26	Identity, size, protected status, and biodiversity value of water bodies and related habitats ignificantly affected by the organisation's discharges of water and runoff.	N/A	N/A	N/A
Products and Services				
G4-EN27	Extent of impact mitigation of environmental impacts of products and services.	N/A	N/A	N/A

Specific Standard Disclosures				
G4-EN28	Percentage of products sold and their packaging materials that are reclaimed, by category.	N/A	N/A	N/A
Compliance				
G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	N/A	N/A	N/A
Transport				
G4-EN30	Significant environmental impacts of transporting products and other goods and materials for the organisation's operations, and transporting members of the workforce.	N/A	N/A	N/A
Overall				
G4-EN31	Total environmental protection expenditures and investments, by type.	N/A	N/A	N/A
Supplier Environmental Assessment				
G4-EN32	Percentage of new suppliers that were screened using environmental criteria.	N/A	N/A	N/A
G4-EN33	Significant actual and potential negative environmental impacts in the supply chain and actions taken	N/A	N/A	N/A
Environmental, Grievance Mechanisms				
G4-EN34	Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanisms	N/A	N/A	N/A
Labour Practices and Decent Work				
Employment				
G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region.	82-85	N/A	N/A
G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation.	N/A	N/A	N/A
G4-LA3	Return to work and retention rates after parental leave, by gender.	N/A	N/A	N/A
Labour/ management relations				
G4-LA4	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements	N/A	N/A	N/A

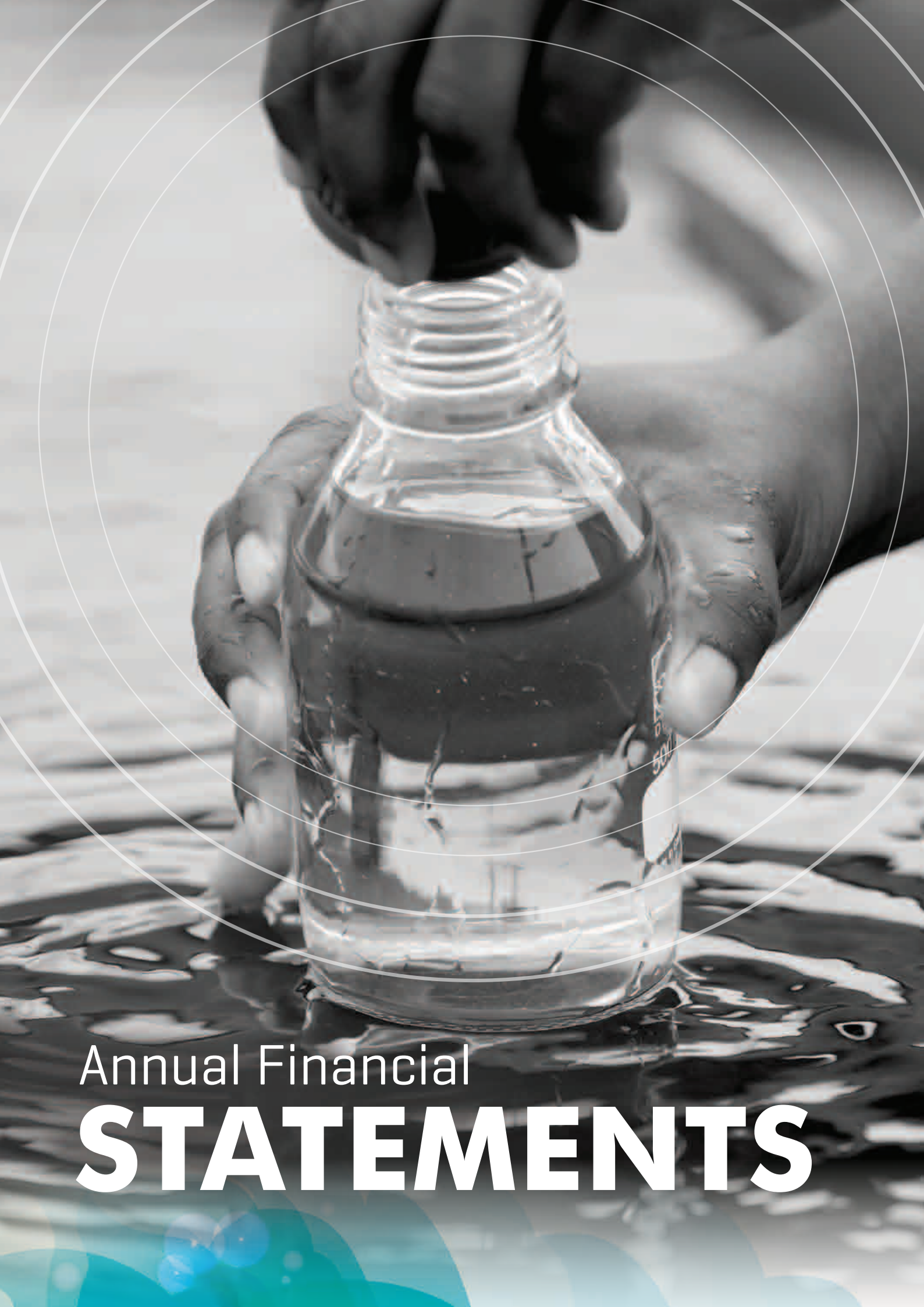
Specific Standard Disclosures				
Occupational health and safety				
G4-LA5	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.	N/A	N/A	N/A
G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	N/A	N/A	N/A
G4-LA7	Workers with high incidence or high risk of diseases related to their occupation.	N/A	N/A	N/A
G4-LA8	Health and safety topics covered in formal agreements with trade unions.	N/A	N/A	N/A
Training and education				
G4-LA9	Average hours of training per year per employee, by gender and by employee category	N/A	N/A	N/A
G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	N/A	N/A	N/A
G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category.	N/A	N/A	N/A
Diversity and equal opportunity				
G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.	N/A	N/A	N/A
Equal Remuneration for women and men				
G4-LA13	Ratio of basic salary and remuneration of women to men, by employee category and by significant locations of operation.	N/A	N/A	N/A
Supplier assessment for labour practices				
G4-LA14	Percentage of new suppliers that were screened using labor practices criteria	N/A	N/A	N/A

Specific Standard Disclosures				
G4-LA15	Significant actual and potential negative impacts for labor practices in the supply chain and actions taken.	N/A	N/A	N/A
Labour practices grievance mechanism				
G4-LA16	Number of grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms	N/A	N/A	N/A
Human Rights				
Investment				
G4-HR1	Total number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening.	N/A	N/A	N/A
G4-HR2	Total hours of employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	N/A	N/A	N/A
Non-discrimination				
G4-HR3	Total number of incidents of discrimination and corrective actions taken.	N/A	N/A	N/A
Freedom of association and collective bargaining				
G4-HR4	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights.	N/A	N/A	N/A
Child labour				
G4-HR5	Operations and suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor.	N/A	N/A	N/A
Forced and compulsory labour				
G4-HR6	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labour, and measures to contribute to the elimination of all forms of forced or compulsory labour	N/A	N/A	N/A
Security practices				
G4-HR7	Percentage of security personnel trained in the organisation's human rights policies or procedures that are relevant to operations	N/A	N/A	N/A

Specific Standard Disclosures				
Indigenous rights				
G4-HR8	Total number of incidents of violations involving rights of Indigenous peoples and actions taken.	N/A	N/A	N/A
Assessments				
G4-HR9	Total number and percentage of operations that have been subject to human rights reviews or impact assessments	N/A	N/A	N/A
Supplier human rights assessment				
G4-HR10	Percentage of new suppliers that were screened using human rights criteria	N/A	N/A	N/A
G4-HR11	Significant actual and potential negative human rights impacts in the supply chain and actions taken.	N/A	N/A	N/A
Human rights grievance mechanisms				
G4-HR12	Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms	N/A	N/A	N/A
Society				
Local communities		N/A	N/A	N/A
G4-SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs.	N/A	N/A	N/A
G4-SO2	Operations with significant actual and potential negative impacts on local communities.	N/A	N/A	N/A
Anti-corruption				
G4-SO3	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	N/A	N/A	N/A
G4-SO4	Communication and training on anti-corruption policies and procedures	N/A	N/A	N/A
G4-SO5	Confirmed incidents of corruption and actions taken	N/A	N/A	N/A
Public Policy				
G4-SO6	Total value of political contributions by country and recipient/beneficiary	N/A	N/A	N/A
Anti-competitive behaviour				
G4-SO7	Total number of legal actions for anti-competitive behaviour, anti-trust, and monopoly practices and their outcomes	N/A	N/A	N/A

Specific Standard Disclosures				
Compliance				
G4-SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	17-54	N/A	Yes
Supplier assessment for impacts on society				
G4-SO9	Percentage of new suppliers that were screened using criteria for impacts on society.	N/A	N/A	N/A
G4-SO10	Significant actual and potential negative impacts on society in the supply chain and actions taken	N/A	N/A	N/A
Grievance mechanisms for impacts on society				
G4-SO11	Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms	N/A	N/A	N/A
Product responsibility				
Customer health and safety				
G4-PR1	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement.	N/A	N/A	N/A
G4-PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes	N/A	N/A	N/A
Product and service labelling				
G4-PR3	Type of product and service information required by the organisation's procedures for product and service information and labelling, and percentage of significant product and service categories subject to such information requirements.	N/A	N/A	N/A
G4-PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcomes.	N/A	N/A	N/A
G4-PR5	Results of surveys measuring customer satisfaction.	N/A	N/A	N/A
Market communications				
G4-PR6	Sale of banned or disputed products	N/A	N/A	N/A

Specific Standard Disclosures				
G4-PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion and sponsorship, by type of outcomes.	N/A	N/A	N/A
Customer privacy		N/A	N/A	N/A
G4-PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	N/A	N/A	N/A
Compliance		N/A	N/A	N/A
G4-PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	17-54	N/A	Yes



Annual Financial

STATEMENTS

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

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ACCOUNTING BASIS

for the year ended June 30, 2015

The annual financial statements that follow on pages 132 to 159 summarise the financial performance and standing of Amatola Water Board for the year ended June 30, 2015.

The annual financial statements have been compiled and are presented in accordance with South African Statements of Generally Accepted Accounting Practice (SA GAAP) and comply with the Water Services Act (Act 108 of 1997) and the Public Finance Management Act (Act 1 of 1999, as amended by Act 29 of 1999). At the date of authorisation of these annual financial statements, the Accounting Standards Board (ASB) had revoked SA GAAP effective for years ending 1 December 2012. The ASB has indicated that Government Business Enterprises (GBE) should continue applying the accounting frameworks that were applicable prior to 1 December 2012 until a new framework has been issued. As such, there are no new standards of SA GAAP that will become effective for Amatola Water Board. Publication of Amatola Water Board's annual financial statements is undertaken to create public awareness and understanding of the financial management and policies that have been used within Amatola Water Board's organisation to regulate the financial affairs of the business and to safeguard it from excessive or avoidable risk.

REPORT OF THE AUDIT COMMITTEE

for the year ended June 30, 2015

Audit committee responsibility

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

The effectiveness of internal control

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

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

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

As stated in the Auditor's Report ineffective leadership and poor management oversight responsibility forms the basis of the numerous findings that have been repeated in the current year. This situation was exacerbated by extensive vacancies and lack of adequately skilled staff.

