

# ANNUAL REPORT

## 2021-2022



# CONTENT

PROFILE OF THE ORGANISATION

CORPORATE GOVERNANCE

OVERVIEW OF ORGANISATIONAL  
PERFORMANCE

ANNUAL FINANCIAL STATEMENTS



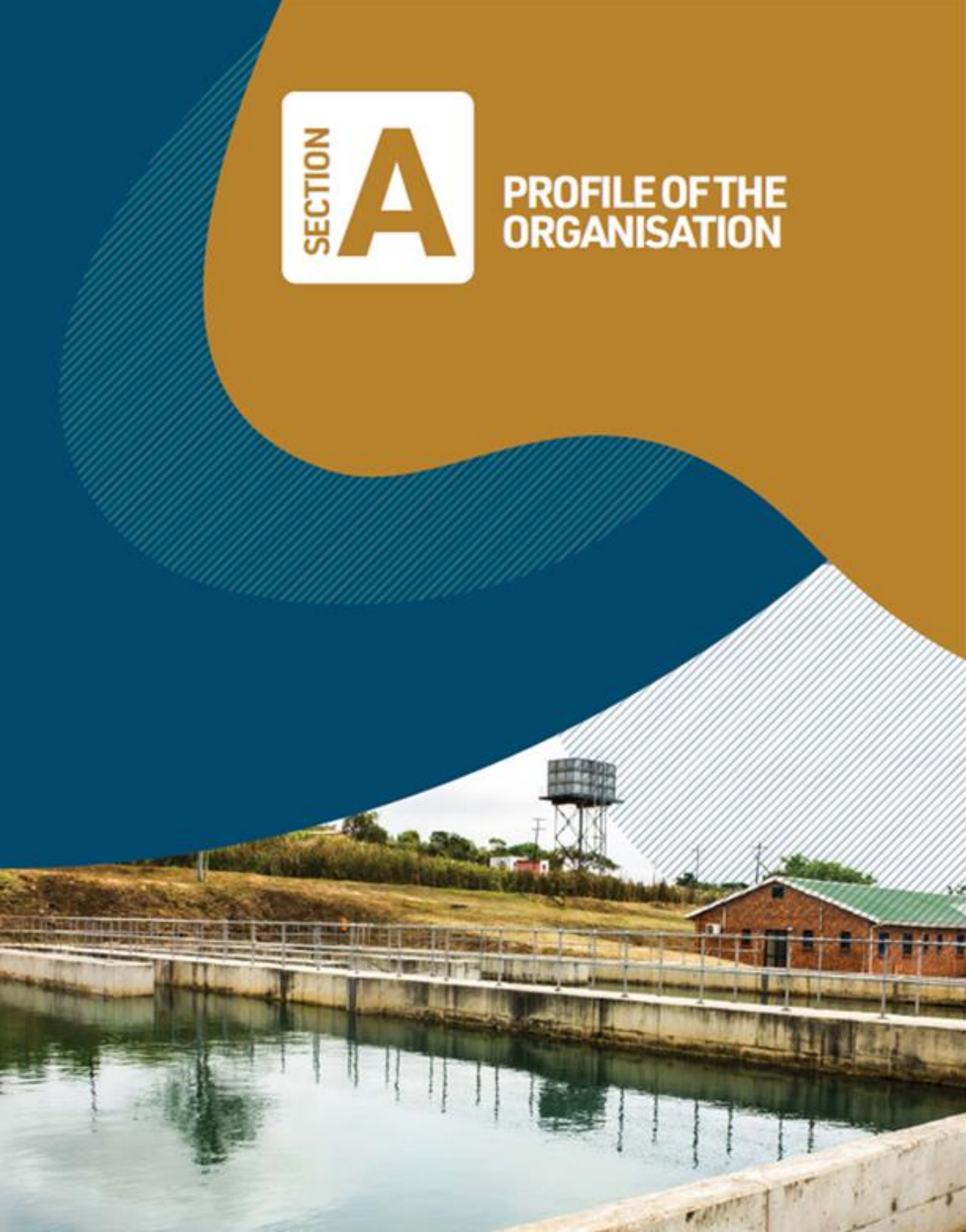


## PROFILE OF THE ORGANISATION

GENERAL INFORMATION

VISION AND MISSION

STRATEGIC OBJECTIVES



# GENERAL INFORMATION AND MANDATE

**The mandate of the water board in terms of the Water Services Act is to provide services in support/ co-operation with Water Services Authorities to exercise the basic human right of access to water and sanitation.**

**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.**



Repair work on the offshore waste disposal pipelines



20ML Mondri reservoir at the Nsezi Water Works

# STRATEGIC INTENT

## VISION

Your reliable water and waste water business partner of choice

## MISSION

To provide high quality water and waste water disposal services to clients and communities that contribute to sustainable socio and economic upliftment and development.

# STRATEGIC INTENT

## Key Focus Areas

### Customers



### Financial



### Processes



### Organisational Capacity



## Strategic Objectives

### SO 1

To grow the provision of water services

### SO 3

To initiate and build relationships with stakeholders

### SO 7

To improve efficiency through technology and best practices

### SO 2

To ensure long-term financial sustainability

### SO 5

To optimise business processes and systems for efficiency

### SO 6

To be pro-active on issues relating to health, safety, security and the environment

### SO 4

To resource the Organisation with the required skills and competence



**CORPORATE  
GOVERNANCE**

**ORGANOGRAM**

**EMPLOYMENT EQUITY**

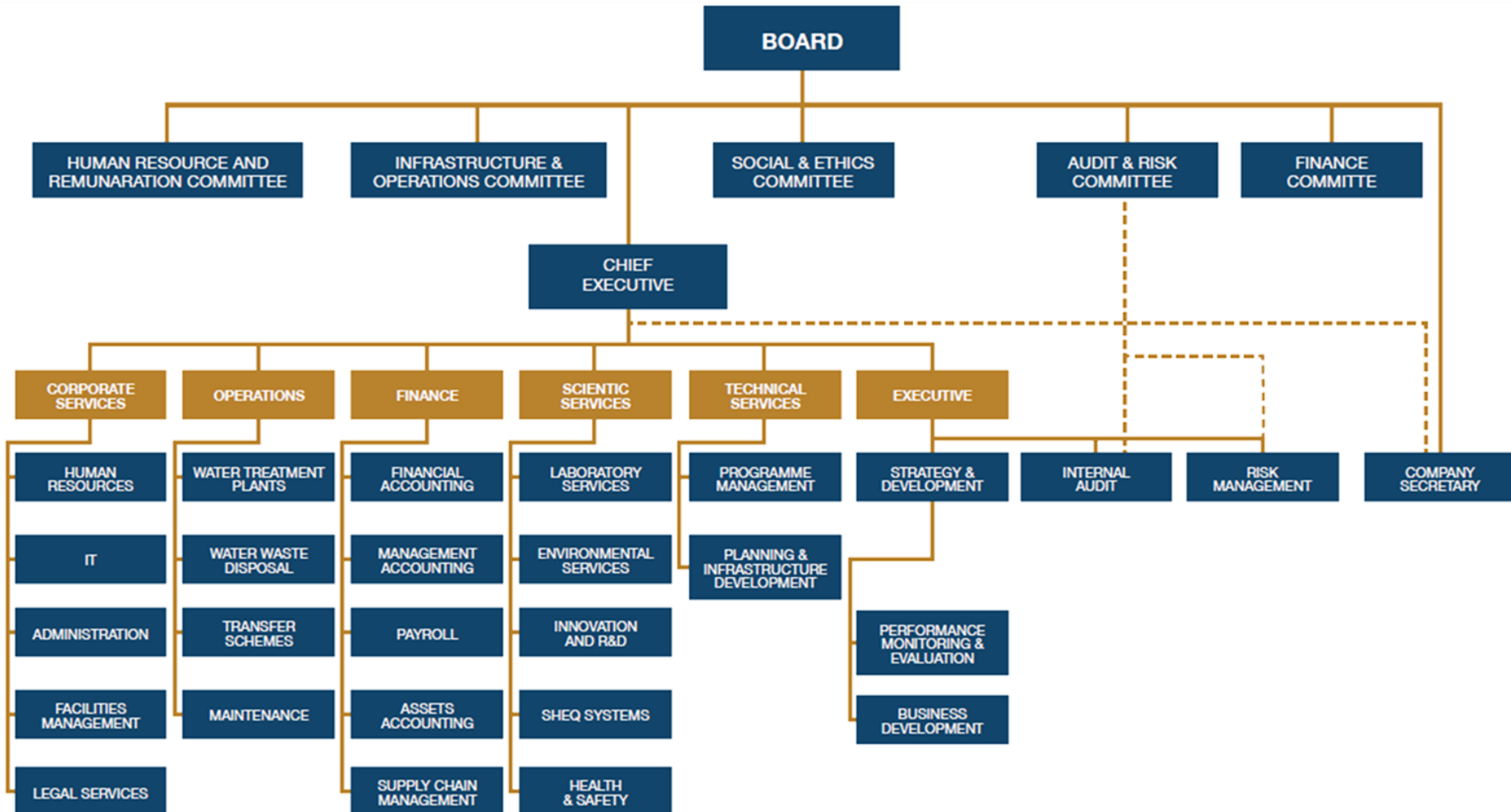
**WHISTLE BLOWING AND  
INDUSTRIAL RELATIONS**

**RISK MANAGEMENT**

**AUDITOR GENERAL'S REPORT**



# ORGANOGRAM





# EMPLOYMENT EQUITY

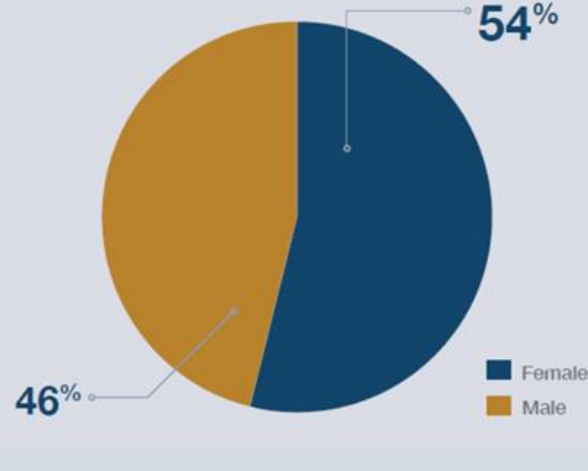
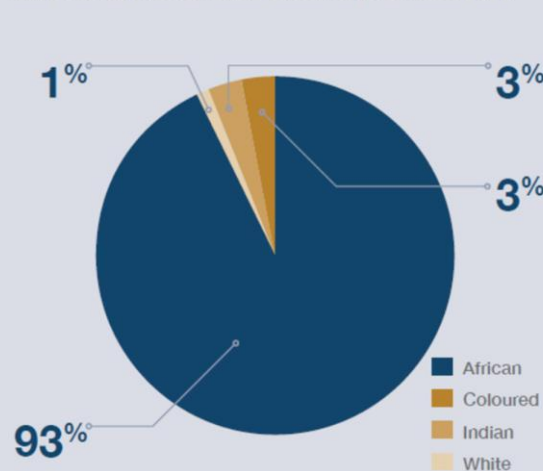
## Workforce Profile as at 30<sup>th</sup> June 2021

Occupational Levels	Male				Female				Foreign Nationals		Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	Male	Famale	
Top Management	1	0	0	0	0	0	0	0	0	0	1
Senior Management	2	0	0	0	1	0	0	0	1	0	5
Professionals	18	0	1	1	16	0	2	2	0	0	40
Skilled Technical & Academically Qualified Workers	36	0	0	2	45	1	2	1	0	0	87
Semi Skilled	46	1	1	0	22	1	0	1	0	0	72
Unskilled & Defined Decision Making	13	0	0	0	9	0	0	0	0	0	22
<b>Totals</b>	<b>116</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>93</b>	<b>2</b>	<b>4</b>	<b>4</b>	<b>1</b>	<b>0</b>	<b>226</b>
<b>Percentage</b>	<b>51%</b>	<b>0.5%</b>	<b>1%</b>	<b>1%</b>	<b>41%</b>	<b>1%</b>	<b>2%</b>	<b>2%</b>	<b>0.5%</b>	<b>0%</b>	<b>100%</b>
<b>Total Percentage</b>	<b>53.5%</b>				<b>46%</b>				<b>0.5%</b>		<b>100%</b>

