ANNUAL REPORT

2016/17

"Sustaining the source and flow of life forever"

TABLE OF CONTENTS

Corporate Profile	2
Statement of Capability	3
Area of Supply	4
Foreword by the Minister of Water and Sanitation	5
Chairperson's Report	8
Board Members	11
Acting Chief Executive's Report	12
Executive Committee	16
Corporate Services	18
• Corporate Services Review	19
• Company Secretariat	23
• Finance	29
• Human Resources	34
• Marketing and Communication	41
• Scientific Services	46
• Technical Support & Safety, Health and Environment	61
Operations	70
• Operations Review	71
• New Business Development	75
• Northern Cape Region	82
• North West Region	88
• Free State Region	103
• Shared Services	111
Financials	118
• Statement of the Board's Responsibility	119
• Audit and Risk Committee's Report	120
• Environmental Protection and Management	122
• Annual Performance Report	124
• Independent Auditor's Report	131
• Statement of Financial Position	140
• Statement of Comprehensive Income	141
• Statement of Changes in Equity	142
• Statement of Cash Flows	143
• Significant Accounting Policies	144
• Notes to the Financial Statements	160

CORPORATE PROFILE

Introduction

Sedibeng Water was established on 1 June 1979. Initially it serviced the Free State Goldfields and parts of the former Western Transvaal. In 1996 Sedibeng Water extended its operational area to the North West Province. Since then, Sedibeng Water grew to include the Vaal Gamagara Water Scheme in the Northern Cape Province.

In 2011 Sedibeng Water expanded its operational area further with the incorporation of the Namakwa Water Board. As a result, Sedibeng Water is now serving the Nama Khoi Local Municipality (Steinkopf, Okiep, Concordia, Carolusberg, Nababeep, and Springbok), as well as mines in the arid north-western part of the Northern Cape. Sedibeng Water has recently also incorporated the Pelladrift and Botshelo Water Boards into its operations.

The organisation currently services an operational area spanning across three provinces: The Free State, North West and Northern Cape. This makes Sedibeng Water one of the largest water utilities in the country in terms of the geographical area that it serves.

Vision and Mission

Sedibeng Water is driven by a vision of *Excellence in Water Services Provision.*

Sedibeng Water's mission statement underpins this excellence by focusing on:

- The appropriate treatment of wastewater and the supply of potable water;
- Ensuring viability and sustainability;
- Creating an environment that is conducive to the growth and retention of skills;
- Providing effective and efficient communications; and
- Ensuring compliance.

Corporate Philosophy and Values

- Accessibility to an affordable consistent service;
- Conducive and safe working environment;
- Treating employees with respect and equality;
- Promoting responsible behaviour in all our employees;
- Fair and balanced employee rewarding system;
- People development;
- Promoting excellence and innovation for efficiency and cost-effectiveness;
- Honesty and integrity in all our business engagements;
- Upholding principles of environmental sustainability in all our operations; and
- Promoting economic growth and development strategy.

STATEMENT OF CAPABILITY

Technical Services
- Evaluation and planning of systems;
- Project planning and management;
- Refurbishment and upgrade of existing infrastructure; and
- Implementing agency.

Social Services and Community Involvement
- Capacity building and training; and
- Community involvement in water and sanitation facilitation.

Wastewater Treatment
- Chemical and bacteriological analysis;
- Chemical treatment and process upgrading;
- Process problem solving and control;
- Process optimisation; and
- Consultancy.

Water Quality Management in Network and Environmental Services
- Chemical analysis;
- Bacteriological analysis;
- Toxicity testing; and
- Consultancy (waste disposal and pollution control).

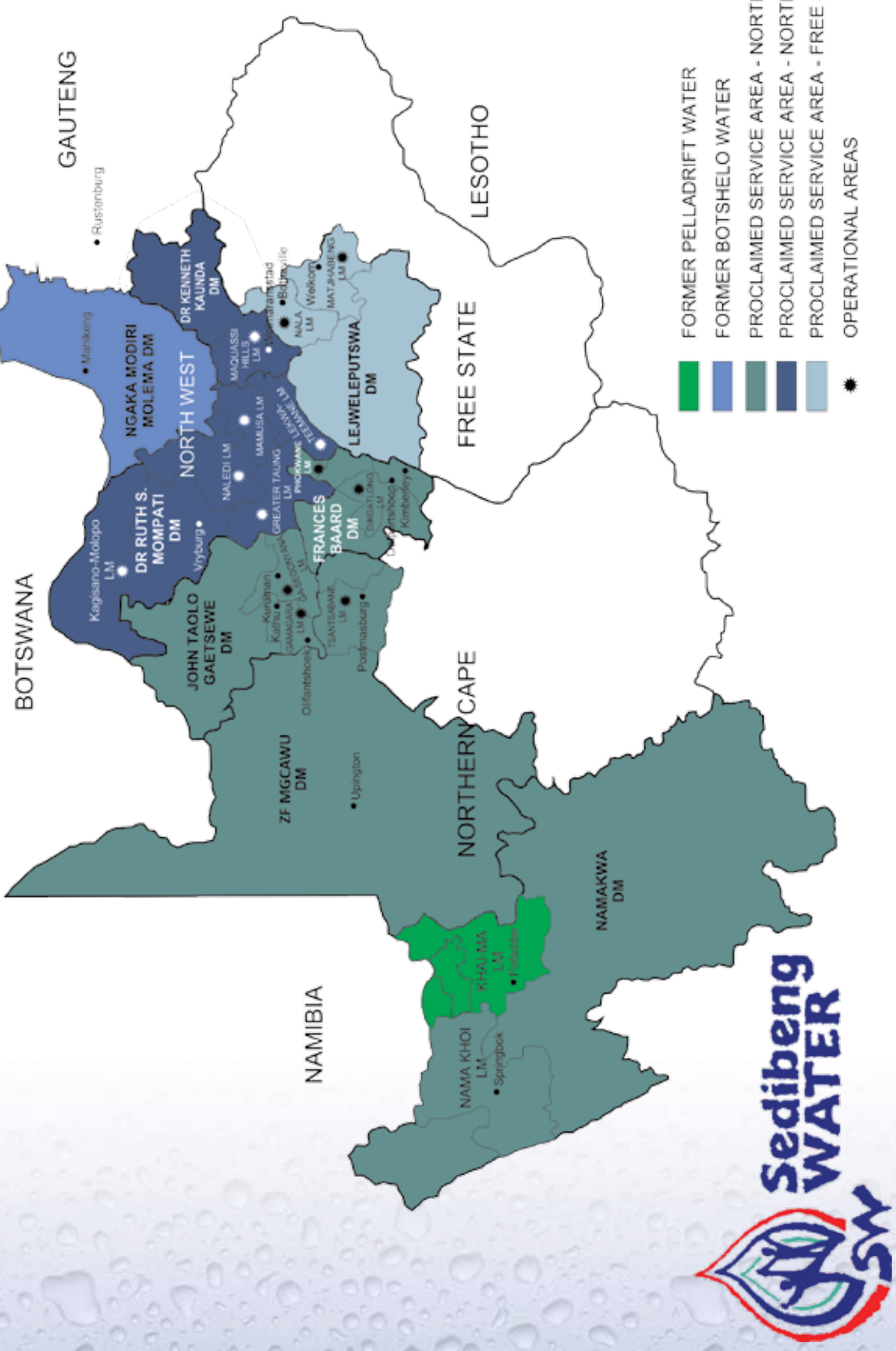
Water and Wastewater Management Services
- Bulk water treatment and distribution;
- Retail water services;
- Bulk sanitation management; and
- Water metering and billing services.

Operations and Maintenance Services
- Optimisation of operational and infrastructure efficiencies; and
- Infrastructure maintenance and support services.

Water Purification
- Chemical analysis;
- Bacteriological analysis;
- Process upgrading;
- Process problem solving and control;
- Process optimisation; and
- Consultancy.

Training and Development Services
- Water purification and distribution:
  - Theoretical and practical aspects of the operation and maintenance of different unit processes;
  - Process optimisation;
  - Comprehensive filter evaluation;
  - Sampling procedures and techniques;
  - Management of water quality in the network; and
  - Reservoir cleaning.
- Wastewater treatment:
  - Plant optimisation; and
  - Theory of wastewater treatment.
- Establishment of laboratories:
  - Implementation of a quality management system; and
  - Performing of chemical and bacteriological analyses on drinking water and wastewater.
- Industrial cost-recovery;
- Pollution control; and
- Student training programmes.

AREA OF **SUPPLY**



FOREWORD BY THE MINISTER OF WATER AND SANITATION

The Honourable Ms. N. Mokonyane, MP
Minister of Water and Sanitation

South Africa is ranked amongst the bottom thirty countries receiving the least rainfall in the world. As the custodian of the national water resources, I am expected to manage, preserve and allocate this scarce commodity to all citizens in an equitable and sustainable manner.

It is a bare truth that the previous political regime used water and sanitation services/allocations to promote inequality. However, with the dawn of democracy, a people's government has found it fit to use water and sanitation as a means of uniting South Africa, alleviating poverty and creating jobs.

The role of the Ministry and Department of Water and Sanitation is governed by the National Water Act (Act No. 36 of 1998) and the Water Services Act (Act No.108 of 1997), and together with national strategic objectives, governance and regulatory frameworks, provide an enabling environment for effective water use and management. In terms of Section 3 of the aforementioned National Water Act, national government is the public trustee of the nation's water resources. Acting through the Minister, the Department of Water and Sanitation must ensure that water is protected, used, developed, conserved, managed and controlled in a sustainable and equitable manner.

Therefore, the South African government and my Department in particular, will go to all lengths to ensure that previously un-served communities, especially the poor living in under-developed and rural areas, gain access to quality potable water and decent sanitation, whilst at the same time ensuring water security for all South Africans. In doing so, the rendering of water and sanitation services is not only restoring the dignity of our people, but also provides a catalyst to economic development and growth opportunities in our country.

It is my strategic intent to put water provision and sanitation services at the centre of government programmes and to ensure that the implementation of our goals and objectives are guided by the National Development Plan.

The Ministry and Department of Water and Sanitation lead and regulate the water sector in South Africa. We are responsible for the development of policy and strategy, and further provide support to national, provincial and local government structures in the provision of water and sanitation services.

Sedibeng Water is one of the nine water boards that has been established for the purpose of providing

water and sanitation services. The organisation has been instituted as a statutory water board in terms of the Water Services Act (Act No.108 of 1997). Furthermore, Sedibeng Water conducts its operations as a listed Schedule 3B entity in terms of the Public Finance Management Act (Act No. 1 of 1999). As a government business enterprise, Sedibeng Water is self-funded and being managed and operated in accordance with general business principles. Its sole shareholder is the Government of the Republic of South Africa, represented by the Minister of Water and Sanitation.

As a Schedule 3B public entity, Sedibeng Water's purpose is to deliver on the strategic intent set by Government. In accordance with Regulation 29 of the National Treasury Regulations issued in terms of the Public Finance Management Act, the Board of Sedibeng Water annually concludes a Shareholder Compact with the Minister of Water and Sanitation. This Shareholder Compact sets out the key performance measures and indicators to be achieved.

Sedibeng Water operates in the North West, Free State and Northern Cape Provinces. Its area of service comprises of urban, peri-urban and rural communities. The area of supply contains challenges, ranging from high levels of poverty and high unemployment rates, to insufficient water resources and aging water supply infrastructure. These challenges are exacerbated by drought conditions which intensified during the 2016/2017 financial year.

Infrastructure Projects

Amidst all these aforementioned complications, I am pleased with the progress and efforts made by Sedibeng Water on the following projects which they implemented on behalf of the Department of Water and Sanitation:

- *Vaal Gamagara Project:*
  I appreciate the progress made in the implementation of the refurbishment and upgrade of the Vaal Gamagara Supply Scheme. This multi-billion rand project includes the refurbishment of the existing Vaal Gamagara Water Treatment Works, the upgrade of several pump stations and the construction of a 430km long pipeline.

- *Namakwa Project:*
  Sedibeng Water is overseeing the refurbishment of the aging facilities of the Namakwa Water Board and the replacement of its key infrastructure components. It is encouraging to see the progress made in the second phase which is focussing on the replacement of the delivery main pipeline from the Henkries River Pump Station to the Eenriet Reservoir at Steinkopf.

- *Mier Kalahari East Pipeline Project:*
  The project entailed the construction of a 170km water supply pipeline system from the existing Kalahari East take-off point (50km south east of Askham) to the towns of Askham, Andriesvale, Groot Mier, Kleinzee, Mier, Loubos, Rietfontein and Philandersbron, as well as the construction of a 21Mℓ earth fill reservoir close to Groot Mier. The project was successfully completed in August 2016.

Drought Mitigation Projects

I note with appreciation the implementation of drought mitigation projects by Sedibeng Water. These projects include the refurbishment of existing boreholes; the drilling and equipping of new boreholes; the building and equipping of pump houses; the installation of new water reticulation systems; the laying of new pipelines; the erection of standpipes and storage tanks, etc. These projects are being implemented by Sedibeng Water in the Ratlou, Mahikeng, Tswaing, Ditsobotla and Ramotshere Moiloa Local Municipalities in the North West Province.

Ministerial Interventions

As the Minister of Water and Sanitation, I am expected to intervene in areas where water services are failing. As part of my intervention, I have directed Sedibeng Water to assist the following municipalities:

- *Ngaka Modiri Molema District Municipality:*
  Sedibeng Water in partnership with all stakeholders in the North West Province, developed a Business Plan aimed at turning around water and sanitation services within the Ngaka Modiri Molema District Municipality that will eventually benefit a total population of 844 775 people. I am pleased with the progress made to date.

- *Maluti-a-Phofung Local Municipality:*
  This municipality in the Free State Province experienced severe water shortages since the beginning of 2016. The problem was caused by the drought conditions prevailing throughout the country, but was also aggravated by the inadequate operation and maintenance of water infrastructure in the municipal area concerned. I tasked Sedibeng Water to implement all RBIG funded water projects in the area. This intervention will benefit a total of 84 258 people.

Conclusion

I want to commend Sedibeng Water for its business philosophy which takes into account the developmental needs of communities in this water board's area of operation. Through its extensive Corporate Social Investment Programme, Sedibeng Water made discretionary and voluntary contributions to the socio-economic upliftment and well-being of individuals, institutions and communities. The assistance of previously disadvantaged schools with special needs, women, non-governmental organisations, community-based organsations and other organs of civil society, is highly appreciated.

During the 2016/2017 financial year, Sedibeng Water has again demonstrated its commitment and value as a strategic partner in assisting the Department of Water and Sanitation in meeting its constitutional obligations. The information contained in this annual report confirms that this water board demonstrates effective governance and leadership provided by its Board of Directors, Management and committed employees. Sedibeng Water is successfully aligning itself with the strategic objectives of the Department of Water and Sanitation and the concluded Shareholder Compact.

N. Mokonyane
Minister of Water and Sanitation

CHAIRPERSON'S REPORT

M.D. Dikoko
Chairperson

Background

Sedibeng Water is the third largest water utility in South Africa. It is governed by six effective non-executive Board Members of high calibre. It gives me pleasure as the Chairperson of the Board to present the organisation's annual report for the 2016/2017 financial year.

Sedibeng Water's area of operation includes three provinces i.e. the Free State, North West and Northern Cape Provinces. These areas comprises of a few larger towns and vast rural communities, which are characterised by high levels of unemployment and poverty. As a result of this, Sedibeng Water's municipal clients in these areas are mainly dependent on government grants.

Governance

Members of the Board, as a collective, strive to provide strong leadership, strategic oversight and effective governance to Sedibeng Water with the aim of augmenting the organisation's efficiency and operational performance. The Board is fully committed to its role of exercising stewardship of the organisation and has created a framework of prudent and effective controls that enable risks to be identified, assessed and managed. Furthermore, the Board develops the organisation's strategy and sets strategic goals. The governance framework comprises of sound policies to ensure prudent organisational performance in all aspects of the institution. The Board has taken a serious stance against fraud and corruption, hence the creation of a platform for reporting corruption through whistle blowing.

The content of this annual report confirms that Sedibeng Water has through its capability, skills, competencies and implemented strategies, earned a rightful place amongst the most progressive water utilities in South Africa. Sedibeng Water has over the years developed talent, experience, operational and financial efficiency, and has also attracted managers and employees who display a high level of commitment and dedication to the strategic objectives of the institution. This is basically the main reason why Sedibeng Water is seen to be playing an increasingly important role in the water services sector within its area of service.

Stakeholder Relations

The Board continued to create strong relationships with its customers and stakeholders in the North

West, Free State and Northern Cape Provinces. It is evident from this annual report that Sedibeng Water has endeavoured during the 2016/2017 financial year to adhere to its core philosophy of service excellence, and in doing so, also contributed significantly to National Government's imperatives related to the provision of quality water services to all communities. The organisation's interactions with stakeholders were characterised by honesty, transparency and integrity.

Furthermore, Sedibeng Water provides various water related services, expertise and partnerships to local government structures and other stakeholders. This includes technical services, water and wastewater management, operations and maintenance, as well as water quality management.

Highlights of the 2016/2017 Financial Year

Implementation of DWS Projects

Sedibeng Water continued its support to the Department of Water and Sanitation (DWS) as an Implementing Agent for several projects. These projects were funded by DWS and have been implemented by Sedibeng Water in the Free State, North West and Northern Cape Regions. The major projects are:

Free State Region:

- Upgrading of the Jacobsdal Water Treatment Works;
- New water reticulation and house connections in Ratanang/Jacobsdal;
- Several Regional Bulk Infrastructure Grant Projects in Qwaqwa; and
- Testing and equipping of boreholes in Petrusburg.

North West Region:

- Upgrading of the Maquassi Hills Wastewater Treatment Works (Wolmaransstad); and
- Several projects in the Ngaka Modiri Molema District Municipality.

Northern Cape Region:

- Bucket Eradication Programme in the Sol Plaatje Local Municipality;
- Rainwater Harvesting Project;
- Refurbishment and upgrade of the Namakwa Regional Water Supply Scheme;
- Refurbishment and upgrade of the Vaal Gamagara Water Supply Scheme; and
- Implementation of the Mier Kalahari East Pipeline Project.

Research and Development

During the 2016/2017 financial year, Sedibeng Water continued to expand its research efforts regarding issues of major concern by providing funding for the operation and maintenance of the Research Chair in Water Utilisation Engineering at the University of Pretoria. In doing so, Sedibeng Water contributes towards scientific development in finding long-term solutions within source, treatment, and supply networks. Issues that the Research Chair are currently addressing include the conservation of water by recycling effluent from sediment settling ponds, the control of algal regrowth within the ponds, and the management of chlorine demand in the water supply network.

Corporate Social Investment (CSI)

Our CSI Programme makes discretionary and voluntary contributions to the socio-economic upliftment and well-being of individuals, institutions and communities within our area of service. Some of these beneficiaries include day care centres for orphans, vulnerable children and people living with HIV/AIDS; schools and centres for physically and intellectually challenged learners; facilities for the elderly in disadvantages communities, etc. Looking forward, the organsiation will be announcing financial assistance on merit to university students aspiring to advance their studies at institutions of higher learning.

Conclusion

In her report, the Acting Chief Executive of Sedibeng Water will provide a comprehensive summary of other achievements related to the corporate services and operational functions of the organisation during the past financial year. Notwithstanding, operational achievement cannot be isolated from the socio-economic environment it takes place in.

As Chairperson of the Board, I wish to thank the Management and all employees of Sedibeng Water for their hard work and dedication throughout the 2016/2017 financial year. It was through their tireless efforts that Sedibeng Water has concluded another successful year in enhancing its services to customers and clients in all three regions. Through your dedicated service, Sedibeng Water could really serve the communities and our stakeholders and partners. I am likewise grateful to all our loyal customers for their continued support of Sedibeng Water.

At the same time, I wish to express my gratitude to the Honourable Minister of Water and Sanitation, Ms. N. Mokonyane, for continuously encouraging the Board in executing its duties and responsibilities. It was through the support of the Minister and the Department of Water and Sanitation, assisted by the Portfolio Committee, that our achievements for the 2016/2017 financial year could be realised. It is with sincere appreciation that I thank you all for your guidance and leadership.

M.D. Dikoko
Chairperson of the Board

BOARD MEMBERS

Mr. M.D. Dikoko
Chairperson

Dr. P. Molokwane

Mr. M.M. Mthombeni

Mr. E.A. Gaborone

Mr. C.D. Mboweni

Ms. K.G. Sereko

ACTING CHIEF EXECUTIVE'S **REPORT**

M.A. Shasha
Acting Chief Executive

Background

Sedibeng Water's principal focus during the 2016/2017 financial year was geared towards improving and enhancing both business and operational efficiencies, whilst growing the organisation's market share. The realisation of these objectives was grounded in good governance and compliance with the legislative framework that governs the water services sector.

Sedibeng Water's area of supply comprises parts of the Free State, North West and the Northern Cape Provinces. The organisation serves a total population of 2.9 million people living mainly in rural communities and a few larger towns. All municipalities serviced by Sedibeng Water rely on government grants to pay for water services as a result of minimum economic activities and consequent high levels of unemployment being experienced in these municipal areas. Amidst all the challenges mentioned above, Sedibeng Water continued to provide efficient water services to all the communities in its area of supply.

This annual report highlights and outlines the activities and performance of Sedibeng Water for the financial year that ended 30 June 2017. It is my privilege to provide a brief overview indicating the organisation's achievements and progress during the 2016/2017 financial year:

The year under review was characterised by severe drought conditions and flash floods. South Africa is a water scarce country where all citizens have to ensure that water is conserved. The cover of this annual report depicts an hourglass which symbolises drought conditions being experienced in the larger part of South Africa and ever depleting water resources impacting on every sphere of our social and individual existence, accentuating the truth that "water is life". If we do not manage, preserve and use water wisely, the hourglass for water as a scarce resource in our country will soon run empty. Therefore, all South Africans have to mobilise and cooperate with Government and the water sector in taking responsibility for ensuring water security not only for ourselves, but also for the generations to come.

Water Services

Sedibeng Water is committed to high quality, uninterrupted water supply to all its clients and customers. A concerted effort was made to deliver water services to the various regions without major

interruptions. In comparison with the previous financial year, water production decreased by 5%, while a decrease of 1% was recorded in the volume of bulk water sales. This was due to drought conditions experienced during the year under review. In general, all three regions performed well during the 2016/2017 financial year.

Water Quality Management

The benchmark for ensuring drinking water quality is set by the South African National Standards (SANS 241:2015). Sedibeng Water's Scientific Services Department plays an important role in meeting these requirements by providing support to all three regions and the Water Service Authorities which the organisation serves. The Scientific Services Department is also responsible to ensure that water quality results are used to optimise treatment processes at all water treatment works.

During the 2016/2017 financial year, Sedibeng Water continued to supply potable water of a high standard to consumers and clients. Regions produced final water of exceptional quality which complied with determinands listed in SANS 241:2015. Few non-conformances were experienced in areas where plant design capabilities are a challenge. However, these non-conformances were promptly attended to.

Sedibeng Water's Quality Control Laboratory at Balkfontein has been accredited by the South African National Accreditation System (SANAS) since 2002. During the year under review, this laboratory was once more assessed according to the Accreditation Act (Act No. 19 of 2006), the International Standard, ISO/IEC 17025 and SANAS requirements. The laboratory has yet again been successful in maintaining its accreditation status. The assessment of Sedibeng Water's new Vaal Gamagara Quality Control Laboratory will take place in the next financial year.

Financial Performance

Total revenue increased from R1,1 billion in the previous financial year to R1,3 billion in the 2016/2017 financial year, which constitutes a 10.7% increase. An increase of R19,9 million (1.5%) in operating and administrative expenses was evident due to an escalation in the cost of electricity and chemicals, increased salaries and wages, as well as the deprecation of property, plants and equipment due to the revaluation of infrastructure assets.

The operating profit for the year, before gains and net finance income and costs, was R33,4 million, while the net profit amounted to R89 million. The latter constitutes as a decrease of R159 million, when compared to the net profit of R248 million reported in the 2015/2016 financial year. This decrease can be attributed to a once-off government grant received in the previous year i.e. the 2015/2016 financial year. The aforementioned grant was advanced to Sedibeng Water as a result of the non-payment of outstanding debt by Water Services Authorities (municipalities). This grant, however, had not been allocated during the 2016/2017 financial year. Total assets increased from R5,8 billion in the previous financial year to R6,6 billion in the 2016/2017 financial year.

Sedibeng Water received a qualified audit report for the 2016/2017 financial year. An action plan is being developed for approval by the Board and Management to adequately address all the issues raised in the Independent Auditors Report by the Auditor-General of South Africa. The overall financial and operational performance of Sedibeng Water remains positive, in spite of outstanding debt owed by Water Services Authorities. However, it must be noted that increasing debt by Water Service Authorities poses a growing threat to the long-term financial sustainability of the organisation.

Infrastructure Development and Maintenance

Capital projects are aimed at augmenting water supply or enhancing water quality through refurbishment and upgrades. The capital expenditure for the 2016/2017 financial year amounted to R337,2 million. This programme is progressing well amidst some challenges, which include funding to a certain extent.

The maintenance and refurbishment of infrastructure is one of Sedibeng Water's strategic objectives. A programme of planned maintenance for all plants, equipment and infrastructure was implemented successfully throughout the 2016/17 financial year.

It should be noted that vandalism and theft remain challenges in the organisation's area of supply. Such criminal activities continued to interrupt water supply and also increased cost for repairs and maintenance.

Human Capital

Sedibeng Water strives continuously to recruit, train, develop and retain suitably qualified and skilled employees. Salaries and benefits offered to employees were reviewed taking into consideration annual salary surveys and settlement trends information obtained from reputable remuneration consultants.

To ensure that Sedibeng Water is able to attract and retain talented individuals at all levels in the organisation, many existing job positions had to be restructured and re-evaluated, while the reward strategy and employee benefits have also been reviewed and improved. A staff turnover of 3.19% was evident during the year under review. A total of 83 employees received long service awards.

In total, 60 short-learning programmes were successfully implemented during the year under review, and 822 participants benefited from these training initiatives. In terms of bursary and study loans, 63 employees (of which 36 are women) received assistance to further their qualifications.

Efforts to improve the organisation's employment equity profile are on-going. At senior management level, the percentage of gender equity has increased to 23.08%, as opposed to 15.38%, which was the case in the previous financial year. Another recurring challenge in terms of employment equity has been the achievement of the national target of 2% of People with Disabilities (PWDs). In an attempt to address this challenge, Sedibeng Water is forging relations with various organisations, such as Disabled People of South Africa. The number of employed PWDs increased from 7 in the 2015/2016 financial year to 12 in the year currently under review.

Safety, Health and Environment

Sedibeng Water realises that its operational activities should not only be in harmony with the environment, but also take place in a safe working milieu. At the beginning of the 2016/2017 financial year, two interrelated key performance areas had been identified to focus on, namely, the reduction of injury statistics and the improvement of the organisation's external NOSA Audit grading.

Sedibeng Water's calculated overall Disabling Injury Frequency Rate (DIFR) for the 2016/2017 financial year was 1.52. Furthermore, external NOSA CMB 253 audits were conducted in all the regions during the year under review. The Free State Region achieved a 5 Star grading, while the North West Region obtained a 4 Star and the Northern Cape Region a 3 Star grading. In order to promote safety and health in the workplace, 19 courses were successfully presented to employees during the financial year concerned.

The Management of Sedibeng Water has also demonstrated its commitment to the wellbeing of employees by ensuring the successful implementation of the Disease Management Programme, Employees Assistance Programme and HIV/AIDS Programme.

Customer and Stakeholder Relations

Sedibeng Water strives to exceed customer expectations all the time. During the year under review, a Customer Satisfaction Survey was conducted by an independent research company in all Sedibeng Water's operational areas. Statistical analyses using various customer service indicators, established that Sedibeng Water currently maintains a customer satisfaction level of 77.5% amongst its retail customers and 81.1% amongst its bulk customers. These results indicate a slight increase in overall customer satisfaction as compared to the previous year and confirm that the organisation was able to maintain its already high levels of customer satisfaction during the 2016/2017 financial year.

Since Sedibeng Water places a high value on customer and stakeholder relations, various channels and platforms were created and utilised to engage every stakeholder/customer group effectively and efficiently. These channels and platforms include scheduled meetings, involvement and collaboration on some projects, radio talk-shows, a corporate newsletter, road shows, a website, print and electronic media, as well as an inspector phone-in programme, water and sanitation forums, co-coordinating committees, customer interaction forums, project steering committees and community forums.

Governance

During the 2016/2017 financial year, the Board achieved a 90% attendance rate against the set target of 80%, while a further three special meetings to address urgent issues and matters that warranted special board sittings, also took place. This affirms the Board's commitment to the organisation. Overall, the Board passed five resolutions, amongst others, the approval of Borrowing Limits and Guarantees which Sedibeng Water must obtain from National Treasury through the Department of Water and Sanitation. The Board (through the Audit and Risk Committee) reviewed the organisation's Top 10 Risks, which are revised annually. The next risk assessment will be conducted by March 2018. In addition, the Board approved a number of policies in respect of the Human Resources function, the Supply Chain Management Policy and Risk Management Policies, amongst others.

The Service Level Agreements with municipal customers were all in place at 30 June 2017. Outstanding Service Level Agreements related to two mines are currently being negotiated. Furthermore, the Board approved Sedibeng Water's Five Year Business Plan and the Shareholder Compact for the 2016/2017 financial year. This approval emanated from a thorough review by the Department of Water and Sanitation. Sedibeng Water reports on a quarterly basis on the achievements and non-achievements of the Shareholder Compact.

Acknowledgements

My gratitude is expressed to the Chairperson and Members of the Board of Directors of Sedibeng Water for their selfless contribution towards the wellbeing of the organisation. While executing their governance role, the organisation established a culture of openness, fairness, accountability and integrity. The Board's positive engagement with customers and stakeholders has assisted in improving the corporate image of Sedibeng Water.

Furthermore, I wish to convey my appreciation to the Honourable Minster of Water and Sanitation, Ms. N. Mokonyane, and the Department of Water and Sanitation for the trust they have placed in the Board and Management of Sedibeng Water. We will continue to avail resources for the execution of your water infrastructure programme in our area of service. Our success during the year under review is to a great extent due to your unwavering support, which has enabled us to contribute meaningfully to the development of our country and its people.

All our efforts would be in vain if we did not have the loyal support of our stakeholders and customers. Through your sustained involvement, we were in the position to better our services to the community and in doing so, we have achieved excellence in water services provision during the year under review.

I also want to acknowledge the staff of Sedibeng Water for their total commitment in serving the organisation and its clients. It is through your efforts that we have become a reliable and reputable water services provider who makes a positive impact on a large geographical area of South Africa.

M.A. Shasha
Acting Chief Executive

MEMBERS OF THE **EXECUTIVE COMMITTEE**

Ms. M.A. Shasha
Acting Chief Executive

Mr. S.K. Sithole
Acting Regional Manager: North West

Mr. N.T. Molobye
Human Resources Executive

Mr. T.E. Nteo
Internal Audit Executive

Mr. M.M. Lebitso
Shared Services Executive

Ms. J.T. Busakwe
Acting Chief Financial Officer

Mr. N.A. Theys
Marketing and Communication Executive

Mr. D.F. Traut
Scientific Services Executive

Mr. N.E. Ratshitanga
Technical Support and SHE Executive

Mr. I.M. Hasenjager
New Business Development Executive

Mr. O.A. Masia
Regional Manager: Northern Cape

Ms. D.I. Khumalo
Company Secretary

Mr. G.M. Dippenaar
Regional Manager: Free State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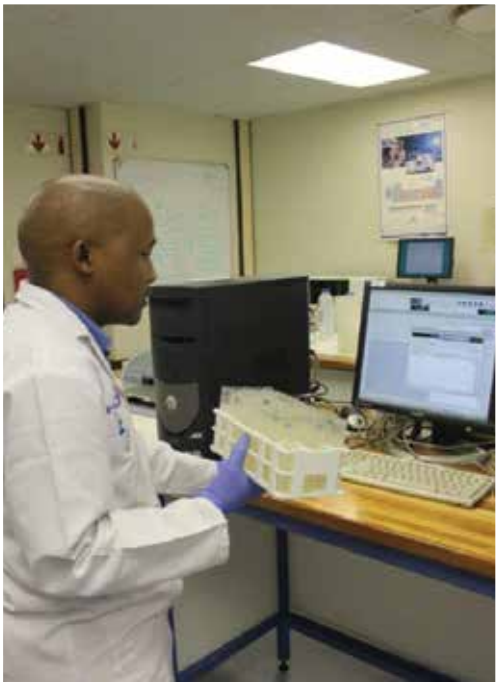
South African


CALIFORNIA




WATER

CORPORATE SERVICES

- CORPORATE SERVICES REVIEW
- COMPANY SECRETARIAT
- FINANCE
- HUMAN RESOURCES
- MARKETING AND COMMUNICATION
- SCIENTIFIC SERVICES
- TECHNICAL SUPPORT & SAFETY, HEALTH AND ENVIRONMENT

CORPORATE SERVICES REVIEW

Introduction

Corporate Services consists of a number of support services that contribute to the effectiveness and efficiency of Sedibeng Water as a Water Services Provider. The following functions/departments form part of Corporate Services:

- Company Secretariat;
- Finance;
- Human Resources;
- Marketing and Communication;
- Scientific Services; and
- Technical Support and Safety, Health and Environment.

A brief summary will now be provided of some of the significant contributions made during the 2016/2017 financial year by the functions/departments related to Corporate Services:

Company Secretariat

The Company Secretariat at Sedibeng Water plays a pivotal role in supporting efficient corporate governance and is responsible for:

- Serving as a central source of information and advice to the Board and within the organisation on matters of ethics and good governance;
- Coordinating meetings of the Board and its Sub-committees and providing guidance to members; and
- Assisting Sub-committees of the Board (the Audit and Risk Committee; the Finance and Information Technology Committee; the Human Resources, Remuneration and Ethics Committee, as well as the Infrastructural Development and Maintenance Committee).

The Board of Directors of Sedibeng Water was re-constituted during May 2017, and Mr. M.D. Dikoko was retained as Chairperson. During the 2016/2017 financial year, the Board and its four Sub-committees held 30 meetings, of which 9 were Special Meetings. An evaluation of the performance and effectiveness of the Board, individual directors and Board Committees was undertaken by the Company Secretary during the year under review.

Finance

The Finance Department at Sedibeng Water is responsible for the following:

- To ensure the financial sustainability of the organisation;
- To enable the business to operate optimally by providing efficiencies in the business processes and providing appropriate information systems;
- To ensure that risk management processes are embedded in the business processes;
- To ensure compliance with the prescripts of legislation relevant to the managing of the finances of the organisation; and
- To ensure that all employees receive training and development to enhance their capacity to deliver on the set objectives.

Some financial highlights recorded in the 2016/2017 financial year include:

- Total revenue amounted to R1,3 billion;
- Gross profit totaled R518,5 million; and

- A net profit of R89 million was achieved.

The Office of the Auditor-General acted as external auditor for the financial year under review. Despite the qualified audit opinion received, the financial position of the organisation remains financially viable - consistent with previous financial years.

Human Resources

The Human Resources Department formulated and pursued the following functional objectives during the 2016/2017 financial year:

- Recruitment of staff in general and improvement of the organisation's employment equity profile;
- Training and development of staff;
- Retention of skilled technical staff in particular and promotion of the well-being of employees in general; and
- Implementation of benchmarked employment best practices and policies, and compliance to relevant legislation.

During the year under review, 20 individuals were enrolled in Sedibeng Water's Apprenticeship Programme (fitter and turner, electrical, boilermaker and mechanical), while 24 young graduates were appointed on the basis of an 18 month fixed-term contract as part of the Internship Programme. A total of 63 employees benefited from bursaries and study loans that were awarded. In terms of learning institutions, 19 employees were enrolled in TVET programmes, while 27 were enrolled for under-graduate and post-graduate studies at various other tertiary institutions. A total of 60 short-learning programmes were also successfully implemented and 822 participants benefited from these training initiatives.

As an indication that the employment equity profile of the organisation is improving satisfactorily at senior management level, it can be noted that the percentage of gender equity at this level has increased to 23.08%.

To ensure that Sedibeng Water continues to improve the working conditions of employees in order to attract and retain skills, jobs were re-evaluated and the remuneration packages of employees were adjusted accordingly in situations where it was found that the organisation was lagging the market. A total of 83 employees who have completed 10 to 35 years of service, received long service awards in recognition of their loyalty to the organisation.

Marketing and Communication

Sedibeng Water places high value on customer and stakeholder relations. As a result, various channels and platforms were used during the 2016/2017 financial year to reach each targeted stakeholder group effectively and efficiently. These include regularly scheduled meetings by water and sanitation forums, coordinating committees, customer interaction forums, project steering committees and community forums, as well as the presenting of road shows and community awareness campaigns, the distribution of corporate newsletters, printed material and informational DVDs, the presenting of public events, plant tours, exhibitions, school educational programmes, etc. The Department of Marketing and Communication also facilitated Sedibeng Water's participation in the celebration of national events, such as Water Month, National Youth Month, the Youth Water Summit, Women's Day, Mandela Day, etc.

In order to communicate the organisation's goals, ideas, strategic intentions, as well as newsworthy events, Sedibeng Water has developed a healthy working relationship with representatives of the print and electronic media at a national, provincial, regional and local level. By means of monthly and bi-monthly radio talk shows, Sedibeng Water has not only established a two-way communication channel with customers, but also managed to portray a positive corporate image of the organisation.

Some other highlights of the 2016/2017 financial year, include:

- Eleven Water and Sanitation Forums were established in the Ngaka Modiri Molema District Municipality;
- A total of 39 Water and Sanitation Forum meetings were conducted in four local municipalities;

- A total of 70 Customer Interaction Forum meetings took place across the Ngaka Modiri Molema District Municipality, as well as the Greater Taung, Phokwane, Ga-Segonyana and Kagisano-Molopo Local Municipalities;
- Thirty visits to Sedibeng Water facilities by schools, tertiary institutions, government departments, training institutions, etc. were hosted;
- As part of Water Month activities, Water Conservation Awareness Campaigns were launched at 5 schools in the Free State, Northern Cape and North West Regions;
- Three Clear River Campaigns were presented in the regions; and
- Apart from ad-hoc donations and sponsorships to cause-worthy community initiatives, a total of 13 day care centres for orphans, vulnerable children and people living with HIV/AIDS; schools and centres for physically and intellectually challenged learners, as well as facilities for the elderly in disadvantaged communities, benefit annually form Sedibeng Water's Corporate Social Investment Programme.

Scientific Services

The Scientific Services Department is responsible for managing water quality performance at all the water treatment works in Sedibeng Water's operational area. During the 2016/2017 financial year, most water treatment works operated and managed by Sedibeng Water in the Free State, Northern Cape and North West Regions, supplied potable water of a high standard to consumers, complying in general with all determinands listed in SANS 241:2015. Where challenges have been experienced due to design limitations at certain plants and aging infrastructure, incidents of non-compliance were promptly addressed and rectified. During the 2016/2017 financial year, some of the highlights achieved by the Scientific Services Department include the following:

- The Quality Control Laboratory at Balkfontein was successful in maintaining its South African National Accreditation System (SANAS) accreditation status;
- Operational research by the Research Chair in Water Utilisation Engineering at the University of Pretoria, which is funded by Sedibeng Water, is yielding promising results;
- Five additional chemistry methods and the Somatic Coliphages method were accredited by SANAS;
- The laboratory now has more than one Technical Signatory for each accredited method;
- The amount and type of complaints related to water quality issues recorded in the previous financial year, decreased by 50% when compared to the current year under review;
- The Forms, General Standard Operating Procedures and Quality Manual for the new laboratory at Vaal Gamagara were documented, reviewed and updated; and
- Cost-recovery for analytical work done for clients amounted to R11,1 million in the year under review.

Technical Support and Safety, Health and Environment

The Technical Support and Safety, Health and Environment (SHE) Department is responsible for implementing Sedibeng Water's SHE Programme, which is based on risk management systems integrated with the organisation's operational strategy to reduce the probability of the occurrence of SHE incidents, and to minimise the severity thereof.

The following Disabling Injury Frequency Rates (DIFR) were obtained in Sedibeng Water's operational area during the 2016/2017 financial year:

- **Free State Region**: a DIFR of 0.36;
- **North West Region** (Dr. Ruth S. Mompati District Municipality, Ga-Segonyana Local Municipality and Phokwane Local Municipality): a DIFR of 1.5;
- **North West Region** (Ngaka Modiri Molema District Municipality): a DIFR of 2.89;
- **Northern Cape Region** (Vaal Gamagara): a DIFR of 2.92; and
- **Northern Cape Region** (Namakwa and Pelladrift): a DIFR of 1.62.

External NOSA CMB 253 audits were conducted in all the regions during the 2016/2017 financial year, and the outcomes were:

- Free State Region (5 Star grading);
- North West Region (4 Star grading); and
- Northern Cape Region (3 Star grading).

Based on an annual training matrix developed by the department, 19 courses related to safety, health and environment issues were successfully conducted during the 2016/2017 financial year.

Some of the other SHE related activities, projects and programmes implemented during the past financial year, included:

- Strict enforcement of the Incident Reporting and Investigation System;
- An effective communication and awareness programme which includes, amongst others, monthly SHE Committee Meetings, monthly SHE Talks, Green Area Talks, videos, posters and publications;
- Two Internal SHE Audits in all work areas;
- Occupational Hygiene Surveys;
- Medical surveillances of employees as part of the Occupational Health Programme;
- Implementation of an Incentive Programme, Disease Management Programme, Employees Assistance Programme and Employees Recreational Programme; and
- Members of the SHE committees participated in a benchmark exercise, whereby they visited other organisations to adopt best practices.

Conclusion

In Sedibeng Water's quest for service excellence, the functions/departments that constitute Corporate Services contributed significantly to the achievement of annual goals set by the organisation during the 2016/2017 financial year.

COMPANY SECRETARIAT

Ms. D.I. Khumalo
Company Secretary

Sedibeng Water was established in 1979 in terms of Section 46 of the Water Services Act (WSA) (Act No.108 of 1997). This Act takes precedence over all legislation. The Company Secretariat is responsible for the overall governance of the water board. Sedibeng Water is listed as a Public Entity under Schedule 3B of the Public Finance and Management Act (PFMA) (Act No. 1 of 1999).

Governance Framework

Sedibeng Water adheres to the governance framework as informed by, but not limited to, the Constitution of the Republic of South Africa (Act No. 108 of 1996); the Companies Act (Act No. 71 of 2008); the Public Finance Management Act (PFMA) (Act No. 1 of 1999); the Water Services Act (WSA) (Act No.108 of 1997); the King Report on Corporate Governance (King III) and the Protocol on Corporate Governance in the Public Sector. As a public entity, Sedibeng Water's purpose is to deliver on the strategic intent mandated by Government.

The Executive Authority over the organisation is vested in the Minister of Water and Sanitation, the Honourable Ms. Nomvula Mokonyane, MP. The Board guides the strategic direction of the organisation and monitors progress in executing the business strategy. The Board ensures that the organisation complies with the requirements of the Water Services Act, Companies Act, Public Finance Management Act, National Treasury Regulations, together with any other legislative requirements. The roles and responsibilities of the Executive Authority, the Accounting Authority and Management are clearly defined and do not overlap.

2016/2017 Corporate Governance Key Focus

During 2016, the key focus was still on the review of the corporate governance framework and the implementation of some of the principles contained in the King III Report on Corporate Governance. The performance assessment of the Board and its sub-committees was conducted again during this period. This review was conducted internally and no external assistance was required. The review of the Board and committee charters was also undertaken during this period.

Board of Directors and Sub-committees

Governance, as well as the responsibility for driving good corporate citizenship, is vested in a unitary Board, which is supported by several Board Committees and the Company Secretary. The Board, through its committees, provides the company's strategic direction, while the Chief Executive, assisted by the Executive Committee

(EXCO) and its sub-committees, is accountable to the Board for implementing the strategy.

Company Secretariat

The Company Secretariat is a central source of information and advice to the Board and within the organisation, on matters of ethics and good governance. The Company Secretary is responsible for coordinating meetings of the Board and its sub-committees.

Changes in Board Composition

The Minister of Water and Sanitation reviewed the composition of the Board and the following changes were made:

Mr. M.D. Dikoko was retained as the Chairperson of the Board.

The following Board members were also retained:
Dr. P.E .Molokwane;
Mr. M.M. Mthombeni;
Mr. C.D. Mboweni;
Mr. E.A. Gaborone; and
Ms. K.G. Sereko.

The current Board consists of a majority of independent non-executive directors, who possess diverse skills and experience in the fields of science, human resources, finance, accounting, business and risk management.

Board Meetings

Meetings of the Board and its committees are scheduled annually in advance. Special meetings are convened as and when required to address specific material issues. The Board held four (4) scheduled meetings and three (3) special meetings during the year under review.

Board Evaluation

The evaluation of the performance and effectiveness of the Board, individual directors and Board committees was undertaken by the Company Secretary during this period.

Board Charter

The Board Charter regulates how the Board and individual members discharge their responsibilities according to the principles of good governance. The charter aims to ensure that all the Board members understand their duties and responsibilities, as well as the laws, regulations and best practices governing their conduct. It also details the division of responsibilities at Board level and between the Board and Management.

Key Board Activities

- The Board of Directors is responsible for the strategic direction of the company;
- Managing the negative impact of escalating arrear municipal debt on liquidity and financial sustainability, with consideration of alternative options for collecting arrear municipal debt, such as payment of the debt by National Treasury using the municipalities' equitable share;
- Approval of the implementation of a number of measures to manage the arrear municipal debt, as well as the disconnection of non-paying municipalities;
- Consideration of risk management;
- Consideration of the King IV Report on Corporate Governance, which became effective on 1 April 2017;
- Approval of the following matters:
- Sub-committee reports to the Board,
- Declaration of Interest and Confidentiality Undertaking Procedures,
- All the sub-committee charters,
- Approval of the policies of the organisation,
- The Audited Annual Financial Statements and the Annual Performance Report for the year ended 30 June 2017,
- Condonation of the Irregular Expenditure Report on the basis that the transactions did not expose the organisation to any financial loss,
- All the Performance Information Reports for the four (4) quarters,
- Approval of tariffs and budget for the financial year ending 30 June 2017,
- Approval of the budget allocation per Strategic Objectives for the year ending 30 June 2017,
- Approval of annual salary increases and performance incentive bonuses for the 2017/2018 financial year,
- Borrowing Limits, Guarantees and Grant Funding for the Vaal Gamagara Water Supply Scheme (VGGWSS),

- Revision of Delegation of Authority (DoA),
- Power of Attorney - Appointment of Registered Tax Representative,
- Executive Organisational Structure,
- Appointment of External Auditors: Auditor-General of South Africa (AGSA),
- Annual self-assessment, and
- Business/Corporate Plan 2017/2022.

Stakeholder Engagement and Material Matters:

The Board strives to create a corporate culture that fosters collective responsibility and shared accountability for stakeholder engagement in order to manage risk and reputation, with the key objective of building strong relationships. The Board has delegated the management of stakeholder relationships to Management. Sedibeng Water operates within a complex stakeholder landscape, consisting of multi-faceted stakeholder groups with differing needs and objectives. Our approach to stakeholder relations is guided by the principles of the King Report on Corporate Governance (King III) to ensure that the relationship between Sedibeng Water and its stakeholders is managed ethically and in compliance with relevant legislation and best practice.

Management of Risks and Opportunities:

A risk management system has been implemented to respond appropriately to all significant risks. Risk management is done at departmental, regional and operating unit level. The risks are consolidated into an Integrated Risk Report focusing on the top risks impacting the organisation. This report is reviewed by the Executive: Safety, Health and Environment, the Risk Management Committee and the Audit and Risk Committee. Risk controls and treatment plans have been put in place to manage risks to acceptable levels.

Performance Against the Shareholder Compact:

The Board concluded a Shareholder Compact with the Executive Authority, the Minister of Water and Sanitation, for the 2016/2017 financial year. The Executive Authority, in consultation with the shareholder, agreed on performance objectives, measures and indicators, as well as annual targets in line with the Public Finance Management Act of 1999.

Board Committees

Audit and Risk Committee (A&RC):

This Committee performs a statutory function as set out in the Companies Act of 2008, assisting the Board with oversight over financial reporting, internal control, risk management systems, as well as internal and external audit functions. Four (4) scheduled and two (2) special meetings were held during the period under review. The composition of this committee changed when the new Board was constituted during May 2017.

Some of the key activities included:

- Review of the Internal Audit Progress Report every quarter;
- Approval of the Internal Audit Plan 2016-2017;
- The approval of the Internal Audit Operation Plan for the 2016/2017 financial year;
- Approval or Risk Assessment Reports every quarter;
- Approval of the Risk Management Implementation Plan;
- Approval of the Internal Audit Charter;
- Review of the Master Internal Audit Findings Tracker every quarter;
- Annual review of the committee charter;
- Review of the Audited Annual Financial Statements for recommendation to the Board for approval;
- Annual self-assessment; and
- Review of the Management Accounts; Performance Information Report; Top 20 Payments; Debt Management and Contingent Liabilities' Reports on a quarterly basis.

Finance and Information Technology Committee (FINCO):

This Committee oversees financial reporting, effective and efficient financial management, review of the investment portfolio and Information Technology (IT) governance. Four (4) scheduled meetings and three (3) special meetings were held

during the year under review. The composition of this committee changed when the new Board was constituted during May 2017.

Some of the key activities included:

- Significance and Materiality Framework was recommended to the Board for approval;
- Review of Irregular Expenditure and Fruitless and Wasteful Expenditure Reports for recommendation to the Board for approval;
- Review of Management Accounts for recommendation to the Board for approval every quarter;
- Review of the Audited Annual Financial Statements for recommendation to the Board for approval;
- Review of the Borrowing Limits, Guarantees and Grant Funding for the Vaal Gamagara Water Supply Scheme (VGGWSS) for recommendation to the Board for approval;
- Information and Communication Technology (ICT) Strategy for recommendation to the Board for approval;
- Review of the Delegation of Authority for recommendation to the Board for approval;
- Annual Review of the FINCO Charter for recommendation to the Board for approval;
- Review of the Business/Corporate Plan 2018/2023 for recommendation to the Board for approval;
- Annual self-assessment;
- Review of the Finance Strategy Implementation Plan;
- Review and adoption of King III Principles on Corporate Governance for recommendation to the Board for approval;
- The review of the Supply Chain Management, Debt Management and Information Technology Reports; and
- Review of the progress made on debt collection/cost-recovery for reporting to the Board.

Human Resources, Remuneration and Ethics Committee (REMCO):

This Committee is responsible for recommending remuneration, ethics and other human resource-related policies, succession planning, induction, training, as well as the evaluation of the Board and its committees. Four (4) ordinary meetings were held during the year under review.

Some of the key activities included:

- Recommendation to the Board of the Minimum Services Agreement for the Amanzi Bargaining Council;
- Recommendation of the Marketing and Communication Policy to the Board for approval;
- Recommendation of the Alcohol Testing Policy to the Board for approval;
- Annual review of the committee charter;
- Recommendation of the Annual Salary Increase for Non-Bargaining Levels 2016/2017 to the Board for approval;
- Recommendation of the 2016/2017 Performance Incentive Bonuses for Employees to the Board for approval;
- Annual self-assessment;
- Recommendation of the Annual Salary Increase for Non-Bargaining Levels 2017/2018 to the Board for approval;
- Recommendation of the Executive Organisational Structure to the Board for approval;
- Recommendation of the Bursary Policy for Community Members to the Board for approval;
- Recommendation of the Volunteerism Policy to the Board for approval;
- Recommendation of the Training Committee(s) Policy/Constitution to the Board for approval;
- Recommendation of the Social Media Policy to the Board for approval; and
- Review of Amanzi Bargaining Council (ABC) Matters, Feedback - South African Association of Water Utilities (SAAWU) Meeting, Safety, Health and Environment (SHE) Report, Skills Development and Employment Equity.