Four crucial management positions have now been filled and the challenge to management is to effectively implement the plan to deal with the shortcomings. The committee will be monitoring the progress more closely than in the past.

The risk assessment for the organisation was updated during the year and the enterprise-wide risk management framework was approved.

Risk assessment and management

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

Evaluation of annual financial statements

The committee:

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

Ken Mockler
Chairman : Audit Committee
East London : 26 November 2015

APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

for the year ended June 30, 2015

The Board is responsible for the preparation and fair presentation of the annual financial statements of Amatola Water Board, comprising the statement of financial position at June 30, 2015, and the statement of comprehensive income, the statement of changes in equity and statement of cash flow for the year then ended, and the notes to the annual financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with South African Statements of Generally Accepted Accounting Practice and in the manner required by the Water Services Act 108 of 1997 and sub-section 55(1)(b) of the Public Finance Management Act of 1999, as set out on pages pages 132 to 159.

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

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

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

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

Approval of the Annual Financial Statements

The annual financial statements of Amatola Water Board, as identified in the first paragraph, which have been prepared on the going concern basis, were approved by the board on 27 November 2015 and were signed on its behalf by:

Nothemba Mlonzi
Chairperson

Lefadi Makibinyane
Chief Executive

EY
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Independent Auditor's Report

To Parliament and the Executive Authority, the Minister of Water and Sanitation on Amatola Water Board

Report on the financial statements

We have audited the financial statements of Amatola Water Board set out on pages 132 to 159, which comprise the statement of financial position as at 30 June 2015, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting authority's responsibility for the financial statements

The accounting authority is responsible for the preparation and fair presentation of these financial statements in accordance with the South African Statements of Generally Accepted Accounting Practice (SA Statements of GAAP) and the requirements of the Public Finance Management Act of South Africa, (Act No. 1 of 1999), and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Amatola Water Board as at 30 June 2015, and its financial performance and cash flows for the year then ended, in accordance with South African Statements of Generally Accepted Accounting Practice and the requirements of the Public Finance Management Act of South Africa.

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

As part of our audit of the financial statements for the year ended 30 June 2015, we have read the Accounting Authority's Report for the purpose of identifying whether there are material inconsistencies between this report and the audited financial statements. This report is the responsibility of the respective preparers. Based on reading this report we have not identified material inconsistencies between this report and the audited financial statements. However, we have not audited this report and accordingly do not express an opinion on this report.

Report on other legal and regulatory requirements

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

Predetermined objectives

We performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected objectives presented in the annual performance report of the entity for the year ended 30 June 2015:

- Objective 1: 2 additional bulk water supply contracts with WSA (4 currently) on page 62
- Objective 2: increase volumes to 160 mega litres per day on page 62
- Objective 4: Achieve Statutory Quality compliance at all AW Owned and ROU plants efficiently on page 62
- Objective 5: Blue drop advisory services on page 62
- Objective 6: Contribute to decent living standards and enhance public health within communities in ADM through quality adequate water services on page 62
- Objective 9: Strengthen and deepen relationships with statutory contracted and non - statutory stakeholders on page 62
- Objective 13: Explore sourcing of funding alternatives for growth of new infrastructure (excluding replacement) on page 63
- Objective 15: 98% Assurance of supply in ADM, Ndlambe and ORTDM Region (Sandile and Mzintlava Dams) on page 64
- Objective 16: 90% Availability of water supply for all bulk services on page 64
- Objective 17: AW plant Upgrade and KSD PI Projects on page 64
- Objective 18: Develop an EC water master plan to direct future funding streams on page 64
- Objective 19: Minimise produced and distributed water to efficiently reduce water losses on page 64
- Objective 20: Interconnected supply to Amahlathi, Ngqushwa, Nkonkobe, Ndlambe on page 64
- Objective 22: Ensure uninterrupted water supply, with adequate pressure to customers on page 64

We evaluated the reported performance information against the overall criteria of usefulness and reliability.

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

Chief Executive: Ajen Sita
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We assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

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

Objective 1: 2 additional bulk water supply contracts with WSA (4 currently)

Usefulness of reported performance information

Reported not consistent with planned objectives

Treasury Regulation 30.1.3(g) requires the corporate plan to form the basis for the annual performance report, therefore requiring consistency of objectives, indicators and targets between planning and reporting documents. A total of 100% of the reported objectives were not consistent with those in the approved corporate plan. This was due to management not having the appropriate processes in place to ensure consistency between the approved corporate plan and the final performance report.

Objective 2: increase volumes to 160 mega litres per day

Usefulness of reported performance information

Reported not consistent with planned objectives

Treasury Regulation 30.1.3(g) requires the corporate plan to form the basis for the annual performance report, therefore requiring consistency of objectives, indicators and targets between planning and reporting documents. A total of 100% of the reported objectives were not consistent with those in the approved corporate plan. This was due to management not having the appropriate processes in place to ensure consistency between the approved corporate plan and the final performance report.

Objective 4: Achieve Statutory Quality compliance at all AW Owned and ROU plants efficiently

Usefulness of reported performance information

Performance targets not specific, measurable and time bound and indicators not well defined

Performance targets were not specific in clearly identifying the nature and required level of performance and were not measurable and the period or deadline for delivery of targets was not specified, as required by the FMPPI.

Performance indicators were not clearly defined so that data can be collected consistently and is easy to understand and use.

Performance indicators were also not verifiable. The measurability of planned targets and indicators could not be assessed due to a lack of technical indicator descriptions.

Performance indicators not relevant

The FMPPI requires indicators to relate logically and directly to an aspect of the auditee's mandate and the realisation of strategic goals and objectives. The relevance of the indicators could not be assessed due to a lack of corroborative supporting evidence to verify management's explanation why the indicators were considered important and relevant to the realisation of strategic goals and objectives.

Chief Executive: Ajen Sita
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Reliability of reported performance information

The FMPPI requires auditees to have appropriate systems to collect, collate, verify and store performance information to ensure valid, accurate and complete reporting of actual achievements against planned objectives, indicators and targets. Significantly important targets were not reliable when compared to the source information or evidence provided. This is due to the fact that proper technical indicator descriptions were not used to predetermine the evidence and method of calculation for actual achievements.

Objective 5: Blue drop advisory services

Reliability of reported performance information

The FMPPI requires auditees to have appropriate systems to collect, collate, verify and store performance information to ensure valid, accurate and complete reporting of actual achievements against planned objectives, indicators and targets. The reported performance information was not valid, accurate and complete when compared to the source information or evidence provided. This was due to a lack of adequate review of the supporting documentation to the reported performance.

Objective 9: Strengthen and deepen relationships with statutory contracted and non - statutory stakeholders

Reliability of reported performance information

The FMPPI requires auditees to have appropriate systems to collect, collate, verify and store performance information to ensure valid, accurate and complete reporting of actual achievements against planned objectives, indicators and targets. The reported performance information was not valid, accurate and complete when compared to the source information or evidence provided. This was due to a lack of frequent review of the accuracy and validity of reported achievements against source documentation.

Objective 15: 98% Assurance of supply in ADM, Ndlambe and ORTDM Region (Sandile and Mzintlava Dams)

Reliability of reported performance information

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

Objective 17: AW plant Upgrade and KSD PI Projects

Usefulness of reported performance information

Performance indicators verifiable

The processes and systems that produced the indicator should be verifiable, as required by the FMPPI. A total of 33% of the indicators were not verifiable. This is because management did not adhere to the requirements of the FMPPI and lack of proper systems and processes.

Chief Executive: Ajay Sita
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Reliability of reported performance information

The FMPPI requires auditees to have appropriate systems to collect, collate, verify and store performance information to ensure valid, accurate and complete reporting of actual achievements against planned objectives, indicators and targets. We were unable to obtain the information and explanations we considered necessary to satisfy ourselves as to the reliability of the reported performance information. This was as a result of limitations placed on the scope of our work due to the fact that the auditee could not provide sufficient appropriate evidence in support of the reported performance information as well as the fact that proper indicator definitions were not used to predetermine the evidence and method of calculation for actual achievements. The auditee's records did not permit the application of alternative audit procedures.

Objective 18: Develop an EC water master plan to direct future funding streams

Usefulness of reported performance information

Performance indicators not verifiable

The processes and systems that produced the indicator should be verifiable, as required by the FMPPI. A total of 100% of the indicators were not verifiable. This was due to lack of proper systems and processes.

Reliability of reported performance information

The FMPPI requires auditees to have appropriate systems to collect, collate, verify and store performance information to ensure valid, accurate and complete reporting of actual achievements against planned objectives, indicators and targets. We were unable to obtain the information and explanations we considered necessary to satisfy ourselves as to the reliability of the reported performance information. This was as a result of limitations placed on the scope of our work due to the fact that the auditee did not provide sufficient appropriate evidence in support of the reported performance information and the auditee's records not permitting the application of alternative audit procedures.

Objective 19: Minimise produced and distributed water to efficiently reduce water losses

Usefulness of reported performance information

Performance indicators not well defined

Performance indicators should be well defined by having clear definitions so that data can be collected consistently and is easy to understand and use, as required by the FMPPI. A total of 100% of the indicators were not well defined. This was because management did not adhere to the requirements of the FMPPI.

Objective 22: Ensure uninterrupted water supply, with adequate pressure to customers

Usefulness of reported performance information

Performance indicators not verifiable

The processes and systems that produced the indicator should be verifiable, as required by the FMPPI. A total of 100% of the indicators were not verifiable. This was due to lack of proper systems and processes.

Chief Executive: Ajen Sita
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Reliability of reported performance information

The FMPPI requires auditees to have appropriate systems to collect, collate, verify and store performance information to ensure valid, accurate and complete reporting of actual achievements against planned objectives, indicators and targets. We were unable to obtain the information and explanations we considered necessary to satisfy ourselves as to the reliability of the reported performance information. This was as a result of limitations placed on the scope of our work due to the fact that the auditee did not provide sufficient appropriate evidence in support of the reported performance information and the auditee's records not permitting the application of alternative audit procedures.

- We did not identify any material findings on the usefulness and reliability of the reported performance information for the following objectives:
- Objective 6: Contribute to decent living standards and enhance public health within communities in ADM through quality adequate water services
- Objective 13: Explore sourcing of funding alternatives for growth of new infrastructure (excluding replacement)
- Objective 16: 90% Availability of water supply for all bulk services
- Objective 20: Interconnected supply to Amahlathi, Ngqushwa, Nkonkobe, Ndlambe

Additional Matters:

We draw attention to the following matters:

Achievement of planned targets

Refer to the annual performance report on pages 62 to 65 for information on the achievement of planned targets for the year. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in this report.

Unaudited supplementary information

The supplementary information set out on pages 60 to 61 does not form part of the annual performance report and is presented as additional information. We have not audited this information and, accordingly, we do not express a conclusion thereon.

Compliance with legislation

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

Revenue Management

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

Expenditure Management

The accounting authority did not take effective steps to prevent irregular expenditure and fruitless and wasteful expenditure, as required by section 51(1)(b)(ii) of the Public Finance Management Act.

Chief Executive: Ajen Sita
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Annual Financial Statements and Annual Report

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

Liability Management

Money was borrowed without the necessary authorisation prescribed by section 66(3)(b) of the PFMA and National Government Gazette No 23450 issued 31 May 2002.

