

ANNUAL REPORT 2019/2020



VISION

Your reliable water and waste water business partner
of choice

SUCCESS FACTORS

Customers and Communities

To cordially consult with customers and communities on the services provided in an open, responsive and transparent manner

Good Governance

To conduct and present our business in a reliable, transparent, accessible and compliant manner

Operations

To deliver services to customers and communities in a safe, healthy, efficient and environmentally friendly manner

Skills and Competence

To attract, develop and retain a diverse, skilled and competent workforce

Financial Viability

To optimise available resources through sound financial and asset management and sustainable tariffs

VALUES

Integrity and
Ethics

Excellence
and Quality

Fairness and
Redress

Creativity and
Innovation

Passion and
Enthusiasm



MISSION

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

WHO	HOW	WHAT
Owners	Good Governance	<ul style="list-style-type: none">-Unqualified Audit-Secure and optimal use of assets for revenue generation-Invest effectively in water security
Employees	Committed and skilled staff	<ul style="list-style-type: none">-Enhance Leadership and Operational competence-Safe and Secure working environment
Community	Contribute to development	<ul style="list-style-type: none">-Increase in the Local/ Regional economic spend-Diversify/ Expand the business footprint-Community to feel the presence of MW
Customers	Quality regional water and responsible waste water disposal	<ul style="list-style-type: none">-Maintain quality service to existing customers-Meet quality and compliance standards-Implement technology to reduce operational cost-Implement technology to reduce water wastage

General Information and Mandate

Mhlathuze Water is a Schedule 3B state owned business in terms of the Public Finance Management Act.

It was established in the 1980's in terms of Chapter 6 of the Water Services Act, and operates in Richards Bay; KwaZulu Natal.

It is financially independent and receive no state funding or allocations to cover any operational or capital budget/ programmes.

The business activities primarily include the sale and supply of untreated, purified and clarified bulk water supply and the disposal of industrial and domestic waste water.

As secondary activities, the entity implements bulk water related projects either under Ministerial Directive, or by agreement with other government institutions.

The new Board of Mhlathuze Water was appointed for a 4 Year-Term period commencing on the 05th December 2018.



Governance programme

REQUIRMENT	COMPLIANCE	
The Board of Mhlathuze Water prepared the 2019/2020-2023/2024 Business Plan together with the Shareholders Agreement and submitted it to the Department of Water & Sanitation	May 2019	
The 2019/2020 Annual Report for Mhlathuze Water was submitted to the Department of Water & Sanitation	30th October 2020.	



EXTERNAL AUDIT PERFORMANCE SUMMARY

AUDITOR GENERAL AUDIT HISTORY

FY2016/17	FY2017/18	FY2018/19	2019/2020
QUALIFIED	QUALIFIED	UNQUALIFIED	CLEAN
Work In Progress (non-qualifying costs) Assets (inadequate review of useful lives)	Overstatement on receivables from exchange transactions	Matter of emphasis: Restatement of Fruitless and Wasteful expenditure	-
Incomplete disclosure Irregular Expenditure		Matter of emphasis: Indicator relating to support to municipalities is not SMART	-
Performance Information			-



