

# Overberg Water Board

## Annual Report 2018/19 Financial year

**Phakamani Buthelezi**  
**Chief Executive Officer**

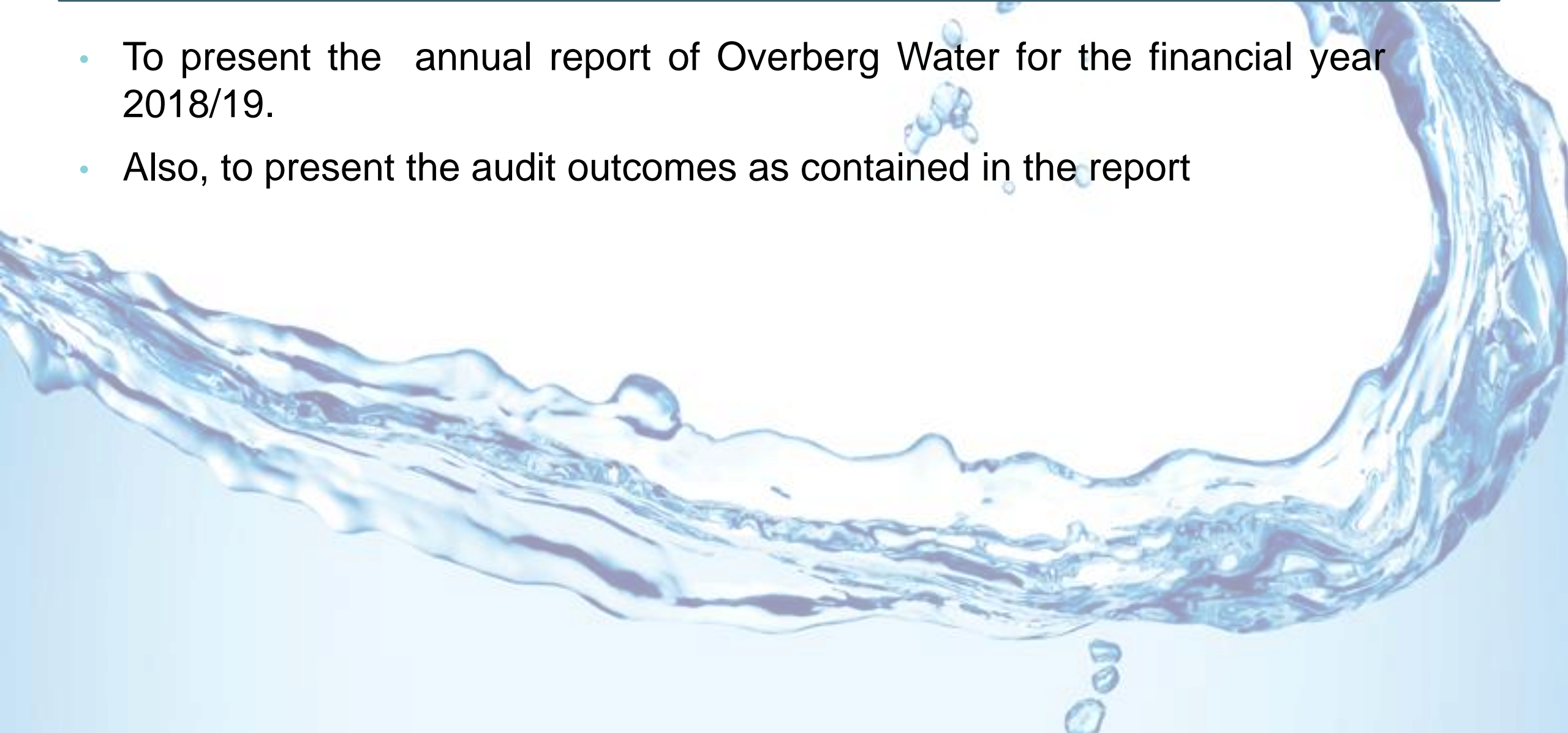


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# Purpose

- To present the annual report of Overberg Water for the financial year 2018/19.
- Also, to present the audit outcomes as contained in the report



