



bloemwater
naturally

ANNUAL
REPORT 2021/22



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PART A:

GENERAL INFORMATION



1. GENERAL INFORMATION

Bloem Water is listed as a Schedule 3B National Government Business Enterprise in terms of the Public Finance Management Act (Act No. 1 of 1999) (PFMA), as amended. The Board as the Accounting Authority reports to the Minister of Water and Sanitation as the Executive Authority.

Registered Name:	Bloem Water
Registered No:	Not applicable to Schedule 3B Entities
Physical Address:	2 Mzuzu Street Pellissier Bloemfontein
Street Code:	9302
Postal Address:	P.O. Box 30121 Bloemfontein
Postal Code:	9322
Telephone No:	(051) 403-0800
Fax No:	(051) 422-5333
Website:	www.bloemwater.co.za
External Auditors:	Auditor-General South Africa
Bankers:	First National Bank
Company Secretary:	Ms. N Silevu



2. ABBREVIATIONS AND ACRONYMS

ACIP	Accelerated Community Infrastructure Programme
AET	Adult Education and Training
AGSA	Auditor-General of South Africa
ASB	Accounting Standards Board
B-BBEE	Broad-based Black Economic Empowerment
BW	Bloem Water
CAPEX	Capital Expenditure
CCMA	Commission for Conciliation, Mediation and Arbitration
CEO	Chief Executive Officer
CFO	Chief Financial Officer
COGTA	Cooperative Governance and Traditional Affairs
CUT	Central University of Technology, Free State
DWS	Department of Water and Sanitation
ERP	Enterprise Resource Planning
EWSETA	Energy and Water Sector Education and Training Authority
GCIS	Government Communication Information System
HCD	Human Capital Development
ICT	Information and Communication Technology
IDP	Integrated Development Plans
IGR	Inter-Governmental Relations
IoDSA	Institute of Directors Southern Africa
IRS	Implementation Readiness Study
IWA	International Water Association
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
MoU	Memorandum of Understanding
MWIG	Municipal Water Infrastructure Grant
NCOP	National Council of Provinces
NDP	National Development Plan
NEHAWU	National Education, Health and Allied Workers' Union
NT	National Treasury
NRW	Non-revenue Water
PCP	Pre-stressed Concrete Pipeline
PFMA	Public Finance Management Act
PSEC-WS	Presidential State-Owned Enterprises Council Workstreams
RBIG	Regional Bulk Infrastructure Grant
SALGA	South African Local Government Association
SAGAAP	South African Statements of Generally Accepted Accounting Practice
SAGRAP	South African Statement of Generally Recognised Accounting Practice
SAMWU	South African Municipal Workers Union
SANS	South African National Standards
SASSETA	Safety and Security Sector Education and Training Authority
SAR	South African Railways



SCADA	Supervisory Control and Data Acquisition
SCM	Supply Chain Management
SHEQ	Safety, Health, Environmental and Quality
SIP	Strategic Infrastructure Project
SMME	Small, Medium and Micro Enterprises
SOP	Standard Operating Procedure
SWPN	Strategic Water Partners Network
TPTTP	Taking Parliament to the People
TR	Treasury Regulations
TVET	Technical and Vocational Education and Training
UFS	University of the Free State
WRC	Water Research Commission
WSA	Water Services Authority
WSDP	Water Services Development Plan
WSP	Water Services Provider
WTW	Water Treatment Works
WWTW	Wastewater Treatment Works



FOREWORD BY THE MINISTER



Mr Senzo Mchunu
Minister of, Water and Sanitation

“Building resilient institutions through spaces for adaptive and participatory decision-making is almost the last opportunity left for leaders to live up to the promise made at the adoption of SDGs, in particular SDG 6 on water and sanitation” these were my remarks during the Stockholm World Water Week in August 2021. As water is ranked the third global risk of concern, it remains critical to strive and elevate water in the Global Agenda.

During the State of the Nation Address, his Excellency, President of the Republic of South Africa, Mr Cyril Ramaphosa stated that water is the country’s most precious natural resource and is vital to life, to development and to economic growth. He further shared that there is prioritisation of institutional reforms to ensure future water security, investment in water resources and maintenance of existing assets.

The Department was therefore mandated to intervene where water and sanitation services are failing including the reinstatement water quality monitoring system to improve enforcement of water standards at municipal level. During the year under reporting, the Department started embarking on visiting every water source in the country and reviewing water boards in as far as their mandates are concerned and ensuring that they serve municipalities in terms of the District Development Model (DDM).

In the process of augmenting the water supply in Mangaung, Free State, the Department is in the feasibility stage of a R10 billion project to build a major pipeline from the Xhariep Dam. The project is planned to be completed by 2028.

It is acknowledged that the role of Water Boards is to support municipalities by providing, managing, and operating regional bulk water services infrastructure. It is therefore for this reason that the Department, in April 2022 gave a directive to Bloem Water to implement a project to upgrade water distribution networks, wastewater and water treatment works in the Maluti-a-Phofung area.

We must also not forget that during the past two years, COVID-19 tested the strength of our water and sanitation service delivery models in a great way. It has therefore also taught us the importance of co-operation between the public and private sector, especially during challenging and uncertain times.

The emphasis to strengthen collaboration between the Public and Private sector as well as the coming together of all sectors was evidence that we are able to work together in protecting and advancing the interests of the citizens of the Republic of South Africa and to this end, we must not tire in our efforts. It is for this reason that the Department joined hands in celebrating the 10th Year Anniversary of the “Strategic Water Partners Network” (SWPN), which is an important collaboration platform between the public, private and civil society organisations. This platform has been created to reduce the projected 17% water demand-supply shortfall by 2030, which poses a significant threat to the country’s growth if measures are not taken to reverse the trend. It is pleasing to share that the SWPN on its award-winning partnership model and efforts to mobilise resources has undertaken joint projects to support the Department of Water and Sanitation to address major water issues.

The Department continues to be working with National Treasury, COGTA and SALGA on solutions to address the underlying problem of weak billing



and revenue collection at municipal level, as the direct municipal debt to the Department amounted to R8 billion.

Rationalising of the Water Boards in terms of their number and geographic footprints is underway, to ensure that all areas of the country which require the services of water boards are serviced and that the water boards are financially sustainable, achieve efficiencies and economies of scale. In February 2022 the Department initiated the process of disestablishing Sedibeng Water Board wherein Bloem Water was notified that it will take over all the Free State and Northern Cape areas serviced by Sedibeng.

While the water boards are meant to self-sustain, the Department has undertaken to offer any reasonable assistance needed by Bloem Water.

The challenges which Bloem Water has brought to the attention of the Department through various engagements during the year under reporting, with regards to the taking over of Sedibeng areas of service are given the attention it deserves so as not to defeat the intended purpose of rationalisation.

The Department is committed to ensuring that our Water Boards are better governed as some governance challenges were noted over the past few years. The department has committed to appointing appropriately qualified, skilled, and experienced people in the levels of board members and chief executive officers.

The Department applauds Bloem Water of keeping up to the governance protocols and principles.

Further, I would like to extend my sincere appreciation to the Board of Directors of Bloem Water in ensuring that they adhere to their fiduciary duties in exercising the oversight over the Entity.



Mr Senzo Mchunu
The Minister of Water and Sanitation
Date



4. FOREWORD BY THE CHAIRPERSON




MR. TB PHITSANE

**Chairperson of the Board:
Bloem Water**

During the 2021/2022 financial year, many challenges still had to be negotiated, despite the COVID-19 pandemic subsiding. Much needs to be recovered with economic activities gradually gaining momentum again. Bloem Water strived during the year under review to implement its 2021-2026 Business Plan, which is aimed at making a strategic shift to achieve sustainable performance and excellence. Effective water supply through accessible and reliable water services, positively touched the lives of the communities within the Entity's areas of service/mandate. This is in alignment with both the Constitution of South Africa and the National Development Plan (NDP) of the country.

In early February 2022, the Minister of Water and Sanitation announced his intention to disestablish Sedibeng Water Board and transfer its operations to Bloem Water. This decision is set to have significant and direct short- and long-term impact on Bloem Water as it substantially extends the geographic area to be covered by this Water Board. It also has to be noted that Bloem Water's commendable and consistent high level of performance was central to this decision by the Minister. The Board has embraced the extended areas of service and to appreciate the status of the new extended areas, the Board embarked on consultative visits to the Water Service Authorities and mines as bulk water users previously serviced by Sedibeng Water in the Northern Cape and Free State areas. While the process of incorporation has its own temporary challenges, this development is placing Bloem Water in an elevated position to also seize other opportunities in the water sector. The Board appreciates the sustained support and trust displayed in Bloem Water by the Minister of Water and Sanitation, Mr. Senzo Mchunu, as well as the Deputy Ministers together with the Department and provincial leadership.

Furthermore, the Board also acknowledges and extends its appreciation to the Chief Executive, Executive Management and the entire staff of Bloem Water in continuously implementing additional measures to successfully address challenges, while delivering on our mandate to ensure that water of excellent quality is supplied uninterrupted. Finally, I thank my colleagues in the Board, whose insight and commitment to the work and wellbeing of the organisation had been a valuable contribution as always. We stand resolute in serving the communities in our areas mandated and beyond, thus realising the rights of the people of South Africa as enshrined in the Constitution.



Mr. TB Phitsane

Chairperson of the Board: Bloem Water



5. OVERVIEW BY THE CHIEF EXECUTIVE



DR. L MOOROSI

**Chief Executive:
Bloem Water**

The 2021/2022 financial year was a remarkable year in many respects. During the review period, Bloem Water continued relentlessly in its efforts to sustainably supply the best quality water to clients and consumers, as evidenced by the improved performance rating on its strategic objectives compared to the previous financial year. However, it is important to note that a significant number of the financial objectives of the Entity could not be realised solely due to the ongoing non-payment for bulk water by municipalities. This crisis has since been escalated to the Minister of Water and Sanitation for discussion and resolution at cabinet level. Effective assistance in this regard has been extended to the Board.

Our interaction with our clients through Inter-Governmental Relations systems and Governance matters remain unstable. Despite continuous discussions, instability within municipalities saw payment plans accepted by the Board, not being adhered to, resulting in the Entity being unable to meet its obligations, such as the CAPEX Plan, and barely surviving as a sustainable bulk water supplier. In addressing the potential collapse of financial sustainability, Bloem Water continued to implement austerity measures included in our Sustainability Programme aimed at imposing drastic measures to reduce expenditure, while firm reprioritisation processes have also been introduced. This included voluntary retrenchment and the postponement of the payment of incentive bonuses.

The year under review was blessed with heavy rains that impacted positively on the levels of all four major dams in the service areas of Bloem Water. These dams filled up to one hundred percent (100%) of their capacity after drought conditions were experienced for many years. However, the rains also came with floods resulting in high maintenance costs as infrastructure were severely damaged by high amounts of debris in the catchment. The situation is currently under control as efficient water processing has been restored. The Entity is closely monitoring the signs of climate change as these heavy floods could be indicative of this phenomenon.



When the Minister of Water and Sanitation announced his intention to realign the Water Boards in the country, part of which will ultimately result in Bloem Water incorporating the Sedibeng Water Board, it became imperative that the Entity had to approach this process in a proactive manner. Several preparatory initiatives were implemented, the most important being the development of a Due Diligence Study. Furthermore, the Board and Management of Bloem Water, accompanied by the Department of Water and Sanitation, embarked on fact finding engagements with the municipalities and the mines previously serviced by Sedibeng Water in the Northern Cape and the Free State provinces.

Despite challenges confronting the Entity, the usual/other core activities such as the maintenance of infrastructure, as well as unforeseeable conditions causing damage to infrastructure, were adequately managed and contained. Furthermore, the Entity achieved unqualified audit report findings during the year under review. In the next financial year, we shall be prepared to constructively address the challenge of becoming a significantly larger Water Board. We look forward to servicing new geographical areas, which will require an in-depth reconfiguration of our operations to ensure better service delivery.

In my ten (10) years of being in the service of Bloem Water, employees had never been so prepared and determined to rescue the Entity from the threat of potential financial collapse. Therefore, on behalf of Management, I would like to thank all employees for their valuable inputs during road shows related to the Sustainability Programme. I would also like to sincerely thank the Board of Bloem Water and its Chairperson, Mr. TB Phitsane, for displaying/providing sterling leadership and guidance. Furthermore, my appreciation is expressed to colleagues at the executive level for their support and dedication in ensuring that Bloem Water remains an Entity of excellence in bulk water supply.