Infrastructural Development and Maintenance Committee (IDMC):

This Committee ensures that Sedibeng Water's procurement system is fair, equitable, transparent, competitive and cost-effective, as required by Section 217 of the Constitution, PFMA and PPPFA. The Committee is tasked with reviewing the infrastructure and expansion programmes of the organisation and with ensuring that the maintenance

programme and schedules are adhered to. Five (5) ordinary meetings, of which one (1) was a special meeting, were held during the period under review.

Management Committee (MANCO) / Executive Committee (EXCO)

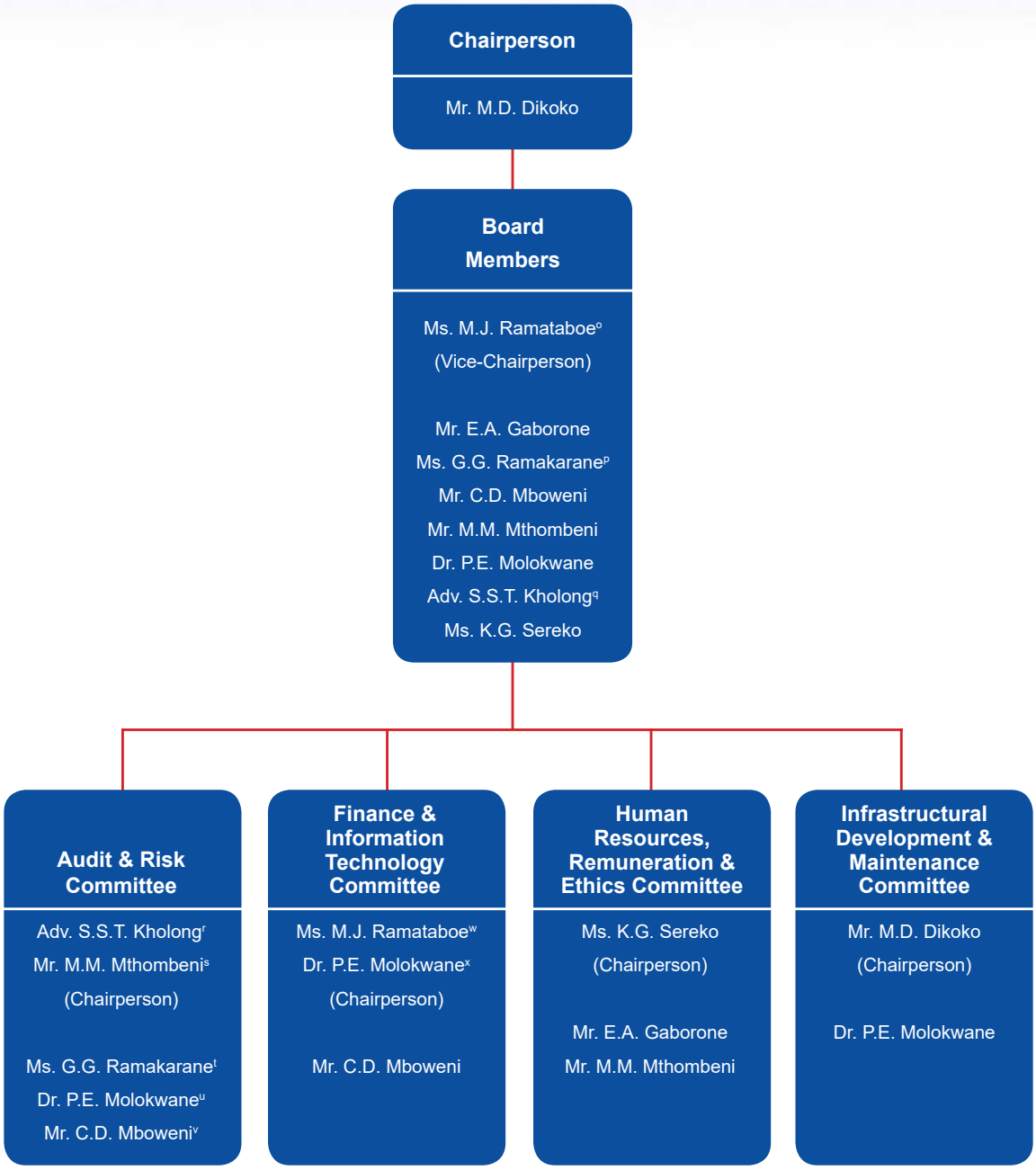
The committee changed its name from MANCO to Executive Committee (EXCO) during the year under review. EXCO has been established by the Chief Executive to assist in guiding the overall direction of the business and exercising executive control in managing day-to-day operations.

Table 1: Summary of Board and Sub-committee Meetings Held During the 2016/2017 Financial Year

Board Members	Board Meetings	Audit and Risk Committee Meetings	Finance and Information Technology Committee Meetings	Human Resources, Remuneration and Ethics Committee Meetings	Infrastructural Development and Maintenance Committee Meetings
Number of Scheduled Meetings	**7[a]**	**6[b]**	**7[c]**	**4**	**6[d]**
Mr. M.D. Dikoko	7				6
Ms. M.J. Ramataboe	4[e]		6[f]		
Adv. S.S.T. Kholong	5[g]	5[h]			
Dr. P.E. Molokwane	7	6[i]	1[j]		6
Mr. C.D. Mboweni	7	1[k]	7		
Mr. M.M. Mthombeni	7	6[l]		4	
Ms. G.G. Ramakarane	5[m]	5[n]			
Ms. K.G. Sereko	6			4	
Mr. E.A. Gaborone	6			4	

a Three (3) of the Board meetings were Special Meetings.
b Two (2) of the Audit and Risk Committee meetings were Special Meetings.
c Three (3) of the Finance and Information Technology Committee meetings were Special Meetings.
d One (1) of the Infrastructural Development and Maintenance Committee meetings was a Special Meeting.
e Ms. Ramataboe ceased to be a member of the Board from May 2017. Therefore, she was not present at the two (2) meetings held towards the end of the year under review.
f Ms. Ramataboe ceased to be the Chairperson of the committee from May 2017. Therefore, she was not present at the last meeting held towards the end of the year under review.
g Adv. Kholong ceased to be a member of the Board from May 2017. Therefore, he was not present at the two (2) meetings held towards the end of the year under review.
h Adv. Kholong ceased to be the Chairperson of the committee from May 2017. Therefore, he was not present at the last meeting held towards the end of the year under review.
i Dr. Molokwane was retained as a member of the Audit and Risk Committee from May 2017.
j Dr. Molokwane became the Chairperson of the Finance and Information Technology Committee from May 2017. Therefore, she only attended one (1) meeting towards the end of the year under review.
k Mr. Mboweni became a member of the Audit and Risk Committee from May 2017. Therefore, he only attended one (1) meeting towards the end of the year under review.
l Mr. Mthombeni was retained as a member of the Audit and Risk Committee and assumed the role of Chairperson from May 2017.
m Ms. Ramakarane ceased to be a member of the Board from May 2017. Therefore, she was not present at the two (2) meetings held towards the end of the year under review.
n Ms. Ramakarane ceased to be a member of the committee from May 2017. Therefore, she was not present at the last meeting held towards the end of the year under review.

Illustration 1: Board Structure



o Ms. Ramataboe ceased to be a member of the Board effective May 2017.
p Ms. Ramakarane ceased to be a member of the Board effective May 2017.
q Adv. Kholong ceased to be a member of the Board effective May 2017.
r Adv. Kholong ceased to be the Chairperson of the committee effective May 2017.
s Mr. Mthombeni assumed the role of Chairperson of the committee effective May 2017.
t Ms. Ramakarane ceased to be a member of the committee effective May 2017.
u Dr. Molokwane was retained as a member of the committee effective May 2017.
w Ms. Ramataboe ceased to be the Chairperson of the committee effective May 2017.
x Dr. Molokwane assumed the role of Chairperson of the committee effective May 2017.
v Mr. Mboweni became a member of the committee effective May 2017.

FINANCE

Ms. J.T. Busakwe
Acting Chief Financial Officer

Introduction

Sedibeng Water has after the conclusion of the 2016/2017 financial year been audited by the Auditor-General of South Africa. The inherent matter relating to first time audits is the expectation gap between the auditors, the finance department and the organisation as a whole. Outcomes of the audit have reinforced the refocusing of Sedibeng Water's Finance Department.

Legislative and Accounting Framework

The annual financial statements for the financial year ending 30 June 2017 were prepared and presented in accordance with South African Generally Accepted Accounting Practices (SA GAAP), the Public Finance Management Act (Act No. 1 of 1999) (PFMA) as amended, and reflect the reporting requirements of the Water Services Act (Act No. 108 of 1997). The Financial Department is guided in the performance of its tasks by the following Acts of Parliament and Financial Codes: the Water Services Act (Act No. 108 of 1997), the Public Finance Management Act (Act No. 1 of 1999), the Municipal Finance Management Act, the Preferential Procurement Policy Framework Act, the Supply Chain Management Framework, and other related prescripts.

Change in the Accounting Framework

All Schedule 3B entities (including Sedibeng Water) are reporting on a withdrawn Accounting Standard i.e. GAAP SA. Such Schedule 3B entities are required to opt for reporting based on Generally Accepted Accounting Practices (GRAP), or the International Financial Reporting Standards (IFRS) for the 2016/2017 financial year. The process of changing to the new accounting standard is championed by the Office of the Accountant General. The financial statements have been prepared on the going concern basis and the GAAP SA accounting framework. This basis assumes that the organisation will continue to operate in the foreseeable future.

Key Objectives

The Finance Department, as a contributor to the overall vision of the organisation, developed the following five key objectives for implementation:

- Ensuring the financial sustainability of the organisation;

- Enabling of the business to operate optimally by providing efficiencies in the business processes and providing appropriate information systems;
- Ensuring that risk management processes are embedded in the business processes;
- Ensuring compliance with the prescripts of legislation relevant to the managing of the finances of the organisation; and
- Ensuring that all employees receive training and development to enhance their capacity to deliver on the set objectives.

Financial Highlights

During the 2016/2017 financial year, Sedibeng Water achieved a net profit of R89 million against a net profit of R248,2 million in the previous year. This decrease is as a result of an operational subsidy obtained from the Department of Water and Sanitation in the previous financial year, which was not received in the 2016/2017 financial period. During the reporting period (ending 30 June 2017), the organisation also had to re-instate the comparative figures following prior year adjustments in Property, Plant and Equipment and Raw Water Purchases. The year under review further saw a change in the presentation of the Statement of Financial Performance to include Direct Labour, Electricity, Purification and Raw Water Costs, whereas previously only Raw Water Costs formed part of the Cost of Sales.

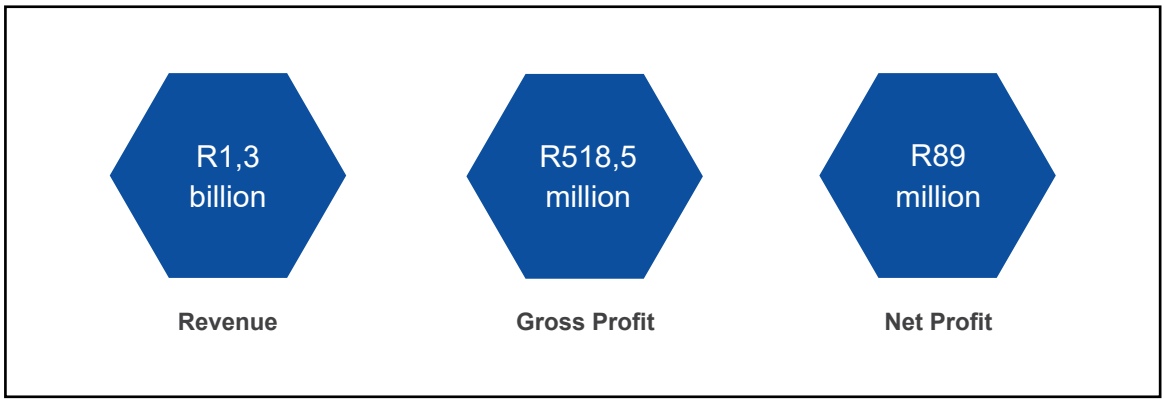
Sedibeng Water measures its financial performance in terms of its achievement against financial indicators, which are aligned to the organisation's strategic objectives and are included in the section on Performance against Shareholders Compact for the financial year ending 30 June 2017 in the annual report (see pages 124-130).

Amongst others, the organisation has also recorded the following achievements:

- Aligning the structure to the Finance Strategy; and
- Updated Fixed Asset Register after a revaluation and verification project.

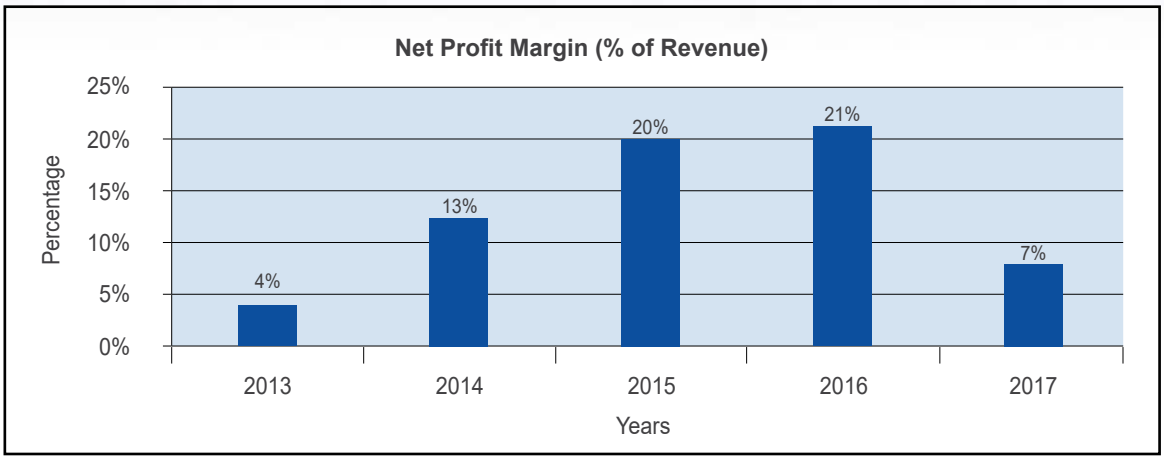
Graph 1 provides a summary of the most important financial highlights related to the financial year ending 30 June 2017.

Graph 1: Financial Highlights: Financial Year Ending 30 June 2017



The organisation achieved a net profit of R89 million (see Graph 2).

Graph 2: Net Profit Margin



The 2015/2016 financial year included government grants income, whereas no subsidies were received during the 2017 financial year. The figure of 7% is the agreed upon target for the Net Profit Margin.

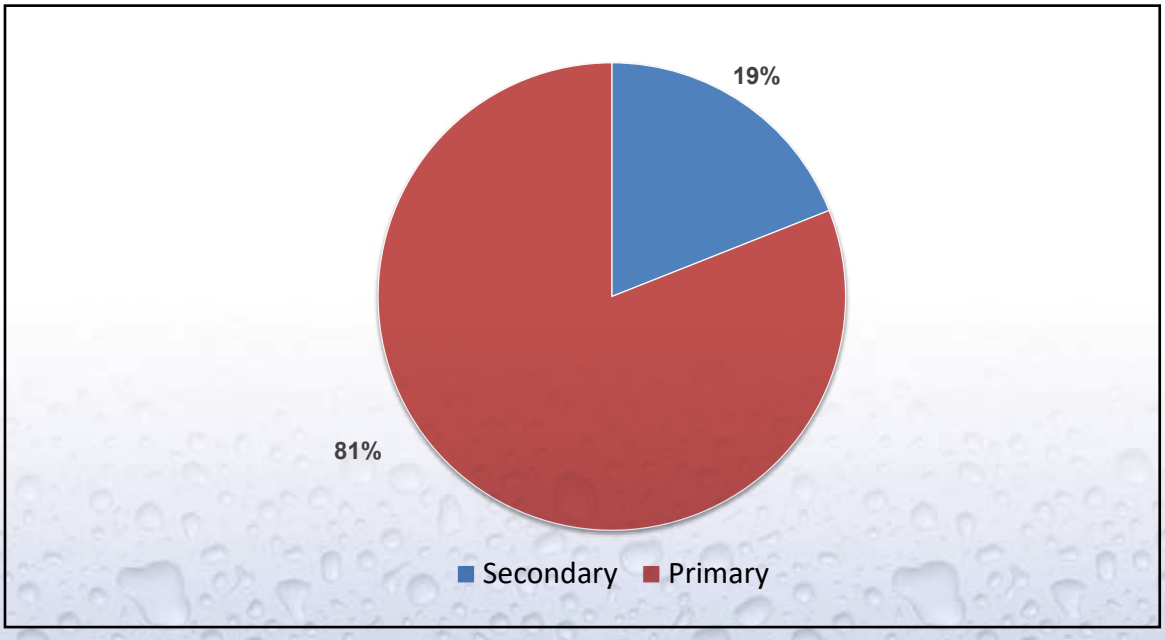
Statement of Financial Performance

Total Revenue

The business of Sedibeng Water is divided into two operations, i.e. Section 29 and Section 30 activities as defined by the Water Services Act (Act No. 108 of 1997). Section 29 activities depict our primary activities, i.e. activities linked to bulk potable water supply, while Section 30 activities relate to other services, which are the operation and maintenance of rural schemes on behalf of municipalities. During the financial year ending 30 June 2017, total revenue from both operations amounted to R1.3 billion (2016: R1.1 billion).

During the year under review, Sedibeng Water achieved a 19% secondary business rating against a target of 15%, which means that at least 81% of the activities of the organisation relates to Section 29 of the Water Services Act that forms the core business of Sedibeng Water (see Graph 3).

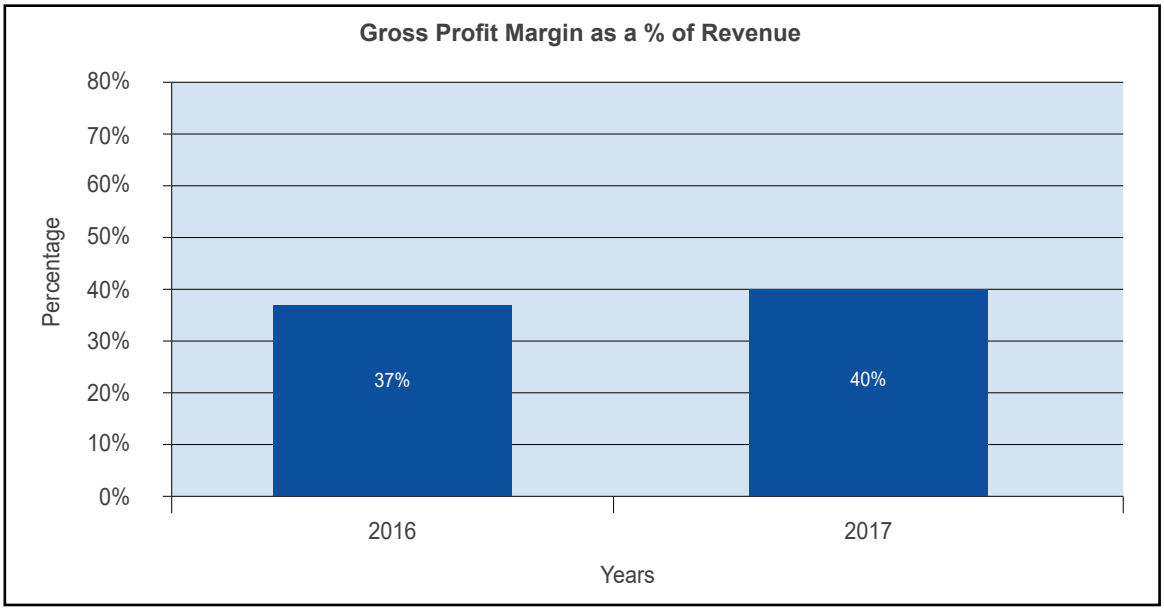
Graph 3: Primary Versus Secondary Activities



Gross Profit

Gross profit is influenced by all the direct costs involved in the production of the potable water. Direct costs include Raw Water Purchases, Electricity, Purification Costs, as well as Direct Labour Costs. Raw water remains the major cost in cost of sales as it represents 46% of the total costs of sales. As can be seen in Graph 4, the gross margin was 39%.

Graph 4: Gross Profit Margin



Total Comprehensive Income

Sedibeng Water realised a total comprehensive income of R89 million for the financial year ended 30 June 2017, compared to the restated net income of R248 million for 30 June 2016. This decrease in net profit is as a result of a once-off grant, which was received from the Department of Water and Sanitation in the 2015/2016 financial year only.

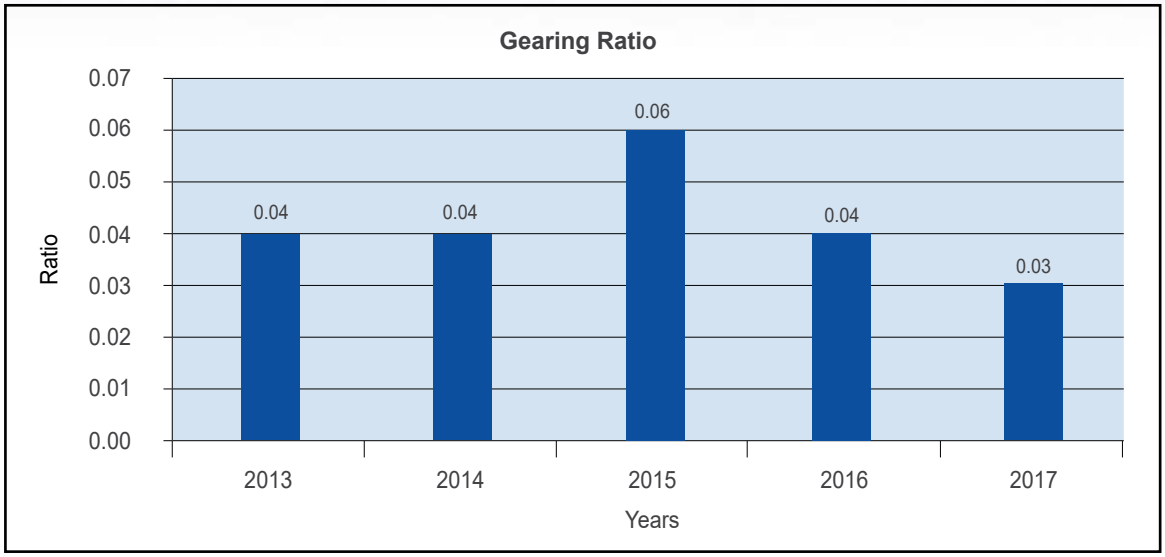
Statement of Financial Position

The financial position of the organisation remains viable - consistent with previous financial years. Debtor's Days have increased from 657 to 807, against a target of 567 days. Sedibeng Water is applying water restrictions in terms of Section 4(5) of the Water Services Act.

Capital Investment Programme Versus Debt

Sedibeng Water is continuing with the implementation of the Capital Investment Programme to refurbish the internal infrastructure. Sedibeng Water is currently refurbishing the pipeline network in the Free State Region to also supply water to the Koppie Alleen and Maquassi Hills Schemes. The Capital Investment Programme is funded by means of reserves generated year-on-year, which have increased by 2% in the financial year under review. As a result, the gearing ratio for the organisation is 0.03 (see Graph 5).

Graph 5: Gearing Ratio



Tariff Determination

In terms of Section 42 of the Municipal Finance Management Act, water boards must submit proposed tariff increases to the Accounting Authority, National Treasury and South African Local Government Association upon consultation with the customers. Thereafter, the Department of Water and Sanitation must table such proposed tariff increases by all Water Boards to Parliament on, or before, 15 March each year for implementation. The Minister of Water and Sanitation approved the tariffs which were charged by Sedibeng Water during the financial year under review.

Looking Forward

The main focus of the Finance Department in the 2017/2018 financial year will be on:

- Filling of all the critical positions in the department;
- Billing of Recoverable Projects and project recovery by means of automated billing;
- Establishing a database of all the business processes affecting the Finance Department;
- Improving reporting timelines, quality and relevance by developing system generated reports; and
- Investigating possibilities of resources for credit management; etc.

HUMAN RESOURCES

Mr. N.T. Molobye
Human Resources Executive

Overview

The Human Resources (HR) Department is responsible for two major key performance targets in the performance score card of the business i.e. employee retention and the training and development of employees. These Key Performance Indicators are underpinned by the following human resources strategic objectives:

- To recruit skilled and competent individuals and offer them competitive market related remuneration;
- To make a concerted effort to improve the employment equity profile of the organisation focusing on gender, diversity and People With Disabilities (PWDs);
- To train and develop staff;
- To retain skilled technical staff in particular and promotion of the well-being of employees in general; and
- To implement benchmarked employment best practices and policies and thereby, comply with relevant legislation.

Overall Performance of the Department

In order to ensure alignment to, and the achievement of the aforementioned organisational strategies, the HR Department also formulated and pursued its own functional objectives that were related to:

- Recruitment of staff in general and improvement of the organisation's employment equity profile;
- Training and development of staff;
- Retention of skilled technical staff in particular and promotion of the well-being of employees in general; and
- Implementation of benchmarked employment best practices and policies, and compliance to relevant legislation.

Recruitment of Staff and Improvement of the Employment Equity Profile

During the 2016/2017 financial year, the Human Resources Department made a concerted effort to fill vacant positions timeously, whilst at the same time ensuring that equity targets in terms of the advancement of designated groups, i.e. women and People With Disabilities (PWDs) are achieved. At senior management level, the percentage of gender equity has increased to 23.08% for the year under review. The distribution of employees who were recruited in terms of occupational levels, race and gender is depicted in Table 1.

Table 1: Recruitment Distribution in Terms of Occupational Level, Race and Gender

Occupational Levels	Male				Female				Foreign Nationals		Total
	A	C	I	W	A	C	I	W	Male	Female	
Top management											
Senior management	1				1						2
Professionally qualified and experienced specialists and mid-management	4				1						5
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	8				6	1					15
Semi-skilled and discretionary decision making	19	5			13						37
Unskilled and defined decision making	24				6	1					31
GRAND TOTAL	56	5			27	2					90

From the above table it can be established that 75.55% of the positions that were filled during the year under review, took place at lower occupational levels.

The term of Sedibeng Water's current Employment Equity Plan came to an end on 30 June 2017. This plan was reviewed to assess if the set targets were achieved. The implementation of the new plan commenced on 1 July 2017, and concludes on 30 June 2022. To enforce compliance and ensure progress, the set targets are to be monitored in the various operational regions by representative Regional Employment Equity Forums, which are chaired by the Regional Managers appointed as employment equity managers.

The recurring challenge in terms of employment equity has been especially the achievement of the national target of 2% of People With Disabilities. In an attempt to address this challenge, the organisation is forging relations with various organisations, such as Disabled People of South Africa (DPSA).

Table 2 provides a comparison in terms of the number of employed PWDs in the previous financial year, and the year currently under review.

Table 2: Employment of People with Disabilities (PWDs) per Region

Region	Number of PWDs for 2015/2016	Number of PWDs for 2016/2017
Free State	6	8
North West: Hartswater	1	3
North West: Mahikeng	0	1
Northern Cape	0	0
Total	**7**	**12**

As a designated employer, Sedibeng Water was able to compile and submit its Employment Equity Report for the reporting period (1 September 2015 - 31 August 2016) to the Department of Labour. Receipt thereof was acknowledged accordingly.

Staff turnover was 3.19% for the year under review. The gender distribution and reason for the exit of employees are provided in Table 3.

Table 3: Staff Turnover

Category	Males	Females	Total
Resignations	8	2	10
Dismissals	3	0	3
Deaths	3	2	5
Disability	1	1	2
Retirements	5	0	5
Contract Expired	1	0	1
Total	**21**	**5**	**26**

Training and Development of Staff

Training and development assist in increasing job knowledge and refining the skills of employees at every level. Also, it allows for expanding the horisons of human intellect, interpersonal skills and the overall character building of employees. During the year under review, the organisation made an extensive investment in the training, skilling and development of its employees and members from local communities.

A number of training and development initiatives and interventions, such as learning programmes, artisan development programmes, internships and staff bursaries, were approved and implemented with the aim of ensuring continuous learning and improvement. Many training programmes were evaluated and through that, the organisation was able to determine as to whether there was transfer of skills, as well as a return on investment, which is the most important element of training and development management.

Short-learning Programmes:

Short-learning programmes that were offered included non-credit bearing courses aimed at improving employees' soft skills and behavior traits. Credit-bearing learning programmes are unit standard-based, and when completed, constitute a credit towards a qualification registered in terms of the National Qualification Framework (NQF). A total of 60 short-learning programmes were successfully implemented and 822 participants benefited from this training initiative. Table 4 depicts an average of 69 employees that were trained each month during the 2016/2017 financial year.

Table 4: Total Number of Participants

Jul 16	Aug 16	Sept 16	Oct 16	Nov 16	Dec 16	Jan 17	Feb 17	Mar 17	April 17	May 17	Jun 17
19	36	15	27	18	20	22	127	112	188	95	143

Artisan Development Programmes:

The Artisan Development Programme was implemented during the year under review, during which employees with potential and the desire to learn, as well as deserving community members, were granted the opportunity to enroll and be developed as artisans through an apprentice programme. A total of 20 individuals benefited from this development initiative, and 90% of them successfully completed the Artisan Development Programme (see Table 5).

Table 5: Total Number of Participants

Trades	18.1 (Employed)	18.2 (Unemployed)	Successfully Completed
Artisan Fitter & Turner	0	6	4
Artisan Electrical	2	4	6
Artisan Boilermaker	0	4	4
Artisan Mechanical	2	2	4
Total	**4**	**16**	**18**

Internship Programme:

Through our flagship Internship Programme, the HR Department continued to provide work-based training for graduates to gain workplace experience. During the year under review, 14 new interns were enlisted in addition to the 10 that were already in the programme. Out of these 24 interns, 12 are males and 12 are females. As part of our Internship Programme, interns are contracted for a period of 18 months, and provided with monthly stipends to enable them to take care for their daily needs, such as transport, accommodation, meals, etc.

Financial Assistance for Graduate and Post-graduate Studies

A total of 20 new financial assistance applications, either in the form of bursaries or study loans to further studies at various institutions of higher learning, were approved in the 2016/2017 financial year. This is in addition to the 43 financial assistance contracts that were already in place since the previous financial year. We are delighted to report that for the year under review, a total of 63 employees benefited from bursaries and study loans that were awarded. In terms of learning institutions, 19 employees are enrolled in TVET programmes, while 27 are enrolled for under-graduate and post-graduate studies at various other tertiary institutions.

Table 6 illustrates the distribution of beneficiaries in terms of occupational levels, race and gender.

Table 6: Distribution of Bursary and Study Loan Allocations

Occupational Levels	Male				Female				Foreign Nationals		Total
	A	C	I	W	A	C	I	W	Male	Female	
Top management											
Senior management	3										3
Professionally qualified and experienced specialists and mid-management	2			1	5						8
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	7	2									9
Semi-skilled and discretionary decision making	5				19						24
Unskilled and defined decision making	9				10						19
GRAND TOTAL	26	2		1	34						63

Retention of Skilled and Competent Individuals and Promotion of the Well-Being of Employees

Strategies are being implemented to ensure that skilled and competent employees are retained. These include: recognition of long service; succession planning; accelerated personal development programmes; as well as offering market-related remuneration packages.

Recognition of Long Service:

Employees who have completed one year in the service of the organisation, get recognised by being given an additional 1% pay progression when annual salary increases are effected. Those who have completed 5 years of service, get rewarded for loyalty through leave credits equivalent to the number of vacation leave days they are entitled to per annum. Employees who have completed 10 to 35 years of service, were recognised for their loyalty to the organisation at functions that had been sanctioned by the Board, and were held during November and December months, respectively. These employees were presented with long service awards, which were both in cash and in kind. In addition to the aforementioned awards, employees in the 35 years category also received a weekend vacation for two (employee and spouse or partner), i.e. a bus trip to a coastal city plus 3 nights hotel accommodation. Table 7 depicts the categories, tokens of recognition and total number of employees that received long service awards during the 2016/2017 financial year.

Table 7: Long Service Awards

Long Service Category	No. of Recipients	Awards and/or Tokens
10	15	• Long Service Certificate • Long Service Leave (Annual Leave credits applicable to the level) • A gift or cash payment not in excess of R5000.00
15	13	• Long Service Certificate • Long Service Leave • A gift or cash payment or a combination of the two, but not in excess of R7 500.00

20	24	• Long Service Certificate • Long Service Leave • A gift or cash payment or a combination of the two, but not in excess of R10 000.00
25	12	• Long Service Certificate • Long Service Leave • Company dinner for employee and spouse/partner together with 2 guests of his/her choice) • A gift or cash payment or a combination of the two, but not in excess of R12 500.00
30	10	• Long Service Certificate • Long Service Leave • Company dinner for employee and spouse/partner together with 2 guests of his/her choice) • A gift or cash payment or a combination of the two, but not in excess of R15 000.00
35	9	• Long Service Certificate • Long Service Leave. • Weekend vacation for two (trip by bus to a coastal city of choice and 3 nights hotel accommodation) • A gift or cash payment or a combination of the two, but not in excess of R20 000.00
TOTAL	**83**	

Succession Planning and Accelerated Personal Development Programmes:

The Succession Planning Policy was approved and implemented during the year under review. This meant that employees who have potential were placed on the Succession Planning Programme to ensure that their development is accelerated and thereby, prepare them to succeed in posts, which were identified as critical. Most of the employees on the Succession Planning Programme were awarded bursaries to further their studies at tertiary level. It can be confirmed that this programme enabled the organisation to achieve the strategic objectives related to employee retention and well-being, with relative ease.

Improved Terms and Conditions of Employment:

To ensure that Sedibeng Water continues to improve the working conditions of employees in order to attract and retain skills, jobs were re-evaluated in the recently acquired schemes and the remuneration packages of most employees were adjusted accordingly in situations where it was found that the organisation was lagging behind in the market. As a matter of principle and to have a competitive edge, employees are remunerated at the upper quartile of the market. Through this approach, the organisation was able to lure young professionals from urban areas to serve in our remotely located operational areas. The success of this approach is evident from the large number of applications received from the targeted groups, as and when posts were advertised externally.

Communication, Employee Involvement and Participation:

Since worker participation is an essential ingredient of workplace democracy as contemplated in Section 80 of the Labour Relations Act (Act No. 66 of 1995), serious efforts were made to ensure that workplace collective bargaining and consultative structures, such as the Local Labour Forum (LLF), Equity Consultative Forums (ECF) and Regional Union/Management Forums were able to meet regularly. Executive Committee and Regional

Management meetings were also convened to enhance communication and general monitoring of the implementation of decisions taken. Even though there was employee participation at various levels and involvement of organised labour in consultative structures, it was evident that the level of understanding of issues differed amongst role players. In order to address this identified gap, assistance was solicited from the Department of Labour and the Commission for Conciliation, Mediation and Arbitration (CCMA).

Sedibeng Water upholds the ideals of the Constitution of South Africa in that the right to freedom of association is protected. In light of this, employees are free to join, or not to join trade unions, but if they do join any union, such a union should have adequate representation in the water sector and in the workplace. SAMWU and UASA are recognised as collective bargaining agents for their members at the various work sites.

Table 8 reflects the distribution of union membership at Sedibeng water as at 30 June 2017.

Table 8: Distribution of Union Membership

Region	SAMWU	UASA	Other	Total
Free State	109	115	11	235
North West: Hartswater	178	17	6	210
Northern Cape	86	2	15	103
North West: Mahikeng	135	13	15	163
Total	**508**	**147**	**47**	**711**

Due to the fact that conflict is inherent in the workplace, a number of disputes arose between Management and organised labour. Some of these disputes were resolved internally, while others were referred for either conciliation or arbitration by the CCMA.

Table 9 depicts the nature and number of disputes that were referred to the CCMA.

Table 9: Disputes Referred to the CCMA

Dispute	Number of Disputes Referred to the CCMA	Total Resolved	Total Unresolved
Alleged unfair dismissal	5	5	**0**
Alleged unfair labour practice	2	1	**1**

Implementation of Benchmarked Employment Best Practices and Policies and Compliance to Relevant Legislation

Finally, after promulgation of the amendments to relevant legislation, such as the Labour Relations Act, Basic Conditions of Employment Act, Employment Equity Act and recent trends in various sectors, etc, the Policy Review Committee continued to deliver on its mandate to review existing policies and procedures. In instances where gaps were identified, new policies were developed and approved for implementation and these included: Bursaries for Community Members; Volunteerism; Alcohol Testing; Communication and Marketing; Social Media; and Accident Insurance Benefits Distribution. Newly-recruited employees and current employees are educated on the provisions of the approved policies on a continuous basis to ensure awareness and compliance.

MARKETING AND COMMUNICATION

Mr. N.A. Theys
Marketing and Communication Executive

The Marketing and Communication Department formulates and manages the overall marketing and communication strategy of Sedibeng Water. The department acknowledges the fact that the organisation's existence largely depends on sound stakeholder relations management. Brand activation in the minds of our customers is key to initiatives planned and implemented by the department. The creation of public awareness and the promotion of services and products rendered by the organisation, are key activities of the department.

The department is using regular customer satisfaction survey results to formulate comprehensive understanding of consumer behaviour and needs. By using this information, aggressive plans and strategies are implemented to respond to the needs and expectations of our customers. Feedback on these surveys is shared with all departments and issues raised, are addressed immediately. This has given the organisation a competitive advantage in the areas where it supplies services.

The functions of the Marketing and Communication Department include:

- Marketing communication (using marketing communication and advertising media to create awareness);
- Media relations;
- Communication management (facilitating research on communication and customer service related issues);
- Customer and stakeholder relations (fostering alliances and lobbying support for the activities of the organisation);
- Technical communication support (photography, graphic design and layout, speech writing, video production, exhibitions, compilation of annual reports, designing and managing the organisation's website);
- Market development;
- Market positioning; and
- Corporate Social Investment.

The department's integrated Marketing and Communication Strategy and related programmes, activities and initiatives made a significant contribution towards ensuring that Sedibeng Water continuously engage with all its stakeholders. Central

to its mandate, the department has also coordinated customer relations, market development and growth strategy initiatives.

Marketing Communication

Sedibeng Water used integrated marketing communication messages delivered through both print and electronic media to create and promote awareness about its products and services. Apart from developing brand awareness, marketing communication also assisted in retaining the existing customer base and improving healthy relationships with customers. This is evidenced by the organisation retaining all its customers for the year ended 30 June 2017.

Media Relations

In order to communicate the organisation's goals, ideas, strategic intentions, as well as newsworthy events, Sedibeng Water has developed a healthy working relationship with representatives of the print and electronic media at a national, provincial, regional and local level. By means of monthly and bi-monthly radio talk shows, Sedibeng Water has not only established a two-way communication channel for our customers, but also managed to portray a positive corporate image of the organisation. These talk shows have likewise assisted the organisation in communicating directly with its customers. Long-term agreements have been entered into with various media entities, such as *Motsweding, Modiri, Kopanong, Mahikeng, The Star, The Rock, Vaaltar, Kurura, Bophirima and Namakwa FM.* The Marketing and Communication Department is continuously engaging with a variety of print media.

Communication Management

The Marketing and Communication Department facilitated the conducting of a Customer Satisfaction Survey involving both retail and bulk customers. This survey, which was conducted by an independent research company, afforded the organisation the opportunity to investigate the prevailing levels of customer satisfaction amongst its customers. Statistical analyses using various customer service indicators, established that Sedibeng Water currently maintains a customer satisfaction level of 77.5% amongst its retail customers and 81.1% amongst its bulk customers. These results of the survey indicated that Sedibeng Water was able to maintain its already high levels of customer satisfaction during the year under review.

Customer and Stakeholder Relations

Sedibeng Water places high value on customer and stakeholder relations. As a result, various channels and platforms were used during the 2016/2017 financial year to reach each targeted stakeholder group effectively and efficiently. These included regularly scheduled meetings, involvement and collaboration on some projects, road shows, a corporate newsletter, the organisation's website, print and electronic media, as well as an inspector phone-in programme.

Customer Interaction Structures

In order to facilitate two-way communication between Sedibeng Water and stakeholders, the Marketing and Communication Department continued to establish and support customer interaction structures, such as coordinating committees, customer interaction forums, project steering committees and community forums. The organisation has used these forums to identify, capture and record issues raised by customers. Issues were referred to the relevant departments at Sedibeng Water to be solved timeously. During the 2016/2017 financial year, Sedibeng Water held 70 customer interaction meetings across the Ngaka Modiri Molema District Municipality, as well as the Greater Taung, Phokwane, Ga-Segonyana and Kagisano-Molopo Local Municipalities.

In the Ngaka Modiri Molema District Municipality, the primary focus was on the Mahikeng, Ramotshere Moiloa, Ratlou and Tswaing Local Municipalities. During these meetings, ward councillors, consumers, tribal authorities and sector players were afforded an opportunity to report water and sanitation challenges and receive feedback on planned and implemented water projects and programmes in their respective wards.

In addition, as part of the Business Plan for turning around water and sanitation services in the Ngaka Modiri Molema District, Sedibeng Water was appointed as an Implementing Agent for establishing and managing water and sanitation forums.

Sedibeng Water has established 11 such forums across the Ngaka Modiri Molema District Municipality. The primary objectives of these water and sanitation forums are:

- To introduce and promote systematic exchange of information, effective communications, intensive dialogue and improved programme coordination of water and sanitation issues;
- To promote transparency on water and sanitation issues affecting different communities and the implementation of projects, if applicable;
- To create an enabling environment for stakeholder participation/engagement and empowerment in water and sanitation governance; and
- To encourage active participation by local community members in water and sanitation matters.

During the year under review, Sedibeng Water hosted 39 water and sanitation meetings in the Tswaing, Ramotshere Moiloa, Mahikeng and Ratlou Local Municipalities.

Water Education and Plant Visits

Sedibeng Water has continued to host visits by schools, tertiary institutions, government departments, training institutions, etc. to its plants. In the past financial year, a total of 30 visits took place. Themes covered during these visits included, amongst others, the water cycle; how water gets to our taps; the water treatment process and the importance of water conservation and water quality monitoring.

Water Conservation Awareness Campaigns

As part of Water Month activities, Sedibeng Water in partnership with the Department of Water and Sanitation, held several events in the Free State, North West and Northern Cape Regions. Community members and learners were targeted. Presentations on water conservation, vandalism, water quality, pollution and career opportunities were conducted at the Letlotlo Naledi and Ikaheng Primary Schools in the Free State Region. In the Northern Cape, learners from the Barkly West and Francis Mohapenele Primary Schools visited the Vaal Gamagara Water Treatment Works. The Pabalelo Primary School and Taung Nursing College visited the Pampierstad Water and Wastewater Treatment Works. During the 2016/2017 financial year, a total of eight educational programmes were conducted in the Ngaka Modiri Molema District.

Career Development Initiatives for Learners

Sedibeng Water made presentations and exhibited at a career exhibition hosted by the Department of Correctional Services on 21 September 2016 at Ventersburg in the Free State Province. Learners from Grade 9-11 from schools in Ventersburg and Hennenman attended the event.

The Human Resource Development Division at Sedibeng Water conducted a Career Management Workshop on 3 October 2016 at Balkfontein. A total of 20 Grade 9-10 learners from the Mamellathuto High School, Diphethuho Secondary School and Oziel Secondary School in Khotsong near Bothaville, participated in the workshop.

Mandela Day Celebrations

Several Clear River Campaigns were launched as part of Mandela Day celebrations. In the North West Province, Sedibeng Water, the Department of Water and Sanitation, the Ngaka Modiri Molema District Municipality and community members joined hands in cleaning the Molopo River in Mahikeng. In the Free State Province, Sedibeng Water in partnership with the Department of Water and Sanitation, Coca Cola and the Nala Local Municipality, conducted a Clear River Campaign along the Vals River in Bothaville. Furthermore, Sedibeng Water, the Department of Water and Sanitation, the Dikgatlong Local Municipality and Grade 10 learners in Mathematics and Science from the Boresetse High School in Barkly West in the Northern Cape Province, cleaned the banks of the Vaal River at Gong Gong.

Technical Communication Support

The Marketing and Communication Department provides technical communication support to other departments at Sedibeng Water with regards to the graphic design and layout of their promotional material. The department is likewise responsible for corporate photography, the production of DVDs and exhibition material, as well as participating in exhibitions. Additionally, this department assists with managing the website of Sedibeng Water.

Market Development

Sedibeng Water's market development initiatives are aimed at increasing the organisation's market share. Therefore, Sedibeng Water has conducted an assessment profiling current and potential customers' needs. The organisation's Market Development Strategy is also underpinned by the notion of providing excellent service in our areas of operation. Furthermore, Sedibeng Water's market development initiative is not only focusing on increasing sales volumes, but is also aimed at enhancing the capacity and skills base of targeted municipalities. Regular presentations and technical audits are conducted, and results are shared with targeted clients.

Market Positioning

The Market Positioning Strategy has ensured that Sedibeng Water is able to understand and appreciate the needs of its customers. Customers' needs and challenges were identified and addressed through rendering of the following services:

- Community capacity building;
- Water quality monitoring;
- Implementing Agent for projects of the Department of Water and Sanitation;
- Environmental management services; and
- Operations and maintenance services.

Corporate Social Investment

Sedibeng Water's Corporate Social Investment (CSI) Programme is designed to help the organisation to refocus its resources and efforts in ways that benefit the society and the organisation itself. The Corporate Social Investment Programme reflects the unique requirements of communities and contributes towards addressing the real needs of communities in our operational area. Our Corporate Social Investment activities have enhanced the organisation's image and assisted in building a strong brand identity. The CSI Programme has also ensured that the organisation continuously promotes customer goodwill and loyalty.

Our CSI Programme is geared towards cause-worthy initiatives by civil society. The special needs of previously disadvantaged communities are taken into account when considering any request for assistance. Therefore, vulnerable members of our society and schools have been prioritised. This includes the provision of donations, sponsorships and the development of sports and arts. To ensure accountability, monthly meetings are held with beneficiaries, while annual reviews are also conducted to assess the impact of the organisation's contributions within their respective communities.

During the 2016/2017 financial year, the following schools and organisations have benefited from Sedibeng Water's Corporate Social Investment Programme:

Letlotlo Naledi Public School

The Letlotlo Naledi Public school is situated in Kgotsong near Bothaville in the Nala Local Municipality in the Free State Province. This school accommodates more than 1 500 learners from previously disadvantaged communities. The school used sponsorship money received from Sedibeng Water to establish a feeding scheme, as well as a trust fund to assist these learners.

Lesedi Day Care Centre

The Lesedi Day Care Centre is situated in Virginia in the Free State Province. The centre accommodates more than 500 children from unemployed families and orphans around Saaiplaas. The centre used sponsorship money received from Sedibeng Water for a feeding scheme.

Learamele School for the Mentally Disabled

The Learamele School is located in Kuruman that resorts under the Ga-Segonyana Local Municipality in the Northern Cape Province, and caters for more than 200 intellectually impaired learners. This school is using sponsorship money from Sedibeng Water for a project aimed at developing technical skills and the arts.

Lokgabeng Centre for the Disabled

The Lokgabeng Centre for the Disabled is situated in the Greater Taung Local Municipality in the North West Province. The centre has used sponsorship money provided by Sedibeng Water for improving the social, emotional, physical and psychological well-being of disabled and vulnerable people. The funds were also used to provide food and maintain the centre.

M.M. Sebitloane Special School for the Disabled

The M.M. Sebitloane Special School for the Disabled is located within the area of the Greater Taung Local Municipality in the North West Province. The school caters for learners with special needs. Sponsorship money provided by Sedibeng Water was used for sports development and maintenance at the school.

Emang Disability Care Centre

The Emang Disability Care Centre is located in Wolmaransstad in the Maquassi Hills Local Municipality in the North West Province. The centre accommodates orphaned children and people with disabilities. Sedibeng Water has provided sponsorship for a feeding scheme and the maintenance of the centre.

Tlhomamo Child Care Centre

The Tlhomamo Child Care Centre is located in Dryharts village in the Greater Taung Local Municipality in the North West Province. The centre caters for orphans and vulnerable children in the area. Sponsorship money was used for a feeding scheme and the maintenance of the centre.

Leboneng Special School for Intellectually Impaired Learners

The Leboneng Special School is situated in Welkom in the Free State Province and caters for learners with severe intellectual impairment. Sedibeng Water's sponsorship is aimed at developing the art and basic artisan skills of these learners.

J.L.V. Echoes Providers

This facility accommodates destitute and vulnerable members of the community, and is located at Longlands in the Dikgatlong Local Municipality in the Northern Cape Province. Sponsorship money provided by Sedibeng Water was used to support people living with HIV/AIDS who are based at the centre, as well as for maintenance purposes.

Temoso Special School

The Temoso Special School is situated in Ganyesa, which is a village resorting under the Kagisano-Molopo Local Municipality in the North West Province. The school caters for 127 learners from unemployed and previously disadvantaged parents. Sponsorship money provided, was used for transport and renovations at the school.

Bosenyang Elderly Home

The Bosenyang Elderly Home is located in Kraaipan in the Ratlou Local Municipality in the North West Province. The facility accommodates more than 30 destitute and neglected elderly people. The sponsorship granted, was used to buy a washing machine and a stove.

Lapa La Bothle Aged Care Centre

The Lapa La Botlhe Aged Care Centre is located in Mahikeng in the North West Province. The centre is taking care of 70 senior citizens. Sponsorship money granted by Sedibeng Water was used to assist with operational costs, such as food and medicine for these elderly people.

Goodhouse Primary School

The Goodhouse Primary School is situated in Henkries near the border of Namibia in the Nama Khoi Local Municipality in the Northern Cape Province. The school caters for 21 learners from unemployed parents. Sponsorship money provided by Sedibeng Water was used to buy school uniforms for learners, as well as garden equipment for the school.

Sedibeng Water will in the next financial year continue to expand its Corporate Social Investment Programme in order to reach more remote and isolated communities in its operational area.

SCIENTIFIC SERVICES

Mr. D.F. Traut
Scientific Services Executive

The Scientific Services Department's major role at Sedibeng Water is to provide water quality assurance. This is done by performing analytical services to ascertain the quality of potable water supplied to communities in the organisation's area of service. Water samples are collected and tested from source water through treatment and final treated water.

The department operates two quality control laboratories situated at Balkfontein and Vaal Gamagara. At these laboratories, a competent staff compliment of 19 permanent staff members and 11 trainees are employed.

Assessments are conducted by the South African National Accreditation System (SANAS) in an 18 month cycle and re-assessments are conducted after a 5 year cycle. During the financial year under review, the Balkfontein Quality Control Laboratory was due for re-assessment from 18-19 October 2016. The laboratory had been successful in maintaining its accreditation. The laboratory was also assessed for extension of scope and approval of personnel during October 2016 and again in April 2017. The outcome of these assessments was also favourable. The assessment of the Vaal Gamagara Quality Control Laboratory will take place in the next financial year, depending on the availability of SANAS assessors.