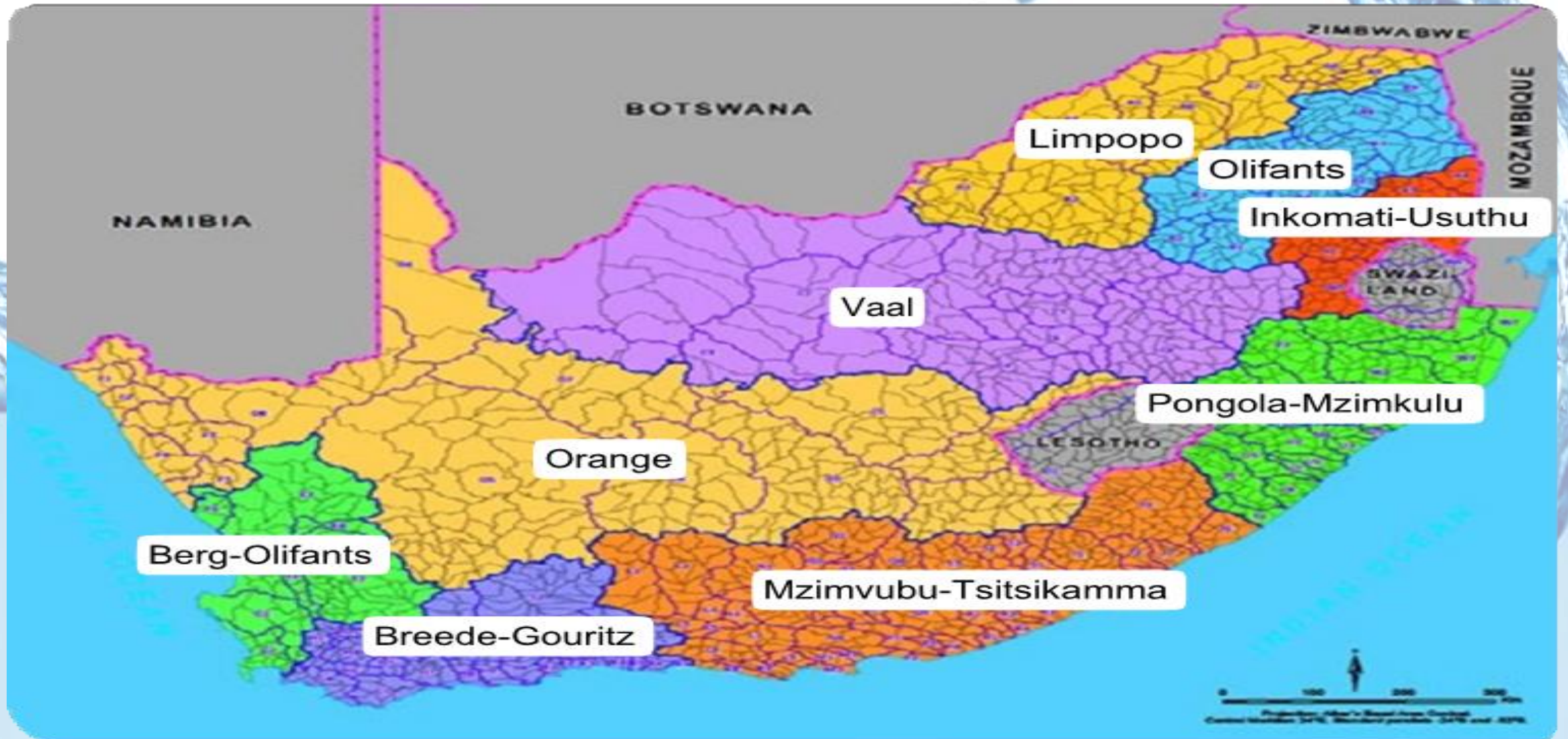


# Background

## **The Overberg Water area of supply consist of:**

- A vast area of supply covering 6000 Km<sup>2</sup>
- Pipeline network of 1450 Km
- Therefore distribution costs remain the cost driver due to the area of supply versus population size.
- Overberg Water has a growth strategy, namely; the Growth Path in place that requires various stakeholders to support in order for the strategy to be successful.
- The strategy is vital in ensuring that Overberg provide bulk water supply at an affordable price.
- In addition, it provides a vehicle for growth both in terms of increasing the supply of water volumes and geographical expansion.