### Race Profile of Mhlathuze Water Employees

### Gender Profile 30<sup>th</sup> June 2021

Race Profile of Mhlathuze Water as at 30 June 2021



**MHLATHUZE WATER HAS A WELL BALANCED AND REPRESENTED WORKFORCE OF 226 STAFF.**

# WHISTLEBLOWERS AND INDUSTRIAL RELATIONS

P 44 & 61

## Whistleblower Cases

Number of reports	Issue reported	Action taken
3	Fraud and corruption	Investigations completed and recommendations implemented
2	Irregularities	

## Industrial relations

Number of disciplinary hearings	7
Number of verbal warnings	1
Number of written warnings	4
Number of final written warnings	2
Number of dismissals	0
Number of CCMA referrals	0

**THE INDUSTRIAL RELATIONS CLIMATE WAS STABLE DURING THE PERIOD UNDER REVIEW.**

**MONTHLY MEETINGS AND SPECIAL CONSULTATIVE SESSIONS WERE HELD WITH ORGANISED LABOUR UNIONS WHERE ISSUED WERE AMICABLY RESOLVED.**

Objective	Risk No:	Risk Name	Inherent Risk Exposure	Residual Risk	Further Actions
(S06) To be proactive on issues relating to health, safety, security and the environment	1	Possibility of environmental damage due effluent spillage	Catastrophic	Priority 2	1. Assess the outcome of feasibility study 2. Develop a business case for effluent treatment process. 3. Procure, Installation and Commissioning a backup power generator(WWDS)
(S01) To grow provision of water services	2	Inadequate infrastructure to meet customer needs	Catastrophic	Priority 3	1. Improve programme and performance management process 2. Escalation clauses in contracts for service providers
(S04) To resource the organization with the required skills and competence to deliver the strategic intent	3	Inability to attract, develop and retain critical skills	Catastrophic	Priority 3	1. Implementation of the skills development program 2. Implementation of talent management strategy
(S02) To ensure long-term financial sustainability of the organization	4	Liquidity and cashflow risk	Catastrophic	Priority 3	1. Quarterly financial viability assessment on all key customers.
(S02) To ensure long-term financial sustainability of the organization	5	Vulnerability to fraud and corruption	Critical	Priority 3	1. Monitoring of remedial action from internal audit report. 2. Quarterly reporting to the board on DOA
(S01) To grow provision of water services	6	Scarcity of water resources to meet demand	Critical	Priority 3	1. Development of water master plan. 2. Feasibility studies
(S07) To improve efficiency through technology and best practices	7	Delayed implementation and adaptation of new technologies	Critical	Priority 3	1. Review IT strategy to incorporate forth industrial revolution strategy 2. Development of forth industrial revolution strategy for incarnation in the review to be conducted by IT section (Operational systems) 3. Conduct project specific training on change management intervention 4. Revive the Idea for innovation
(S07) To improve efficiency through technology and best practices	8	Unauthorised access to information and operational systems	Moderate	Priority 4	1. Cyber Security Awareness Campaigns 2. Remote Working Procedure Manual
(S03) To initiate an build relationships with stakeholders to add value for all	9	Political risk (Stakeholder Management)	Critical	Priority 3	1. On-going stakeholder engagements
(S01) To grow provision of water services	10	Missed business opportunities leading to limited business growth	Minor	Priority 4	1. Development of Mhlathuze Water growth action plan. 2. Submission of Mhlathuze Water growth plan to the Board. 3. Improvement of COVID 19 response plan. 4. Review of planning and prioritization of core services(Prioritization framework to address competing priorities) 5. Consultation with other water boards and shareholder on un-insurable risk

**MHLATHUZE WATER HAS INSTITUTIONALISED RISK MANAGEMENT AND RISK GOVERNANCE. RISK MANAGEMENT CHAMPIONS DRIVE RISK ASSESSMENTS AND ACTION PLANS TO MITIGATE ALL RISKS IDENTIFIED. QUARTERLY RISK MANAGEMENT MEETINGS WERE HELD TO OVERSEE THE PROCESSES.**

# AUDITOR GENERAL REPORT

P 105-110

2018/2019	2019/2020	2020/2021	2021/2022
UNQUALIFIED	CLEAN	UNQUALIFIED WITH FINDINGS	QUALIFIED

AREA OF QUALIFICATION	AG FINDING	QUANTUM	AUDIT IMPROVEMENT PLAN
Property Plant and Equipment	Work In Progress overstatement and unverified provisional sums	R11 568 038	<ul style="list-style-type: none"> <li>-Work done on provisional sums to be verified by Technical Services and Finance prior to making a payment.</li> <li>-Compilation and ongoing implementation of a Project Control Framework to strengthen record keeping and improve on Project Administrative Oversight</li> <li>-Investigate all provisional sums on all projects that are in Work In Progress</li> </ul>
Irregular Expenditure	Understatement and unverified	R276 232 000	Irregular expenditure must be updated and checked by SCM before it is submitted to Finance and Internal Audit.
Performance Information	Percentage of avoidable water losses unconfirmed due to flow meters out of order	2.56% reported against a target of 4/5	<ul style="list-style-type: none"> <li>-Revise SOP for Water Loss calculation</li> <li>-Replace Nsezi and Weir inlet flow meters</li> <li>-Ensure that flow meters are always calibrated.</li> </ul>



**OVERVIEW OF  
ORGANISATIONAL  
PERFORMANCE**

HUMAN RESOURCES

OPERATIONS AND  
MAINTENANCE

WATER QUALITY

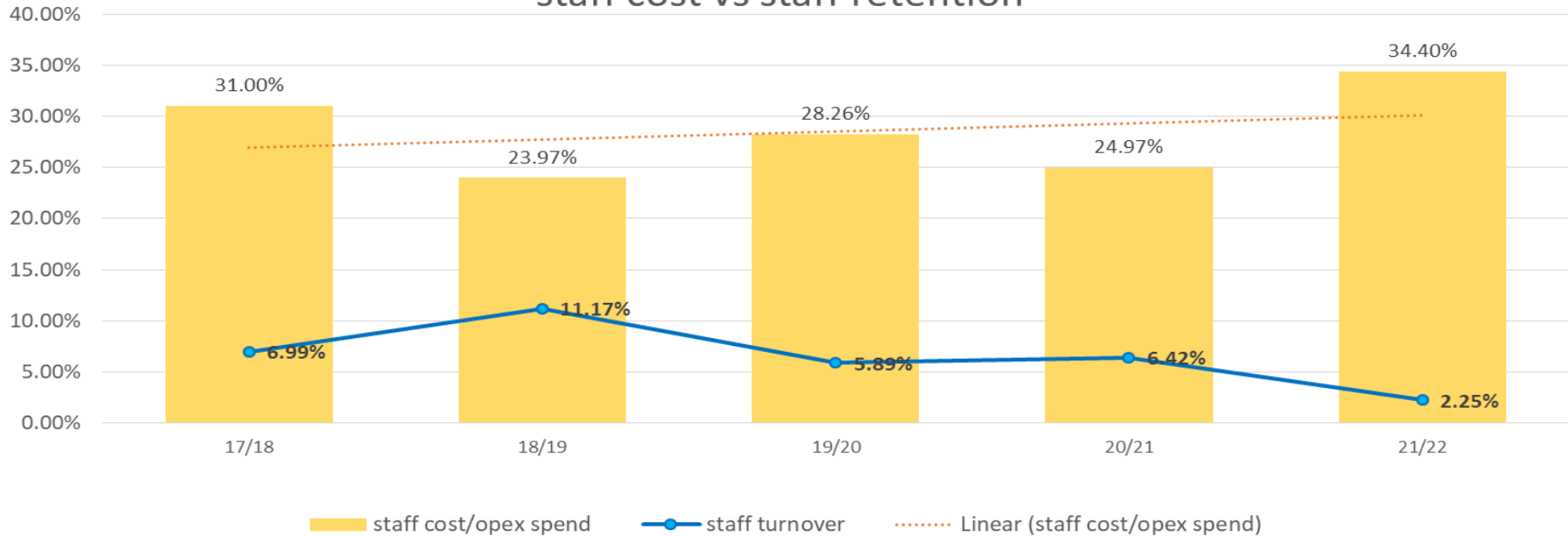
WASTE WATER QUALITY

CAPITAL PROJECTS

INFRASTRUCTURE  
PERFORMANCE

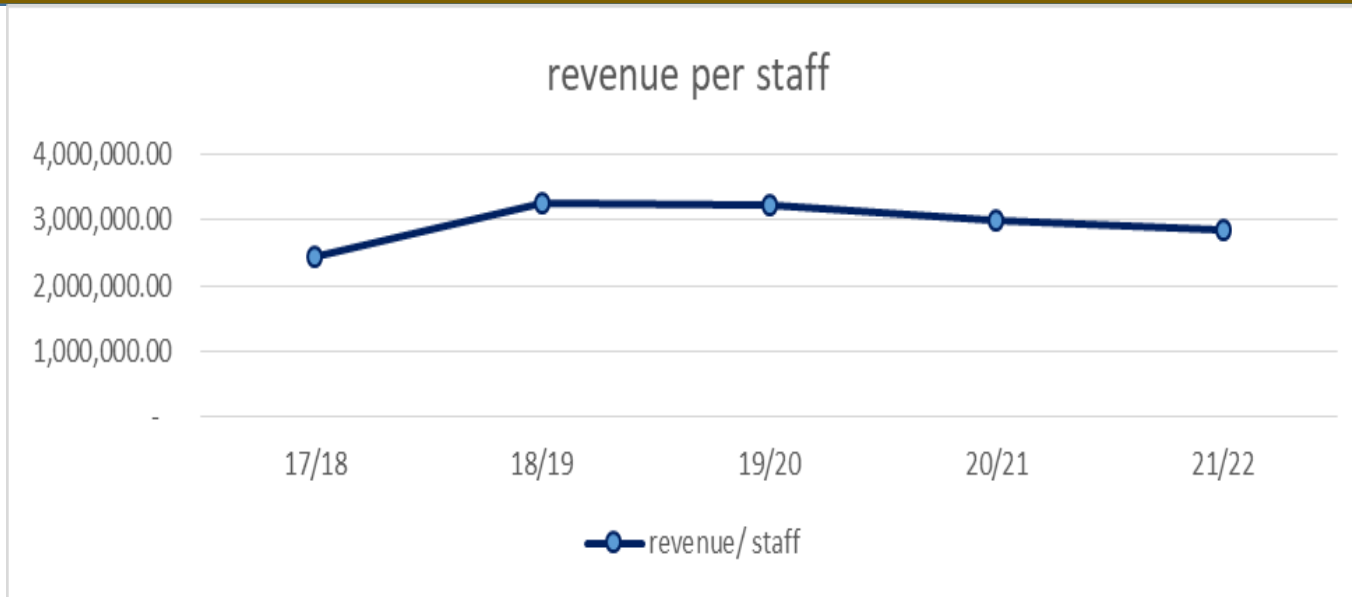


human resources  
staff cost vs staff retention



The staff retention of the organization over the past 5 years was on average 6.54% against a target of 8% indicating a strength in the ability of the organization retaining its staff. The only year the ratio exceeded the target was in 2018/2019. The main reason for the high turnover was as a result of the disciplinary processes that dealt with irregular expenditure identified by the AG in 2016/2017.

Even though the average percentage of staff cost against overall operating expenditure over the term is 28.52%. It is a concern that it is on the rising trend sitting at 34.4% at the end of 2022.