Last, but not least, support rendered during the year under review by the Executive Authority, the Provincial Head of the Department of Water and Sanitation, the Free State Provincial Government and National Treasury, is likewise highly appreciated.



Dr. L Moorosi

Chief Executive: Bloem Water



6. STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY FOR THE ANNUAL REPORT

To the best of our knowledge and belief, Bloem Water hereby confirms the following:

All information and amounts disclosed in this Annual Report are consistent with the Annual Financial Statements audited by the Auditor-General of South Africa as its External Auditor. This Annual Report, covering the activities and results of Bloem Water for the period 1 July 2021 to 30 June 2022 is complete, accurate, and free of any omissions.

The Annual Report has been prepared in accordance with the guidelines on Annual Reports as issued by National Treasury and the requirements of the Public Finance Management Act (Act No. 1 of 1999) (PFMA), as well as in accordance with the recommendations of the King IV Report on Corporate Governance.

The Annual Financial Statements (Part E) have been prepared in accordance with GRAP (Generally Recognised Accounting Practice) and the Public Finance Management Act (Act No. 1 of 1999) (PFMA) applicable to the public entity.

The Financial Statements are based on appropriate accounting policies consistently applied and supported by reasonable, prudent judgements and estimates.

The Accounting Authority is responsible for the preparation of the Annual Financial Statements and for the judgements made in this information.

The Accounting Authority is responsible for establishing and implementing a system of internal controls that has been designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources information, and the Annual Financial Statements.

The External Auditors are engaged to express an independent opinion on the Annual Financial Statements. In our opinion, this Annual Report fairly reflects the operations, the performance information, the human resources information, and the financial affairs of the Entity for the financial year ended 30 June 2022.

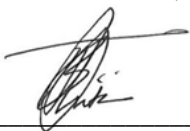
This Annual Report was approved by the Board and signed on its behalf by the following authorised representatives of the Board.

Yours faithfully,



Dr L Moorosi (Chief Executive)

Date: 31 October 2022



Mr. TB Phitsane (Chairperson)

Date: 31 October 2022



7. STRATEGIC OVERVIEW

The 2021/2022 financial year represents a milestone in the history of Bloem Water as the Minister of Water and Sanitation gazetted an expansion in the jurisdiction of the Water Board so as to include areas in the Free State and Northern Cape provinces, which were not previously serviced by Entity. As the financial year drew to an end, the Board conducted a strategic session specifically focussing on how to deal with the newly extended jurisdiction, while also assessing the Water Board's performance against the Shareholder Compact concluded with the Minister of Water and Sanitation at the beginning of the financial year under review.

Vision

Assuring sustainable and reliable quality of water services, for life!

Mission

To create a leading, value-driven, effective, and responsive water services institution, adapting best practice methods in anticipating tomorrow's challenges today.

Values

Bloem Water commits itself to the following values that guide and direct all interactions with internal and external stakeholders:

- Ethical;
- Respect;
- Integrity, people centred/centric;
- Accountability;
- Professionalism;
- Transparency and openness; and
- Equality/equitable.

Strategic Goals and Objectives

- Plan, develop, operate and maintain infrastructure to ensure sustainable water service delivery;
- Manage and optimise financial affairs to meet current and future obligations;
- Secure the supply and quality of raw water resources;
- Achieve an aligned, effective, and efficient institution through optimisation of all business processes and systems; and
- Engage and strengthen strategic partnerships with all relevant stakeholders.

Bloem Water Strategies

During the financial year under review and for optimal performance on the Entity's goals, the following strategies were implemented:

- Aligned the Entity's operational plans with the Integrated Development Plans (IDP) of municipalities, which included aligning the infrastructure plans with the Reconciliation Study concerned to meet the stated 2030 water demand and supply in the service areas;
- Ensured continuation of good Preventative Maintenance Strategies/Plans to mitigate the ageing infrastructure challenges;
- Pursued optimal funding solutions to cater for future demand;
- Prioritised budgets within the constraints of affordable tariffs;
- Continuing the River Health Programme in partnership with stakeholders to address ever-increasing pollution in the catchment areas of rivers; and
- Engaged stakeholders and created awareness on water resources management and conservation.



Strategic Goal Alignment with Ministerial Outcomes and Department of Water and Sanitation Goals

BLOEM WATER OBJECTIVES		MINISTERIAL OUTCOMES		DEPARTMENT OF WATER AND SANITATION GOALS	
SO1	Plan, develop, operate and maintain infrastructure to ensure sustainable water service delivery	MOB	Contribute to an efficient, competitive and responsive economic infrastructure network	1.	Enhanced and protected water as a resource across the value chain
				1.1	Water resources protected through water supply and sanitation services regulation, compliance monitoring and enforcement
		MOA	Environmental assets and natural resources that are well protected and continually enhanced	1.2	Enhanced management of water and sanitation information
		MOD	Responsive, accountable, effective and efficient local government system	1.3	The integrity of freshwater ecosystems protected
1.4	Enhanced water uses efficiency and management of water quantity				
SO2	Manage financial affairs to meet current and future obligations	MOB	Contribute to an efficient, competitive and responsive economic infrastructure network	2.	Equitable access to reliable, sustainable and acceptable water resources and water and sanitation services
				2.1	A coordinated approach to water and sanitation infrastructure planning and monitoring and evaluation
		MOA	Environmental assets and natural resources that are well protected and continually enhanced	2.2	Targeted and aligned planning for adequate water availability and the enhanced provision of water supply and sanitation services
		MOD	Responsive, accountable, effective and efficient local government system	2.3	Adequate water availability and enhanced provision of sustainable and reliable water supply and sanitation services
				2.4	Safe, reliable and sustainable water supply and water and sanitation services infrastructure
				2.5	Enhanced provision of sustainable and dignified basic sanitation



BLOEM WATER OBJECTIVES		MINISTERIAL OUTCOMES		DEPARTMENT OF WATER AND SANITATION GOALS	
SO3	Securing of supply and quality of raw water resources	MOB	Contribute to an efficient, competitive and responsive economic infrastructure network	3.	An enhanced contribution to socio-economic development and transformation by the sector
				3.1	Equitable water allocation and availability for socio-economic development
		MOA	Environmental assets and natural resources that are well protected and continually enhanced	3.2	Targeted rural development initiatives that support smallholder farmers
		MOF	Create a better South Africa and contribute to a better and safer Africa and world	3.3	Targeted procurement that supports black entrepreneurs in the sector
		MOG	Vibrant, equitable and sustainable rural communities	3.4	Job opportunities created that expand economic opportunities for historically excluded and vulnerable groups
SO4	Achieving an aligned, effective and efficient institution through optimisation of all business processes and systems	MOE	Decent employment through inclusive economic growth	4.	An efficient, effective and development orientated water and sanitation sector
		MOF	Create a better South Africa and contribute to a better and safer Africa and world	4.1	An enabling environment for the management of water resources and the provision of basic water and sanitation services
		MOG	Vibrant, equitable and sustainable rural communities	4.2	Sound governance and oversight of the DWS Public Entities
		MOC	Sustainable human settlements and improved quality of household life	4.3	An efficient, effective and high performing organisation
				4.4	Coordinated development of the skills pool across the sector
SO5	Engage and strengthen strategic partnerships with all relevant stakeholders	MOE	Decent employment through inclusive economic growth	5.	Sound Cooperative partnership and engaged citizenry
		MOF	Create a better South Africa and contribute to a better and safer Africa and world	5.1	Targeted and sustained African and global cooperation in support water and sanitation agenda
		MOG	Vibrant, equitable and sustainable rural communities	5.2	Informed and empowered communities and responsive government securing integrated and sustainable partnerships to support the water and sanitation development agenda



NUMBER	STRATEGIC OUTCOME GOALS	DWS STRATEGIC OBJECTIVE (from 2019/20 to 2021/22 APP Plan)	ALIGNED BLOEM WATER STRATEGIC OBJECTIVE
Ministerial	ALIGNED BLOEM WATER STRATEGIC OBJECTIVE	Goal 1 Enhanced and protected water as a resource across the value chain	SO 1 Plan, develop, operate and maintain infrastructure to ensure sustainable water service delivery
Output 1	Enhanced quality and quantity of water resources	SO 1.1 Water resources protected through water supply and sanitation services regulation, compliance monitoring and enforcement	
		SO 1.2 Enhanced management of water and sanitation information	
		SO 1.3 The integrity of freshwater ecosystems protected	
		SO 1.4 Enhanced water uses efficiency and management of water quantity	
		SO 1.5 Freshwater ecosystems protected from mine water impacts	
Ministerial Outcome B	Contribution to an efficient, competitive and responsive economic infrastructure network	Goal 2 Equitable access to reliable, sustainable and acceptable water resources and water and sanitation services	SO 2 Manage and optimise financial affairs to meet current and future obligations
Output 2	Ensuring the maintenance and supply availability of our bulk water infrastructure	SO 2.1 A coordinated approach to water and sanitation infrastructure planning and monitoring and evaluation	
		SO 2.2 Targeted and aligned planning for adequate water availability and the enhanced provision of water supply and sanitation services	
		SO 2.3 Adequate water availability and enhanced provision of sustainable and reliable water supply and sanitation services	
		SO 2.4 Safe, reliable and sustainable water supply and water and sanitation services infrastructure	
		SO 2.5 Enhanced provision of sustainable and dignified basic sanitation	
Ministerial	Sustainable human settlements and improved quality of household life	Goal 3 An enhanced contribution to socio-economic development and transformation by the sector	SO 3 Secure the supply and quality of raw water resources
		SO 3.1 Equitable water allocation and availability for socio-economic development	
		SO 3.2 Targeted rural development initiatives that support smallholder farmers	
		SO 3.3 Targeted procurement that supports black entrepreneurs in the sector	
		SO 3.4 Job opportunities created that expand economic opportunities for historically excluded and vulnerable groups	



NUMBER	STRATEGIC OUTCOME GOALS	DWS STRATEGIC OBJECTIVE (from 2019/20 to 2021/22 APP Plan)	ALIGNED BLOEM WATER STRATEGIC OBJECTIVE
Ministerial	Responsive, accountable, effective and efficient Local Government System	Goal 4 An efficient, effective and development orientated water and sanitation sector	SO 4 Achieve an aligned, effective and efficient Institution through optimization of all business processes and systems
		SO 4.1 An enabling environment for the management of water resources and the provision of basic water and sanitation services	
		SO 4.2 Sound governance and oversight of the DWS Public Entities	
		SO 4.3 An efficient, effective and high performing organisation	
		SO 4.4 Coordinated development of the skills pool across the sector	
Ministerial	Decent employment through inclusive economic growth	Goal 5 Sound cooperative governance and an active and engaged citizenry	SO 5 Engage and strengthen strategic partnerships with all relevant stakeholders
		SO 5.1 Targeted and sustained African and global cooperation in support of the national water and sanitation agenda	
		SO 5.2 Informed and empowered communities and responsive government securing integrated and sustainable partnerships to support the W&S development agenda	
Ministerial	Create a better South Africa and contribute to a better and safer Africa and world		
Outcome F	Create a better South Africa and contribute to a better and safer Africa and world		