Internal control

We considered internal control relevant to our audit of the financial statements, annual performance report and compliance with legislation, but not to gather evidence to express an opinion or conclusion on the effectiveness of the entity's internal control. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on the annual performance report and the findings on non-compliance with legislation included in this report.

Leadership

Ineffective leadership and poor oversight responsibility by management forms the basis of the numerous findings that have been repeated in the current year regarding the financial statements, performance reporting, compliance and internal controls. There is a lack of accountability and commitment to improve significant internal control deficiencies which does not protect and enhance the best interests of the entity.

Action plans were not adequately monitored to address the risks relating to the achievement of complete and accurate financial and performance reporting supported by easily accessible supporting documentation.

Financial and performance management

The extensive vacancies and lack of adequately skilled staff during the year resulted in the breakdown of controls around daily and monthly processing, authorisations, reconciliations, reviews, filing and retaining information and knowledge to understand the financial reporting framework and performance management requirements.

Ernst & Young Inc.
Director: Mark Biggs
Registered Auditor
Chartered Accountant (SA)
Port Elizabeth
27 November 2015

Chief Executive: Ajen Sita
A full list of Directors is available on the website.
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STATEMENT OF COMPREHENSIVE INCOME

for the year ended June 30, 2015

	NOTES	2015 R 000	2014 R 000
Revenue	2	335,237	328,762
Cost of sales	3	(236,696)	(227,952)
Gross profit		**98,541**	**100,810**
Other income	2	3,664	3,771
Operating and administrative expenses	3	(108,433)	(88,721)
Operating (loss) Surplus		**(6,228)**	**15,860**
Finance income	4	6,464	13,585
Finance costs		(233)	(286)
Profit for the year		**3**	**29,159**
Other comprehensive income		-	-
Total comprehensive income for the year		**3**	**29,159**

STATEMENT OF FINANCIAL POSITION

for the year ended June 30, 2015

	NOTES	2015 R'000	2014 R'000
Assets			
Non-Current Assets			
Property, plant and equipment	5	351,563	285,531
Current Assets			
Inventories	6	2,703	1,501
Trade and other receivables	7	314,871	260,665
Cash and cash equivalents	8	120,013	124,170
Total current assets		437,587	386,336
Total Assets		**789,150**	**671,867**
Equity and Liabilities			
Equity			
Capital contribution		274,557	274,557
Accumulated Surplus		80,204	80,201
Total capital and reserves		354,761	354,758
Liabilities			
Non-Current Liabilities			
Interest bearing long term borrowings	9	1,043	1,516
Current Liabilities			
Trade and other payables	10	431,692	305,510
Current portion of interest bearing long term borrowings	9	581	9,010
Provisions	12	1,073	1,073
Total current liabilities		433,346	315,593
Total Liabilities		434,389	317,109
Total Equity and Liabilities		**789,150**	**671,867**

STATEMENT OF CHANGES IN EQUITY

for the year ended June 30, 2015

	Capital contribution R'000	Accumulated Surplus R'000	Total R'000
Balance at July 01, 2013	274,557	51,042	325,599
Surplus for the year	-	29,159	29,159
Balance at July 01, 2014	**274,557**	**80,201**	**354,758**
Surplus for the year	-	3	3
Balance at June 30, 2015	**274,557**	**80,204**	**354,761**

STATEMENT OF CASH FLOWS
for the year ended June 30, 2015

	Notes	2015 R'000	2014 R'000
Cash flows from operating activities			
Cash receipts from customers		327,964	417,699
Cash paid to suppliers and employees		(393,336)	(369,248)
Cash (used in) /generated from operations	15	(65,372)	48,451
Interest income		4,083	6,340
Finance costs		(233)	(286)
Net cash from operating activities		**(61,522)**	**54,505**
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(83,756)	(10,404)
Sale of property, plant and equipment	5	23	29
Grant funding received	11	150,000	-
Net cash from investing activities		**66,267**	**(10,375)**
Cash flows from financing activities			
Repayment of other financial liabilities		(8,902)	(26,362)
Total cash movement for the year		**(4,157)**	**17,768**
Cash at the beginning of the year		124,170	106,402
Total cash at end of the year	8	**120,013**	**124,170**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended June 30, 2015

1. ACCOUNTING POLICIES

Basis of preparation

The annual financial statements are prepared on the historical costs basis, unless stated otherwise, and incorporate the following principal accounting policies which conform to South African Statements of Generally Accepted Accounting Practice (SA GAAP), the Public Finance Management Act (Act 1 of 1999, as amended by Act 29 of 1999) and the Water Services Act (Act 108 of 1997). These principal accounting policies are consistent with the previous year.

Functional currency

The functional and presentational currency of Amatola Water Board is the South African Rand (ZAR).

Capital contribution

Capital contribution comprises of Inventory and Property, Plant and Equipment that was transferred from the Department of Water and Sanitation (DWS). Refer to the Property, Plant and Equipement accounting policy for further information.

Property, plant and equipment

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

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

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

Cost model

Property, plant and equipment held for use in the production or supply of goods or services or for administrative purposes are stated at cost less accumulated depreciation and any accumulated impairment losses.

Property, plant and equipment which were transferred to Amatola Water Board at no cost from Department of Water and Sanitation are recorded at depreciated replacement cost of the assets on the date of transfer, with the resultant credit being recorded as a Capital Contribution. These items are subsequently carried at this cost less accumulated depreciation and any accumulated impairment losses.

Depreciation commences when assets are capable of operating in the manner intended by management.

Depreciation is provided on all property, plant and equipment other than freehold land, to write down the cost, less residual value, on a straight line basis over their useful lives as follows:

Item	Average useful life
Buildings	20 yrs
Pipelines	30 yrs
Reservoirs	35 yrs
Pump stations	
• Building and civil works	35 yrs
• Electrical	15 yrs
• Mechanical	20 yrs
Water treatment works	

Item	Average useful life
• Building and civil works	50 yrs
• Electrical	15 yrs
• Mechanical	20 yrs
Other equipment	5-12 yrs
• Furniture and fittings	
• Implements, Electronic equipment and Office equipment	
• Computer equipment and software	
• Plant and equipment	
• Scientific equipment	
• Motor vehicles	

The residual value, useful life and depreciation method of each asset are reviewed at each financial year end.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item and which has a different useful life then the asset as a whole is depreciated separately.

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

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets where it is reasonably certain that ownership will transfer at the end of the lease term. Where it is not reasonably certain that ownership will transfer at the end of the lease term, the asset held under a finance lease is depreciated over the shorter of its useful life and the lease term.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in 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.

Software costs

Packaged software and the direct costs associated with the development and installation thereof are capitalised. Software is depreciated in full on a straight-line basis over five years.

Inventories

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

Inventory is valued at the lower of the weighted average cost and estimated net realisable value. Inventory comprises plant spares and stores, chemicals, fuel and water stock held in reservoirs.

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

Impairment

The carrying amounts of the entity's assets, other than inventories and trade receivables, which are separately assessed and provided against where necessary, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. The recoverable amount is the higher of the asset's fair value less cost of disposal, or the asset's value in use. Value in use is estimated taking into account future cash flows per management budgets, forecast market conditions and the expected lives of the assets.

Such cash flows are discounted using a rate that reflects current market value of money and the risks associated with the specific asset. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Impairment losses are recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised immediately in surplus or deficit.

Revenue recognition

Revenue, which excludes Value Added Tax, is measured at the fair value of the consideration received or receivable and represents water sales to customers and management services rendered to principals in project implementation agent contracts.

Revenue from the sale of water and management services rendered is recognised when all the following conditions have been satisfied:

- the significant risks and rewards of ownership have been transferred to the consumer;
- the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the company; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Project Revenue

Project Revenue is recognised in the accounting records of Amatola Water Board on the Agency basis for implementing agents contracts and on the stage of completion basis for projects conducted on the principal basis. The agency basis is where the management fees revenue is recognised into the surplus or deficit in the statement of comprehensive income whilst the principal basis is where the costs of the project and the related revenue are both recognised into the statement of comprehensive income.

For revenue arising from the rendering of services, provided that all of the following criteria are met, revenue should be recognised by reference to the stage of completion of the transaction at the reporting date:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits will flow to the seller;
- the stage of completion at the reporting date can be measured reliably; and
- the costs incurred, or to be incurred, in respect of the transaction can be measured reliably.

The stage of completion is based on the approved amounts invoiced and paid to contractors against the budgeted costs of each project.

Interest income

Interest is recognised on a time proportionate basis, taking account of the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to Amatola Water Board.

Provisions

Provisions are recognised when Amatola Water Board has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The expense relating to a provision is included in the statement of comprehensive income. If the effect of the time value of money is material, provisions are discounted using a rate that reflects current market value of money and the risks associated with the specific liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Finance leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

In the capacity of a lessee

Assets held under finance leases are recognised as assets of the board at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease.

The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

The corresponding rental obligations and net finance charges are included in other short term and other long term payables respectively. The interest element of the finance cost is charged to surplus or deficit within finance cost over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Finance charges are recognised in finance costs in the statement of comprehensive income. A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that Amatola Water Board will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Finance lease liabilities are derecognised in accordance with the derecognition requirements for financial liabilities.The property plant and equipment acquired under finance leases are depreciated or amortised over the shorter of the useful life of the asset and the lease term.

Operating leases

Rentals payable under operating leases with fixed escalation clauses are charged to surplus or deficit on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Financial instruments

Initial recognition and measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial instruments are initially measured at fair value. Subsequent to initial recognition, these instruments are measured as set out below:

The Amatola Water Board classifies its financial instruments into the following categories:

- Loans and receivables; and
- Held to maturity.

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. Management re-evaluates such designation at least at each reporting date.

Trade and other receivables

Trade and other receivables classified as loans and receivables and are stated at amortised cost, less impairment losses.

Trade and other receivables are assessed, at each reporting date, to determine whether there is objective evidence that one or more receivable is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset, has an impact on the estimated future cash flows of the assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in surplus or deficit. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is recognised as income in the statement of comprehensive income.

Cash and cash equivalents

Cash and Cash Equivalents are measured at amortised cost.

Cash and cash equivalents in the statement of financial position comprise of cash at banks and on hand and short-term deposits with a maturity of three months or less. For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts.

Trade and other payables

Short-term payables are carried at amortised cost with no stated interest rate and are measured at the original invoice amount as the effect of discounting is considered to be immaterial.

Interest-bearing borrowings

Interest-bearing borrowings are reflected at amortised cost, applying the yield-to-maturity basis, which is the rate of return to be earned should the borrowing be held until maturity.

Employee benefits

Short-term employee benefits

The undiscounted cost of all short term employee benefits is recognised during the period in which the employee renders the related service.

Accruals for employee entitlements to salaries, wages, performance bonuses and annual leave represent the amount which the entity has a present obligation to pay as a result of employees' services provided to the reporting date. The accruals have been calculated based on current salary and wage rates.

The estimated cost of bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

The entity's policy is to provide retirement benefits for employees. Obligations for contributions to defined contribution provident plans are recognised as an expense in surplus or deficit as incurred.

Related parties

The entity is wholly owned by its shareholder, the Department of Water and Sanitation. Amatola Water Board is a schedule 3B public entity in terms of the Public Finance Management Act.