# Water Management Areas





# Area of Jurisdiction

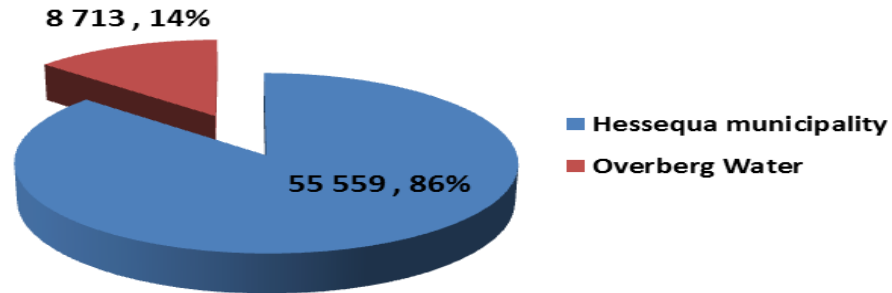


# Area of Supply

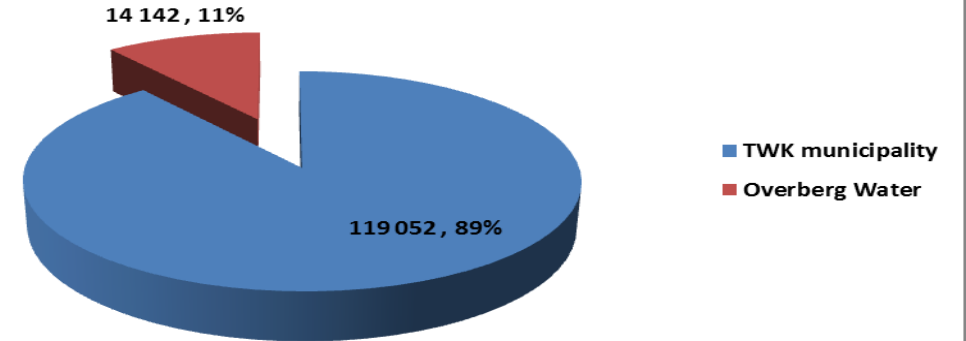


# Configuration of Overberg Water

Population serviced by Overberg Water

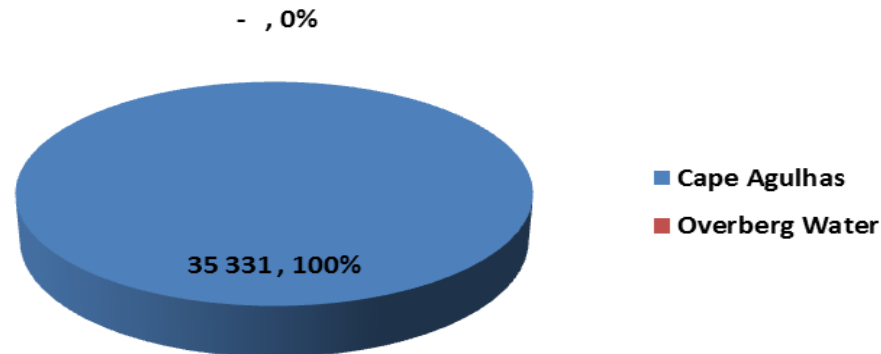


Population serviced by Overberg Water



Overberg water has a small market share within the Overberg region.