**Revenue generated per staff member reflect a stagnation and declining trend for the organization.**

**In future, plans must be devised with organized labour to prevent the long term impact on the organization.**

**Effective and efficient ways must be found, such as Information Tech and Operational Tech to do business smarter.**

**More importantly is not just the benefits to the revenue of the organisation (internal focus) but the value the employees contribute to the external focus of the organization. This means redirecting the capacity of the organization to respond to key stakeholders legitimate needs and interests and tailoring the organization's business model and strategy to respond to its external environment and the risks and opportunities it faces.**

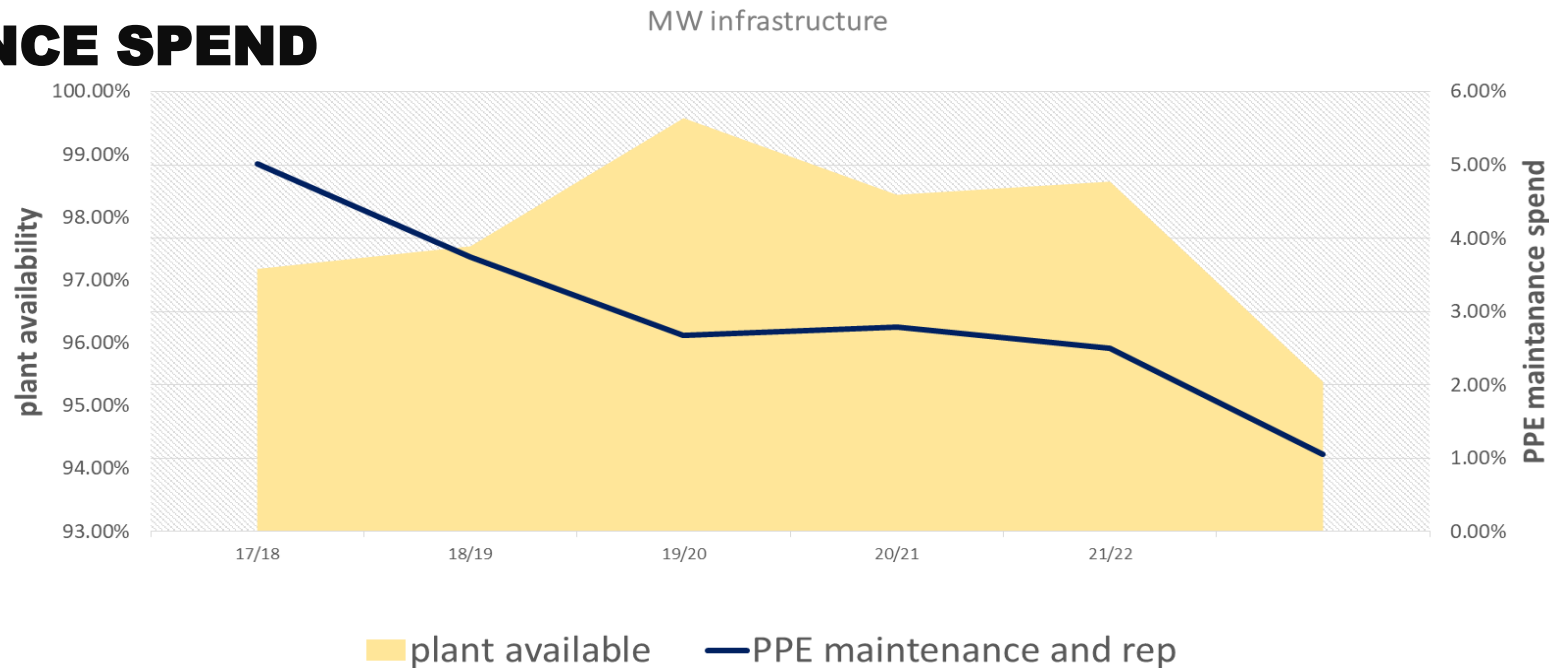
# OPERATIONS AND MAINTENANCE PERFORMANCE

P64-68

## MAINTENANCE SPEND

**2022**  
**R29 273 000**

**2021**  
**R50 671 000**

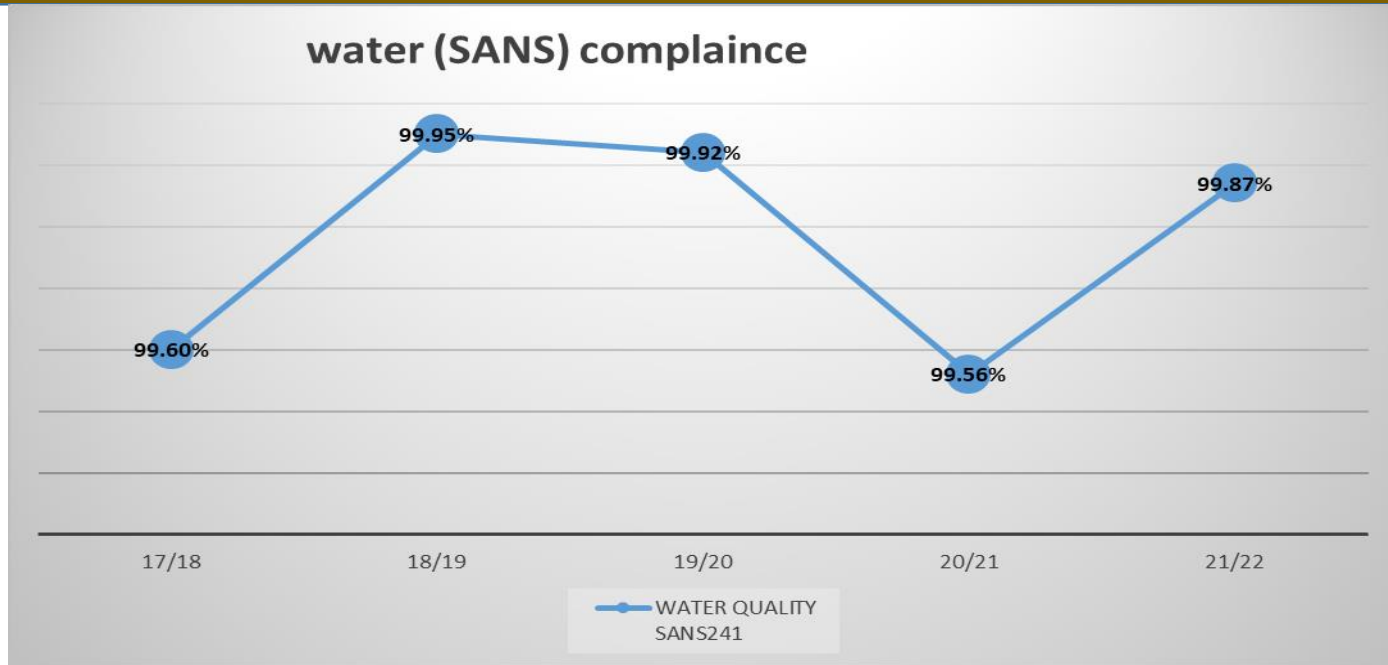


Repeated underperformance on PPE spend against budget is reported. With 2022 ending at 2.5% (target 3.5%). Not spending adequately on assets do place them at risk of failure or at least impact on redundancy levels that can affect delivery of water.

Despite this, the maintenance strategy and associate plans are implemented to maintain a plant availability of 97.5% and an accountable water loss of less than 3% (average of 2.23%) over the 5 year period.

Over the past 5 years, only 1 incident was logged of an unplanned interruption that exceeded 24 hours (Mondi valve failure) in 2021.





The average SANS241 results over the past 5 years reflect a constant performance of above 99%.

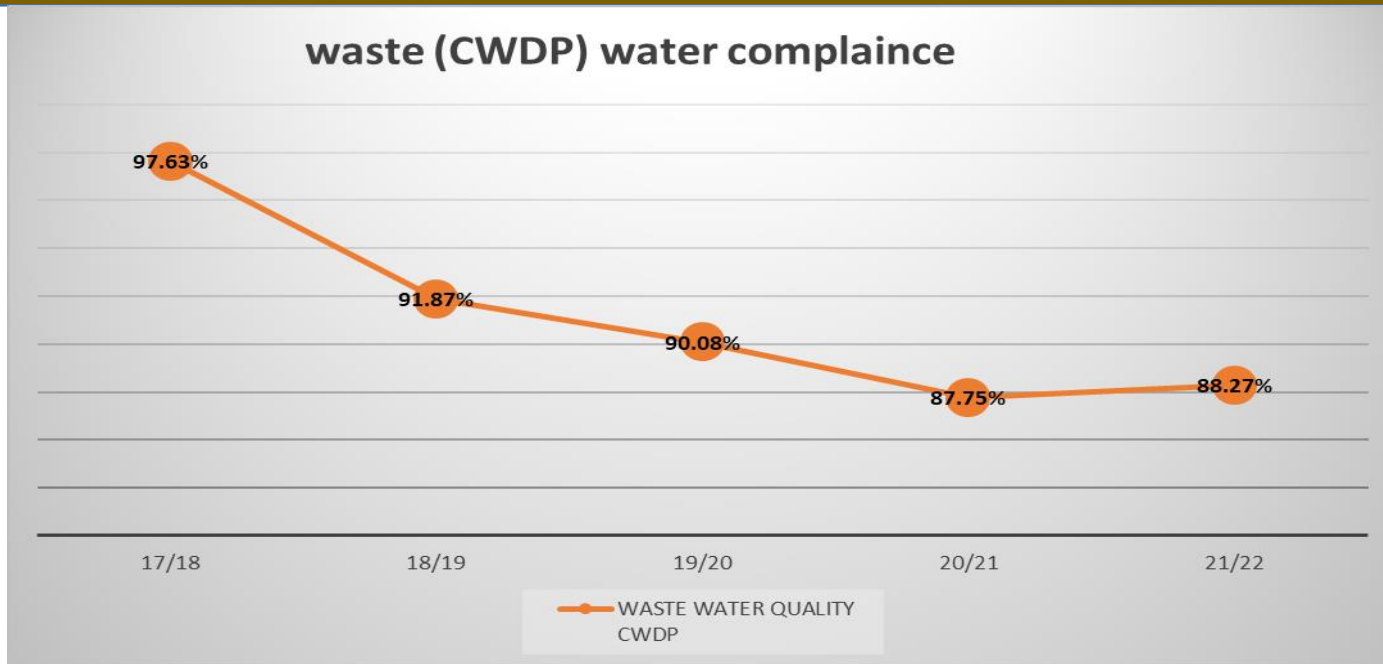
A water quality monitoring programme is in place to monitor rivers and dams in the catchment area on an ongoing basis.

The overall water quality status of the Mhlathuze catchment area is monitored on a monthly basis through a set of water quality variables.

As at the end of the reporting period, the overall water quality at Goedertrouw Dam and Nsezi Lake was “excellent” while at Mhlathuze River Weir water quality was classified as “good”.

The risk are is the Mposa and Nseleni Rivers, where it has deteriorated due to illegal waste dumping.

# WASTE WATER QUALITY PERFORMANCE



The average results against the Coastal Waters Discharge Permit (CWDP) over the past 5 years reflect a constant non-compliance and regression in compliance.

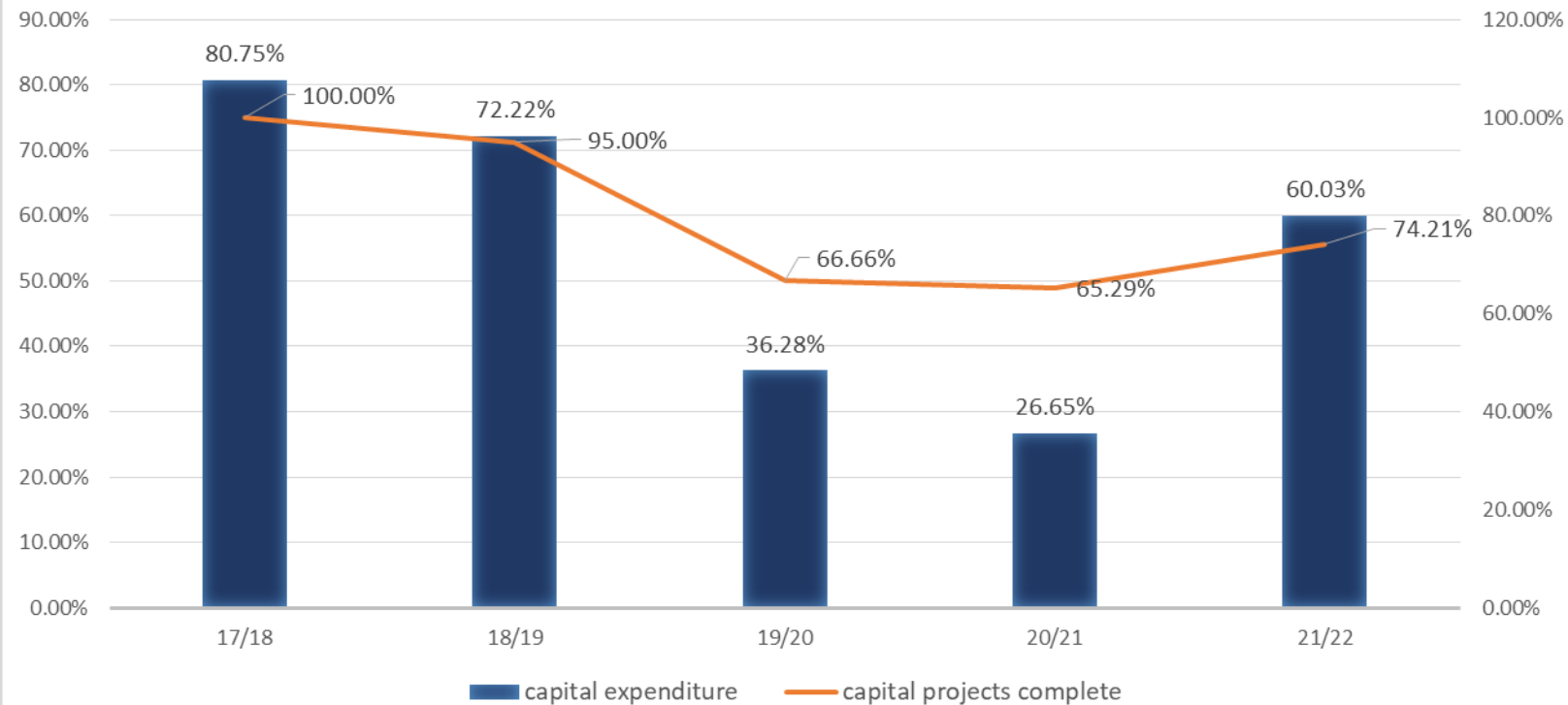
Overall compliance for the period ending 2022 was 88.27% (against a set target of 100%), with low pH and high TSS being the main contributors. The regression is not necessarily due to the effluent composition changing, but rather due to the more stringent permit requirements imposed by the authorities year on year.