Government related parties include national departments (including the shareholder), constitutional institutions (schedule 1 of the Public Finance Management Act), public entities (schedule 2 and 3 of the Public Finance Management Act) and local government (including municipalities). The list of public entities in the national sphere of government is provided by National Treasury on its website www.treasury.gov.za. It also provides the names of subsidiaries of the public entities.

IAS 24 Related Party Disclosures provides government related entities an exemption in respect of its relationship with government related entities at national and local levels of government.

Commitments

A commitment arises when a decision is made to incur a liability in the form of a purchase contract or similar documentation. Such a contractual commitment would be accompanied by, but not limited to, actions taken to determine the amount of the eventual resource outflow or a reliable estimate and conditions to be satisfied to establish an obligation.

Commitments are not disclosed as liabilities on the statement of financial position, they are disclosed in the notes to the annual financial statements.

Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Public Finance Management Act (PFMA) and the Public Office Bearers Act (Act No. 20 of 1998), State Tender Board Act, 1968 (Act No. 86 of 1968) or is in contravention of the entity's supply chain management policies. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Comprehensive Income and where recovered, it is subsequently accounted for as revenue in the Statement of Comprehensive Income.

Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Comprehensive Income and where recovered, it is subsequently accounted for as revenue in the Statement of Comprehensive Income.

Significant judgements and sources of estimation uncertainty

Amatola Water Board applies significant judgements and sources of estimation uncertainty relating to the following:

Useful life of property, plant and equipment: Method applied on useful life assessment is historical basis of use and longevity of use in Amatola Water Board's care.

Impairment of assets: Impairment of assets are assessed for indicators of impairment as described in IAS 36, however not limited to them. Other indicators assessed include:

- Management's future plans with regards to rationalisation of supply schemes.
- Availability of water resources within the supply scheme of each asset.

Provision for doubtful debts: Provision for doubtful debts has been assessed on a debtor by debtor basis and reasons for considering the debtor doubtful interrogated by management.

No further key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date exist, that management may have assessed as having a significant risk of causing material adjustment to the carrying amounts of the assets and liabilities within the next financial year.

Capital and Operational Grant Funding

Government Capital grants for infrastructure received are recognised as deferred income in the statement of financial position. The grant is recognised in profi t or loss over the remaining useful life of the depreciable asset as a reduced depreciation expense. Government Operational grants are recognised as income over the periods necessary to match them with the related costs and are deducted in reporting the related expense.

2. REVENUE

	2015 Kl' 000	2014 Kl' 000
Revenue comprises:		
Volume		
Treated water volume sold	33,385	33,189
Raw water volume sold	7,557	8,441
	2015 R '000	**2014 R '000**
Section 29		
Raw water sales	13,245	13,249
Treated water sales	231,338	211,167
Right of use	17,097	12,029
	261,680	**236,445**

	2015 R '000	2014 R '000
Section 30		
PIA fees - agent and principal	38,512	19,968
Operations and maintenance agreement	28,144	67,050
Project costs recoveries	6,901	5,299
	73,557	**92,317**
Total revenue	**335,237**	**328,762**
Other income		
Other income	1,226	-
Sundry income	2,438	3,771
	3,664	**3,771**

Other income relates to income from over provision of debts or over-estimation of accruals.

Sundry income relates to income from incidental activities provided by Amatola Water Board to customers such as permits for dam entrance, scientific services on behalf of water users, profit on disposal of assets, etc.

3. OPERATING EXPENSES

	2015 R '000	2014 R '000
Cost by function		
Cost of sales	236,696	227,952
Operating and administrative expenses	108,433	88,721
	345,129	316,674
The net operating surplus is stated after taking the following into account:		
Cost of sales - Primary Business		
Raw water purchases	66,739	63,591
Water research levies	2,048	2,174
Electricity	33,838	28,001
Chemicals	9,845	7,361
Employee benefit costs	62,876	47,931
Depreciation and impairment	15,386	14,088
	190,732	163,146
Cost of sales - Secondary Business		
Chemicals	3,518	4,241
Employee benefit costs	33,761	43,336
Repairs & maintenance	7,722	15,266
Project costs	963	1,963
	45,964	64,806
Total Cost of sales	**236,696**	**227,952**

	2015 R '000	2014 R '000
Auditors' remuneration and other expenses which are material:		
Accommodation	2 276	3 059
Agreed upon procedures	21	-
Bad debts provision	21 854	7 195
Board fees	672	673
Compliance audit fees	83	-
Consulting and professional fees	1 718	1 619
Depreciation, amortisation and impairments	2 336	3 228
Employee costs - salaried staff	31 393	26 525
Executive management emoluments (ii)	6 361	7 464
External audit fees	950	501
Insurance	1 252	1 917
Internal audit fees	623	350
Lease rentals on operating lease (refer to note 13)	7 893	8 460
Non-executive board member emoluments (i)		
Other general expenses (iii)	12 061	13 314
Profit and loss on sale of assets	(22)	54
Repairs and maintenance	14 339	11 027
Security	1 422	1 449
Technical service fees	137	830
Training	2 958	1 001
Travel disbursements	106	55
	108,433	**88,721**

(i) Refer to the executive managements emoluments table on page 42 in the annual integrated report.
(ii) Other general expenses include expenses that are not required to be separately disclosed and the quantum of the expenses is not considered significant.
(iii) Refer to the non-executive board members emoluments table on page 28 in the annual integrated report.

4. FINANCE INCOME

	2015 R '000	2014 R '000
Income from financial asset - cash and cash on hand	4,083	6,329
Unearned interest income relating to trade and other receivables	2,381	7,256
	6,464	**13,585**

5. PROPERTY, PLANT AND EQUIPMENT

	2015 R '000			2014 R '000		
	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
Land	5,410	-	5,410	5,410	-	5,410
Buildings	22,837	(11,347)	11,490	22,837	(10,210)	12,627
Buildings and civil works	**82,183**	**(24,191)**	**57,992**	**82,183**	**(22,453)**	**59,730**
Water treatment works	74,439	(21,222)	53,217	74,439	(19,713)	54,726
Pump stations	7,744	(2,969)	4,775	7,744	(2,740)	5,004
Pipelines	154,160	(78,970)	75,190	154,160	(73,547)	80,613
Reservoirs	95,871	(28,053)	67,818	95,871	(25,134)	70,737
Pump stations	**7,461**	**(4,426)**	**3,035**	**7,461**	**(4,049)**	**3,412**
Electrical	1,455	(1,313)	142	1,455	(1,236)	219
Mechanical	6,006	(3,113)	2,893	6,006	(2,813)	3,193
Treatment works	**35,399**	**(13,606)**	**21,793**	**35,391**	**(11,729)**	**23,662**
Electrical	8,820	(3,490)	5,330	8,820	(2,935)	5,885
Mechanical	26,579	(10,116)	16,463	26,571	(8,794)	17,777
Furniture and fixtures	2,442	(1,963)	479	2,398	(1,859)	539
Machinery, plant and equipment	**50,029**	**(40,029)**	**10,000**	**46,833**	**(36,700)**	**10,133**
Computer hardware	13,770	(10,642)	3,128	12,436	(9,413)	3,023
Computer software	5,821	(4,420)	1,401	5,054	(3,770)	1,284
Electronic equipment	3,695	(3,167)	528	3,339	(2,951)	388
Implements	1,207	(1,021)	186	1,204	(970)	234
Office equipment	853	(695)	158	818	(650)	168
Plant and machinery	17,629	(15,515)	2,114	17,470	(14,942)	2,528
Scientific equipment	7,054	(4,569)	2,485	6,512	(4,004)	2,508
Motor vehicles	4,693	(4,124)	569	4,693	(3,915)	778
Leased vehicles	1,946	(808)	1,138	1,946	(647)	1,299
Capital - work in progress	96,649	-	96,649	16,592	-	16,592
Total	**559,080**	**(207,517)**	**351,563**	**475,775**	**(190,243)**	**285,531**

Reconciliation of property, plant and equipment - 2015	Opening balance R '000	Additions R '000	Disposals R '000	Depreciation R '000	Total R '000
Land	5,410	-	-	-	5,410
Buildings	12,627	-	-	(1,137)	11,490
Buildings and civil works	**59,730**	**-**	**-**	**(1,738)**	**57,992**
Water treatment works	54,726	-	-	(1,509)	53,217
Pump stations	5,004	-	-	(229)	4,775
Pipelines	80,613	-	-	(5,423)	75,190
Reservoirs	70,737	-	-	(2,919)	67,818
Pump stations	**3,412**	**-**	**-**	**(377)**	**3,035**
Electrical	219	-	-	(77)	142
Mechanical	3,193	-	-	(300)	2,893
Treatment works	**23,662**	**8**	**-**	**(1,877)**	**21,793**
Electrical	5,885	-	-	(555)	5,330
Mechanical	17,777	8	-	(1,322)	16,463
Furniture and fixtures	539	43	-	(103)	479
Machinery, plant and equipment	**10,133**	**3,648**	**(1)**	**(3,780)**	**10,000**
Computer hardware	3,023	1,782	(1)	(1,676)	3,128
Computer software	1,284	770	-	(653)	1,401
Electronic equipment	388	357	-	(217)	528
Implements	234	3	-	(51)	186
Office equipment	168	35	-	(45)	158
Plant and machinery	2,528	159	-	(573)	2,114
Scientific equipment	2,508	542	-	(565)	2,485
Motor vehicles	778	-	-	(209)	569
Leased vehicles	1,299	-	-	(161)	1,138
Capital - work in progress	16,592	80,057	-	-	96,649
	285,531	**83,756**	**(1)**	**(17,723)**	**351,563**

Reconciliation of property, plant and equipment - 2014	Opening balance R '000	Additions R '000	Disposals R '000	Depreciation R '000	Total R '000
Land	5,410	-	-	-	5,410
Buildings	13,764	-	-	(1,137)	12,627
Buildings and civil works	**61,469**	**-**	**-**	**(1,739)**	**59,730**
Water treatment works	56,236	-	-	(1,510)	54,726
Pump stations	5,233	-	-	(229)	5,004
Pipelines	86,036	-	-	(5,423)	80,613
Reservoirs	73,656	-	-	(2,919)	70,737
Pump stations	**3,807**	**-**	**-**	**(395)**	**3,412**
Electrical	314	-	-	(95)	219
Mechanical	3,493	-	-	(300)	3,193
Treatment works	**25,539**	**-**	**-**	**(1,877)**	**23,662**
Electrical	6,443	-	-	(558)	5,885
Mechanical	19,096	-	-	(1,319)	17,777
Furniture and fixtures	529	120	(9)	(100)	539
Machinery, plant and equipment	**9,933**	**3,626**	**(72)**	**(3,356)**	**10,133**
Computer hardware	3,175	1,385	(71)	(1,466)	3,023
Computer software	1,261	584	(1)	(560)	1,284
Electronic equipment	513	67	-	(192)	388
Implements	267	40	-	(73)	234
Office equipment	150	62	-	(44)	168
Plant and machinery	3,090	4	-	(566)	2,528
Scientific equipment	1,477	1,484	-	(454)	2,508
Motor vehicles	989	-	-	(210)	778
Leased vehicles	1,460	-	-	(161)	1,299
Capital - Work in progress	9,934	6,658	-	-	16,592
	292,526	**10,404**	**(81)**	**(17,317)**	**285,531**

Generally Accepted Accounting Practice requires that annual financial statements should reflect the economic substance of events and transactions and not merely the legal form. Amatola Water Board recognises and records those assets which are resources controlled by the enterprise and result in receipt of economic benefits or rewards and in incurring risks incidental to ownership, even though legal ownership has not passed. The Transfer Agreement between Department of Water and Sanitation and Amatola Water Board requires that the assets are recorded at the depreciated replacement cost. The Transfer Agreement between Amatola Water Board and Department of Water and Sanitation was concluded with effect from 1 July 1998. In terms of Section 63(1)(c) of the National Water Act 1998 (Act 36 of 1998), powers and responsibility for the control, operation, administration and maintenance of immovable assets were delegated to Amatola Water Board by the Minister of Water and Sanitation.