Strategic Goals

The Scientific Services Department has set the following goals for the 2016/2017 financial year:

- To successfully re-apply and maintain SANAS accreditation status of the laboratory at Balkfontein;
- To subject the Management System to annual internal and external audits to address all elements of the system;
- To obtain accreditation for new methods;
- To increase the number of Technical Signatories for each accredited method;
- To improve on income generation;
- To review policies and procedures;
- To improve services to customers;
- To improve appropriate education, experience and skills levels;
- To participate in appropriate Proficiency Testing Schemes and comparative studies;
- To assist the operational laboratories to comply with accreditation standards; and
- To solve water quality problems through assistance and research.

For the Vaal Gamagara Laboratory, the following additional goals were set to enable Scientific Services to apply for accreditation with SANAS:

- To document, review and update the Quality Manual;
- To review and update Forms and General Standard Operating Procedures, and
- To implement the Quality Standard Operating Procedures.

Performance of the Scientific Services Department:

Research and Development

In order to attain the strategic goal of solving water quality problems through assistance and research, Sedibeng Water has established the Sedibeng Water Research Chair at the University of Pretoria to contribute towards scientific development in finding long-term solutions within source, treatment, and supply networks. The immediate problems identified during the inception of the Chair, were;

- The conservation of water by recycling effluent from sediment settling ponds;
- The control of algal regrowth within the ponds; and
- The management of chlorine demand in the water supply network.

These three tasks entail the following:

Algal System Investigation

The first task is to develop processes to eliminate problems associated with algal pollution. This work will be conducted in a laboratory and in pilot phases. During the first phase, the focus will be on fundamental processes that can be utilised to control algal accumulation and processes that can be used to eliminate organics identified as algal metabolites.

Organics Accumulation Control

Secondly, the characterisation of persistent organics in algal infested water bodies, especially during the bloom season, will be done. The degradability of the characterised organics will be investigated in laboratory (bench-scale) systems. Technologies will be chosen based on the most current research in the area (literature review) and a full cost-analysis of the identified technologies.

Optimisation of Chlorine Residual and Chlorine Dosing

The third task involves the development or selection of a computational model for chlorine dosing and residence time-analysis to optimise chlorine residual and re-dosing in the system.

Progress: Sedibeng Water Research Chair

Algal System Investigation

During investigation in the past year, it has been discovered that it is possible to eliminate algae completely with low doses of hexavalent chromium [Cr(VI)]. A 100% removal rate of algae was achieved in solutions with doses as low as 5 mg/L Cr(VI). However, it is recognised that Cr(VI) is a highly toxic compound that must be removed after all the algae are killed. For this purpose, an organic biosurfactant particle is being developed, which will be easy to remove together with the Cr(VI) by means of floatation. It will also be easy to embed TiO_2-photocatalytic particles onto the biosurfactant nanoparticles to achieve degradation of algal metabolites and at the same time kill the algae in one step. Researchers from the University of Pretoria have visited the works at Balkfontein several times to study the problems at the plant and to collect samples to be used as seed cultures in the algal killing experiments. Chlorophyll-*a* data collected over the years was made available by Sedibeng Water and is currently being analysed in order to understand the algal loading rates during peak bloom seasons. The data will be integrated with the planning for experimental runs during laboratory testing of the chosen interventions.

Deliverables met to date:

- A literature review report on existing algal control processes (completed in 2015);
- Results on the characterisation of algal species and seasonal variation (completed in 2016);
- Detail plans for batch studies (completed in 2016);
- Commencing with the first trial for algal removal from pond water (completed in 2016); and
- Development of Cr(VI)-doped biosurfactant nanoparticles to be used in a pilot scale algal killing experiment (to commence in October 2017).

Treatment of Organic Algal Metabolites

Treatment of volatile and semi-volatile organic chemical compounds has been achieved using advance oxidation resulting in complete conversion of organic pollutants to water and carbon dioxide constituents. Though this segment of the project has been successful, it is futile to treat metabolites when the source material persists. The presence of algae continuously replenishes the pollutant compounds. A more direct approach was considered, that of targeting algae cells.

One method investigated was the straining of algae using intense UV light. This was conducted simultaneously to oxidation via photocatalysis. Long detention cycles resulted in significant die-off of algal cells. An energy feasibility analysis of this approach proved negative. The next step was to determine environmentally and energy-efficient methods.

Photocatalysis as a sub-discipline of advanced oxidation is striving towards the utilisation of solar power to drive and facilitate the reaction pathways. The major practical drawback is the reclamation of the semiconductor photocatalyst when applied in slurry form. The most viable semiconductor in the form of titanium oxide has particle sizes less than 40nm. One way to address this problem is by increasing the size of the material, allowing for separation using various methods.

The current investigation approach is to determine photocatalyst carriers. A carrier in this context is a material that can be annealed with the catalyst to form larger particle complexes. The chemical complex is theorised to have a core structure made up of non-catalyst chemical elements. The elements being looked at include viable biological and inorganic structures. The principle is that once the complex is amenable to physical manipulation, the reclamation challenge is one step closer to being solved.

The implications of larger complexes of the photocatalyst structure are endless, and in direct relevance to this project is the fact that elements with detrimental effects to algal cells can be used to form part of the complex structure. This creates the potential that more than one problem can be solved, where the source and the metabolites are treated. Achieving a solar driven oxidation treatment whilst ridding the system of source (algae), is the goal.

Optimisation of Chlorine Residual and Chlorine Dosing

Various ways of simulating and optimising chlorine dosage and residuals have been evaluated. Literature suggested two ways of achieving this, i.e. using process-driven models and data-driven models. Process-driven models are thought to possess more robustness, since they are based on the underlying physical processes and the dynamics of the system. Data-driven models on the other hand, were proved to be statistical models that are recommended for use where parameter estimation within a process-based model is imprecise or difficult to obtain, or where the data required for the development of a process-based model is not available. For these reasons, a process-driven model has been chosen to simulate and optimise chlorine dosage and residual in water distribution systems. The proposed method or algorithm used is referred to as the Discrete Volume Element Method (DVEM). This algorithm has been developed in a software package known as MATLAB 7.5.0 (R2007b). Currently, the model developed by one of the Ph.D. students from the University of Pretoria has been tested in sections of the Sedibeng Water Supply Network. Data for the Sedibeng Distribution Water System (SDWS) is therefore required to further evaluate the preliminary model against the sampling data obtained from the SDWS.

Deliverables met to date:

- Preliminary model development and rationale (completed in 2016);
- Results on simulation and optimisation against literature data (completed in 2016); and
- Simulation of the Sedibeng Water Supply Network (SWSN) as a computer graphical map (in progress during 2017).

Accreditation

Every five years, Sedibeng Water's Quality Control Laboratory at Balkfontein has to re-apply for accreditation, where after the South African National Accreditation System (SANAS) re-assesses the competency of the laboratory to produce credible results in compliance with ISO 17025. The laboratory has managed to retain its accreditation status over

the years. The next assessment cycle to determine continued compliance with the international standard ISO 17025, is scheduled for March 2018. As part of continual improvement efforts, the laboratory contracted the services of external SANAS assessors to audit the entire management system to determine continued compliance with ISO 17025. These audits will only be conducted in the next financial year. The current schedule of accreditation is a true reflection of what methods the laboratory is accredited for, and the expiry date is January 2022.

Extension of Scope

Methods (Re-instatement of sewage methods – Ammonia, Total Suspended Solids, Orthophosphate and Chemical Oxygen Demand, as well as new methods – Somatic Coliphages and Mercury) were assessed by SANAS. Accreditation was successfully granted for these methods and thus, the scope of accreditation for methods being used, increased.

Technical Signatories

The laboratory's goal of having more than one Technical Signatory for each method, was achieved. SANAS assessed and approved nine staff members as Technical Signatories for different methods.

Suitability of Policy, Procedures, Quality Manual and Objectives

Quality Policy

The Quality Policy Statement was changed in May 2017 when documenting the Quality Manual took place in alignment with the characteristics in ISO 17025:2005.

Standard Operating Procedures (SOPs)

During the 2016/2017 financial year, the laboratory reviewed all General SOPs during August 2016 according to the planned schedule. Over and above, the laboratory developed Quality SOPs to improve the management system. A total number of fourteen new Quality SOPs were created as extracted from the Quality Manual, eleven were changed from General SOP to Quality SOP and two were made obsolete as they were incorporated in the new Quality SOPs.

Income Generation

Income generated through the provision of analytical services increased by R1 million from the previous financial year.

Table 1: Cost-recovery for Analytical Work in the 2016/2017 Financial Year

	2015/2016	2016/2017
Regions	R6 583 568.30	R7 518 157.12
Municipalities	R3 327 261.77	R3 474 245.79
Ad-hoc Clients	R67 531.45	R 124 840.05
Contracts (DWS)	-	-
Total	R9 987 361.52	R 11 117 242.96

Customer Feedback

Feedback is regarded as an indication of a customer's satisfaction/dissatisfaction with the service that the laboratory provides. Feedback from customers, whether positive or negative, is used as a tool to improve the Management System and the service rendered by the laboratory. The laboratory's goal is to obtain an overall performance percentage of ≥70%. Action is taken when the mean of the response to an individual question is two-and-a-half or below (2.5 or less), even if the overall percentage of ≥70% is obtained. Questionnaires were sent out internally and externally. The results (a score out of five) that the laboratory obtained, are indicated in Table 2.

Table 2: Customer Survey Scores in the 2016/2017 Financial Year

Description	Average Score of All the Surveys (out of 5)	
Year	**2016**	**2017**
1. Results		
Turnaround time (time elapsed from when sample is received up to report is send out)	4.3	4.6
Accuracy, precision and reliability	5.0	4.8
2. Test Reports		
Test Reports user-friendly and legible	4.7	4.8
Test Reports received on time	4.3	4.4
3. Liaison		
Standard of communication, interaction and accessibility of laboratory personnel	4.3	4.6
Response to water quality related issues (turnaround time)	4.3	5.0
4. Adherence to Confidentiality Requirements	5.0	5.0
5. Sample Retention Time	5.0	5.0
6. Overall Efficiency and Effectiveness of the Laboratory	4.7	4.8
Total %	92.4	95.0

Additional analysis of customer data has further revealed and confirmed that the clients are indeed satisfied with the service they are receiving from the laboratory, while at the same time, the laboratory needs a new approach to encourage customers to complete the survey.

Customer Complaints

All customers' complaints were registered as non-conformances in order to establish the root cause. During the review period, the one registered customer complaint was resolved and corrective action taken to avoid recurrence.

Goals Achieved

At the beginning of every year, goals are set by each section of the laboratory.

Table 3: 2016/2017 Goals: Chemistry New Methods

Determinands	Method Development	Method Validation	Accreditation
New method			
Mercury	Completed	Completed	Completed
Re-instated methods			
Ammonia	Completed	Completed	Completed
Total Suspended Solids	Completed	Completed	Completed
Orthophosphate	Completed	Completed	Completed
Chemical Oxygen Demand	Completed	Completed	Completed

New Methods are methods that have never been used in the laboratory. The laboratory strives to have all methods listed in the drinking water standard (the South African National Standard SANS 241:2015 and the General Standard for Wastewater), accredited. It is therefore necessary to have goals for new methods each and every year. During the financial year under review, the laboratory successfully implemented and accredited one new method and re-instated four Sewage methods. The latter were re-instated after voluntary suspension due to moving to a new laboratory (environmental change).

Somatic Coliphages

During the financial year under review, the laboratory successfully implemented and accredited the Somatic Coliphages method.

Training and Competency

ISO 17025 requires the Laboratory Management to ensure the competency of all personnel who operate specific equipment, perform tests, evaluate results and sign test reports. As required, personnel performing specific tasks need to be qualified on the basis of appropriate education, training, experience and/or demonstrated skills. To be in line with this requirement, laboratory personnel have to constantly attend courses and training sessions, which increase their scope of knowledge in their specific fields. Training opportunities attended in the 2016/2017 financial year include:

- ISO/IEC 17025 (2005) Laboratory Quality Management System Implementation Course (7);
- SANAS ISO 17025 Laboratory Systems Course (5);
- Risk Based Approach to Business and Root Cause Analysis Course (6);
- First Aid and Fire Fighting (4);
- ICP- MS Seminar (2);
- SANAS Internal Auditing Course (3) and
- Inductively Coupled Plasma (ICP) Seminar.

Proficiency Testing Schemes (PTS)

The Chemistry Section participates in two different Proficiency Testing Schemes, namely nationally in the South African Bureau of Standards (SABS) and internationally in the Environmental Resource Associates (ERA). In the Microbiology Section, the laboratory participated in the Public Health England (PHE) and the Laboratory of the Government Chemist (LGC) Proficiency Testing Schemes.

Inter-laboratory Comparison

The proficiency testing scheme for the Somatic Coliphages method is currently unavailable and the laboratory participates in an inter-laboratory comparison scheme that is run by Rand Water. Participation in inter-laboratory comparison (ILC) studies allows for an evaluation of the analytical performance of a laboratory by comparing its results with that of other laboratories. The ILC for the detection of Somatic Coliphages in water samples takes place between the laboratories of Rand Water, Magalies Water, Sedibeng Water (Balkfontein), Sedibeng Water (Vaal Gamagara) and Mhlathuze Water. During July 2016 - June 2017, the laboratory participated in four rounds of the scheme and there were no outliers on all analyses conducted.

Major Highlights

- Accreditation of five additional chemistry methods by SANAS;
- Accreditation of Somatic Coliphages method by SANAS;
- The laboratory has more than one Technical Signatory for each accredited method;
- Total number of non-conformances raised in the review period has decreased by 15% compared to previous review period;
- Audit results show an improvement compared to previous periods;
- The amount and type of complaints decreased by 50% when compared to the previous financial year;
- The laboratory showed an improvement in enhancing customer satisfaction as there was an 8.5% increase in total scores as compared to feedback results obtained for the previous years;
- Although Proficiency Testing Scheme failures slightly increased by 0.6%, the overall outliers were not alarming as the overall failure was only 2% in the review period;
- The review of all documents and re-arrangement of the Quality Manual aided the improvement of the system;
- Quality Talks sessions were conducted fortnightly and these sessions have assisted in improving documents used in the laboratory and ensuring that personnel follow procedures;

- The Second Annual World Quality Month celebrations conducted in November 2016 played a major role in reminding personnel of the importance of quality in performing their responsibilities;
- The Quality Manual for Vaal Gamagara was documented, reviewed and updated;
- The Forms and General Standard Operating Procedures for Vaal Gamagara was reviewed and updated; and
- Quality Standard Operating Procedures were implemented.

Water Quality Performance: Regional Water Quality

Water quality performance is established for each water treatment works on an annual basis, indicating compliance (as a percentage) to each determinand listed in SANS 241:2015. A risk-based compliance monitoring programme is compiled for each region according to the requirements of SANS 241:2015. It is required that a 95% compliance rate for each chemical and operational determinand, and a 99% compliance rate for all microbiological determinands, are achieved on an annual basis.

Free State Region:

Balkfontein (Table 4)

The Balkfontein Water Treatment Works has put out final water of exceptionally high quality during the period under review. All determinands listed in SANS 241:2015 had a compliance percentage above the required 99%. Although the recycled sludge lagoons had cyanobacteria present, it was not wasted and no consumer complaint had been received regarding foul taste and odours.

Virginia (Table 4)

The Virginia Water Treatment Works was only operational for three months in the 2016/2017 financial year, mainly due to quota restrictions during the drought conditions experienced in the reporting period. Nonetheless, the quality of the final water delivered to the consumers was excellent and achieved above 99% compliance for all the determinands tested according to SANS 241:2015.

North West Region (Dr. Ruth S. Mompati District Municipality):

Pampierstad Water Treatment Works (Table 5a)

Final water from the Pampierstad Water Treatment Works complied with the SANS 241:2015 requirements for the reporting period, except for turbidity and *E.coli*. Operational values for turbidity complied 94.2% of the time, while *E.coli* complied 98.1% of the time. Turbidity was negatively impacted by water shortages experienced in the area. Sedibeng Water has improved the quality by augmenting the raw water with water from the Harts River, eliminating low reservoir levels. The chlorination system of the Pampierstad Water Treatment Works will be upgraded to ensure that failures are eliminated.

Pudimoe Water Treatment Works (Table 5a)

Final water delivered during the reporting period complied with all SANS 241:2015 requirements, except for turbidity. The failures that occurred were primarily caused by dry periods of two weeks that the region experienced due to maintenance on the Vaalharts Canal System.

Bogosing Water Treatment Works (Table 5b)

Final water delivered by the Bogosing Water Treatment Works continues to fail in meeting SANS 241:2015 requirements. Aesthetic determinands show poor removal, though microbiological compliance improved somewhat. The pipeline from the Khibitswane Reservoir (water from the Pudimoe Water Treatment Plant) was connected to the Bogosing System. The commissioning of the Taung Water Treatment Works that will replace the Bogosing Water Treatment Works was planned for the period under review, but due to shortages in the Taung Dam, the plant was not commissioned. Commissioning will now take place early in the next year. The current works will only function as a booster chlorination facility.

Kgomotso Water Treatment Works (Table 5b)

Final water from the Kgomotso Water Treatment Works complied with the SANS 241:2015 requirements for the reporting period and in doing so,

delivered safe water of good quality to consumers. Turbidity levels were at times not complying with the Standard, but optimisation tests were introduced at the works.

North West Region (Ngaka Modiri Molema District Municipality):

Mmabatho Water Treatment Works (Table 6a)

Final water from the Mmabatho Water Treatment Works complied with the SANS 241:2015 requirements for the reporting period, except for microbiological determinands and turbidity. The works is in the process of being refurbished. After the completion of the filters, it was realised that cracks formed in the filter floor. These cracks will be repaired by the contractor. The biggest concern at the works remains the high number of Cyanobacteria in the source water. Upgrades (Ozone and Granular Activate Carbon filters) are currently underway to deal with taste and odour problems.

Mahikeng Water Treatment Works (Table 6a)

The sources of water for the Mahikeng Water Treatment Works come from the Molopo Eye and the Grootfontein boreholes. The water quality is excellent and complied with the SANS 241:2015 requirements for the reporting period.

Dinokana Water Treatment Works (Table 6b)

Final water from the Dinokana Water Treatment Works complied with the SANS 241:2015 requirements for the reporting period. As in the case of the Mahikeng Water Treatment Works, exceptionally clear water is sourced by the Dinokana Water Treatment Works from the Dinokana Eye. During the review period, the region has secured the Dinokana Eye and the traffic to the Eye is now regulated by security guards.

Motswedi Water Treatment Works (Table 6b)

Final water from the Motswedi Water Treatment Works complied with the SANS 241:2015 requirements for most of the reporting period. The Motswedi Water Treatment Works also experienced challenges related to drought conditions, extremely high raw water turbidities and demand exceeding its design capacity. To alleviate these problems, different chemicals are frequently tested at the works. Increased filter backwashing also has a negative impact on supplying in the demand.

Itsoseng Water Treatment Works (Table 6b)

Final water from the Itsoseng Water Treatment Works complied with the SANS 241:2015 requirements for the reporting period. The Itsoseng Treatment Works is solely reliable on ground water, which is disinfected. Failures that occurred at the treatment works were mostly related to drought conditions, vandalism and protest actions by community members.

North West Region (Lekwa-Teemane Local Municipality):

Bloemhof Water Treatment Works (Table 7)

Final water from the Bloemhof Water Treatment Works complied with the SANS 241:2015 requirements for the reporting period and in doing so, delivered safe water of good quality to consumers.

Christiana Water Treatment Works (Table 7)

Final water from the Christiana Water Treatment Works complied with the SANS 241:2015 requirements for the reporting period, except for turbidity. The Christiana Works is being operated far above its design capacity, causing upwards flow in the clarifiers much too high for particle removal. Sedibeng Water and the Dr. Ruth S. Mompati District Municipality are in the planning phase regarding the upgrading of the works. During the year in review, the balancing raw water reservoir was completed. The extension of the works is dependent on available funds.

Northern Cape Region:

Vaal Gamagara Water Treatment Works (Table 8)

The Vaal Gamagara Water Treatment Works has put out final water of high quality during the period of reporting. All determinands listed in SANS 241:2015, except for turbidity have a compliance percentage above 99%.

Henkries Water Treatment Works (Table 8)

The Henkries Water Treatment Works has put out final water of exceptionally high quality during the period of reporting. All determinands listed in SANS 241:2015 have a compliance percentage above 99%.

Pelladrift Water Treatment Works (Table 8)

The Pelladrift Water Treatment Works delivered safe and good quality water to its consumers. However, turbidity failures did occur due to a lack of filtration. Good progress has been made with the upgrade of the works and the filters will be prioritised.

Table 4	Compliance of Potable Water in the Free State Region (based on SANS 241: 2015)				
Determinand	**Risk**	**Unit**	**Standard Limits**	**Virginia Plant**	**Balkfontein Plant**
Microbiological determinands					
E. coli or faecal coliforms	Acute health – 1	Count per 100 mL	Not detected	>99.99%	>99.99%
Cytopathogenic viruses	Acute health – 2	Count per 10 L	Not detected	>99.99%	>99.99%
Protozoan parasites					
Cryptosporidium species	Acute health – 2	Count per 10 L	Not detected	>99.99%	>99.99%
Giardia species	Acute health – 2	Count per 10 L	Not detected	>99.99%	>99.99%
Total coliforms	Operational	Count per 100 mL	≤ 10	>99.99%	>99.99%
Heterotrophic plate count	Operational	Count per mL	≤ 1 000	>99.99%	>99.99%
Somatic coliphages	Operational	Count per 10 mL	Not detected	>99.99%	>99.99%
Physical and aesthetic determinands					
Free Chlorine	Chronic health	mg/L	≤ 5	>99.9%	>99.99%
Colour	Aesthetic	mg/L Pt-Co	≤ 15	>99.9%	>99.9%
Conductivity at 25°C	Aesthetic	mS/m	≤ 170	>99.9%	>99.9%
Odour or taste	Aesthetic	–	Inoffensive	Inoffensive	Inoffensive
Total dissolved solids	Aesthetic	mg/L	≤ 1 200	n/a	n/a
Turbidity	Operational	NTU	≤ 1	>99.9%	99.2%
	Aesthetic	NTU	≤ 5	>99.9%	>99.9%
pH at 25°C	Operational	pH units	≥ 5 to ≤ 9,7	>99.9%	99.7%
Chemical determinands — macro-determinands					
Nitrate as N	Acute health – 1	mg/L	≤ 11	>99.9%	>99.9%
Nitrite as N	Acute health – 1	mg/L	≤ 0,9	>99.9%	>99.9%
Sulfate as SO_4^{2-}	Acute health – 1	mg/L	≤ 500	>99.9%	>99.9%
Fluoride as F^-	Chronic health	mg/L	≤ 1,5	>99.9%	>99.9%
Ammonia as N	Aesthetic	mg/L	≤ 1,5	>99.9%	>99.9%
Chloride as Cl^-	Aesthetic	mg/L	≤ 300	>99.9%	>99.9%
Sodium as Na	Aesthetic	mg/L	≤ 200	>99.9%	>99.9%
Zinc as Zn	Aesthetic	mg/L	≤ 5	>99.9%	>99.9%
Chemical determinands — micro-determinands					
Antimony as Sb	Chronic health	µg/L	≤ 20	>99.9%	>99.9%
Arsenic as As	Chronic health	µg/L	≤ 10	>99.9%	>99.9%
Cadmium as Cd	Chronic health	µg/L	≤ 3	>99.9%	>99.9%
Total Chromium as Cr	Chronic health	µg/L	≤ 50	>99.9%	>99.9%
Cobalt as Co	Chronic health	µg/L	≤ 500	>99.9%	>99.9%
Copper as Cu	Chronic health	µg/L	≤ 2 000	>99.9%	>99.9%
Cyanide (recoverable) as CN^-	Acute health – 1	µg/L	≤ 70	>99.9%	>99.9%
Iron as Fe	Chronic health	µg/L	≤ 2 000	>99.9%	>99.9%
Lead as Pb	Chronic health	µg/L	≤ 10	>99.9%	>99.9%
Manganese as Mn	Chronic health	µg/L	≤ 500	>99.9%	>99.9%
Mercury as Hg	Chronic health	µg/L	≤ 6	>99.9%	>99.9%
Nickel as Ni	Chronic health	µg/L	≤ 70	>99.9%	>99.9%
Selenium as Se	Chronic health	µg/L	≤ 10	>99.9%	>99.9%
Uranium as U	Chronic health	µg/L	≤ 15	>99.9%	>99.9%
Vanadium as V	Chronic health	µg/L	≤ 200	>99.9%	>99.9%
Aluminium as Al	Operational	µg/L	≤ 300	>99.9%	>99.9%
Chemical determinands — organic determinands					
Total organic carbon as C	Chronic health	mg/L	≤ 10	>99.9%	>99.9%
Trihalomethanes:					
Chloroform	Chronic health	mg/L	≤ 0,3	>99.9%	>99.9%
Bromoform	Chronic health	mg/L	≤ 0,1	>99.9%	>99.9%
Dibromochloromethane	Chronic health	mg/L	≤ 0,1	>99.9%	>99.9%
Bromodichloromethane	Chronic health	mg/L	≤ 0,06	>99.9%	>99.9%
Microcystin as LR	Chronic health	µg/L	≤ 1	-	-
Phenols	Aesthetic	µg/L	≤ 10	>99.9%	>99.9%

Table 5a	Compliance of Potable Water in the North West Region: Dr. Ruth S. Mompati District Municipality (based on SANS 241: 2015)				
Determinand	**Risk**	**Unit**	**Standard Limits**	**Pampierstad Plant**	**Pudimoe Plant**
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Odour or taste	Aesthetic	-	Inoffensive	Inoffensive	Inoffensive
Total dissolved solids	Aesthetic	mg/L	≤ 1 200	-	-
Turbidity	Operational	NTU	≤ 1	94.20%	94.20%
	Aesthetic	NTU	≤ 5	>99.9%	>99.9%
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Fluoride as F^-	Chronic health	mg/L	≤ 1,5	>99.9%	>99.9%
Ammonia as N	Aesthetic	mg/L	≤ 1,5	-	-
Chloride as Cl^-	Aesthetic	mg/L	≤ 300	>99.9%	>99.9%
Sodium as Na	Aesthetic	mg/L	≤ 200	>99.9%	>99.9%
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Manganese as Mn	Chronic health	µg/L	≤ 500	>99.9%	>99.9%
Mercury as Hg	Chronic health	µg/L	≤ 6	>99.9%	>99.9%
Nickel as Ni	Chronic health	µg/L	≤ 70	>99.9%	>99.9%
Selenium as Se	Chronic health	µg/L	≤ 10	>99.9%	>99.9%
Uranium as U	Chronic health	µg/L	≤ 15	>99.9%	>99.9%
Vanadium as V	Chronic health	µg/L	≤ 200	>99.9%	>99.9%
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Trihalomethanes:					
Chloroform	Chronic health	mg/L	≤ 0,3	>99.9%	>99.9%
Bromoform	Chronic health	mg/L	≤ 0,1	>99.9%	>99.9%
Dibromochloromethane	Chronic health	mg/L	≤ 0,1	>99.9%	>99.9%
Bromodichloromethane	Chronic health	mg/L	≤ 0,06	>99.9%	>99.9%
Microcystin as LR	Chronic health	µg/L	≤ 1	-	-
Phenols	Aesthetic	µg/L	≤ 10	>99.9%	>99.9%

Table 5b	Compliance of Potable Water in the North West Region: Dr. Ruth S. Mompati District Municipality (based on SANS 241: 2015)				
Determinand	**Risk**	**Unit**	**Standard Limits**	**Bogosing Plant**	**Kgomotso Plant**
Microbiological determinands					
E. coli or faecal coliforms	Acute health – 1	Count per 100 mL	Not detected	98.10%	98.10%
Cytopathogenic viruses	Acute health – 2	Count per 10 L	Not detected	-	-
Protozoan parasites					
Cryptosporidium species	Acute health – 2	Count per 10 L	Not detected	>99.99%	>99.99%
Giardia species	Acute health – 2	Count per 10 L	Not detected	>99.99%	>99.99%
Total coliforms	Operational	Count per 100 mL	≤ 10	98.10%	>99.99%
Heterotrophic plate count	Operational	Count per mL	≤ 1 000	96.10%	>99.99%
Somatic coliphages	Operational	Count per 10 mL	Not detected	>99.99%	>99.99%
Physical and aesthetic determinands					
Free Chlorine	Chronic health	mg/L	≤ 5	>99.99%	>99.99%
Colour	Aesthetic	mg/L Pt-Co	≤ 15	>99.9%	>99.99%
Conductivity at 25°C	Aesthetic	mS/m	≤ 170	>99.9%	>99.9%
Odour or taste	Aesthetic	-	Inoffensive	Inoffensive	Inoffensive
Total dissolved solids	Aesthetic	mg/L	≤ 1 200	-	-
Turbidity	Operational	NTU	≤ 1	11.50%	92.30%
	Aesthetic	NTU	≤ 5	11.50%	>99.99%
pH at 25°C	Operational	pH units	≥ 5 to ≤ 9,7	>99.9%	>99.9%
Chemical determinands — macro-determinands					
Nitrate as N	Acute health – 1	mg/L	≤ 11	>99.9%	>99.9%
Nitrite as N	Acute health – 1	mg/L	≤ 0,9	>99.9%	>99.9%
Sulfate as SO_4^{2-}	Acute health – 1	mg/L	≤ 500	>99.9%	>99.9%
Fluoride as F^-	Chronic health	mg/L	≤ 1,5	>99.9%	>99.9%
Ammonia as N	Aesthetic	mg/L	≤ 1,5	-	-
Chloride as Cl^-	Aesthetic	mg/L	≤ 300	>99.9%	>99.9%
Sodium as Na	Aesthetic	mg/L	≤ 200	>99.9%	>99.9%
Zinc as Zn	Aesthetic	mg/L	≤ 5	>99.9%	>99.9%
Chemical determinands — micro-determinands					
Antimony as Sb	Chronic health	µg/L	≤ 20	>99.9%	>99.9%
Arsenic as As	Chronic health	µg/L	≤ 10	>99.9%	>99.9%
Cadmium as Cd	Chronic health	µg/L	≤ 3	>99.9%	>99.9%
Total Chromium as Cr	Chronic health	µg/L	≤ 50	>99.9%	>99.9%
Cobalt as Co	Chronic health	µg/L	≤ 500	>99.9%	>99.9%
Copper as Cu	Chronic health	µg/L	≤ 2 000	>99.9%	>99.9%
Cyanide (recoverable) as CN^-	Acute health – 1	µg/L	≤ 70	>99.9%	>99.9%
Iron as Fe	Chronic health	µg/L	≤ 2 000	15.00%	>99.9%
Lead as Pb	Chronic health	µg/L	≤ 10	>99.9%	>99.9%
Manganese as Mn	Chronic health	µg/L	≤ 500	>99.9%	>99.9%
Mercury as Hg	Chronic health	µg/L	≤ 6	>99.9%	>99.9%
Nickel as Ni	Chronic health	µg/L	≤ 70	>99.9%	>99.9%
Selenium as Se	Chronic health	µg/L	≤ 10	>99.9%	>99.9%
Uranium as U	Chronic health	µg/L	≤ 15	>99.9%	>99.9%
Vanadium as V	Chronic health	µg/L	≤ 200	>99.9%	>99.9%
Aluminium as Al	Operational	µg/L	≤ 300	26.90%	>99.9%
Chemical determinands — organic determinands					
Total organic carbon as C	Chronic health	mg/L	≤ 10	>99.9%	>99.9%
Trihalomethanes:					
Chloroform	Chronic health	mg/L	≤ 0,3	>99.9%	>99.9%
Bromoform	Chronic health	mg/L	≤ 0,1	>99.9%	>99.9%
Dibromochloromethane	Chronic health	mg/L	≤ 0,1	>99.9%	>99.9%
Bromodichloromethane	Chronic health	mg/L	≤ 0,06	>99.9%	>99.9%
Microcystin as LR	Chronic health	µg/L	≤ 1	-	-
Phenols	Aesthetic	µg/L	≤ 10	>99.9%	>99.9%

Table 6a	Compliance of Potable Water in the North West Region: Ngaka Modiri Molema District Municipality (based on SANS 241: 2015)				
Determinand	**Risk**	**Unit**	**Standard Limits**	**Mmabatho Plant**	**Mahikeng Plant**
Microbiological determinands					
E. coli or faecal coliforms	Acute health – 1	Count per 100 mL	Not detected	98.1%	98.1%
Cytopathogenic viruses	Acute health – 2	Count per 10 L	Not detected	-	-
Protozoan parasites					
Cryptosporidium species	Acute health – 2	Count per 10 L	Not detected	>99.99%	>99.99%
Giardia species	Acute health – 2	Count per 10 L	Not detected	>99.99%	>99.99%
Total coliforms	Operational	Count per 100 mL	≤ 10	96.2%	>99.99%
Heterotrophic plate count	Operational	Count per mL	≤ 1 000	94.2%	>99.99%
Somatic coliphages	Operational	Count per 10 mL	Not detected	-	-
Physical and aesthetic determinands					
Free Chlorine	Chronic health	mg/L	≤ 5	>99.9%	>99.9%
Colour	Aesthetic	mg/L Pt-Co	≤ 15	>99.9%	>99.9%
Conductivity at 25°C	Aesthetic	mS/m	≤ 170	>99.9%	>99.9%
Odour or taste	Aesthetic	-	Inoffensive	Offensive	Inoffensive
Total dissolved solids	Aesthetic	mg/L	≤ 1 200	-	-
Turbidity	Operational	NTU	≤ 1	69.2%	94.2%
	Aesthetic	NTU	≤ 5	>99.9%	>99.9%
pH at 25°C	Operational	pH units	≥ 5 to ≤ 9,7	>99.9%	>99.9%
Chemical determinands — macro-determinands					
Nitrate as N	Acute health – 1	mg/L	≤ 11	>99.9%	>99.9%
Nitrite as N	Acute health – 1	mg/L	≤ 0,9	>99.9%	>99.9%
Sulfate as SO_4^{2-}	Acute health – 1	mg/L	≤ 500	>99.9%	>99.9%
Fluoride as F^-	Chronic health	mg/L	≤ 1,5	>99.9%	>99.9%
Ammonia as N	Aesthetic	mg/L	≤ 1,5	>99.9%	>99.9%
Chloride as Cl^-	Aesthetic	mg/L	≤ 300	>99.9%	>99.9%
Sodium as Na	Aesthetic	mg/L	≤ 200	>99.9%	>99.9%
Zinc as Zn	Aesthetic	mg/L	≤ 5	>99.9%	>99.9%
Chemical determinands — micro-determinands					
Antimony as Sb	Chronic health	µg/L	≤ 20	>99.9%	>99.9%
Arsenic as As	Chronic health	µg/L	≤ 10	>99.9%	>99.9%
Cadmium as Cd	Chronic health	µg/L	≤ 3	>99.9%	>99.9%
Total Chromium as Cr	Chronic health	µg/L	≤ 50	>99.9%	>99.9%
Cobalt as Co	Chronic health	µg/L	≤ 500	>99.9%	>99.9%
Copper as Cu	Chronic health	µg/L	≤ 2 000	>99.9%	>99.9%
Cyanide (recoverable) as CN^-	Acute health – 1	µg/L	≤ 70	>99.9%	>99.9%
Iron as Fe	Chronic health	µg/L	≤ 2 000	>99.9%	>99.9%
Lead as Pb	Chronic health	µg/L	≤ 10	>99.9%	>99.9%
Manganese as Mn	Chronic health	µg/L	≤ 500	>99.9%	>99.9%
Mercury as Hg	Chronic health	µg/L	≤ 6	>99.9%	>99.9%
Nickel as Ni	Chronic health	µg/L	≤ 70	>99.9%	>99.9%
Selenium as Se	Chronic health	µg/L	≤ 10	>99.9%	>99.9%
Uranium as U	Chronic health	µg/L	≤ 15	>99.9%	>99.9%
Vanadium as V	Chronic health	µg/L	≤ 200	>99.9%	>99.9%
Aluminium as Al	Operational	µg/L	≤ 300	>99.9%	>99.9%
Chemical determinands — organic determinands					
Total organic carbon as C	Chronic health	mg/L	≤ 10	>99.9%	>99.9%
Trihalomethanes:					
Chloroform	Chronic health	mg/L	≤ 0,3	>99.9%	>99.9%
Bromoform	Chronic health	mg/L	≤ 0,1	>99.9%	>99.9%
Dibromochloromethane	Chronic health	mg/L	≤ 0,1	>99.9%	>99.9%
Bromodichloromethane	Chronic health	mg/L	≤ 0,06	>99.9%	>99.9%
Microcystin as LR	Chronic health	µg/L	≤ 1	-	-
Phenols	Aesthetic	µg/L	≤ 10	>99.9%	>99.9%

Table 6b	Compliance of Potable Water in the North West Region: Ngaka Modiri Molema District Municipality (based on SANS 241: 2015)					
Determinand	**Risk**	**Unit**	**Standard Limits**	**Dinokana Plant**	**Motswedi Plant**	**Itsoseng Plant**
Microbiological determinands						
E. coli or faecal coliforms	Acute health – 1	Count per 100 mL	Not detected	99.00%	96.1%	>99.9%
Cytopathogenic viruses	Acute health – 2	Count per 10 L	Not detected	-	-	-
Protozoan parasites						
Cryptosporidium species	Acute health – 2	Count per 10 L	Not detected	>99.99%	>99.99%	>99.99%
Giardia species	Acute health – 2	Count per 10 L	Not detected	>99.99%	>99.99%	>99.99%
Total coliforms	Operational	Count per 100 mL	≤ 10	97.10%	>99.99%	>99.99%
Heterotrophic plate count	Operational	Count per mL	≤ 1 000	99.00%	96.1%	>99.99%
Somatic coliphages	Operational	Count per 10 mL	Not detected	-	-	-
Physical and aesthetic determinands						
Free Chlorine	Chronic health	mg/L	≤ 5	>99.9%	>99.9%	>99.9%
Colour	Aesthetic	mg/L Pt-Co	≤ 15	>99.9%	>99.9%	>99.9%
Conductivity at 25°C	Aesthetic	mS/m	≤ 170	>99.9%	>99.9%	>99.9%
Odour or taste	Aesthetic	-	Inoffensive	Inoffensive	Inoffensive	Inoffensive
Total dissolved solids	Aesthetic	mg/L	≤ 1 200	-	-	-
Turbidity	Operational	NTU	≤ 1	92.3%	65.4%	82.0%
	Aesthetic	NTU	≤ 5	>99.9%	92.3%	>99.9%
pH at 25°C	Operational	pH units	≥ 5 to ≤ 9,7	>99.9%	>99.9%	>99.9%
Chemical determinands — macro-determinands						
Nitrate as N	Acute health – 1	mg/L	≤ 11	>99.9%	>99.9%	>99.9%
Nitrite as N	Acute health – 1	mg/L	≤ 0,9	>99.9%	>99.9%	>99.9%
Sulfate as SO_4^{2-}	Acute health – 1	mg/L	≤ 500	>99.9%	>99.9%	>99.9%
Fluoride as F^-	Chronic health	mg/L	≤ 1,5	>99.9%	>99.9%	>99.9%
Ammonia as N	Aesthetic	mg/L	≤ 1,5	>99.9%	>99.9%	>99.9%
Chloride as Cl^-	Aesthetic	mg/L	≤ 300	>99.9%	>99.9%	>99.9%
Sodium as Na	Aesthetic	mg/L	≤ 200	>99.9%	>99.9%	>99.9%
Zinc as Zn	Aesthetic	mg/L	≤ 5	>99.9%	>99.9%	>99.9%
Chemical determinands — micro-determinands						
Antimony as Sb	Chronic health	µg/L	≤ 20	>99.9%	>99.9%	>99.9%
Arsenic as As	Chronic health	µg/L	≤ 10	>99.9%	>99.9%	>99.9%
Cadmium as Cd	Chronic health	µg/L	≤ 3	>99.9%	>99.9%	>99.9%
Total Chromium as Cr	Chronic health	µg/L	≤ 50	>99.9%	>99.9%	>99.9%
Cobalt as Co	Chronic health	µg/L	≤ 500	>99.9%	>99.9%	>99.9%
Copper as Cu	Chronic health	µg/L	≤ 2 000	>99.9%	>99.9%	>99.9%
Cyanide (recoverable) as CN^-	Acute health – 1	µg/L	≤ 70	>99.9%	>99.9%	>99.9%
Iron as Fe	Chronic health	µg/L	≤ 2 000	>99.9%	98.1%	>99.9%
Lead as Pb	Chronic health	µg/L	≤ 10	>99.9%	>99.9%	>99.9%
Manganese as Mn	Chronic health	µg/L	≤ 500	>99.9%	>99.9%	>99.9%
Mercury as Hg	Chronic health	µg/L	≤ 6	>99.9%	>99.9%	>99.9%
Nickel as Ni	Chronic health	µg/L	≤ 70	>99.9%	>99.9%	>99.9%
Selenium as Se	Chronic health	µg/L	≤ 10	>99.9%	>99.9%	>99.9%
Uranium as U	Chronic health	µg/L	≤ 15	>99.9%	>99.9%	>99.9%
Vanadium as V	Chronic health	µg/L	≤ 200	>99.9%	>99.9%	>99.9%
Aluminium as Al	Operational	µg/L	≤ 300	>99.9%	94.2%	>99.9%
Chemical determinands — organic determinands						
Total organic carbon as C	Chronic health	mg/L	≤ 10	>99.9%	>99.9%	>99.9%
Trihalomethanes:						
Chloroform	Chronic health	mg/L	≤ 0,3	>99.9%	>99.9%	>99.9%
Bromoform	Chronic health	mg/L	≤ 0,1	>99.9%	>99.9%	>99.9%
Dibromochloromethane	Chronic health	mg/L	≤ 0,1	>99.9%	>99.9%	>99.9%
Bromodichloromethane	Chronic health	mg/L	≤ 0,06	>99.9%	>99.9%	>99.9%
Microcystin as LR	Chronic health	µg/L	≤ 1	-	-	-
Phenols	Aesthetic	µg/L	≤ 10	>99.9%	>99.9%	>99.9%

Table 7	Compliance of Potable Water in the North West Region: Lekwa-Teemane Local Municipality (based on SANS 241: 2015)				
Determinand	**Risk**	**Unit**	**Standard Limits**	**Bloemhof Plant**	**Christiana Plant**
Microbiological determinands					
E. coli or faecal coliforms	Acute health – 1	Count per 100 mL	Not detected	>99.99%	>99.99%
Cytopathogenic viruses	Acute health – 2	Count per 10 L	Not detected	>99.99%	>99.99%
Protozoan parasites					
Cryptosporidium species	Acute health – 2	Count per 10 L	Not detected	>99.99%	>99.99%
Giardia species	Acute health – 2	Count per 10 L	Not detected	>99.99%	>99.99%
Total coliforms	Operational	Count per 100 mL	≤ 10	98.0%	>99.99%
Heterotrophic plate count	Operational	Count per mL	≤ 1 000	>99.99%	>99.99%
Somatic coliphages	Operational	Count per 10 mL	Not detected	>99.99%	>99.99%
Physical and aesthetic determinands					
Free Chlorine	Chronic health	mg/L	≤ 5	>99.9%	>99.9%
Colour	Aesthetic	mg/L Pt-Co	≤ 15	>99.9%	>99.9%
Conductivity at 25°C	Aesthetic	mS/m	≤ 170	>99.9%	>99.9%
Odour or taste	Aesthetic	-	Inoffensive	Inoffensive	Inoffensive
Total dissolved solids	Aesthetic	mg/L	≤ 1 200	n/a	n/a
Turbidity	Operational	NTU	≤ 1	98.0%	75.0%
	Aesthetic	NTU	≤ 5	>99.9%	>99.9%
pH at 25°C	Operational	pH units	≥ 5 to ≤ 9,7	>99.9%	>99.9%
Chemical determinands — macro-determinands					
Nitrate as N	Acute health – 1	mg/L	≤ 11	>99.9%	>99.9%
Nitrite as N	Acute health – 1	mg/L	≤ 0,9	>99.9%	>99.9%
Sulfate as SO_4^{2-}	Acute health – 1	mg/L	≤ 500	>99.9%	>99.9%
Fluoride as F^-	Chronic health	mg/L	≤ 1,5	>99.9%	>99.9%
Ammonia as N	Aesthetic	mg/L	≤ 1,5	>99.9%	>99.9%
Chloride as Cl^-	Aesthetic	mg/L	≤ 300	>99.9%	>99.9%
Sodium as Na	Aesthetic	mg/L	≤ 200	>99.9%	>99.9%
Zinc as Zn	Aesthetic	mg/L	≤ 5	>99.9%	>99.9%
Chemical determinands — micro-determinands					
Antimony as Sb	Chronic health	µg/L	≤ 20	>99.9%	>99.9%
Arsenic as As	Chronic health	µg/L	≤ 10	>99.9%	>99.9%
Cadmium as Cd	Chronic health	µg/L	≤ 3	>99.9%	>99.9%
Total Chromium as Cr	Chronic health	µg/L	≤ 50	>99.9%	>99.9%
Cobalt as Co	Chronic health	µg/L	≤ 500	>99.9%	>99.9%
Copper as Cu	Chronic health	µg/L	≤ 2 000	>99.9%	>99.9%
Cyanide (recoverable) as CN^-	Acute health – 1	µg/L	≤ 70	>99.9%	>99.9%
Iron as Fe	Chronic health	µg/L	≤ 2 000	98.1%	>99.9%
Lead as Pb	Chronic health	µg/L	≤ 10	>99.9%	>99.9%
Manganese as Mn	Chronic health	µg/L	≤ 500	>99.9%	>99.9%
Mercury as Hg	Chronic health	µg/L	≤ 6	>99.9%	>99.9%
Nickel as Ni	Chronic health	µg/L	≤ 70	>99.9%	>99.9%
Selenium as Se	Chronic health	µg/L	≤ 10	>99.9%	>99.9%
Uranium as U	Chronic health	µg/L	≤ 15	>99.9%	>99.9%
Vanadium as V	Chronic health	µg/L	≤ 200	>99.9%	>99.9%
Aluminium as Al	Operational	µg/L	≤ 300	>99.9%	>99.9%
Chemical determinands — organic determinands					
Total organic carbon as C	Chronic health	mg/L	≤ 10	>99.9%	>99.9%
Trihalomethanes:					
Chloroform	Chronic health	mg/L	≤ 0,3	>99.9%	>99.9%
Bromoform	Chronic health	mg/L	≤ 0,1	>99.9%	>99.9%
Dibromochloromethane	Chronic health	mg/L	≤ 0,1	>99.9%	>99.9%
Bromodichloromethane	Chronic health	mg/L	≤ 0,06	>99.9%	>99.9%
Microcystin as LR	Chronic health	µg/L	≤ 1	-	-
Phenols	Aesthetic	µg/L	≤ 10	>99.9%	>99.9%

Table 8	Compliance of Potable Water in the Northern Cape Region (based on SANS 241: 2015)					
Determinand	**Risk**	**Unit**	**Standard Limits**	**Henkries Plant**	**Pelladrift Plant**	**Vaal Gamagara Plant**
Microbiological determinands						
E. coli or faecal coliforms	Acute health – 1	Count per 100 mL	Not detected	>99.9%	>99.9%	>99.9%
Cytopathogenic viruses	Acute health – 2	Count per 10 L	Not detected	-	-	-
Protozoan parasites						
Cryptosporidium species	Acute health – 2	Count per 10 L	Not detected	>99.99%	>99.99%	>99.99%
Giardia species	Acute health – 2	Count per 10 L	Not detected	>99.99%	>99.99%	>99.99%
Total coliforms	Operational	Count per 100 mL	≤ 10	>99.99%	>99.99%	>99.99%
Heterotrophic plate count	Operational	Count per mL	≤ 1 000	>99.99%	>99.99%	>99.99%
Somatic coliphages	Operational	Count per 10 mL	Not detected	-	-	-
Physical and aesthetic determinands						
Free Chlorine	Chronic health	mg/L	≤ 5	>99.9%	>99.9%	>99.9%
Colour	Aesthetic	mg/L Pt-Co	≤ 15	>99.9%	>99.9%	>99.9%
Conductivity at 25°C	Aesthetic	mS/m	≤ 170	>99.9%	>99.9%	>99.9%
Odour or taste	Aesthetic	-	Inoffensive	Inoffensive	Inoffensive	Inoffensive
Total dissolved solids	Aesthetic	mg/L	≤ 1 200	-	-	-
Turbidity	Operational	NTU	≤ 1	>99.9%	86.60%	90.40%
	Aesthetic	NTU	≤ 5	>99.9%	96.20%	>99.9%
pH at 25°C	Operational	pH units	≥ 5 to ≤ 9,7	>99.9%	>99.9%	>99.9%
Chemical determinands — macro-determinands						
Nitrate as N	Acute health – 1	mg/L	≤ 11	>99.9%	>99.9%	>99.9%
Nitrite as N	Acute health – 1	mg/L	≤ 0,9	>99.9%	>99.9%	>99.9%
Sulfate as SO_4^{2-}	Acute health – 1	mg/L	≤ 500	>99.9%	>99.9%	>99.9%
Fluoride as F^-	Chronic health	mg/L	≤ 1,5	>99.9%	>99.9%	>99.9%
Ammonia as N	Aesthetic	mg/L	≤ 1,5	>99.9%	>99.9%	>99.9%
Chloride as Cl^-	Aesthetic	mg/L	≤ 300	>99.9%	>99.9%	>99.9%
Sodium as Na	Aesthetic	mg/L	≤ 200	>99.9%	>99.9%	>99.9%
Zinc as Zn	Aesthetic	mg/L	≤ 5	>99.9%	>99.9%	>99.9%
Chemical determinands — micro-determinands						
Antimony as Sb	Chronic health	µg/L	≤ 20	>99.9%	>99.9%	>99.9%
Arsenic as As	Chronic health	µg/L	≤ 10	>99.9%	>99.9%	>99.9%
Cadmium as Cd	Chronic health	µg/L	≤ 3	>99.9%	>99.9%	>99.9%
Total Chromium as Cr	Chronic health	µg/L	≤ 50	>99.9%	>99.9%	>99.9%
Cobalt as Co	Chronic health	µg/L	≤ 500	>99.9%	>99.9%	>99.9%
Copper as Cu	Chronic health	µg/L	≤ 2 000	>99.9%	>99.9%	>99.9%
Cyanide (recoverable) as CN^-	Acute health – 1	µg/L	≤ 70	>99.9%	>99.9%	>99.9%
Iron as Fe	Chronic health	µg/L	≤ 2 000	>99.9%	>99.9%	>99.9%
Lead as Pb	Chronic health	µg/L	≤ 10	>99.9%	>99.9%	>99.9%
Manganese as Mn	Chronic health	µg/L	≤ 500	>99.9%	>99.9%	>99.9%
Mercury as Hg	Chronic health	µg/L	≤ 6	>99.9%	>99.9%	>99.9%
Nickel as Ni	Chronic health	µg/L	≤ 70	>99.9%	>99.9%	>99.9%
Selenium as Se	Chronic health	µg/L	≤ 10	>99.9%	>99.9%	>99.9%
Uranium as U	Chronic health	µg/L	≤ 15	>99.9%	>99.9%	>99.9%
Vanadium as V	Chronic health	µg/L	≤ 200	>99.9%	>99.9%	>99.9%
Aluminium as Al	Operational	µg/L	≤ 300	>99.9%	>99.9%	>99.9%
Chemical determinands — organic determinands						
Total organic carbon as C	Chronic health	mg/L	≤ 10	>99.9%	>99.9%	>99.9%
Trihalomethanes:						
Chloroform	Chronic health	mg/L	≤ 0,3	>99.9%	>99.9%	>99.9%
Bromoform	Chronic health	mg/L	≤ 0,1	>99.9%	>99.9%	>99.9%
Dibromochloromethane	Chronic health	mg/L	≤ 0,1	>99.9%	>99.9%	>99.9%
Bromodichloromethane	Chronic health	mg/L	≤ 0,06	>99.9%	>99.9%	>99.9%
Microcystin as LR	Chronic health	µg/L	≤ 1	--	-	-
Phenols	Aesthetic	µg/L	≤ 10	>99.9%	>99.9%	>99.9%

TECHNICAL SUPPORT & SAFETY, HEALTH AND ENVIRONMENT

Mr. N.E. Ratshitanga
Technical Support & Safety, Health and Environment Executive

The Safety, Health and Environment (SHE) Programme at Sedibeng Water is not only aimed at satisfying compliance requirements, but also reflects the organisation's commitment to sustainable growth and development. The SHE programme focuses on balancing the social, economic and environmental aspects of sustainable growth and development. This balance guarantees the achievement of long-term business goals, while it also safeguards the wellness of employees and more importantly, the wellbeing of present and future customers. The devotion that coexists between the Management and employees of Sedibeng Water is what makes the implementation of the SHE Programme a success. Both Management and employees feel equally liable towards each other and jointly obligated to render reliable and sustainable services to customers. The SHE Programme, which is integrated with the organisation's operational strategy to reduce the probability of the occurrence of SHE incidents and to minimise the severity thereof, is based on risk management systems. What makes Sedibeng Water to excel as an organisation in achieving the targets of its key strategic objectives, is effective communication and the empowerment of employees through training and development.