8. ORGANISATIONAL PROFILE

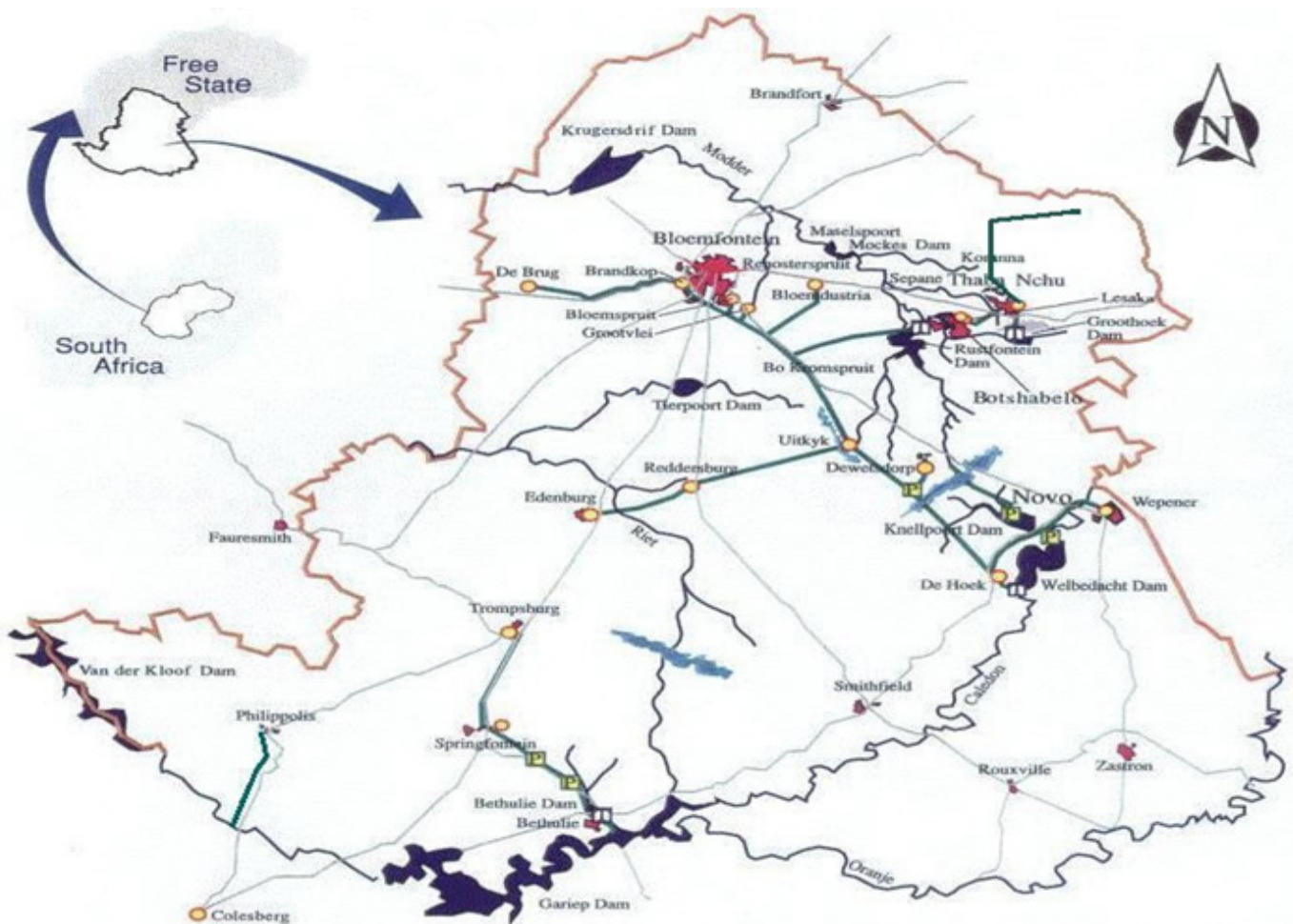
Bloem Water was established as a statutory Water Board in terms of the Water Services Act (Act. No. 108 of 1997). In accordance with Section 3B of the Public Finance Management Act (Act No. 1 of 1999), Bloem Water is also classified as a National Government Business Enterprise in which the Government of the Republic of South Africa is the sole shareholder. Since its establishment more than 30 years ago, Bloem Water progressively grew in stature and is currently serving a population of more than 1.2 million people. Bulk water services are mainly delivered to three municipalities, namely the Mangaung Metropolitan Municipality, as well as the Kopanong and Mantsopa Local Municipalities in the southern Free State. The Entity comprises a Head Office Region in Bloemfontein, as well as three operational regions, namely the Orange River, Caledon River and Modder River Regions in which seven water treatment works are being operated. The operations of Bloem Water are summarised in the table below:

REGION	SOURCE	PUMPING SYSTEM	TREATMENT	STORAGE	AREA OF SERVICE
Orange River	Orange River & Boreholes	Raft Tolhuis Brannewijnskuil Vogelfontein	Philippolis x 1.2 MI/d	Reservoirs x 2	Philippolis
	Gariep Dam	Gariep	Gariep x 2.8 MI/d	Reservoirs x 2	Gariep
	Orange River & Boreholes	Hennie Steyn SAR Driefontein Kleinzuurfontein	Bethulie x 12.0 MI/d	Reservoirs x 5	Bethulie Springfontein Trompsburg
	Kalkfontein Dam & Boreholes	Kalkfontein Lemoenkloof	Jagersfontein x MI/d	Reservoirs x 1	Jagersfontein Fauriesmith
Caledon River	Welbedacht Dam	Tienfontein	Welbedacht x 145 MI/d	Reservoirs x 7	Bloemfontein
	Caledon River	Novo			Dewetsdorp
	Knellpoort Dam	Reddersburg			Wepener
	Boreholes	Edenburg			Reddersburg
		Dewetsdorp Raw and Clear Water			Edenburg
Modder River	Groothoek Dam	OK	Rustfontein x 100 MI/d	Reservoirs x 6	Thaba Nchu
	Rustfontein Dam	Groothoek	Groothoek x 18 MI/d		Botshabelo
	Knellpoort Dam	Lesaka			Villages
	Boreholes	Raw & Clear Water			



During its 31 years of existence, Bloem Water has remained consistent in supplying bulk water to municipalities as part of its primary activities in the southern Free State. As the largest scheme, the Caledon River Region is responsible to supply treated bulk water to the areas of the Kopanong Local Municipality and the Mangaung Metro Municipality where the largest reservoir owned by Bloem Water, namely Brandkop, is situated. The second largest scheme is the Modder River Region. One of its treatment plants, Rustfontein, is responsible for supply to areas of the Mangaung Metro Municipality and the town of Excelsior resorting under the Mantsopa Local Municipality. This scheme is supplied with raw water from the Knellpoort Dam via the Novo transfer scheme, which was designed for augmenting the Rustfontein Dam with raw water when the level of the dam is low. Furthermore, the Rustfontein Dam is able to augment Mockes Dam, which is operated by the Mangaung Metro Municipality. This dam is important to further augment raw water for treatment to the Maselspoort Water Treatment Works operated and owned by this metro municipality. The third and the smallest scheme of the Entity is the Orange River Region, which is responsible for bulk water supply to seven (7) of the nine (9) towns of the Kopanong Local Municipality. Bloem Water prides itself in delivering sustainable bulk water to all its customers even though challenges, such as the quality of raw water and non-payment by municipalities, are being experienced.

Areas of Service



9. LEGISLATIVE AND OTHER MANDATES

The Constitution of the Republic of South Africa (Act No. 108 of 1996) and in particular Section 27(1)(b) is the cornerstone on which Bloem Water is mandated in terms of Section 28(1)(a) of the Water Services Act (Act No. 108 of 1997) for its establishment. There are other national legislations that give content to the rights and obligations that assist the Entity to be in line with its mandate.

As a Schedule 3B Entity, Bloem Water is required to comply with the Public Finance Management Act (Act No. 1 of 1999 as amended by Act No. 29 of 1999), National Treasury Regulations and the Municipal Finance Management Act (Act No. 56 of 2003).

Constitutional Mandate

Bloem Water upholds the right as contained in Section 27(1)(b) of the Constitution of the Republic of South Africa in that "Everyone has a right to sufficient food and water", further underpinned in Section 27(2).

Legislative Mandate

Water Services Act (Act No. 108 of 1997)

The Water Services Act sets out the mandate and objectives of Water Boards. Section 29 and 30 of this Act makes it imperative that Water Boards, its Directors, and employees perform the activities of providing water within their areas of jurisdiction. Section 35 (read with Schedule 1) details the governance structure of the Water Board, as well as how the appointment of the Board must take place.

The mandate and objectives of the Water Board are succinctly described and detailed in the preamble of the Act in the following terms:

To provide for the rights of access to basic water supply and basic sanitation; to provide for the setting of national standards and of norms and standards for tariffs; to provide for water services development plans; to provide a regulatory framework for water services institutions and water services intermediaries; to provide for the establishment and disestablishment of water boards and water services committees and their powers and duties; to provide for the monitoring of water services and intervention by the Minister or by the relevant Province; to provide for financial assistance to water services institutions; to provide for certain general powers of the Minister; to provide for the gathering of information in a national information system and the distribution of that information; to repeal certain laws; and to provide for matters connected therewith.

Other legislation impacting the delivery of water services

- The National Water Act (Act No. 36 of 1998) whose intent is to provide the fundamental reform of the law relating to water resources, and to repeal certain laws and provide for matters connected therewith;
- The National Water Master Plan which intends to identify the key actions in the water sector and allocates roles and responsibilities to all in the water sector and other stakeholders for the implementation of the plan; and
- The Public Finance Management Act which prescribes responsibility for the effective, efficient, economical, and transparent use of resources of the institution.

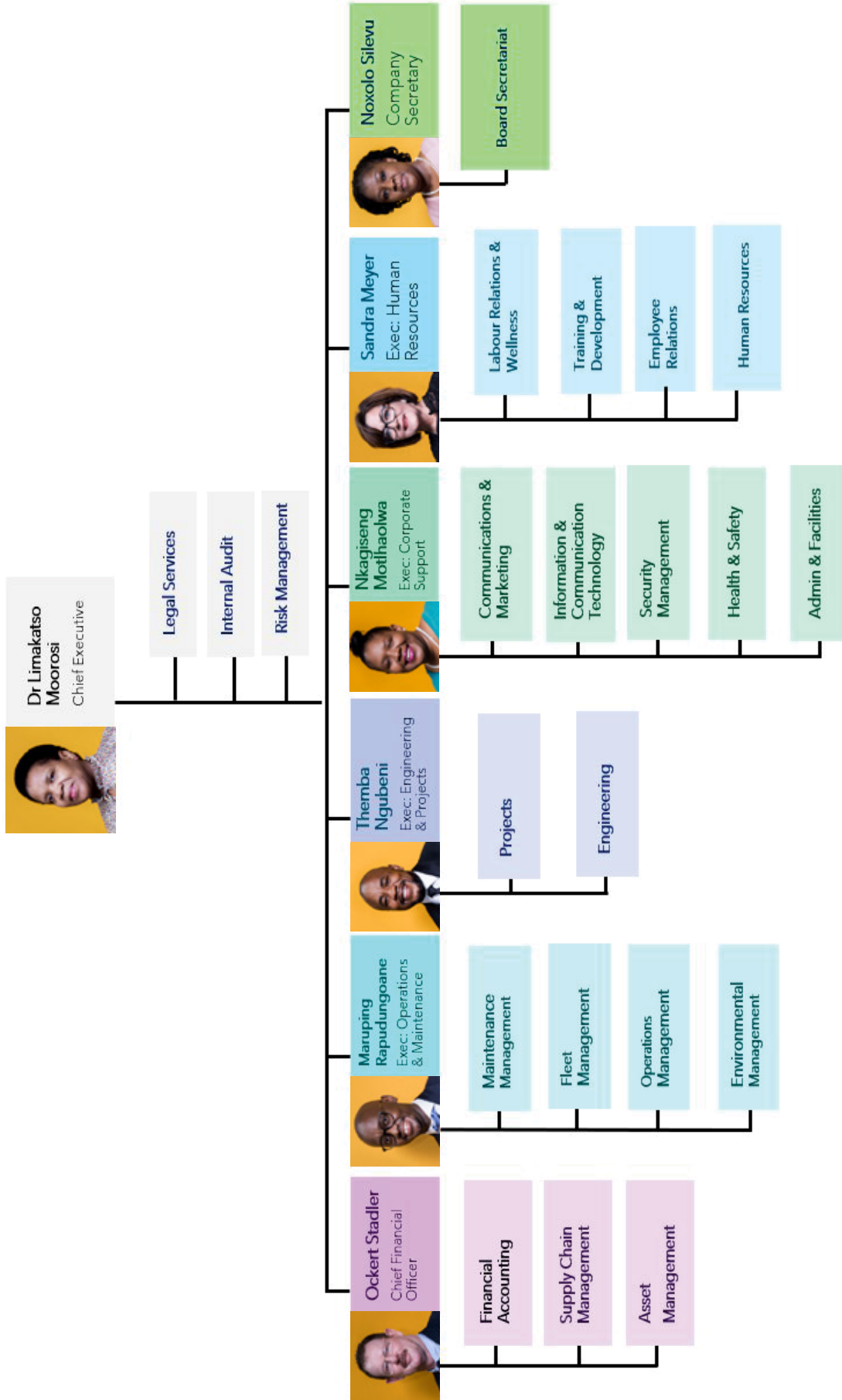


All other legislations and good governance practice frameworks impacting on the delivery of water include (but are not necessarily limited to) the following:

- Companies Act (Act No. 71 of 2008);
- King IV Guidelines and Principles;
- Protocol of Good Governance in the Public Sector; and
- Provisions of the Shareholder Compact that is signed by the Executive Authority and the Board on an annual basis.