In terms of the Transfer Agreement, Department of Water and Sanitation has agreed to transfer the major water services works to Amatola Water Board. These works comprise pipelines, reservoirs, pump stations and water treatment works in Amatola's designated area. In terms of Section 73(2)(a) of the Water Services Act 1997(Act 108 of 1997), legal ownership will be transferred with the written approval of the Minister of Water And Sanitation and on registration of the properties in the name of Amatola Water Board by the Registrar of Deeds.

As at 30th June 2015, Amatola Water Board carried assets which had an initial cost price of R28 million at a zero net book value. These assets useful lives had been assessed and the management is of the opinion that these assets' useful lives were correclty assessed using all information available at the time.

Internally funded capital work in progress is included in the above note, assets under construction that are not yet available for use are accounted for in this section. These assets are not depreciated and are transferred to their respective asset categories when they become available for use for Amatola Water Board.

Refer to note 13 for finance lease disclosure.

Property, plant and equipment encumbered as security

Amatola Water Board has pledged the following assets, at cost price, as security for its finance lease obligation and 10 year bond agreement:

	2015 R '000	2014 R '000
Finance lease: TLB Sitemaster and the MAN flat bed truck	1,299	1,299
Bond Agreement: ERF 31427 East London	1,332	1,332

6. INVENTORIES

	2015 R '000	2014 R '000
Plant spares and stores	1,791	1,088
Chemicals	227	345
Fuel	7	68
Water	678	-
	2,703	**1,501**

7. TRADE AND OTHER RECEIVABLES

	2015 R '000	2014 R '000
Trade receivables	37,023	49,536
Less: Provision for doubtful debts	(655)	(675)
	36,368	48,861
Other receivables	201,003	194,270
Less: Provision for doubtful debts	(6,919)	(12,689)
	194,084	181,581
Dept. of Water and Sanitation receivable - Overcharge on Peddie and Glenmore abstraction	24,588	19,973
Provision for doubtful debts related to the above	(21,568)	-
	3,020	19,973
Accrued Income	82,943	10,250
Provision for doubtful debts related to the above	(1,544)	-
	81,399	10,250
	314,871	**260,665**

Trade and other receivables payment terms are 30 days from invoice. No interest has been charged on these debtors in the year under review.

Other receivables consist mainly of project receivables that have been invoiced to the principal funders of the projects under the project implementing agency contracts.

Overcharge on Peddie and Glenmore abstraction receivable relates to the raw water claim made by Amatola Water Board to the Department for raw water abstraction costs incurred and paid by Amatola Water Board. These costs were acknowledged by the Department of Water and Sanitation in the prior financial year.

Accrued income relates to project costs received after the reporting date that relate to the financial year under review. These costs will be billed to the principal funders in the forthcoming financial period and will be recognised to surplus or deficit as per other project implementing agency contract costs.

Refer to Note 17 for further details on the impairment of debtors.

8. CASH AND CASH EQUIVALENTS

	2015 R '000	2014 R '000
Bank balances	94,309	67,220
Short-term deposits	25,704	56,950
	120,013	**124,170**

Cash at banks earns interest at daily bank deposit rates.

Short-term deposits are made for varying periods, depending on the immediate cash requirements of the entity and earn interest at the respective short-term deposit rate.

Guarantees

Guarantees are in the normal course of business from which it is anticipated that no material liabilities will arise. The guarantee is issued against short term deposits.

	2015 R '000	2014 R '000
Eskom	1,000	1,000

9. LONG TERM BORROWINGS

	2015 R '000	2014 R '000
Unsecured		
Department of Water and Sanitation		
Raw water purchases	-	8,429
Secured		
Nedbank		
Finance lease	853	1,206
Bond	771	891
Total borrowings	**1,624**	**10,526**
Less: current portion	(581)	(9,010)
Total long term borrowings	**1,043**	**1,516**

Nedbank

The Nedbank bond is secured by ERF 31427 East London. It is repayable over 10 years in monthly instalments of R14 312, with the final payment on the 28th of February 2021. The average rate of interest for the year was 9.21%.

Should Amatola Water Board default on the bond, Nedbank reserves the right to invoke clauses on the bond agreement to repossess the assets to settle the outstanding debt.

Stannic

The finance leases are secured by the TLB Sitemaster and the MAN flatbed truck. These are repayable over a five year period, in instalments of R24 467 and R14 454 respectively. Final payment is due on 1 March 2017 and the effective interest rate is 9.21%.

Should Amatola Water Board default on the finance lease, Stannic reserves the right to invoke clauses in the finance lease master agreement to repossess the assets to settle the outstanding debt.

Reconciliation of movement in long term borrowings for the year

Balance at the beginning of the year	10,526	36,889
Loans repaid	(8,902)	(26,363)
	1,624	**10,526**

10. TRADE AND OTHER PAYABLES

	2015 R '000	2014 R '000
Trade payables	181,598	201,482
Amounts received in advance	14,176	37,918
VAT	1696	8,901
Project and other payables	81,867	57,209
Deferred income recognised on Grant funding (refer to note 11)	82,463	-
Grant Funding Liability (refer to note 11)	69,892	-
	431,692	**305,510**

Trade and other payables terms are 30 days from invoice date unless stated otherwise based on a valid contract between Amatola Water Board and the service provider concerned.

11. GRANT FUNDING

2015 - Reconciliation	Opening Balance R '000	Grant funding received R '000	Grant funding recognised as deferred income R '000	Recognised as expense in the current financial year R '000	Grant funding liability R '000
National Treasury Grant	-	150,000	(82,463)	-	67,537
DBSA Jobs Fund Grant	-	2,509	-	(154)	2,355
	-	**152,509**	**(82,463)**	**(154)**	**69,892**

Amatola Water Board received two grants during the current financial period:

A Capital grant was received for the upgrade of Amatola Water Board treatment works plants. R150 million was received and R82 million has been spent or committed for payment at year end. This amount spent is recognised as a deferred income until the completion of the upgrades, when the deferred income will be expensed at the same rate as the depreciation of the asset.

Amatola Water Board received R2,5 million grant from the DBSA in respect of the learning academy. Amatola Water Board had spent and expensed R154 000 prior to a moratorium on spending of the monies by the DBSA, the moratorium had not been lifted at year end. This grant is recognised as an operational grant and the grant is utilised to match the expenditure incurred in the current month.

This grant is recognised in the trade and other payables note above.

Grant funding not spent for the specific use it has been provided for will be required to be refunded to the funders when these funds are called.

12. PROVISIONS

Reconciliation of provisions - 2015

	Opening Balance R '000	Arising during the year R '000	Utilised during the year R '000	Reversed during the year R '000	Total R '000
Provision for litigation	550	-	-	-	550
Long service award	523	-	-	-	523
	1,073	**-**	**-**	**-**	**1,073**

Reconciliation of provisions - 2014

	Opening Balance R '000	Arising during the year R '000	Utilised during the year R '000	Reversed during the year R '000	Total R '000
Performance bonus	4,029	-	(4,029)	-	-
Provision for litigation	-	550	-	-	550
Long service award	555	-	-	(32)	523
Other provisions	4,858	-	-	(4,858)	-
	9,442	**550**	**(4,029)**	**(4,890)**	**1,073**

Long service awards vest with the employees on completion of an uninterrupted 5 years of service, and thereafter every 5 years of uninterrupted service or when the employee retires whilst in the employ of Amatola Water Board.

Provision for litigation relates to the Amatola Water Board vs Taylor and Associates case where Amatola Water Board entered into a cession agreement with its contractor relating to funds obtained from Taylor and associates. Due to non-performance of the contractor, Amatola Water Board cancelled the contract and the cession. The funder of the cession agreement, Taylor and Associates is suing Amatola Water Board for payments not made under the cession. The uncertainty in payment is pending on the outcome of the litigation matters. Amatola Water Board's Attorneys do not see a favourable outcome towards Amatola Water Board.

13. COMMITMENTS

	2015 R '000	2014 R '000
Capital commitments contracted for	257,863	8,389
Capital commitments authorised but not contracted for	193,949	523,197

Capital commitments authorised but not contracted for are commitments relating to the infrastructure upgrades and approved CAPEX budget. These will be contracted for in the next financial year.

The proposed capital expenditure will be funded by grant funding of R500 million.

Finance lease commitments - motor vehicles

During the period under review, Amatola Water Board had two finance lease arrangements for the acquisition of heavy duty motor vehicles for a period of 5 years. On termination of the lease period the ownership of the vehicles transfers to Amatola Water Board for no consideration.

	Minimum Lease Payments R '000	Finance Charges R '000	Present Value of Minimum Lease Payments R '000
Less than 1 year	468	(49)	419
More than 1 year and less than 5 years	449	(15)	434
Total	**917**	**(64)**	**853**

The average inherent interest rate in the finance leases is 8.7% for the year, linked to the prime overdraft lending rate, which at 30 June 2015 was 9.5% p.a.

Operating lease commitments - motor vehicles

Ninety-eight motor vehicles are leased under non-cancellable operating leases. The lease payments include a maintenance portion for the duration of the lease term. The leases are for an initial period of five years. The future minimum lease payments under the non-cancellable operating leases are as follows:

	2015 R '000	2014 R '000
Less than 1 year	3,572	2,274
More than 1 year and less than 5 years	42	909
Total	**3,614**	**3,183**

No escalation clauses exist in the operating lease.

Operating lease commitments - office equipment

Amatola Water Board rents office machinery for use for normal business purposes. The lease payments include service agreements and monthly rental amounts. These leases are over a variable period ranging between 1 month and 3 years.

	2015 R '000	2014 R '000
Less than 1 year	144	89
More than 1 year and less than 5 years	132	61
Total	**276**	**150**

No escalation clauses exist in the operating lease.

14. CONTINGENT LIABILITIES

	2015 R '000	2014 R '000
Litigation contingent liabilities		
Claim for damages by student who was injured on site during a planned school visit.	5,000	50

The matter is under jurisdiction of the courts. The date of the hearing is not finalised and therefore the timing of this litigation is uncertain. The amount of the award is not quantifiable as this would need to be awarded by the courts.

15. CASH GENERATED FROM (USED IN) OPERATIONS

	2015 R '000	2014 R '000
Profit (loss) before taxation	3	29,159
Adjustments for:		
Interest received - investment	(6,464)	(13,585)
Finance costs	233	286
Operating surplus before interest	(6,228)	15,860
Depreciation and amortisation	17,723	17,317
Net (loss) profit on disposal of property, plant and equipment	(22)	54
Movements in provisions	-	(8,369)
Discounting of receivables	2,381	2,386
Reversal of interest provision for long outstanding debt	-	4,859
Changes in working capital:		
Inventories	(1,202)	83
Trade and other receivables	(54,206)	42,911
Trade and other payables	(23,818)	(26,650)
	(65,372)	48,451

16. RELATED PARTIES

Amatola Water Board has entered into various purchase, service and borrowing transactions with its Executive Authority, Department of Water and Sanitation (DWS), in the ordinary course of business.