Population serviced by Overberg Water

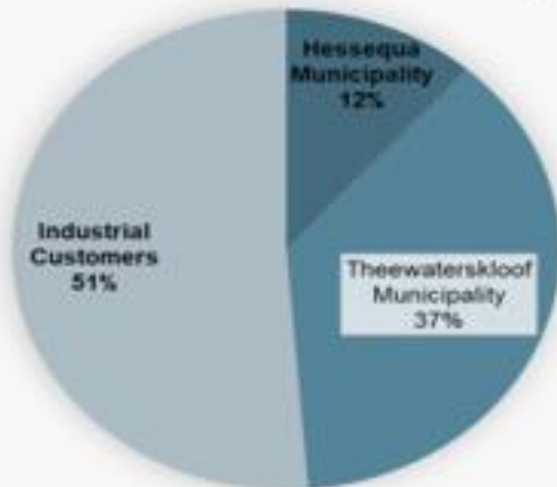




# Water allocations

## Status of Business : Water Allocations

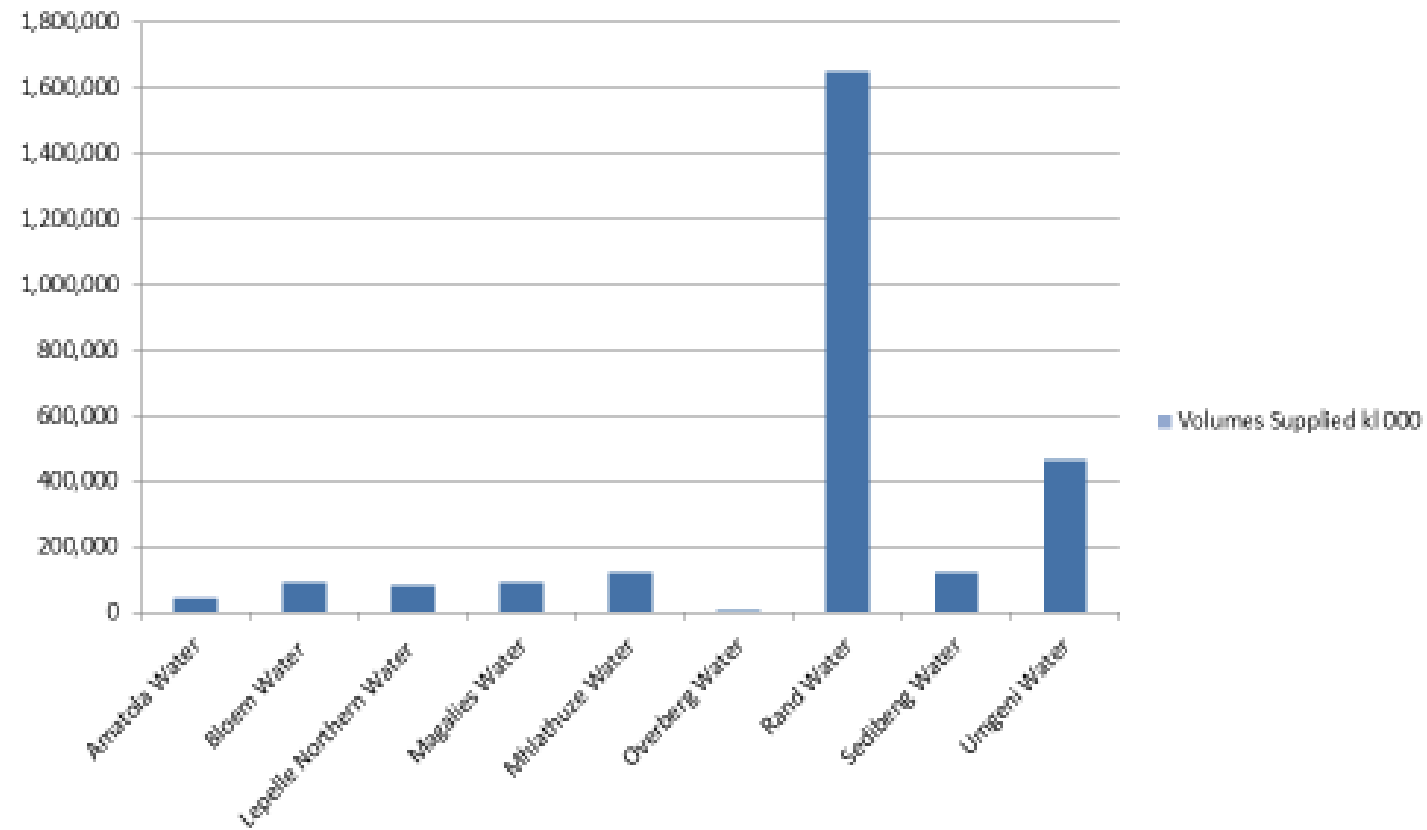
Water Allocations - kℓ/day



■ Hessequa Municipality ■ Theewaterskloof Municipality ■ Retail customers

	Allocations
	kℓ/day
Hessequa Municipality	2,218.4
Theewaterskloof Municipality	6,601
Industrial customers	9,086
	17,717

# VARIABILITY IN SIZE



# Challenges

	Challenges	Comments
1	Delays in appointment of the Board	Appointed in April 2019
2	Non-Submission of annual report on time for 2015/16 and 2016/17.	Key positions were filled
3	Accounting records not maintained appropriately.	Implementation of ERP system including document management system
4	No internal audit in place to strengthen internal control within the organization	Internal audit function is outsourced
5	Tariff model does not include capital levy	Capital levy was proposed, however users are complaining.
6	Ageing infrastructure	Several funding mechanisms are being considered including ( Grant funding, borrowings and etc)
7	Low customer base	Growth path strategy was developed



## Organogram



### Organisational Design

**CHIEF EXECUTIVE OFFICER**

**CHIEF OPERATIONS  
OFFICER**

**CHIEF FINANCIAL  
OFFICER**

Organogram  
**FUNCTIONAL STRUCTURE**



## Functional Structure

**CHIEF EXECUTIVE OFFICER**

**CHIEF  
OPERATIONS  
OFFICER**

**CHIEF  
FINANCIAL  
OFFICER**

**CORPORATE  
SERVICE  
FUNCTIONS**

GROUPING  
OF FUNCTIONS

## WORK PROFILE

Sound progress is being made on the Overberg Water employment equity profile. Overberg Water is still falling short of reaching its 2018/2021 target for people with disability and **African females representation** overall.

In order to address this situation, emphasis on recruitment and promotion of **employees from the African female** groups as well as **employees with disabilities** is a priority.

	African		Coloured		Indian		White		Total
Occupational Level	Male	Female	Male	Female	Male	Female	Male	Female	
Top Management	2	0	1	0	0	0	0	0	3
Senior Management	2	1	0	0	0	0	0	0	3
Professionally Qualified and Experienced Specialists and Mid-Management	0	1	3	0	0	0	0	0	4
Skilled Technical and Academically Qualified Workers, Junior Management, Supervisors, Foremen and Superintendents	2	0	1	2	0	0	0	0	5
Semi-skilled and Discretionary Decision Making	4	0	15	15	0	0	0	0	34
Unskilled and Defined Decision Making	1	2	6	3	0	0	0	0	12
<b>Total Permanent</b>	<b>11</b>	<b>4</b>	<b>26</b>	<b>20</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>61</b>
<b>Temporary Employees</b>	<b>5</b>	<b>4</b>	<b>26</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>35</b>
<b>Grand Total</b>	<b>16</b>	<b>8</b>	<b>52</b>	<b>20</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>96</b>



## TRAINING AND SKILLS DEVELOPMENT

Skills training remains essential to Overberg Water to enable employees to excel in their individual and organizational roles and functions. For the year under review, the Entity has submitted the Workplace Skills Plan to the Energy & Water Sector Education and Training Authority (EWSETA) with various training programmes to be implemented to further build capacity of the employees. The Entity has implemented several training programmes to build capacity of employees during 2018/2019 financial year. The Entity is committed to make resources available to ensure that more programmes are implemented in the next financial year.