84,27%

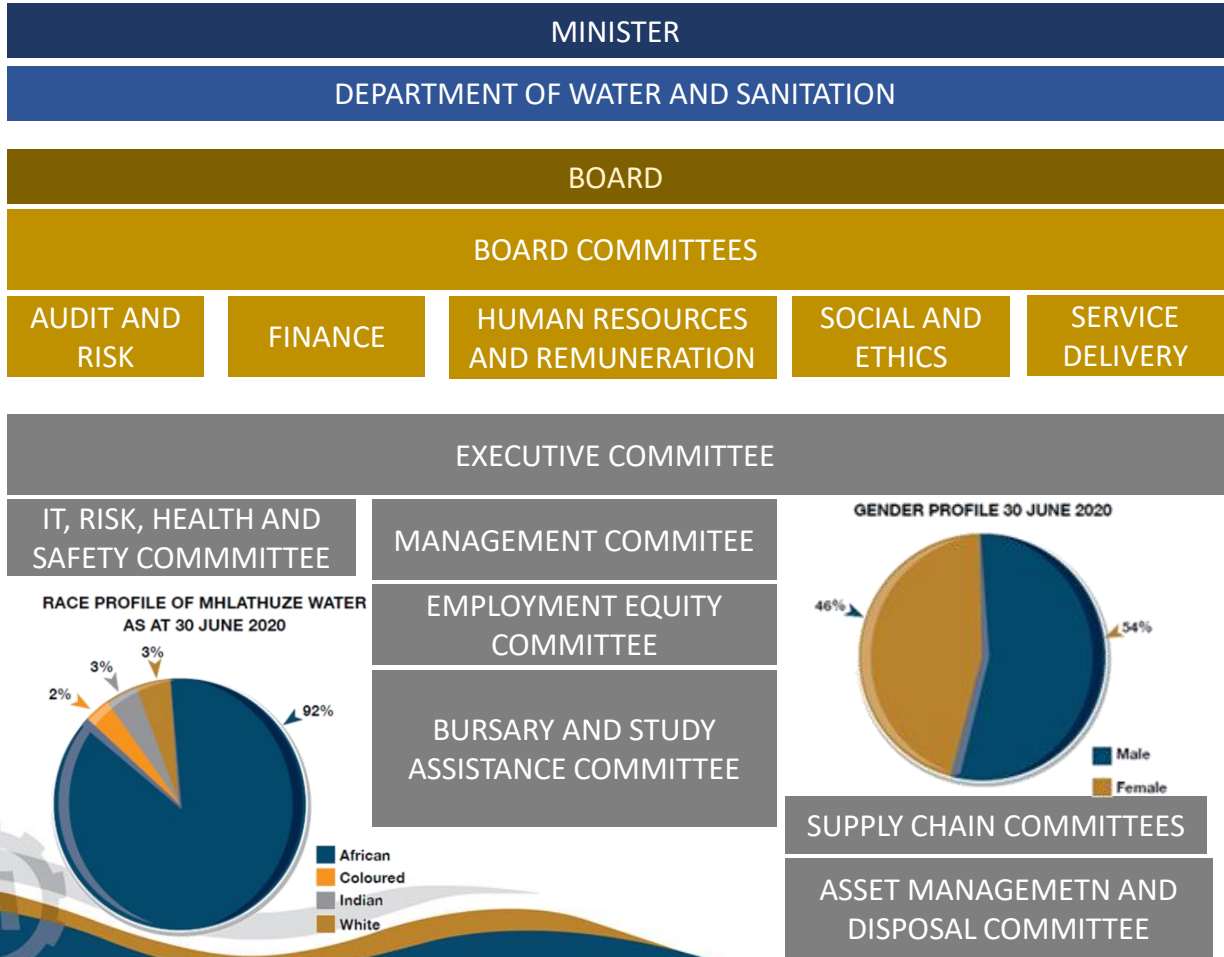
OVERALL BOARD
ATTENDANCE

5.1.2 Attendance of the Board

Table 1: Attendance of the Board

Board meetings held	9
Attendance	
Ms T.A. Shange	9/9
Mr S.Z. Hlophe	7/9
Mr M.M. Xulu	7/9
Mrs A. Badul	9/9
Mrs G.D. Biyela	9/9
Mrs N. Gevers	9/9
Mr B.V. Mshengu	9/9
Dr M. Makgae	7/9
Mr M. Zikalala	7/9
Ms N. Mkhize	9/9
Prof. P.S. Reddy	9/9