	2015 R '000	2014 R '000
Projects Revenue - DWS	13,003	129,555
Dam Management Fees paid by DWS to Amatola Water Board	9,998	7,149
Raw water purchases from DWS (Refer to note 3)	(67,416)	(63,591)
Water Research Levy	(2,047)	(2,174)
DWS Receivable	78,978	73,735
DWS Payable	(37,668)	(44,318)
Interest-bearing borrowings from DWS (Refer to note 9)	-	(8,429)
Key Management Personnel		
Key Management Personnel compensation comprised of the following:		
Executive Directors		
Short-term employee benefits	(6,361)	(7,464)
Non - Executive Directors		
Short-term employee benefits	(778)	(728)

17. FINANCIAL INSTRUMENTS

Amatola Water Board adheres to a management strategy that makes explicit provision for ongoing review and active management of the organisation's exposure to financial risks.

Exposure to interest rate and credit risk arises in the normal course of the entity's business.

Maturity profile of financial instruments

Maturity profiles of the financial assets and liabilities are summarised as follows:

	2015			
	Current interest rate	0 - 12 months R'000	1 - 5 years R'000	Total R'000
Assets				
Cash and cash equivalents	6.5 %	120,013	-	120,013
Trade and other receivables	9.2 %	314,871	-	314,871
Liabilities				
Trade and other payables	9.2 %	(431,692)	-	(431,692)
Long term loans	9.2 %	(581)	(1,043)	(1,624)
		2,611	(1,043)	1,568

	2014			
	Current interest rate	0 - 12 months R'000	1 - 5 years R'000	Total R'000
Assets				
Cash and cash equivalents	5.8 %	124,170	-	124,170
Trade and other receivables	9.0 %	260,666	-	260,666
Liabilities				
Trade and other payables	9.0 %	(305,509)	-	(305,509)
Long term loans	9.0 %	(9,010)	(1,516)	(10,526)
		70,317	(1,516)	68,801

Credit risk

Financial assets, which potentially subject the entity to concentrations of credit risk, consist principally of cash and trade receivables.

The entity's cash equivalents are placed with high credit quality financial institutions.

Credit risk with respect to trade receivables is limited, as trade receivables mainly comprise (95 percent) bulk consumers, namely Local and District Municipalities. The remainder relates to water supply to domestic and industrial consumers.

Credit risk with respect to sundry receivables is also limited, as sundry receivables mainly comprise of DWS, Local and District Municipalities in relation to MIG, RBIG and other capital funding.

Ongoing credit evaluation is performed on the financial condition of receivables, mainly smaller Local Municipalities and the District Municipalities. Trade receivables are presented net of impairment losses.

There are no credit checks carried out by Amatola Water Board on these receivables.

The carrying amounts of financial assets represent the maximum exposure to credit risk. Amatola Water Board's maximum exposure to credit risk at year end were as follows:

	2015 R '000	2014 R '000
Cash and cash equivalent (excluding petty cash)	120,013	124,170
Trade and other receivables (excluding provision for impairment)	345,557	274,030

Ageing and Impairment losses

The ageing of trade receivables at the reporting date was:

	Gross 2015 R'000	Impairment 2015 R'000	Gross 2014 R'000	Impairment 2014 R'000
Not past due date	23,928	41	27,535	20
One month past due date	7,308	31	8,553	14
Two months past due date	1,492	23	2,860	18
Three months past due date	790	33	7,207	19
More than four months past due date	3,505	527	3,454	604
	37,023	655	49,609	675

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2015 R '000	2014 R '000
Balance as at 1 July	675	917
Impairment provision reversed	(103)	(242)
Impairment provision increased	83	-
Balance at 30 June	655	675

The ageing of sundry receivables at the reporting date was:

	Gross 2015 R'000	Impairment 2015 R'000	Gross 2014 R'000	Impairment 2014 R'000
Not past due date	107,925	-	143,032	-
One month past due date	26,943	-	12,207	-
Two months past due date	5,412	-	4,130	-
Three months past due date	1,808	-	3,689	-
More than four months past due date	58,915	6,919	30,306	12,689
	201,003	**6,919**	**193,364**	**12,689**

The movement in the allowance for impairment in respect of sundry receivables during the year was as follows:

	2015 R '000	2014 R '000
Balance as at 1 July	12,689	5,242
Impairment provision increased	6,199	7,447
impairment provision reversed	(8,091)	-
Impairment provision utilised	(3,878)	-
Balance at 30 June	**6,919**	**12,689**

Other receivables for Amatola Water at the reporting date were:

	Gross 2015 R'000	Impairment 2015 R'000	Gross 2014 R'000	Impairment 2014 R'000
Department of Water and Sanitation receivable - Overcharge on Peddie and Glenmore abstraction	24,588	(21,568)	19,973	-
Accrued Income	82,943	(1,544)	10,250	-
	107,531	(23,112)	30,223	-

These receivables are not aged as there are no payment terms attached to them and are impaired based on the probability of recovery.

Interest rate risk

As the company has significant interest-bearing assets, the company's income and operating cash flows are substantially affected by the changes in market interest rates.

The entity generally adopts a policy of ensuring that its exposure to changes in the interest rates is on a floating rate basis.

Sensitivity analysis

In order to calculate the cash flow sensitivity analysis for variable rate instruments, the average long term loans and borrowings for the period was determined. A change of 100 basis points in interest rates at the reporting date would have a maximum increase / (decrease) of approximately R16 240 in the surplus for the year.

Liquidity risk

The entity manages liquidity risk through proper management of working capital, capital expenditure and actual versus forecasted cash flows. Adequate reserves, liquid resources and unutilised borrowing facilities are also maintained.

18. EMPLOYEE BENEFITS

The entity provides retirement benefits for all permanent employees by making contributions to a defined contribution provident and pension fund. The fund, Orion, is administered by Old Mutual and is subject to the Pension Funds Act, 1956 as amended.

	2015 Number of staff	2015 R'000	2014 Number of staff	2014 R'000
Provident fund contributions	264	6,779	258	6,361
Pension fund contributions	64	2,049	55	1,737

Amatola Water Board provides long service awards and retirement entitlements which are defined as other long service awards in IAS 19. In the current financial year, management assumed that all actuarial assumptions occurred and the actuarial valuation held true. It is management's intention to value the employee benefits every 2 years. These are reconciled as follows:

	Retirement gifts R' 000	Long service awards R' 000
Balance as at July 01, 2013	453	102
Current Service costs recognised to statement of comprehensive income	54	2
Retirement entitlements /Long service awards paid	(80)	(8)
Balance as at June 30, 2014	427	96
Balance as at June 30, 2015	**427**	**96**

19. KEY SOURCES OF ESTIMATION UNCERTAINTY

There are no further key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, other than the ones identified and disclosed in the accounting policy note, that management have assessed as having a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Going concern

Management of Amatola Water Board has considered the going concern ability of the entity and concluded that the going concern assumption is valid due to the following:

- Amatola Water Board is contracted to provide bulk water to three municipalities in the region for a period of more than 12 months.
- Amatola Water Board has recently entered into Section 30 contracts of more than R2 billion.
- The provision of water is an essential compulsary supply and thus it is expected that this provision will not be compromised by national government.

20. FRUITLESS AND WASTEFUL EXPENDITURE

	2015 R '000	2014 R '000
Reconciliation of fruitless and wasteful expenditure		
Opening balance	181	82
Fruitless and wasteful expenditure - current year	927	102
Transfer to receivables for recovery	(8)	(3)
	1100	**181**

Fruitless and wasteful expenditure of R327 000 has been referred to the accounting authority for review and condonement after year end. Fruitless and wasteful expenditure is condoned when the accounting officer is satisfied that no person is liable in law and shall write off such expnditure should he be satisfied of this fact.

Analysis of fruitless and wasteful expenditure:

Incident	Value R' 000	Fruitless and wasteful expenditure investigation outcome (causes)
Interest on late payment of invoices	146	Investigations to be undertaken and disciplinary action to be instituted. Preliminary comments on findings to be presented to accounting authority. R128 000 of interest has been incurred but not paid due to this interest relating to project invoices where payment is effected after receipt of funding from the principal funders.
Over payment to SARS	730	PAYE paid as a result of 2012/13 audit findings related to the interim CEO being contracted as an independent contractor. The amount reflected in the reconciliation indicates Amatola Water Board has made an overpayment to SARS and this will be released by SARS once all the conditions have been met.
Payments on cancelled contracts	51	A number of canon fax contracts were cancelled in June 2014. Finance was not informed of these cancellations and the debit orders were not cancelled. Canon has been informed of the matter and a receivable has been raised to recover the moneys from Canon.
Prior year fruitless and wasteful expenditure	181	Prior year fruitless and wasteful expenditure relates to SARS penalties and interest expenses. This amount is to be taken to the accounting authority for condonement as there are no reasonable prospects of recovering the funds.

21. IRREGULAR EXPENDITURE

	2015 R '000	2014 R '000
Reconciliation of irregular expenditure		
Opening balance	56,871	57,691
Irregular expenditure - Current year	-	-
• Relating to overspending on contracts awarded	8,451	14,909
• Other irregular expenditure	16,208	5,917
Irregular expenditure subsequently condoned	(11,892)	(21,646)
	69,638	**56,871**

Analysis of irregular expenditure

Amatola Water Board has investigated the cause of the irregular expenditure, but has not taken disciplinary or criminal action against any employees as yet.

Incident	Value R' 000	Irregular expenditure investigation outcome (causes)
Procurement policy not adhered to in awarding of bids	16,208	A significant portion of the irregular expenditure was identified during the audit process and investigation of the causes is underway and will be presented to the accounting authority on conclusion of the investigation.
Overspending on expired contracts	827	Irregular expenditure relates to historical contracts that have not been renewed by Amatola Water Board that are paid via the debit order facility in place with Standard Bank.These contracts have expired although the entity is utilising the services.
Overspending on expired contracts	7,624	Irregular expenditure relates to residual contracts on the fleet management the transactions on this contract will continue to be irregular until new contracts have been entered through SCM procuring the services through correct process. This amount has thus been condoned.
Prior year irregular expenditure	56,871	Irregular expenditure condonation report submitted to the accounting authority as irregular expenditure registers not available. Expenditure, although irregular, economic benefits flowed to the entity and thus is proposed to be condoned.