10. ORGANISATIONAL STRUCTURE



11. EXECUTIVE MANAGEMENT

The complexity and sophistication of decision-making in modern institutions require the effective implementation of strategies. However, the development of effective and practical strategies requires more than a cursory exercise. Firstly, the internal environment (which consists of the Executive Management team) must have multidimensional skills in overseeing the implementation of strategies adopted by the Board. This process in Bloem Water is bolstered by the vital institutional knowledge and skills prevailing amongst the management team, as the Entity did not have any staff turnover in its executive echelon during the year under review. The key to efficient operations within the Entity is the team's adoption of a balanced scorecard as a tool to execute strategy. This, coupled with applying tools and techniques on change management to manage employees' uncertainties relating to the disestablishment of Sedibeng Water, aided in steering the Entity in the right direction.

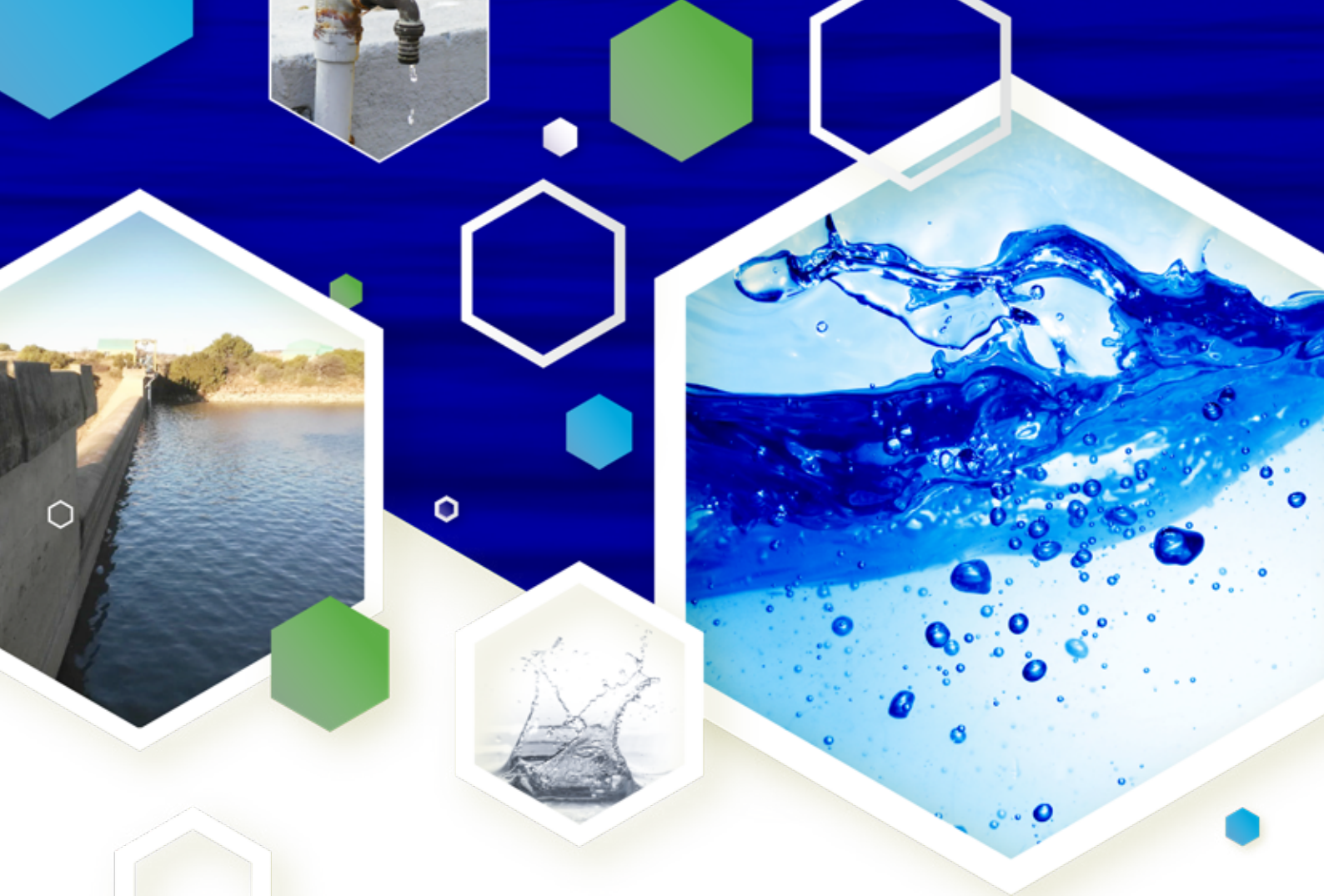


Members of the Executive Committee



Back from left to right: *Mr. M Rapudungoane; Ms. N Motlhalwa; Ms. S Meyer; Ms. N Silevu and Mr. O Stadler*

Front from left to right: *Dr. L Moorosi and Mr. T Ngubeni*



PART B:

PERFORMANCE INFORMATION



1. AUDITOR-GENERAL'S REPORT ON PREDETERMINED OBJECTIVES

The role of the Auditor-General of South Africa is acknowledged as critical to the sustainability of Bloem Water, as it provides independent assurance that activities being carried out within the Entity are in accordance with the approved predetermined objectives and mandate.

The audit conclusion on the performance against predetermined objectives is included in the report to Management, with material findings being reported under the Predetermined Objectives heading in the report.

2. SITUATIONAL ANALYSIS

2.1 Service Delivery Environment

With regards to service delivery, the 2021/22 financial year has been a challenging year for Bloem Water in more than one respect. Apart from dealing with the aftermath of the COVID-19 pandemic and its impact on the service delivery environment, unusually high rainfall figures in the Entity's operational area also caused damage to infrastructure, which threatened the sustainability of water supply to communities and clients. Fortunately, diligent maintenance teams from Bloem Water were able to address this challenge by restoring water processing and supply timeously before it could have an ongoing adverse effect on water provision in the area. Furthermore, during the year under review the continuous and escalating non-payment by municipal clients for bulk water services rendered likewise affected the service delivery environment. This situation poses a threat to the sustainability of Bloem Water as it restricts the Entity's financial capability to cover operational and maintenance costs, which could eventually impact negatively on service delivery.

Overall Performance

Despite the Entity being confronted by the well documented dynamics of the COVID-19 pandemic, critical business processes were pursued with minimal disruptions. This could be attributed to the corporate governance strategies the Board utilised to provide oversight, and the implementation thereof by Management through-out the period of reporting. An understanding of risks inherent to the sector and having tools in place to effectively manage them, propelled the Entity in ensuring that water availability has always been prioritised.

The pandemic has been met with resolute business continuity, such as improved Information and Communication Technologies. This has been ensured through technical ingenuity; the setting up and operationalising of virtual platforms to allow staff to work from home with minimal disruptions; and enhanced Board oversight. Furthermore, the Entity through its automated water treatment plants and remote pump stations ensured continuity of water operations in line with Business Continuity Plans. Essential staff was identified in line with the minimal service level agreement as ratified by the Essential Service Committee of the CCMA. This made certain that the maintenance of water infrastructure continued, while observing the required COVID-19 restrictions. The intensified maintenance strategies guaranteed that there was no failure on the aged main pipeline for the past 24 months. Despite prevailing challenges, water quality compliance still measured at a 98% compliance level for the year under review, which is consistent with previous years.

In line with the Disaster Management Act (Act No. 57 of 2002) as pronounced by the President, the Entity continued to supply water unabated to municipalities despite the challenge of non-payment, and further also collaborated with the Department of Water and Sanitation to ensure water access to communities by rolling out JoJo tanks in support of safety, health and hygiene protocols to combat the spread of COVID-19. Furthermore, the Entity was entrusted with secondary activity related to Regional Bulk Water Infrastructure implementation in the 13 local municipalities for COVID-19 intervention and Bulk Sewer Treatment in the Masilonyana and Mantsopa areas.



Subsequent to the lockdown period that affected construction performance, there was concerted effort to review implementation plans to meet current and future water demand in line with the construction of water-related projects. This review ensured the completion of key projects within the required timeframes.

Furthermore, in mitigating the impact of the COVID-19 pandemic on human resources, Management intensified measures related to the Wellness Programme in order to provide care and support to employees, underscoring psychological wellbeing. Staff turnover measured below 1%, with no changes to key personnel. There was a noticeable decrease in the number of disabling injuries resulting in the Entity achieving a disabling injury frequency rate measuring at 1.2 below the target of 2.

The unions are regarded as important stakeholders in the Entity. As a result of robust engagement in attending matters, the Local Labour Forum remained committed to the success of the Entity, employment security, and improved productivity/efficiencies.

The Board acknowledged staff providing essential services, which in turn assisted to uplift the morale of employees during a time when social distancing and staff rotation applied. The Entity intensified the provision of technical support to rural municipalities in the interest of water accessibility and stakeholder relations.

Challenges Encountered

The engagements with municipalities on outstanding accounts and committed payment plans were marred by the instability of executive leadership experienced in municipalities. The processes followed yielded some agreements, only to be offset by alternative proposals made by successors in the municipal management environment. The payment ratio by the major client resulted in a more stable financial environment. The overall financial position of payments is still negatively affecting the liquidity of Bloem Water, while its mandate for services cannot be met in line with the business plan and budgets. The Entity continues to apply credit control measures, including Inter-Governmental Relations initiatives and water restrictions. Legal recourse is also taken where the need arises to ensure that the Entity is paid for services rendered.

The impact of non-payment is also affecting the ability of the Entity to fund CAPEX requirements to address ageing water infrastructure in order to meet current and future water demand. Future water demand and supply are also affected by water losses within municipal reticulation systems.

The tariff approval process required specific processes with outcomes to be achieved. It remains a challenge to consult with municipalities and to obtain inputs. This is due to the non-attendance of scheduled meetings, as well as a lack of formal responses on the proposed tariffs, thus affecting the timely finalisation of applications and approvals by the Regulatory Unit in the Department of Water and Sanitation.

Significant Legal Developments

In recent times and especially during the review period, Bloem Water has been under tremendous pressure from the Water Services Authorities it serves. The Entity is continuously facing resistance to the conclusion of new Service Level Agreements, which govern its relationship with these municipalities. Furthermore, the non to erratic payments add to the financial pressure that adversely affects the sustainability of the Water Board.

As Schedule 3B National Government Business Concerns (per PFMA 1999), Water Boards do not receive any appropriation from Parliament. Therefore, Bloem Water relies solely on water supply charges to fund its cashflow requirements and business operations. This position makes the Entity inherently susceptible to high liquidity risk exposure. It is therefore imperative that bulk water users maintain their water accounts in a healthy and good standing to allow the Entity to effectively manage its risk exposures.

During the year under review, the default of accounts was intensified by governance challenges that beset the municipalities. The Mangaung Metropolitan Municipality's executive management charged with decision-



making, experienced a high turnover rate that left Bloem Water with no point of contact to execute payment measures in an organised manner. However, these forbidding conditions did not dissuade the Entity from assuming stringent measures that would exact payment from the municipalities. The measures adopted included the imposition of minimum water supply restrictions and the issuance of warrants to municipalities for the attachment of their operating bank accounts. This yielded a measure of success as acceptable payment plans began to trickle in and in some instances, payments even took place in accordance with the set payment plans.

2.2 Organisational Environment

The environment in which the entity operates does not represent a closed system – they influence each other. This means that the Entity obtains its inputs, including human, physical, financial and informational resources, from the environment and distributes its products and services back to the environment. Thus, Bloem Water does not operate in a risk-free environment. Therefore, certain internal and external forces might have a significant impact on the running of the Entity. During the period under review, the following three (3) factors had an impact on the operations of the Entity:

Macro Environment

Economic Environment:

Economic meltdown continued in South Africa during the year under review, which affected businesses, households, sectors and individuals. Economic factors of this nature have been highlighted as one of the difficulties behind the deterioration of the revenue collection rate of municipalities. This unfortunate economic implication meant that municipalities were consistently lagging in servicing their bulk water accounts, which resulted in sustainability concerns for Bloem Water, thus forcing the Entity to pursue Inter-Governmental Relations (IGR) processes and legal recourse in certain instances.