GOVERNANCE PERFORMANCE



- INTERNAL AUDIT AND CONTROL
- RISK MANAGEMENT
- DECLARATION OF INTEREST
- CODE OF CONDUCT



OVERVIEW OF ORGANISATIONAL PERFORMANCE



OVERALL PERFORMANCE
MEASURED AS AT JUNE 2020

66%

SHAREHOLDER AGREEMENT

OVERALL PERFORMANCE
MEASURED AS AT JUNE 2020

73%



OPERATIONAL PERFORMANCE

Raw water transfer

R50,8 million

In operating and
maintenance cost

Volume of RAW WATER
transferred via the Tugela-
Goedertrouw Transfer
Scheme

**4,388
million m³**



OPERATONAL PERFORMANCE

Raw, treated and waster water

37,3 million m³

Volume of raw water
abstracted at the
Mhlathuze Weir

41,9 million m³

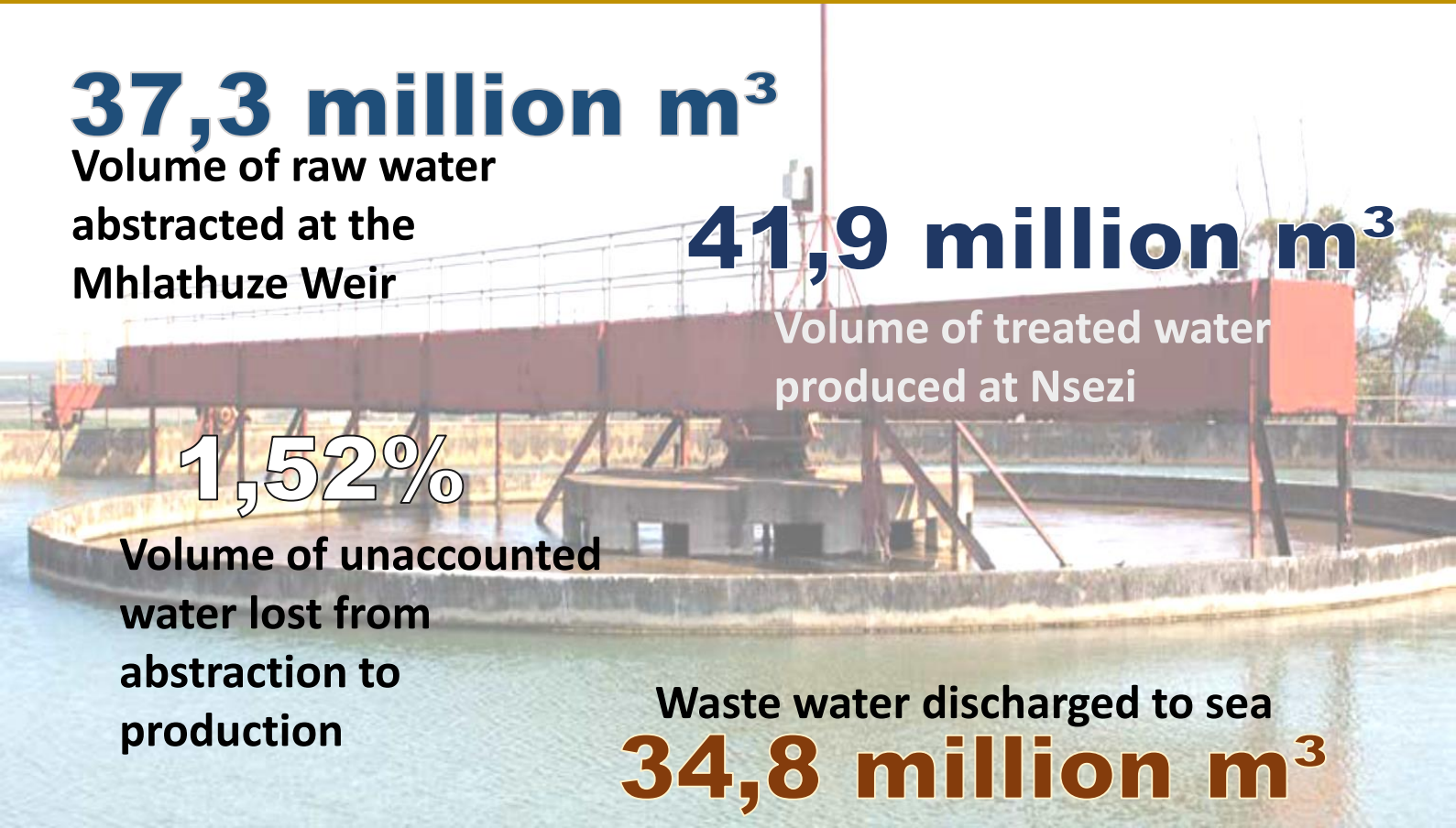
Volume of treated water
produced at Nsezi