Mhlathuze Water is working with the major contributors on reducing waste and re-using effluent in order to address the non-compliance but more so, reduce the impact on the environment. In order to find long-term solutions to compliance problems, a study was conducted to investigate treatment options available to improve the quality of the discharged effluent. The costs are however significant.

# CAPITAL PROJECT PERFORMANCE

P80-85

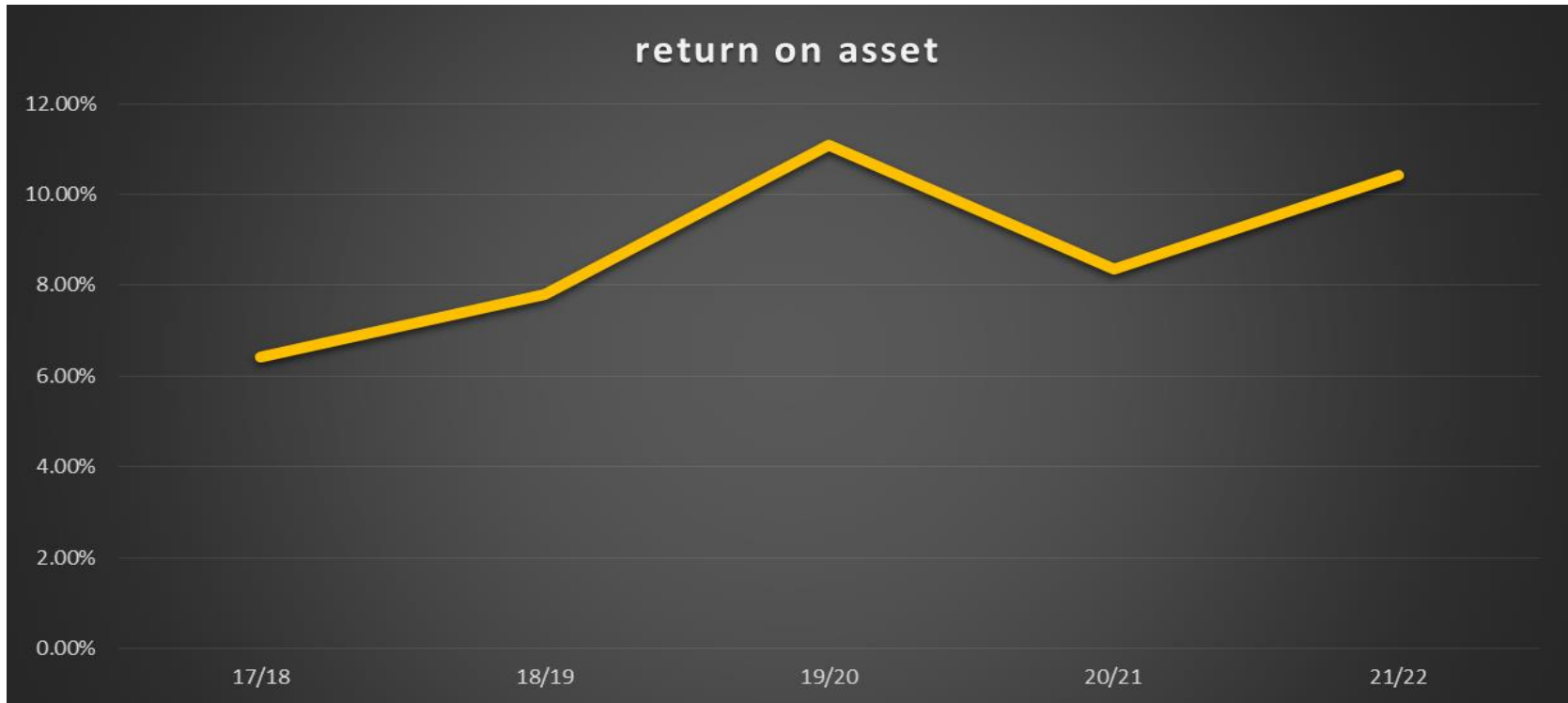
## CAPITAL PROJECTS



## CAPITAL WORKS IN PROGRESS 2022: R176 195 000

The ability of the organisation to spend its capital budget and realizing the benefits as planned remains a challenge with planned expenditure at the end of 2022 being at 60.03% of a budget of R432 028 000.

Expenditure in the last financial year did increase with the commencement of the Nsezi Water Treatment Works upgrade. The upgrade is both dealing with operational efficiencies and increasing the capacity of the works. The completed Nsezi shall be sufficient to deal with future demand in the next 20 years.



**Return on Asset ratio is the ability of the organization to use its assets to generate revenue.**

**Over the past 5 years, this government business enterprise delivered an average of 8.8% return on asset. Being a government enterprise, a yield of 8% is reasonable given the risk appetite of investing ahead of demand as per the Growth Strategy adopted by the Board.**

SECTION  
**D**

ANNUAL FINANCIAL  
STATEMENTS

BALANCE SHEET

GROSS PROFIT

NET PROFIT

VOLUMES SOLD

REVENUE

COST OF SALES

EXPENSES

SURPLUS

RECEIVABLES AND PAYABLES

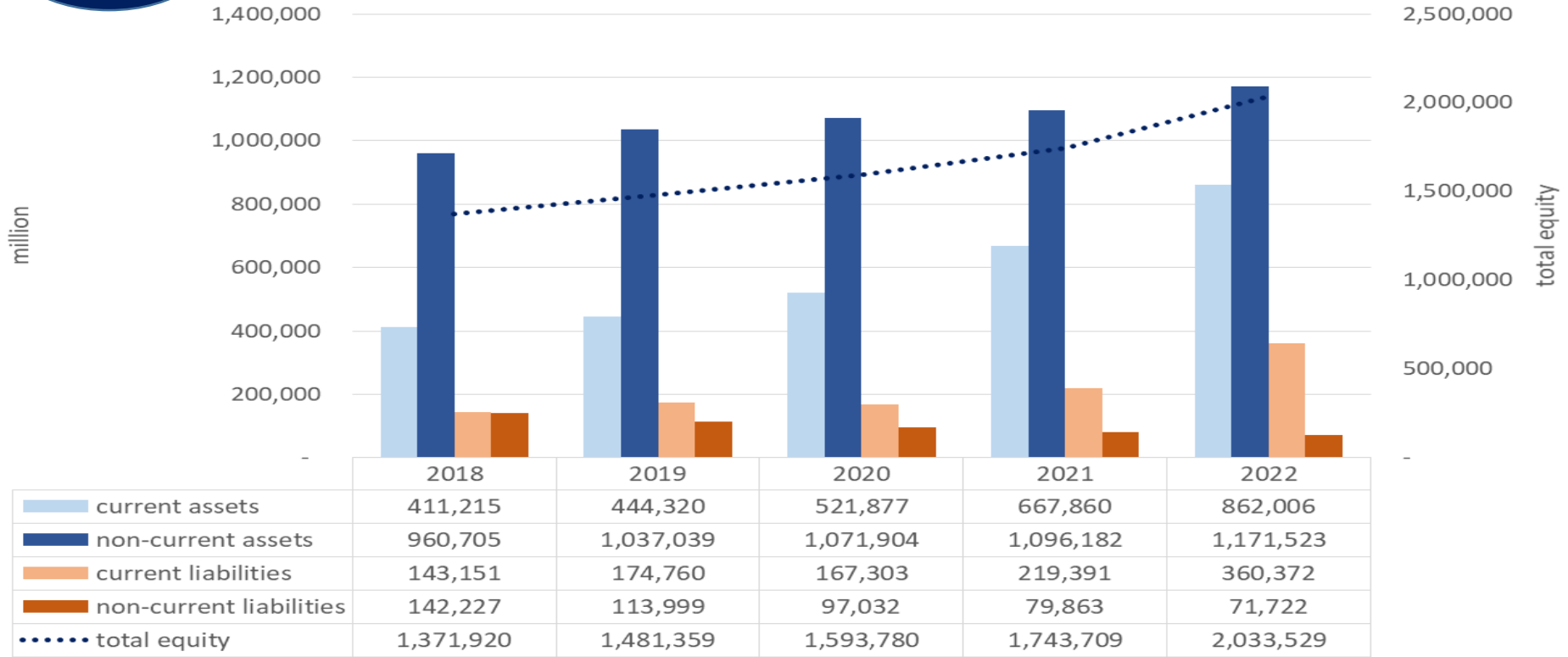
IRREGULAR AND FRUITLESS AND  
WASTEFULL EXPENDITURE

CONTINGENT ASSETS

# BALANCE SHEET BREAKDOWN

**CURRENT RATIO**  
**2.39%**

## BALANCE SHEET



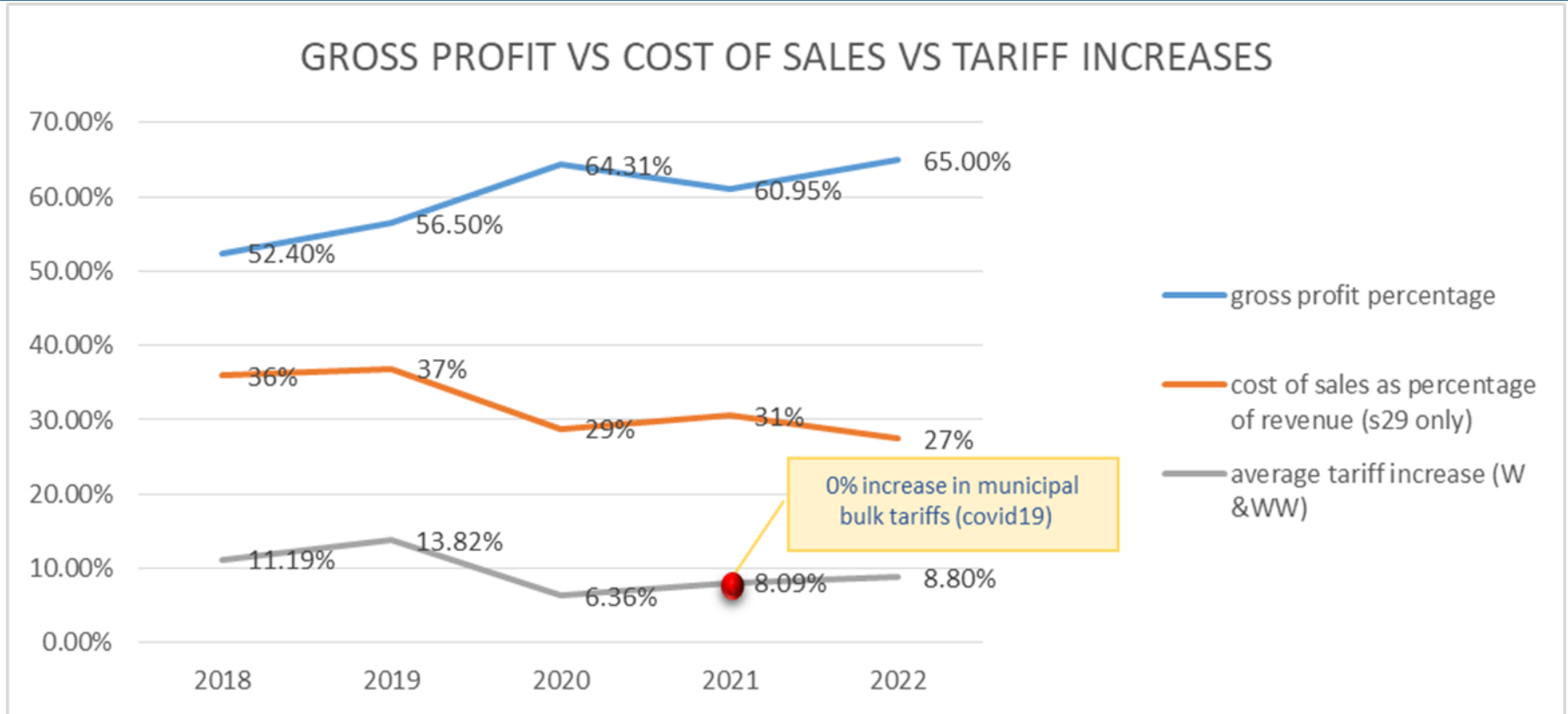
**THE BALANCE SHEET OF THE ENTITY IS HEALTHY. IT HAS A NET WORTH OF JUST OVER R2BILLION AND A CURRENT RATIO OF 2.39%. THE LATTER MEANS THE ENTITY CAN COVER ITS TOTAL LIABILITIES ALMOST 2 AND A HALF TIMES (INDUSTRY NORM IS 2).**