SHE Performance Review

The 2016/2017 financial year has been excellent regarding the overall performance of Sedibeng Water. The organisational strategic objective regarding injury incidents is targeting a Disabling Injury Frequency Rate (DIFR) of two (2). However, to excel beyond this organisational target, the Safety, Health and Environment (SHE) Department has set the stringent objective of maintaining a DIFR of less than one (1) in all operational areas. Although the primary objective of the SHE Programme is to prevent and minimise incidents which may adversely affect the environment and assets (including human assets), the secondary objective is to achieve NOSA Five Star Grading for which the organisation has to maintain a DIFR of less than one (1) in the respective workplaces. At operational level, the target is to achieve zero (0) disabling injury (DI), as well as the NOSA Five Star Grading. More importantly, the Management and employees of Sedibeng Water have always been working hard at focusing resources towards the pursuit of the underlying key performance areas, namely, a lower DIFR and a higher external NOSA Audit Grading.

Injury Statistics

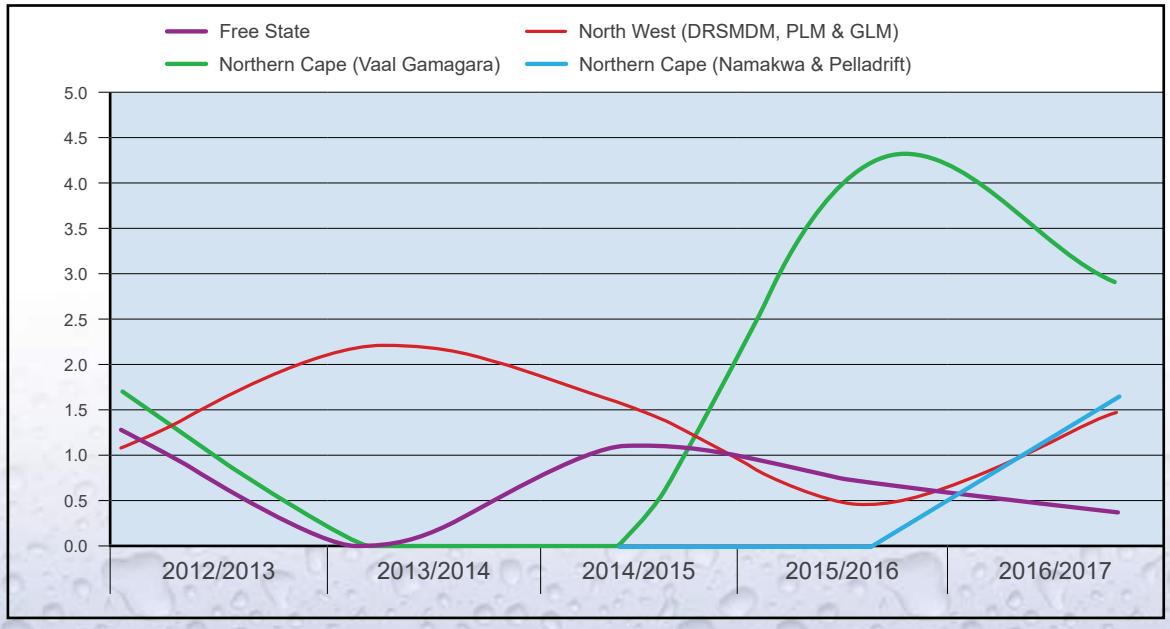
The Free State Region completed the 2016/2017 financial year with the disabling injury frequency rate (DIFR) of 0.36, which marked the achievement of the strategic objective target of a DIFR of not more than 2. The DIFR of 0.36 was due to a vehicle incident during which a parked vehicle of Sedibeng Water, with the driver sitting inside, was hit by a vehicle that crossed over from the opposite side of the road. The North West Region (Dr. Ruth S. Mompati District Municipality, Ga-Segonyana Local Municipality and Phokwane Local Municipality) finished the 2016/2017 financial year with a DIFR of 1.5, which was an achievement of the strategic objective target.

The other part of North West Region covering Ngaka Modiri Molema District Municipality, completed the financial year under review with a DIFR of 2.89, which did not meet the set target of 2. This is one of the recently incorporated areas, where the health, safety and environmental (HSE) programme is still at the inception stage. Likewise, the Northern Cape Region (Vaal Gamagara) could not achieve the target of a DIFR of 2 or less. With two (2) disabling injuries in this area where there are less than 60 employees and hence less man-hours which have a serious adverse effect on the DIFR, the area completed the year under review with the DIFR of 2.92. The other areas of Northern Cape Region, Namakwa and Pelladrift, closed the year with one (1) disabling injury and the DIFR of 1.62, which was an achievement of the strategic objective target. The calculated overall organisational DIFR at the end of the 2016/2017 financial year was 1.52. Table 1 and Graph 1 show the performance trends over the 2012/2013 to 2016/2017 financial years.

Table 1: DIFR (Disabling Injury Statistics)

Operational Area	Disabling Injury Frequency Rate (DIFR)				
	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017
Free State	1.3	0.0	1.1	0.7	**0.36**
North West (Dr. Ruth S. Mompati DM/ Pokwane LM/Ga-Segonyana LM)	1.1	2.2	1.6	0.5	**1.5**
North West (Ngaka Modiri Molema DM)	-	-	-	-	**2.89**
Northern Cape (Vaal Gamagara)	1.7	0.0	0.0	4.2	**2.92**
Northern Cape (Namakwa & Pelladrift)	-	-	0.0	0.0	**1.62**

Graph 1: DIFR Trends



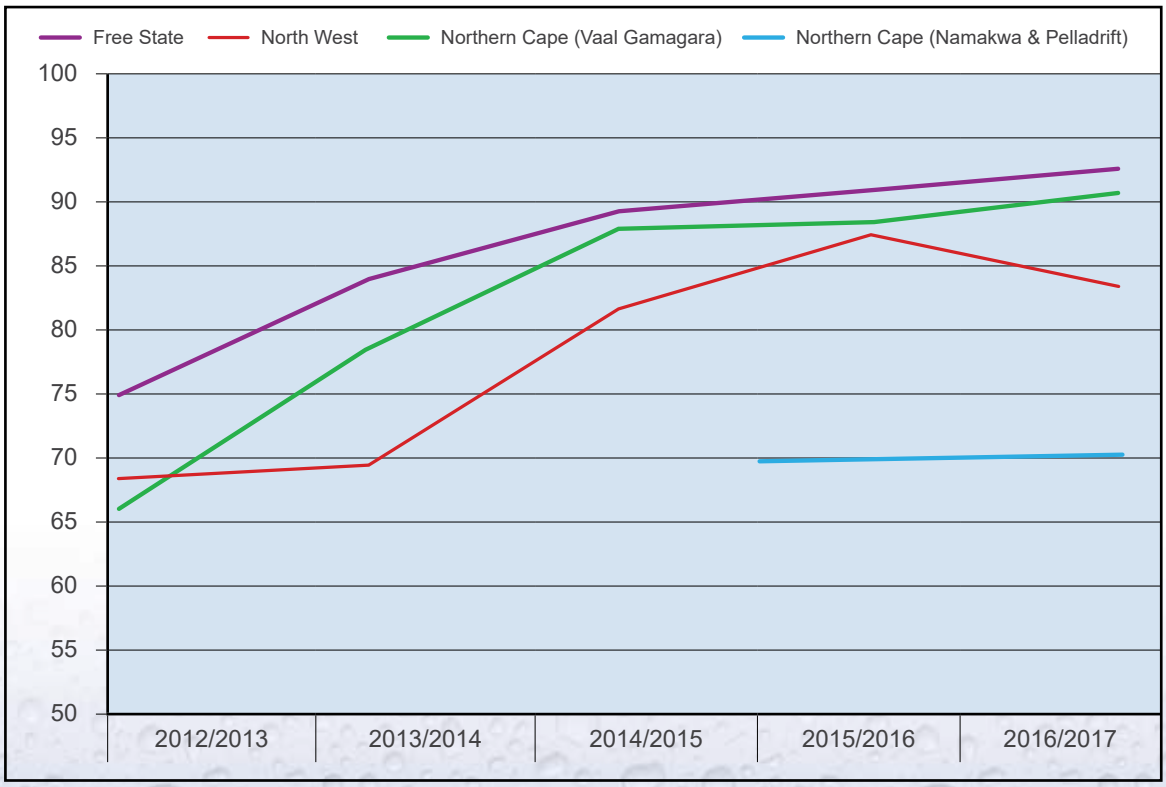
External Audit Results

Sedibeng Water was audited by NOSA using the CMB 253N system. The NOSA grading audit for the Northern Cape area of Namakwa and Pelladrift was conducted in September 2016. NOSA conducted a gap audit for the North West area of the Ngaka Modiri Molema District Municipality in September 2016, which was a preparation for the grading audit in the following financial year. NOSA conducted the grading audit in the other areas of the Free State, Northern Cape (Vaal Gamagara) and North West (Dr. Ruth S. Mompati District Municipality, Phokwane Local Municipality and Ga-Segonyana Local Municipality) in the months of April and May of 2017. Free State Region achieved a five (5) star grading, while North West Region maintained its four (4) star grading. Unfortunately, despite the increase in the overall score of the Northern Cape Region to the five (5) star category, the Region was graded three (3) stars due to the DIFR of more than 2. The results of the audits in comparison to the previous years, are displayed in Table 2 and Graph 2.

Table 2: NOSA CMB 253N Audit

Region	2012/2013		2013/2014		2014/2015		2015/2016		2016/2017	
	Score (%)	NOSA Grading	Score (%)	NOSA Grading	Score (%)	NOSA Grading	Score (%)	NOSA Grading	Score (%)	NOSA Grading
Free State	75.00	4 Stars	84.00	4 Stars	89.36	4 Stars	90.80	4 Stars	92.67	5 Stars
Northern Cape	66.09	3 Stars	78.84	4 Stars	88.38	4 Stars	88.80	4 Stars	91.08	3 Stars
North West	68.28	3 Stars	69.29	3 Stars	81.70	4 Stars	88.00	4 Stars	83.34	4 Stars
Namakwa	-	-	-	-	-	-	69.78	3 Stars	70.56	3 Stars

Graph 2: NOSA Score Trends



All regions, except for North West Region, had shown an increase in the trends of the audit scores since 2012/2013. These upturn trends can mainly be attributed to the basic SHE Plan based on continuous improvement approaches. The SHE Plan is implemented at grassroots level and it includes amongst other things, the following:

- The strict enforcement of the Incident Reporting and Investigation System, whereby all incidents, including disabling injuries, non-disabling injuries (medical and first-aid cases), environmental incidents, vehicle and property damages and near misses are reported within 24 hours. All incidents are investigated to identify the root causes and to identify appropriate corrective and preventative measures. Management is involved in the investigation of all serious incidents to convey the message to employees that such incidents are not tolerated. As part of awareness and preventative measures, serious incidents are recalled during SHE Committee Meetings and SHE Talks.

- Risk assessments are incorporated in the organisation's operations. Risk assessments form part of the operational plans and procedures, and therefore have to be reviewed and updated regularly.

- Fully functional SHE structures have been put in place at all levels in the organisation.

- An annual training matrix is developed and implemented to ensure that all employees are trained and retrained as planned and/or as necessary.

- An effective communication and awareness programme has been developed and implemented, which includes, amongst other things, monthly SHE Committee Meetings, monthly SHE Talks, Green Area Talks, videos, posters and publications.

- A SHE Executive Committee has been established, which jointly with the Executive Risk Management Committee, sits on a quarterly basis to review the SHE Programme and the risk matrix.

- Management, together with the SHE representatives, conduct two (2) Internal SHE Audits per annum in all work areas.

- SHE Officers, together with the responsible supervisors of particular work areas, conduct monthly inspections.

- Annual external audits (NOSA CMB 253N Integrated System Audit) are conducted.

- Biennial opinion inspections or surveys are conducted by specialists of occupational health, safety and environmental related matters. Opinion surveys cover stressors and/or hazards, such as temperature, lighting or illumination, noise, ventilation, ergonomics, dust, hazardous chemical substances, fire risks, glass doors, etc.

- Detailed corrective action plans are developed, implemented and monitored for all audits, inspections and/or surveys.

- As part of continuous improvement, members of the SHE committees (supervisors and SHE representatives) participated in a benchmark exercise, whereby they visited other organisations to adopt best practices.

Training

The Management Team of Sedibeng Water has always committed itself to the training and development of employees. Training is considered so vital that it forms part of the organisation's key strategic objectives. In the beginning of the financial year under review, the SHE Department developed an annual training matrix as a tool for the successful implementation and monitoring of the training programme. The matrix was populated by information derived from a training needs analysis to close the gaps that were identified in the legal, operational and system improvement requirements. Based on the annual training matrix, the following nineteen (19) courses were successfully conducted in the different workplaces during the 2016/2017 financial year:

- Overhead Crane;
- Counterbalance Truck;
- Basic Fire Fighting;

- First Aid Level 1;
- Animal Behaviour;
- Safe Handling of Chlorine;
- Convey Dangerous Goods by Road;
- Confined Space Entry;
- Working at Heights;
- Advance/Defensive Driving;
- Hazard Identification and Risk Assessment (HIRA);
- Written Safe Work Procedure;
- Safety for Supervisors;
- SHEQ Awareness;
- Office Safety;
- Procedures and Job Observations;
- Construction Regulations;
- Truck-mounted Crane; and
- SAMTRAC.

Occupational Hygiene Programme

The required Occupational Hygiene Surveys are conducted biennially. At the end of the financial year under review, all operational areas of Sedibeng Water were complying with the requirements of the Occupational Hygiene Surveys. The purpose of these surveys is to ensure that all work areas comply with recommended exposure limits and that Management understands the health risks that employees could be exposed to. The surveys included the measurement of noise and vibration levels, illumination intensity, thermal and cold stresses, ergonomic assessments, ventilation, dust, welding fumes, hazardous chemical substances such as chlorine, any hazardous physical aspects such as glass doors, fire risks, environmental pollution, etc. Action plans to rectify the identified deviations and to implement the recommendations from the survey reports were developed, implemented and monitored. The following surveys were conducted with regards to work areas:

- Noise;
- Illumination;
- Ergonomics;
- Air Quality;
- Hazardous Chemical Substances (chemicals, dust, welding fumes, etc.);
- Pollution (air, ground, and water); and
- Safety Glass.

Occupational Health Management

This programme aims at monitoring the health status of employees throughout their employment period to determine their medical fitness and to identify any adverse health effects that might be caused by occupational risks. Employees undergo the following three distinct medical surveillances:

- **Entry Medicals** which are conducted during the recruitment stage to determine the candidate's fitness in relation to the job requirements and to identify and record any existing medical conditions.

- **Periodic Medicals** which are conducted at a predetermined frequency based on job requirements and/or risk exposure levels. In addition to medical surveillance, employees who are being exposed to biological hazards due to their areas of work, such as those working at the sewage treatment plants and the laboratories, undergo scheduled immunisation.

- **Exit Medicals** which are conducted at the termination of an employment contract to identify any gaps relating to an employee's medical condition at recruitment and at termination of the employment contract.

The above medical surveillances are conducted by registered Occupational Health Practitioners in all areas of operation. All identified medical conditions resulting from illness or injuries during the period of employment are registered for claims with the Department of Labour in terms of the Compensation for Occupational Injuries and Diseases Act (COIDA).

Table 3 displays medical surveillances that were done as part of the Occupational Health Programme in the 2016/2017 financial year.

Table 3: Medical Surveillances Conducted in the 2016/2017 Financial Year

Region	Pre-employment (Baseline)	Periodic (Scheduled)	Exit	Immunisation
Free State	43	71	14	33
Northern Cape	11	95	6	1
North West	39	232	26	2
Total for the Organisation	93	398	46	36

In addition to the above legally required medical surveillances, Sedibeng Water also makes it compulsory for all its managers (from middle management to the executive) to undergo annual medical check-ups. Due to their busy schedules, managers may not find the time to go for regular medical check-ups on their own, while they could be exposed to high stress levels relating to the nature of their jobs. As a result, they may be susceptible to stress related illnesses without them being aware of it. In the 2016/2017 financial year, all managers complied with this organisational requirement.

Environmental Management System

Environmental impact and aspect assessments had been conducted in the Northern Cape Region and the Free State Region. An environmental pollution study was conducted in the North West Region, where there is potential for soil pollution from diesel and oil at boreholes. Corrective action plans were developed to address all the environmental deviations that had been identified.

In compliance with the NOSA CMB 253N guideline, resource conservation plans had been developed and implemented throughout the organisation. These plans are aimed at managing the use of natural resources, such as energy (electricity and fuel consumptions) and water consumption. The implementation of a resource conservation plan is monitored and reported on monthly. Waste management continues to be a nucleus in the environmental management programme. Hazardous waste in the form of used oil, oil rags, expired chemicals and fluorescent tubes, are collected and disposed of by registered waste management companies. Certificates of safe collection and safe disposal are issued in this regard. Hazardous biological waste generated in the laboratories is also collected regularly by a contracted service provider. Waste separation, with the intention of implementing the Recycling Programme, has also been introduced in all the regions.

Sedibeng Water has never experienced any serious environmental incident. An environmental incident is defined as any event that has a localised effect that causes environmental damage beyond the organisation's operational boundaries or that has a substantially adverse effect on the community. At Sedibeng Water, the identified high risk substance is chlorine that is used in plants. As part of emergency preparedness, the organisation has developed a Chlorine Emergency Plan, which still has to undergo consultation with the municipalities and all other relevant authorities.

Sedibeng Water has implemented a Waste Separation and Recycling Programme in its operational areas where there are recycling companies. The programme focuses on the four (4) waste types, namely paper, plastic, glass and printer cartridges. Recycling helps to reduce the organisation's carbon footprint and emissions. Sedibeng Water's carbon footprint is also managed by monitoring the monthly energy (electricity and fuel) consumption.

Employees' Wellbeing

The Management of Sedibeng Water has continued to show commitment to the wellbeing of employees. Sedibeng Water's Employees Wellness Programme includes the following main elements:

- Disease Management Programme;
- Employees Assistance Programme (EAP); and
- Employees Recreational Programme.

Disease Management Programme:

This is a comprehensive programme that covers medical examinations, the monitoring of identified cases, awareness and making necessary medication accessible. The HIV and AIDS Programme forms part of Sedibeng Water's strategic intent and it was established back in 2003 in support of the National HIV/AIDS Strategy Plan and South African Business Coalition on HIV and AIDS. The programme has been successful and is improving ever since its establishment. The programme includes, amongst other things, the following:

- The establishment and training of HIV and AIDS support structures (peer educators) in all areas of operation;
- The establishment of HIV and AIDS committees in all areas of operation;
- Undertaking at least four (4) HIV and AIDS awareness campaigns per year;
- Undertaking at least two (2) HIV Counselling and Testing (HCT) in all areas of operation per year; and
- Developing and implementing a comprehensive Disease Management Programme, which gives access to antiretroviral drugs to the employees and their beneficiaries who are in need of such medication.

Through experience of related cases at work, Management came to the decision of extending the Disease Management Programme to incorporate assessment and awareness of the following common chronic conditions:

- High/low blood pressure;
- Diabetes; and
- Cholesterol.

Employees are also assessed for the following health conditions:

- Body mass index;
- TB symptomatic; and
- Sexually transmitted infection symptomatic.

Employees Assistance Programme:

Sedibeng Water has contracted a service provider to manage its Employees Assistance Programme. The programme was placed externally in order to maximise enrolment into the programme by employees without compromising confidentiality. The overall objective of the programme is to increase employees' productivity and effectiveness.

Employees Recreational Programme:

Chronic illnesses such as diabetes, hypertension and cholesterol, are becoming a national concern. The reason for the increase in chronic cases has been identified as changes in lifestyle, leading to obesity and stress. Sedibeng Water took cognisance of these problems and introduced the Employees Recreational Programme that includes regular scheduled activities, such as Netball, Soccer, Fun Run/Walk, etc. Employees in different regions participate in internal and external sport tournaments. In addition to sport, the organisation is in the process of establishing gymnasiums for employees in the different regions. The first gymnasium was established at Vaal Gamagara in the Northern Cape Region in the 2013/2014 financial year. During the 2015/2016 financial year, the organisation opened a gymnasium at Balkfontein in the Free State Region. The objective is to establish gymnasiums in all major workplaces in the regions, once the venues have been identified and modified to meet the set requirements.

Incentive Programme

The NOSA CMB 253N system requires the organisation to have competitions relating to best achievements in the implementation of the SHE Programme, and also to reward the winners. In order to comply with these requirements, Sedibeng Water initiated a SHE Representatives Competition to recognise the best performers in executing the duties of a SHE Representative. Based on the set criteria for the competition, monthly winners are selected from each SHE Committee and rewarded at regional levels as the "SHE Rep of the Month" and the "SHE Rep of the Year". The best performer in the regional category of the "SHE Rep of the Year" is crowned as the "Organisational SHE Rep of the

Year". Based on the trends observed, the SHE Programme has shown overall good performance in the 2016/2017 financial year. This improvement is underpinned by the devotion and effort of employees at all levels in the organisation and is also resulting from, amongst other things, the following:

- Support given by Management;
- Teamwork by employees;
- Commitment and effort shown by Management and employees;
- The positive attitude of both the Management and employees toward the SHE Programme; and
- Management's planning that enables the successful implementation and continuous improvement of the SHE Programme.

Based on the upturn in performance trends, it can be projected that Sedibeng Water is heading for even better performance results in the 2017/2018 financial year and beyond.

OPERATIONS

- OPERATIONS REVIEW
- NEW BUSINESS DEVELOPMENT
- NORTHERN CAPE REGION
- NORTH WEST REGION
- FREE STATE REGION
- SHARED SERVICES

OPERATIONS REVIEW

Introduction

The Operations function at Sedibeng Water is responsible for core business, which includes the abstraction of both ground and surface water; purification and treatment of raw water and wastewater; the supply, treatment and distribution of bulk water; operation and maintenance of water and wastewater works, as well as storage and network facilities.

Water treatment works operated and maintained by Sedibeng Water include:

Free State Region:
- Balkfontein Water Treatment Works; and
- Virginia Water Treatment Works.

Northern Cape Region:
- Vaal Gamagara Water Treatment Works;
- Henkries Water Treatment Works; and
- Pelladrift Water Treatment Works.

North West Region:
- Pampierstad Water Treatment Works;
- Pudimoe Water Treatment Works;
- Bogosing Water Treatment Works;
- Kgomotso Water Treatment Works;
- Mmabatho Water Treatment Works;
- Mahikeng Water Treatment Works;
- Dinokana Water Treatment Works;
- Motswedi Water Treatment Works;
- Itsoseng Water Treatment Works;
- Bloemhof Water Treatment Works; and
- Christiana Water Treatment Works.

Since Sedibeng Water's operational area covers three provinces, a regionalised operational approach is followed to ensure efficient service delivery at ground level. Resultantly, the Operations function includes three regional business units, namely the Northern Cape Region, the North West Region, the Free State Region, as well as the New Business Development and Shared Services Departments.

A brief summary will now be provided of some of the significant contributions made during the 2016/2017 financial year by the regions and departments related to the Operations function:

Free State Region

Supplying bulk water services to some of the local authorities and mines in the Free State and North West Provinces, is the primary function of Sedibeng Water's Free State Region. Raw water treated at the Balkfontein Water Treatment Plant is drawn from the Vaal River, and that of the Virginia Water Treatment Plant is abstracted from the Allemanskraal Dam. Boreholes in the North West Province also supplement the supply of potable water.

In general, final water from the different water treatment plants in the Free State Region complied with SANS 241:2015 for drinking water with regards to microbiological, physical and organoleptic, as well as chemical safety. In terms of the Department of Water and Sanitation General Authorisation, the effluent discharged from the wastewater treatment plants also complied with the General Standard for Wastewater.

During the 2016/2017 financial year, upgrading and refurbishment projects in the Free State Region included:

- Upgrading of the Jacobsdal Water Treatment Works;
- New water reticulation and house connections in Ratanang/Jacobsdal;
- Regional Bulk Infrastructure Grant Projects in Qwaqwa;
- Testing and equipping of boreholes in Petrusburg;
- Upgrading of the Buisfontein-Tswelelang Bulk Water Supply;
- Upgrading of the Wesselsbron Bulk Water Supply Line;
- Upgrading of the Koppie Alleen-Ventersburg Bulk Water Supply; and
- New sludge dams at the Virginia Plant.

Drought relief interventions included the emergency supply of water to the Moqhaka and Masilonyana Local Municipalities.

Northern Cape Region

The Northern Cape Region supplies bulk water services to local authorities and mines in the Northern Cape Province. The main objectives of the region are the operation and maintenance of its water treatment works and distribution pipelines in order to ensure reliability in the supply of good quality water to customers. Raw water is abstracted from the Vaal River and dewatering ground water sources from certain mines for the Vaal Gamagara Scheme, and from the Lower Orange River for both the Namakwa and Pelladrift Schemes. Ground water received from mines is likewise closely monitored. Chlorine is dosed at various points along the pipeline route in order to improve the quality of ground water supplied by the mines concerned. In general, the quality of water supplied by the region's water treatment works complied with SANS 241:2015 standards.

The **Vaal Gamagara Water Supply Scheme** is responsible for the supply of potable bulk water services to:

- Dikgatlong Local Municipality;
- Tsantsabane Local Municipality;
- Gamagara Local Municipality;
- Joe Morolong Local Municipality; and
- Several mines.

The **Namakwa Water Supply Scheme** supplies potable bulk water services to:

- Nama Khoi Local Municipality;
- Small scale mines; and
- Small industries.

The **Pelladrift Water Supply Scheme** provides bulk water supply to:

- Khâi-Ma Local Municipality (Poffader, Pella, Aggeneys township); and
- Black Mountain Mine.

Projects implemented in the Northern Cape Region in the 2016/2017 financial year, included:

- Bucket Eradication Programme in the Sol Plaatje Local Municipality;
- Rainwater Harvesting Project;
- Refurbishment and upgrade of Namakwa Regional Water Supply Scheme;
- Refurbishment and upgrade of Vaal Gamagara Water Scheme; and
- Refurbishment and upgrade of Mier Kalahari East Pipeline Project.

North West Region

The North West Region has entered into Service Level Agreements with the Dr. Ruth S. Mompati District Municipality, Ga-Segonyana Local Municipality and Phokwane Local Municipality. During the previous financial year, the region also acquired the operational area of the Ngaka Modiri Molema District Municipality, which includes the following local municipalities: the Ratlou Local Municipality, Mahikeng Local Municipality, Tswaing Local Municipality, Ditsobotla Local Municipality and Ramotshere Moila Local Municipality.

The primary source of potable water in the region is ground water resources, which constitute 45% of the total potable water supply. The remaining 55% of the total potable water supply is surface water, which is abstracted from the Vaalharts Scheme and treated at the Pampierstad, Bogosing, Kgomotso,

Pudimoe and Christiana Water Treatment Plants in the operational area of the Dr. Ruth S. Mompati District Municipality. In the Ngaka Modiri Molema District Municipality water is abstracted from the Modimola Dam and treated to supply potable water to the Mahikeng Local Municipality. In Ramotshere, water is abstracted from the Marico River at Groot Marico, and treated at the local treatment plant in order to supply the Moila Local Municipality.

In the Ngaka Modiri Molema District Municipality, a total volume of 50kℓ was supplied during the 2016/2017 financial year through water tankering to villages located within the Mahikeng Local Municipality. The total volume of tankered water supplied has significantly decreased as Sedibeng Water has phased out water tankering in line with a directive received from the Minister of Water and Sanitation.

Potable water quality in the Region complied with SANS 241:2015 standards and met microbiological, chemical and operational requirements for drinking water. Where non-conformances were experienced due to plant design challenges and aging infrastructures, such instances were promptly addressed and resolved. In terms of the Department of Water and Sanitation General Authorisation, the effluent discharged from the wastewater treatment plants also mainly complied with the General Standard for Wastewater. With regards to bulk wastewater services, the region renders operations and maintenance services to the Pampierstad Wastewater Treatment Plant on behalf of the Phokwane Local Municipality, and the Christiana Wastewater Treatment Plant on behalf of the Dr. Ruth S. Mompati District Municipality. These wastewater plants treat household influent from the townships of Pampierstad and Christiana.

The region also renders full cost-recovery services. These services include the installation of pre-paid water meters, maintenance and management of old meters, billing and revenue collection.

New Business Development

The New Business Development Department provides various water related services, expertise and partnerships to local government structures and other stakeholders in order to enhance efficient water services delivery to communities. This includes technical services, such as plant assessments and acting as Implementing Agent for the Department of Water and Sanitation in carrying out projects. During the 2016/2017 financial year, the New Business Development Department focused on the upgrading and refurbishment of the infrastructure of existing water schemes in the Northern Cape Province. This included:

Upgrade and Refurbishment of the Namakwa Regional Water Supply Scheme

Projects 1 and 2 that form part of Phase 1 have been completed in the 2015/2016 financial year at a cost R440,1 million. The one year retention period related to Phase 1 ended in June 2017. Project 3 of Phase 2 (replacement of the rising main pipeline from the Henkriesmond Pump Station to the Eenriet Reservoir at Steinkopf) has started in July 2016 and the expected completion date is 30 June 2018.

Upgrade and Refurbishment of the Vaal Gamagara Water Supply Scheme

Phase 1 of the project includes:

- Replacing the existing pipeline with a 1 100mm and 900mm pipeline from Roscoe to the South West Expansion Project (7.8km);
- Replacing the existing pipeline with a 700 and 800mm pipeline from Kathu to Hotazel, and a 600mm pipeline to Black Rock (82.6km); and
- Developing of SD 4 well site and the bulk supply to 22 villages.

Construction related to Phase 1 started at the end of November 2016.

Construction of the Mier Kalahari East Pipeline

This project entailed the construction of a 170km water supply pipeline system from the existing Kalahari East take-off point (50km south east of Askham) to the towns of Askham, Andriesvale, Groot Mier, Klein Mier, Loubos, Rietfontein and Philandersbron. Also forming part of the project, is the construction of a 21Mℓ earth fill reservoir close to Groot Mier.

The project was syndicated i.e. divided into four portions in order to diversify the risk and allow BEE companies the opportunity to improve their CIDB grading. The project commenced in April 2015 and was successfully completed in August 2016.

Upgrade and Refurbishment of the Pelladrift Water Supply Scheme

The infrastructure concerned was constructed and previously owned by Anglo Operations Limited, who invested in the asset base for 30 years in order to sustain mining activity at the Black Mountain Mine, and also to provide water services to local communities in this remote area of the Northern Cape Province. After the formation of the Pelladrift Water Board, Anglo Operations Limited transferred these assets to the newly established water board. Sedibeng Water received a directive from the Minister of Water and Sanitation to take over the Pelladrift Water Board as from 1 November 2014. The ever-increasing water demand in the area, necessitated the upgrading of the existing water treatment plant and infrastructure.

Black Mountain Mining (now owned by Vedanta Resources plc) is responsible for the design and construction the plant. Construction commenced on 1 March 2017. The completion and hand over of the project is scheduled for 31 March 2018.

Shared Services

The Shared Services Department fulfills a range of functions at a strategic and operational level in Sedibeng Water. The department is responsible for the day-to-day oversight of the Supply Chain Management Unit, Information Technology, Loss Control, Risk Management and Archiving.

The department also incorporates a Project Management Unit, which assists the various Sedibeng Water regions, municipalities and the Department of Water and Sanitation in the successful construction, monitoring, evaluation and completion of projects. During the 2016/2017 financial year, Sedibeng Water has implemented self-funded projects and also acted as Implementing Agent for the Department of Water and Sanitation by overseeing the implementation of several projects in the Free State, North West and Northern Cape Regions.

Conclusion

It is evident from the above that the Operations function at Sedibeng Water made significant contributions in the 2016/2017 financial year towards executing the organisation's core business and new business development.

NEW BUSINESS DEVELOPMENT

Mr. I.M. Hasenjager
New Business Development Executive

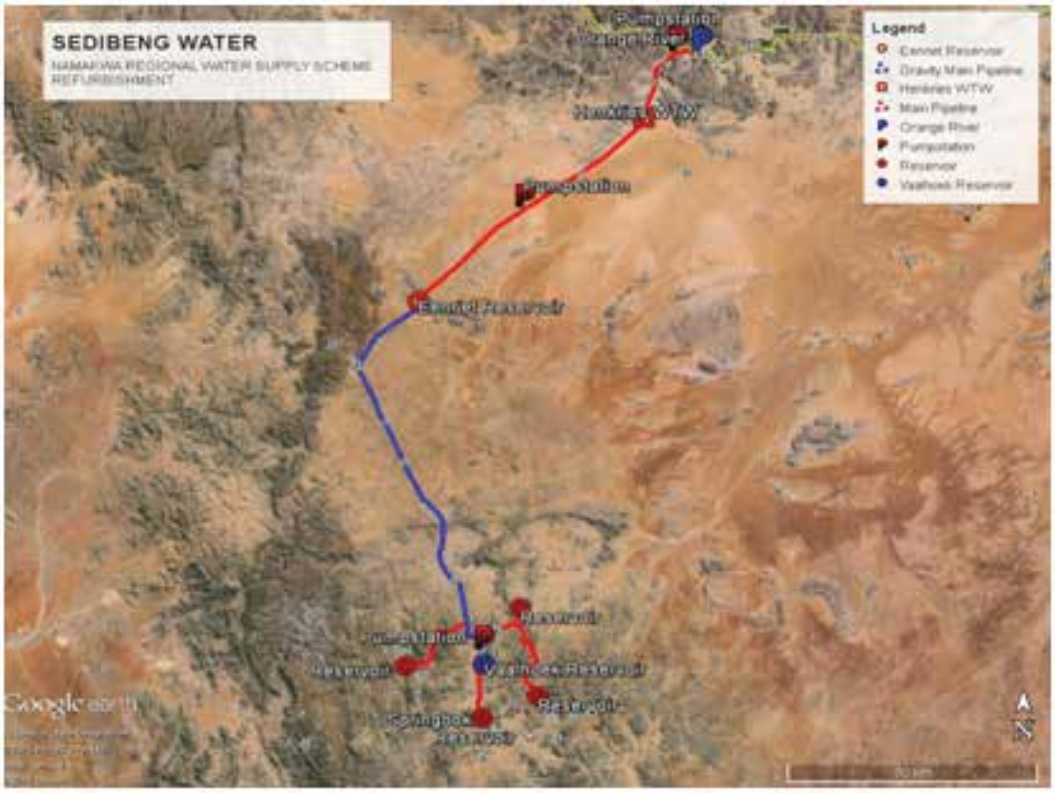
Through its New Business Development Department, Sedibeng Water provides various water related services, expertise and partnerships to local government structures and other stakeholders in order to enhance efficient water services delivery to communities. This includes technical services, such as plant assessments and acting as Implementing Agent in carrying out projects. Furthermore, Sedibeng Water assists with water and wastewater management, operations and maintenance, as well as water quality management. In rendering these services, Sedibeng Water enters into contractual agreements with clients. Such agreements could incorporate:

- Strategic support;
- Bulk water provision;
- Total water service provision;
- Training and development;
- Analytical services; and
- Acting as Implementing Agent.

During the 2016/2017 financial year, the New Business Development Department focused on the upgrading and expanding of the infrastructure of existing water schemes operated by Sedibeng Water in the Northern Cape Province. Due to the aging of infrastructure and the growing water demand from the mining sector with new mines opening and existing mines expanding, new challenges arose. This situation, in combination with a simultaneous increase in water demand by municipalities in the area, negatively affected the growth of the mining industry and the economy of the province. The refurbishment and upgrading of four schemes are currently in the planning, design or construction phases. These are:

Namakwa Regional Water Supply Scheme

Illustration 1: Main Components of the Namakwa Regional Water Supply Scheme



General Condition of the Existing Supply System

The primary problems of the existing system are aging infrastructure and the lack of extensive maintenance over a long period of time. The main supply system is now in excess of 30 years old and has reached the end of its economic life cycle. Before copper mining activities ceased in 1998, maintenance was primarily conducted by staff of the Okiep Copper Company, as it was in their interest to do so. Since the closure of the copper mines, the Namakwa Water Board has had neither the capacity in terms of personnel, nor the financial resources to maintain the system to the required standard. The current water supply crisis is mainly due to the continuous failure of the gravity main between the Eenriet Reservoir and Okiep. Failures occur primarily as a result of the delamination of the pipe's concrete lining over the past 10 years and the consequent accelerated corrosion of the steel pipe wall. The highest pressure occurs in the section between the Bulletrap turn-off and Rooiwinkel. The pipe structure is no longer able to cope with the stress involved.

Project Scope, Timeframes and Costs

The project is divided into three phases, namely:

Phase 1

Project 1:

- Construction of emergency by-pass pipelines;
- Henkries Housing Project; and
- Upgrading of gravel access roads to reservoirs and pump stations.

Project 2:

- Construction of the gravity main pipeline between Eenriet Reservoir and Vaalhoek Reservoir;
- Upgrading of the raw water pump station at the Orange River, including the replacement of raw water pumps with new pumps on a trolley system;
- Upgrading the sand filters at the Henkries Water Treatment Plant;
- Refurbishment of the Eenriet Reservoir; and
- Refurbishment of the Vaalhoek Reservoir.

Phase 1 was completed in the 2015/2016 financial year. The one year retention period ended in June 2017.

Phase 2

Project 3:

- Gravity main and canal from the Orange River to the Henkriesmond pre-sedimentation facility;
- Henkriesmond pre-sedimentation facility, pump station and rising main;
- Henkries Water Treatment Works, clear water pump station and rising main; and
- Doornwater booster pump station and rising main.

Project 3 commenced in July 2016 and the expected completion date is 30 June 2018.

Project 4:

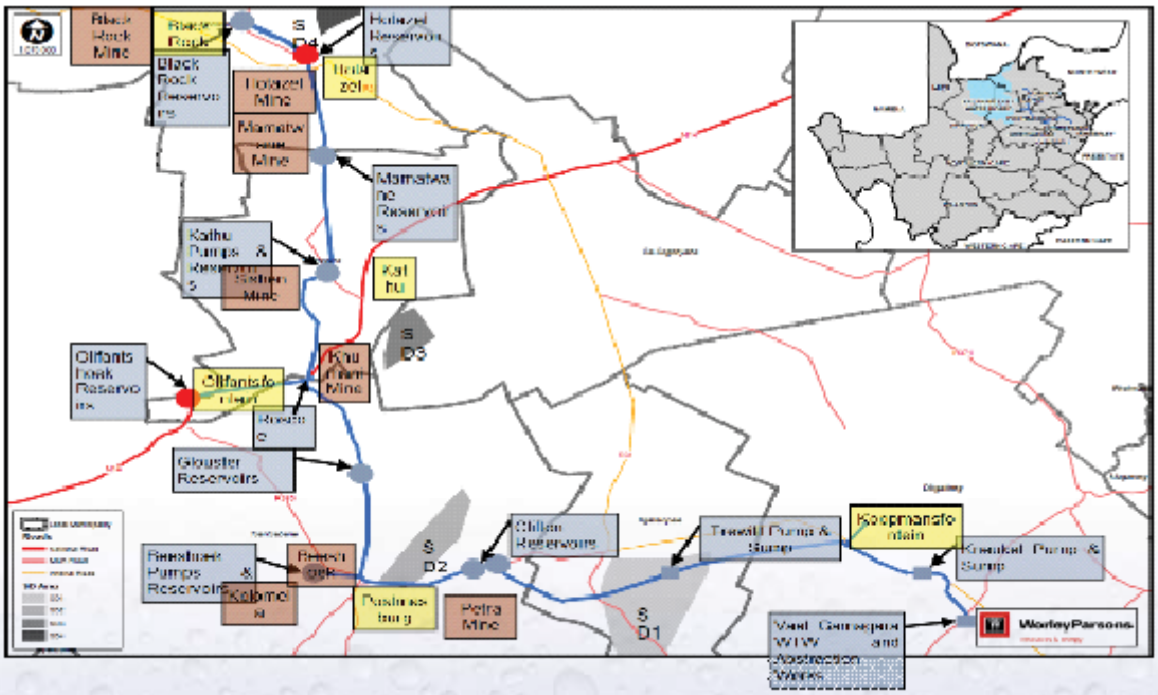
- Okiep Pump Station and Reservoir;
- Okiep-Concordia rising main and Concordia Reservoir;
- Okiep-Carolusberg rising main and Carolusberg Reservoir;
- New Rooiwinkel-Nababeep gravity main and reservoir; and
- Vaalhoek-Springbok gravity main and Springbok Reservoir.

Project 5:

- Refurbishment of the clear water gravity main from Nababeep to Kleinzee;
- Construction of a new reservoir in Okiep;
- Construction of a new reservoir in Matjieskloof;
- Construction of a new reservoir in Fonteintjie;
- Construction of a new reservoir in Bergsig; and
- Construction of new reservoir in Steinkopf.

Vaal Gamagara Water Scheme

Illustration 2: Main Components of the Vaal Gamagara Water Scheme



Background

The Vaal Gamagara Scheme was completed in the late 1960s and is more than 45 years old. The purpose of the scheme is to supply water from the Vaal River to the arid areas of the Gamagara valley near Postmasburg, and north thereof to the diamond mines at Lime Acres, and the iron ore and manganese mines at Beeshoek, Sishen, Mamatwan, Hotazel and Black Rock. Several local authorities (of which Delportshoop, Postmasburg, Olifantshoek, Kathu and Hotazel are the largest) also receive bulk water supply from the scheme.

A later addition to the scheme had been the Kalahari East Water User Association, which was completed in 1992 to supply domestic and stock water to an area of approximately 1 412 000ha that includes more than 250 farms. The Vaal Gamagara Scheme consists of:

- Purification works (13.27 million m³/annum capacity);
- Several pump stations;
- 11 reservoirs; and
- 370km of pipes that deliver water to users.

The pipeline has the capacity to convey and import a maximum of 19 million m³/annum into the area. Water from the Vaal River (13.27 million m³/annum) is augmented by dewatering facilities at the Kolomela, Beeshoek and Sishen mines. (Dewatering activities are aimed at lowering the ground water table to ensure safe mining conditions.)

Municipal Beneficiaries

Apart from serving mines, industry and the agricultural sector, the project also extends across three districts and five local municipalities, including:

- John Taolo Gaetsewe District Municipality;
- Gamagara Local Municipality;
- Joe Morolong Local Municipality;
- ZF Mgcawu District Municipality (formerly known as Siyanda District Municipality);
- Mier Local Municipality;
- Tsantsabane Local Municipality;
- Frances Baard District Municipality; and
- Dikgatlong Local Municipality.

Phases in the Upgrading Process

The upgrading of the Vaal Gamagara Water Scheme will be done in the following two phases:

Phase 1:

This phase consists of:

- Replacing the existing pipeline with a 1 100mm and 900mm pipeline from Roscoe to the South West Expansion Project (7.8km);
- Replacing the existing pipeline with a 700 and 800mm pipeline from Kathu to Hotazel, and a 600mm pipeline to Black Rock (82.6km); and
- Developing of SD 4 well site and the bulk supply to 22 villages.

Phase 1 is now in construction and the contractor, Kgalagadi Pipeline JV, was appointed. Site handover took place on 4 October 2016 and construction started at the end of November 2016.

The Scope of Work for Phase 1: Project 1 (Pipeline from Roscoe to Black Rock)

Pipeline 1A:

This new DN900 and DN1100 pipeline, which is currently under construction, stretches from Roscoe to Khumani (7.8km in length).

Pipeline 1B:

This new DN700 pipeline, which is currently under construction, stretches from the SWEP by-pass to a new Pressure Reducing Valve (PRV) station at the Kathu Reservoir (5.6 km in length). However, the length of the pipeline has since been reduced to 0.38km due to design changes.

Pipeline 2:

This new DN700 and DN800 pipeline, which is currently under construction, stretches from a new Pressure Reducing Valve (PRV) station at the Kathu Reservoir to the Hotazel Reservoir (54.5km in length).

Pipeline 3:

This new DN600 pipeline, which is currently under construction, stretches from the Hotazel Reservoir to Blackrock (11km in length), and include the installation of a DN400 pipeline (2.3km in length) in parallel with an existing DN560 pipeline.

At the end of June 2017, 22% of the work had been completed.

Phase 2:

Phase 2 will consist of:

- Replacing the pipeline from Clifton to Roscoe;
- Development of SD2 well site;
- Replacing the pipeline between Beeshoek and Glouchester;
- Refurbishing rising main from water treatment works to Clifton;
- Upgrading of reservoirs;
- Upgrading the Trewill Pump Station and sump;
- Developing of SD 1 well site;
- Replacing the third rising main;
- Upgrading and refurbishing the Vaal Gamagara Water Treatment Works and pump stations; and
- Upgrading the Kneukel Pump Station and sump.

Phase 2 has been divided into five sub-projects. These projects are currently in a design stage and construction is expected to be completed by 2026.

Mier Kalahari East Pipeline Project

This project entails the construction of a 170km water supply pipeline system from the existing Kalahari East take-off point (50km south east of Askham) to the towns of Askham, Andriesvale, Groot Mier, Klein Mier, Loubos, Rietfontein and Philandersbron. Also forming part of the project, is the construction of a 21Mℓ earth fill reservoir close to Groot Mier. Sedibeng Water has been appointed as Implementing Agent for the project.

The project was syndicated i.e. divided into four portions in order to diversify the risk and allow BEE companies the opportunity to improve their CIDB grading. The project commenced in April 2015 and was successfully completed in August 2016.

Pelladrift Water Board

The Pelladrift Water Board is a Water Board established in terms of the Water Services Act (Act No. 108 of 1997). The infrastructure concerned was constructed and previously owned by Anglo Operations Limited, who invested in the asset base for 30 years in order to sustain mining activity at the Black Mountain Mine, and also provide water services to local communities in this remote area of the Northern Cape Province.

After the formation of the Pelladrift Water Board, Anglo Operations Limited transferred these assets to the newly established Water Board. The Black Mountain Mine was recently sold by Anglo Operations Limited to Vedanta Resources plc. The main purpose of the Pelladrift Water Board is still the provision of sustainable water services to the Black Mountain Mine and surrounding areas. Water is abstracted at Pelladrift on the Orange River, where after it is purified and supplied to the mine and the towns of Aggeneys and Pofadder, the Pella Mission and some farms along the distribution routes. The primary non-mining customer of the Pelladrift Water Board is the Khâi-Ma Local Municipality, which is also the local Water Service Authority in the area. The Black Mountain Mine currently utilises approximately 86% of the entire water supply. The total population that benefits from this scheme (including staff at the Black Mountain Mine) is approximately 8 500 people.

Sedibeng Water received a directive from the Minister of Water and Sanitation, Mrs. Nomvula Mokonyane, to take over the Pelladrift Water Board as from 1 November 2014. The Pelladrift Water Treatment Plant (currently supplying water to the towns of Aggeneys, Pella and Pofadder) comprises a bridge and abstraction tower in the Orange River, from where the water is pumped to the purification plant 800m away on the river bank. At the plant, the water is sanitised, clarified and pumped to the Horseshoe Reservoir, from where it gravitates to Aggeneys, Pella and Pofadder.

The challenge Sedibeng Water faces at Pelladrift is that the current plant is designed to deliver only

12.5Mℓ/day, which is no longer sufficient to comply with the rising demand. Especially during summer and peak seasons, water demand continuously exceeds the design capacity of the plant on a daily basis. In light of the fact that the Black Mountain Mine is currently in the process of opening the long awaited Gamsberg Mine, a huge capital injection in the Northern Cape Province and in South Africa, the existing plant and infrastructure have to be upgraded in order to meet the envisaged increased demand.

The project is a turn-key project implemented by Black Mountain Mining. Black Mountain Mining's responsibilities are to design and construct the plant. The project is fully funded by Black Mountain Mining, who also bears the construction risks of the new plant. Water supply to the current customers will not be disrupted during the construction of the new plant. The duration of the construction period is 14 months.

Scope of Work

- Low Lift pump station and supply line to water treatment works;
- Valve system to control water supply to two flash mixers;
- Dosing systems;
- Chlorination system;
- Clarifier 15 MLD;
- Balancing reservoir (2Mℓ) and booster reservoir (0.5Mℓ);
- High lift pump station, rising mains (30km) and booster pump station;
- Power supply to booster station; and
- Horseshoe Reservoir (2Mℓ).

The project commencement date was 1 March 2017 with an expected completion date of 31 March 2018.