Technological Environment:

Technological changes affect many organisations. Such changes occur primarily through new processes, thus promoting innovation and efficiencies. This means that Bloem Water had to be aware of technological changes that might influence its industry and business operations. For the year under review, the Entity had to delay the implementation of Enterprise Resource Planning owing to the procurement moratorium announced by National Treasury. This exercise is now planned for the 2022/2023 financial year.

Socio-Cultural Environment:

In this environment, most institutions focus on changes in consumer preferences, value systems and public opinions. During the 2021/2022 financial year, Bloem Water continued to uphold its excellent levels of water quality adherence in terms of SANS:2015 standards, which is assured by an independent body.

Ecological Environment:

The ecological environment refers to the relationship between human beings and the air, soil and water in the physical environment. Bloem Water is committed to continuously conserve the limited resources within the natural environment. To this effect, the Entity supports a precautionary approach to environmental challenges. Through the appointment of an Environmental Officer, the following was achieved:

- Internal awareness and training on environmental challenges for management and employees during SHEQ meetings;
- Waste bins are located at all offices and clearly labelled, while employees are reminded at monthly SHEQ meetings and safety talks to use them according to their marked classification; and
- Waste removal processes were reviewed and procurement concluded in line with the Supply Chain Management (SCM) processes for all water treatment works.



Market Environment

The water sector as a whole experienced above average rain fall, which was highly welcomed due to the historical drought prevailing over the past few years. These unheard-of times also saw a few dams around the country reaching levels of more than seventy percent (70%) for the first time in years, including the Groothoek Dam situated in the Modder River Region. The Knellpoort Dam also overflowed for the first time in a decade. The year under review was also characterised by a major change in the sector indicated by an announcement by the Minister of Water and Sanitation to disestablish the Sedibeng Water Board and transfer most of its assets and liabilities to Bloem Water. This forms part of the Department of Water and Sanitation's plan to:

- Enhance the financial viability and sustainability of the Water Boards and improve their ability to raise capital from the market for infrastructure projects;
- Create institutions with critical mass and competency; and
- Enable Water Boards to provide stronger support to Water Services Authorities.

Micro Environment

The internal environment of Bloem Water continuously plays a critical role in ensuring sustainable bulk water supply. In the year under review, the focus was on building capacity around the identified internal weaknesses, which would complement the identified strengths. A Strength, Weakness, Opportunity and Threat (SWOT) analysis conducted, revealed the following key factors:

Strengths:

- Highly qualified Board and Executive members;
- Good governance and organisational stability;
- Water quality beyond the 98% compliance target; and
- Experienced and knowledgeable staff.

Weaknesses:

- Unhealthy financial position;
- Unsecured funding for the implementation of CAPEX;
- Ageing infrastructure; and
- Over reliance on one major customer.

Opportunities:

- New/extended geographical areas as announced by the Minister for implementation in 2022/2023 financial year;
- Appointments by the Department of Water and Sanitation as Implementing Agent for municipalities and other projects; and
- Readiness to take over reticulation services in municipalities when the opportunity presents.

Threats:

- Climate change effects;
- Sustainability of the Entity as none to erratic payments from municipalities continued;
- Loss of capacity at the Welbedacht Dam due to siltation;
- Servitude encroachment; and
- Security of strategic assets.



The consolidated strategy for the financial year under review was based on the above outcomes. This is where the Board in conjunction with Executive Management devised strategies that focused on utilising identified strengths to address identified weaknesses, and deploying strengths to counter the identified threats, while also pursuing the turnaround of some of the threats into opportunities. This method of strategy formulation supported the Entity's operations and ensured that goals were achieved with minimal disruptions considering the risk susceptibility of the sector.

Water Availability

The availability of raw water is a key factor in the success of Bloem Water in meeting its obligation of uninterruptedly supplying drinking water of excellent quality to its customers. During the year under review, both the Rustfontein and Knellpoort Dams overflowed for the first time after ten (10) years, due to the drought that affected the Entity during the few past years. The catchment received above average rainfall, which resulted in all dams within the Entity's area of operations overflowing. This included the Kalkfontein and Groothoek Dams, respectively. There was also significant improvement in groundwater resources as a result of the good rainfall. The continuation of strategic infrastructure maintenance on all key infrastructure assets assisted Bloem Water during the year under review to reduce its water losses in the distribution system, a challenge which the Entity could not meet in the previous financial year.

2.3 Key Policy Developments and Legislative Changes

In order for Bloem Water to ensure proper decision-making and avoiding non-compliance risks, a Legislative Compliance Register is maintained and reviewed on a quarterly basis, and whenever necessary. On 10 February 2022, the Entity participated in the Institutional Reform and Realignment of Water Boards (IRR) initiative as a result of the Minister of Water and Sanitation announcing the disestablishment of Sedibeng Water. Bloem Water was mandated to take over the whole of the Northern Cape area previously serviced by Sedibeng Water, as well as all its remaining areas in the Free State, thus resulting in a significant expansion of Bloem Water's service area. The prescripts of the Water Services Act of 1997 surrounding this disestablishment have been followed. By the end of the year under review, legislated formal gazetting was the only outstanding prescript.

3. REVENUE COLLECTION

The revenue generating environment continued to be affected by the conditions caused by the drought, prevailing water tariff, COVID-19 pandemic, as well as the municipal payment environment. Revenue collection has not been stable during the reporting period, hence several sustainability challenges emerged, requiring interventions and the implementation of legislative prescripts.

Several engagements with municipalities took place during the review period. Continuous changes in the senior staff echelons of the municipalities made it difficult to engage on operational and financial matters. Agreements reached with an incumbent are often not supported by the incoming successor, resulting in efforts to retract the existing agreements reached. Bloem Water accepted realistic payment plans that were provided, and in instances where unrealistic payment plans were put forth, such plans were rejected. Several attempts were made by successors at municipalities to amend prevailing payment plans. Some revised plans were acceptable and amended accordingly. The Entity also included the condition in some of the payment plans that such an agreement be made an "Order of the Court".

The ratio of abstraction between raw and purified volumes that are charged at approved diversified tariffs are also impacting revenue. The Entity continued to charge drought tariffs as approved by the Minister, which attributes positively to revenue generation.



Water has been restricted at intervals for some of the municipalities, and in one instance a municipality has been restricted for most of the financial year under review. The Entity has also been appointed as Implementing Agent of behalf of the Department of Water and Sanitation. This will generate additional revenue with the purpose of covering the associated expenditure.

Revenue collection is an integral tool to the efficient running of the Water Board. The municipalities are engaged on a regular basis to ensure that payments are made for accounts issued, as well as for the settlement of obligations in line with payment agreements. However, these processes were affected by the staff attrition at the municipalities, and Bloem Water had to resort to extreme measures to enforce payment. Payment environments vary amongst the municipalities. Bloem Water continued to follow the available legislative processes to commit municipalities to pay their accounts in order to sustain the operations of the Entity. The Entity also committed to cost containment measures in line with the revenue collection profile and availability of resources to render services.

The marginal improvement introduced by the payment plans did not yield a significant change in the situation as the municipalities conceived means to evade payment at every turn until Bloem Water was forced to convert the payment plans into court orders. Regrettably, even this dire move did not motivate the municipalities to pay their water accounts. This led to the review period being characterised by numerous court interventions with a view to obtaining warrants of attachment of the municipalities' accounts, only to be stopped at the very last moment by some remittances, which normally suspended the issuance of a warrant and brought all parties to the negotiation table again. While this strategy is cumbersome and unorthodox, it has proven in the long run to be the only effective way of exacting payment from the municipalities.

Status of Municipalities in Respect of Water Supply

The status of the municipalities in respect of water supply stands as follows:

Mangaung Metropolitan Municipality:

While the Mangaung Metropolitan Municipality (MMM) is being supplied with water at 100% capacity, its payment conduct is still erratic and exhibits no signs of improvement. It can be inferred that the MMM, like the other two service areas, has developed the modus operandi of paying its bulk water accounts only when forced into an inescapable position. Gradually, the payment plans submitted by the MMM are becoming meaningless, thus forcing the Entity to take steps to convert them into court orders. During the period under review, the Entity and the MMM concluded three payment arrangements, two of which were converted into court orders. Regrettably, the MMM still has to be coerced to comply with the court orders concerned. However, both entities hold regular consultations with a view to addressing this situation, even though in most instances judicial intervention is sought.

During the year under review, the service level agreement review coordinated by both the Department of Water and Sanitation and COGTA has not been finalised as the MMM is under administration, and the new management team still has to consider and finalise the work already done.

Kopanong Local Municipality:

Kopanong Local Municipality (KLM) has been supplied with water at 30% capacity, which is the minimum. Over the years, KLM has maintained that its destitute financial status rendered it incapable of paying for its water needs and consumption. While there is some verity in this statement, this destitute status is borne by the municipality's own imprudent conduct over time. The situation is further compounded by KLM's indifferent attitude towards water supplied by the Entity, resulting in the misconception that Bloem Water is charging the municipality for its own water. During the year under review, KLM attempted to discontinue its service level agreement with the belief that it can service the bulk water supply area on its own and receive water directly



from National Government. However, the matter was amicably resolved after the municipality discovered that the bulk infrastructure is owned by Bloem Water, although the duration of the agreement was reduced.

The review period was characterised by incessant interactions between the parties with a view to resolving the supply and payment issues, but to no avail. Lawsuits against the Water Board also became a regular feature during this period, with ordinary citizens as opposed to businesses entering the litigation fray. The Bethulie Water Forum and UFS Law Clinic, representing ordinary citizens who found the restriction aftermaths unbearable, led and lost a lawsuit against the Entity for restricting water supply to the municipality.

Mantsopa Local Municipality:

The Mantsopa Local Municipality (MLM) has also not been servicing its bulk water account appropriately despite being supplied water at full capacity. MLM concluded a new service level agreement and payment plan that are currently not being honoured. Compliance with the payment plan has been erratic, prompting Bloem Water to put the municipality on restriction notice. By the end of the review period, the situation of non-payment deteriorated dismally, which again prompted the Entity to seriously consider executing restriction measures.

Revenue Collection from Municipalities

Strategic Objective	2020/2021			2021/2022		
	Estimate	Actual Amount Collected	Over/(Under) Collection	Estimate	Actual Amount Collected	Over/(Under) Collection
	R'000	R'000	R'000	R'000	R'000	R'000
Water Sales	791 570	761 186	-30 384	879 883	919 699	39 816

4. STRATEGIC OUTCOME ORIENTED GOALS

Strategic Objective 1: Plan, develop, operate and maintain infrastructure to ensure sustainable water service delivery (50% of targets achieved and 50% partly achieved)

The continuing non-payment by Municipalities continues to hamper the implementation of the Capital infrastructure (CAPEX) Plan. This then has negative effect on the smooth operations of the water schemes to enable them to meet the required demand. The restrictions are still in place as directed by the DWS and therefore, the Entity still implements its Water Conservation and Water Demand Management strategies. The Entity has achieved this strategic goal and further aims to continue with the implementation of the CAPEX programme with the funds available.

Strategic Objective 2: Manage financial affairs to meet current and future obligations (Total targets - 22, Achieved - 15/22 = 68%, Not achieved - 7/22 = 32%, Partly achieved targets not identified in the APR)

During the year under review, Bloem Water continued to confront the implications of the COVID-19 pandemic, restrictions on drought levels, and the challenges of non-payment by municipal clients. Several of the financial ratios were affected by these circumstances, impacting the ability of the Entity to operate within the confines of its budget. It further restricted Bloem Water's ability to spend on its CAPEX Programme, while similarly affecting the achievement of the financial ratios negatively. Efforts made to improve the debtor profile did not yield acceptable results in improving the overall payment performance of municipalities.

Bloem Water achieved its targeted contribution to B-BBEE through increased B-BBEE spend, as well as an increase in new entrants awarded contracts in the financial year under review. The Entity also achieved an unqualified audit report.



Strategic Objective 3: Security of supply and quality of raw water sources (100% achieved)

The continuation of water quality compliance in line with SANS 241 standards is key to Bloem Water. Bulk water agreements with two municipalities are still in place, while the agreement with the Mangaung Metropolitan Municipality had been discussed with stakeholders for conclusion and approval.

Strategic Objective 4: Achieving an aligned, effective and efficient institution through optimisation of all business processes and systems (68% achieved and 32% not achieved)

To accomplish this objective, the Entity continued to conduct a review of the many different business policies and procedures it has in place, with the goal of ensuring that they are aligned with the business strategy and goals and improve business efficiency.