**ITS TOTAL ASSETS (CASH, CASH EQUIVALENTS AND PROPERTY PLANT AND EQUIPMENT) CONTINUE TO IMPROVE OVER TIME.**

**CURRENT LIABILITIES (SHORT TERM BORROWINGS AND DEBT/CREDITORS) ARE INCREASING DUE TO THE DWS-COU TARIFF DISPUTE , BUT WILL DECREASE SINCE THE ISSUE IS RESOLVED.**

**NON-CURRENT LIABILITIES (LONG TERM BORROWINGS) ARE DECREASING AND THE LONG TERM RMB LOAN WILL MATURE IN 2025.**

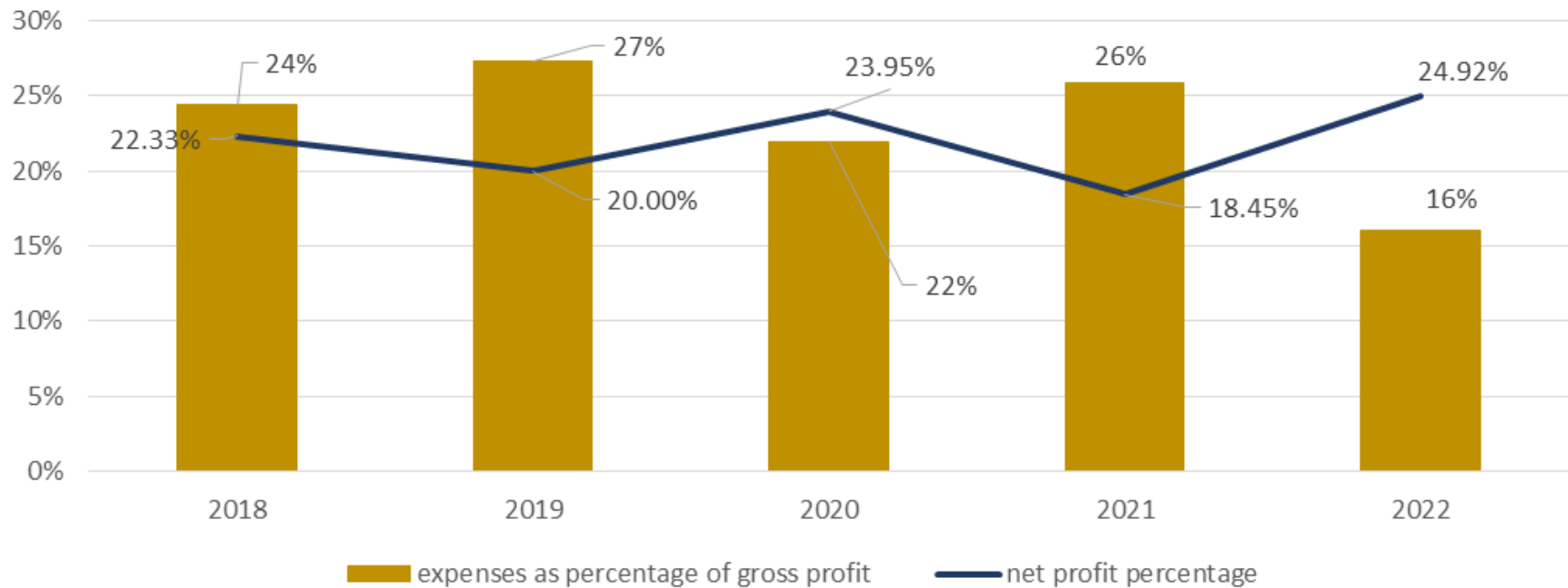
**THE BALANCE SHEET CONFIRM THAT MHLATHUZE WATER IS A FINANCIAL GOING CONCERN.**



**GROSS PROFIT MARGIN OF 60%+ IS MAINTAINED DUE TO EFFICIENCIES IN COST OF SALES (REDUCTION IN PRODUCTION COST), AS WELL AS SUSTAINABLE TARIFF INCREASES**

	2018	2019	2020	2021	2022
gross profit percentage	52.40%	56.50%	64.31%	60.95%	65.00%
net profit percentage	22.33%	20.00%	23.95%	18.45%	24.92%
debtor collection days	43.36	44.77	38.29	40.89	41.55
current ratio	2.78	2.5	3.12	3.04	2.39
debt equity ratio	0.16	0.12	0.09	0.07	0.05
return on assets	6.42	7.79	10.4	8.36	10.42

## NETT PROFIT VS EXPENSES TREND



**SIMILARLY, THE NETT PROFIT MARGIN OF 18%+ WAS MAINTAINED DUE TO MAINTAINED REVENUE AND EFFECTIVE/ CONTROLLED SPENDING COUPLED WITH COST CONTAINMENT MEASURES**

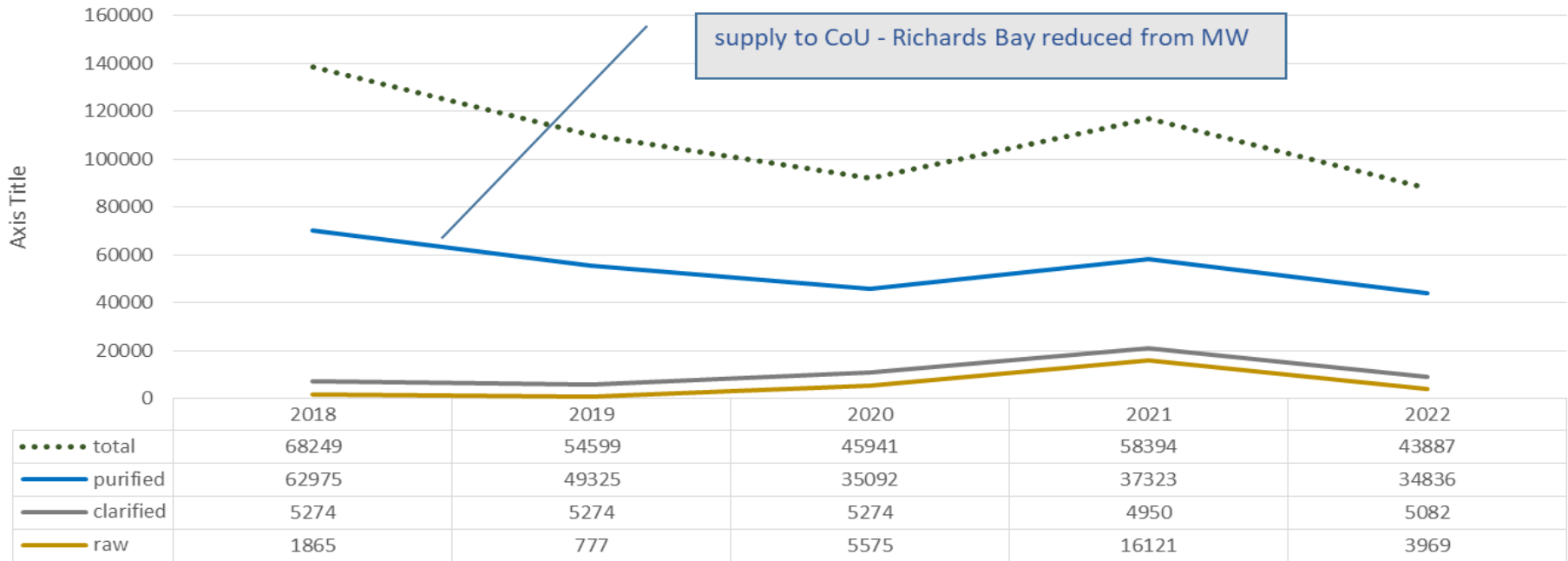
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debtor collection days	43.36	44.77	38.29	40.89	41.55
current ratio	2.78	2.5	3.12	3.04	2.39
debt equity ratio	0.16	0.12	0.09	0.07	0.05
return on assets	6.42	7.79	10.4	8.36	10.42



# VOLUMES SOLD BREAKDOWN

P143, 88

WATER VOLUMES SOLD



supply to CoU - Richards Bay reduced from MW

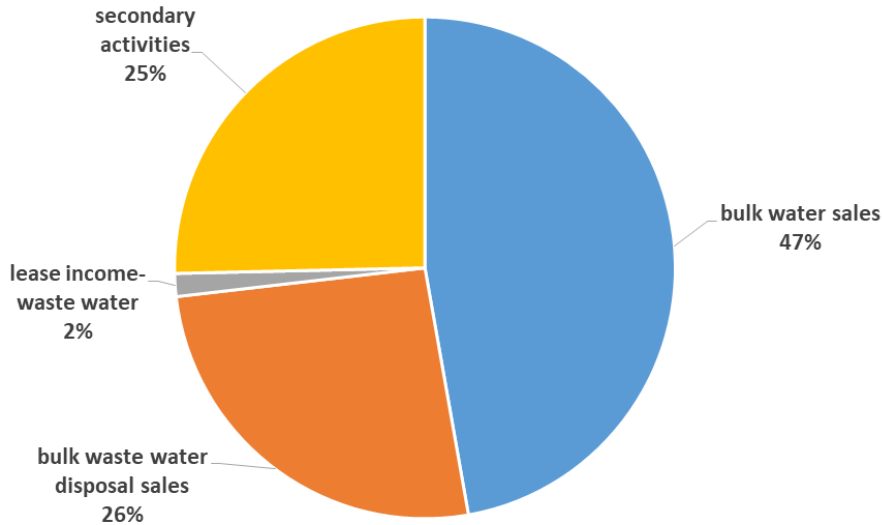
**PURIFIED WATER VOLUMES SOLD REDUCED SINCE 2018. MHLATHUZE WATER SUPPLIED WATER TO RICHARDS BAY DURING THE 2016-2018 DROUGHT PERIOD AS THE CITY OF UMHLATUZE (COU) DECOMMISSIONED ITS MZINGAZI WATER WORKS DUE TO ABSRTRACTION FROM THE LAKE NO LONGER POSSIBLE. AFTER THE DROUGHT THE COU RECOMMISSIONED ITS MZINGAZI WATER WORKS FOR SUPPLY TO RICHARDS BAY. MHLATHUZE WATER REMAINS THE BACKUP WATER SUPPLY TO RICHARDS BAY AND DO SUPPLY ON DEMAND, EG DURING LOADSHEDDING OR DURING MAINTENANCE AT THE MZINGAZI WORKS**

# REVENUE BREAKDOWN

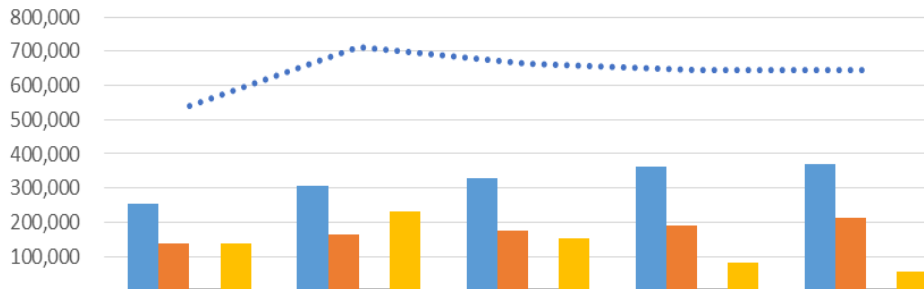
NOTE 13

P88, 91,  
113, 131

REVENUE 2022



REVENUE TREND PER STREAM



	2018	2019	2020	2021	2022
bulk water sales	254,480	307,662	329,531	362,005	369,651
bulk waste water disposal sales	139,892	164,854	176,240	191,958	211,849
lease income-waste water	7,965	7,026	6,824	6,824	6,824
secondary activities	136,659	233,101	151,452	82,725	54,766
total	538,996	712,643	664,047	643,512	643,090

OVERALL, THE 5 YEAR TREND SHOW A GRADUAL REDUCTION IN REVENUE

THIS IS LARGELY DUE TO REDUCTION IN REVENUE ON THE SECTION 30 WORK (**NON-CORE/ OTHER BUSSINESS**)

NOTWITHSTANDING, THE SECTION 29 CORE BUSINESS OF SUPPLYING WATER AND DISPOSING EFFLUENT REFLECT HEALTHY GROWTH, INCLUDING THE 2021/2022 YEAR.