1,52%

Volume of unaccounted
water lost from
abstraction to
production

Waste water discharged to sea

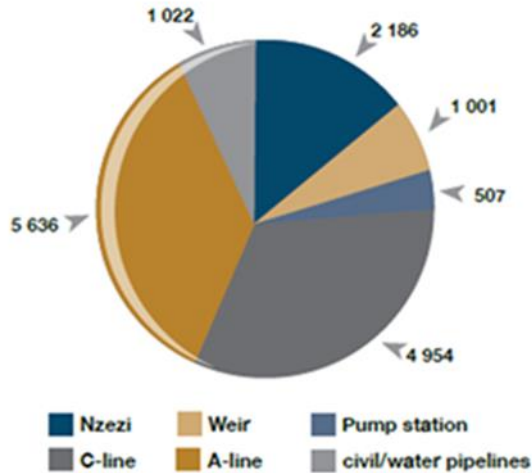
34,8 million m³



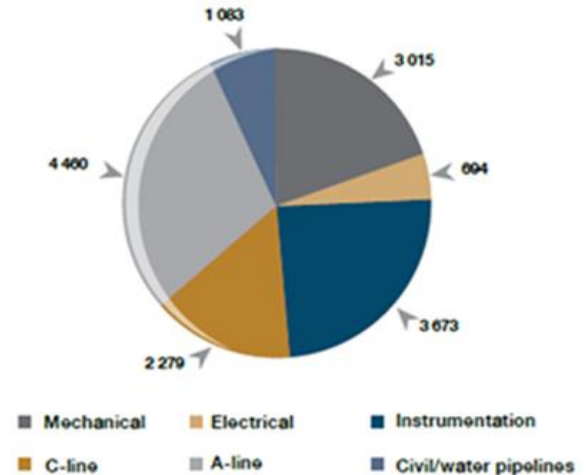
OPERATIONAL PERFORMANCE

maintenance

MAJOR MAINTENANCE (R'000) PER PLANT



MAJOR MAINTENANCE (R'000) PER SECTION



HEALTH, SAFETY AND ENVIRONMENT PERFORMANCE

0 DISABLING
INJURIES

4

ENVIRONMENTAL
IMPACT
INCIDENTS

46

Covid-19 cases to date
All recovered



HEALTH, SAFETY AND ENVIRONMENT PERFORMANCE

Table 44: Reportable environmental incidents

Date	Incident details	Root cause	Risk to the business	Mitigation/action plans
30/09/19	Offshore spillage on the buoyant line (A-Line)	Effluent discharge through the diversion hole due to the maintenance work that was underway. The repair work was as a result of the inspection, which indicated the need to perform repair work on the pipeline. Mondi had embarked on a water wash shut that also contributed to the quality of the effluent that was discharged during startup	Reputational risk as the matter was publicised in the local media. The matter was cited in the Notice of intent to issue a compliance notice received from DEA in March 2020. Non-compliance to license conditions as effluent discharged closer to shore	Divers engaged immediately to fast-track the repair or diffuser. Service provider engaged to perform marine impact survey. Section 30 Report forwarded to DEA after investigation
6/11/19	Effluent spillage at the seawater intake	Effluent spillage due to power supply failure at the effluent Pump Station. Impact exacerbated by prolonged time it took Foskor to cease discharging	Environmental pollution and non-compliance to Permit conditions	Contributor (Foskor) ceased pumping until power was restored. Section 30 Report forwarded to DEA after investigation
30/12/20	Effluent spillage as a result of a leak from the dense effluent pipeline. Effluent contaminated the nearby wetland and surrounding areas and buildings	Possible attempted theft of PRV to recover stainless steel or possible vandalism as air release valve had signs of being cut	Reputational risk and potential litigation by property owners	Service provider sourced to clean up the discharged effluent onsite and clean the surrounding landscape, roads and nearby buildings Valve chambers were welded to ensure they close completely Wetland specialist was appointed to assess impact on wetland and design rehabilitation plan Section 30 Report forwarded to DEA after investigation



HEALTH, SAFETY AND ENVIRONMENT PERFORMANCE

Table 44: Reportable environmental incidents

Date	Incident details	Root cause	Risk to the business	Mitigation/action plans
19/03/20	A leak occurred inside the air release valve chamber of the effluent pipeline through which Tronox pumps their effluent to the Collecting Chamber, resulting in effluent spillage on the surrounding ground	Pipeline leak inside the valve chamber was caused by the HDPE butt-welding failure on the valve T-piece	Environmental pollution and non-compliance to permit conditions	The welded HDPE T-piece was replaced with a new HDPE moulded T-piece and joined to the existing pipeline with electro-fusion couplings
16/04/20	Mondi effluent foam spillage at the Collecting Chamber	When effluent in the Mondi emergency ponds mixed with the processed effluent from the plant under turbulent conditions caused the effluent to excessively foam	Non-compliance with permit quality conditions. As a result, there was contamination of land surrounding the Collecting Chamber	Defoaming agent was applied to the spillage to reduce foaming Meeting with Mondi held to discuss the incident. They have since provided Mus with a plan to address the foaming of the effluent during shuts Formal communication from the office of the CE on this and other related matter in the past several months Section 30 Report forwarded to DEA after investigation