Illustration 3: Pelladrift Water Scheme

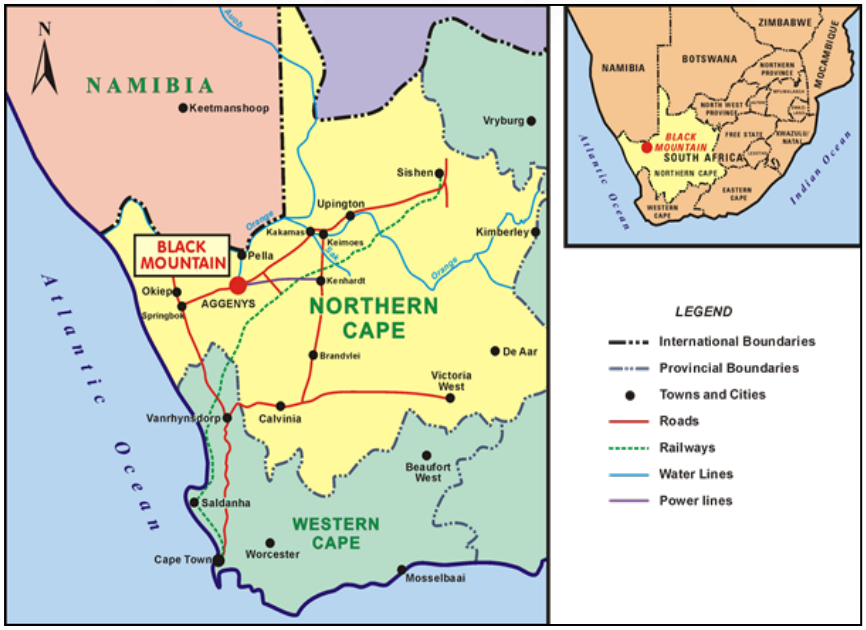
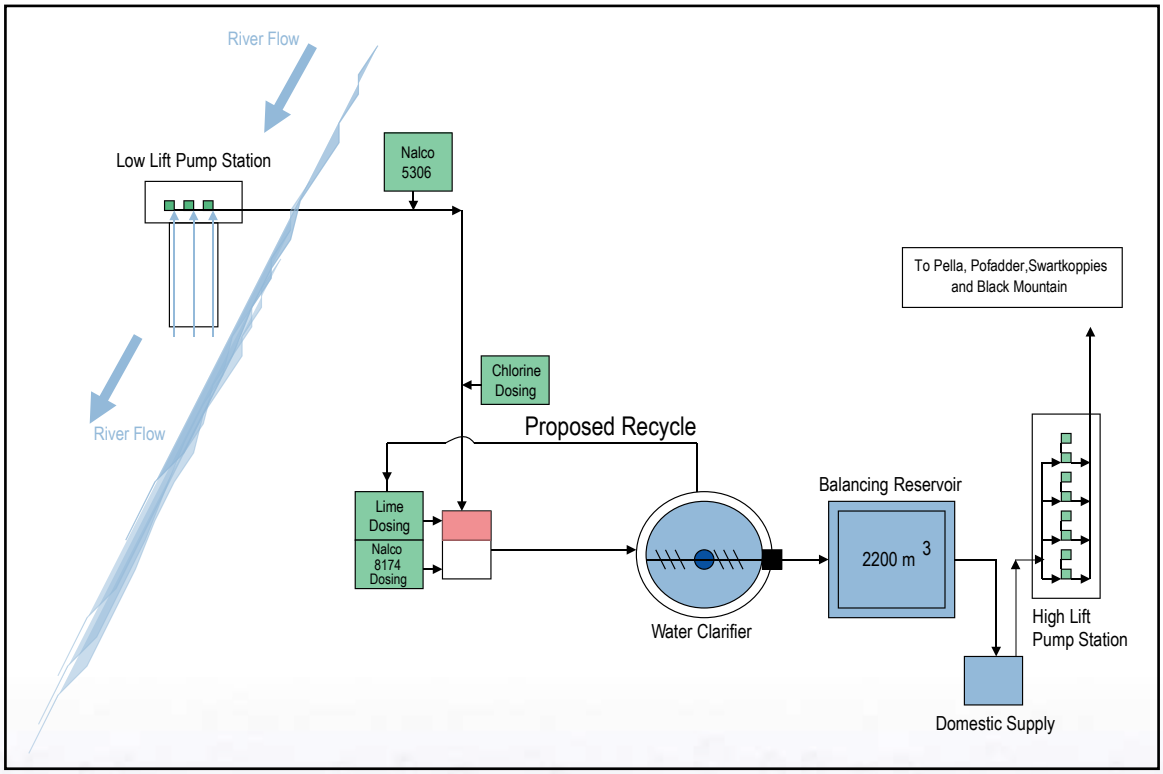


Illustration 4: Pelladrift Purification Plant



NORTHERN CAPE **REGION**

Mr. O.A. Masia
Regional Manager: Northern Cape

The Northern Cape Region is comprised of the Pelladrift, Namakwa and Gamagara areas of operation. The region's functions are to provide potable water that meets the required SANAS standards and to maintain the pipeline network in the region to ensure reliability of supply. To this end, the Minister of Water and Sanitation. Ms. Nomvula Mokonyane, officially opened Sedibeng Water's new quality control laboratory at Vaal Gamagara in June 2016, which will service customers in the region. Various programmes were also introduced to assist municipalities in the area to attain Blue and Green Drop status.

Raw water abstraction in the region takes place as follows: Water for the Vaal Gamagara Scheme is abstracted from the Vaal River and augmented by dewatering water from mines, while water for the Namakwa and Pella Schemes is abstracted from the Lower Orange River. The Vaal Gamagara Water Supply Scheme supplies potable water to the Dikgatlong, Tsantsabane, Gamagara and Joe Morolong Local Municipalities, as well as mines in the Northern Cape Province. The Namakwa Water Supply Scheme supplies potable bulk water services to the Nama Khoi Local Municipality, small scale mines and small industries within the jurisdiction of this municipality. The Pelladrift Water Supply Scheme supplies water to the towns of Poffader, Pella, Aggeneys township and Black Mountain Mine, within the Khâi-Ma Local Municipality.

The region's water supply schemes performed according to the targets set for the 2016/2017 financial year. Performance levels during this year are indicated in Tables 1 and 2.

Vaal Gamagara

Potable Water Supply

Raw water is abstracted from the Vaal River and ground water is supplied from the dewatering operations at Kolomela (Beeshoek) and the Sishen mines. The raw water from the Vaal River is treated at the Vaal Gamagara Water Treatment Plant near Delportshoop, and distributed through a bulk pipeline all the way to Black Rock, which is 430km from the plant. The scheme was in operation throughout the year and all three water sources contributed to the total water supply.

The Vaal Gamagara Water Supply Scheme is currently operating at its full design capacity 20 million kℓ/annum. However, the scheme is being upgraded, having commenced in November 2016 with the pipeline section between Roscoe (Olifantshoek cross on the N14) to Black Rock. This section is the major constraint in the system due to its age and being smaller in size, hence construction commenced at this point. This section comprises of approximately 86km of pipeline, which is currently being replaced.

Namakwa

Potable Water Supply

Raw water is abstracted from the Lower Orange River at Henkries to supply water to the Nama Khoi Local Municipality and De Beers Mine in Kleinzee. The raw water is treated at the treatment works at Henkries and pumped 110km from the plant to Springbok. The scheme is undergoing refurbishment, which commenced in September 2013 and is set for completion in 2019. The current refurbishment programme includes the main pipeline from the Orange River, treatment works and the four pump stations to Springbok. However, the scheme managed to meet the demand of consumers and the water needs of the pipeline construction process. Phase 1 of the project has been completed and Project 3 of Phase 2 is currently under construction.

Pelladrift

The Pelladrift Water Supply Scheme supplies water to the towns of Poffader, Pella, Aggeneys township and Black Mountain Mine, within the Khâi-Ma Local Municipality. The Black Mountain Mine together with Aggeneys township, consumes 86% of the water supplied from the Pelladrift Scheme - the remainder being consumed by the Khâi-Ma Local Municipality. The newly established mine at Gamsberg shares a water connection point with Black Mountain Mine, which is still in its developmental phase. Raw water is abstracted from the Orange River and treated at the Pelladrift Water Treatment Works. The water treatment works is operating at its design capacity of 12Mℓ/day. The scheme produced a total of 4.9 million kℓ of water for the 2016/2017 financial year.

As indicated in Tables 1 and 2, the three schemes in the Northern Cape Region produced a total of 30.4 million kℓ of water during the 2016/2017 financial year, while total water sales amounted to 27.19 million kℓ.

Table 1: Raw Water Purchases

Year	Vaal Gamagara Volume (kℓ)	Namakwa Volume (kℓ)	Pelladrift Volume (kℓ)	Total Volume (kℓ)
2016/2017	21,116,643	4,264,694	5,083,266	30,464,603
2015/2016	21,837,400	4,573,809	4,843,391	31,254,600

Table 2: Volume of Water Produced (Sold)

Year	Vaal Gamagara Volume (kℓ)	Namakwa Volume (kℓ)	Pelladrift Volume (kℓ)	Total Volume (kℓ)
2016/2017	20,059,418	2,346,922	4,792,493	27,198,833
2015/2016	19,843,188	2,699,663	4,699,061	27,241,912

Infrastructure Maintenance and Refurbishment

Planned maintenance programmes were carried out on an on-going basis according to a planned maintenance schedule, including daily, weekly, monthly and annual inspections. The following maintenance and refurbishment activities were carried out during the 2016/2017 financial year:

Vaal Gamagara

The refurbishment and upgrading of Phase 1 of the Vaal Gamagara Supply Scheme commenced in November 2016, starting with the Roscoe to Black Rock pipeline section (80km). Construction is ongoing and the pipeline is being replaced and upgraded. Phase II of the project is at the planning and design stage.

Planned Maintenance:

- Maintenance of the transformers at the Vaal Gamagara Plant and Trewill Pump Station;
- Calibration of the ultrasonic level indicator at the Clifton Reservoir;
- Replacement of the submersible pump at the Low Lift;
- Installation and commissioning of rotor on Unit No.2 at the Kneukel Pump Station;
- Repair and servicing of the two vacuum contactors of Transformer No.1 at the Trewill Pump Station;
- Replacement of Lohatlha and Glossom town pumps at Glossom;
- Replacement of IV 7;
- Replacement of the slip-ring motors of Pumps No. 1 & 2 at the High Lift pump station;
- Refurbishment of Pump No. 2 at the Beeshoek Pump Station at Phase 2;
- Commissioning of the Kathu Pump Station;
- Fitting of a plunger valve on Pump No. 1 at the Trewill Pump Station;
- Maintenance on the motors at High lift, Kneukel and Trewill Pump Stations; and
- Installation of resistor bank at the Trewill Pump Station.

Unplanned Maintenance:

- Replacement of two resistor banks at the Trewill Pump Station;
- Replacement of vacuum contactor at the Trewill Pump Station;
- Repairing of leaks at Sliverstream and Roscoe;
- Repairing of the PLC and network at the Low Lift pump station;
- Repairing communication technology at Koopmansfontein;
- Removing of the plunger valve on Pump No. 2 at the Trewill Pump Station;
- Repair of Motor No.1 at the Beeshoek Pump Station;
- Replacement of the soft starter at Sishen;
- Replacement of damaged slip-ring on Pump No. 2 at the Kneukel Pump Station;
- Replacement of a faulty CPU at the Beeshoek Reservoir; and
- Replacement of a plunger valve on Pump No. 3 at the Trewill Pump Station.

Namakwa

Phase 2 of the refurbishment project was completed in June 2016 and the contractor is currently busy with Phase 3, which will be completed in 2018. Phase 2 entailed the construction of a 500mm diameter pipeline (56km) between Eenriet Reservoir and Vaalhoek Reservoir. Phase 2 has been challenging as the new pipe was laid in the old trench, while the scheme still had to supply water with minimum interruptions to communities by means of a temporary bypass pipeline. Other work done in this phase of the project, included:

- Refurbishment of sluice gates at the clear water reservoirs;
- Repair of the stairways at the Orange River Pump Station;
- Cleaning of sedimentation dams at the Henkriesmond Pump Station;
- Cleaning of chlorine contact chamber at the Henkries Water Treatment Works;
- Installation of burst control valve; and
- Installation of electrical winches at the Orange River Pump Station.

Planned Maintenance:

- Cleaning of raw water canal at Henkriesmond;
- Servicing of raw water pumps at the Henkriesmond Pump Station;
- Installing of cat ladders at reservoir sites;
- Construction of hand-rails around the sedimentation dams at the Henkriesmond Pump Station;

- Replacing of telemetry out-stations in the Namakwa Reservoirs;
- Replacing of leaking rubbers and coupling along Nababeep, Carolusberg and Concordia pipelines;
- Replacing of asbestos pipes in Rooiwinkel;
- Servicing of pumps at the Pelladrift Pump Station; and
- Servicing of pumps at the Garragoup Pump Station.

Unplanned Maintenance:

- Repairing of burst pipes on the Henkries rising main pipeline;
- Repairing of leaks at the Henkries Water Treatment Works' outlet chambers;
- Repairing of pumps at the Henkriesmond Pump Station;
- Repairing of electrical switch gears and circuit breakers at the Henkries High Lift Pump Station;
- Repairing of a pressure reducing valve at the Okiep off-take point; and
- Unblocking of water meters in Springbok.

Pelladrift

The upgrading of the Pelladrift Water Treatment Works has commenced in March 2017. The main objective of the upgrading project is to double the capacity of the existing water scheme in order to meet the demand of the new Gamsberg Mine. The upgrading of the plant is expected to be completed by March 2018.

Planned Maintenance:

Planned maintenance at the scheme is carried out as per the annual plan. The following maintenance was done during the 2016/2017 financial year:

- Servicing of pumps at the Pelladrift High Lift Pump Station;
- Performing condition monitoring at low lift and high lift pump stations;
- Replacing of lights in the main building;
- Installing of hand-rails at the Horseshoe Reservoir;
- Cleaning of the clarifier, balancing tank and reservoirs; and
- Installing of signage at pump station buildings and other facilities.

Unplanned Maintenance:

- Repairing of burst pipes along the raising main between the treatment works and the Horseshoe Reservoir;
- Repairing of the roof at low lift pump station;
- Repairing of a leaking meter at the Pella take-off point;
- Repairing of High Lift Pump No. 1; and
- Repairing leaks at the Horseshoe Reservoir.

Potable Water Quality: Vaal Gamagara

Tables 3.1 and 3.2 indicate the water quality results of the Vaal Gamagara distribution network for the 2016/2017 financial year. Water quality complied with the set SANS 241:2015 standards. The organisation's water quality target is a compliance rate of 97%. The Physical and Organoleptic determinands: pH complied 100% with set requirements, while turbidity achieved a compliance rate of 96%, which complied with the water quality standards. The plant optimisation measures implemented were effective as confirmed by operational monitoring.

Chlorine gas is dosed at various points along the pipeline route to ensure microbiological compliance and improve the quality of ground water. The average residual chlorine was 3.1mg/l, and as a result the Microbiological Safety Requirements: *E.coli* and the Operational Water Quality: Total Coliforms achieved a 100% compliance rate as per the requirements of the SANS 241:2015 standard.

Table 3.1: Water Quality Results – Vaal Gamagara (Final Water)

Based on SANS 241:2015			
Determinand	**Unit**	**Specification**	**Compliance**
Physical and Organoleptic Requirements			
pH	pH	5.0-9.5	100
Turbidity	NTU	<1.0	96.0
Microbiological Safety Requirements			
E. coli	MPN/100ml	Not detected	100
Operational Water Quality Alert Levels			
Total Coliforms	MPN/100ml	10	100
Average Free Chlorine	mg/l	≤ 5	3.1

Table 3.2: Water Quality Results (Supply Systems)

Supply Systems for Vaal Gamagara	Compliance Levels (%) – SANS 241:2015			
	Physical Organoleptic: (95%)	Chemical Health: (95%)	Operational Limits: (95%)	Microbiological Health: (97%)
Dikgatlong	100	100	97.8	100
Olifantshoek	100	100	98.0	98.0
Kathu	100	100	99.5	100
Hotazel	100	100	99.5	100
Postmasburg	100	100	98.0	100

Potable Water Quality: Namakwa

Tables 4.1 and 4.2 indicate the overall water quality results for the Henkries distribution network during the 2016/2017 financial year. The entire water supply scheme is being refurbished as it has reached the end of its operational life span. The refurbishment project is divided into four phases, of which Phase 1 has already been completed. Currently, Project 3 of Phase 2 is still on-going and is expected to be completed by June 2018. Phase 4 is in the planning stage. Water quality is strictly monitored to prevent high turbidity levels that are likely to exceed operational limits due to construction interference. A bypass pipeline has been constructed in areas where the existing pipe trench is used to construct the new pipeline. *E. coli* complied 100% with the requirements of the SANS 241:2015 standard.

Table 4.1: Water Quality Results – Henkries (Final Water)

Based on SANS 241:2015			
Determinand	**Unit**	**Specification**	**Compliance**
Physical and Organoleptic Requirements			
pH	pH	≥5 to ≤9.5	100
Turbidity	NTU	<1	100
Microbiological Safety Requirements			
E.coli	MPN/100ml	Not detected	100
Operational Water Quality Alert Levels			
Total Coliforms	MPN/100ml	≤ 10	100
Average Free Chlorine	mg/l	≤5	3.6

Table 4.2: Water Quality Results (Supply Systems)

Supply Systems for Namakwa	Compliance Levels (%) – SANS 241:2015			
	Physical Organoleptic: (95%)	Chemical Health: (95%)	Operational Limits: (95%)	Microbiological Health: (97%)
Carolusburg	100	100	100	100
Springbok	100	100	100	100
Bulletrap	100	100	100	100
Steinkopf	100	100	100	100
Okiep	100	100	100	100
Nababeep	100	100	100	100
Concordia	100	100	100	100

Potable Water Quality: Pelladrift

Tables 5.1 and 5.2 depict the overall water quality results for the Pelladrift distribution network during the last quarter of the 2016/2017 financial year. Turbidity of the final water did not comply with SANS 241:2015, since the treatment works does not have a filtration system for the distribution of final water. Turbidity is managed by desludging the clarifier every cycle turn of the clarifier bridge and cleaning the clarifier as and when required.

The treatment works is undergoing expansion to double its capacity of 12Mℓ/day to supply Gamsberg Mine that is located next to Black Mountain Mine in Aggeneys. The construction commenced in March 2017 and is expected to be completed in March 2018.

Table 5.1: Water Quality Results – Pelladrift (Final Water)

Based on SANS 241:2015			
Determinand	**Unit**	**Specification**	**Compliance**
Physical and Organoleptic Requirements			
pH	pH	≥5 to ≤9.5	100
Turbidity	NTU	<1	0
Microbiological Safety Requirements			
E.coli	MPN/100ml	Not detected	100
Operational Water Quality Alert Levels			
Total Coliforms	MPN/100ml	≤ 10	100
Average Free Chlorine	mg/l	≤5	1.7

Table 5.2: Water Quality Results (Supply Systems)

Supply Systems for Pella Drift	Compliance Levels (%) – SANS 241:2015			
	Physical Organoleptic: (95%)	Chemical Health: (95%)	Operational Limits: (95%)	Microbiological Health: (97%)
Pella Off-take	75	100	67	100
Poffader Off-take	75	100	67	100
Swartkoppies Off-take	75	100	67	100
Horseshoe Reservoir	75	100	67	100

NORTH WEST **REGION**

Mr. S.K. Sithole
Acting Regional Mananger: North West

The North West Region comprises of the Dr. Ruth S. Mompati and the Ngaka Modiri Molema District Municipalities. Bulk water and operation and maintenance services are rendered in these municipal areas. These services are defined in the Water Services Act as Section 29 and Section 30 activities. Services offered to the Dr. Ruth S. Mompati District Municipality are mainly operations and maintenance services, which are defined as Secondary Activities by the Act, while the services offered to the Ngaka Modiri Molema District Municipality are both Primary (i.e. Section 29 activities) and Secondary Activities (i.e. Section 30 activities).

The region services the Naledi, Mamusa, Greater Taung, Lekwa-Teemane and Kagisano-Molopo Local Municipalities that form part of the Dr. Ruth S. Mompati District Municipality. The Ngaka Modiri Molema District Municipality was transferred through Gazette Notice 38100 to Sedibeng Water in 2014, and comprises of the Mahikeng, Ratlou, Tswaing, Ditsobotla and Ramotshere Moiloa Local Municipalities. The North West Region's operations include parts of the Northern Cape Province (Gasegonyane and Phokwane Local Municipalities) due to the close proximity of water supply points in the area. The 2016/2017 financial year has witnessed an increase in the extent of infrastructure serviced by Sedibeng Water due to additional plants which have been handed over to Sedibeng Water by the Dr. Ruth S. Mompati District Municipality, i.e. the Christiana and Bloemhof Water and Wastewater Treatment Plants.

This operational arrangement is in accordance with Section 30(2) of the Water Services Act (Act No. 108 of 1997). The primary objective of Sedibeng Water in the region is to fulfill the requirements of the Water Services Act, whereby the organisation signed several service provider agreements with Water Services Authorities in the North West and Northern Cape Provinces. The region has entered into such agreements with the Dr. Ruth S. Mompati District Municipality, Ga-Segonyana Local Municipality and Phokwane Local Municipality. The water supplied is from both surface and underground sources. During the 2016/2017 financial year, Sedibeng Water acquired the operational area of the Ngaka Modiri Molema District Municipality, which includes the Ratlou, Mahikeng, Tswaing, Ditsobotla and Ramotshere Moila Local Municipalities.

Services Rendered

The services that the region offers to these municipalities are, but not limited to, the following:

Bulk Water Services

- Infrastructure for the supply of bulk potable water (water treatment plants and main pump lines); and
- Operation and maintenance of bulk sewage services.

Reticulation Water Services

- Operations and maintenance of reticulation systems;
- Installing pre-paid meters;
- Replacement of all conventional yard water meters with pre-paid yard meters; and
- Connection of pre-paid yard meters to retail customers.

Management and Other Support Services

- Technical audits;
- Optimisation and management of water supply systems;
- Training of personnel; and
- Project management.

Water Quality Monitoring

- Sampling and testing.

Retail Services

- Meter installation and management;
- Billing and collection; and
- Bulk meter replacement and installation to minimise water losses.

Operations in the Dr. Ruth S. Mompati District Municipality and part of the Northern Cape Province

Bulk Potable Water Supply

Hartswater Sub-region:

The primary source of potable water in the Hartswater sub-region is ground water resources, which constitute 45% of the total potable water supply. The villages in the area are scattered over a vast area of operation, and each village has its own boreholes. This is not an ideal potable water supply system, as it consists of clusters of boreholes pumping into reticulation systems supplying multiple adjoining villages and thereby increasing maintenance and operational costs. To remedy the intensity of operations and to reduce operational costs, telemetry to remotely control the water systems is used wherever possible for the start/stop of the borehole pumps and monitoring of the systems.

The remaining 55% of the total potable water supply in the area is surface water, which is abstracted from the Vaalharts Scheme and treated at the Pampierstad, Bogosing, Kgomotso, Pudimoe and Christiana Water Treatment Works in the operational area of the Dr. Ruth S. Mompati District Municipality.

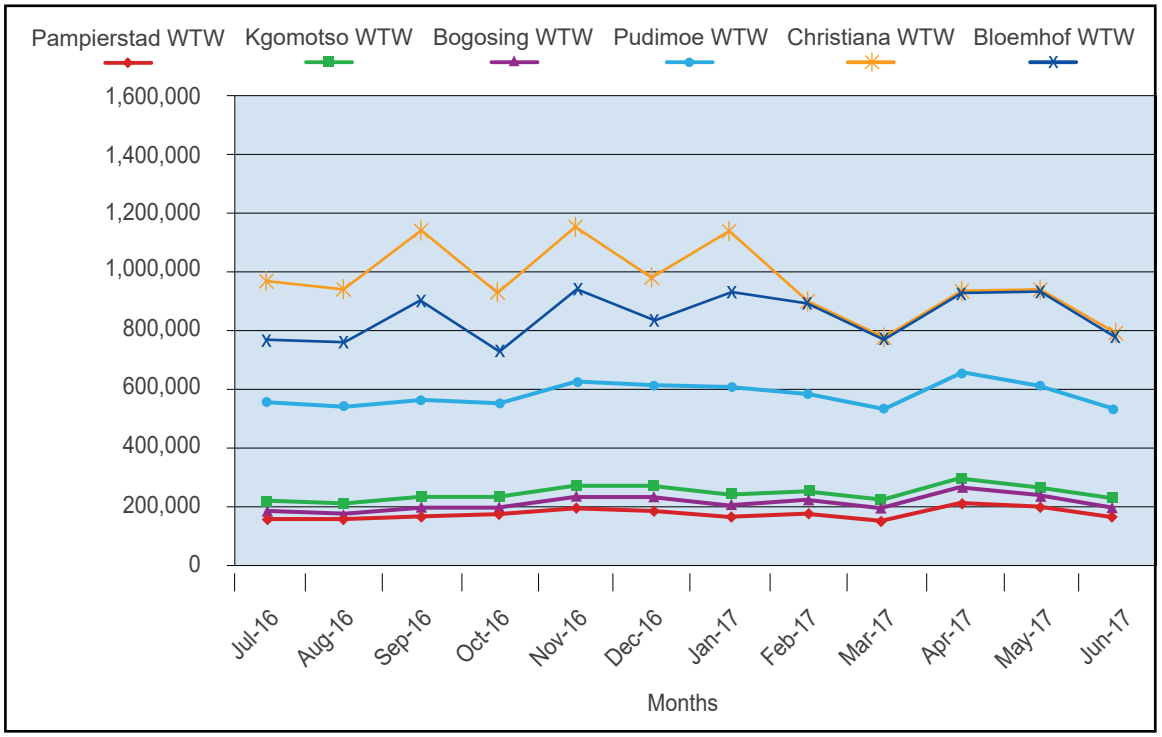
As depicted in Table 1, total annual production volumes have increased by 13.68% from 15 731 195kℓ in the previous year to 17 883 739kℓ in the 2016/2017 financial year for the Dr. Ruth S. Mompati District Municipality, the Phokwane Local Municipality and the Ga-Segonyana Local Municipality. Water production from the treatment works increased by 13.74% from 10 274 840kℓ to 11 686 675kℓ in the year under review, while that of boreholes increased by 13.58% from 5 456 355kℓ to 6 197 064kℓ in the 2016/2017 financial year.

This increase in the production from boreholes was mainly due to the drilling of new and the rehabilitation of existing boreholes. The increase in production by plants is mainly due to the acquisition of the Bloemhof Water Treatment Works. Graphs 1-3 indicate water demand and production trends in the North West Region, highlighting the periods of high demand and consumption. There were great fluctuations in production volumes from the Pudimoe Water Treatment Works due to the fact that the Vaalharts Water Users Association is busy upgrading and refurbishing the supply canal.

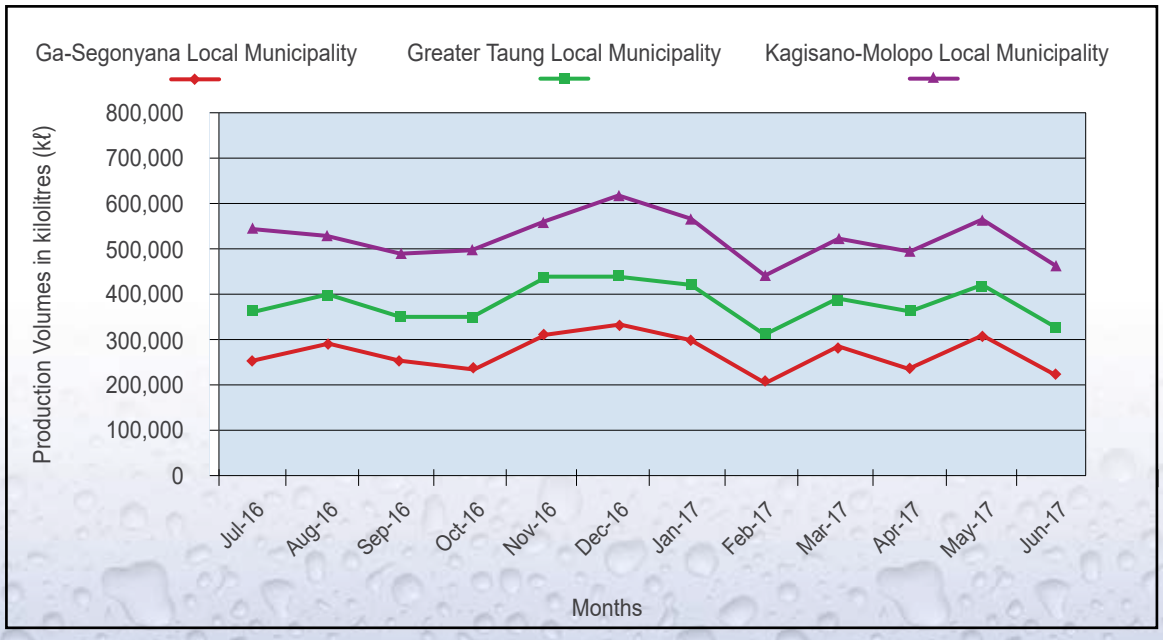
Table 1: Potable Water Production: Dr. Ruth S. Mompati District Municipality/Phokwane and Ga-Segonyana Local Municipalities

Source	2015/2016 Volume (kℓ)	2016/2017 Volume (kℓ)
Plants	10,274,840	11,686,675
Boreholes	5,456,355	6,197,064
Total Production	**15,731,195**	**17,883,739**

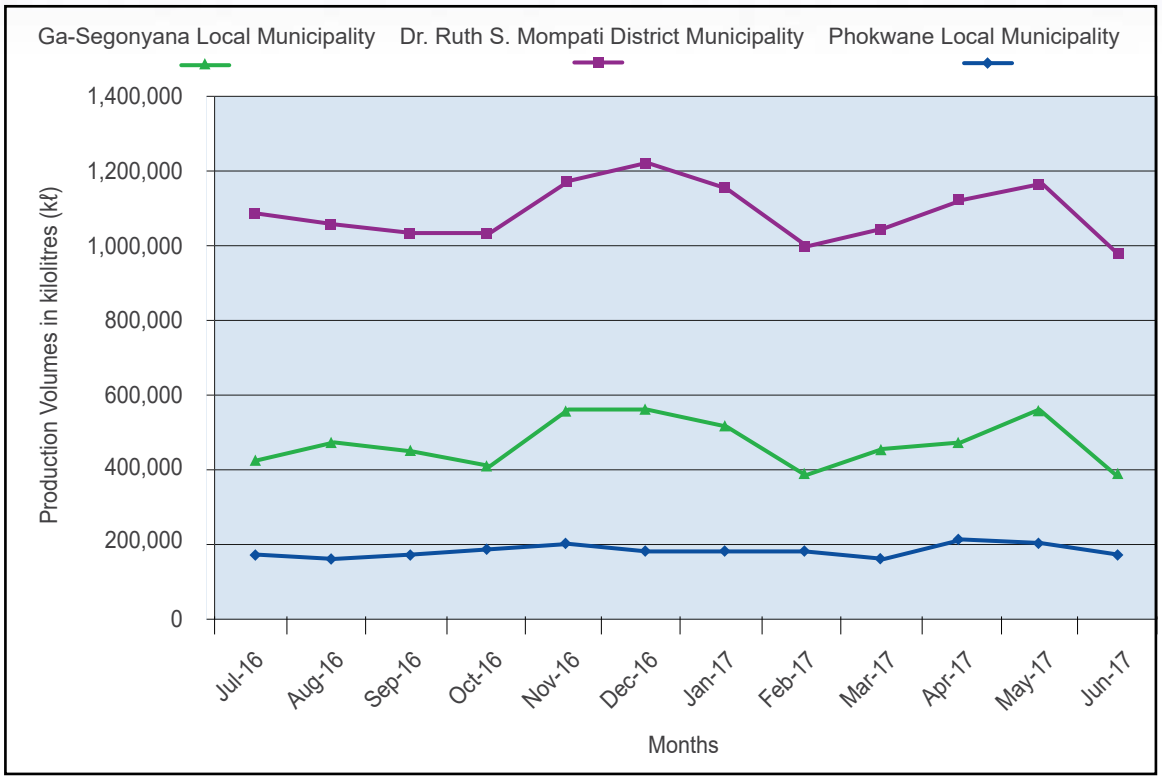
Graph 1: Monthly Plant Production Trends



Graph 2: Monthly Borehole Production Trends



Graph 3: Production Trends per Municipality



Bulk Wastewater Services

The region further renders operations and maintenance services to the Pampierstad Wastewater Treatment Works on behalf of the Phokwane Local Municipality and to the Christiana and Bloemhof Wastewater Treatment Works, on behalf of the Dr. Ruth S. Mompati District Municipality. These wastewater treatment works treat household effluent from the townships of Pampierstad, Christiana and Bloemhof. The Pampierstad Wastewater Treatment Works is currently under-utilised, operating at below 60% of its design capacity due to current population figures in the area. However, the Christiana and Bloemhof Wastewater Treatment Works are overloaded and projects to upgrade and refurbish these plants have been approved for the 2018/2019 financial year. Both these plants are licensed and authorised to discharge effluent into the nearby Harts River and Vaal River, respectively. Currently, 60% of the effluent is discharged into these rivers, while the rest is recycled back into the plants. It can be confirmed that the effluent discharged into these sources meets the SANAS standards. The old Bloemhof Wastewater Treatment Works has been refurbished, and the new wastewater treatment plant is currently in the process of being refurbished.

Reticulation Water Services

In addition to bulk water services, the Hartswater sub-region also renders operations and maintenance services to reticulation systems, making this a full-scale service ranging from source to tap. A refurbishment programme to replace the asbestos pipes in Pampierstad within the Phokwane Local Municipality was completed as far as the allocated budget allowed. This refurbishment of the reticulation system has increased the water demand in Pampierstad and a proposal regarding the upgrade of the water treatment works and raw water supply system was presented to the municipality. There is an increasingly high demand for yard connections. Yard connections are limited to areas where water sources are available and the areas are reticulated.

Two water treatment plants are expected for completion in the 2017/2018 financial years. One of these is in the Pudimoe Water Treatment Works, which was completed in August 2017 and will be supplying the Naledi Local Municipality with potable water. The second plant will be supplying potable water to Taung and its surrounding areas (completion due by the end of December 2017).

The completion of these plants will alleviate the water supply challenges in certain areas significantly, A further phase in this project was approved in order to supply potable water from Taung to the Eastern Plato via the Taung Water Treatment Works.

The region also services the Ganyesa area, which is a drought-stricken area. A ground water study was conducted and has identified the areas where potentially high-yield boreholes can be sunk. Plans and system designs to provide this area with a more sustainable water supply, are in progress. Consultants are busy with the Implementation Readiness Study and the tender documents are being prepared to construct a bulk water supply system to most needing areas by the beginning of the new financial year.

Ngaka Modiri Molema District Municipality

In the area of the Ngaka Modiri Molema District Municipality, Sedibeng Water depends on the following five water resources for the provision of potable water:

- Dolomitic ground water compartments are located approximately 20km to the east of Mahikeng and are utilised to serve the surrounding peri-urban areas. There are two abstraction points, namely the high yielding Grootfontein borehole fields and Molopo Eye. The abstraction quantity allocated from these dolomitic ground water compartments amounts to 45Mℓ/day. This water is of good quality. However, the yield has been inconsistent over the reporting period, ranging from 600m^3 to 1 150m^3 per hour.

- The Setumo Dam was constructed in 1996 to augment the bulk water supply to Mmabatho, Mahikeng and the surrounding peri-urban villages. It is situated to the west of Mahikeng and supplies raw water to the Mmabatho Water Treatment Works. The design capacity of the dam is 18 million m^3 per annum. The abstraction quantity allocated from this source amounts to 20Mℓ/day There is currently an upgrade project underway at the Mmabatho Water Treatment Works to increase its capacity to 30Mℓ/day.

- The Sehujwane Dam is situated approximately 102km north east of Mahikeng and is used for supplying raw water to the Motswedi Water Treatment Works in the Ramotshere Moiloa Local Municipality. The abstraction quantity allocated from this resource is 2Mℓ/day. However, the abstraction quantity from the dam has decreased to 1.7Mℓ/day due to sedimentation. Consequently, the production volume has decreased during the 2016/2017 financial year.

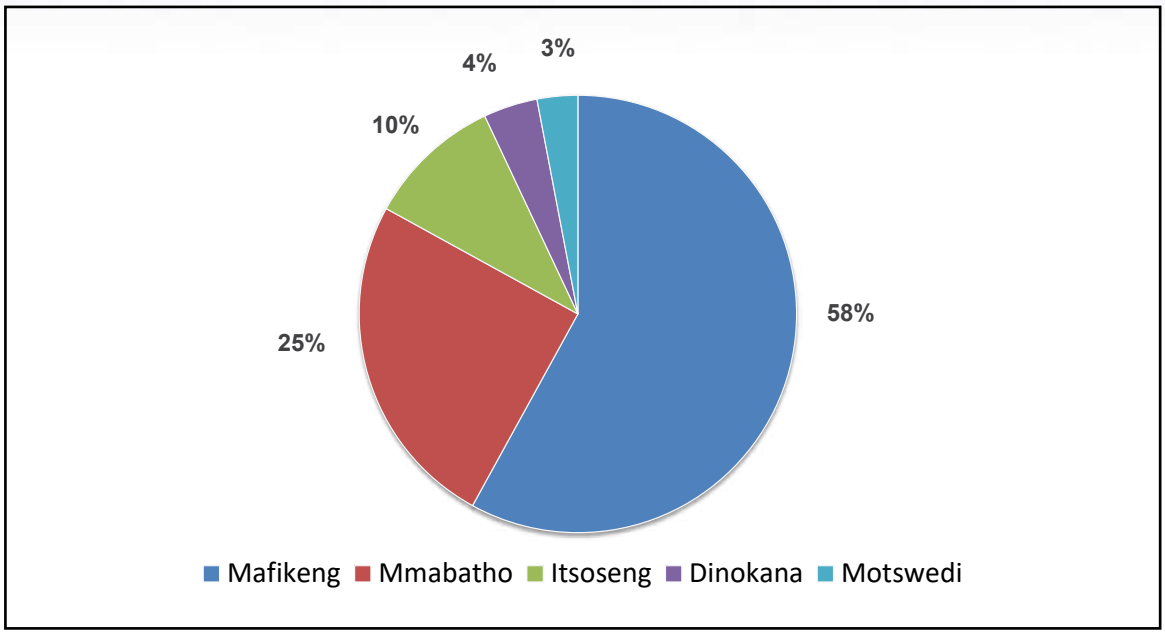
- The Dinokana Eye is situated 100km north east of Mahikeng. Water is pumped to five 600m^3 storage reservoirs and gravitates to supply Dinokana and other small surrounding villages. The quality of raw water abstracted here is good. It only requires disinfection before it can be supplied to consumers. The abstraction quantity allocated to this resource is 2Mℓ/day.

- The Itsoseng well field is situated some 32km south east of Mahikeng. Here, Sedibeng Water is licensed to abstract 4.6Mℓ/day. Water is pumped from 18 boreholes to a ground reservoir, then to an elevated reservoir, and thereafter, it gravitates to the Itsoseng, Sheila and Verdwaal townships. The water quality is very good and meets the set standards for potable water. The quantity of water that is supplied by the existing boreholes is not adequate to meet the demand of the customers in the area.

Bulk Potable Water Sales

Graph 4 indicates that the Mahikeng Water Treatment Works produces the most potable water as compared to the rest of the schemes, while the second highest production volume of potable water comes from the Mmabatho Water Treatment Works. It is worth noting that the bulk of the water produced in the Ngaka Modiri Molema District is sold to the Mahikeng Local Municipality and the Ngaka Modiri Molema District Municipality (western side). The total volume of bulk water production during the financial year under review is 17 447Mℓ.

Graph 4: Bulk Water Production in the Ngaka Modiri Molema District Municipality



Bulk Potable Water Production

Sedibeng Water employs different technologies to produce potable water supplied to its customers. Depending on the impurities to be removed, conventional treatment is applied, followed by disinfection.

Mahikeng Water Treatment Works:

The Mahikeng Water Treatment Works is situated 5km to the east of Mahikeng town and has a total allocation of 30Mℓ/day, which constitutes 7.5 Mℓ/day from the Grootfontein well fields and 22.5 Mℓ/day from the Molopo Eye. The plant supplies peri-urban and urban areas around Mahikeng and Mmabatho. The raw water quality from these two abstraction points is good, hence only disinfection is applied. Although the Mahikeng Water Treatment Works has an allocation of only 30Mℓ/day, it has a design capacity of 45Mℓ/day.

The treatment works consists of inlet chambers, pressure filters and chlorination processes. Due to the good quality of raw water, the sand filters are bypassed. The level of water production is highly dependent on the yield from the Molopo Eye and Grootfontein boreholes. During the year under review, the average production volume of the Mahikeng Water Treatment Works was 28Mℓ. This has improved from the previous financial year, during which an average production of 24.4Mℓ/day had been recorded. This improvement is due to recovered levels of aquifers after above average rainfall. This plant is characterised by minimal water loss, due to the good quality of the water sources.

Mmabatho Water Treatment Works:

Average production during the 2016/2017 financial year was 12.7Mℓ/day, which has increased from an average of 12.1Mℓ/day during the previous financial year. This increase is largely due to improved weather conditions experienced and the level of the Setumo Dam that has stabilised in the area where the Mmabatho plant is abstracting raw water. The Mmabatho Water Treatment Works has an allocation of 20Mℓ/day, although it was designed to be upgradable through phases up to a maximum capacity of 60Mℓ/day.

The average reservoir level of the Signal Reservoir has remained constantly between 55% and 75%, as compared to the previous financial year. Currently, there are no major water supply interruptions to the customers as compared to previous years. However, Eskom power failures continue to pose a threat to the reliability of supply.

Motswedi Water Treatment Works:

The Motswedi Water Treatment Works is situated in Lehurutshe, close to Zeerust. It has a design treatment capacity of 2Mℓ/day and only supplies peri-urban areas in Motswedi, Borakalalo and Reagile.

During the year under review, an average of 1.4Mℓ/day was estimated to have been produced from the Motswedi Water Treatment Works. The low production volumes are due to sedimentation in the dam, while the raw water is characterised by high turbidity.

Dinokana Water Scheme:

The Dinokana Water Scheme is located at the Dinokana village, which is 30km to the north west of Zeerust. This water source originates from a natural spring called the Dinokana Eye, as well as seven boreholes, which produce good quality water. Production volumes depend mainly on the water table and the natural yield of the spring. During the year under review, an average of 1.8Mℓ/day was estimated to have been produced from the Dinokana Eye, while 2 000m^3/day was yielded by the seven boreholes. The final product is disinfected with chlorine and then distributed to communities.

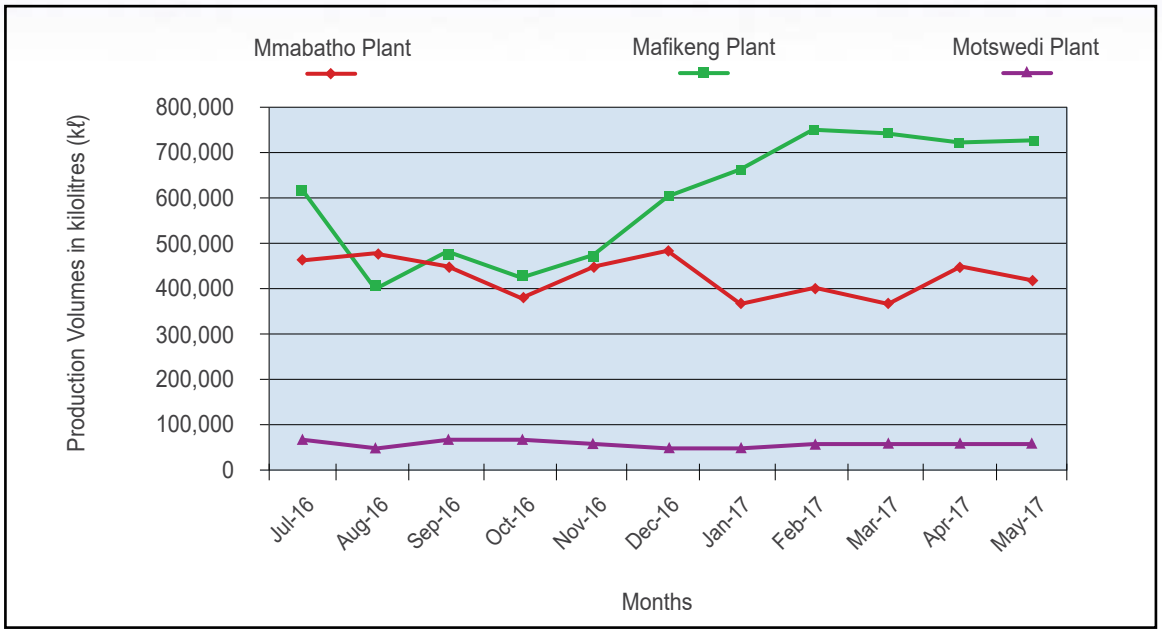
Itsoseng Water Scheme:

The Itsoseng Water Scheme is situated 20km to the west of Lichtenburg in the Ditsobotla Local Municipality's area of jurisdiction. Water for this scheme emanates from 18 boreholes situated at the Itsoseng village. Of these 18 boreholes, seven supply the old reservoir, while the remaining 11 feed the new reservoir. The total yield from the seven boreholes supplying the old reservoir, is 28.6ℓ/s. A total yield of 26.2ℓ/s is provided by the 11 boreholes supplying the new reservoir. The overall total of the current yield is 54ℓ/s, which is equivalent to 4.6Mℓ/day. This is a substantial increase from the 2.5Mℓ/day that was abstracted during the previous financial year. This increase is due to additional boreholes that were drilled and commissioned to augment the supply. The water undergoes disinfection prior to distribution. It is important noting that this potable water complies with SANS 241:2015 water quality standards.

Table 2: Potable Water Production in the Ngaka Modiri Molema District Municipality

Source	2015/2016 Volume (kℓ)	2016/2017 Volume (kℓ)
Plants	16,380,500	17,705,811
Boreholes	3,773,033	4,150,336
Total Production	**20,153,533**	**21,856,147**

Graph 5: Monthly Plant Production Trends in Kilolitres (kℓ)



Operations and Maintenance Services

The region is responsible for the operation and maintenance of the water services infrastructure in the Ngaka Modiri Molema District Municipality. The infrastructure consists mainly of boreholes, reservoirs, windmills, hand pumps and distribution pipelines (see Graph 5).

The Mahikeng Regional Office performs operation and maintenance services in 82 villages in the district municipality concerned. During the past financial year, Management took a decision to establish a bulk infrastructure maintenance team, which is responsible for ensuring the operational efficiency of the bulk water infrastructure. The establishment of such a maintenance team is also aimed at improving the turnaround time of repairing infrastructure breakdowns, as well as minimising maintenance costs, as most of the services will be sourced internally.

Operation and maintenance services relating to bulk water infrastructure include, but are not limited to: pump operation and maintenance for raw water abstraction; operation and maintenance of the sites and facilities of the water treatment works; the operation and maintenance of booster pump stations; operation and maintenance of bulk reticulation; valves, and the cleaning and maintenance of reservoirs. Operation and maintenance services associated with ground water abstraction, include repairs and maintenance of borehole pipes and pumps; installations and the reading of borehole meters; pipeline repair or replacement, and valve maintenance.

In terms of its Service Level Agreement with the Ngaka Modiri Molema District Municipality, Sedibeng Water is responsible for the maintenance, protection and preservation of the water supply infrastructure. This function includes proactive and reactive maintenance activities conducted according to planned schedules, as well as on an ad-hoc basis.

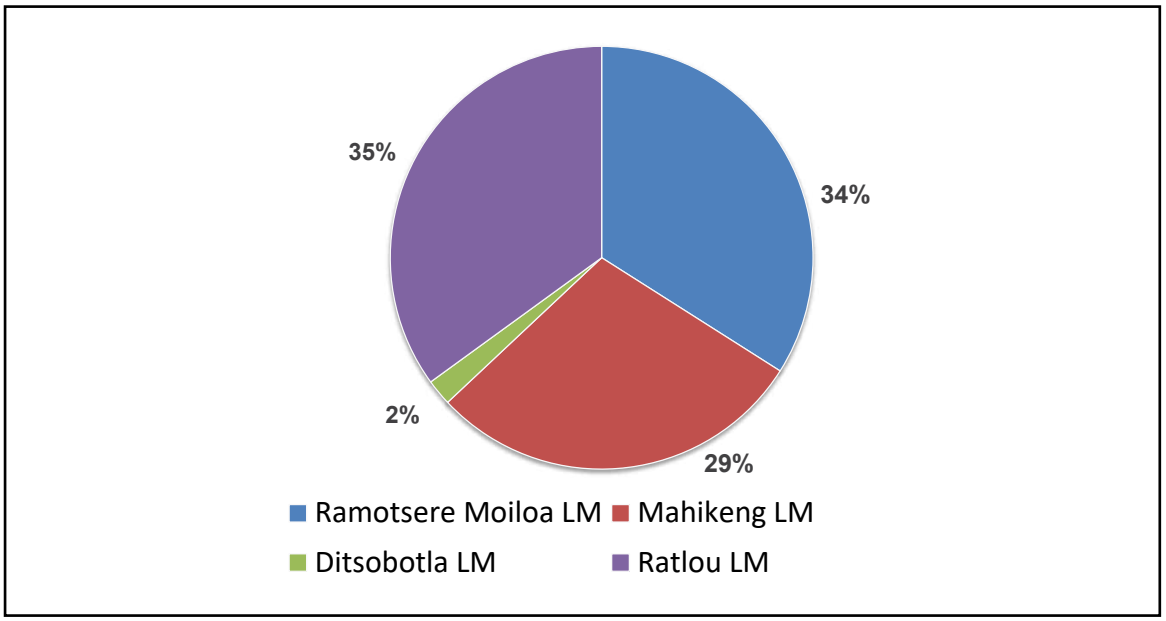
During the 2016/2017 financial year, 1 684 pipeline, plant and borehole maintenance activities were conducted within the Ngaka Modiri Molema District Municipality. These breakdowns per local municipality (as depicted in Graph 6) include the following:

- **Ramotshere Moiloa Local Municipality:** 977 maintenance activities (due to aged infrastructure, illegal yard connection activities and vandalism);
- **Ratlou Local Municipality:** 980 maintenance activities (including boreholes, windmills, pipelines and communal taps);
- **Mahikeng Local Municipality:** 820 maintenance activities (including plants, pump station, bulk pipeline and boreholes); and

- **Ditsobotla Local Municipality:** 64 maintenance activities (plant, boreholes and reticulation pipelines).

The recorded maintenance activities are substantially less than the 2 899 maintenance activities reported in the previous financial year. This decrease can be attributed to the effectiveness of proactive scheduled maintenance, which is now in place.

Graph 6: Number of Maintenance Repairs in the Ngaka Modiri Molema District Municipality



Potable Water Supplied from Boreholes

In most of its rural schemes, Sedibeng Water utilises specialised meters to account for pumping time and energy used, as well as to avoid over-abstraction from boreholes, which could exceed the recharge rate. During the 2016/2017 financial year, Sedibeng Water used boreholes to supply a total of 4 150 336m^3 of potable water to the areas of the Ngaka Modiri Molema District Municipality. This amount represents a 10% increase from the previous financial year.

Volume of Water Supplied Through Water Tankers

In the Ngaka Modiri Molema District Municipality, a total volume of 50kℓ was supplied during the 2016/17 financial year through water tankering to villages located within the Mahikeng Local Municipality. The total volume of tankered water supplied has significantly decreased as Sedibeng Water has phased out water tankering in line with a directive from the Minister of Water and Sanitation.

Water tankering services were also provided to the Ramotshere Moiloa Local Municipality during the year under review. Water tankering services are being provided due to infrastructure breakdowns, special events, emergencies, etc. During borehole maintenance activities, tankering services were also organised to ensure water supply to affected areas. Due to a continuous drop in the water table caused by drought, such services were likewise used to augment existing water supplies.