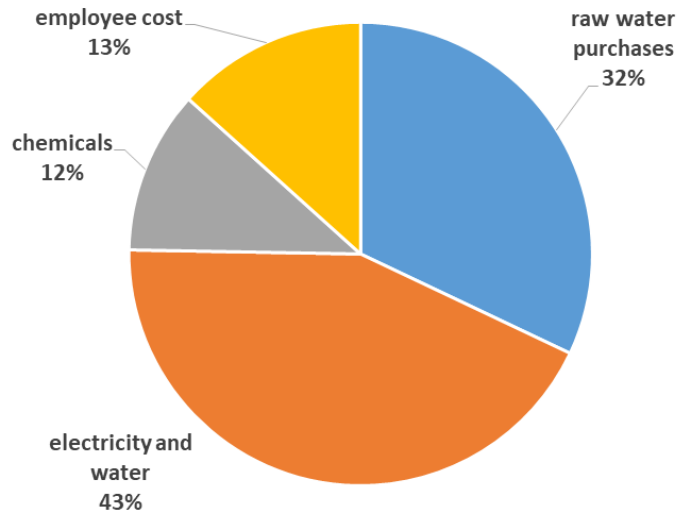
THE ENTITY CONTINUOUSLY PERSUE AVENUES TO GROW ITS SECTION 30 BUSINESS SEGMENT BY PARTNERING WITH GOVERNMENT AND PRIVATE SECTOR

# COST OF SALES BREAKDOWN

P88, 91,  
113, 131

NOTE 14

COST OF SALES 2022



**COST OF SALES IMPACT DIRECTLY THE GROSS PROFIT MARGIN OF THE ENTITY AND OVERALL FINANCIAL SUSTAINABILITY.**

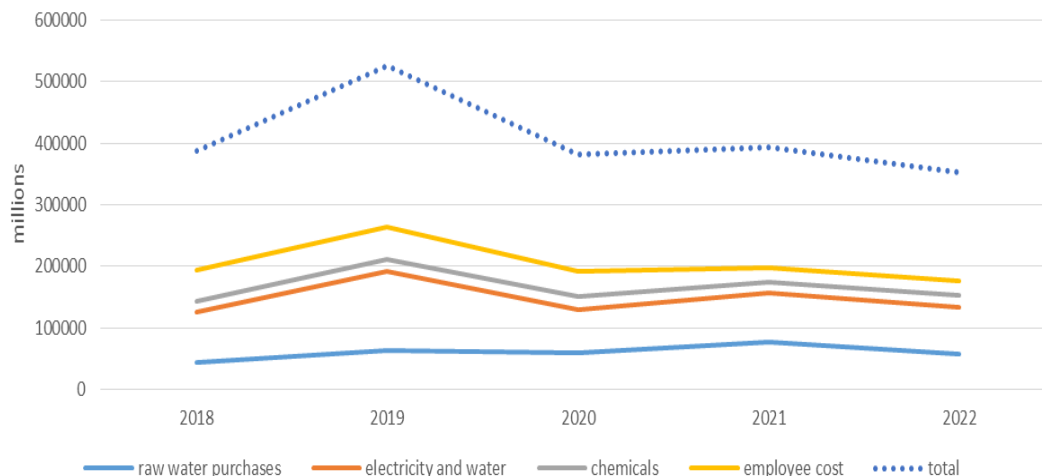
**PARTICULARLY EXCESSIVE ELECTRICITY TARIFF HIKES IS THE LARGEST IMPACT ON THE ENTITY, AS ITS OPERATIONS RUN 24 HOURS.**

**RISSING COST OF CHEMICALS ARE STARTING TO REFLECT ON THE RADAR**

**LOOMING ESTABLISHMENT OF CATCHMENT MANAGEMENT AGENCIES WILL ADD FURTHER TARIFF COSTS ONTO THE RAW WATER LEVIES THAT WILL BE TRANSFERRED TO THE CONSUMER**

**NOTWITHSTANDING THE ABOVE THE ENTITY REDUCED ITS COST OF SALES.**

COST OF SALES (CASH ITEMS ONLY)

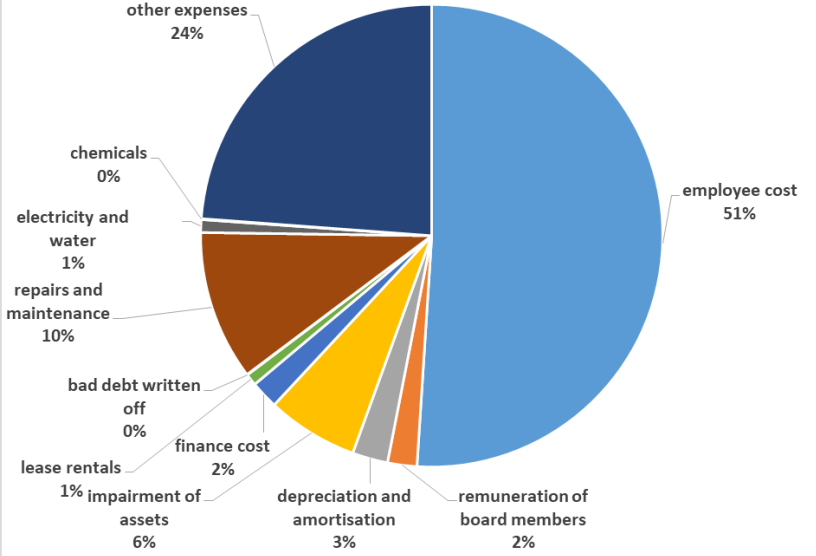


# EXPENSES BREAKDOWN

NOTE 17, 18, 5,6,19,23,26,21,22

P88, 91,  
113, 131,  
137

EXPENSES 2022

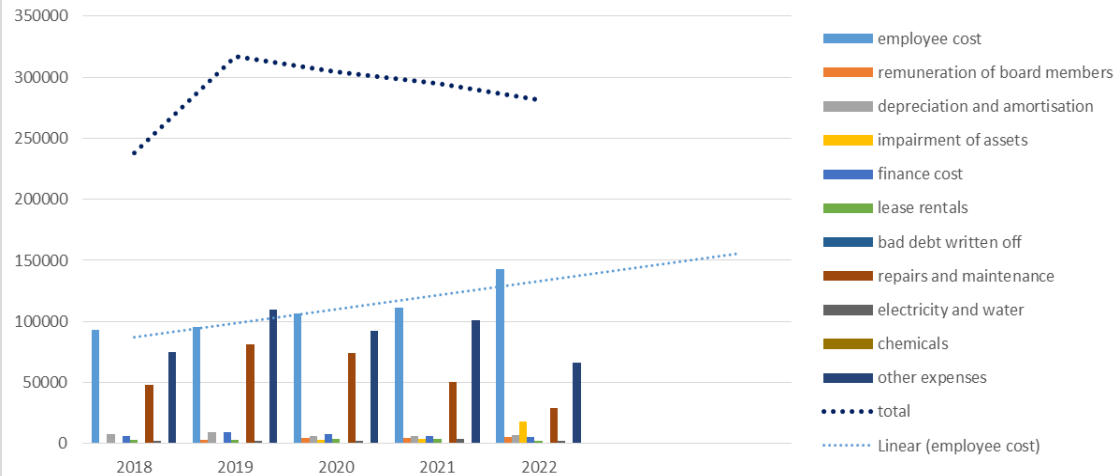


**EXPENSE IMPACT DIRECTLY THE NET PROFIT MARGIN OF THE ENTITY AND OVERALL FINANCIAL SUSTAINABILITY.**

**OTHER EXPENSES WILL BE DISCUSSED ON THE NEXT SLIDE, BUT PARTICULAR REFERENCE IS MADE TO THE RISING STAFF COST.**

**INCREASED COSTS ARE LARGELY DRIVEN BY EVER INCREASING BARGAINING COUNCIL AWARDS**

EXPENSES TREND



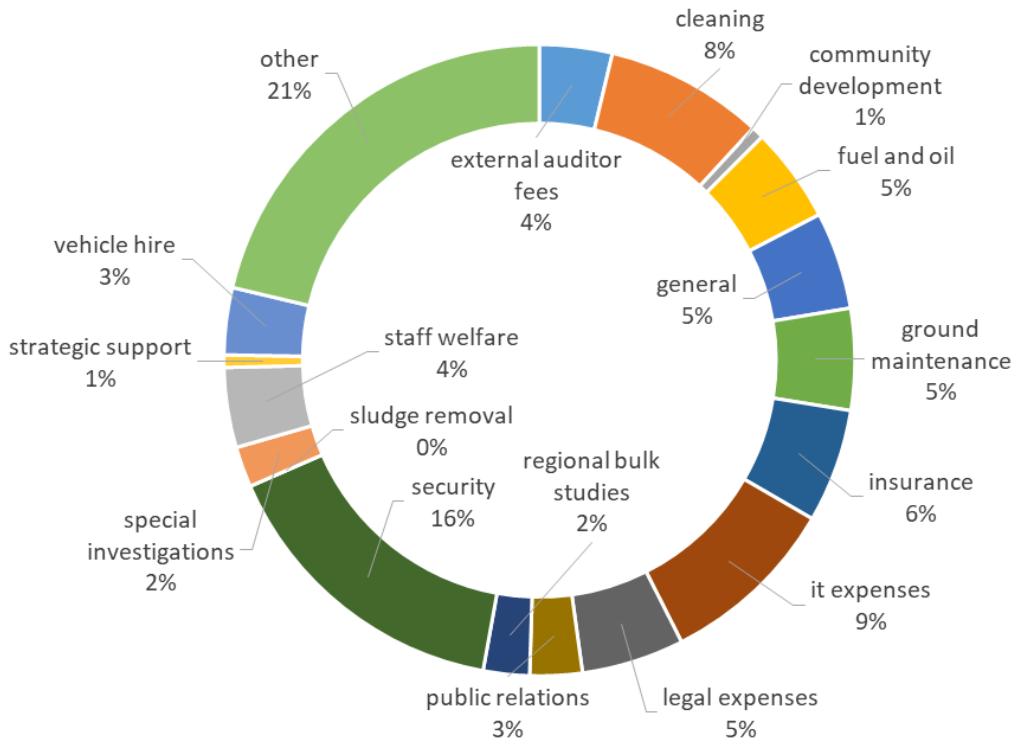
**STAFF COST FROM 2018 TO 2022 (5 YEARS) INCREASED BY 50% AND SHOW AN UNSUSTAINABLE TREND**

**BUT AS REPORTED EARLIER, THE ENTITY IS MANAGING BOTH IS COST OF SALES AND GENERAL EXPENSES BETTER**

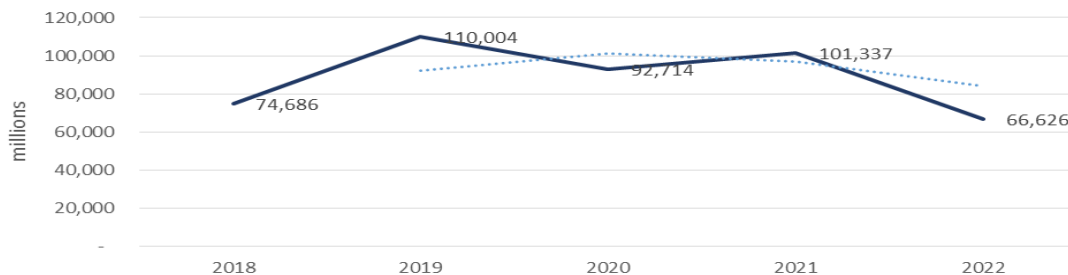
# OTHER EXPENSES BREAKDOWN

NOTE 22

**GENERAL EXPENSES  
2022**



**GENERAL EXPENSES TREND**



THE MAJOR SINGLE LINE EXPENDITURE ITEMS THAT MAKE UP “OTHER EXPENSES” FROM THE PREVIOUS SLIDE IS BROKEN DOWN HERE.

THESE EXPENSES, IF NOT CAREFULLY CONTROLLED, IMPACT DIRECTLY THE NET PROFIT MARGIN OF THE ENTITY AND OVERALL FINANCIAL SUSTAINABILITY.