During the year under review, the Entity applied Information, Communication and Technology (ICT) corporate governance principles through board oversight and ICT Steering Committee monitoring of the implementation of crucial projects. These initiatives were designed to ensure that business operations were carried out in an effective and efficient manner. The Entity will continue with implementation of these initiatives to ensure movement towards total digital transformation and realisation of the Entity's goals and objectives.

Strategic Objective 5: Engaging and strengthening strategic partnerships with all relevant stakeholders

Bloem Water is committed to fostering long-lasting and trustworthy partnerships with its stakeholders, which is crucial to the Entity's success and sustainability. During the year under review, many stakeholders were engaged to establish a deep degree of connection, comprehend customer demands, manage expectations, and identify acceptable solutions to improve service delivery. These engagements are detailed in the Stakeholder Management Section of this report.

The Entity also engaged and coordinated with many stakeholders to identify effective and efficient solutions to common areas of concern. The Entity will continue to foster positive connections with its stakeholders, establishing the framework for the building of an environment characterised by support and trust, as well as a network of collaborative partnerships.



5. ANNUAL PERFORMANCE REPORT 2021/2022

Performance Against Predetermined Objectives

Bloem Water Strategy and Key Performance Indicators

Vision: "Assuring sustainable, reliable quality water services, for life"

Mission: "To create a leading, value driven, effective and responsive water services institution adapting best practice methods in anticipating tomorrow's challenges today."

Strategic Objectives:

The key strategic objectives of Bloem Water set out below are linked with priorities of Government:

BLOEM WATER OBJECTIVES		MINISTERIAL OUTCOMES		DEPARTMENT OF WATER & SANITATION GOALS	
SO1	Plan, develop, operate and maintain infrastructure to ensure sustainable water service delivery	MOB	Contribute to an efficient, competitive and responsive economic infrastructure network	1.	Enhanced and protected water as a resource across the value chain
				1.1	Water resources protected through water supply and sanitation services regulation, compliance monitoring and enforcement
		MOA	Environmental assets and natural resources that are well protected and continually enhanced	1.2	Enhanced management of water and sanitation information
		MOD	Responsive, accountable, effective and efficient local Government system	1.3	The integrity of freshwater ecosystems protected
				1.4	Enhanced water uses efficiency and management of water quantity
SO2	Manage financial affairs to meet current and future obligations	MOB	Contribute to an efficient, competitive and responsive economic infrastructure network	2.	Equitable access to reliable, sustainable and acceptable water resources and water and sanitation services
				2.1	A coordinated approach to water and sanitation infrastructure planning and monitoring and evaluation
		MOA	Environmental assets and natural resources that are well protected and continually enhanced	2.2	Targeted and aligned planning for adequate water availability and the enhanced provision of water supply and sanitation services
		MOD	Responsive, accountable, effective and efficient local Government system	2.3	Adequate water availability and enhanced provision of sustainable and reliable water supply and sanitation services
				2.4	Safe, reliable and sustainable water supply and water and sanitation services infrastructure
				2.5	Enhanced provision of sustainable and dignified basic sanitation



SO3	Securing of supply and quality of raw water resources	MOB	Contribute to an efficient, competitive and responsive economic infrastructure network	3.	An enhanced contribution to socio-economic development and transformation by the sector
				3.1	Equitable water allocation and availability for socio-economic development
		MOA	Environmental assets and natural resources that are well protected and continually enhanced	3.2	Targeted rural development initiatives that support smallholder farmers
		MOF	Create a better South Africa and contribute to a better and safer Africa and world	3.3	Targeted procurement that supports black entrepreneurs in the sector
		MOG	Vibrant, equitable and sustainable rural communities	3.4	Job opportunities created that expand economic opportunities for historically excluded and vulnerable groups
SO4	Achieving an aligned, effective and efficient Institution through optimization of all business processes and systems	MOE	Decent employment through inclusive economic growth	4.	An efficient, effective and development orientated water and sanitation sector
		MOF	Create a better South Africa and contribute to a better and safer Africa and world	4.1	An enabling environment for the management of water resources and the provision of basic water and sanitation services
		MOG	Vibrant, equitable and sustainable rural communities	4.2	Sound governance and oversight of the DWS Public Entities
		MOC	Sustainable human settlements and improved quality of household life	4.3	An efficient, effective and high performing organization
4.4	Coordinated development of the skills pool across the sector				
SO5	Engaging and strengthening strategic partnerships with all relevant stakeholders	MOE	Decent employment through inclusive economic growth	5.	Sound Cooperative partnership and engaged citizenry
		MOF	Create a better South Africa and contribute to a better and safer Africa and world	5.1	Targeted and sustained African and global cooperation in support water and sanitation agenda
		MOG	Vibrant, equitable and sustainable rural communities	5.2	Informed and empowered communities and responsive government securing integrated and sustainable partnerships to support the water and sanitation development agenda



PERFORMANCE AGAINST PRE-DETERMINED OBJECTIVE

Performance Perspective	Performance Objective	Alignment			Outcome/ Impact	Indicators/ Calculation	Measure	Annual Performance Targets		Target met(✓)/not met (X)	Comment (Notes)
		Ministerial Outcomes	DWS Strategic Goals	WB Strategic Objectives				Actual- 2020/21	Target 21/22		
Organisational Efficiency and Effectiveness	1	MO A OP 1 T (a) & (c) MO B OP 2 T (a)	SO1.4 SO3.2	SO3	Water quality standards met	Test results, SANS 241 Class 1: Class 2:	% compliance	98%	98%	99%	✓ Achieved
	2	MO A OP 1 T (a) MO B OP 2 T (a)	SO1.4	SO1	Reduced avoidable water losses in treatment and distribution systems	Avoidable water lost as a percentage of water produced	%	13.02%	13%	9.48%	✓ Achieved
	3	MO A>G OP 1 T (a), (b) & (c) OP 2 T (a)	SO2.2 SO2.3 SO2.4	SO1	No unplanned interruptions to bulk supply exceeding 24 hours	Number of days supply interrupted as a % of possible supply days	%	1%	2%	1%	✓ Achieved
	4	MO C, B & D OP 1 T (a), (b) & (c) OP 2 T (a)	SO1.2 SO2.1 SO2.2 SO2.3	SO1	Contribution to national objectives of extending services	Actual CAPEX spend on expansion related projects (initiatives by the Minister) as % of budget	%	121.5%	90%	60%	X Partly achieved Refer Note 1



Performance Perspective	Performance Objective	Alignment			Outcome/ Impact	Indicators/ Calculation	Measure	Annual Performance Targets			Achieved/ not achieved	Comment
		Ministerial Outcomes	DWS Strategic Goals	WB Strategic Objectives				Actual- 2020/21	Target 21/22	Actual 21/22		
	7	MO E MO G	SO3.3	SO2	Spend increased and increased new entrants awarded contracts in the financial year	% Spend	% increase	177.2%	65%	195.81%	√	Achieved
								50	32	75	√	Achieved
	8	MO A, B & D OP 1 T (a), (b) & (c) OP 2 T (a)	SO3.3 SO4.2 SO4.3	SO2	Actual expenditure compared with budgeted expenditure for the quarter	Financial reports	% increase	-18.75%	+/-10.00%	-21.88%	X	Not achieved Refer note 3
	9	MO B & D OP 1 T (a), (b) & (c) OP 2 T (a)	SO2.1 SO2.2 SO2.3 SO2.4	SO2	Infrastructure available to meet demands	Overall project expenditure within R target	% variance	-90.3%	20%	-97.20%	X	Not achieved Refer note 4
								46.1%	20%	0%	X	Not achieved refer note 4
	10	MO A, D, E & G	SO3.3 SO4.2 SO4.3	SO2	Growth in turnover from secondary (other activities)	% of total turnover	%	0.58%	0.19%	0.73%	√	Achieved
Customer/ Stakeholder Interaction	11	MO A, B & D OP 1 T (a), (b) & (c) OP 2 T (a)	SO5.2	SO3	Statutory and Service Level Agreements in place	Municipalities/ Other Customers with bulk supply agreements	%	100%	100%	100%	√	Achieved
								MO D, F, G	SO2.1 SO2.2 SO2.3 SO2.4	SO4	New Ministerial directives issued are implemented on time	Progress against implementation plan



Performance Perspective	Performance Objective	Alignment			Outcome/ Impact	Indicators/ Calculation	Measure	Annual Performance Targets		Achieved/ not achieved	Comment	
		Ministerial Outcomes	DWS Strategic Goals	WB Strategic Objectives				Actual- 2020/21	Target 21/22			Actual 21/22
Organisational Capacity	13 Support Rural Development	MO A, B & D OP 1 T (a), (b) & (c) OP 2 T (a)	SO3.2	SO3	Total Number of identified rural Municipalities supported	Signed contracts, MOUs etc.	Number	5	3	6	√	Achieved
	14 Achieve statutory reporting compliance	MO A, B & D OP 1 T (a), (b) & (c) OP 2 T (a)	SO4.2	SO4	All statutory reports submitted on time	Submission dates met	%	94.7%	100%	97%	X	Partly achieved Refer note 6
	15 Staff levels	MO E	SO4.1	SO4	Optimal staff retention	Staff turnover	Number / %	4 (0.99%)	9 (2.21%)	10 (2.51%)	X	Not achieved. Refer note 7
	16 Training and Skills Development	MO E	SO4.4	SO4	Skills and capacity building	Learnerships Bursaries employees Graduate/skills development Programmes	Number	0	10	0	X	Not achieved. Refer note 8
	17 Jobs Created	MO E	SO3.4	SO4	Permanent and contract (direct) Temporary (indirect)	Total number	Number	11	10	20	√	Achieved
General Performance	18 Board Effectiveness	MO F	SO4.3	SO4	Improved performance of fiduciary duties/ governance	Board Member attendance of all Board/ committee meetings Decision making: % number resolutions taken by the board vs number of resolutions required	%	593	500	829	√	Achieved
								93.57%	90%	95%	√	Achieved
Performance	Performance	Alignment			Outcome/	Indicators/	Measure	Annual Performance Targets		Achieved/	Comment	



Perspective	Objective	Ministerial Outcomes	DWS Strategic Goals	WB Strategic Objectives	Impact	Calculation	Actual-2020/21	Target 21/22	Actual 21/22	not achieved	
	19 Effective Internal Controls and Risk Management	MO D	SO4.2 SO4.3	SO4	Internal audit findings dealt with	Internal audit reports	17	8	9	X	Not achieved. Refer note 10
	20 Good Governance	MO A>G	SO4.2 SO4.3	SO4	Improved controls and risk mitigation	Breaches of materiality and significance framework	6	15	9	✓	Achieved
	21 Corporate Social Responsibility Initiatives	MO E	SO2.2 SO2.3 SO2.4 SO2.5	SO5	Good corporate citizenship	Number of initiatives undertaken	4	4	4	✓	Achieved
Optional WB Specific Performance objectives	22 Financial Management	MO A, B & D OP 1 T (a), (b) & (c) OP 2 T (a)	SO3.3 SO4.2 SO4.3	SO2	Achieve Statutory compliance	Annual financial statements are prepared and submitted as per legislated requirements	New item	1	1	✓	Achieved
	23 Financial Management	MO A, B & D OP 1 T (a), (b) & (c) OP 2 T (a)	SO3.3 SO4.2 SO4.3	SO2	Achieve Statutory compliance	Tariff process compliance	New item	1	1	✓	Achieved
	24 Financial Management	MO A, B & D OP 1 T (a), (b) & (c) OP 2 T (a)	SO3.3 SO4.2 SO4.3	SO2	Achieve Statutory compliance	Board approval process for budget	New item	1	1	✓	Achieved
	25 Effective functioning of internal audit	MO D	SO4.2 SO4.3	SO4	Implementation of the approved internal audit plan	Approved internal audit plan	New item	80%	95%	✓	Achieved