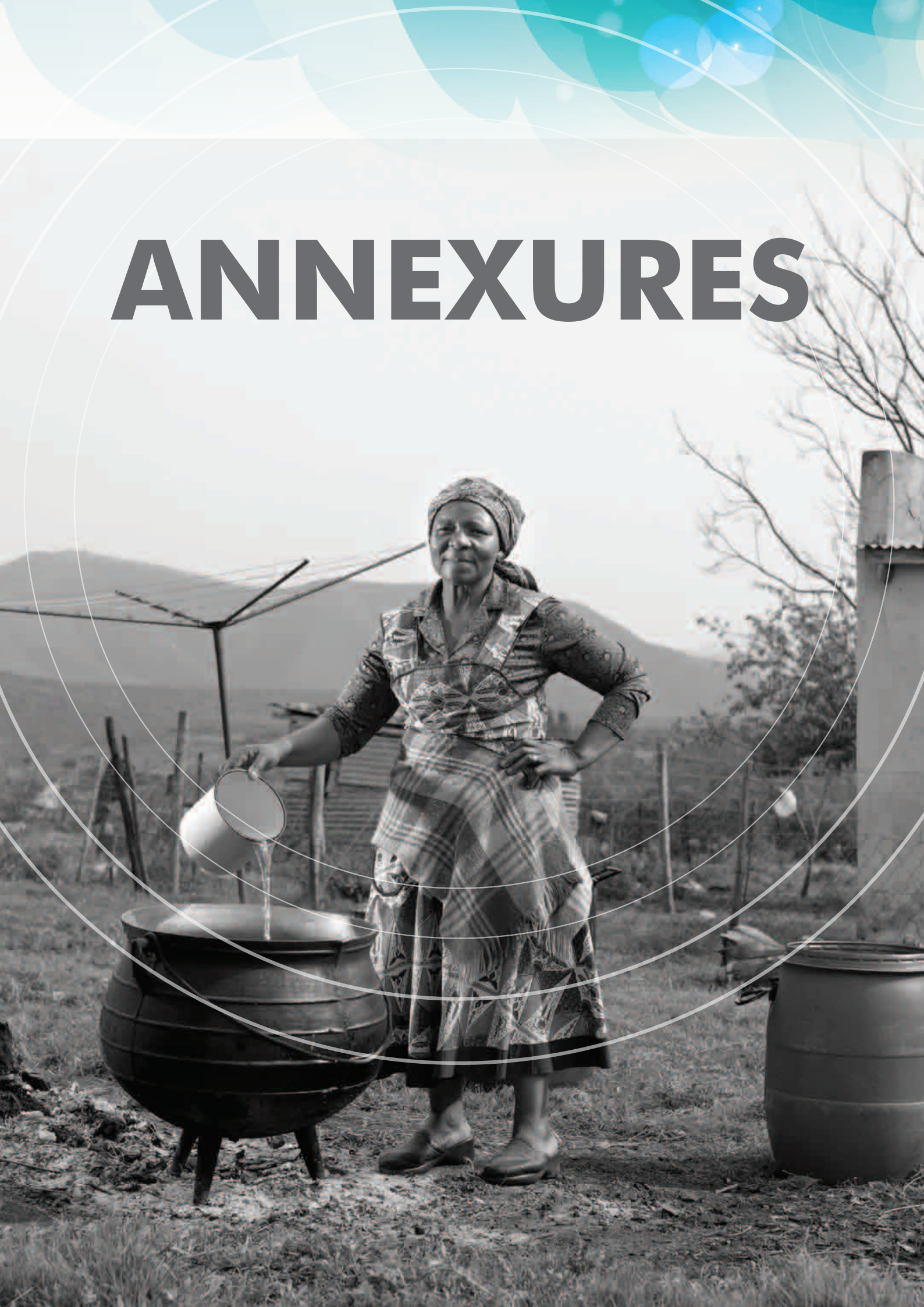
22. TAXATION

Amatola Water Board is exempt from income taxation in terms of section 10(1)(t)(ix) of the Income Tax Act.

23. EVENTS AFTER THE REPORTING PERIOD

No significant events have come to managements attention after the reporting date that would have had a significant effect on the annual financial statements.

ANNEXURES



SPLIT OF PRIMARY AND OTHER ACTIVITIES

for the year ended June 30, 2015

	Primary Activity (Bulk Supply) 2015 R'000	Primary Activity (Bulk Supply) 2014 R'000	Other Activity 2015 R'000	Other Activity R'000	Total 2015 R'000	Total R'000
Revenue	**261 680**	**236 446**	**73 557**	**96 087**	**335 237**	**332 533**
Cost of Sales	(190 732)	(163 146)	(45 964)	(64 806)	(236 696)	(227 952)
Gross profit	**70 948**	**73 300**	**27 593**	**31 281**	**98 541**	**104 580**
Other income	3 664	-	-	-	3 664	-
Operating and Administration Expenses	**(78 070)**	**(62 183)**	**(30 363)**	**(26 536)**	**(108 433)**	**(88 719)**
Net operating surplus/(deficit)	(3 458)	11 118	(2 770)	4 745	(6 228)	15 861
Interest Income	4 654	9 522	1 810	4 063	6 464	13 585
Finance Cost	(168)	(200)	(65)	(86)	(233)	(286)
Surplus (Deficit) for the year	**1 028**	**20 439**	**(1 025)**	**8 722**	**3**	**29 160**

The supplementary information presented does not form part of the annual annual financial statements and is unaudited.

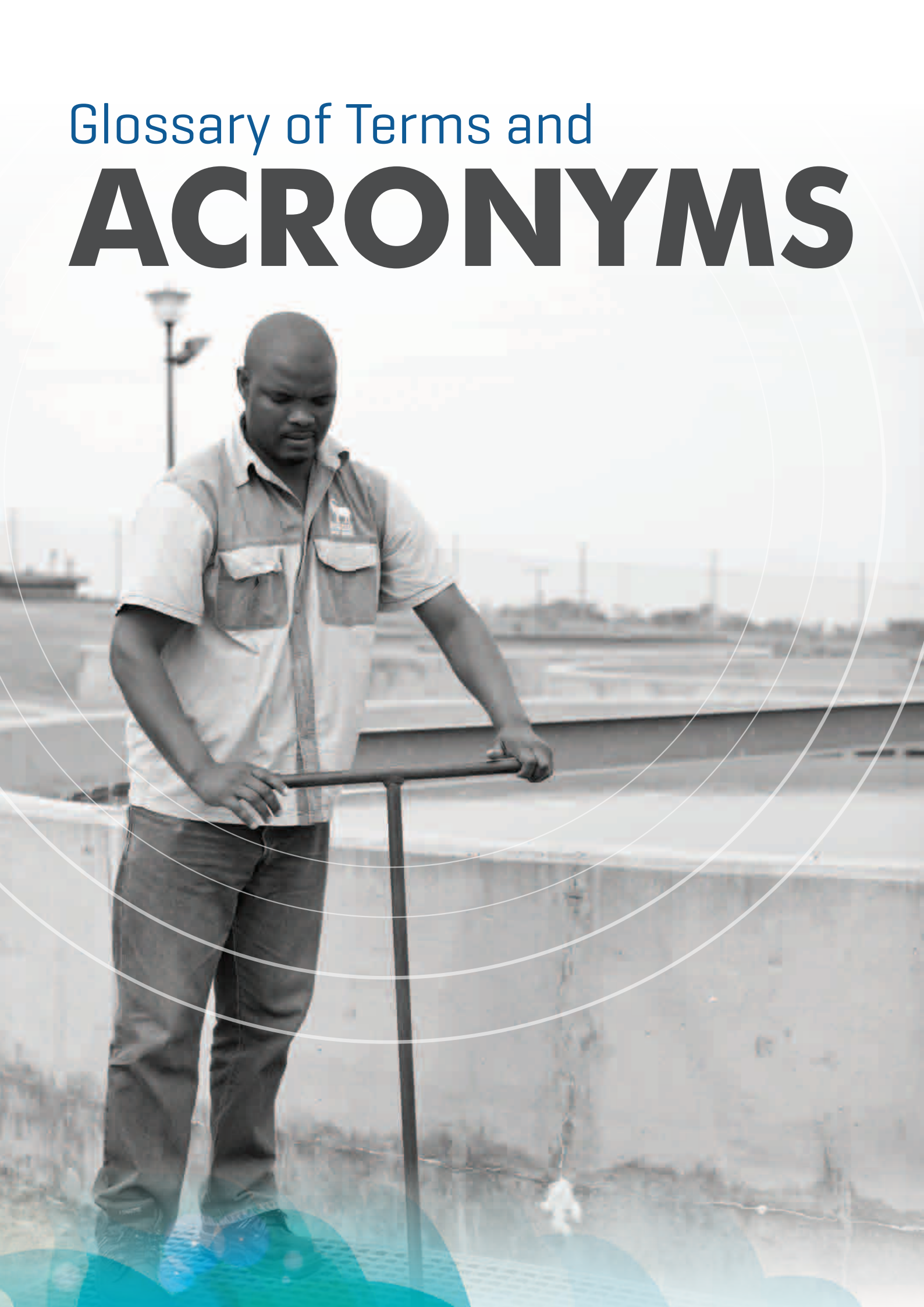
FIVE YEAR HISTORICAL STATISTICAL OVERVIEW 2011-2015

	2015 R000	%	2014 R000	%	2013 R000	%	2012 R000	%	2011 R000	%
Operations										
Revenue	335 237	2.0	328 763	(8.2)	358 056	1.9	351 302	46.7	239 546	(4.4)
Cost of Sales	236 696	3.8	227 952	(8.6)	249 301	(2.6)	255 970	65.1	155 084	(13.0)
Operating and Admin Expenses	104 769	18.1	88 719	8.2	82 027	(23.8)	107 648	0.3	107 295	38.3
Net finance income	6 231	(53.1)	13 299	183.1	4 698	7.3	4 379	(30.2)	6 276	(57.9)
Net Operating (Deficit)/Surplus	3	(100.0)	25 390	(19.2)	31 425	(495.9)	(7 937)	(52.1)	(16 557)	(270.3)
Financial Position										
Capital Contribution	274 557	0.0	274 557	(0.0)	274 557	-	274 557	-	274 557	-
Reserves	-	-	-	-	-	-	-	-	-	
Retained (Deficit)/Surplus	80 204	0.0	80 202	57.1	51 042	299.4	12 781	(111.7)	42 939	(13.9)
Long-term Liabilities	1 043	(31.3)	1 517	(85.5)	10 448	963.8	982	(76.3)	4 142	(35.6)
Current Liabilities	433 346	37.3	315 592	(14.3)	368 042	75.9	209 236	85.4	115 852	22.2
Total Equity and Liabilities	789 150	17.5	671 868	(4.6)	704 088	41.5	497 556	11.0	437 290	2.7
Non-current Assets	351 563	23.1	285 531	(2.4)	292 525	(1.8)	297 881	(1.4)	301 977	13.2
Current Assets	437 587	13.3	386 338	(6.1)	411 564	119.6	187 445	38.5	135 313	(14.8)
Total Assets	789 150	17.5	671 869	(4.6)	704 088	45.1	485 327	11.0	437 290	2.7
Cash Flow Position										
Cash flow from Operating Activities	(61 522)	(212.9)	54 504	(6.1)	58 036	(159.5)	22 364	240.9	(15 869)	437.9
Cash Flow util. in /gen. from Investing Activities	66 267	(738.7)	(10 375)	41.6	(7 328)	(1 301.3)	(523)	105.5	9 489	(146.9)
Cash Flow utilised in Financing Activities	(8 902)	66.2	(26 362)	2 934.6	930	133.0	(2 829)	(4.8)	(2 697)	35.7
Net Cash Increase/(Decrease) for year	(4 157)	123.4	17 768	65.6	51 638	(171.6)	19 012	309.4	(9 077)	(64.0)
Ratios										
Revenue (Kilolitres x 1000)										
Treated Water Sales	33 385	0.6	33 189	4.6	31 723	2.9	30 835	0.7	30 635	(1.6)
Raw Water Sales	7 557	(10.5)	8 441	7.6	7 842	(4.0)	8 168	(2.8)	8 401	7.0
Total Water Sales	40 942	(1.7)	41 630	5.2	39 565	1.4	39 003	(0.1)	39 036	0.2
Revenue (R'000)										
Treated Water Sales	231 338	9.6	211 167	14.8	183 864	13.5	161 930	18.9	136 153	5.1