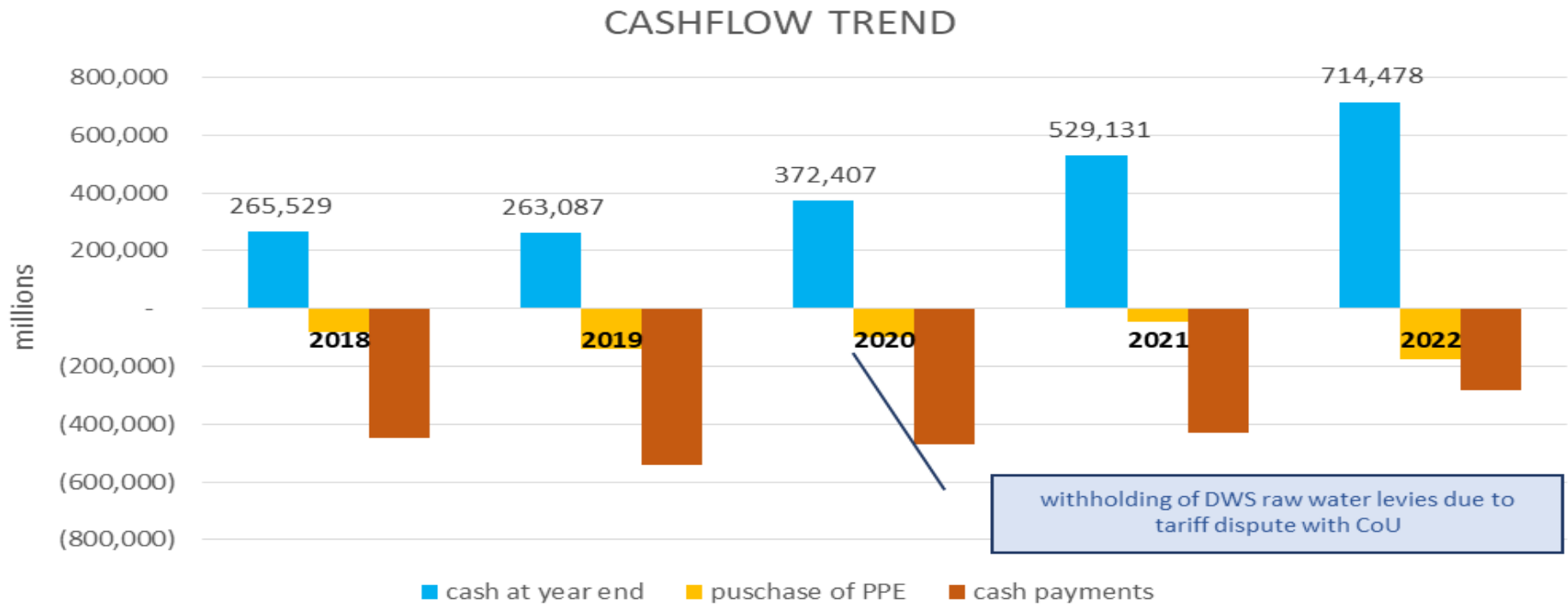
COST OF INSURANCE IS AN AREA TO BE HIGHLIGHTED. RECENT MARKET TRENDS INDICATED SUBSTANTIAL INCREASES IN PREMIUMS AND EXCLUSIONS FROM COVER DUE TO THE RISK OF INSURING GOVERNMENT BUSINESS.

INCREASED COSTS ARE LARGELY DRIVEN BY INFLATION (INCREASE COST OF FUEL AND ELECTRICITY) THAT IS PASSED ON TO THE ENTITY BY ITS SERVICE PROVIDERS.

BUT AS REPORTED EARLIER, THE ENTITY IS MANAGING THESE AND A DOWNWARD TRENS IS NOTICED.

# CASHFLOW BREAKDOWN

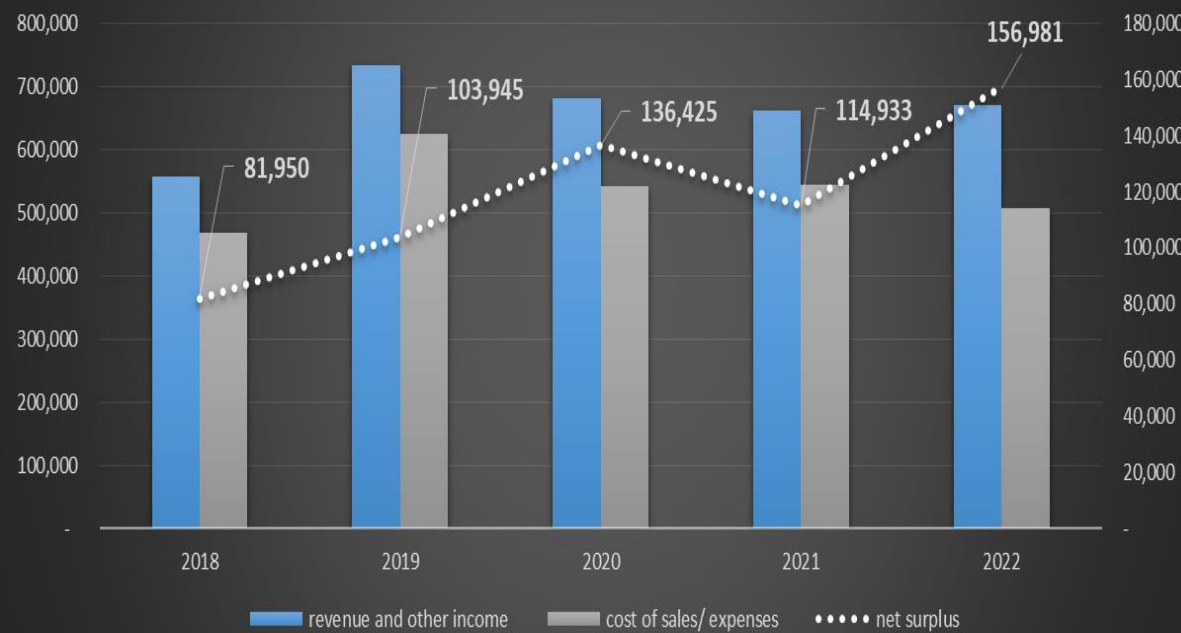
P115



**NOTWITHSTANDING THE MATTER BELOW, THE ENTITY HAS A STRONG CASH BALANCE FOR THE YEAR ENDING 2022 AT R714.4M.**

**PART OF THIS, AS OBSERVED IN THE REDUCTION OF CASH PAYMENTS (TO SUPPLIERS), THE ENTITY HAS BEEN WITHOLDING THE RAW WATER LEVIES PAYABLE TO THE DWS SINCE 2020. THIS DUE TO THE TARIFF DISPUTE LODGED BY THE COU. THE ENTITY HAS SETTLED THE DISPUTE AND WILL SETTLE ITS ACCOUNT WITH THE DWS. THE AMOUNT AT CLOSING OF 2022 IS R185M.**

## NET SURPLUS



RESERVES	2021/2022 ('000)
CAPITAL REPLACEMENT RESERVE	260,179
BUSINESS DEVELOPMENT RESERVE	26,809
INSURANCE RESERVE	6,402
MAINTENANCE RESERVE	11,891
ENVIRONMENTAL RESERVE	3,395
LOAN OBLIGATION RESERVE	8,612
<b>TOTAL</b>	<b>317,288</b>

RESERVES ARE FUNDS KEPT IN THE EVENT OF UNFORSEEN AND ABNORMAL EXPENSES IN THE RESPECTIVE RESERVE THEME AREAS.

**WITH THE NET PROFIT MARGIN OF 18%+, THE NET SURPLUS REFLECTS A POSITIVE AND HEALTHY POSITION.**

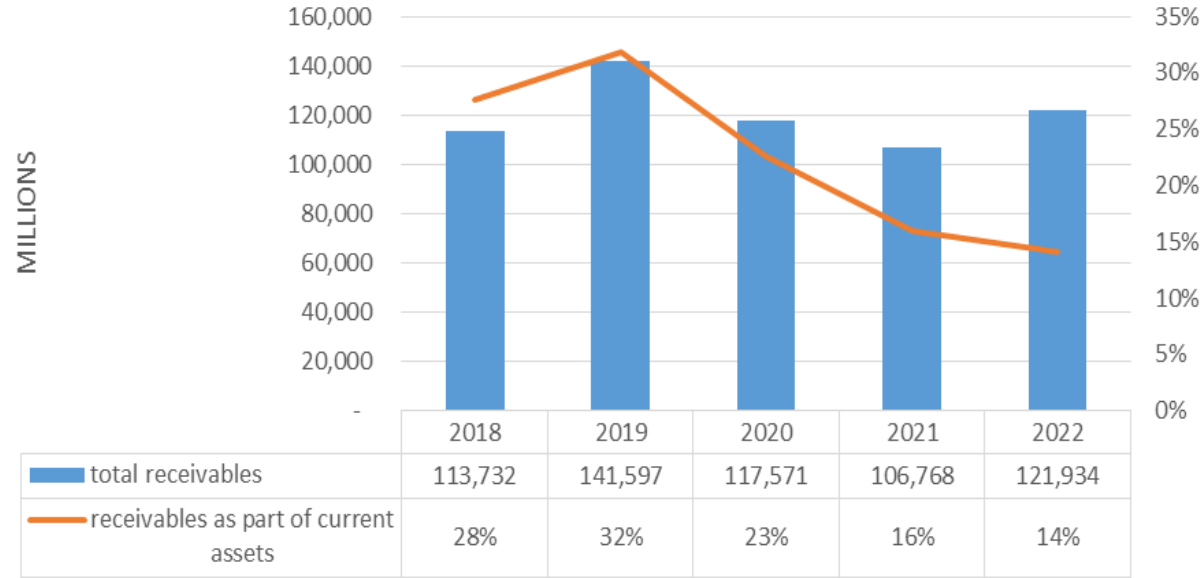
**THIS HAS STRENGTHENED THE FINANCIAL POSITION AND CASH RESERVES OF THE ORGANISATION**

**THE NEGATIVE IS THAT THE ENTITY DID NOT MEET EITHER OF ITS SPEND TARGETS OF CAPITAL OR MAINTENANCE BUDGETS. THIS HAS CONTRIBUTED TO THE HIGHER NET SURPLUS.**

# RECEIVABLES BREAKDOWN

## NOTE 3

### RECEIVABLES

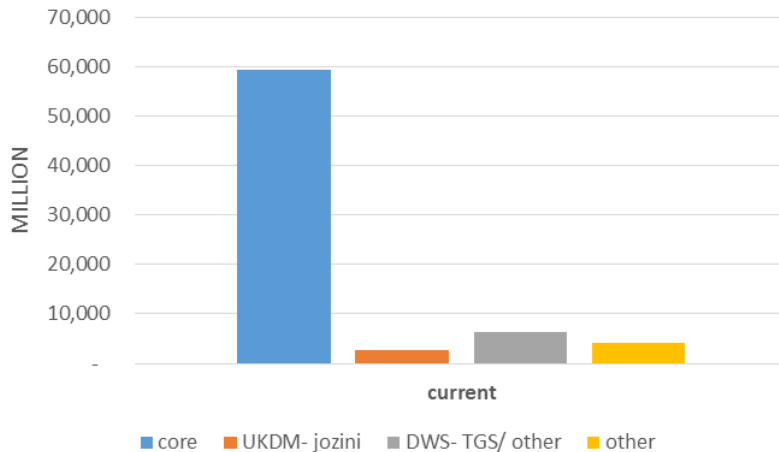


**THERE ARE NO MAJOR ISSUES TO BE REPORTED UNDER RECEIVABLES FOR THE YEAR ENDING 2022.**

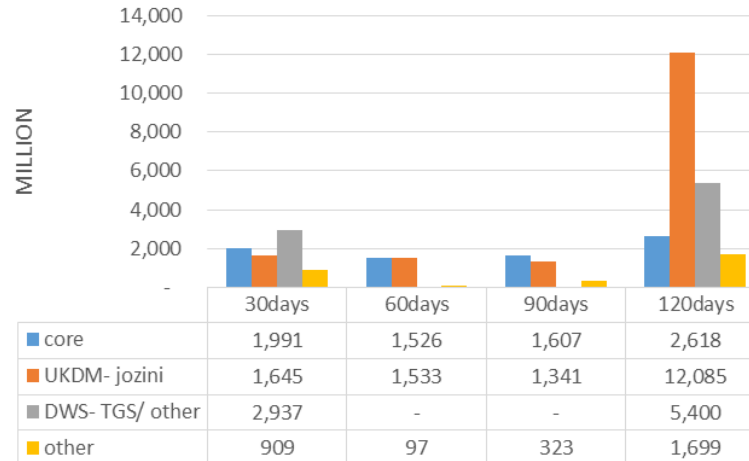
**SOME OF THE DEBT WITH UKDM HAS SINCE BEEN SETTLED (R7.3M DEC 2022) AND A PAYMENT PLAN IS BEING NEGOTIATED.**