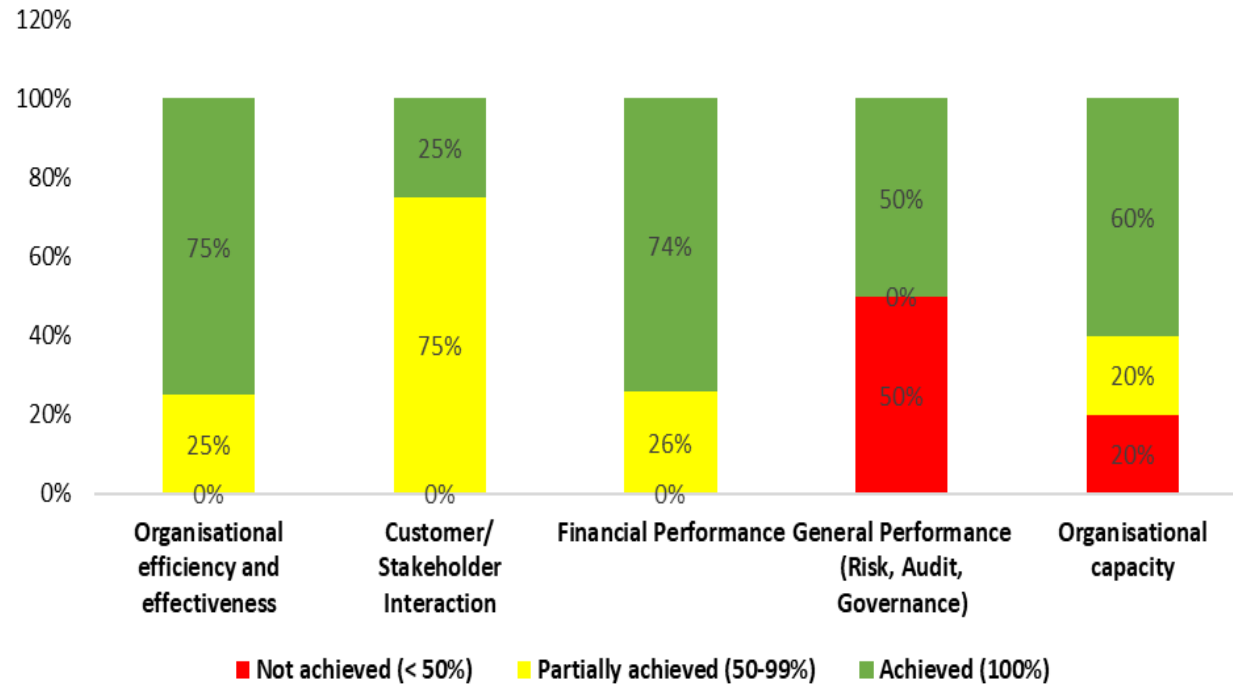
	African		Coloured		Indian		White		Total
Training Programs	Male	Female	Male	Female	Male	Female	Male	Female	
Asset Management Training	18	5	14	4	0	0	0	0	41
WISA Process Controller Open Day	1	0	11	3	0	0	0	0	15
Patterson Job Evaluation Training	5	1	7	2	0	0	0	0	15
Supply Chain Management & Promun System Training	2	3	4	3	0	0	0	0	12
Health and Safety Training	1	0	3	3	0	0	0	0	7
Job Description Writing	6	1	6	2	0	0	0	0	15
<b>Grand Total</b>	<b>33</b>	<b>10</b>	<b>47</b>	<b>17</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>105</b>



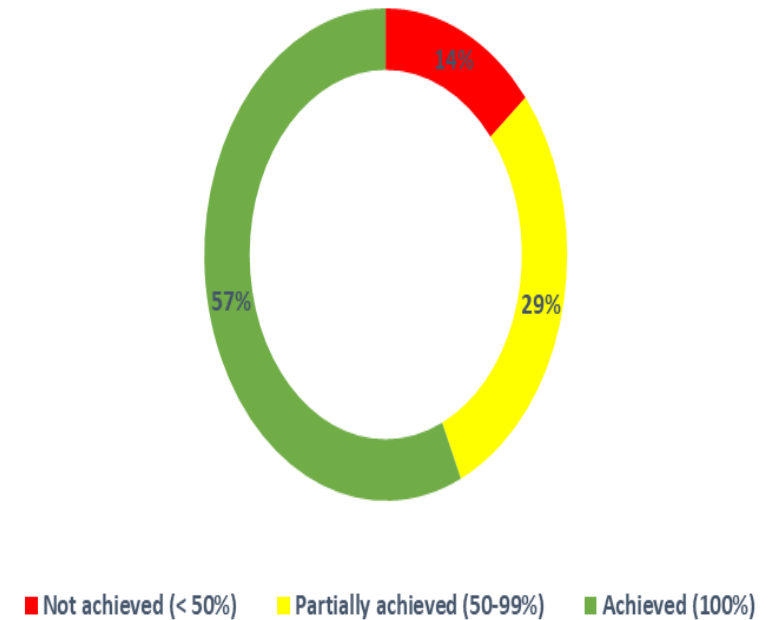
# Performance Information

# Summary of Performance

## Performance Perspectives for Water Board



## Overall Performance





# Organisational Efficiency and Effectiveness

Number	Performance Objectives	Outcome/Impact	Indicators/Calculation	Measure	Annual Performance Targets		
					Projected target 2018/19	Actual target	Notes
1	Bulk potable water quality compliance	Water quality standards met	Test results, SANS 241	% achieved	98%	98.03%	1.1
2	Manage avoidable water losses	Reduced avoidable water losses in treatment and distribution systems	Avoidable water lost as a percentage of water produced	%	8%	9.48%	1.2
3	Reliability of supply	No unplanned interruptions to bulk supply exceeding 24 hours	Number of days' supply interrupted as a % of possible supply days	%	0 days	3 days	1.3
4	Increased access to services	Contribution to national objectives of extending services	Actual CAPEX spend on expansion-related projects (initiatives by the Minister) as % of budget	%	n/a	n/a	1.4