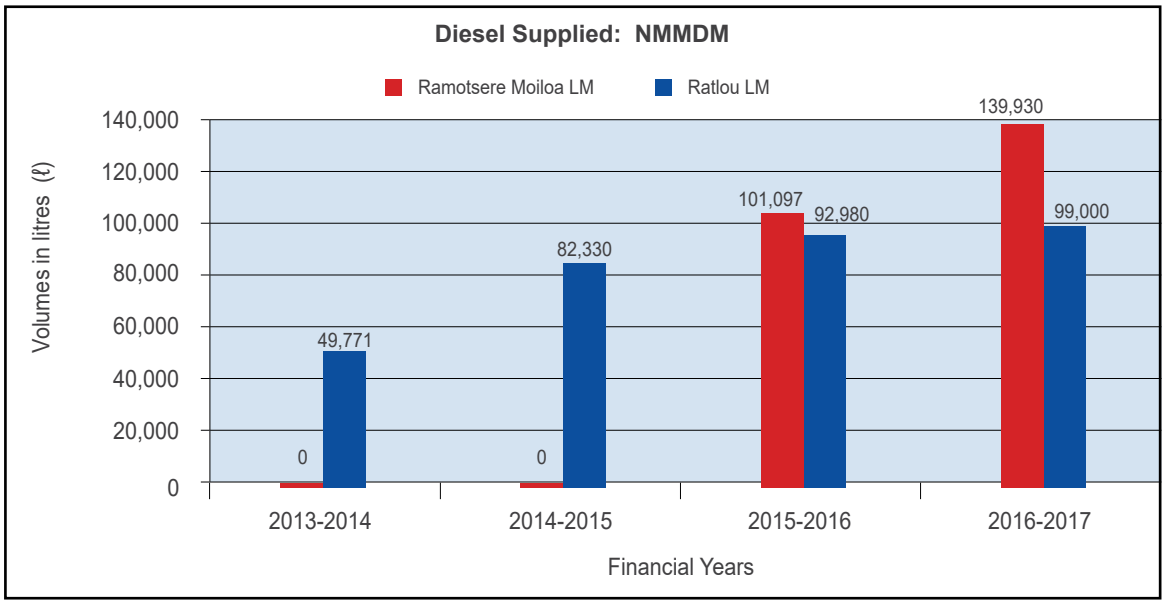
Diesel Supply

As part of its operations and maintenance function, the region is responsible for supplying diesel in order to pump water to various communities. In the Ngaka Modiri Molema District Municipality, the region supplies diesel to pump water from 134 boreholes to villages located within the Ratlou and Ramotshere Moiloa Local Municipalities. Most of these boreholes are entirely diesel-driven, but there are some boreholes where diesel generators are only used as back-up during Eskom power failures. The breakdown of diesel supplied per local municipality is depicted in Graph 7.

During the 2016/2017 financial year, a total volume of 99 000ℓ of diesel was supplied to 75 boreholes in the Ratlou Local Municipality, as compared to 92 980ℓ in the previous financial year. This increase in diesel consumption is as a result of additional boreholes that were installed in the area.

A total of 139 930ℓ was supplied to 59 boreholes in the Ramotshere Moiloa Local Municipality. This represents an increase of 38.4% from the previous financial year. This increase is attributed to the installation of new diesel engines. Higher diesel consumption was also caused by old and leaking engines.

Graph 7: Diesel Supply in the Ngaka Modiri Molema District Municipality



The TSWASA Water Scheme

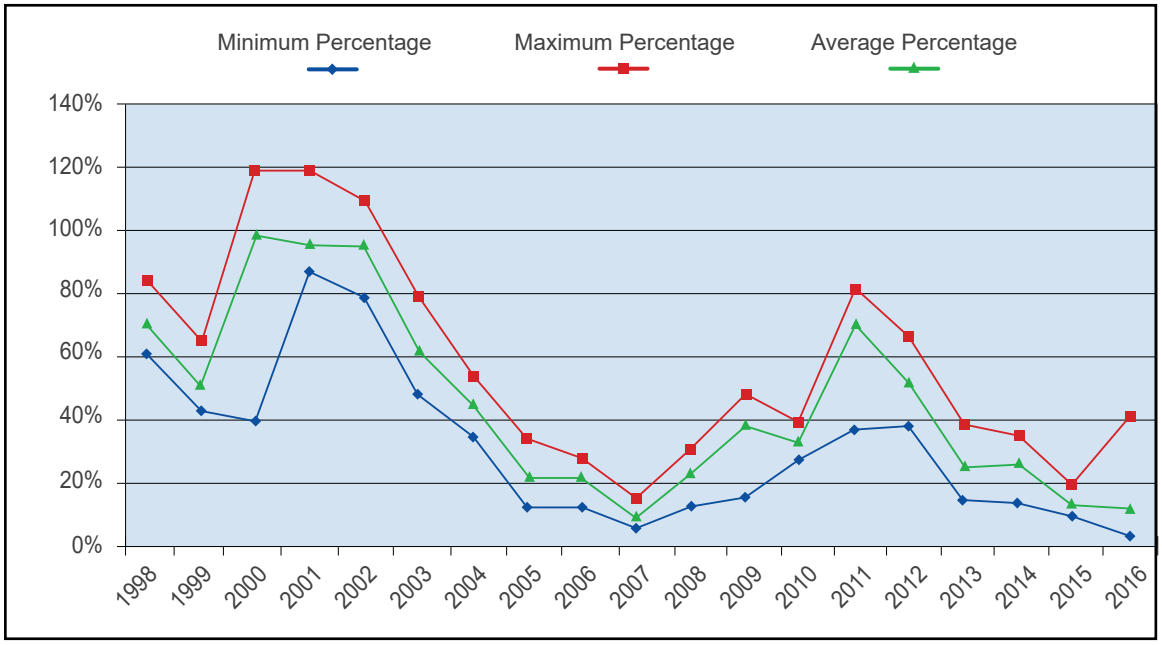
The TSWASA Water Scheme was built in the late 1980s, following an agreement between the then Republic of Bophuthatswana, the Water Utilities Corporation of the Republic of Botswana and the Department of Water and Sanitation in the Republic of South Africa. The total cost of the scheme in 1989 was estimated at R38 million. Sedibeng Water operates and maintains, on behalf of the Department of Water and Sanitation, the TSWASA Water Scheme that supplies water to Botswana. This scheme provides for an allocation of 7.3 million m^3 of water per annum to Botswana to augment water supply to Gaborone from Botswana's own resources. Furthermore, it also provides for a small allocation for irrigation purposes in Botswana along the Marico River, which forms the border between the two countries. In South Africa, the scheme supplies about 10.6 million m^3 of water per annum to irrigation farmers along the lower Groot Marico River, and about 5 million m^3 of water per annum for primary use in the Madikwe Game Reserve and the village of Molatedi. The scheme consists of the following infrastructure:

- The Molatedi Dam located on the Groot Marico River;
- A balancing reservoir;
- A pump station at Mooiplaats, 26km downstream of the Molatedi Dam;
- A 22km feeder pipeline to the balancing reservoir; and
- A 32km gravity pipeline to the Gaborone Dam in Botswana.

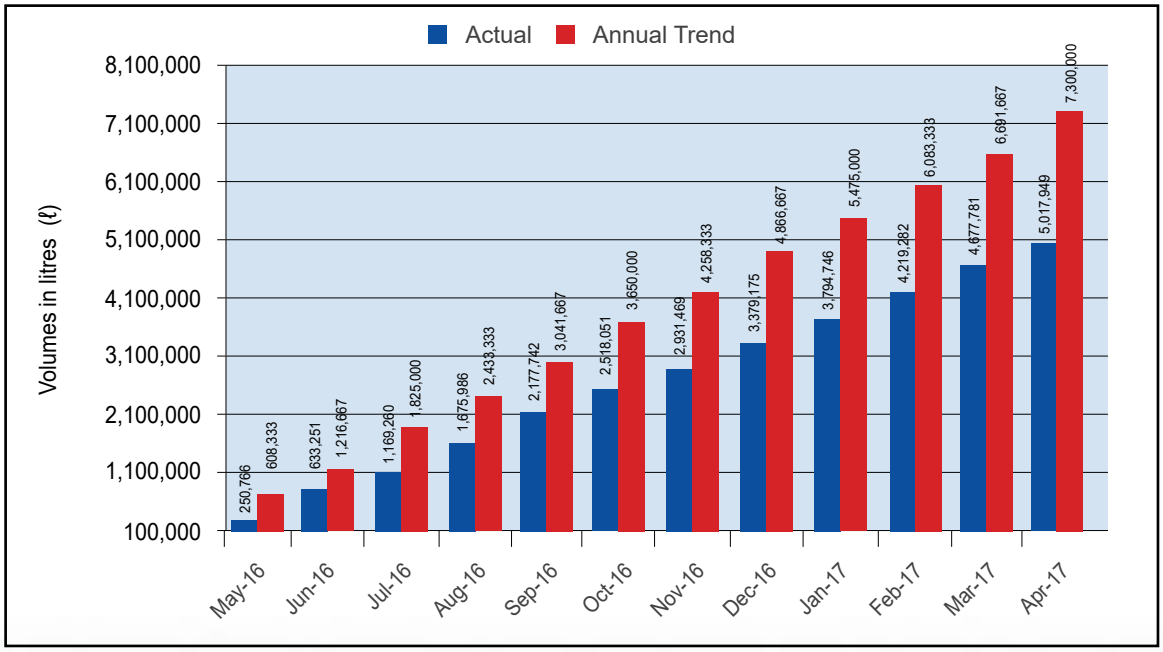
During the 2016/2017 financial year, the TSWASA Scheme supplied a total volume of 5 017 949m^3 to the Water Utilities Cooperation (Botswana) and released a total volume of 6 802 566m^3 to South African farmers (Derdepoort Irrigation Board). Both these volumes of water supplied are less than the allocation of 7.3 million m^3 of water per annum to Botswana and 10.6 million m^3 of water per annum to irrigation farmers. However, supply has substantially increased from the previous financial year due to higher levels of water in the Molatedi Dam and

improved rainfall (see Graph 8 for level fluctuations in the Molatedi Dam). Graph 9 presents the volume of water supplied from the TSWASA Scheme to Botswana versus the allocations per month.

Graph 8: Molatedi Dam Minimum and Maximum Levels (1998 - 2016)



Graph 9: Volume of Water Supplied from the TSWASA Scheme to Botswana



Interventions

The region performed a number of emergency maintenance related interventions within the Ngaka Modiri Molema District Municipality, specifically in an area that falls within the Tswaing Local Municipality, which was not part of the jurisdiction of the former Botshelo Water Board. A number of boreholes were refurbished and drilled within this municipal area, while the unblocking of sewer lines also took place. All of these interventions had been performed in accordance with directives issued by the Minister of Water and Sanitation to Sedibeng Water in order to ensure that water and sanitation services are properly functioning within the district of Ngaka Modiri Molema.

Water Quality Monitoring in the North West Region

The region has developed and implemented a comprehensive Water Quality Monitoring Programme, which involves sampling and testing above minimum requirements. As monitoring process deviations may negatively impact on final water quality, operators have been trained to carry out the regular on-site sampling and testing procedures at the plants. The quality testing and recording procedures will also be extended to the Ganyesa District in the new financial year.

Potable Water Quality in the North West Region

On a weekly basis, samples are sent to Sedibeng Water's accredited laboratory at Balkfontein for detailed analysis as per SANS 241:2015 standards. Borehole water samples from the Ga-Segonyana Local Municipality are sent to the laboratories at Balkfontein and Vaal Gamagara for bacteriological and chemical analysis. Table 3 summarises water quality statistics for the 2016/2017 financial year, which complied with SANS 241:2015 bacteriological requirements for drinking water and with most of the microbiological requirements for final water.

Table 3: Treated Potable Water Quality Results

Treated Water	Bogosing Supply System	Kgomotso Supply System	Pampierstad Supply System	Pudimoe-Taung Supply System	Majeakgoro Supply System
	% Compliance				
Microbiological (Health)	100.0%	100%	99.6%	99.5%	100.0%
Chemical (Health)	99.6%	100.0%	100.0%	100.0%	100.0%
Physical, Organoleptic (Non-health)	91.6%	99.1%	99.8%	99.7%	99.6%
Operational	90.1%	99.3%	94.2%	96.0%	97.1%

Microbiological failures were encountered at some end-user points due to chlorine depletion in the supply system. Where such instances were encountered, chlorine floaters were installed at the reservoirs to increase the level of disinfection.

Bogosing Supply System

Final water from the Bogosing Water Treatment Works has failed to comply with physical and chemical requirements, such as turbidity, aluminium and iron, due to a design limitation of the treatment works to deal with raw water quality from the source. This failure was also experienced within the distribution systems. Therefore, the responsible Water Services Authority has decided to terminate the operations of the Bogosing Plant, and connect the Bogosing supply to the new water treatment works in Taung. This plant is currently under construction and is due for completion by the end of March 2018. The booster pump stations have been completed and will start supplying water to Manokwane and Mapoitsile during the new financial year.

Kgomotso Supply System

Raw water quality was negatively affected due to heavy rains in the catchment area, which resulted in turbidity failure. However, the treatment works has since been optimised to deal with raw water quality challenges.

Pampierstad Supply System

Final water from the Pampierstad Water Treatment Works complied with SANS 241:2015 standards. The only challenge experienced was chlorine depletion in the system that resulted in occasional microbiological failure at the point of use. Chlorine residual at the reservoir was increased to eliminate microbial growth in the system.

Pudimoe-Taung Supply System

Final water from the Pudimoe Water Treatment Works failed occasionally to comply in terms of turbidity with SANS 241:2015 standards, but the plant and process were optimised to successfully address this challenge.

Potable water quality results in the Ngaka Modiri Molema District Municipality are depicted in Table 4.

Table 4: Treated Potable Water Quality in the Ngaka Modiri Molema District Municipality (based on SANS 241: 2015)

Determinand	Unit	Specification	Mahikeng Plant	Mmabatho Plant	Itsoseng Plant	Dinokana Plant	Motswedi Plant
			% Compliance				
Microbiology Safety Requirements							
E. coli	MPN/100 ml	Not detected	98.1 %	**98.1%**	**>99.9%**	**99%**	**96.1%**
Physical and Organoleptic Requirements							
pH	pH	≥ 5 to ≤ 9.5	>99.9 %	**>99.9 %**	**>99.9 %**	**>99.9 %**	**>99.9 %**
Turbidity	NTU	< 1	94.2%	**69.2 %**	**82.0 %**	**92.5%**	**65.6%**
Operational Water Quality Alert Levels							
Total Coliforms	MPN/100 ml	≤ 10	>99.99 %	**96.2 %**	**>99.99 %**	**97.1%**	**>99.99%**
Average Free Chlorine	mg/l	≤ 5	**99.9 %**	**>99.9 %**	**>99.9 %**	**>99.9%**	**>99.9%**

Most of the water quality parameters in the Ngaka Modiri Molema District Municipality complied with the SANS 241:2015 standard. During the financial year under review, some slight challenges were encountered regarding turbidity at the Itsoseng, Mmabatho and Motswedi Plants. However, the turbidity values improved due to changes in the chemical dosing introduced.

Table 5: Borehole Water Quality Results

Borehole Water	Taung East Borehole WMA	Taung West Borehole WMA	Ga-Segonyana North WMA	Ga-Segonyana West WMA
	% Compliance			
Microbiological (Health)	96.1%	89.1%	99.1%	97.0%
Chemical (Health)	99.9%	99.6%	100.0%	100.0%
Physical, Organoleptic (Non-health)	99.1%	99.3%	99.9%	99.9%
Operational	96%	97.1%	95.0%	96.1%

Boreholes are normally located in remote areas, which expose them to vandalism and theft of fences and diesel that is supplied on a bi-weekly basis. The quality of the borehole water is unstable, with the major problems being the high concentration of nitrates and bacteriological contamination as a result of livestock activities around such ground water sources (see Table 5).

The following measures were put in place to remedy the situation:

- In case of bacteriological contamination, localised dosing of chlorine is conducted and notices to boil water are issued to reduce exposure risks;
- The roofs of steel tanks are sealed to eliminate contamination;
- In-line chlorination systems have been installed at problematic boreholes in order to improve quality results;
- Boreholes are being re-fenced to minimize livestock activity; and
- Awareness campaigns are conducted to encourage communities to take ownership of water infrastructure and keep their livestock away from boreholes.

A water quality monitoring programme for the Ganyesa area was developed and implemented. Two samplers were appointed and trained to apply sampling techniques. Most of the boreholes are

vandalised and fencing is absent. A business plan for the refurbishment of the boreholes has been compiled and submitted to the Dr. Ruth S. Mompati District Municipality and the Department of Water and Sanitation.

Wastewater Effluent Quality

The final effluent from the Pampierstad Wastewater Plant complied with the General Standard for effluent. Non-compliance was noted for nitrates, which falls outside the plant design specifications. The presence of free chlorine was maintained within the limits, before discharging the final effluent into the Harts River. A fully equipped and on-site quality monitoring laboratory ensures compliance in this regard. Samples are sent on a weekly basis to the accredited main laboratory at Balkfontein for detailed analysis. Table 6 summarises the annual quality compliance levels, measured in percentages of samples of effluent discharged from the plant.

Table 6: Wastewater Quality Results: Pampierstad and Christiana Wastewater Treatment Works

Effluent Discharged	Pampierstad Wastewater Treatment Works	Christiana Wastewater Treatment Works
	% Compliance	
Microbiological	86.1%	86.25%
Chemical	56.0%	56.00%

The final effluent from the Christiana Wastewater Treatment Plant complied with the required standard.

Maintenance and Refurbishment in the North West Region

A wide range of maintenance activities, in part (component replacement) and in full (general overhaul) was performed according to a Maintenance Plan with regards to the following assets:

- Process equipment at the water and wastewater treatment plants;
- Borehole equipment;
- Pump stations;
- Storage facilities, such as concrete reservoirs, steel tanks and plastic tanks;
- Reticulation equipment;
- Buildings; and
- Vehicles.

There was a notable increase in maintenance expenditure by the region in the year under review. Aging equipment and frequent breakdowns demanded the refurbishment and replacement of equipment and machinery. Water supply shortages and disruption in raw water supply have necessitated the acquisition of new mobile pumps to supply raw water to the treatment plants, especially in Pampierstad where the increased demand exceeded the capacity of the pumps to supply sufficient raw water. Dry periods caused by canal maintenance and upgrading, also contributed to more extensive mobile pumping.

Retail Services

The region also renders full retail services in the North West Region. These services include the installation of pre-paid water meters, maintenance and management of old meters, billing and revenue collection. The region has taken a decision to replace all conventional water meters with pre-paid meters. This process has been completed. The region is likewise in the process of installing prepaid meters in the Ganyesa area, replacing all conventional water meters.

The region implements a cost-recovery strategy, which was developed in line with the credit control policies of the Water Services Authorities concerned. Cost-recovery has improved drastically where pre-paid yard meters were installed.

Management and Other Support Services

In addition to standard services that are rendered in the fulfillment of Water Services Provider Agreements in the region, Sedibeng Water also renders management and other support services on request from the Water Services Authorities within its area of operations. The region is currently in negotiation with the Dr. Ruth S. Mompati District Municipality to take over the bulk water services of the district.

Optimisation and Management of Water Supply Systems

The region is currently maintaining and operating the water supply line from Pudimoe to Vryburg on behalf of the Dr. Ruth S. Mompati District Municipality, and the Christiana and Bloemhof Water and Wastewater Treatment Plants on a cost-recovery basis on behalf of the same district municipality. While temporarily managing these systems, Sedibeng Water assists the Water Services Authority in the optimisation of the water treatment processes to bring the water quality to acceptable standards, and ensure the correct dosing of chemicals.

FREE STATE REGION

Mr. G.M. Dippenaar
Regional Manager: Free State

The Free State Region's primary objective is to supply potable water to the Free State i.e. to the Matjhabeng and Nala Local Municipalities, as well as the Maquassi Hills Local Municipality in the North West Province. During 2016/17, operations and maintenance functions were added to the region's profile. The water treatment and wastewater treatment works for Bloemhof and Christiana in the Lekwa-Teemane Local Municipality in the North West Province are being serviced from this region. This was as a result of a tragic incident during which water quality problems caused the death of a number of infants in the area. This incident occurred during the time the plants were operated by the municipality concerned. Since Sedibeng Water took over both water and wastewater treatment works, the plants have been operating optimally and produce potable water of high quality standards.

Potable Water Supply
Original Supply Area:

The region abstracts water from the Vaal River and boreholes. These boreholes are mainly in the North West Province to supplement the water supply to Maquassi Hills Local Municipality. Raw water treated at the Balkfontein Water Treatment Plant is drawn from the Vaal River and that of the Virginia Water Treatment Plant is abstracted from the Sand River Canal feeding from the Allemanskraal Dam. The raw water from the Allemanskraal Dam is subject to a quota, and the amount of water to be used is dependent on the amount of water available in the dam, which is mostly influenced by rainfall. Raw water purchases and water volumes produced (sold) for the 2016/2017 financial year are reflected in the ensuing two tables.

Table 1: Raw Water Purchases

Year	Volume (kℓ)	Increase in Demand (kℓ)	Increase (%)
2015/2016	80,262,782	1,856,566	2.37
2016/2017	77,424,519	-2,838,263	-3.54

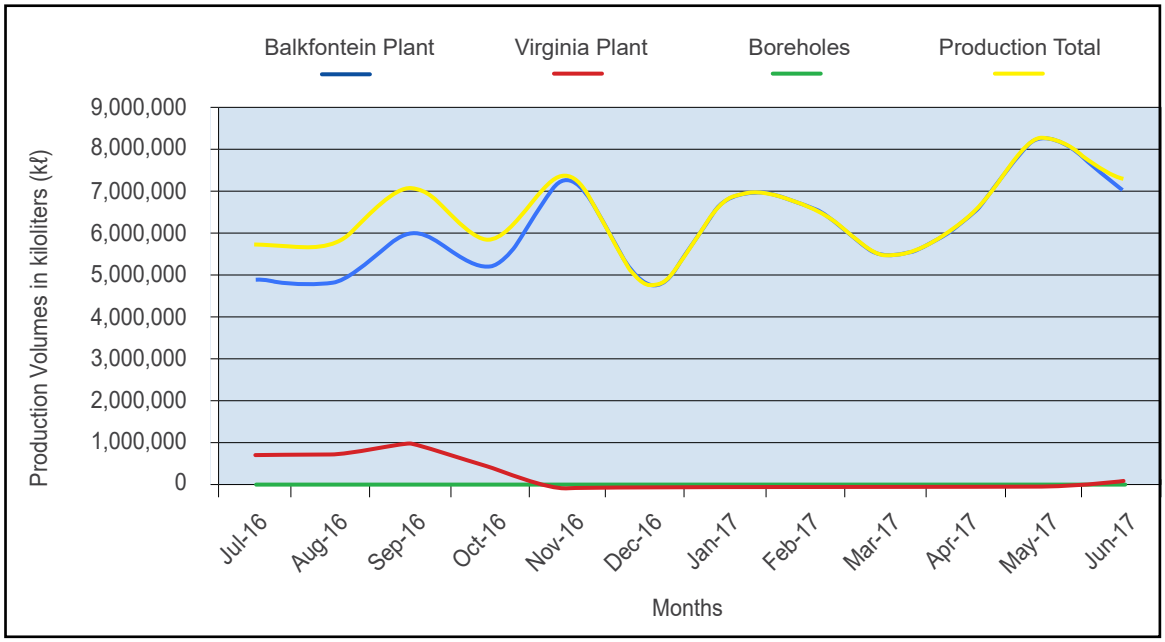
Table 2: Volume Produced (Sold)

Year	Volume (kℓ)	Increase in Demand (kℓ)	Increase (%)
2015/2016	76,238,146	1,498,943	2.01
2016/2017	74,157,293	-2,080,853	-2.73

Raw water and water sales volumes decreased by 3.54% and 2,73% respectively during the year under review. This decrease is attributed to drought conditions that were experienced towards the end of 2016, during which an appeal was made to all consumers to limit the use of water.

Graph 1 reflects monthly production trends in the region for the financial year under review.

Graph 1: Free State Region Monthly Production Trends



Additional Supply Area:
Lekwa-Teemane Local Municipality

The Bloemhof and Christiana Water Treatment Works in the municipal area of the Lekwa-Teemane Local Municipality are operated and maintained by the region.

Bloemhof Water Treatment Works:

Raw water abstraction and volumes produced at the Bloemhof Water Treatment Works are depicted in Tables 3 and 4.

Table 3: Bloemhof Water Treatment Works: Raw Water Abstraction

Year	Volume (kℓ)	Increase in Demand (kℓ)	Increase (%)
2015/2016	3 579 100	-	-
2016/2017	3 628 600	49 500	1.38

Table 4: Bloemhof Water Treatment Works: Volume Produced (Sold)

Year	Volume (kℓ)	Increase in Demand (kℓ)	Increase (%)
2015/2016	3,445,320	-	-
2016/2017	3,270,950	-174,370	-5.06

The decrease in water sold notwithstanding the increase in water abstraction, is attributed to the backwashing of the filters during algal blooms to ensure that the final water complies with set standards.

Christiana Water Treatment Works:

Raw water abstraction at the Christiana Water Treatment Works is depicted in Table 5.

Table 5: Christiana Water Treatment Works: Raw Water Abstraction

Year	Volume (kℓ)
2016/2017	1,109,930

Drought Relief:

Emergency Supply of Water to the Moqhaka Local Municipality

The Department of Water and Sanitation requested Sedibeng Water to provide on an emergency basis tankered water to Moqhaka Local Municipality during the period May 2016 until 1 September 2016. The request was as a result of prevailing drought conditions in the area during the said period. The Free State Region executed the task successfully.

Emergency Supply of Water to the Masilonyana and Mafube Local Municipalities

Sedibeng Water also supplied potable water to Winburg, Theunissen and Brandfort by using water tankers. This was done from time to time on request by the municipality. Mafube Local Municipality was likewise supplied with potable water using water tankers from 6 May 2017. This supply still continues to date on a needs basis.

Potable Water Quality

Potable Water Quality at the Balkfontein and Virgina Water Treatment Plants

Water quality statistics for the year under review are summarised in Tables 6.1 and 6.2. Final water at both the Balkfontein and Virginia Water Treatment Works complied with SANS 241:2015 standards for drinking water with regards to microbiological, physical and organoleptic, as well as chemical safety. Heavy rains in the catchment of the Vaal River resulted in the deterioration of raw water quality due to high turbidity and algal blooms. Blue-green algal blooms were experienced in the Vaal River during the year under review.

Table 6.1: Water Quality Results - Balkfontein (Final Water)

Determinand	Unit	Specification	Compliance SANS 241:2015
Physical and Organoleptic Requirements			
pH	pH	5.0 – 9.5	>99.7
Turbidity	NTU	<1.0	99.2
Microbiology Safety Requirements			
E. coli	Count/100mℓ		>99.9
Operational Water Quality Alert Levels			
Total Coliforms	Count/100mℓ	10	99.9
Average Free Chlorine	mg/ℓ	1.90	

Table 6.2: Water Quality Results - Virginia (Final Water)

Determinand	Unit	Specification	Compliance SANS 241:2015
Physical and Organoleptic Requirements			
pH	pH	5.0 – 9.5	>99.9
Turbidity	NTU	<1.0	>99.9
Microbiology Safety Requirements			
E. coli	Count/100mℓ		>99.9
Operational Water Quality Alert Levels			
Total Coliforms	Count/100mℓ	10	>99.9
Average Free Chlorine	mg/ℓ	1.80	

Water quality compliance for the different supply systems in the distribution network in the Free State Region is reflected in Table 6.3.

Table 6.3: Water Quality Results (Supply Systems)

Supply Systems in the Free State Region	Compliance Levels (%) - SANS 241:2015			
	Physical, Organoleptic: (95% min)	Chemical Health: (95% min)	Operational Limits: (95% min)	Microbiological Health: (97% min)
Hennenman/Ventersburg	>99.9	>99.9	99.6	>99.9
Odendaalsrus	>99.9	>99.9	99.6	>99.9
Virginia	99.5	>99.9	99.5	99.0
Allanridge	99.4	>99.9	99.6	98.7
Welkom	99.8	>99.9	99.6	99.7
Leeudoringstad	99.2	>99.9	99.6	>99.9
Tswellelang	>99.9	>99.9	99.3	99.5
Wolmaransstad (Boreholes)	99.8	>99.9	99.6	99.5
Wesselsbron/Monyakeng	99.6	>99.9	99.5	>99.9
Bothaville	>99.9	>99.9	99.3	98.1

Potable Water Quality in the Lekwa-Teemane Local Municipality

Water quality statistics at the Bloemhof and Christiana Water Treatment Works in the Lekwa-Teemane Local Municipality for the 2016/2017 financial year are summarised in Tables 7.1 and 7.2.

Final water at the Bloemhof Water Treatment Plant complied with SANS 241:2015 standards for drinking water with regards to microbiological, physical and organoleptic, as well as chemical safety. The Christiana Plant did not always comply with operational limits with regards to turbidity, due to the fact that the demand is much higher than the operational capacity of the plant.

Table 7.1: Water Quality Results - Bloemhof (Final Water)

Determinand	Unit	Specification	Compliance SANS 241:2015
Physical and Organoleptic Requirements			
pH	pH	5.0 – 9.5	>99.9
Turbidity	NTU	< 1.0	98.0
Microbiology Safety Requirements			
E. coli	Count/100mℓ		>99.9
Operational Water Quality Alert Levels			
Total Coliforms	Count/100 mℓ	10	98.0
Average Free Chlorine	mg/ℓ	1.80	

Table 7.2: Water Quality Results - Christiana (Final Water)

Determinand	Unit	Specification	Compliance SANS 241:2015
Physical and Organoleptic Requirements			
pH	pH	5.0 – 9.5	>99.9
Turbidity	NTU	< 1.0 (Operational) <5 (Aestetic)	75.0 >99.9
Microbiology Safety Requirements			
E. coli	Count/100mℓ		>99.9
Operational Water Quality Alert Levels			
Total Coliforms	Count/100mℓ	10	>99.9
Average Free Chlorine	mg/ℓ	1.80	

Wastewater Effluent Quality

Balkfontein Wastewater Treatment Plant

In terms of the Department of Water and Sanitation General Authorisation, the effluent discharged from the Balkfontein Wastewater Treatment Plant complied with the General Standard for Wastewater, except for nitrates and *E. coli.* The final effluent is irrigated onto the golf course at the plant and not discharged into the Vaal River.

Bloemhof Wastewater Treatment Plant

In terms of the Department of Water and Sanitation General Authorisation, the effluent discharged from the Bloemhof Wastewater Treatment Plant did not comply with the General Standard for Wastewater, due to hydraulic and organic overload at the plant. Upon the completion of the upgrade to the plant, the set standards will be complied to.

Christiana Wastewater Treatment Plant

In terms of the Department of Water and Sanitation's Special Standard, the effluent discharged from the Christiana Wastewater Treatment Plant complied with the General Standard for Wastewater.

Maintenance Expenditure

A system of planned maintenance was carried out throughout the 2016/2017 financial year. All buildings, equipment and vehicles were inspected and serviced according to a daily, weekly, monthly, quarterly and annual schedule. Specific refurbishment projects were also implemented as part of the Maintenance Plan for the year under review. Provision for unplanned maintenance (repair) was made in the Maintenance Budget. This expenditure is reflected in Table 8.

Table 8: Maintenance Expenditure

Year	Expenditure (R)	Increase/(Decrease) in Expenditure (R)	Increase/Decrease (%)
2015/2016	20,125,987	4,336,782	27.47
2016/2017	27,591,565	7,465,578	37.09

All reservoirs throughout the region were cleaned according to a scheduled programme. This cleaning programme is also determined by the analysis of the quality of water released from the reservoirs. The joints and seals of the reservoirs were inspected and replaced as and when necessary. Water leaks at the Virginia Module 1 of the primary settling dams were sealed. Some of the more significant maintenance activities are indicated in Table 10.

Upgrading and Refurbishment

Upgrading of the Buisfontein-Tswelelang Bulk Water Supply and the Wesselsbron Bulk Water Supply Line

These two projects commenced in September 2016. The expected completion date is 30 November 2018.

Upgrading of the Koppie Alleen-Ventersburg Bulk Water Supply

The Environmental Impact Assessment is currently underway and the consultants are busy with the detailed design of the system.

New Sludge Dams at the Virginia Plant

An Environment Impact Assessment was completed and approved. The tender will be advertised during the 2018/2019 financial year.

Rapid Response Unit Project

Sedibeng Water's Free State Region implements the Rapid Response Unit Project on behalf of the Department of Water and Sanitation. In this project, consultants are appointed to respond to water and sanitation problems that are encountered by municipalities in the Free State Province. These consultants provide short and medium to long-term solutions to such problems. This project commenced in April 2012 and was supposed to end in March 2015. However, the Department of Water and Sanitation decided to extend the duration of the project up to the end of March 2018. The project is progressing well.

Overview of Planned and Unplanned Maintenance and Refurbishments in the Free State Region

Table 9 provides an overview of planned and unplanned maintenance performed in the Free State Region during the 2016/2017 financial year.

Table 9: Planned and Unplanned Maintenance

Planned Maintenance	Unplanned Maintenance
• The final water flow meter of the Christiana Water Treatment Works was replaced. • Water Reservoir and Water Pressure Towers Level Meters were replaced with Ultrasonic Level Meters at the water treatment works. • Final sludge actuator was replaced at the Wastewater Treatment Works. • All transformer maintenance was done at the Virginia Water Treatment Plant. • Filters PLC upgrade is in progress at the Virginia Water Treatment Plant. • Saaiplaas Pump Station power restoration is in progress and power was already restored, but installations are still in progress. • New 150mm air valves were installed on the 660mm pipeline. • New 150mm gate valves were installed on the 660mm pipeline. • A new 400mm valve was installed on the Phomolong draw-off line.	• A section of the 660mm pipeline was repaired. • The 660mm pipeline was patched in various places due to its state of wear and tear, but is still out of operation. • A newly refurbished 400mm strainer box was installed on the Phomolong draw-off line. • A 6m section of the 700mm Leeuwbult pipeline was replaced due to wear and tear (corrosion). • A 4m section of the Welkom-Saaiplaas pipeline was repaired due to wear and tear (corrosion). • A 4m section of the Beatrix Mine pipeline was replaced due to wear and tear (corrosion). • The F07 draw-off supply to Saaiplaas Shaft 3 was closed and sealed off as per request from Harmony Mine. • A 2km pipeline that was out of service for 11 years was repaired and commissioned for use by Sedibeng Water. The pipeline is being used by Harmony Mine technical team to supply water to Nyala Mine.

Planned Maintenance	Unplanned Maintenance
• The wall of the primary settling tank was sealed as it was leaking due to structural fatigue. The Primary Settling Tanks are still leaking in some areas.	• A new bare-end shaft pump was installed at the Wesselsbron Pump Station. • A newly refurbished Pump Number 1 was installed at the Hennenman Pump Station. • A newly refurbished pump was installed at the Beatrix Pump Station. • New stainless steel spindles were installed on the filter section actuators. • A new drive motor was installed at the Brabant Pump Station. • New hoses were installed on the poly dosing pumps. • A new 400mm Butterfly Valve was installed on the Flamingo pipeline supplying the Theronia Wastewater Treatment Works and the Welkom airport. • The Flamingo pipeline was commissioned and handed over for use to the Matjhabeng Local Municipality. • A refurbished and modified 700mm gate valve was installed on the Welkom-Saaiplaas pipeline. • The Brabant PLC was replaced after being struck by lightning.

SHARED SERVICES

Mr. M.M. Lebitso
Shared Services Executive

The Shared Services Department fulfills a range of functions at a strategic and operational level in Sedibeng Water. The department is responsible for the day-to-day oversight of the Supply Chain Management Unit, Information Technology, the Project Management Unit, Loss Control, Risk Management and Archiving. The role of Risk Management and the Project Management Unit will now be highlighted.

Risk Management

The responsibility to manage risk rests primarily with the Board of Sedibeng Water. The Board has delegated the management of risk to the Audit and Risk Committee and the Executive Risk and SHE Committee. The organisation defines risk as any threat or event that has a reasonable chance of occurrence in the future, which could undermine the organisation's pursuit of its goals and objectives.

The process of strategic management and monitoring includes periodic risk assessments to ensure that risk is managed throughout the financial year. Emerging risks are identified through quarterly risk assessments performed by the Risk Management Office in consultation with executive management. These assessments include:

- Discussions with Executive Management and Risk Champions at different regions and plants;
- Review of organisational plans and results;
- Audit findings by internal and external auditors;
- Industry and other media publications;
- Drought and climate information from the South African Weather Service and other relevant authorities; and
- Review of management reports and other information.

The results of these assessments are interrogated and agreed with Executive Management before being tabled at quarterly Executive Risk and SHE meetings, as well as quarterly Audit and Risk Committee meetings.

The organisation has adopted a risk management framework that includes the following steps:

- **Risk identification** - identification of potential risks that could affect the organisation;
- **Development of assessment criteria** - annual review of available risk assessment criteria and selecting criteria suitable to Sedibeng Water;
- **Risk assessment** - assessing risk based on the selected criteria and determining qualitative and quantitative risk values;

- **Risk interactions** - determining the relationships that exist between different risks and how they affect the organisation's objectives (this process involves assessing the impact of risks not only in isolation, but also as aggregating interrelated risks);
- **Risk prioritisation** - prioritising risk by exploring the impact of risks on objectives against predetermined risk tolerance and risk appetite;
- **Risk response** - the development of response mechanisms to risks; and
- **Risk monitoring** - the continuous monitoring of risk, as well as the impact of response mechanisms on risk levels and rating.

These steps are repeated at least annually to ensure that Sedibeng Water's risk management framework remains relevant. The Top Ten Risks are included in Table 1.

Table 1: Top 10 Strategic Risks at Sedibeng Water

Risk Description	Strategic Objective	Mitigation
1. Availability of Water Resources	Ensure viability and sustainability	• Water levels in all available systems are constant monitored; • Rain water harvesting programmes are implemented in collaboration with the Department of Water and Sanitation (DWS) and municipalities; • The War on Leaks Programme is implemented by the DWS through Sedibeng Water; and • Participation in municipal water programmes takes place.
2. Liquidity Risk	Ensure viability and sustainability	• Debt repayment agreements are signed with defaulting municipalities; and • A Credit Management Policy is applied in order to enhance cost-recovery.
3. High Water Losses	Appropriate treatment of wastewater and supply of potable water	• Regular preventative (proactive) and reactive maintenance is conducted on the water and sanitation infrastructure; and • The organisation implements a refurbishment programme, which is reviewed on an annual basis.
4. Sustainability of Tariff	Ensure viability and sustainability	• Tariffs are reviewed on an annual basis by both the National Treasury and SALGA during the tariff consultation process; • Municipalities are consulted each year in October and November on tariff increases as required by the MFMA; • Municipalities are encouraged to use the water board's tariff as a basis (input) for their tariff setting and consultation process; and • Tariffs are approved by the DWS and the Water and Sanitation Portfolio Committee in Parliament.
5. Servitude Agreement Violations	Ensuring compliance	• Servitude agreements between Sedibeng Water and farmers/private land owners are in place and are being registered with the Deeds Office after the procurement of land.

6. Incidents that are Hazardous to the Health, Safety and Security of Employees	To create an environment that is conducive to the growth and retention of skills	• A SHE management plan is in place; • Induction for newly appointed employees and contractors is in place; • Regular safety audits are conducted by the SHE unit in all operational areas; and • Yearly NOSA audits are conducted.
7. Water Quality	Appropriate treatment of wastewater and supply of potable water	• Sedibeng Water has two quality control laboratories to ensure that internal and external clients are serviced efficiently; • The organisation has further built internal capacity to ensure that water quality requirements are met; • Employees at the Scientific Services Department meet the quality standards as stipulated by SANAS and DWS; • Sedibeng Water is maintaining its accreditation status with reputable agencies (SANAS); • Regular audits of the operational plants and laboratories are conducted to maintain accreditation; • Sampling and quality testing of water at different distribution points are conducted by accredited laboratories that are independent of the purification process; and • Security guards are deployed at key purification plants and reservoirs.
8. Risk of Skills Shortages in Key Areas	To create an environment that is conducive to the growth and retention of skills	• A recruitment and retention strategy for the organisation was developed and is in place; • Succession planning is being conducted; and • Emphasis is placed on providing bursaries and graduate development as initiatives to develop and retain skilled personnel.
10. ICT Infrastructure Not Supporting the Strategic Objectives	All strategic objectives	• The organisation has tighten IT security to prevent cyber-attacks and remote access to the networks; and • The organisation is planning to upgrade its ICT system in order to maximise outputs.

Project Management Unit

Sedibeng Water's Project Management Unit has been established to efficiently manage the implementation of projects from inception through to their conclusion. The Project Management Unit assists the various Sedibeng Water regions, municipalities and the Department of Water and Sanitation in the successful construction, monitoring, evaluation and completion of projects. This is to ensure that projects meet their budgetary and performance obligations, while the lines of communication between the donor/funding agency, implementation team and beneficiaries are at all times well maintained and accessible.

During the 2016/2017 financial year, Sedibeng Water has implemented self-funded projects and also acted as Implementing Agent for the Department of Water and Sanitation by overseeing the implementation of several projects in the Free State, North West and Northern Cape Regions, which were funded by the Department.

A brief overview will now be given of some of these projects:

Free State Region:

Nala Wastewater Treatment Works (Wesselsbron/ Monyakeng)

The plant was completed during the year under review and is fully operational. The project was funded through a Regional Bulk Infrastructure Grant over a period of four years (see Table 2), and upon completion, the Nala Local Municipality took over the operation and maintenance of the plant.

Table 2: RBIG Funding - Monyakeng Wastewater Treatment Plant

	2013/2014 (R)	2014/2015 (R)	2015/2016 (R)	2016/2017 (R)	Total (R)
Allocation	4,000,000	14,000,000	23,000,000	5,282,467	46,282,467
Spent Amount	4,000,000	13,717,532	23,000,000	5,282,467	46,000,000
Balance	-	282,468	-	-	282,467

Upgrading of the Jacobsdal Water Treatment Works

A contractor was appointed on 26 September 2016 for the construction of a new 4.2Mℓ/day water treatment plant at a cost of R66,9 million. Currently, progress stands at 50%, and the anticipated completion time is November 2017.

New Water Reticulation and House Connections in Ratanang/Jacobsdal

The project started in 2015 and ran over two financial years. A total of 300 erven was reticulated with potable water and house connections. The project was completed in March 2017 at a total cost of R8,2 million.

Regional Bulk Infrastructure Grant Projects in Qwa-qwa

Various projects are implemented in Qwaqwa for the Malut-a-Phofung Local Municipality. All these projects are being implemented over various financial years. These projects include:

- The Makwane Water Treatment Plant was completed during the financial year under review. Its capacity has been increased to 10Mℓ/day.
- A new 3Mℓ reservoir is being constructed as part of the Northern Bulk Storage System with water supplied from the Sterkfontein Dam. This facility will be completed in the 2017/2018 financial year.
- The Sterkfontein System is also in the process of being upgraded to extend its capacity from 10Mℓ/day to 20Mℓ/day.
- The design of the new Kestell pipeline has been completed and ready for the tender process, but due to prevailing drought conditions in the area, projects had to be re-prioritised. This project was temporarily shelved so that the allocated funds (R30 million) could be utilised for emergency borehole drilling.
- Fifty boreholes were drilled and Sedibeng Water is currently busy equipping them.

Testing and Equipping of Boreholes in Petrusburg

This project started in 2015 and was completed in January 2016. A total of 25 boreholes were tested and 20 were found to be acceptable for use in augmenting the local water supply. Funds of R1,1 million were made available by the Department of Water and Sanitation for equipping these boreholes. The equipping process was completed on 31 June 2017 at a cost of R2,6 million. Depending on funding made available by the Department of Water and Sanitation, the project will continue in the next financial year in order to equip more boreholes and refurbish existing infrastructure.

North West Region:

Upgrading of the Maquassi Hills Wastewater Treatment Works (Wolmaransstad)

This project started in 2014. Due to the extent of the project, construction ran over three financial years. A contract to the value of R62 million was awarded to the civil contractor in 2014. Civil works were completed at the end of June 2017. The mechanical and electrical contractor is currently busy with finalising the installation of equipment, and commissioning will take place in the new financial year.

Projects in the Ngaka Modiri Molema District Municipality

Sedibeng Water was appointed in 2014 as Implementing Agent for various projects in the Ngaka Modiri Molema District Municipality, which are funded by the Department of Water and Sanitation. Many of these projects are being implemented over several financial years. During the 2016/2017 financial year, a number of these projects were completed and handed over to the municipality concerned. All the projects indicated in Table 3 will be completed during the next financial year, except for the Mahikeng Bulk Water Supply System and the Setlagole Bulk Water Supply System, which will be completed in the 2018/2019 financial year.

Table 3: Ngaka Modiri Molema District Municipality Projects

Project Name	Total Project Value (R)	Funding Source	Status
Mahikeng Bulk Water Supply	135,000,000	RBIG	Ongoing
Setlagole Bulk Water Supply	65,200,000	RBIG	Ongoing
Ratlou Bulk Water Supply	45,000,000	RBIG	Ongoing
Refurbishment of Lichtenburg WWTW	14,000,000	RBIG	Ongoing
NMMDM Rural Water Supply Programme (equipping of boreholes and reticulation)	248,000,000	Hotspot	Ongoing
Refurbishment of the Motswedi WWTW	23,570,400	Hotspot	Ongoing

Northern Cape Region:

Bucket Eradication Programme in the Sol Plaatje Local Municipality

The aim of this project was to replace the bucket sanitation systems, which had still been in use in this municipal area, with waterborne sanitation systems. The objectives of the programme were:

- To construct 954 waterborne sanitation systems on stands and connect them to existing sewer and water reticulation networks;
- To construct 1 300 waterborne sanitation systems in areas that do not have sewer and water reticulation networks (the installation of these systems took longer as the planning and design of the reticulation networks had to be carried out first);
- To construct conventional toilets (2 254 in total) on stands and connect them to existing sewer and water reticulation networks; and
- To provide training to the community regarding the functioning of waterborne sewerage systems and the correct use thereof.

This project is 100% complete.

Rainwater Harvesting Project

The aim of this project was to assist poor households in harvesting rainwater for food gardening in their yards. This initiative was in line with Chapter 2 (Section 27.1b) of the Constitution of the Republic of South Africa, whereby Government guarantees that every citizen has to have access to food and water, and that the State should be able to provide for these

within available resources. The project involved the installation of 5 000 litre water tanks and the supply of gutter systems. During the 2014/2015 financial year, 156 tanks were installed (50 in Petrusville and 106 in Mier). A total of 210 tanks was installed in Griekwastad and Douglas in the year under review. The total budget of the project was R4 million over two years. The project is 100% complete.

Internal Projects:
Upgrading of Wesselsbron Bulk Water Supply

Sedibeng Water is supplying bulk water to Wesselsbron and Monyakeng by means of a 300mm diameter steel pipe of 38km in length from the Koppie Alleen Reservoir in Riebeeckstad. The steel pipeline was constructed in the early 1980s and due to the bucket eradication programme, as well as the expansion of towns in the area, water demand exceeded the capacity of the pipeline. Sedibeng Water then had to intervene by appointing a consultant to investigate the possibility to increase the capacity of the pipeline to meet the demand for the next twenty years. To speed up the upgrading of the bulk supply system, work to be done was divided into two portions and two contractors were also appointed to work simultaneously on the project. The first portion of the project consists of the laying of a 400mm diameter pipeline (approximately 22km in length) to augment the existing supply scheme.

- *Upgrading of the Wesselsbron Bulk Water Supply: Portion 1*

The site handover took place on 8 September 2016. The contractor was appointed at a cost of R63,1 million. Overall progress currently stands at 29%, while 26.1% of the available budget has already been spent. The project will be completed during the next financial year.

- *Upgrading of the Wesselsbron Bulk Water Supply: Portion 2*

The site hand over took place on 8 September 2016. The contractor was appointed at a cost of R64,9 million. Overall progress currently stands at 19%, while 40% of the available budget has already been spent. The project will be completed during the next financial year.

Upgrading of the Buisfontein-Tswelelang Bulk Water Supply

Sedibeng Water is supplying bulk water to the Maquassi Hills Local Municipality from the treatment plant at Balkfontein by means of various pump stations and pipelines up to the Buisfontein Reservoir. From the Buisfontein Reservoir, the water is gravitating to the towns of Wolmaransstad, Tswelelang, Makwassie and Lebaleng. The first upgrade of the system was done in 2001, when the asbestos pipes from Buisfontein to Makwassie were replaced with 350 and 250mm diameter pipelines, respectively. In 2009, the system was again upgraded from Balkfontein to the Buisfontein Reservoir. Due to the rapid expansion of towns in the area, water demand exceeded the capacity of the pipeline from Buisfontein to the Tswelelang Reservoir. Sedibeng Water then had to intervene by appointing a consultant to investigate the possibility of increasing the capacity of the pipeline to meet the demand for the next twenty years. To speed up the upgrading of the bulk supply system, work to be done was divided into two portions and two contractors were also appointed to work simultaneously on the project.

- *Upgrading of the Buisfontein-Tswelelang Bulk Water Supply: Portion 1*

The first portion of the project consists of the laying of a 400mm diameter pipeline (approximately 5km in length), as well as the construction of a new 5Mℓ concrete reservoir at Buisfontein to augment the existing supply scheme.

The contractor started working on 13 September 2016 and had been appointed at a cost of R37,9 million. Overall progress currently stands at 35%, while 25% of the available budget has already been spent. The project will be completed during the next financial year.

- *Upgrading of the Buisfontein-Tswelelang Bulk Water Supply: Portion 2*

The contractor responsible for Portion 2 of the project also started working on 13 September 2016, and had been appointed at a cost of R38,3 million. The second portion of the project consists of the laying of 400mm and 355mm diameter pipelines (approximately 7km in length) to augment the existing supply line. Site was established, but due to labour unrest and instability in the community, no work could be done. However, problematic issues had been resolved and the project can commence in the new financial year.

FINANCIALS

- STATEMENT OF THE BOARD'S RESPONSIBILITY
- AUDIT AND RISK COMMITTEE'S REPORT
- ENVIRONMENTAL PROTECTION AND MANAGEMENT
- ANNUAL PERFORMANCE REPORT
- INDEPENDENT AUDITOR'S REPORT
- STATEMENT OF FINANCIAL POSITION
- STATEMENT OF COMPREHENSIVE INCOME
- STATEMENT OF CHANGES IN EQUITY
- STATEMENT OF CASH FLOWS
- SIGNIFICANT ACCOUNTING POLICIES
- NOTES TO THE FINANCIAL STATEMENTS

STATEMENT OF THE BOARD'S **RESPONSIBILITY**

In accordance with the Water Services Act (Act No.108 of 1997) and the Public Finance Management Act (Act no. 1 of 1999), as amended, the Board is required to prepare annual financial statements that comply with Statements of South African Generally Accepted Accounting Practice.

The Board is responsible for ensuring that complete, accurate and reliable accounting records form the basis for preparing consolidated annual financial statements. The consolidated financial statements include judgments and estimates that are reasonable and prudent, made by Management, reviewed and accepted by the Board. The Board also ensures that accounting policies are appropriate to the operation's circumstances. In order to achieve this objective, the Board relies on the systems of internal control set up and maintained by Management.

The financial statements have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice (SA GAAP) and in the manner required by the other enabling legislation. The financial statements are based upon appropriate policies consistently applied and supported by reasonable and prudent judgments and estimates.

External Auditors are responsible to report on the fair presentation of these financial statements. The external auditors were given unrestricted access to all financial related data and have audited the consolidated financial statements. The Board believes that all representations made to the independent auditors during their audit are valid and appropriate.