TECHNICAL PROJECT PERFORMANCE

Mhlathuze Water

Upgrade of the Weir
Structure in the
Mhlathuze River

R80M

23 JOBS CREATED

Completed Dec -'19

Mhlathuze Water

Establishing of diesel
generator at the Weir

R20M

Complete- June '19

Mhlathuze Water

Redeveloping the
pipeline from the
Weir to Nsezi WTW

R151M

65 JOBS CREATED

Completed March'19

Mhlathuze Water

Increasing the
capacity of the Nsezi
WTW

R325M

To commence- '20

In design stage

Isimangaliso Wetland Park

Review of water
infrastructure and
implementation of
borehole programme

R6.9 M

In progress

Zululand District

Implementation of
rudimentary water
scheme in Nongoma
and Abaqulusi

97 JOBS CREATED

R146M

1883 households served

Completed May 2019

uMkhanyakude District

Operating the Regional
Water Treatment Works
and Jozini

R1,3m /MONTH

134 000

households served

ongoing

uMkhanyakude District

Maintenance and
Refurbishment of
critical and prioritised
bulk and reticulation
infrastructure

R29M

Completed



FINANCIAL PERFORMANCE

financial performance highlights

Table 51: Summary of financial highlights

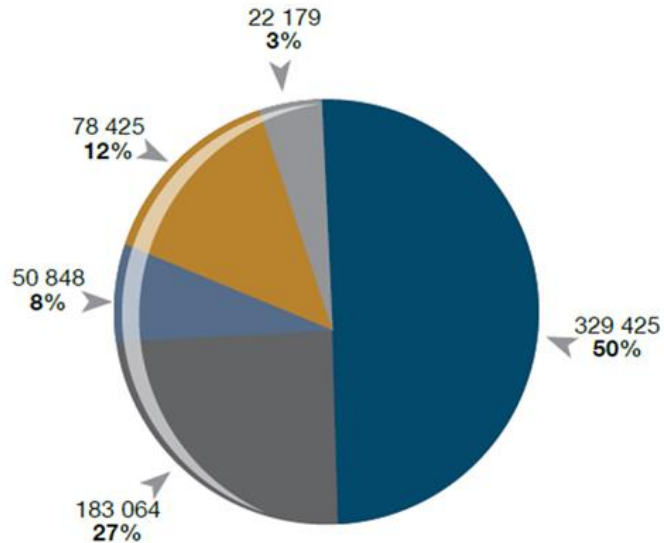
Key financial ratios	Previous financial years					Target	Actual
	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020	2019/2020
Gross profit percentage	73.00%	76.70%	54.58%	52.40%	56.50%	46.00%	64.31%
Debtors collection days	50.26	40.77	60	43.36	44.77	45	38.29
% of staff remuneration	23.23%	30.74%	31.89%	27.37%	23.97%	30.00%	28.26%
Net profit margin	21.06%	18.48%	20.37%	22.33%	20.00%	15.00%	23.95%
% of repairs and maintenance	4.70%	3.00%	5.10%	3.74%	3.74%	3.00%	2.68%
Current ratio	1.88	1.92	2.35	2.78	2.5	3.7	3.12
Debt equity ratio	0.45	0.32	0.26	0.16	0.12	0.15	0.09
Return on assets	9.06	7.75	3.76	6.42	7.79	4.30	10.40%
Asset turnover ratio	0.51	0.45	0.47	0.39	0.48	0.42	0.42
Interest turnover ratio	8	9.35	5.32	15.62	20.01	8.4	16.56
EBIT margin	28.86%	25.05%	20.61%	23.08%	24.38%	19.52%	27.47%



FINANCIAL PERFORMANCE

revenue

REVENUE PER SEGMENT
30 June 2020 (R'000)