Performance Perspective	Performance Objective	Alignment			Outcome/ Impact	Indicators/ Calculation	Measure	Annual Performance Targets		Achieved/ not achieved	Comment	
		Ministerial Outcomes	DWS Strategic Goals	WB Strategic Objectives				Actual- 2020/21	Target 21/22			Actual 21/22
	26 Planned Maintenance	MO C, B & D OP 1 T (a), (b) & (c) OP 2 T (a)	SO1.2 SO2.1 SO2.2 SO2.3a	SO1	Achieve maintenance targets	Approved maintenance plan	% implementation	New Item	75%	65%	X	Partly achieved. Refer note 11
	27 Condition of key strategic assets	MO B & D OP 1 T (a), (b) & (c) OP 2 T (a)	SO2.1 SO2.2 SO2.3 SO2.4	SO1	Strategic asset management	Assessments performed on key assets	% Action taken on assessments	New item	75%	58%	X	Partly achieved. Refer note 12
	28 Newly commissioned infrastructure assessment	MO B & D OP 1 T (a), (b) & (c) OP 2 T (a)	SO2.1 SO2.2 SO2.3 SO2.4	SO1	Infrastructure availability to meet demands	Assessment report on newly commissioned infrastructure projects in line with the CAPEX plan	Number	New Item	1	1	√	Achieved
	29 Registration of servitudes on new projects	MO A>G	SO4.2 SO4.3	SO4	Compliance	Servitude register on new projects	% registration of new servitudes not delayed	New Item	0	n/a	N/a	
	30 Verify and evaluate Board remuneration and disbursements	MO F	SO4.3	SO4	Improved fiduciary duty	Monthly verification of Board remuneration and disbursements	Number	New item	12	12	√	Achieved
	31 Improve customer/stakeholder relations	MO F	SO4.3	SO4	Improves engagement	Number of stakeholder engagement	Number	New item	4	14	√	Achieved
	32 Improved communication	MO F	SO4.3	SO4	Implementation of communication plan	% Implementation of Communication Plan	%	New item	65%	65%	√	Achieved
	33 IT Governance and compliance	MO D	SO4.2 SO4.3	SO4	Implementation of ICT Plan	ICT Plan % implementation	%	New item	65%	75%	√	Achieved



Performance Perspective	Performance Objective	Alignment			Outcome/ Outcome/ Impact	Indicators/ Indicators/ Calculation	Measure	Annual Performance Targets			Achieved/ not achieved	Comment
		Ministerial Outcomes	DWS Strategic Goals	WB Strategic Objectives				Actual- 2020/21	Target 21/22	Actual 21/22		
	34 Security Services Management Plan	MO D	SO4.2 SO4.3	SO4	Implementation of Security Plan	% Implementation of Security Plan	%	New item	65%	69%	√	Achieved
	35 Improved Occupational Health and Safety	MO A, B & D OP 1 T (a), (b) & (c) OP 2 T (a)	SO4.2	SO4	Medical screening protocols implemented	% Implementation of Medical Screening Protocol	%	New item	75%	93%	√	Achieved
	36 Improved organizational Performance	MO F	SO4.2 SO4.3	SO4	Annual external audit of Strategic Performance contract of Executives and Snr Staff	Annual External audit of strategic performance contracts of Executives and Senior Managers	Number	New item	1	1	√	Achieved
	37 Finance	MO A, B & D OP 1 T (a), (b) & (c) OP 2 T (a)	SO3.3 SO4.2 SO4.3	SO2	Achieve Statutory compliance	Pension Fund Annual financial statements are prepared and submitted as per legislated requirements	Number	New item	1	1	√	Achieved
	38 Pension Fund Management statutory reporting compliance	MO A, B & D OP 1 T (a), (b) & (c); OP 2 T (a)	SO4.2	SO4	All statutory reports submitted on time	Statutory Submission dates met	%	New item	100%	50%	X	Partly achieved. Refer note 13
	39 Quarterly reports on management of strategic risks	MO A, B & D; OP 1 T (a), (b) & (c) OP 2 T (a)	SO4.2	SO4	Management of Strategic risks	Quarterly reports to the Board	Number	New item	4	4	√	Achieved
	40 Risk Appetite Management	MO A, B & D OP 1 T (a), (b) & (c) OP 2 T (a)	SO3.3 SO4.2 SO4.3	SO2	Strategic risks managed within the approved risk threshold levels	% Of strategic risks contained within the appetite levels	%	New item	75%	84%	√	Achieved



Notes to the Annual Performance Report

1. Increased access to services: 60% of the targeted 90% was achieved.
2. Improve key financial ratio's:

Debt equity: The ratio was marginally lower due to the derecognition of the 33.7km long, 1000mm diameter steel bypass line parallel to existing Caledon/Bfn PCP line from Lieuwkop to Brandkop of which the project is controlled by the Department of Water and Sanitation (DWS), and the derecognition of the non-exchange revenue relating to the project.

Return on assets: Income before interest, taxes and grants was marginally lower due to the drought restrictions, restrictions due to non-payment and limited supply during flood periods. The assets increased due to improved debt recovery and reserve funds and the additions to the Property, Plant and Equipment.

Debtor days: The debtor days position improved significantly during the previous financial year, but it is not yet at an acceptable level. Continued revenue collection processes are pursued to reduce the debtor days. Payments of settlement agreements and payment plans have not been honored on several occasions and payment of current accounts were also not settled by due dates.

Staff remuneration as a % of operating expenditure: The staff cost increased more than anticipated for overtime cost and travel expenses due to the Implementing Agent projects functions performed by existing staff. There have been corrections of Board Member remuneration. The operating expenditure was lower than anticipated due to the decline in water demand, restrictions and flood periods of limited supply. It affected the ratio negatively.
3. Manage cost within the approved budget: Expenditure was managed below the planned budget as part of continued sustainability measures applied during the year, whilst revenue collection remained challenging despite pursuing IGR and legal processes. Stringent measures were applied to preserve cash flow for priority key cost drivers, such as chemicals, energy supply and staff costs.
4. Capital Expenditure Programme: The target was partly met and the performance marginally higher than the previous year. Funding challenges requires careful management of expenditure and this impacted on the project progress. Furthermore, the withdrawal of a project where the service provider's contract was terminated negatively impacted progress.
5. Implementation of Ministerial Directives: The directive (MAP) was issued in April 2022, hence there was little progress (5% physical progress) as at 30 June 2022.
6. Achieve statutory reporting compliance: The appointment of a service provider for BEE certification verification purposes was delayed by the National Treasury moratorium. This was subsequently resolved and procurement is underway.
7. The staff retention target was not achieved due to 4 resignations and 6 dismissals. It was established through exit interviews conducted that one (1) employee invested in a private business, one (1) employee moved closer home and two (2) employees successfully applied for higher positions. The six dismissals were unavoidable following consequence management to deal with continued substance abuse and/or absence without leave. The employer pursued several avenues to provide support through the Entity's Employee Assistance Programme, including but not limited to counselling and rehabilitation.
8. Of the three (3) Training and Development targets, one (1) could not be achieved. The Entity successfully applied for EWSETA discretionary funding for learnerships. EWSETA has a different financial year and the grant was approved towards the end of the Entity's financial year. The procurement of service providers is underway.
9. Jobs created: The Entity supports the national goal of expanding economic activities to achieve job creation. Recruitment was, however, limited for cost containment/cash flow purposes due to the non-payment by municipalities. The Section 197 transfer of Sedibeng Water employees furthermore resulted in a recruitment moratorium from January 2022 to prevent resource duplication.



10. Number of repeat findings: Although not achieved, the number of repeat findings improved from the prior year. The implementation of corrective actions continued to be impacted by the financial constraints because of non-payment. This was further impacted by the disestablishment of the former Sedibeng Water during the current financial year, whereby Management had to defer some corrective actions, including amongst other the upgrading of the ERP system, filling of vacant positions and reviewing of departmental structures.
11. Planned maintenance: 68% of the planned 75% was achieved. The National Treasury directive resulted in procurement delays, which negatively impacted this indicator.
12. Condition of key strategic assets: Assessments were performed, but not all required action could be implemented after the assessments. The maintenance unit is prioritising this work in progress.
13. Pension Fund management statutory reporting compliance: There are two statutory reporting requirements of the fund. Regulation 28 requirements were met. However, the annual financial statements of the pension fund were submitted to the fund administrators on time who disappointingly filed it one (1) day after the statutory deadline. The PO continues to remind the fund administrator of deadlines to prevent a recurrence.



6. CAPITAL INVESTMENT AND MAINTENANCE

The financial status of Bloem Water is of such a nature that the major CAPEX requirements have to be funded and financed from external sources in the form of loan agreements or funds made available by Government. As a result, the CAPEX requirements had to be reprioritised and implementation postponed where necessary to ensure that funding is available for such projects. Part of the CAPEX requirements are being funded from internal sources as the Entity's financial status and tariff increases allows for. The applicable borrowing limits to be supported by the Department of Water and Sanitation and approved by National Treasury are also affected by the current financial status of the Entity. The borrowing limits and the financing of major capital projects will be pursued as soon as the financial status improves.

The challenges of ageing and inadequate infrastructure and funding required as noted in the National Water and Sanitation Master Plan have continued to be a cause for concern. The primary activities of water supply are already reflecting a considerable backlog as funding is limited to the refurbishment of infrastructure, while extension or construction to provide for future water demand is not being addressed. The Entity's compromised financial position negatively affects its ability to secure much need investments from the private and other sectors. Due to these challenges, the CAPEX Programme had been deferred for the next five (5) years, while priority has been given to commencing with the extension of the Rustfontein Water Treatment Works, which was gazetted as a Strategic Infrastructure Project (SIP 19).

6.1 The Five-Year CAPEX Programme 2022-2026

The financial reserves and revenue stream had not stabilised from the previous financial year, affecting the proposed CAPEX budget as it is subjected to the availability of funds. The current CAPEX Programme in forecast will require investment to a minimum of R1.5 billion. As reported in the previous financial year, it still remains a challenge to secure the required funding in terms of the National Treasury borrowing ratios and limits amidst the current financial status of the Entity. Major projects for expansion continue to be deferred, while refurbishment projects are being considered for implementation.

The Five-Year CAPEX Borrowing Programme Included in the Approved Business Plan 1: July 2021-30 June 2026

Borrowing Programme and CAPEX	Revised Business Plan 2020/2021	Forecast 2021/2022	Forecast 2022/2023	Forecast 2023/2024	Forecast 2024/2025	Forecast 2025/2026
CAPEX included in forecast						
CAPEX prior to be completed		0	0	0	0	0
CAPEX - Extensions, replacements & refurbishment with borrowed funds	0	100,000,000	100,000,000	150,000,000	200,000,000	100,000,000
CAPEX - Refurbishment and other replacements with surplus reserve funds/grants funding	50,000,000	20,000,000	0	30,000,000	20,000,000	40,000,000
CAPEX - Moveable assets/OPEX projects	47,328,125	40,400,000	44,000,000	49,000,000	55,000,000	55,000,000

6.2 Progress on Implementing Projects

The Capital Programme for the next five (5) years has been compiled. However, major projects for the extension of infrastructure had been deferred due to the unavailability of funding. The refurbishment projects within the Programme had been prioritised to ensure that existing infrastructure is continuously maintained, thus increasing its reliability and remaining useful life.



Current Projects

During the 2021/2022 financial year, a total of five (5) projects have been implemented in the respective regions as follows:

Modder River Region (1 Active Project):

This project entails the construction of a 15km long ductile pipeline from the Rustfontein Dam to the Lesaka Reservoir. The pipeline has been completed and is undergoing testing and commissioning to address hitches before the project can be handed over.

Caledon River Region (2 Active Projects):

The first project consists of the construction of a 33.7km long steel pipeline from the Welbedacht Dam to Bloemfontein. This project is at a 93% completion stage and will augment water supply to the Mangaung Metropolitan Municipality. The second project entails the construction of a 13km pipeline at Dewetsdorp. Phase 1 in the construction of this pipeline has been completed. Phase 2 for the automation of the booster pumpstation has also been implemented. However, the installed equipment for automation was struck by lightning and had to be replaced.

Orange River Region (1 Active Project):

This project focuses on the Orange River abstraction point and associated works for increased raw water abstraction and supply to the town of Philippolis. Phase 1 (design and planning) has been completed. However, Phase 2 for the construction of the raft and pipeline has been deferred due to funding challenges.

Bloemfontein Region (1 Active Project):

This project consists of the extension of Bloem Water's offices in Bloemfontein. The contract of the previous service provider was terminated and procurement for a new contractor is underway.

Delayed Projects

- Pipeline from Rustfontein Dam to Lesaka Reservoir (undergoing testing and commissioning to address hitches as described above);
- Dewetsdorp pipeline (Phase 2 as described above);
- Orange River abstraction point (Phase 2 as described above); and
- Extension of Bloemfontein office complex (as described above).