Independent internal auditors assist the Board in their task of providing that internal controls are adequate and operate as intended throughout the financial year under review. The Board is also responsible for such internal controls as the Directors determine necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

These controls are designed to provide reasonable, but not absolute assurance as to the reliability of the financial statements and to adequately safeguard, verify and maintain accountability of assets and to prevent and detect misstatements and loss. Nothing has come to the attention of the Board to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

The Board Members acknowledge that they are ultimately responsible for the system of internal financial control and place considerable importance on maintaining a strong control environment. To enable the managers to meet these responsibilities, the Board sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk.

Sedibeng Water and all employees are required to maintain the highest ethical standards in ensuring Sedibeng Water's activities are conducted in a manner that in all reasonable circumstances is above reproach.

The Board is of the opinion that the financial Statements and the Annual Performance Report fairly present the financial position of Sedibeng Water as at 30 June 2017, and the results of its operations and cash flows for the year ended except for the areas of qualification stated in the audit opinion. Material facts or circumstances between the accounting date and the reporting date have been disclosed in the annual financial statements. The financial statements, which appear on pages 140-190, have been approved by the Board on 27 October 2017 and signed on the Board Members' behalf.

M.D. Dikoko
Chairperson of the Board

AUDIT AND RISK COMMITTEE'S REPORT

The Audit and Risk Committee hereby tables its report for the financial year ended 30 June 2017.

Audit and Risk Committee Structure and Membership

During the 2016/2017 financial year, the Audit and Risk Committee consisted of the following members:

- Adv. S.S.T. Kholong - Chairperson;
- Mrs. G.G. Ramakarane; and
- Dr. P.E. Molokwane.

The membership of the above-mentioned Audit and Risk Committee members was effective from 1 July 2016 to 31 May 2017.

The membership of the following Audit and Risk Committee members was effective from 1 June 2017:

- Mr. M.M. Mthombeni - Chairperson;
- Dr. P.E. Molokwane; and
- Mr. C.D. Mboweni.

Responsibilities of the Audit and Risk Committee

The Audit and Risk Committee reports that it has complied with its responsibilities arising from Section 38(1)(a)(ii) of the Public Finance Management Act (Act No. 01 of 1999), and Treasury Regulation 3.1.13. The Audit and Risk Committee also reports that it has adopted appropriate formal terms of reference as its Audit and Risk Committee Charter, as required by Treasury Regulation 3.1.9. It has during the year under review regulated its affairs in compliance with this Charter and has discharged all its responsibilities as contained therein, and the related accounting policies and practices.

Stakeholder Engagement/s

In executing its responsibilities, the Audit and Risk Committee has been able to engage with the following stakeholders: the Board and Management of Sedibeng Water, the Internal Audit Unit at Sedibeng Water, the External Auditors (Auditor-General of South Africa) and all other relevant stakeholders.

The Effectiveness of Internal Control

The Audit and Risk Committee's review of the findings of the Internal Audit work, which was based on risk assessments conducted within Sedibeng Water, revealed instances of control deficiencies. An Internal Audit Action Plan has been developed and is being implemented to address areas identified by Internal Audit.

Twenty (20) audit projects were planned for the year under review. One (1) audit was deferred due to additional ad-hoc assignments, which had to be conducted. All other audit projects have been completed.

The Audit and Risk Committee advised Management to fill the vacant position of the Head of Internal Audit following the untimely passing of the Head of this Unit during the 2015/16 financial year. An appointment was made and as of 1 November 2016, this position was permanently filled.

Risk Management

Sedibeng Water is maturing in the process of managing risks that are relevant to the business. There is a Risk Register in place and a Risk Management Committee was established by Management and meets on a

quarterly basis. The Top Ten (10) Risks are monitored by the Audit and Risk Committee on a quarterly basis. Special attention is paid to remedial actions and residual risk exposures. This is over and above the efforts of the Risk Management Committee. A Risk Officer was appointed from 1 August 2017, thereby strengthening the risk management process.

In-Year Management and Quarterly Reports

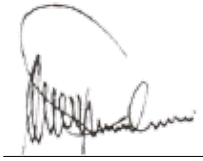
Management has delivered quarterly reports (as required by the Public Finance Management Act) at all Audit and Risk Committee meetings for review and/or consideration by the Committee.

Evaluation of Financial Statements and Performance Information

The Audit and Risk Committee reviewed the audited Annual Financial Statements prepared by Management, and recommended these Statements to the Board for approval. At the same Audit and Risk Committee meeting, the Committee evaluated the audited Annual Performance Report, and recommended the report to the Board for approval.

Report of the External Auditors

The External Auditors have completed their audit on the Annual Financial Statements. The Audit and Risk Committee agrees that the audited Annual Financial Statements should be accepted and read together with the Report of the External Auditors as presented on pages 131-139 of the annual report. The Committee further reviewed the Performance Information Report and Compliance findings in the External Auditors' Report together with the management letter. In order to respond to the points in the management letter and audit report, Management has developed an action plan to address the issues raised. The Committee has requested management to submit quarterly progress reports to keep the Committee updated on how audit findings are being addressed.



Mr. M.M. Mthombeni
Chairperson of the Audit and Risk Committee: Sedibeng Water

ENVIRONMENTAL PROTECTION AND MANAGEMENT

The National Environment Management Act (Act No. 107 of 1998) defines waste as any matter, in any state of matter, gaseous or liquid or solid or any combination thereof, originating from residential or commercial or industrial or agricultural sources. The Act stipulates requirements regarding the management or disposal of various forms of waste in an effort to protect the environment.

Sedibeng Water values the importance of protecting the environment and as such, has developed and implemented its Environmental Management Programme that exceeds the minimum requirements of the Act. This programme is in line with the NOSA CMB 253N Integrated System, which enforces compliance in terms of pollution risk control, waste management and environmental monitoring. The NOSA CMB 253N Integrated System further encourages organisations to exceed the minimum requirements of the Act by developing and implementing resource conservation plans.

To meet the requirements of the NOSA CMB253N System regarding pollution risk management, environmental impact assessments were conducted in the Free State Region and the Northern Cape Region. Similarly, environmental pollution control was conducted in the North West Region. All three regions implemented corrective actions to combat the identified environmental deviations.

Waste Management

The classification of waste is central to the waste management process. At Sedibeng Water, waste generated by our operations is classified as either hazardous or non-hazardous, based on the risk assessments that are conducted. These risk assessments determine the handling and disposal of such waste.

Hazardous Waste

This type of waste requires special handling and disposal. At Sedibeng Water, hazardous waste includes fluorescence tubes, chemicals and biological waste. The disposal of hazardous waste is contracted to specialised service providers who are licensed to dispose of such waste at special landfills or to deform it in the prescribed and authorised manner. Certificates of safe collection and safe disposal are issued in this regard.

Non-hazardous Waste

Most of the waste that is generated at Sedibeng Water is of a non-hazardous nature, which includes general waste such as paper, garden refuse, building rubble and other general household waste. Employees responsible for cleaning the grounds collect and dispose of general waste at the municipal landfills or at authorised internal disposal sites in the case of garden refuse and building rubble. Non-hazardous waste also includes scrap, such as metals, glass, etc.

Furthermore, waste (whether hazardous or non-hazardous) is categorised as recyclable or non-recyclable. As part of the waste management process, waste is separated at its source and put into marked bins, or colour-coded bins based on whether it is hazardous or non-hazardous, and recyclable or reusable. Where possible, we attempt to reduce waste generation by using alternative processes or to replace hazardous materials with less or non-hazardous materials.

Authorisation/Licences

Sedibeng Water's operations at Balkfontein in the Free State has been issued with a licence by the Department of Water and Sanitation to dispose of sludge on-site. Other regions were encouraged to follow the same process of applying for authorisation in terms of Section 21(g) of the National Water Act (Act No. 36 of 1998).

Waste and Pollution Minimisation

Our success in waste management is founded on the principle of waste and pollution minimisation. Recycling is regarded as the nucleus in this process of waste and pollution minimisation. Therefore, waste that is identified as recyclable or reusable is collected by service providers in the recycling

business for free, or at reduced prices. The recycling and reusing of waste have long-term environmental benefits in that they directly and indirectly impact on the reduction of the carbon footprint.

Scrap materials that are suitable for household use, such as old metal pipes that may be used for fencing, are sold to employees. Where it is possible, Sedibeng Water reduces the waste that is generated by our operations.

In the North West Region, oil and fuel spills at the diesel driven borehole pumps were identified as our major pollution concern. However, the plan is to replace all the diesel driven pumps with electric pumps, once Eskom has sufficient capacity to supply electricity for this purpose. Due to the remote location of the boreholes, we are currently unable to make use of solar energy due to vandalism and theft of solar panels and batteries.

Energy and Resource Conservation

The NOSA CMB 253N Integrated System enforces best practices of energy and resource conservation for proactive environmental protection and sustainability. At Sedibeng Water, Resource Conservation Plans have been developed and are being implemented throughout the organisation. These plans are aimed at the responsible use of natural resources, such as energy (electricity and fuel) and water.

Thus far, the implementation of these plans has been successful in controlling and reducing the use of natural resources, as well as in the reduction of the carbon footprint.

ANNUAL PERFORMANCE REPORT
30 JUNE 2017

Introduction

Sedibeng Water is a Water Board established as an organ of state in terms of the Water Services Act (Act No.108 of 1997). The Minister of Water and Sanitation is the executive authority, and as an organ of the state the organisation is categorised as a public entity, subject to regulations by the Minister of Finance in terms of the Public Finance Management Act (Act No. 129 of 1999). Sedibeng Water is a Schedule 3B public entity and its core function is to provide water services to its clients, mainly in the form of bulk water, wastewater treatment, retail water services, operating and maintenance of water infrastructure; and as an implementing agent in respect of capital infrastructure projects. The Board's area of operations includes three provinces, namely, Free State, North West and Northern Cape Provinces, and was extended by the incorporation of the former Botshelo Water which provides water services in the Ngaka Modiri Molema and Dr. Ruth S. Mompati District Municipalities. Major customers are municipalities and mines. Due to the nature of business, external and internal factors (business drivers) set the direction for organisational strategic planning.

The vision of Sedibeng Water is "excellence in water services provision". In other words, the organisation intends taking a leading position in providing potable water services. In order to achieve this vision, the following strategic performance objectives and priorities, further supported by goals or outcomes, have been developed and implemented for the 2016/2017 financial year to set the strategic direction for the entity's performance in the upcoming 5 to 10 years:

- **Strategic Objective No. 1**: Appropriate treatment of wastewater and supply of potable water by focussing on effective infrastructure maintenance, efficient treatment processes, availability or sufficient provision of resources, adequate infrastructure capacity, water demand management and resource protection through efficient and safe use of natural resources, loss control and efficient use of energy;

- **Strategic Objective No. 2:** Ensure viability and sustainability through effective internal management processes to address critical areas of debt collection and cost-recovery, budget/cost control and management, cash flow management, internal control and asset management;

- **Strategic Objective No. 3:** Creating an environment that is conducive to the growth and retention of skills by focussing on the employment equity profile, human capital development, and competitive remuneration, conditions of services, effective safety, health and environment programmes, and compliance to internal and external guidelines;

- **Strategic Objective No. 4:** Provide effective and efficient communications by implementing programmes that bring our business closer to our customers through corporate social responsibility, water value chain awareness and public engagement, partnership with three spheres of government in the growth and development initiatives, and fostering sound relationships with all stakeholders; and

- **Strategic Objective No. 5:** Ensure compliance to foster integrated management systems and statutory reporting and promote best practices.

Reporting Against the Shareholder Compact

Table 1: Performance against Pre-determined Objectives for July 2016 – June 2017

	Performance Objectives	Performance Area/Projects	Date Received (Special Directives)	Performance Indicator		Performance Target for the Year	Progress to Date	Variances	Reasons for Variances and Recovery Plans
Performance Perspective			**Organisational Efficiency and Effectiveness**						
1	**Bulk Potable Water Quality Compliance**	Water quality standards met		Test results, SANS 241	% compliance	98%	**- Bacteriological: 99.6%** **- Chemical : 99.9%** **- Aesthetic : 98.9%** **- Operational : 94.1%**	1.6 1.9 0.9 -3.9	Target achieved, except for operational compliance due to the following: Pelladrift: Operational: 77.6% North West: Operational: 94.0% Mahikeng: Operational: 94.0% Pelladrift: The Pelladrift operational failures are due to poor turbidity and colour removal. The plant was designed without any form of filtration, only coagulation takes place and then settling. The water treatment plant is current undergoing refurbishment to double the output, because of new mining activities in the region. During the second phase of the refurbishment, filters will be constructed. Mahikeng: The operational failures at Motswedi are due to poor turbidity removal. The raw water turbidities range between 300 and 2000 NTU and it is difficult to remove these turbidities to levels below 1 NTU when the plant is being operated above its design capacity. The upward flow in the clarifiers is too high for proper settling. The plant flow rate cannot be lowered due to the risk of protests by the community that could endanger the lives of the operational personnel at the plant. North West: The Bogosing operational failures are due to poor turbidity and colour removal. The plant consists of two sets of pressurised filters without any pretreatment, i.e. no sedimentation takes place. The plant will shortly be replaced by the Taung Dam Water Treatment Plant as well as augmentation of water from the Khibitswane Reservoir. The Bogosing Plant will then only act as chlorine booster station.
2	**Manage Avoidable Water Losses**	Reduced levels of unaccounted for water (UAW)		Water lost as a % of total water produced	%	8%	4.50	3.50%	Target achieved.
3	**Reliability of Supply**	No unplanned Interruptions to supply exceeding 24 hours		% number of days' supply disrupted divided by total number of possible supply days	%	0	0	0	Target achieved.
4	**Increased Access to Service**	Contribution to national objectives of extending services		CAPEX spend/projects	%	95%	365%	295%	Target exceeded.
5	**Bulk Supply Agreements Concluded with Municipalities/ Other Customers**	Statutory and service level agreements in place		Municipalities/ other customers with bulk supply agreements	%	90%	100%	10%	Target achieved. All the municipalities have signed their agreements with Sedibeng Water.

	Performance Objectives	Performance Area/ Projects	Date Received (Special Directives)	Performance Indicator		Performance Target for the Year	Progress to Date	Variances	Reasons for Variances and Recovery Plans
Performance Perspective			**Organisational Efficiency and Effectiveness**						
6	**Implementation of Ministerial Directives**	New ministerial directives issued are implemented on time		Progress against implementation plan	%	100%	71%	-29%	Target not achieved. Out of the 7 directives issued by the Minister, 2 directives were re-allocated by the Minister to local municipalities.
7	**Support Rural Development**	Total number of identified rural municipalities supported		Signed contracts, MOUs etc	Number	2	6	4	Target achieved.
8	**Achieve Statutory Reporting Compliance**	All statutory reports submitted on time		Submission dates met	%	100%	100%	0	Target achieved.
9	**Financial Reporting Compliance**			Annual external audit	Qualified / Unqualified	Unqualified Audit Opinion	Qualified Audit Opinion		Target not achieved.
10	**Improve Key Financial Ratios**			Current ratio	Ratio	1.5	1.5	0.0	Target achieved.
				Gross profit margin (primary activity)	%	65.5%	68.0%	2.3	Target achieved.
				Gross profit margin (secondary activity)	%	84.0%	90.2%	6.2	Target achieved.
				Net profit margin (primary activity)	%	7%	9.9%	2.9	Target achieved.
				Net profit margin (secondary activity)	%	5%	15.1%	10.1	Target achieved.
				Debt/Equity	Ratio	0.016	0.043	-0.03	Target achieved.
				Return on assets %	%	1.2%	8.92%	7.72	Target achieved.
				Debtors days #	Number	562	807	245	Target not achieved. Sedibeng Water entered into payment agreements with all defaulting municipalities, and also commenced with a programme to restrict the non-paying municipalities. The process is yielding results, however slow. Further, the Director General of the Department of Water and Sanitation commenced with interventions to assist the water boards to recover the debts.

Table 1: Performance against Pre-determined Objectives for July 2016 – June 2017

	Performance Objectives	Performance Area/Projects	Date Received (Special Directives)	Performance Indicator		Performance Target for the Year	Progress to Date	Variances	Reasons for Variances and Recovery Plans
Performance Perspective			**Organisational Efficiency and Effectiveness**						
				Repairs and maintenance as % of PPE and Investment Property (carrying value)	%	1.7%	1.7%	0.3	Target achieved.
				Staff remuneration as % of total operating expenditure	%	25%	24%	1	Target achieved.
11	**Increase BBBEE Expenditure in Relation to Operational Projects**			Spending	% achieved	95%	98%	3	Target achieved.
					# new entrants	70	114	44	Target achieved.
12	**Manage Costs Within**			Financial reports	% increase	5%	-9.17	-14.17	Target not achieved. Additional provision for doubtful debts and salary costs incurred, had to be made. Future budgeting will encompass two components i.e. additional employee costs and additional provision for bad debts.
13	**Capital Expenditure Programme**			Overall project expenditure within R target	Spending	23.088	337.213	129.66	Contractors for Vaal Gamagara and Namakwa were appointed during the second quarter, hence more work was done during the year.
14	**Engagements in Secondary Activities**			% of total turnover	%	15	23	8	Target achieved.

Table 1: Performance against Pre-determined Objectives for July 2016 – June 2017

	Performance Objectives	Performance Area/Projects	Date Received (Special Directives)	Performance Indicator		Performance Target for the Year	Progress to Date	Variances	Reasons for Variances and Recovery Plans
Performance Perspective			**Organisational Efficiency and Effectiveness**						
15	**Board Effectiveness**	Improved performance of fiduciary duties/ governance		Board Member attendance of all Board/ committee meetings	%	90%	90%	0%	Target achieved.
				Decision making: % number resolutions taken by the board vs number of resolutions implemented	%	100%	100%	0%	Target achieved.
16	**Effective Internal Controls and Risk**	Internal audit findings dealt with		Internal audit reports	Number of repeated findings	0	0	0	Target achieved.
					Number of unresolved findings	0	11	-11	Target not achieved. The audit findings raised by external auditors are resolved and are subject to be audited.
17	**Good Governance**	Improved controls and risk mitigation		Breaches of materiality and significance framework	Number	0	0	0	Target achieved. No breaches to the materiality and significant framework have been identified
18	**Corporate Social Responsibility Initiatives**	Good corporate citizenship		Number of initiatives undertaken	Number	30	12 initiatives with NGOs and 85 once-off sponsorships	67	Target achieved. The organisation has a defined Corporate Social Investment Programme which is aimed at improving the lives of the people in its areas of operation.
19	**Staff Levels**	Optimal staff retention		Staff turnover	%	1.8	0.97	0.83	Target achieved. The organisation implements effective recruitment and retention strategy policies.

Table 1: Performance against Pre-determined Objectives for July 2016 – June 2017

	Performance Objectives	Performance Area/Projects	Date Received (Special Directives)	Performance Indicator		Performance Target for the Year	Progress to Date	Variances	Reasons for Variances and Recovery Plans
Performance Perspective			**Organisational Efficiency and Effectiveness**						
20	**Training and Skills Development**	Skills and capacity building		Learnerships	Number	65	2	63	Target not achieved. The apprenticeship programme came to an end on 31 May 2017. Out of the apprenticeship intake of 20, 18 apprentices completed their programme and are now qualified artisans. The 2 outstanding apprentices have been granted approval to complete their programme because they were declared incompetent in their trade tests.
				Bursaries: employees	Number	30	71	63	Target achieved. The organisation is committed to developing its employees.
				Graduate Programmes	Number	15	11	12	Target not achieved. The number of apprentices reduced due to resignations where after these apprentices were employed permanently by the organisation. Sedibeng Water is committed to developing its employees.
21	**Jobs Created**	Permanent and contract (direct)		Total number	Number	75	73	-2	Target not achieved. There were no additional vacancies in the current structure because plant refurbishment projects have not been completed at year-end. Once completed, necessary appointments will be made. Current structure will be reviewed to project future vacancies realistically.
		Temporary (indirect)		Total number	Number	500	769	269	Target achieved. The DWS appointed Sedibeng Water as Implementing Agent for capital projects on its behalf.

Conclusion

The overall performance for Sedibeng Water amounts to 71%, which results in almost all targets being achieved. The area of concern is high outstanding debt and non-payments of accounts by some municipalities (Matjhabeng Local Municipality, Nama Khoi Local Municipality and Ngaka Modiri District Municipality). This has affected our financial performance (financial ratios) and the debt recovery targets. The Board and Executive Management are working with the stakeholders to ensure that municipalities pay their accounts.

INDEPENDENT AUDITOR'S REPORT
BY AUDITOR-GENERAL OF SOUTH AFRICA

QUALIFIED OPINION

1. I have audited the financial statements of the Sedibeng Water set out on pages 140-190, which comprise the statement of financial position as at 30 June 2017, and the statement of other comprehensive income, statement of changes in equity and statement of cash flow for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

2. In my opinion, because of the significance of the matters described in the basis for the qualified opinion section of my report, the financial statements do not present fairly, in all material respects, the financial position of the Sedibeng Water as at 30 June 2017, and its financial performance and its cash flows for the year then ended in accordance with South African Generally Accepted Accounting Practices (SA GAAP) and the requirements of the Public Finance Management Act (PFMA).

Basis for qualified opinion

Irregular expenditure:

3. The entity did not include the required information on irregular expenditure in the notes to the financial statements, as required by section 55(2)(b)(i) of the PFMA. The entity made payments in contravention of the supply chain management requirements, resulting in irregular expenditure of R139,2 million (2016: R10,8 million). The system of control to ensure that all irregular expenditure is identified and disclosed was inadequate to allow me to confirm the irregular expenditure disclosure, and I could not confirm the irregular expenditure amount by alternative means. Consequently, I was unable to determine whether any adjustments relating to irregular expenditure disclosed as R154,3 million (2016: R10,9 million) in Note 34 to the financial statements, was necessary.

Trade and other receivables:

4. I was unable to obtain sufficient appropriate audit evidence for the restatement of the corresponding figure for trade and other receivables. As disclosed in Note 9 to the financial statements, the restatement amount of R18,8 million was made in order to rectify a prior year (2016) misstatement. I was unable to confirm the restatement by alternative means. Consequently, I was unable to determine whether any adjustment to the trade and other receivables corresponding figure stated at R2,4 billion in the financial statements was necessary.

5. I was unable to obtain sufficient and appropriate audit evidence about the trade receivable balance reflected as R3 billion in Note 9 to the financial statements. This is due to the fact that this balance includes debtors of an amount of R90 million for which I was not provided with supporting documents. Consequently, I was unable to determine whether any adjustment relating to trade and other receivables stated at R3 billion in the financial statements was necessary.

Trade and other payables:

6. I was unable to obtain sufficient appropriate audit evidence for the restatement of the corresponding figure for trade and other payables as disclosed in Note 16 to the financial statements. The restatement of an amount of R114 million was made in order to rectify a prior year (2016) misstatement. I was unable to confirm the restatement by alternative means. Consequently, I was unable to determine whether any adjustment to the trade and other payables corresponding figure stated at R1,7 billion in the financial statements was necessary.

7. The entity did not have adequate systems to maintain records of accounts payable for goods and services received, but not yet paid for. This resulted in trade payables being understated by R92 million.

8. In addition, I was unable to obtain sufficient and appropriate audit evidence about the trade and other payables balance reflected as R2,1 billion (2016: R1,7 billion) in Note 16 to the financial statements. This was due to a balance of debtors with credit balances of R23,7 million included in other payable balance that management could not substantiate, and intercompany balance of an amount of R14, 2 million which was not reconciled as a result of a lack of inadequate systems to maintain records of intercompany balances.

9. I could not confirm trade and other payables by alternative means. Consequently, I was unable to determine whether any further adjustments to trade and other payables stated at R2,1 billion in the financial statements were necessary.

Property, plant and equipment:

10. The entity did not adequately review the useful lives of property, plant and equipment at each reporting date in accordance with IAS 16 (AC 123) Property, Plant and Equipment. The entity incorrectly calculated the revaluation of assets. In addition, the entity did not keep full and proper records of their Property, plant and equipment as some assets were not recorded in the asset register, while some assets were recorded, but their existence could not be verified. As a result, I was unable to determine the correct net carrying amount of Property, plant and equipment stated at R3 billion (2016: R2,9 billion), in Note 3 to the financial statements. I was also not able to determine the consequential impact that any adjustments would have on the loss for the period and the accumulated loss in the financial statements.

11. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of my report.

12. I am independent of the entity in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA code) together with the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.

13. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Emphasis of matter

14. I draw attention to the matters below. My opinion is not modified in respect of these matters:

Uncertainty relating to the future outcome of exceptional litigation:

15. With reference to Note 27 to the financial statements, the entity is the defendant in a lawsuit claim. The ultimate outcome of the matter cannot presently be determined and no provision for any liability that may result has been made in the annual financial statements.

Restatement of corresponding figures:

16. As disclosed in Note 36 to the annual financial statements, the corresponding figures for 30 June 2016 have been restated as a result of an error in the annual financial statements of the entity at, and for the year ended, 30 June 2017.

Other matter

17. I draw attention to the matter below. My opinion is not modified in respect of this matter:

Previous year audited by a predecessor auditor:

18. The financial statements of the previous year were audited by a predecessor auditor in terms of section 4(3) of the Public Audit Act on 27 September 2016.

Responsibilities of the accounting authority

19. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with SA GAAP and the requirements of the PFMA 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.

20. In preparing the financial statements, the accounting authority is responsible for assessing Sedibeng Water's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting, unless the accounting authority either intends to liquidate the entity or to cease operations, or has no realistic alternative, but to do so.

Auditor-General's responsibilities for the audit of the financial statements

21. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

22. A further description of my responsibilities for the audit of the financial statements is included in the annexure to the auditor's report.

REPORT ON THE AUDIT OF THE ANNUAL PERFORMANCE REPORT

Introduction and scope

23. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected objectives presented in the annual performance report. I performed procedures to identify findings, but not to gather evidence to express assurance.

24. My procedures address the reported performance information, which must be based on the approved performance planning documents of the entity. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.

25. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected objectives presented in the annual performance report of the entity for the year ended 30 June 2017:

Objectives	Pages in the Annual Performance Report
Objective 1 – Bulk potable water quality compliance	125
Objective 2 – Manage avoidable water losses	125
Objective 3 – Reliability of supply	125
Objective 4 – Increased access to services	125
Objective 5 – Bulk supply agreements concluded with municipalities/ other customers	125
Objective 6 – Implementation of ministerial directives	126
Objective 7 – Support rural development	126
Objective 14 – Engagements in secondary activities	127
Objective 21 – Jobs created	129

26. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

27. The material findings in respect of the usefulness and reliability of the selected objectives are as follows:

Objective 1 – Bulk potable water quality compliance

28. I did not identify any material findings on the usefulness and reliability of the reported performance information for Objective 1 – Bulk potable water quality compliance.

Objective 2 – Manage avoidable water losses

29. I was unable to obtain sufficient appropriate audit evidence for the reported achievement of target 4.5% water lost as a % of total water produced. This was due to limitations placed on the scope of my work. I was unable to confirm the reported achievement by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievement of 4.5% water lost as a % of total water produced.

Objective 3 – Reliability of supply

30. The reported achievement for target 0% number of days' supply disrupted divided by total number of possible supply days was misstated as the evidence provided indicated 5.21% and not 0% as reported.

Objective 4 – Increased access to services

31. The achievement of the planned indicator was not clearly defined as the source information and method of calculation for the achievement of the planned indicator was not clearly defined, as required by the Framework for Managing Programme Performance Information (FMPPI). The target for this indicator was not specific in clearly identifying the nature and required level of performance and it was also not measurable, as required by the FMPPI.

Objective 5 – Bulk supply agreements concluded with municipalities/other customers

32. The achievement of the planned indicator was not clearly defined as the source information and method of calculation for the achievement of the planned indicator was not clearly defined, as required by the FMPPI. The target for this indicator was not specific in clearly identifying the nature and required level of performance and it was also not measurable, as required by the FMPPI.

33. In addition, I was unable to obtain sufficient appropriate audit evidence for the reported achievement of target 100% bulk supply agreement concluded with municipalities/other customers. This was due to limitations placed on the scope of my work. I was unable to confirm the reported achievement by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievement of 100% bulk supply agreement concluded with municipalities/other customers.

Objective 6 – Implementation of ministerial directives

34. The achievement of the planned indicator was not clearly defined as the source information and method of calculation for the achievement of the planned indicator was not clearly defined, as required by the FMPPI. The target for this indicator was not specific in clearly identifying the nature and required level of performance and it was also not measurable, as required by the FMPPI.

35. In addition, the reported achievement for target 100% of progress against implementation plan was misstated as the evidence provided indicated 0% and not 71% as reported.

Objective 7 – Support rural development

36. The achievement of the planned indicator was not clearly defined as the source information and method of calculation for the achievement of the planned indicator was not clearly defined, as required by the FMPPI. The target for this indicator was not specific in clearly identifying the nature and required level of performance and it was also not measurable, as required by the FMPPI.

37. In addition, the reported achievement for target number of identified rural municipalities supported was misstated as the evidence provided indicated 0 and not 6 as reported.

Objective 14 - Engagement in secondary activities

38. I did not identify any material findings on the usefulness and reliability of the reported performance information for Objective 14 – Engagement in secondary activities.

Objective 21- Jobs created

39. I was unable to obtain sufficient appropriate audit evidence for the reported achievement of the target. This was due to limitations placed on the scope of my work. I was unable to confirm the reported achievement by alternative means. Consequently, I was unable to determine whether any adjustments are required to the reported achievement of 769 indirect jobs created.

Other matters

40. I draw attention to the matters below.

Achievement of planned targets:

41. Refer to the annual performance report on pages 124-130 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 paragraphs 30 to 39 of this report.

Adjustment of material misstatements:

42. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of Objective 1 – Bulk potable water quality compliance. As management subsequently corrected only some of the misstatements, I raised material findings on the usefulness and reliability of the reported performance information. Those that were not corrected, are included in material findings paragraphs.

REPORT ON AUDIT OF COMPLIANCE WITH LEGISLATION

Introduction and scope

43. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the compliance of the entity with specific matters in key legislation. I performed procedures to identify findings, but not to gather evidence to express assurance.

44. The material findings in respect of the compliance criteria for the applicable subject matters are as follows:

Procurement and contract management:

45. Some of the goods, works or services were not procured through a procurement process which is fair, equitable, transparent and competitive, as required by Section 51(1)(a)(iii) of the PFMA.

46. Some of the contract and quotations were awarded to suppliers whose tax matters had not been declared by the South African Revenue Services to be in order as required by the Preferential Procurement Regulations.

47. The preferential point system was not applied in some procurement of goods and services above R30 000, as required by Section 2(a) of the Preferential Procurement Policy Framework Act.

48. Some of the contracts were awarded to and quotations accepted from bidders based on preferential points that were not allocated in accordance with the requirements of the Preferential Procurement Policy Framework Act and its regulations.

49. Some of the contracts were awarded to and quotations accepted from bidders that had not scored the highest points in the evaluation process, as required by Section 2(1)(f) of the Preferential Procurement Policy Framework Act and Preferential Procurement Regulations.

50. We were unable to obtain sufficient appropriate audit evidence that some quotations were accepted from bidders based on points given for criteria that were stipulated in the original invitation for quotations, as required by thePreferential Procurement Regulations.

51. Some of the construction contracts were awarded to contractors that did not qualify for the contract in accordance with Section 18(1) of the CIDB Act and CIDB regulations 17 and 25(7A).

52. An official in service of the entity who had a private or business interest in contracts awarded by the entity participated in the process relating to that contract in contravention of PFMA Section 50(3)(b).

Expenditure management:

53. Effective steps were not taken to prevent irregular expenditure, as required by section 51(1)(b)(ii) of the PFMA. The full extent of the irregular expenditure could not be quantified as indicated in the basis for qualification paragraph. The majority of the disclosed irregular expenditure was caused by non-compliance with SCM laws and regulation.

54. Effective steps were not taken to prevent fruitless and wasteful expenditure, as required by Section 51(1)(b)(ii) of the PFMA. The value of R0,00 as disclosed in Note 33, is not complete as management was still in the process of quantifying the full extent of the fruitless and wasteful expenditure.

55. Payments were made before receipt of goods or services, in contravention of Treasury Regulation 31.1.2(c).

Annual financial statement and annual performance report:

56. The financial statements submitted for auditing were not fully prepared in accordance with the prescribed financial reporting framework and were not fully supported by full and proper records, as required by Section 55(1) (a) and (b) of the PFMA.

57. Material misstatements of inventory, purification cost contingent liabilities and financial assets identified by the auditors in the submitted financial statements were corrected subsequently, but the uncorrected material misstatements and/or supporting records that could not be provided resulted in the financial statements receiving a qualified audit opinion.

Revenue management:

58. Effective and appropriate steps were not taken to collect all money due, as required by Section 51(1)(b)(i) of the PFMA and Treasury Regulation 31.1.2(a) and (e).

Asset management:

59. Proper control systems to safeguard and maintain assets were not implemented, as required by Sections 50(1)(a) and 51(1)(c) of the PFMA.

Other information

60. The Sedibeng Water accounting authority is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report thereon and those selected objectives presented in the annual performance report that have been specifically reported on in the auditor's report.

61. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.

62. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected objectives presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work I have performed on the other information obtained prior to the date of this auditor's report, I conclude that there is a material misstatement of this other information, I am required to report that fact.

63. I have not yet received the annual report. When I do receive this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected I may have to re-issue my auditor's report amended as appropriate.

Internal control deficiencies

64. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance thereon. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for qualified of opinion; the findings on the annual performance report and the findings on compliance with legislation included in this report.

Leadership

65. The accounting authority did not exercise adequate oversight responsibility regarding financial and performance reporting, and compliance with laws and regulations.

66. There was ineffective monitoring of action plans to address internal control deficiencies raised by both internal and external auditors.

Financial and performance management

67. Senior management was slow in addressing the internal and external audit findings, implementation of key controls and addressing risky areas on performance information, compliance with laws and regulations and financial statements which resulted in uncorrected material misstatements.

68. Senior management did not implement proper record keeping controls to ensure that complete and accurate information is accessible and available to support financial and performance reporting.

69. Senior management did not implement proper controls in place to ensure that the entity complies with applicable laws and regulations.

Other reports

70. I draw attention to the following engagement conducted by various parties that had, or could have, an impact on the matters reported in the entity's financial statements, reported performance information, compliance with applicable legislation and other related matters. This report did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.

71. An independent consultant is investigating an allegation of the possible misappropriation of the entity's assets at the request of the entity, which covers the period 2015 to 2017. The outcome of the factual findings on the anonymous report is expected by the 30 November 2017.

Auditor-General

Pretoria

31 October 2017

AUDITOR-GENERAL SOUTH AFRICA

Auditing to build public confidence

ANNEXURE: AUDITOR-GENERAL'S RESPONSIBILITY FOR THE AUDIT

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements, and the procedures performed on reported performance information for selected objectives and on the entity's compliance with respect to the selected subject matters.

Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in the auditor's report, I also:

- identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- obtain an understanding of internal control relevant to the audit 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;

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting authority;

- conclude on the appropriateness of the board of directors, which constitutes the accounting

authority's use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Sedibeng Water's ability to continue as a going concern; If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of the auditor's report. However, future events or conditions may cause an entity to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

Communication with those charged with governance

3. I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

4. I also confirm to the accounting authority that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and here applicable, related safeguards.

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017

	Note(s)	2017 R'000	2016 R'000
ASSETS			
Non-current Assets			
Property, plant and equipment	3	3,019,463	2,913,315
Investment property	4	11,400	10,150
Biological assets	5	473	241
Intangible assets	6	7,725	3,912
Financial assets	7	227,089	197,317
		3,266,150	**3,124,935**
Current Assets			
Inventories	8	22,097	21,681
Trade and other receivables	9	2,887,343	2,222,471
Cash and cash equivalents	10	387,229	465,524
		3,296,669	**2,709,676**
Total Assets		**6,562,819**	**5,834,611**
EQUITY AND LIABILITIES			
Equity			
Reserves		2,955,849	2,928,734
Retained income		1,015,604	954,159
		3,971,453	**3,882,893**
Liabilities			
Non-current Liabilities			
Interest-bearing borrowings	11	31,038	50,786
Finance lease liabilities	12	14,633	18,844
Retirement benefit obligation	14	94,720	91,403
Deferred income		265,050	41,782
Long service awards liability	15	27,039	24,188
		432,480	**227,003**
Current Liabilities			
Trade and other payables	16	2,123,314	1,698,321
Interest-bearing borrowings	11	28,849	20,410
Finance lease liabilities	12	5,984	5,984
Provisions		739	-
		2,158,886	**1,724,715**
Total Liabilities		**2,591,366**	**1,951,718**
Total Equity and Liabilities		**6,562,819**	**5,834,611**

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2017

	Note(s)	2017 R'000	2016 R'000
Revenue	17	1,291,455	1,166,358
Cost of sales	18	(772,990)	(739,744)
Gross Profit		**518,465**	**426,614**
Other income	19	87,935	368,971
Operating expenses		(573,050)	(586,334)
Operating Profit	20	**33,350**	**209,251**
Investment revenue	21	66,707	46,399
Fair value adjustments		(4,610)	1,058
Finance costs	22	(6,887)	(8,552)
Profit for the Year		**88,560**	**248,156**
Other comprehensive income		-	-
Total Comprehensive Income for the Year		**88,560**	**248,156**

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2017

	Sinking Fund	Other Reserves	Total Reserves	Retained Income	Total Equity
	R'000	R'000	R'000	R'000	R'000
Opening balance as previously reported	188,853	1,830,133	2,018,986	655,682	2,674,668
Adjustments					
Change in accounting policy	-	-	-	632,530	632,530
Prior year adjustments (Note 35)	-	-	-	(562,724)	(562,724)
Balance at 1 July 2015 as Restated	**188,853**	**1,830,133**	**2,018,986**	**725,488**	**2,744,474**
Profit for the year	-	-	-	248,156	248,156
Other comprehensive income	-	-	-	-	-
Total Comprehensive Income for the Year	**-**	**-**	**-**	**248,156**	**248,156**
Transfer between reserves	19,282	203	19,485	(19,485)	-
Prior period adjustments (Note 35)	-	890,263	890,263	-	890,263
Total Transfers between Reserves	**19,282**	**890,466**	**909,748**	**(19,485)**	**890,263**
Balance at 1 July 2016	**208,135**	**2,720,599**	**2,928,734**	**954,159**	**3,882,893**
Profit for the year	-	-	-	88,560	88,560
Other comprehensive income	-	-	-	-	-
Total Comprehensive Income of the Year	**-**	**-**	**-**	**88,560**	**88,560**
Transfer between reserves	26,805	310	27,115	(27,115)	-
Total Transfers between Reserves	**26,805**	**310**	**27,115**	**(27,115)**	**-**
Balance at 30 June 2016	**234,940**	**2,720,909**	**2,955,849**	**1,015,604**	**3,971,453**

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2017

	Note(s)	2017 R'000	2016 R'000
Cash Flows from Operating Activities			
Cash receipts from customers		577,459	672,533
Cash paid to suppliers and employees		(380,130)	(517,804)
Cash Generated from Operations	25	**197,329**	**154,729**
Interest income		66,707	46,399
Finance costs		(6,887)	(8,552)
Net Cash from Operating Activities		**257,149**	**192,576**
Cash Flows from Investing Activities			
Purchase of property, plant and equipment	3	(284,077)	(42,603)
Disposal of property, plant and equipment	3	-	2,697
Purchase of other intangible assets	6	(4,871)	(3,170)
Purchase of financial assets		(29,772)	(22,992)
Sale of financial assets		-	3,000
Net Cash from Investing Activities		**(318,720)**	**(63,068)**
Cash Flows from Financing Activities			
Repayment of interest-bearing borrowings		(12,513)	(12,026)
Finance lease payments		(4,211)	9,940
Net Cash from Financing Activities		**(16,724)**	**(2,086)**
Total Cash Movement for the Year		**(78,295)**	**127,422**
Cash at the beginning of the year		465,524	338,102
Total Cash at End of the Year	10	**387,229**	**465,524**

SIGNIFICANT ACCOUNTING POLICIES
FOR THE YEAR ENDED 30 JUNE 2017

1 PRESENTATION OF ANNUAL FINANCIAL STATEMENTS

The annual financial statements of Sedibeng Water, an organisation domiciled in South Africa for the period ended 30 June 2017, comprises of three regions i.e. North West Region, Free State Region and the Northern Cape Region. The annual financial statements were authorised for issue by the Accounting Authority on 24 August 2017.

1.1 Statement of Compliance

The annual financial statements have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice (the GAAP Reporting Framework), the Water Services Act (Act No. 108 of 1997), and the Public Finance Management Act (Act No. 1 of 1999) as amended.

1.2 Basis of Preparation

The financial statements are presented in South African Rand and rounded to the nearest thousand. The financial statements are prepared on the historical cost basis, unless otherwise stated.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies are consistent with the previous period and have been consistently applied to all the years presented, unless otherwise stated.

1.3 Critical Accounting Estimates and Assumptions

The preparation of annual financial statements in conformity with the GAAP Reporting Framework requires Management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors, including making assumptions concerning future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions are reviewed on an on-going basis. Revisions to accounting estimates are accounted for prospectively.

In the process of applying the accounting policies as set out below, Management has made the following judgments that have a significant risk of causing material adjustment to the amounts recognised in the financial statements.

Useful Lives and Residual Values

The useful lives and residual values of property, plant and equipment, as well as the useful lives of the intangibles are reviewed at each reporting date. The useful lives are estimated by Management based on historic analysis and other available information. The residual values are estimated based on useful lives, as well as other available information.

Provisions and Contingent Liabilities

Various estimates and assumptions have been applied by Management in arriving at the carrying value of provisions that are recognised in terms of the relevant accounting policy. Management further relies on input from the entity's lawyers in assessing the probability of items of a contingent nature.

SIGNIFICANT ACCOUNTING POLICIES
FOR THE YEAR ENDED 30 JUNE 2017 (CONTINUED)

1 PRESENTATION OF ANNUAL FINANCIAL STATEMENTS (CONTINUED)

Trade and Other Receivables
The entity follows the guidance of AC 133 (IAS39) to determine when trade and other receivables are impaired. The entity assesses its trade receivables for impairment at each reporting date. In determining whether an impairment loss should be recorded in the income statement, the entity makes judgments as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

Available-for-sale Financial Assets
The entity follows the guidance of AC 133 (IAS39) to determine when an available-for-sale financial asset is impaired. In making this judgment, the entity evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

Allowance for Slow Moving, Damaged and Obsolete Stock
An allowance to write down stock to the lower of cost or net realisable value was made. The provision for the write down is included in the inventory note (Note 8).

Fair Value Estimation
The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on active market prices at the reporting date.

The fair value of financial instruments that are not traded in on active market (for example, over-the counter derivatives) is determined by using valuation techniques. The entity uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest role swaps is calculated as the present value of the estimated future cash flows.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the entity for similar financial instruments.

Pension and Other Benefits
The present value of the obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for health care benefits include the discount rate. Any changes in these assumptions will impact the carrying amount of the obligations.

The entity determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the health care obligations. In determining the appropriate discount rate, the entity considers the interest rates of medium term government bonds that have terms to maturity approximating the terms of the related health care obligation.

1 PRESENTATION OF ANNUAL FINANCIAL STATEMENTS (CONTINUED)

Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in the notes to the financial statements. If the discount rate used differs from Management's estimates, the carrying amount of health care obligations would also differ.

Actuarial gains and losses are recognised through profit and loss in the period in which they were earned/ incurred.

1.4 Revenue

Revenue is recognised to the extent that it is probable that economic benefits will flow to the entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received/ receivable excluding discounts, rebates, and other sales taxes or duties.

Revenue from the sale of goods shall be recognised when all the following conditions have been satisfied:

a) The entity has transferred to the buyer the significant risks and rewards of ownership of the goods;
b) The entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
c) The amount of revenue can be measured reliably;
d) It is probable that the economic benefits associated with the transaction will flow to the entity; and
e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Water Sales and Fixed Contribution

Water sales comprise primarily the net invoiced value of water sales per kilolitre, exclusive of value added tax, as approved by the Department of Water and Sanitation.

Equitable Shares and Service Delivery Claims

This income is derived from sale of water to customers and is received from Water Services Authorities in the North West Region for services rendered in terms of Section 30 (2) (d) of the Water Services Act, 1997. The Water Board acts as a Water Services Provider and receives this income for services rendered.

The income comprises the net invoiced value of these services, exclusive of value added tax, at budgeted amounts as approved by the Water Services Authorities.

Sewage Income

This income is derived from sewage treatment services provided in the North West Region in terms of Section 30 (2) (d) of the Water Services Act, 1997.

The income is recognised at the net invoiced value, exclusive of value added tax and at budgeted amounts as approved by the Water Services Authorities.

Investment Income

Investment income comprises interest received or receivable on loans, trade receivables and funds invested. Interest is recorded in the statement of comprehensive income as investment income when it is probable that economic benefits associated with the transaction will flow to the entity, using the Effective Interest Rate method over the period to maturity.

1 PRESENTATION OF ANNUAL FINANCIAL STATEMENTS (CONTINUED)

Other Income
Other income earned by the entity is recognised net of discounts and value added tax and comprises of the following:

Rental Income
Rental income is derived from rental of houses owned by the entity to its employees and other tenants. This income is recognised on an accrual basis based on individually agreed upon rates per contract.

Miscellaneous income comprises of:
a) Refurbishment income;
b) Connection fees and lab analysis income;
c) Telephone and electricity income;
d) Sale of scrap; and
e) Commission insurance.

1.5 Cost of Sales
The cost of raw water purchases and contribution to the water research fund are considered to be cost of sales.

1.6 Employee Benefits
The entity operates both defined contribution (Pension and Provident Fund) and defined benefit plans (Post-retirement healthcare benefits), the assets of which are held in separate trustee-administered funds. The plans are funded by payments from the entity and employees, taking account of the recommendations of independent qualified actuaries. The entitlement to the post-retirement healthcare benefits is usually based on the employee remaining in service up to retirement age.

A defined contribution plan is a plan under which the entity pays fixed contributions into a separate entity. The entity has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a plan that is not a defined contribution plan. Typically defined benefit plans define an amount of benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit plans is the present value of the defined benefit obligation at the end of the reporting period, together with adjustments for unrecognised past-service costs. The defined benefit obligation, the related current service cost, and where applicable, the past service cost is calculated annually by independent actuaries using the Projected Unit Credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of medium-term government bonds that have terms to maturity approximating to the terms of the related pension obligation. Actuarial gains and losses are recognised in the statement of comprehensive income in the year in which they arise. Past-service costs are recognised immediately in income, unless the changes to the plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

1 PRESENTATION OF ANNUAL FINANCIAL STATEMENTS (CONTINUED)

Payments to defined contribution retirement benefit plans are charged to the statement of comprehensive income in the year to which they relate.

1.7 Funds and Reserves

Funds and reserves comprise of the following funds:

Insurance Fund
Any surplus funds, which are not immediately required for a specific purpose may, at the discretion of the entity, be transferred to an insurance fund.

This makes it possible for the entity to reduce its insurance portfolio in order to ensure that, in the long run, all their insurance needs are provided for by the fund.

Capital Fund
The fund is available for use/to be used for future capital expenditure projects.

Other Funds
The funds were transferred from the Department of Water and Sanitation and comprises of the net value of assets for each scheme at the date of the transfer.

Sinking Fund
The interest-bearing borrowings are redeemed on maturity by means of the sinking fund. Contributions that are made to the reserve comprise the interest of held-to-maturity investments.

Non-distributable Reserve
The reserve originated from the revaluation of certain items of property, plant and equipment in the Free State and Northern Cape Regions.

1.8 Property, Plant and Equipment
The cost of an item of property, plant and equipment is recognised as an asset when:
a) It is probable that future economic benefits associated with the item will flow to the company; and
b) The cost of the item can be measured reliably.

Initial Measurement
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 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.

Subsequent Measurement
Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

SIGNIFICANT ACCOUNTING POLICIES
FOR THE YEAR ENDED 30 JUNE 2017 (CONTINUED)

1 PRESENTATION OF ANNUAL FINANCIAL STATEMENTS (CONTINUED)

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount. The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss 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.

Depreciation commences when an asset is available for its intended use. Depreciation is charged so as to write off the cost or revalued amounts of assets, other than land, to their residual value over their estimated useful lives, using the straight-line method, on the following basis:

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Estimated Useful Life
Plant and equipment	3 - 80 years
Computer equipment	3 years
Electricity distribution	25 - 50 years
Engineering and technical equipment	5 - 6 years
Equipment	11 years
Office equipment and furniture	5 - 6 years
Gymnasium equipment	10 years
Buildings	40 - 80 years
Pipelines and reservoirs	63 - 70 years
Precipitation and dosing	150 years
Capital work in progress	No depreciation
Vehicles	4 - 9 years

Change in the estimated useful life are accounted for by changing the depreciation period or method, as appropriate, and are treated as changes in accounting estimates. Property, plant and equipment is re-valued once every five years by professional valuers.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of the financial year.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater that it's estimated recoverable amount. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount.

When revalued assets are sold, the amounts included in the non-distributable reserve are transferred to accumulated surplus.

1 PRESENTATION OF ANNUAL FINANCIAL STATEMENTS (CONTINUED)

1.9 Intangible Assets

Recognition
Intangible assets are recognised on the entity's statement of financial position when:
- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

Measurement
Intangible assets are measured at cost, less accumulated amortisation and impairment losses. Intangible assets with an indefinite useful life are measured at cost, less impairment losses.

Subsequent expenditure on intangible assets is recognised as an expense when incurred unless it forms part of the cost of an intangible asset that meets the recognition criteria.

Amortisation
Amortisation is charged to the statement of comprehensive income, over the estimated useful lives of intangible assets using the straight-line method unless such lives are indefinite. Intangible assets with indefinite useful lives are tested for impairment at each financial position date.

The estimated useful lives are as follows:

Item	Estimated Useful Life
Computer software	3 years
Servitudes	No amortisation

The amortisation period and the amortisation method for intangible assets are reviewed every period-end.

1.10 Investment Property
Investment property is property (land or a building—or part of a building—or both) held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both, rather than for:

a) use in the production or supply of goods or services or for administrative purposes; or
b) sale in the ordinary course of business.

Investment property is recognised as an asset when, and only when, it is probable that the future economic benefits that are associated with the investment property will flow to the enterprise, and the cost of the investment property can be measured reliably.

A professional valuator shall be engaged every five years to determine the market values. For the remaining four financial periods, fair value will be assessed by management with the relevant income, expenses and capitalisation rates obtained from the professional valuator. When the fair value of a revalued asset differs materially from its carrying amount, a professional valuation is obtained. If the fair value cannot be reliably determined on a continuous basis, the investment property is to be measured using the cost model.

1 PRESENTATION OF ANNUAL FINANCIAL STATEMENTS (CONTINUED)

Initial Measurement

Investment property is initially measured at cost, including transaction costs. Such cost should not include start-up costs, abnormal waste, or initial operating losses incurred before the investment property achieves the planned level of occupancy.

Subsequent Measurement

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised. All fixed property held to earn rentals is classified as investment property.

Cost Model

The entity measures the investment property using the cost model in accordance to IAS 16 (AC123). Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is provided to write down the cost, less estimated residual value on a straight-line basis over the useful life of the property, which is as follows:

Item	Estimated Useful Life
Indefinite buildings	40 - 80 years

Transfers to or from Investment Property Classification

Transfers to, or from, investment property should only be made when there is a change in use, evidenced by one or more of the following:

a) Commencement of owner-occupation (transfer from investment property to owner-occupied property);
b) End of owner-occupation (transfer from owner-occupied property to investment property);
c) Commencement of an operating lease to another party (transfer from inventories to investment property) ; and
d) End of construction or development (transfer from property in the course of construction/development to investment property.