FIVE YEAR HISTORICAL STATISTICAL OVERVIEW 2011-2015

	2015 R000	%	2014 R000	%	2013 R000	%	2012 R000	%	2011 R000	%
Raw Water Sales	13 245	(0.0)	13 249	18.4	11 192	3.5	10 810	3.2	10 479	34.8
Total Water Sales	244 583	9.0	224 417	15.1	195 057	12.9	172 740	17.8	146 632	6.8
Revenue (R'000): Primary Activity										
Bulk Supply: Urban and Peri-urban	175 049	8.6	161 222	12.1	143 850	11.1	129 468	23.5	104 846	4.4
Bulk Supply: Rural	65 899	13.0	58 301	24.1	46 984	20.9	38 860	5.2	36 934	15.9
Revenue (R'000): Other Activity										
Industrial and Domestic Reticulation	3635	(25.7)	4893	15.9	4223	(4.3)	4 412	(9.1)	4 852	(1.5)
Average Raw Water Sales Tariff (R/Kl)	1.8	11.7	1.570	10.0	1.427	7.8	1.3	6.1	1.2	25.9
Average Treated Water Sales Tariff (R/Kl)	6.9	8.9	6.36	9.8	5.80	10.4	5.3	18.2	4.4	6.8
Average Water Sales Tariff (R/Kl)	6.0	10.8	5.39	9.3	4.93	11.3	4.4	17.9	3.8	6.6
Cost of Sales (R/Kl)	4.7	18.9	3.92	3.9	3.77	7.4	3.5	45.8	2.4	10.0
Labour Cost (R/Kl)	1.5	33.4	1.15	3.8	1.11	(14.0)	1.3	36.8	0.9	13.6
Electricity cost (R/Kl)	0.8	22.9	0.67	1.8	0.66	17.6	0.6	60.7	0.3	58.8
Chemical cost (R/Kl)	0.3	33.0	0.22	(32.5)	0.33	(2.2)	0.3	142.4	0.1	(13.4)
Raw water purchases (R/Kl)	1.6	6.7	1.53	12.8	1.35	0.5	1.3	39.1	1.0	(1.1)
Water research levies(R/Kl)	0.1	0.0	0.05	0.0	0.05	0.0	0.0	0.0	0.0	(4.4)
Current Ratio	1.0	(17.5)	1.22	9.5	1.12	28.2	0.9	(24.9)	1.2	(30.8)
Trade Debtors (days)	342.8	18.5	289	(6.5)	309	127.2	136.2	(15.8)	161.8	54.1
Return on Assets	0.0	100.0	0.04	169.6	(0.053)	-	(0.1)	-	(0.1)	307.7
Debt-Equity Ratio	0.0	31.5	0.89	31.5	1.16	45.2	0.8	110.4	0.4	22.8
Working Ratio	1.0	-	0.95	-	0.93	(8.0)	1.0	(2.0)	1.0	5.0
Productivity										
Number of Employees	440.0	-	440	3.8	424	(6.8)	455.0	24.0	367.0	10.9
Average Revenue per Employee (R'000)	761.9	2.0	747	(11.5)	844	9.4	772.1	18.3	652.7	(13.8)
Cash Disbursed to Employees	134 391.0	7.3	125 256	56.7	79 933	(17.4)	96 788.6	34.0	72 226.6	12.4
Net increase / (decrease) in cash and cash equivalents	(4 157.0)	123.4	17 768	65.6	51 638	(171.6)	19 012.1	309.4	(9 077.4)	(64.0)

Glossary of Terms and ACRONYMS



Glossary of Terms

Term	
Amatola Water	Amatola Water is a National Government Business Enterprise operating in the water sector as an essential service utility. It was established as a water board in 1998 in terms of the Water Services Act (Act 108 of 1997) and is accountable to the Minister of Water and Sanitation as its executive authority.
Basic Water Supply	The prescribed minimum standard of water supply services necessary for the reliable supply of a sufficient quantity and quality of water to households, including informal households, to support life and personal hygiene.
Content Elements	The categories of information required to be included in an integrated report; the Content Elements, which are fundamentally linked to each other and are not mutually exclusive, are stated in the form of questions to be answered in a way that makes the relationships between them apparent.
Business model	An organization's system of transforming inputs through its business activities into outputs and outcomes that aims to fulfil the organization's strategic purposes and create value over the short, medium and long term.
Capitals	Stocks of value on which all organizations depend for their success as inputs to their business model, and which are increased, decreased or transformed through the organization's business activities and outputs. The capitals are categorized in this Framework as financial, manufactured, intellectual, human, and social and relationship, and natural.
Catchment	A watercourse or watercourses or part of a watercourse, means the area from which any rainfall will drain into the watercourse or watercourses or part of a watercourse, through surface flow to a common point or common points.
Content Elements	The categories of information required to be included in an integrated report; the Content Elements, which are fundamentally linked to each other and are not mutually exclusive, are stated in the form of questions to be answered in a way that makes the relationships between them apparent.
Feasibility Plan	An evaluation and analysis of the potential of the proposed water resource development project which is based on extensive investigation and research. This may entail water availability analysis, socio-economic viability, environmental impact assessment and geo-technical studies to provide best suitable option for a water resource development or augmentation.
Guiding Principles	The principles that underpin the preparation and presentation of an integrated report, informing the content of the report and how information is presented.
Inputs	The capitals (resources and relationships) that the organization draws upon for its business activities.
Integrated report	A concise communication about how an organization's strategy, governance, performance and prospects, in the context of its external environment, lead to the creation of value in the short, medium and long term.
Integrated Reporting (<IR>)	A process founded on integrated thinking that results in a periodic integrated report by an organization about value creation over time and related communications regarding aspects of value creation.
Integrated thinking	The active consideration by an organization of the relationships between its various operating and functional units and the capitals that the organization uses or affects. Integrated thinking leads to integrated decision-making and actions that consider the creation of value over the short, medium and long term.

Job opportunity	Paid work created for an individual on a project for any period of time. The same person can be employed on different projects and each period of employment will be counted as a job opportunity.
Material/materiality	A matter is material if it could substantively affect the organizations ability to create value in the short, medium or long term.
National Water Resource Strategy	Provides the framework for the protection, use, development, conservation, management and control of water resources for the country as a whole. It also provides the framework within which water will be managed at regional or catchment level, in defined water management areas.
Outcomes	The internal and external consequences (positive and negative) for the capitals as a result of an organization's business activities and outputs.
Outputs	An organization's products and services, and any by-products and waste.
Performance	An organization's achievements relative to its strategic objectives, and its outcomes in terms of its effects on the capitals.
Providers of financial capital	Equity and debt holders and others who provide financial capital, both existing and potential, including lenders and other creditors. This includes the ultimate beneficiaries of investments, collective asset owners, and asset or fund managers.
Reporting boundary	The boundary within which matters are considered relevant for inclusion in an organization's integrated report.
Stakeholders	Those groups or individuals that can reasonably be expected to be significantly affected by an organization's business activities, outputs or outcomes, or whose actions can reasonably be expected to significantly affect the ability of the organization to create value over time. Stakeholders may include providers of financial capital, employees, customers, suppliers, business partners, local communities, NGOs, environmental groups, legislators, regulators, and policy-makers.
Strategy	Strategic objectives together with the strategies to achieve them.
Those charged with governance	The person(s) or organization(s) (e.g., the board of directors or a corporate trustee) with responsibility for overseeing the strategic direction of an organization and its obligations with respect to accountability and stewardship.
Value Creation	The process that results in increases, decreases or transformations of the capitals caused by the organization's business activities and outputs.
Water Management Area	Is an area established as a management unit in the national water resource strategy within which a Catchment Management Agency will conduct the protection, use, development, conservation, management and control of water resources.
Water resource	Includes a watercourse, surface water, estuary, or aquifer
Water Service Authority	Any municipality, including a district or rural council as defined in the Local Government Transition Act, 1993 (Act No. 209 of 1993). responsible for ensuring access to water services.
Water Services	Water supply services and sanitation services

Acronyms

Acronym	
AA	Accounting Authority
ADM	Amathole District Municipality
AFS	Annual Financial Statements
AGSA	Auditor General of South Africa
ARC	Audit Risk Committee
ASATSG	Amathole System Administrative and Technical Support Group
AW	Amatola Water
BCMM	Buffalo City Metropolitan Municipality
BSC	Bid Specification Committee
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CMA	Catchment Management Agency
CS	Customer Satisfaction
CS	Community Sustainability
DG	Director-General
DM	District Municipality
DoARD	Department of Agriculture and Rural Development
DWS	Department of Water and Sanitation
EAP	Economically Active Population
EC	Eastern Cape
EIA	Environmental Impact Assessment
EXCO	Executive Committee
EWR	Environmental Water Requirement
FINCO	Financial Committee
FV	Financial Viability
GIS	Geographic Information System
GRI	Global Reporting Initiatives
G3	Generation 3
G4	Generation 4
HR	Human Resources
IPPF	The International Professional Practices Framework
IMS	Intergrated Management System
IIRC	International Integrated Reporting Council
IS	Infrastructure Stability
ISO	International Standards Organisation
KSD	Kind Sabata Dalindyebo
KSD PI	King Sabata Dalindyebo Presidential Intervention
KZN	Kwa-Zulu Natal
LG	Learning and Growth

LM	Local Municipality
MANCO	Management Committee
MIG	Municipal Infrastructure Grant
MI	Megalitres
MTEF	Medium Term Expenditure Framework
MWIG	Municipal Water Infrastructure Grant
N/A	Not Applicable
NQFL	National Qualifications Framework Level
NWRI	National Water Resources Infrastructure
OO	Operational Optimisation
OR	Operational Resiliency
P&D	Planning and Development
PFMA	Public Finance Municipal Act No 1 of 1999
PI	Presidential Intervention
PQ	Product Quality
PROWAF	Provincial Water Sector Forum
RBIG	Regional Bulk Infrastructure Grant
ROA	Return on Assets
RRU	Rapid Response Unit
SAAWU	South African Association of Water Utilities
SADC	Southern African Development Community
SAMWU	South African Municipal Workers Union
SAQA	South African Qualifications Authority
SCM	Supply Chain Management
SHE	Safety Health and Environment
SIPs	Strategic Infrastructure Projects
SR	Stakeholder Relations
SR	Strategic Risk
SS	Stakeholder Support
StatsSA	Statistic South Africa
TCTA	Trans-Caledon Tunnel Authority
WA	Water Resource Adequacy
WCWDM	Water Conservation Water Demand Management
WSA	Water Service Authority
WISA	Water Institute of Southern Africa
WDM	Water Demand Management
WQ	Water Quality
WRC	Water Research Commission
WSETA	Water Sector Education and Training Authority
WTE	Water Trading Entity
WTW	Water Treatment Works
WWTW	Wastewater Treatment Works

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