**THE DEBT WITH DWS ON HISTORIC PROJECTS REMAIN AN AREA TO BE RESOLVED WITH ENGAGEMENTS WITH THE DWS.**

### RECEIVABLES AGE ANALYSIS



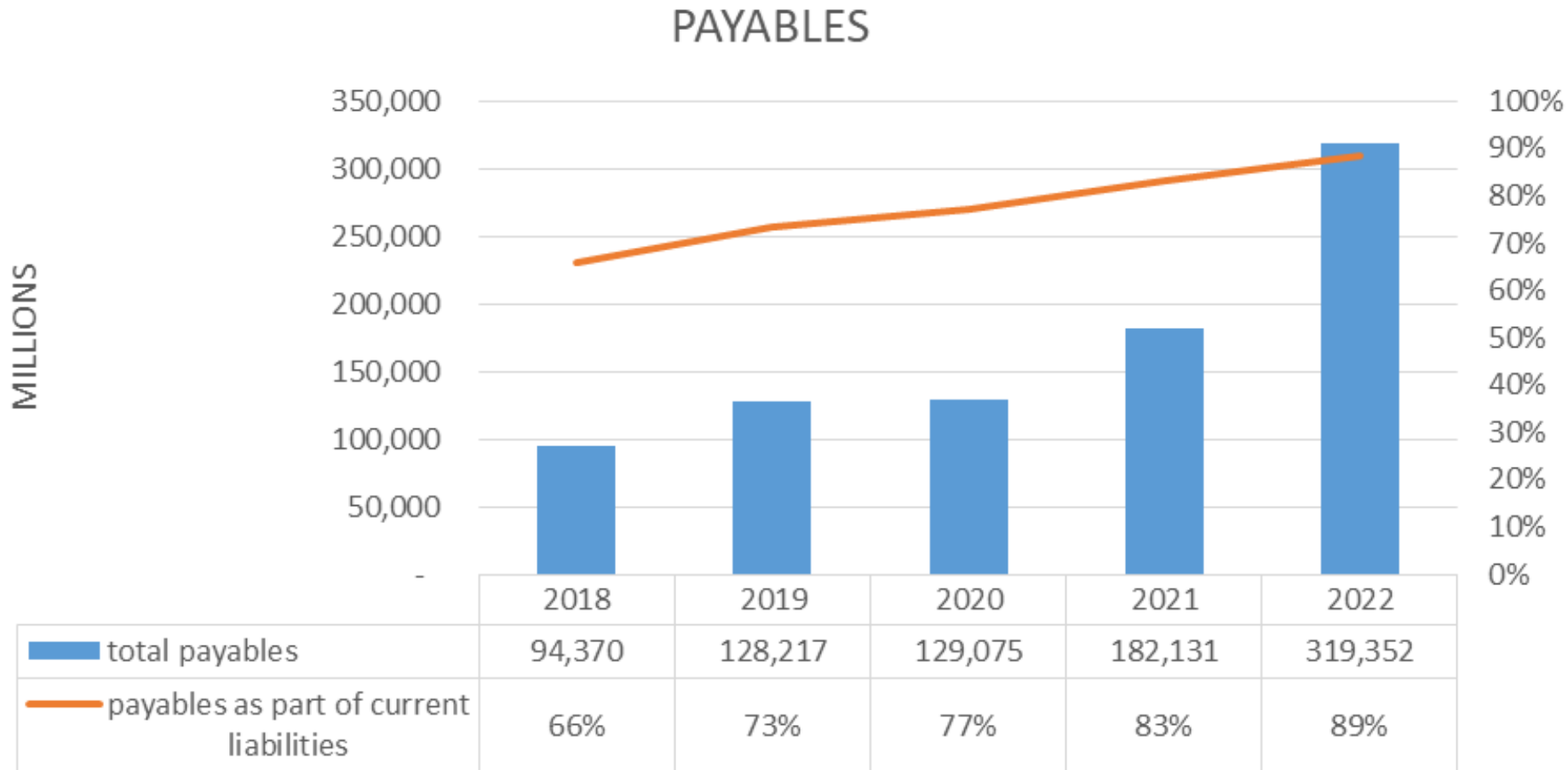
### RECEIVABLES AGE ANALYSIS



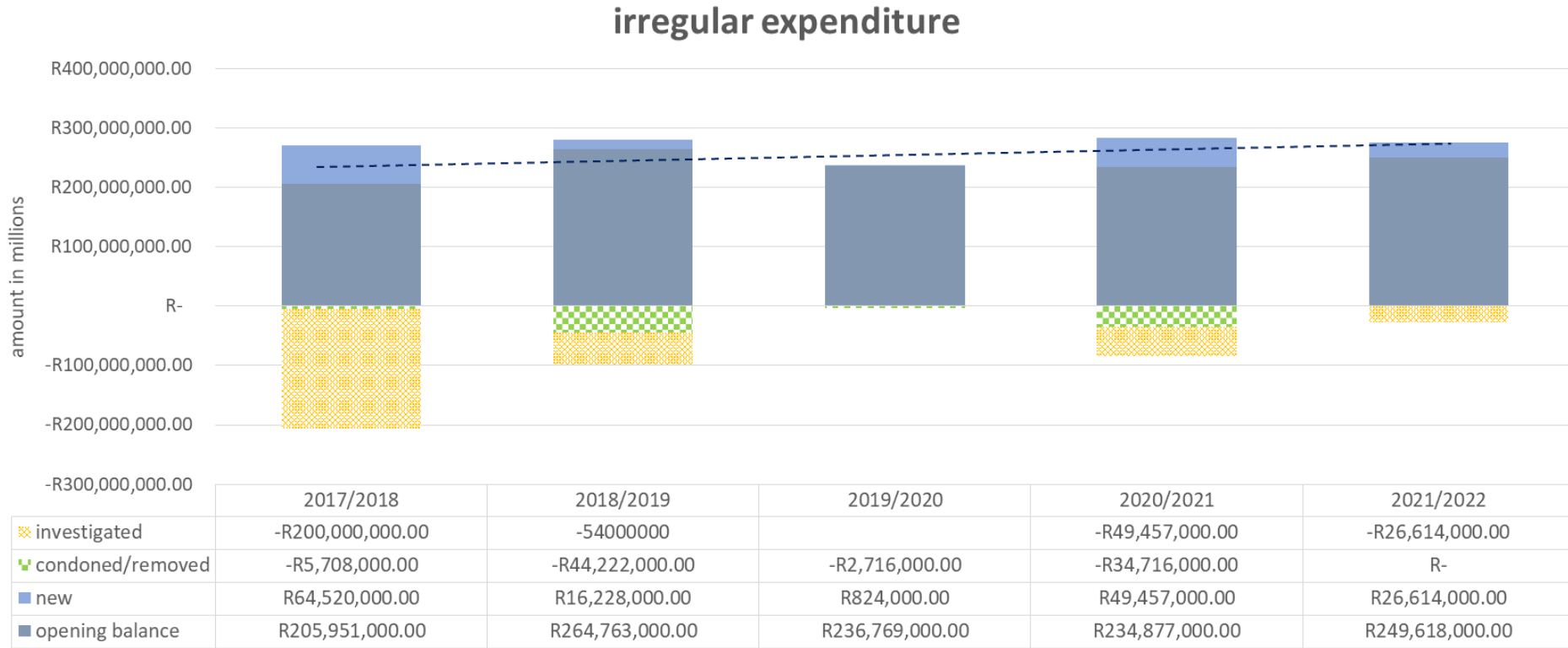


# PAYABLES BREAKDOWN

NOTE 8



**THE MAJOR ISSUE THAT AFFECTED THE CLOSING BALANCE IN PAYABLES IS THE WITHOLDING OF THE DWS RAW WATER LEVIES PAYABLE SINCE 2020. THIS DUE TO THE TARIFF DISPUTE LODGED BY THE COU. THE ENTITY HAS SETTLED THE DISPUTE AND WILL SETTLE ITS ACCOUNT WITH THE DWS.**



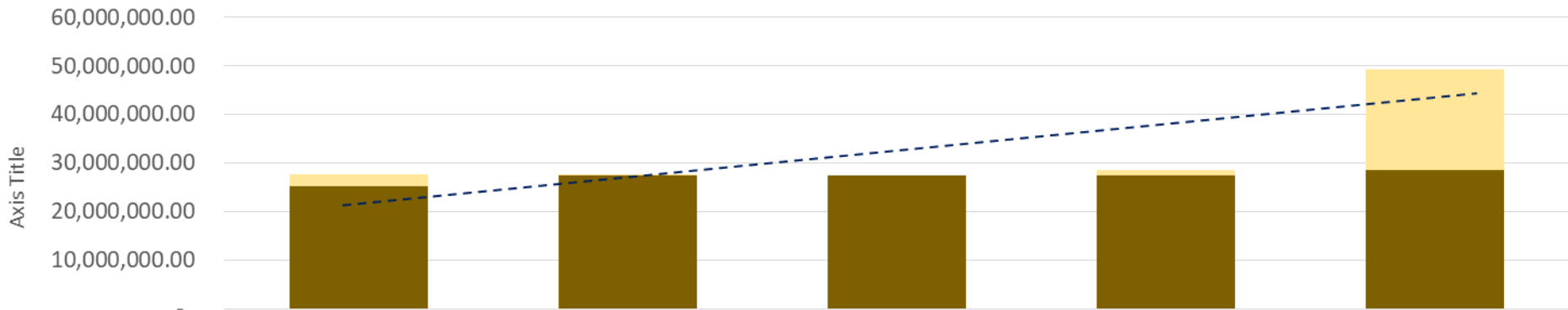
**IRREGULAR EXPENDITURE SHOW A NEGATIVE, UPWARD TREND. IT HAS GRADUALLY INCREASED SINCE 2018 WITH 2022 HAVING A CLOSING BALANCE OF R272 232 000.**

**FROM 2018 TO 2021, R87.3M HAVE BEEN INVESTIGATED, RECOMMENDATIONS IMPLEMENTED AND CONDONED BY NATIONAL TREASURY AND REMOVED BY THE BOARD.**

**NOTWITHSTANDING THIS EFFORT, ADDITIONAL R76.01M OF IRREGULAR EXPENDITURE WAS DISCOVERED BY THE AUDITOR GENERAL IN 2021 AND 2022.**

**ALL IRREGULAR EXPENDITURE HAVE BEEN INVESTIGATED TO DATE. AFTER RECOMMENDATIONS HAVE BEEN IMPLEMENTED AND CONTROL ENVIRONMENT IMPROVED, CONDONATION WILL BE APPLIED FOR.**

## fruitless and wastefull



	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022
written off	(237,000.00)				
recovered			(3,000.00)	(67,000.00)	(17,000.00)
new	2,509,000.00	4,000.00		1,187,000.00	20,578,000.00
opening balance	25,203,000.00	27,475,000.00	27,479,000.00	27,476,000.00	28,596,000.00

**FRUITLESS AND WASTEFULL EXPENDITURE SHOW A SHARPER NEGATIVE, UPWARD TREND. IT REMAINED CONSTANT WITH NO RECOVERY FROM 2018 UPTO 2021. IN 2022 ADDITIONAL R20.5M OF NEW FRUITLESS AND WASTEFULL EXPENDITURE WAS DISCOVERED BY THE AUDITOR GENERAL CLOSING WITH A BALANCE OF R49 157 000.**

**REFER TO NEXT SIDE ON CONTINGENT ASSETS**

- As a result of the investigation reports and their findings, 7 officials of Mhlathuze Water were placed on suspension between December 2021 and June 2022.
- They were issued with charges under the Disciplinary Policy of the organisation. The disciplinary hearings commenced in August 2022.
- **Three of the Seven have since resigned and the hearings of the remaining Four will conclude in the next few months.**
- Further, the officials have been served with summons and a case opened (Case Number D6385/22) to institute civil recovery (REFER TO CONTINGENT ASSETS)
- In addition, the process to lay criminal charges to all 7 officials and implicated companies is underway.
- If found guilty, MW will initiate processes to blacklist implicated companies with National Treasury, and officials with their respective professional bodies
- Lastly, once disciplinary outcomes are obtained, officials that are found guilty will be reported to DPSA for blacklisting.

**CONTINGENT ASSETS REPORTED IN THE AFS IS R67 762 000**



# Thank you