# Financial Performance

Num ber	Performance Objectives	Outcome/Impact	Indicators/Calcu lation	Measure	Annual Performance Targets		
					Projected target 2018/19	Actual target	Notes
5	Financial reporting compliance	Unqualified audit report		Unqualified report	Unqualified	Unqualified	2.2
6	Improve key financial ratios	Improved viability and sustainability	Current ratio	Ratio	3	3,7	
			Gross profit margin % (primary activity)	%	43%	49%	
			Net profit margin (primary activity)	%	13%	10%	
			Debtors days	Number	44 days	65 days	
			Repairs and maintenance as % of PPE and investment property (carrying value)	%	N/A	1,35%	

# Financial Performance.....cont

Num ber	Performance Objectives	Outcome/Impact	Indicators/Calcula tion	Measure	Annual Performance Targets		
					Projected target 2018/19	Actual target	Notes
7	Increase BBBEE expenditure relative to operational projects	Spend increased in the financial year	<b>Spend</b>	<b>% achieved</b>	<b>15%</b>	<b>59%</b>	2.3
8	Manage costs within the approved budget	Actual expenditure compared with budgeted expenditure for the quarter	<b>Financial reports</b>	<b>% increased</b>	<b>5%</b>	<b>-7%</b>	2.4
9	Capital expenditure programme	Infrastructure available to meet demands	<b>Overall project expenditure within R target</b>	<b>% variance</b>	<b>10%</b>	<b>15,3%</b>	2.5
10	Engagement in secondary activities	Growth in turnover from secondary (other activities)	<b>% of total turnover</b>	<b>%</b>	<b>n/a</b>	<b>n/a</b>	2.6



# Customer/Stakeholder Interaction

Number	Performance Objectives	Outcome/Impact	Indicators/Calculation	Measure	Annual Performance Targets		
					Projected target 2018/19	Actual target	Notes
11	Bulk supply agreements concluded with municipalities/ other customers	Statutory and service level agreements in place	Municipalities/Other customers with bulk supply agreements	%	100%	0%	3.1
12	Implementation of ministerial directives	New ministerial directives issued are implemented on time	Progress against implementation plan	%	n/a	n/a	
13	Support rural development	Total number of identified municipalities supported	Signed contracts, MOUs etc	Number	2	0	
14	Achieve statutory reporting compliance	All statutory reports submitted on time	Submission dates met	%	100%	100%	3.2

# Organisational Capacity

Number	Performance Objectives	Outcome/Impact	Indicators/Calculation	Measure	Annual Performance Targets		
					Projected target 2018/19	Actual target	Notes
15	Staff levels	Optimal staff retention	Staff turnover	%	110%	2.94%	4.3
16	Training and skills development	Skills and capacity building	Learnerships	Number	0	5	4.4
			Bursaries employees	Number	5	0	
17	Jobs created	Permanent and contract (direct)	Total number	Number	38	1	4.2
		Temporary (indirect)	Total number	Number	2	0	

# General Performance/Governance

Num ber	Performance Objectives	Outcome/Imp act	Indicators/Calculatio n	Measure	Annual Performance Targets		
					Projected target 2018/19	Actual target	Notes
18	Board effectiveness	Improved performance of fiduciary duties/ governance	Board member attendance of all board/committee meetings	%	60%	89%	5.1
			Decision making: % number resolutions taken by the board vs number of resolutions required	%	100%	0%	
19	Effective controls and risk management	External audit findings dealt with	External audit report	Number of repeat findings	<10	8	5.2
				Number of unresolve d findings	0	0	
20	Good governance	Improved controls and risk mitigation	Breaches of materiality and significance framework	Number	0	0	5.3
21	Corporate social responsibility initiatives	Good corporate citizenship	Number of initiatives undertaken	Number	5	1	5.4

A high-speed photograph of a water splash, creating a circular shape with a central void. The water is a vibrant blue, and the background is a light, hazy blue. The splash is captured in a way that it appears to be a continuous loop.

# Audit Outcome



# Audit Outcome

Financial Year	Audit Outcome	Representation	Remarks
2015/16	Disclaimer		<ul style="list-style-type: none"> <li>• AFS not submitted on time.</li> <li>• PPE not componentized.</li> <li>• Inventory not valued appropriately.</li> <li>• Poor record keeping (limitation of scope)</li> </ul>
2016/17	Qualified audit opinion		<ul style="list-style-type: none"> <li>• Incorrect accounting policy applied on valuation of PPE.</li> <li>• Inventory not valued appropriately.</li> </ul>
2017/18	Unqualified		
2018/19	Unqualified		

A dynamic splash of water in shades of blue and white, forming a circular shape around the central text.