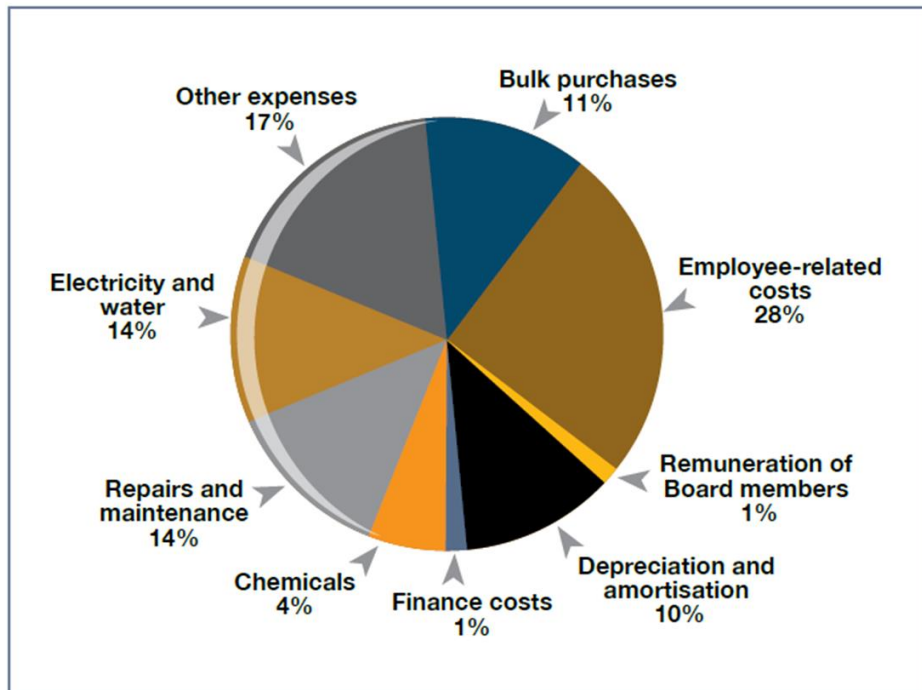
Bulk Water **Wastewater** **TG Scheme O & M**
City of uMhlatuze O & M **Other Activities**



FINANCIAL PERFORMANCE

cost structure

Figure 32: Cost structure: Expenditure



FINANCIAL PERFORMANCE

financial position

CURRENT ASSETS

15%

R521.8m

CASH AND
EQUIVALENTS

29%

R372,4m

PROPERTY PLANT
AND EQUIPMENT

7%

R1 593 384m

RESERVES

7%

R298m

EXPENDITURE ON PPE
MAINTENANCE

R74m

10%

TOTAL
LIABILITES






R264,4m

9%



FINANCIAL PERFORMANCE

receivables

Description	Debtors Analysis - 30 June 2020	Debtors Analysis - 31 March 2021	Brief description of the ratio
Primary debtors days	38.29 days	36.65 days 	The period it takes on average for Primary/Secondary Activities debtors to pay their invoices due. The period it takes on average to convert Revenue billed in to actual hard cash in the bank.
Secondary Debtors days	138.69 days	185.23 days 	
% of Secondary Activity debtor to Total Debtors	54%	43% 	= Secondary Activities Receivables/Total Receivables 2021: R43,813,000/R99,877,000. 2020: R63,728,000/R117,345,000 Ref: Attached Report
Total Municipality debt - Secondary	R18,289,000	R22,429,000 	<u>2021</u> UMkhanyakude DM = R20,345,000. CoU O&M = R492,000. CoU Lab = R1,592,000. <u>2020</u> UMkhanyakude DM = R7,710,000 CoU O&M = R10,365,000 CoU Lab = R214,000
% of Municipality debts to Total debt	15%	22% 	Municipal debt over Total Debtors



FINANCIAL PERFORMANCE

Irregular expenditure

	Note(s)	30-Jun-20	30-Jun-19
		R'000	R'000
27. Statutory Information in terms of the Public Finance Management Act No. 1 of 1999 as amended			
27.1. Irregular Expenditure			
Opening balance		236,769	264,763
Less: Non-compliance emanating from Prior Years	28.10	-	(17,926)
Add: Irregular expenditure emanating from Prior Years	27.2	824	16,228
Add: Current Year		-	-
Less: Amounts removed	27.3	-	(26,296)
Less: Amounts condoned	27.4	(2,716)	-
Closing balance 30 June		234,877	236,769

IE IN NOTE 27 OF AFS

203 732 EXTERNAL INVESTIGATION

31 144 INTERNAL INVESTIGATION

234 877

EXTERNAL INVESTIGATION

166 634	-investigated but not submitted for condonation -80,142million of the 166,634million was identified as possible funds to be recovered. Attorneys commenced with process and 4 SAPS cases opened
3 643	investigated, submitted and condoned by NT
11 635	investigated, submitted but not condoned by NT, to respond to issues raised
21 819	investigated, submitted to NT, await response
203 732	



Thank you