Disposal

An investment property should be derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. The gain or loss on disposal should be calculated as the difference between the net disposal proceeds and the carrying amount of the asset, and should be recognised as income or expense in the income statement.

1.11 Biological Assets

The biological assets include cows and bulls held for the purposes of grazing where the mowers cannot reach.

An entity shall recognise a biological asset or agricultural produce when, and only when:
- the entity controls the asset as a result of past events;
- it is probable that future economic benefits associated with the asset will flow to the entity; and
- the fair value or cost of the asset can be measured reliably.

1 PRESENTATION OF ANNUAL FINANCIAL STATEMENTS (CONTINUED)

Biological assets are measured at their fair value less costs to sell.

The fair value of livestock is determined based on market prices of livestock of similar age, breed, and genetic merit.

A gain or loss arising on initial recognition of agricultural produce at fair value less costs to sell is included in profit or loss for the period in which it arises.

Where market determined prices or values are not available, the present value of the expected net cash inflows from the asset, discounted at a current market-determined rate is used to determine fair value.

Where fair value cannot be measured reliably, biological assets are measured at cost less any accumulated depreciation and any accumulated impairment losses.

1.12 Impairment of Non-financial Assets

At each financial position date, the entity reviews the carrying amounts of its tangible and finite life intangible assets to determine whether there is any indication that those assets may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Where it is not possible to estimate the recoverable amount for an individual asset, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Intangible assets with an indefinite useful life are tested for impairment annually.

If the recoverable amount of an asset (cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. Impairment losses are immediately recognised as an expense, unless the relevant asset is carried at a revalued amount under another standard in which case the impairment loss is treated as a revaluation decrease under the standard.

The recoverable amount is the higher of the asset's fair value less cost to sell and value in use.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that other standard.

1.13 Financial Instruments

Financial assets are recognised when the company becomes a party to the contractual provisions of the respective instrument. Such assets consist of cash, equity instruments, a contractual right to receive cash or another financial asset, or a contractual right to exchange financial instruments with another entity on potentially favourable terms. Financial assets are derecognised when the right to receive cash flows from

1 PRESENTATION OF ANNUAL FINANCIAL STATEMENTS (CONTINUED)

the asset have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership.

Financial liabilities are recognised when there is an obligation to transfer benefits and that obligation is a contractual liability to deliver cash or another financial asset or to exchange financial instruments with another entity on potentially unfavourablev terms. Financial liabilities are derecognised when they are extinguished, that is discharged, cancelled or expired.

The entity classifies its financial assets and liabilities into the following categories:

- Loans and receivables;
- Available-for-sale;
- Financial liabilities measured at amortised cost; and
- Held-to-maturity investments.

The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through profit or loss, which shall not be classified out of the fair value through profit or loss category.

Initial Recognition and Measurement
Financial instruments are recognised initially when the entity becomes a party to the contractual provisions of the instruments.

The entity classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement. For financial instruments which are not at fair value through profit or loss, transaction costs are included in the initial measurement of the instrument. Transaction costs on financial instruments at fair value through profit or loss are recognised in profit or loss.

Subsequent Measurement
Financial instruments at fair value through profit or loss are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in profit or loss for the period.

Net gains or losses on the financial instruments at fair value through profit or loss.

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Available-for-sale financial assets are subsequently measured at fair value.

Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in equity until the asset is disposed of or determined to be impaired. Interest on available-for-sale

1 PRESENTATION OF ANNUAL FINANCIAL STATEMENTS (CONTINUED)

financial assets calculated using the effective interest method is recognised in profit or loss as part of other income.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

Derecognition
Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the entity has transferred substantially all risks and rewards of ownership.

Financial liabilities (or a part of a financial liability) are derecognised when it is extinguished - i.e. when the obligation specified in the contract is discharged or cancelled or expires.

Impairment of Financial Assets
At each reporting date the entity assesses all financial assets, other than those at fair value through profit or loss, to determine whether there is objective evidence that a financial asset or entity of financial assets has been impaired.

For amounts due to the entity, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

Impairment losses are recognised in profit or loss.

Fair value is based on active market prices, adjusted, if necessary, for any differences in the nature, location or condition of the specific asset. If this information is not available, the company uses alternative valuation methods. Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in profit or loss within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

(a) Loans and Receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after statement of financial position date. These are classified as non-current assets.

The entity's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the statement of financial position.

1 PRESENTATION OF ANNUAL FINANCIAL STATEMENTS (CONTINUED)

(b) Held-to-maturity Financial Assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the entity's management has the positive intention and ability to hold to maturity. If the entity were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the financial position date, which are classified as current assets.

Recognition and Measurement

Regular purchases and sales of financial assets are recognised on the trade date, the date on which the entity commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the entity has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value.

Loans and Receivables are Carried at Amortised Cost Using the Effective Interest Method

Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

Interest on available-for-sale securities and held-to-maturity financial assets calculated using the effective interest method is recognised in the statement of comprehensive income as part of finance income.

Impairment of Financial Assets

The company assesses at each balance sheet date whether there is objective evidence that a financial asset or entity of financial assets is impaired.

(a) Assets Carried at Amortised Cost

The entity assesses at the end of each reporting period whether there is objective evidence that a financial asset or entity of financial assets is impaired. A financial asset or a entity of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a ' loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or entity of financial assets that can be reliably estimated.

The entity first assesses whether objective evidence of impairment exists. Where in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the reversal of the previously recognised impairment loss is recognised in the statement of comprehensive income.

Impairment Testing of Trade Receivables

The criteria that the entity uses to determine that there is objective evidence of an impairment loss include:

a) Significant financial difficulty of the issuer or obligor;
b) A breach of contract, such as a default or delinquency in interest or principal payments;
c) It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;

1 PRESENTATION OF ANNUAL FINANCIAL STATEMENTS (CONTINUED)

d) The disappearance of an active market for that financial asset because of financial difficulties; or
e) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
   (i) adverse changes in the payment status of borrowers in the portfolio; and
   (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

1.14 Offsetting Financial Instruments

Where a legally enforceable right exists to set off recognised amounts of financial assets and liabilities and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously, which are in determinable monetary amounts, the relevant financial assets and liabilities are offset. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or counterparty.

1.15 Inventories

Inventories comprise of spares and consumables used in purification and maintenance, as well as water purchased but not yet sold at the end of the financial period. Inventories are stated at the lower of cost and net realisable value. Cost is determined by the average cost method. Net realisable value represents the estimated selling price in the ordinary course of business less any costs of completion and selling expenses. Obsolete and slow moving stock is identified and written off from time to time.

1.16 Trade and Other Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the entity will not be able to collect all amounts due according to the original terms of the agreement. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (to the extent that there is no payment agreement with the Water Services Authority) are considered indicators that the trade receivables are impaired.

The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of comprehensive income within 'other expenses'. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'other expenses' in the statement of comprehensive income.

1.17 Cash and Cash Equivalents

Cash and cash equivalents includes cash in hand, deposits held at call accounts with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

1 PRESENTATION OF ANNUAL FINANCIAL STATEMENTS (CONTINUED)

1.18 Trade and Other Payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

1.19 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities, unless the entity has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

1.20 Provisions

Provisions are recognised when: The entity has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pretax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

A contingent liability is a possible obligation that arises from post events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity or a present obligation that arises from a post event but is not recognized because it is not probable that on outflow of resources embodying economic benefit will be required to settle the obligation or the amount cannot be measured with sufficient reliability. Contingencies are disclosed in Note 26.

1.21 Government Grants

Government grants are recognised when there is reasonable assurance that:

- The company will comply with the conditions attaching to them; and
- The grants will be received.

Government grants are recognised as income over the periods necessary to match them with the related costs that they are intended to compensate.

A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs is recognised as income of the period in which it becomes receivable.

1 PRESENTATION OF ANNUAL FINANCIAL STATEMENTS (CONTINUED)

1.22 Other Employee Benefits

(a) Termination Benefits

Termination benefits are payable when employment is terminated by the entity before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The entity recognises termination benefits when it is demonstrably committed to a termination when the entity has a detailed formal plan to terminate the employment of current employees without possibility of withdrawal. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(b) Performance / Incentive Payments, Bonus Plans and Leave Liabilities

The entity recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation. The entity recognises a liability and an expense for 13th cheque bonuses and accrued leave balances. Annual incentive bonus payments are also made based on a percentage of total salary for each employee.

(c) Long Service Awards

The entity pays its employees a long service benefit after each five year period of continuous service. The benefit is paid in the month the employee reaches the milestone. The method of accounting and frequency of valuation are similar to those under the defined benefit schemes. The actuarial valuation to determine the liability is performed annually.

1.23 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Finance Leases – Lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate on the remaining balance of the liability.

Operating Leases - Lessor

Operating lease income is recognised as an income on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

1 PRESENTATION OF ANNUAL FINANCIAL STATEMENTS (CONTINUED)

Income for leases is disclosed under revenue in profit or loss.

Operating Leases – Lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset. This liability is not discounted.

Any contingent rents are expensed in the period they are incurred.

1.24 Irregular Expenditure

Irregular expenditure as defined in Section 1 of the Public Finance Management Act of 1999 is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including:

(a) This Act; or
(b) The State Tender Entity Act (Act No. 86 of 1968), or any regulations made in terms of the Act; or
(c) Any provincial legislation providing for procurement procedures in that provincial government.

Irregular expenditure is accounted for as expenditure, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

National Treasury Practice Note No.4 of 2008/2009 which was issued in terms of Sections 76(1) to 76(4) of the Public Finance Management Act of 1999 requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

1.25 Fruitless and Wasteful Expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.26 Cash Flow Statement

The cash flow statements of the entity have been prepared based on the direct method.

2 STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS

2.1 Standards and Interpretations Effective and Adopted in the Current Financial Year

No standards or interpretation relevant to Sedibeng Water became effective for the current financial year.

2.2 Standards and Interpretations Early Adopted

The entity has not early adopted any standard.

2.3 Standards and Interpretations Not Yet Effective

Sedibeng Water has historically applied Statement of Generally Accepted Accounting Practice (GAAP) as issued by the Accounting Standard Board (ASB). The statements of GAAP were withdrawn by ASB from December 2012.

ASB allowed Government Business Entities (GBEs) (issued at 1 April 2012), as an interim measure, to continue to apply Statements of GAAP until the ASB has undertaken more extensive research to identify the most appropriate framework.

Statements of GAAP are withdrawn from International Financial Reporting Standards (IFRSs), International Accounting Standards (IASs), interpretations issued by the International Financial Reporting Interpretations Committee (IFRICs and SICs). Directive 5, as issued by ASB, outlines which of these pronouncements constituted the Statements of GAAP (called the “GAAP Reporting Framework”) at 1 April 2012.

Statements of GAAP as at 1 April 2012 comprise the IFRS’s, IAS’s, IFRIC’s and SIC’s, and any amendments thereto, issued by the International ASB or IFRIC up until May 2011.

At year end, ASB has not identified the most appropriate reporting framework and therefore there are “no standards and interpretations not yet effective”.

3 PROPERTY, PLANT AND EQUIPMENT

	2017			2016		
	Cost R'000	Accumulated Depreciation and Revaluation R'000	Carrying Value R'000	Cost R'000	Accumulated Depreciation and Revaluation R'000	Carrying Value R'000
Land, buildings and improvements	171,293	(5,611)	165,682	165,203	6,043	171,246
Plant, machinery and equipment	133,122	(36,467)	96,655	135,179	(25,977)	109,202
Vehicles	83,077	(52,693)	30,384	76,640	(27,759)	48,881
Precipitation and dosing	72,855	(920)	71,935	73,624	(241)	73,383
Pipelines and reservoirs	2,372,869	(134,539)	2,238,330	2,461,073	(92,546)	2,368,527
Capital - Work in progress	416,477	-	416,477	142,076	-	142,076
Total	**3,249,693**	**(230,230)**	**3,019,463**	**3,053,795**	**(140,480)**	**2,913,315**

Reconciliation of Property, Plant and Equipment - 2017

	Opening Balance R'000	Additions R'000	Depreciation R'000	Total R'000
Land, buildings and improvements	171,246	47	(5,611)	165,682
Plant, machinery and equipment	109,202	2,954	(15,501)	96,655
Vehicles	48,881	2,333	(20,830)	30,384
Precipitation and dosing	73,383	-	(1,448)	71,935
Pipelines and reservoirs	2,368,527	4,342	(134,539)	2,238,330
Capital - Work in progress	142,076	274,401	-	416,477
Total	**2,913,315**	**284,077**	**(177,929)**	**3,019,463**

Reconciliation of Property, Plant and Equipment - 2016

	Opening Balance	Additions	Assets added at deemed costs	Disposals / Write-offs	Derecognised assets	Transfers	Revaluations	Depreciation	Total
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Land, buildings and improvements	122,766	17,066	-	-	(6,736)	519	47,598	(9,967)	171,246
Plant, machinery and equipment	96,850	6,732	24,238	-	(6,447)	-	-	(12,171)	109,202
Vehicles	29,386	17,000	14,411	-	(3,889)	-	-	(8,027)	48,881
Precipitation and dosing	51,545	-	-	-	(63)	-	24,782	(2,881)	73,383
Pipelines and reservoirs	1,599,178	-	-	-	-	-	857,765	(88,416)	2,368,527
Capital - Work in progress	167,226	1,860	486	(26,977)	-	(519)	-	-	142,076
Total	**2,066,951**	**42,658**	**39,135**	**(26,977)**	**(17,135)**	**-**	**930,145**	**(121,462)**	**2,913,315**

Property, Plant and Equipment encumbered as security

The following assets have been encumbered as security for the secured long-term borrowings 11 & 12: Vehicles with a book value of R23,196,969 (2016: R28,996,211) serve as security for a loan disclosed in note 12. The cost price of fully depreciated assets that are still in use is R563,258 (2016: R33,587,663).

4 INVESTMENT PROPERTY

	2017			2016		
	Cost/ Valuation R'000	Accumulated Depreciation R'000	Carrying Value R'000	Cost/ Valuation R'000	Accumulated Depreciation R'000	Carrying Value R'000
Investment property	11,400	-	11,400	10,150	-	10,150
	11,400	-	11,400	10,150	-	10,150

Reconciliation of Investment Property - 2017

	Opening Balance R'000	Fair Value Adjustments R'000	Total R'000
Investment property	10,150	1,250	11,400
	10,150	**1,250**	**11,400**

Reconciliation of Investment Property - 2016

	Opening Balance R'000	Fair Value Adjustments R'000	Total R'000
Investment property	9,145	1,005	10,150
	9,145	**1,005**	**10,150**

Amounts Recognised in Profit and Loss for the Year

Rental income from investment property	349	**326**

The valuation of the investment properties was conducted by the qualified property valuators' firm called Magau Property Valuers. Their address is P.O. Box 13834, Norkem Park, 1631.

5 BIOLOGICAL ASSETS

Cattle		
Opening balance	241	188
Revaluation	232	53
	473	**241**

Number of Each Biological Asset

Description	2017	2016
Bulls	8	7
Cows	30	18
Oxen	6	1
Calves and heifers	12	21
Total	**56**	**47**

Biological assets are measured at fair value less estimated point of sale cost. The fair value of the livestock is determined based on the market price of livestock of a similar age, breed and genetic merit.

6 INTANGIBLE ASSETS

	2017			2016		
	Cost/ Valuation R'000	Accumulated Amortisation R'000	Carrying Value R'000	Cost/ Valuation R'000	Accumulated Amortisation R'000	Carrying Value R'000
Computer software	3,684	(1,628)	2,056	3,394	(570)	2,824
Servitudes	1,088	-	1,088	1,088	-	1,088
Internally generated software	4,581	-	4,581	-	-	-
Total	**9,353**	**(1,628)**	**7,725**	**4,482**	**(570)**	**3,912**

Reconciliation of Intangible Assets - 2017

	Opening Balance R'000	Additions R'000	Amortisation R'000	Total R'000
Computer software	2,825	290	(1,059)	2,056
Servitudes	1,088	-	-	1,088
Internally generated software	-	4,581	-	4,581
Total	**3,913**	**4,871**	**(1,059)**	**7,725**

6 INTANGIBLE ASSETS (CONTINUED)

Reconciliation of Intangible Assets - 2016

	Opening Balance R'000	Additions R'000	Transfers R'000	Amortisation R'000	Total R'000
Computer software	899	3,170	-	(1,244)	2,825
Servitudes	1,088	-	-	-	1,088
Internally generated software	2,151	-	(2 151)	(2,151)	-
Total	**4,138**	**3,170**	**(2 151)**	**(1,244)**	**3,913**

7 FINANCIAL ASSETS

	Other Financial Assets R'000	Sinking Fund R'000	Insurance Fund R'000	Personnel Investment R'000	Total R'000
Year Ended 30/06/2017					
Net book value 1 July 2016	31,634	158,905	5,467	1,311	197,317
Additions	2,428	26,058	976	310	29,772
Net Carrying Amount 30 June 2017	**34,062**	**184,963**	**6,443**	**1,621**	**227,089**
Year Ended 30/6/2016					
Net book value 1 July 2015	30,315	139,739	3,264	1,122	174,440
Additions	1,319	19,166	2,203	189	22,877
Net Carrying Amount 30 June 2016	**31,634**	**158,905**	**5,467**	**1,311**	**197,317**

The held-to-maturity investments are utilised to redeem interest-bearing borrowings on due dates.

The maximum exposure to credit risk at the reporting date is the carrying amount of the debt securities classified as available-for-sale and held-to-maturity investments.

The Board has not reclassified any financial assets measured at amortised cost rather than fair value during the year and in prior years.

None of the financial assets is either past due or impaired.

The following Zero Coupon financial assets are pledged as security for interest-bearing borrowings as set out in note 11.

		2017 R'000	2016 R'000
Name of Institution	**Nature of Business**		
Investec Bank	Bank	48,325	42,459

The long-term financial assets (coupons) are held by Sanlam South Africa and Investec. Both financial institutions' credit rating by FITCH is AA.

	2017 R'000	2016 R'000
8 INVENTORIES		
Consumables (at cost)	18,243	21,009
Water inventory	4,942	1,822
	23,185	22,831
Inventories (write-downs)	(1 088)	(1,150)
	22,097	**21,681**

Inventories are carried consistently to previous years as stated in the accounting policy (1.15).

9 TRADE AND OTHER RECEIVABLES		
Trade receivables	3,046,109	2,417,467
Prepayments	12,222	-
Other receivables	635,838	566,830
Provision for doubtful debts - trade receivables	(806,826)	(761,826)
	2,887,343	**2,222,471**
Trade and Other Receivables Impaired		
Fully impaired	806,826	761,825
Reconciliation of Provision for Impairment of Trade and Other Receivables:		
Opening balance	761,825	674,857
Provision for impairment	45,001	86,968
Closing balance	**806,826**	**761,825**

As at 30 June 2017, trade and other receivables of R806,826,000 (2016: R761,825,000; 2015: R676,625,000) were impaired and provided for. These individually impaired receivables mainly relate to municipalities and end consumers which are in difficult economic situations.

10 CASH AND CASH EQUIVALENTS

	2017 R'000	2016 R'000
Cash and cash equivalents consist of:		
Cash on hand	81	83
Cash at bank	332,689	414,865
32 day notice deposit	54,459	50,576
	387,229	**465,524**

11 INTEREST-BEARING BORROWINGS

	2017 R'000	2016 R'000
At Amortised Cost		
Development Bank of South Africa The loan bears interest at 15.08%, and is repayable in bi-annual instalments of R5,513,060 over a period of 18 years commencing on 01/10/2001. The final instalment is payable on 30/09/2018. The loans are secured by financial assets with a book value of R48,3 million (2016: R42,5 million) as set out in Note 7.	12,464	19,332
Sishen Iron Ore Company The loan bears interest at prime minus 2.50% and is repayable in monthly instalments of R702,422 over a period of 10 years commencing on 31/01/2015 with the last payment on 31/12/2024. The loan is not secured.	47,423	51,864
	59,887	**71,196**
Non-current Liabilities		
Interest-bearing borrowings	31,038	50,786
Current Liabilities		
Interest-bearing borrowings	28,849	20,410
	59,887	**71,196**

11 INTEREST-BEARING BORROWINGS (CONTINUED)

Settlement of Non-current Liabilities		
Interest-bearing borrowings payable later than 1 year but not later than 5 years	11,679	25,129
Later than 5 years	19,359	25,657
	31,038	**50,786**

12 FINANCE LEASE LIABILITIES

Minimum lease payments due		
within one year	5,984	5,984
in second to fifth year inclusive	14,633	18,844
Present value of minimum lease payments	**20,617**	**24 828**
Present value of minimum lease payments due		
within one year	5 984	5,984
in second to fifth year inclusive	14,633	18,844
	20,617	**24 828**
Non-current liabilities	14,633	18,844
Current liabilities	5,984	5,984
	20,617	**24,828**

It is entity policy to lease certain motor vehicles and equipment under finance leases.

Interest rates are fixed at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

The entity's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 3.

13 DEFINED CONTRIBUTION PLANS

The Board has made provision for pension and provident schemes relating to retirement benefit obligations covering all employees substantially.

The funds are governed by the Pension Funds Act (Act No. 24 of 1956).

Provident Fund

The provident fund is regulated by the Pension Fund Act of 1956. All permanent employees are compulsory members of the fund. Contributions are paid by the employer at a rate of 8.5% of pensionable remuneration of all members plus cost of administration.

Pension Fund

The pension fund is regulated by the Pension Fund Act of 1956. All permanent employees are compulsory members of the fund. Employees make 8.5% of the contribution. The employer covers the cost of assured benefits, as well as fees for basic administration, consultation and actuarial services.

The plans are funded and interim actuarial valuations are performed regularly with statutory valuations conducted every three (3) years.

14 RETIREMENT BENEFITS

	2017 R'000	2016 R'000
Post-retirement Benefits		
Present value of the defined benefit obligation - wholly unfunded	**(94,720)**	**(91,403)**
	(94,720)	**(91,403)**

Employees and continuation and widow(er) members ('CAWMs') of Sedibeng Water participate in the Community Medical Aid Scheme ('Commed'), Discovery Health Medical Scheme ('Discovery') or Hosmed Medical Scheme ('Hosmed').

Movements for the Year:		
Opening balance	(91,403)	(84,468)
Re-measurement	4,888	613
Net expense recognised in profit or loss	(8,205)	(7,548)
	(94,720)	**(91,403)**

Net Expense Recognised in Profit or Loss:		
Contribution payments by employer	3,096	2,492
Service cost	(2,462)	(2,300)
Interest cost	(8,839)	(7,740)
	(8,205)	**(7,548)**

Key Assumptions Used:

Assumptions used on last valuation as at 30 June 2017:

Discount rates used	10.04%	9,83%
Expected rate of return on assets	8.83%	9.47%
Expected rate of return on reimbursement rights	7.33%	7,97%
Salary inflation rate	8.33%	8,97%
Expected increase in salaries	100%	100%

14 RETIREMENT BENEFITS (CONTINUED)

Mortality Assumption:

The longevity of members in retirement is an important assumption, dictating the expected length of time over which benefits are paid. The effect of using heavier or lighter mortality assumptions post-employment is shown below:

Assumption	Variation	Change in Past-service Contractual Liability	Change in Service Cost Plus Interest Cost
Post-employment mortality rates	PA (90)	-4.0%	-4.0%
	PA (90)-2	+4.1%	+4.1%

The following pre- and post-retirement mortality rates were assumed:

Age	Female	Male
Pre-retirement	SA85-90 (light) with a three-year age deduction	SA85-90 (light)
Post-retirement	PA (90)-1 (females)	PA (90)-1 (males)

Sensitivity Analysis for Health Care Cost Inflation

The effect of a 1% increase and decrease in the health care cost inflation assumption on the contractual liability and the annual expenses is shown below.

Assumption	Variation	Change in Past-service Contractual Liability	Change in Service Cost Plus Interest Cost
Health care cost inflation	+1%	+13.4%	+14.6%
	-1%	-11.3%	-12.3%

Amounts for the current and previous four years are as follows:

	2017 R'000	2016 R'000	2015 R'000	2014 R'000	2013 R'000
Defined benefit obligation	89,832	90,790	84,605	84,999	62,805
Actuarial gain/(loss) recognised	4,888	613	(137)	(7,791)	145
	94,720	**91,403**	**84,468**	**77,208**	**62,950**

The projected annual expense including the cost of post-employment contributions payable by the employer for the 2018 financial year is R7,5 million.

15. LONG SERVICE AWARDS

	2017	2016
	R'000	R'000
Long Service Awards Liability		
Present value of the obligation	27,039	24,188

Valuation Assumptions and Methodology

The long service award liabilities have been valued using the Projected Unit Credit discounted cashflow method. This method was used to determine the past-service liabilities at the valuation date and projected annual expense in the year following the valuation date.

Key Assumptions Used

Assumptions used on the valuation performed as at 30 June 2017:			
Consumer Price Inflation (CPI)	6.89%	6.81%	6,81%
Salary inflation	7.85%	7.81%	7,81%
Discount rate	8.66%	8.63%	8,63%

The discounted mean term of Sedibeng Water's liability is approximately 6.1 years. The discount rate and CPI have therefore been based on the 6.1 year yield from the South African Zero Coupon Government Bond yield curve as at 30 June 2017, as published by the Bond Exchange of South Africa.

The discount rate was set equal to the nominal yield.

The CPI assumption was derived by taking the difference between the nominal yield and real yield. Salary inflation was set at 1% above CPI.

For the purpose of this valuation, the real discount rate is either the discount rate (8.66% p.a.) or the discount rate net of salary inflation (1.69% p.a.), depending on the type of award. These two variables have the greatest effect on the liability as even relatively small changes to these assumptions have a relatively large impact on the liabilities.

The market values of the bond interest yields are available via subscription.

The following mortality rates were assumed:

Gender	Mortality
Male	SA85-90 (light)
Female	SA85-90 (light) with a three year age reduction

	2017 R'000	2016 R'000
16 TRADE AND OTHER PAYABLES		
Trade payables	1,711,273	700,381
VAT	5,990	42,020
Other payables	369,883	701,556
Special projects	2,267	225,148
Accrued leave pay	27,580	23,332
Accrued bonus	6,321	5,884
	2,123,314	**1,698,321**

The Board considers that the carrying amount of trade and other payables approximates their fair value.

	2017 R'000	2016 R'000
17 REVENUE		
Water sales	708,261	654,835
Water sales - fixed contribution	340,235	315,436
Equitable share and service delivery claim	213,839	186,947
Sewage income	29,120	9,140
Total Revenue	**1,291,455**	**1,166,358**
18 COST OF SALES		
Sale of Goods		
Raw water purchases	348,300	357,177
Labour costs	208,045	183,394
Electricity	167,052	163,996
Purification costs	49,593	35,177
	772,990	**739,744**

	2017 R'000	2016 R'000
19 OTHER INCOME		
Administration and management fees received	-	9,064
Bad debts recovered	-	54,717
Sale of scrap	-	61,904
Project income	70,674	29,313
Refurbishment income	-	5,146
Interest income on accounts receivable balances	600	535
Miscellaneous	16,661	20,846
Government grants	-	199,445
	87,935	**368,971**

19 OTHER INCOME (CONTINUED)

Government grants consist of an operational subsidy for the Vaal Gamagara Water Scheme (Northern Cape Region) and Northern West Region (former Botshelo Water). Government grants earned by the entity is recognised net of value added tax.

20 OPERATING PROFIT

Operating profit for the year is stated after accounting for the following:

Operating Lease Charges		
Premises		
• Contractual amounts	773	944
Motor vehicles		
• Contractual amounts	1,928	4,194
	2,701	**5,138**
Depreciation on property, plant and equipment	177,929	121,462
Employee costs	114,925	116,213
Impairments	45,000	86,968
Security	29,981	19,480
Repairs and maintenance	68,131	56,611
Purification costs	49,593	35,177
Electricity	166,184	162,450

21 INVESTMENT REVENUE

Interest Revenue		
Interest income received	66,707	46,399
	66,707	**46,399**

22 FINANCE COSTS

Interest-bearing borrowings	6,887	8,552
	6,887	**8,552**

23 TAXATION

In terms of section 10 (1)(t)(ix) read with Section 1 on water services provider definition of the Income Tax Act (Act No. 58 of 1962), Sedibeng Water is exempt from income tax.

	2017 R'000	2016 R'000

24 AUDITORS' REMUNERATION

External audit fees	5,995	4,492
	5,995	**4,492**

25 CASH GENERATED FROM OPERATIONS

Net profit for the year	88,560	248,156
Adjusted for:		
Depreciation	177,929	121,462
Interest received	(66,707)	(46,399)
Finance costs	6,887	8,552
Fair value adjustments	(58,124)	(43,025)
Recognition of post-employment liability	3,317	6,935
Movements in provisions	739	-
Recognition of long service awards	2,853	1,126
Amortisation of intangible assets	1,058	1,244
Transfer between reserves	(8,409)	(19,485)
Changes in Working Capital:		
Inventories	(416)	(6,111)
Trade and other receivables	(664,873)	(800,734)
Trade and other payables	491,247	683,008
Deferred income	223,268	-
Total Changes in Working Capital	**197,329**	**154,729**

26 COMMITMENTS

Capital Expenditure Authorised but not Contracted		
Already Contracted for but not Provided for		
Property, plant and equipment	160,133	-
	160,133	**-**

This capital expenditure is funded mainly from internally generated funds and the Department of Water and Sanitation (DWS) through the Regional Bulk Infrastructure Grant (RBIG).

27 CONTINGENT LIABILITIES

Legal Matters

Sedibeng Water / Matjhabeng Local Municipality

The Matjhabeng Local Municipality has disputed the inclusion of loan repayments and insurance expense in the tariff schedule, the impact of these has been calculated at R296 million as at 30 June 2017. The matter has been referred for arbitration.
Labour Cases

Legal proceedings have been instituted against Sedibeng Water and the organisation's legal advisors have advised that they believe Sedibeng Water has reasonable defences and that the probability of loss is minimal. Management's estimate of the organisation's maximum exposure is R2,6 million.

Contingent Asset
Sedibeng Water re-instated the water purchases which resulted to a Value Added Tax (VAT) Input claim of R75 million and disclosed herein as a contingent asset. During the current year, invoices relating to raw water purchases were obtained from the Department of Water and Sanitation. The necessary claim will be lodged with the Receiver of Revenue (SARS).

28 RELATED PARTIES

Ultimate holding company: National Department of Water and Sanitation

Sedibeng Water is 100% controlled by the Government of South Africa represented by the Department of Water and Sanitation. Sedibeng Water purchases Raw Water from DWS. The related party disclosure is required in terms of AC 126 : *Related Party Disclosures.*

The related parties of Sedibeng Water consist mainly of directors and key management personnel of Sedibeng Water. Refer to Note 28 for specific details.

Related party transactions

	2017 R'000	2016 R'000
Purchases of raw water	348,300	357,177
Year-end payable	1,721,133	1,397,251

29 DIRECTORS' EMOLUMENTS

Executive

	Emoluments	Bonuses	Performance Payments	Expense Claims	Other	Total
	R'000	R'000	R'000	R'000	R'000	R'000
YEAR ENDED 30 JUNE 2017						
R.T. Takalani	3,107	165	932	403	31	4,638
M. Shasha	1,996	100	605	147	12	2,860
D.F. Traut	1,703	84	459	171	25	2,442
G.M. Dippenaar	1,495	92	497	212	3	2,299
I.M. Hasenjager	1,610	-	536	357	74	2,577
T.N. Molobye	1,719	-	541	277	21	2,558
N.A. Theys	1,516	78	470	247	21	2,332
N.E. Ratshitanga	1,480	85	481	248	21	2,315
M.M. Lebitso	1,501	85	464	269	20	2,339
O.A. Masia	1,310	80	429	303	22	2,144
D. Khumalo	1,388	82	464	57	8	1,999
T. Nteo	1,404	83	452	233	15	2,187
Total	**20,229**	**934**	**6,330**	**2,924**	**273**	**30,690**
YEAR ENDED 30 JUNE 2016						
R.T. Takalani	2,486	165	1,837	380	251	5,119
M. Shasha	1,804	79	241	184	7	2,315
D.F. Traut	1,299	77	420	239	7	2,042
G.M. Dippenaar	1,379	84	451	199	-	2,113
I.M. Hasenjager	1,481	-	455	465	20	2,421
M.I. Motsamai	819	54	428	272	493	2,066
T.N. Molobye	1,486	83	467	328	-	2,364
N.A. Theys	1,313	71	426	263	225	2,298
N.E. Ratshitanga	1,365	78	445	280	-	2,168
M.M. Lebitso	1,347	77	425	207	-	2,056
O.M. Masia	1,209	73	386	368	-	2,036
D. Mukondeleli	1,292	120	276	274	226	2,188
D. Khumalo	1,274	75	271	42	33	1,695
Total	**18,554**	**1,036**	**6,528**	**3,501**	**1,262**	**30,881**

29 DIRECTORS' EMOLUMENTS (CONTINUED)

Non-executive

	Remuneration R'000	Expense Claims R'000	Total R'000
YEAR ENDED 30 JUNE 2017			
Board Members			
M. Dikoko (Chairperson)	1,763	207	1,970
M. Ramataboe	383	35	418
E. Gaborone	459	78	537
G. Ramakarane	381	51	432
C. Mboweni	509	120	629
M. Mthombeni	430	59	489
P. Molokwane	491	48	539
S. Kholong	327	26	353
K. Sereko	374	54	428
Total	**5,117**	**678**	**5,795**
YEAR ENDED 30 JUNE 2016			
Board Members			
M. Dikoko (Chairperson)	1,301	133	1,434
M. Ramataboe	358	32	390
E. Gaborone	293	59	352
G. Ramakarane	322	19	341
C. Mboweni	312	74	386
M. Mthombeni	384	59	443
P. Molokwane	335	48	383
S. Kholong	339	26	365
D. Madyo	306	42	348
K. Sereko	440	106	546
Total	**4,390**	**598**	**4,988**

30 COMPARATIVE FIGURES

The comparative figures have in certain instances been restated as disclosed to accommodate new disclosure requirements.

31 CATEGORIES OF FINANCIAL INSTRUMENTS

	Note(s)	Debt Instruments at Amortised Cost R'000	Financial Liabilities at Fair Value through Profit or Loss R'000	Financial Liabilities at Amortised Cost R'000	Financial Assets at Amortised Cost R'000	Leases R'000	Equity and Non-financial Assets and Liabilities R'000	Total R'000
Categories of Financial Instruments - 2017								
ASSETS								
Non-current Assets								
Biological assets	5	-	-	-	-	-	473	473
Investment property	4	-	-	-	-	-	11,400	11,400
Property, plant and equipment	3	-	-	-	-	-	3,019,464	3,019,464
Intangible assets	6	-	-	-	-	-	7,725	7,725
Financial assets	7	-	-	-	227,089	-	-	227,089
Total Non-current Assets		**-**	**-**	**-**	**227,089**	**-**	**3,039,062**	**3,266,151**
Current Assets								
Inventories	8	-	-	-	-	-	22,097	22,097
Trade and other receivables	9	2,875,122	-	-	-	-	12,222	2,887,344
Cash and cash equivalents	10	(423)	-	-	387,652	-	-	387,229
Total Current Assets		**2,874,699**	**-**	**-**	**387,652**	**-**	**34,319**	**3,296,670**
Total Assets		**2,874,699**	**-**	**-**	**614,741**	**-**	**3,073,381**	**6,562,821**

31 CATEGORIES OF FINANCIAL INSTRUMENTS (CONTINUED)

	Note(s)	Debt Instruments at Amortised Cost R'000	Financial Liabilities at Fair Value through Profit or Loss R'000	Financial Liabilities at Amortised Cost R'000	Financial Assets at Amortised Cost R'000	Leases R'000	Equity and Non-financial Assets and Liabilities R'000	Total R'000
Categories of Financial Instruments - 2017 (continued)								
EQUITY AND LIABILITIES								
Equity								
Equity attributable to equity holders of parent:								
Reserves		-	-	-	-	-	2,955,850	2,955,850
Retained income		-	-	-	-	-	1,015,604	1,015,604
Total Equity		**-**	**-**	**-**	**-**	**-**	**3,971,454**	**3,971,454**
Liabilities								
Non-current Liabilities								
Interest-bearing borrowings	11	-	-	31,038	-	-	-	31,038
Finance lease liabilities	12	-	-	-	-	14,633	-	14,633
Retirement benefit obligation	14	-	-	-	-	-	94,720	94,720
Deferred income		-	-	-	-	-	265,050	265,050
Long-Service Awards Liability	15	-	-	-	-	-	27,039	27,039
Total Non-current Liabilities		**-**	**-**	**31,038**	**-**	**14,633**	**386,809**	**432,480**
Current Liabilities								
Other financial liabilities	11	-	-	28,849	-	-	-	28,849
Finance lease liabilities		-	-	-	-	5,984	-	5,984
Trade and other payables	16	-	-	2,123,313	-	-	-	2,123,313
Provisions		-	-	-	-	-	739	739
Total Current Liabilities		**-**	**-**	**2,152,162**	**-**	**5,984**	**739**	**2,158,885**
Total Liabilities		**-**	**-**	**2,183,200**	**-**	**20,617**	**387,548**	**2,591,365**
Total Equity and Liabilities		**-**	**-**	**2,183,200**	**-**	**20,617**	**4,359,002**	**6,562,819**

31 CATEGORIES OF FINANCIAL INSTRUMENTS (CONTINUED)

	Note(s)	Debt Instruments at Amortised Cost R'000	Financial Liabilities at Fair Value through Profit or Loss R'000	Financial Liabilities at Amortised Cost R'000	Financial Assets at Amortised Cost R'000	Leases R'000	Equity and Non-financial Assets and Liabilities R'000	Total R'000
Categories of Financial Instruments - 2016								
ASSETS								
Non-current Assets								
Biological assets	5	-	-	-	-	-	241	241
Investment property	4	-	-	-	-	-	10,150	10,150
Property, plant and equipment	3	-	-	-	-	-	2,913,314	2,913,314
Intangible assets	6	-	-	-	-	-	3,913	3,913
Financial assets	7	-	-	-	197,317	-	-	197,317
Total Non-current Assets		**-**	**-**	**-**	**197,317**	**-**	**2,927,618**	**3,124,935**
Current Assets								
Inventories	8	-	-	-	-	-	21,681	21,681
Trade and other receivables	9	2,222,471	-	-	-	-	-	2,222,471
Cash and cash equivalents	10	-	-	-	465,524	-	-	465,524
Total Current Assets		**2,222,471**	**-**	**-**	**465,524**	**-**	**21,681**	**2,709,676**
Total Assets		**2,222,471**	**-**	**-**	**662,841**	**-**	**2,949,299**	**5,834,611**

31 CATEGORIES OF FINANCIAL INSTRUMENTS (CONTINUED)

	Note(s)	Debt Instruments at Amortised Cost R'000	Financial Assets at Fair Value through Profit or Loss R'000	Financial Liabilities at Amortised Cost R'000	Financial Assets at Amortised Cost R'000	Leases R'000	Equity and Non-financial Assets and Liabilities R'000	Total R'000
Categories of Financial Instruments - 2016 (continued)								
EQUITY AND LIABILITIES								
Equity								
Equity attributable to equity holders of parent:								
Reserves		-	-	-	-	-	2,928,734	2,928,734
Retained income		-	-	-	-	-	954,159	954,159
Total Equity		**-**	**-**	**-**	**-**	**-**	**3,882,893**	**3,882,893**
Liabilities								
Non-current Liabilities								
Other financial liabilities	11	-	-	50,786	-	-	-	50,786
Finance lease liabilities	12	-	-	-	-	18,844	-	18,844
Retirement benefit obligation	14	-	-	-	-	-	91,403	91,403
Deferred income		-	-	-	-	-	41,782	41,782
Long service awards	15	-	-	-	-	-	24,188	24,188
Total Non-current Liabilities		**-**	**-**	**50,786**	**-**	**18,844**	**157,373**	**227,003**
Current Liabilities								
Other financial liabilities	11	-	-	20,410	-	-	-	20,410
Finance lease liabilities		-	-	-	-	5,984	-	5,984
Trade and other payables	16	-	-	1,698,320	-	-	-	1,698,320
Total Current Liabilities		**-**	**-**	**1,718,730**	**-**	**5,984**	**-**	**1,724,714**
Total Liabilities		**-**	**-**	**1,769,516**	**-**	**24,828**	**157,373**	**1,951,717**
Total Equity and Liabilities		**-**	**-**	**1,769,516**	**-**	**24,828**	**4,040,266**	**5,834,610**

32 RISK MANAGEMENT

Capital Risk Management

The Board's main objectives when managing capital are to safeguard its ability to continue as going concern in order to provide acceptable returns and maintain optimal capital structure to reduce the cost of capital.

Capital investments are financed from within, without external borrowings in order to maintain the capital structure. The organisation monitors capital on the basis of gearing ratio which reflects the strength of the statement of financial position.

During 2017 the organisation maintained a gearing ratio of -25% (June 2016:-25%). This enabled the Board to fund capital investments more effectively without government guarantees. Capital investments included expansion programmes to build capacity for volume growth and replacement programmes to sustain the existing capacity.

There have been no changes to what the entity manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

The gearing ratio at 2017 and 2016 respectively, were as follows:

	2017 R'000	2016 R'000
Gearing ratio	2%	3%

Liquidity Risk

Liquidity risk is the risk that the Board will not be able to meet its financial obligations as they fall due.

The Board's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities, when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Board's reputation.

Adequate reserves, liquid resources and unutilised borrowing facilities are also maintained.

Cash Flow and Fair Value Interest Rate Risk

The Board is exposed to interest rate risks in South Africa. The Board does not make use of interest rate derivatives. The Board's interest rate risk arises from long term investments and borrowings.

The Board manages its interest rate by maintaining an appropriate mix between fixed and floating interest rate borrowings and investments.

32 RISK MANAGEMENT (CONTINUED)

Fair Values

The Board's financial instruments consists mainly of cash and cash equivalents, trade receivables, investments, trade payables and interest bearing borrowings.

No financial asset was carried at an amount in excess of its fair value and fair values could be reliably measured for all financial assets that are available-for-sale.

The following methods and assumptions are used to determine the fair value of each class of financial instruments:

Cash and Cash Equivalents

The carrying amount of cash and cash equivalents approximates fair value due to the relatively short-term maturity of these financial assets and financial liabilities.

Trade Receivables

The carrying amount of trade receivables, net of provision for impairment, approximate fair value due to the relatively short-term maturity of this financial asset.

Investments

The fair value of debt securities is determined using a discounted cash flow method. Other investments, such as long-term cash and cash equivalent balances are carried at face value in the statement of financial position. The carrying value of these financial assets approximate their fair value due to the instruments being exposed to variable market-related interest rates.

Trade Payables

The carrying amount of trade payables approximates fair value due to the relatively short-term maturity of the financial liability.

Interest-bearing Borrowings

The fair value of interest-bearing borrowings is determined using a discounted cash flow method. The fair value of interestbearing borrowings with variable interest rates approximates their carrying amounts.

Credit Risk

Financial assets, which potentially subject the Board to the risk of non-performance by counter-parties and thereby subject the Board to concentrations of credit risk, consist mainly of cash and cash equivalents, deposits with financial institutions and trade receivables. Credit risk is controlled through the application of credit approvals, limits and monitoring procedures. Where necessary, the Board obtains appropriate collateral to mitigate risk.

32 RISK MANAGEMENT (CONTINUED)

The Board limits its treasury counter-party exposure by only dealing with well-established financial institutions with high credit ratings. The Board's exposure and the credit ratings of its treasury counter-parties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counter-parties. The Board does not expect any treasury counter-parties to fail to meet their obligations, given their high credit rating.

Credit risk with respect to trade receivables is limited due to the large number of customers comprising the Board's customer base and their dispersion across different industries and geographical areas. However, a large portion of the Board's customers comprise of municipalities and rural area end-user consumers which are in difficult economic situations. Accordingly, the Board does not consider there to be any concentration of credit risk, which had not been adequately provided for. Trade receivables are presented net of provision for impairment.

Currency Risk
The entity is not exposed to currency risk.

The entity reviews its foreign currency exposure, including commitments on an on-going basis. The company expects its foreign exchange contracts to hedge foreign exchange exposure.

Price Risk
The entity is exposed to equity securities price risk because of investments held by the enity and classified on the statement of financial position as available-for-sale or held-to-maturity. To manage its price risk arising from investments, the Board diversifies its portfolio.

None of the financial assets that are fully performing has been renegotiated in the last year.

The Board is not exposed to commodity price risk.

33 GOING CONCERN

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

	2017 R'000	2016 R'000

34 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and Wasteful Expenditure Incurred:		
Opening balance	-	289
Current year movements	702.7	182
Condoned by the Board	(140)	(471)
	562.7	**-**

The expenditure had its origin due to the late payment of certain suppliers. The amount has been condoned.

35 IRREGULAR EXPENDITURE

Irregular Expenditure Incurred:		
Opening balance	10,900	1,128
Current year movements	143,305	10,900
Condoned by the Board	-	(1,128)
	154,205	**10,900**

The irregular expenditure occurred from non-compliance with the procurement processes. The transactions have not been condoned by the Accounting Authority pending the normal process to investigate such.

36 PRIOR PERIOD ERRORS

In the years prior to 2017, an error was made in the calculation of Accounts Payable. The Cost of Sale expense was calculated based on estimated instead of actual invoices. The VAT input and Water Purchases expense were incorrectly calculated. The comparatives for 2016 and 2015 have been restated. The effect of the restatement on the financial statement is summaried below:

	2015/16 R'000	2014/15 R'000	2013/14 R'000
Decrease in Cost of Sales (Water Expenses)	16,661	109,086	453,637
Increase in Total Comprehensive Income for the Year	**(16,661)**	**(109,086)**	**(453,637)**
Increase in Accounts Payable	-	126,683	505,847
Increase in Total Comprehensive Income for the Year	**-**	**17,597**	**52,201**

36 PRIOR PERIOD ERRORS (CONTINUED)

Property, plant and equipment were revalued during the prior calendar year. The valuation was completed after financial statements were submitted. As the valuations were performed on a component basis, the valuations could not be merged with the previous valuations performed. Subsequently, the comparatives for 2016 have been restated. The effect of the restatement on the financial statement is summarised below:

	2015/16 R'000
Increase in property, plant and equipment	951,573
(Increase) in revaluation reserve	(890,263)
Increase in Total Comprehensive Income for the Year	**61,904**
Increase in other income	61,904
Increase in Total Comprehensive Income for the Year	**61,904**

Intangibles were re-constructed during the prior calendar year. The updates and changes were completed after the financial statements were submitted. As the changes were performed on a component basis, the updates due to changes could not be merged with the previous year updates. Subsequently, the comparatives for 2016 have been restated. The effect of the restatement on the financial statements are summarised below:

	2015/16 R'000
Increase in intangible assets	1,358
Increase in total comprehensive income for the year	**1,358**
Increase in other income	1,358
Increase in total comprehensive income for the year	**1,358**

Work in progress was re-constructed during the prior calendar year. The updates and changes were completed after the financial statements were submitted. As the changes were performed on a component basis, the updates due to changes could not be merged with the previous year updates. Subsequently, the comparatives for 2016 have been restated. The effect of the restatement on the financial statements are summarised below:

	2015/16 R'000
Increase in work in progress	486
Increase in total comprehensive income for the year	**486**
Increase in other income	486
Increase in total comprehensive income for the year	**486**

Revenue

During the current year the organsiation re-classified Other Income relating to adminstration and mangement fees received to revenue equitable share. The amount transfered is R55,4 million in the previous financial year 205/16.

	2015/16 R'000
Decrease in Management and Adminstration fees receved	55,420
Increase in Revenue Equitable Share	**55,420**
Effect in the Retained Income	-

NOTES

HEAD OFFICE

Protea Street, Balkfontein, Bothaville, 9660
Private Bag X5, Bothaville, 9660, South Africa
Tel: +27 56 515 0200 / Fax: +27 56 515 0369
GPS Co-ordinates: S27° 24.103' E26° 30.299'

REGIONAL & DISTRICT OFFICES

VIRGINIA (FREE STATE REGION)

P.O. Box 518, Virginia, 9430 / GPS Co-ordinates: S28° 05.561' E26° 50.804'
Tel: +27 74 142 0073, +27 74 159 6091 or +27 57 237 2300 / Fax: +27 57 237 2340

HARTSWATER (NORTH WEST REGION)

Private Bag X2, Hartswater, 8570 / GPS Co-ordinates: S27° 45.412' E24° 47.522'
Tel: +27 53 474 0103/0142 / Fax: +27 53 474 0334

MOTHIBISTAD (NORTH WEST REGION)

P.O. Box 386, Mothibistad, 8474 / GPS Co-ordinates: S27° 24.552' E23° 28.960'
Tel: +27 53 773 1009 / Fax: +27 53 773 1221

TAUNG (NORTH WEST REGION)

P.O. Box 2073, Taung Station, 8580 / GPS Co-ordinates: S27° 24.771' E24° 42.698'
Taung Cash point: Tel: +27 53 994 1582 / Fax: +27 53 994 2538
Taung District office: +27 87 285 4540
Pudumong Cashier Office: 072 104 1508
Pampierstad Cashier Office: 053 996 2707

MMABATHO (NORTH WEST REGION)

P.O. Box 4500, Mmabatho, 2735 / GPS Co-ordinates: S25° 50.161' E25° 36.556'
Tel: +27 18 392 3941/3 or +27 18 392 2047/50 / Fax: +27 18 392 2827

GANYESA (NORTH WEST REGION)

Private Bag X523, Ganyesa, 8613 / GPS Co-ordinates: S26° 36.043' E24° 11.336'
Tel: +27 87 285 5238 / Fax: +27 87 285 5238

LEHURUTSHE (NORTH WEST REGION)

P.O. Box 58, Mahikeng, 2745 / GPS Co-ordinates: S25° 29.996' E25° 59.366'
Tel: +27 18 363 3342 or +27 18 363 3662 / Fax: +27 18 363 3338

MONTSHIOA (NORTH WEST REGION)

P.O. Box 58, Montshioa, Mahikeng, 2745 / GPS Co-ordinates: S25° 50.966' E25° 37.761'
Tel: +27 18 384 2951/3 or +27 18 384 5612 / Fax: +27 18 392 2827

VAAL GAMAGARA (NORTHERN CAPE REGION)

Private Bag X1, Delportshoop, 8377 / GPS Co-ordinates: S28° 24.404' E24° 16.078'
Tel: +27 53 562 9300 / Fax: +27 53 562 9330

NAMAKWA - SPRINGBOK (NORTHERN CAPE REGION)

Private Bag X39, Springbok, 8240 / GPS Co-ordinates: S29° 35.579' E17° 53.196'
Tel: +27 27 744 1716, +27 27 744 1546 or +27 27 744 1564 / Fax: +27 27 744 1541

NAMAKWA - PELLADRIFT (NORTHERN CAPE REGION)

Private Bag X39, Springbok, 8240 / GPS Co-ordinates: S28° 58' 11.0'' E19° 08' 56.6''
Tel: +27 27 744 1716, +27 27 744 1546 or +27 27 744 1564 / Fax: +27 27 744 1541

www.sedibengwater.co.za
E-mail: ceosec@sedibengwater.co.za

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