# Annual Financial Statement

# STATEMENT OF FINANCIAL PERFORMANCE AS AT 30 JUNE 2019

	Notes	2019 R	2018 Restated R	% increase/(decrease)
<b>Revenue</b>		<b>56 265 971</b>	49 969 316	<b>13%</b>
Revenue from exchange transactions	14	<b>55 060 508</b>	49 969 316	<b>10%</b>
Revenue from non-exchange transactions	15	<b>1 205 463</b>	-	
<b>Expenditure</b>		<b>(50 918 292)</b>	(47 031 536)	<b>8%</b>
Costs of potable water	16	<b>(28 634 769)</b>	(26 267 857)	<b>9%</b>
Operating expenditure	17	<b>(22 168 098)</b>	(20 710 844)	<b>7%</b>
Finance cost	19.3	<b>(115 425)</b>	(52 835)	<b>118%</b>
<b>Surplus(deficit) for a year</b>		<b>5 347 678</b>	2 937 781	<b>82%</b>

# Comments on key ratios

	2019	2018
Gross profit margin	49%	43%
Net profit margin	10%	6%
Current ratio	3,7	2,01
Return on assets	6%	4%
Cost per unit	7,7	6,29
Average tariffs	15,8	12,42
Debtors days	65	87
Creditors days	23	68
Cash ratio	2,05	1,12

- Gross profit margin has improved due to improvement in revenue billed
- The company's net profit margin improved to 10%
- The company's ability to pay short term debts has improved to 3,7 times
- The profitability of company assets improved to 6%.
- The cost per unit is at R7,7 while average tariff is at R15,8. This is due to Overberg history of not recovering full cost.
- The debt collection period reflect a decrease from 87 days to 65 days can be attributed to the fact that the efforts are made to collect outstanding debt even thou collections from farmers is still a challenge.
- The payment of creditors has improved as compared to previous year as efforts are made to pay accounts on time.
- The available cash is able to cover current liabilities 2,05 times better than the previous year of 1,12.



# Comments on Financial Performance

- **Revenue**

- Increase in revenue by 13% is due to tariff adjustment and recognition of project income as revenue due to change in accounting practice. Despite the decrease in volume of water sold, revenue still managed to increase.

- **Expenditure**

- **The increase in expenditure by 8% is attributed to the following;**
- Cost of portable water increase by 9% due to increase in Eskom tariff adjustments
- Operating expenditure increased by 7% due to 2016/17 audit fees paid in 2017/18. This is as a result of delay in finalizing the audit.

	2018/19	2017/18	% Change
Total volume water sold-kl	3 264 664	3 726 000	-12,38%
Costs of portable water (excluding depreciation)	25 130 634	23 443 307	7,20%
Costs per kl	7,70	6,29	22,35%

# STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

	Notes	2019 R	2018 Restated R	Increase/(decrease) %
<b>ASSETS</b>				
<b>Non-Current Assets</b>				
Property, plant and equipment	3	36 331 772	38 782 526	-7%
Intangible Assets	4	1 536 312	2 520 709	-64%
Investments	6	35 499 130	33 061 481	7%
		<b>73 367 214</b>	<b>74 364 716</b>	<b>-1%</b>
<b>Current Assets</b>				
Inventories	7	2 778 738	2 966 438	-7%
Receivables from exchange transactions	8	8 521 607	7 999 110	6%
Cash and cash equivalents	9	14 097 541	13 841 815	2%
		<b>25 397 886</b>	<b>24 807 363</b>	<b>2%</b>
<b>TOTAL ASSETS</b>		<b>98 765 100</b>	<b>99 172 079</b>	<b>0%</b>
<b>RESERVES AND LIABILITIES</b>				
<b>Net Assets</b>	10	<b>91 511 136</b>	<b>86 163 458</b>	<b>6%</b>
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Payables from exchange transactions	11	2 954 581	8 115 355	-175%
Payables from non-exchange transactions	12	-	1 075 999	0%
Provisions	13	3 603 090	2 823 549	22%
Finance lease Liability	24	304 054	297 425	2%
		<b>6 861 723</b>	<b>12 312 325</b>	<b>-79%</b>
<b>Non-current Liabilities</b>				
Finance lease Liability	24	392 241	696 295	-78%
		<b>392 241</b>	<b>696 295</b>	<b>-78%</b>
<b>TOTAL NET ASSETS AND LIABILITIES</b>		<b>98 765 100</b>	<b>99 172 079</b>	<b>0%</b>

# Comments on Financial Position

## ► Non current assets

- The non-current assets decrease by 1% due to assets depreciating and the current pricing model doesn't cover for refurbishment of the assets.

## ► Current assets

- **The increase in currents by 2% is attributed to the following:**
- Increase in cash in bank as a result of improvement in debtors collection
- The decrease in inventory by 7% is due to spares being used for repairs and maintenance.
- The increase in trade receivables by 6% is as result of some farmers not paying the account.

## ► Funds and Reserves

- The increase by 6% is due to the net profit made for the year amounting to R5.4 million.

## ► Current liabilities

- **The decrease in current liabilities by 79% is attributed to the following:**
- Decrease in trade payables due to efforts made to pay invoices on time
- Provision increased due to filling critical position.

# STATEMENT OF CASH FLOWS AS AT 30 JUNE 2019

	Notes	2019 R	2018 Restated R	% increase/( decrease)
<b>Operating activities</b>				
<i>Cash receipts from customers</i>		<b>53 389 961</b>	50 082 194	<b>7%</b>
Water sales		<b>52 984 050</b>	49 492 869	7%
Other income		<b>405 911</b>	589 325	-31%
<i>Cash paid to suppliers and employees</i>		<b>(52 827 688)</b>	(47 627 686)	<b>11%</b>
Employee costs		<b>(23 056 105)</b>	(19 863 973)	16%
Operating costs		<b>(29 771 583)</b>	(27 763 713)	7%
Cash generated from operations	22	<b>562 272</b>	2 454 508	-77%
Interest paid	19.3	<b>(115 425)</b>	(52 835)	118%
Interest income	19.2	<b>699 435</b>	870 137	-20%
<b>Net cash from operating activities</b>		<b>1 146 283</b>	3 271 809	<b>-65%</b>
<b>Investing activities</b>				
Acquisition of property, plant and equipment and intangible	3;4	<b>(913 095)</b>	(2 090 260)	-56%
Investments made during the year	6	<b>(2 437 649)</b>	(2 255 852)	8%
Dividends received	20	-	-	
Interest received on investments	19.1	<b>2 460 187</b>	2 232 828	10%
<b>Net cash from investing activities</b>		<b>(890 557)</b>	(2 113 284)	<b>-58%</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>255 726</b>	1 158 525	-78%
Cash and cash equivalents at the beginning of the year		<b>13 841 815</b>	12 683 290	9%
<b>Cash and cash equivalents at the end of the year</b>	9	<b>14 097 541</b>	13 841 815	<b>2%</b>



# Comments on statement of cash flow

## ► Net cash flow from operating activities

- **The net cash flow from operating activities increased by 36% due to the following;**
- Improvement in cash collection by 7% due to efforts being made to collect the debt.
- Increase in cash paid to suppliers by 11% due to payment made for raw water account that were long outstanding

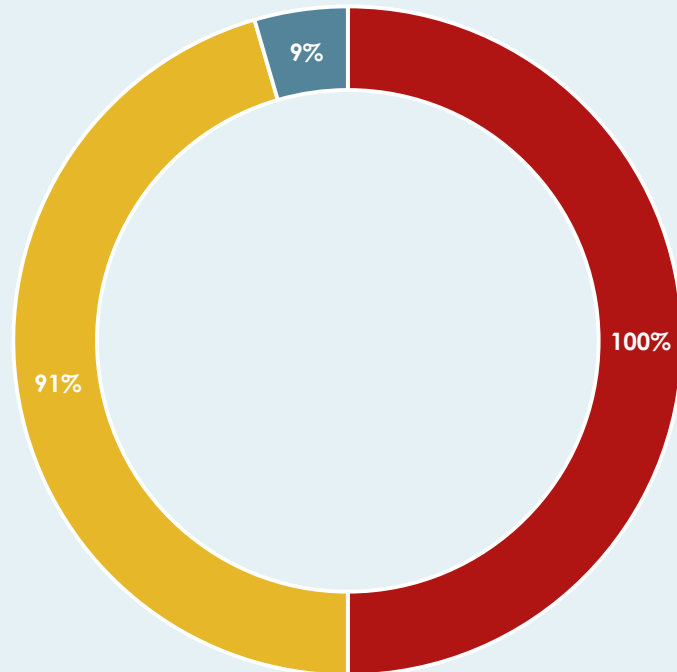
## ► Net cash flow from investing activities

- **The net cash flow from investing activities decrease by 58% is attributed to the following:**
- Decrease in capital project cost due to the tariff not having the capital levy.

▪ .

# Expenditure Outcome

Expenditure



■ Budget ■ Actual ■ variance

Description	Budget	Expenditure	% var
Total expenditure	55 959 600	50 918 292	9%

## Under expenditure is due to:

- Decrease in volume of water sold affected energy and raw water
- Delays in filling critical positions

# Irregular expenditure

- Overberg commenced with the investigation of irregular expenditure during the current financial year

	2019	2018 Restated R
<b>Irregular expenditure</b>		
<b><i>Reconciliation</i></b>		
Opening balance	<b>43 722 805</b>	35 131 974
Add: Irregular expenditure - current year	<b>2 826 609</b>	8 590 831
Less: Amounts condoned	-	-
Less: Amounts recoverable (not condoned)	-	-
Less: Amounts not recoverable (not condoned)	-	-
Closing balance	<b>46 549 414</b>	43 722 805
<b><i>Classification of irregular expenditure</i></b>		
Deviations	<b>200 000</b>	200 000
Local content	<b>367 080</b>	367 080
2 quotes only	<b>1 421 769</b>	1 421 769
Goods, works or service were not procured through	<b>19 270 176</b>	19 009 254
Expenditure where the points system in respect of the PPPFA was not used.	<b>25 178 532</b>	22 612 845
Non compliance to treasury regulations	<b>111 857</b>	111 857
	<b>46 549 414</b>	43 722 805

# Conclusions

- It is recommended that the PC note the Overberg Water 2018/19 annual report.
- Efforts were made to ensure that all the annual report outstanding are submitted.
- The process of appointing the new board was finalised.
- The internal audit function has been established through the outsourcing mechanism.
- The irregular expenditure is being investigated so that consequence management can be implemented.
- Overberg Water developed growth path strategy to take Overberg Water to the next level



A high-speed photograph of a water splash, where the water droplets and liquid form a circular, ring-like shape that frames the central text. The water is captured in various stages of motion, with some droplets frozen in time and others blurred, creating a sense of dynamic energy. The background is a solid, light blue color.

**THANK YOU**