Ministerial Directives

The Minister of Water and Sanitation issued the following directives to Bloem Water in terms of Section 41(1) (ii) of the Water Services Act (Act No. 108 of 1997):

- **Directive related to the construction of a pipeline from the Welbedacht Dam to Bloemfontein:**

The Ministerial Directive for this priority project, which consists of the construction of a 33.7km steel pipeline from the Welbedacht Dam to Bloemfontein, was issued in 2017. This project is aimed at addressing the challenge of continuous pipe bursts experienced on the existing 115km pipeline, which is fifty (50) years old. The project is at a 93% completion stage, with six (6) pipe jackings completed (including the construction of twelve (12) of the sixteen (16) valve chambers). The projected completion date is end of November 2022.







Construction of the steel pipeline and related infrastructure from the Welbedacht Dam to Bloemfontein

- **Directive related to the Maluti-a-Phofung Local Municipality:**

The Ministerial Directive for this project, which includes project management, as well as operations and maintenance of water and wastewater infrastructure in the Maluti-a-Phofung Local Municipality, was issued towards the end of the financial year under review. The anticipated duration of the project is five (5) years as per the Memorandum of Understanding (MoU). Planning and implementation for the project have already commenced. The Ministerial Directive covers the following:

- Refurbishing and upgrading of the Wastewater Treatment Works (WWTWs) and Water Treatment Works (WTWs);
- Managing and supervising operations and the maintenance of water and sanitation infrastructure;
- Developing a Water Services Development Plan (WSDP);
- Developing of Feasibility Studies (FS); and
- Implementation Readiness Studies (IRS) for future projects to ensure sustainable water supply and sanitation in all areas of the Maluti-a-Phofung Local Municipality.



Bloem Water maintenance team in Maluti-a-Phofung Local Municipality

6.3 Impact of Unfunded Projects

The unfunded CAPEX Programme poses a challenge in terms of system yield, water supply and water demand for future growth, which comprises amongst others the following:

- The infrastructure is not meeting the current and future water demand as infrastructure development is not aligned with population growth and economic developments;
- The 2012 Greater Reconciliation Strategy meeting had forecasted that the current system yield in line with demand is displaying a deficit of 5,4 million cubic meters of water per annum in the areas supplied by Bloem Water;
- Current water loss is between 40-48% as reported by the respective Water Services Authorities;
- The eradication of existing sanitation challenges (replacement of bucket and ventilated improved pit latrine systems with water borne sanitation systems) requires that the upgrading of the existing infrastructure has to be addressed;
- Reputational risk for Bloem Water is at stake as the Entity will not be able to optimally execute its mandate of bulk water provision to respective Water Services Authorities; and
- Time and value for money losses, as well as project costs related to post-phoned infrastructure projects will result in higher than the current estimated costs if the projects are delayed indefinitely.

6.4 Projects Expenditure: 2021/2022

Modder River Region (1 Active Project):

DESCRIPTION	TOTAL	CUMULATIVE	% SPENT	% PROGRESS	AVAILABLE	STATUS
Design, tender documentation, and construction of new pipeline from Rustfontein to Botshabelo (DWS funded)	R106 809 093.12	R106 809 093.12	95.26	99.90	R5 064 969.17	An independent specialist has been appointed to conduct the investigation for probable pipe failure



Orange River Region (1 Active Project – Phase 2: construction has been deferred until funding is secured):

DESCRIPTION	TOTAL	CUMULATIVE	% SPENT	% PROGRESS	AVAILABLE	STATUS
Orange River abstraction point and associated works for Philippolis water supply	R7 100 000.00	R7 100 000.00	4.03	32.00	R6 813 859.81	Phase 1: Design & tender document completed: Phase 2 construction funding not secured

Caledon River Region (2 Active Projects):

DESCRIPTION	TOTAL	CUMULATIVE	% SPENT	% PROGRESS	AVAILABLE	STATUS
Design and construct steel pipeline parallel to existing Caledon/BFN PCP line for the 33.7km from Lieuwkop off-take to Brandkop (combined with project C281) (DWS funded)	R554 703 432.39	2021/2022 Budget. R123 000 000 R56 388 589.64	45.5	89.47	R66 611 410,36	Construction in progress: 89.47%
Design, tender documentation and construction of the 13000m long by 250mm diameter Dewetsdorp pipeline.	R28 516 484.92	R28 516 484.92	91.80	100.00	R2 339 121.59	Phase 1 : Construction of pipeline Completed: Phase 2 Automation of booster pump station in progress

Bloemfontein Region (1 Active Project):

DESCRIPTION	TOTAL	CUMULATIVE	% SPENT	% PROGRESS	AVAILABLE	STATUS
Design, tender documentation, and construction of extension of Bloemfontein head office: Permanent Offices. 24 additional offices	R24 113 859.91	R19 162 554.14	20.0	6.25	R19 162 554.14	Tender re-advertised for the appointment of a contractor



6.5 Secondary Activities Implemented

Bloem Water has continued during the year under review with the implementation of secondary activities as stipulated in Section 30 of the Water Services Act of 1997 as follows:

- Implementing Agent: Mafube Local Municipality;
- RBIG COVID-19: Connection of water supply in 13 Free State local municipalities;
- Masilonyana Local Municipality (Brandfort): Refurbishment of WWTW and related bulk sewer infrastructure;
- Matjhabeng Local Municipality: Sanitation infrastructure intervention; and
- RBIG: Implementing Agent for the Mantsopa Local Municipality.

Implementing Agent: Mafube Local Municipality

Bloem Water was appointed on 18 November 2021 by the Department of Water and Sanitation as Implementing Agent for the Mafube Local Municipality in order to implement the following projects to a total of R31 million:

- Connection of 102 household connections (Tweeling Ext 1);
- Connection of 108 sewer connections (Qalabotjha);
- Construction of an outfall sewer rising main pipeline and two pump stations (Cornelia); and
- Construction of a 4 ML/day reservoir (Cornelia).

The project commencement meeting was held on 25 March 2022 between the Department of Water and Sanitation, Bloem Water and the Mafube Local Municipality.

Progress:

The procurement of professional service providers is in progress. It needs to be noted that the delay in procurement was due to a procurement moratorium instructed by National Treasury as the Preferential Procurement Framework Act (Act No. 5 of 2000) had been challenged in court at the time.

RBIG COVID-19: Connection of Water Supply in 13 Free State Local Municipalities

The water supply project entailed the connection of JoJo tanks to existing reticulation systems in thirteen (13) municipalities in the Free State as part of RBIG COVID-19 (Phase 2).

Progress:

The project has been completed.

Masilonyana Local Municipality (Brandfort): Refurbishment of WWTW and Related Bulk Sewer Infrastructure

This project consisted of the following two (2) phases:

- Phase 1: Refurbishment of the Buitekamp and Prison Outfall Sewer Pump Stations; and
- Phase 2: Refurbishment of the Brandfort Wastewater Treatment Works.

Progress:

Phase 1 has been completed, while Phase 2 is about to commence as the Concept and Viability Report has been compiled.



Matjhabeng Local Municipality: Sanitation Infrastructure Intervention

The Minister of Water and Sanitation appointed Bloem Water on 2 June 2022 as Implementing Agent for the Matjhabeng Local Municipality to urgently intervene with addressing sanitation infrastructure challenges. This intervention comprises the refurbishment and upgrading of the wastewater treatment works and addressing blockages in the sewer reticulation network.

Progress:

The technical teams of both Bloem Water and the Matjhabeng Local Municipality met to plan for the implementation of the intervention. A condition assessment of the sanitation infrastructure was conducted by the municipality in order to commence with the appointment of the contractors for the refurbishment and upgrading of the wastewater treatment works and to address the blockages concerned.

RBIG: Implementing Agent for the Mantsopa Local Municipality

The Department of Water and Sanitation appointed Bloem Water as the Implementing Agent for the refurbishment of the Ladybrand Wastewater Treatment Works in the Mantsopa Local Municipality.

Scope of Work:

The preliminary project scope of work for the refurbishment of the Ladybrand Wastewater Treatment Works as per the Business Plan of the Department of Water and Sanitation includes the following main components:

- Task 1: Inlet works (automatic mechanical works);
- Task 2: Conversion of bioreactor to nano bubbling;
- Task 3: Clarifier (repairing of gearbox and motors);
- Task 4: Construction of drying beds (sludge management); and
- Task 5: Construction of an incinerator.

Progress:

The above project is at a 93% completion stage. A Technical Assessment Report has been concluded, while the grit channels have been cleaned and the repairing of the civils works for aeration, and gearbox and motors of the clarifier are in progress.



Refurbishment of the Ladybrand Wastewater Treatment Works

Excelsoir

In addition, ten (10) boreholes have to be drilled and equipped in the town of Excelsoir.

Progress:

Since the Geophysical Report for locating potential underground water-bearing structures has been completed, contractors can commence with drilling.

6.6 Progress on the Maintenance of Infrastructure

Infrastructure maintenance continues to play a pivotal role in ensuring that Bloem Water achieves its mandate of supplying bulk water to its customers uninterruptedly and also to prolong the lifespan of assets. The strategic maintenance of all key infrastructure assets of the Entity continued to be conducted during the year under review. The ongoing winter maintenance process is still a critical activity that the Entity continues to implement. This is enhanced by other modes of maintenance conducted to assure that the key infrastructure assets continue to operate optimally. The Entity also makes use of external maintenance contractors to respond to maintenance repairs and refurbishment that cannot be conducted internally.



Maintenance of infrastructure

6.7 Asset Management

The provision of water services is carried out through strategic bulk infrastructure. This is highly capital-intensive infrastructure, which requires a significant amount of financial investment. Strategic assets need to be maintained at optimal operational levels. To achieve this, maintenance and refurbishment plans have been developed, budgeted for, and are continuously being implemented.

The Fixed Assets Register and the general ledger is updated on a monthly basis. It is also a requirement to properly account for the assets according to GRAP accounting requirements and therefore, condition assessments are also conducted on a continuous basis. The results of these assessments are used to update information on the useful life of the assets and to align the maintenance plan accordingly.



Maintenance of Strategic Infrastructure

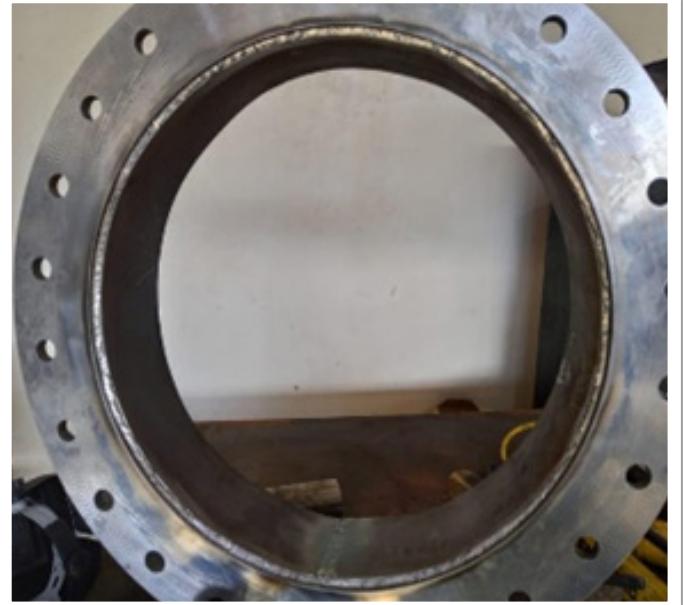
The continuous aging of infrastructure poses a risk to the Entity. However, various preventive maintenance programmes were implemented based on asset status assessments, leak detections and repairs. The exploration of selected groundwater resources by drilling and equipping boreholes to assure water sustainability and to serve as a contingency, continued during the review period. The preventative maintenance strategy is implemented in line with the funded maintenance plan.

6.8 Major Maintenance Activities Performed

Bloem Water regards the maintenance of its infrastructure as critical in achieving its mandate and ensuring the prolonged lifespan of its infrastructure. The team responsible for maintaining the main pipeline is ensuring that major maintenance activities are attended to timeously. The continuous aging of infrastructure is posing challenges to the Entity in that frequent maintenance and repairs are required, more so in the year under review due to floods experienced. Key components required for maintenance are manufactured at Bloem Water's in-house workshop, which the Entity takes pride in. This assures rapid response related to the maintenance of key infrastructure. Furthermore, the continuing maintenance by externally appointed contractors also ensures that major maintenance activities on key assets are speedily attended to. This has resulted in no pipeline failure during the past 36 months. Furthermore, the annual winter maintenance programme was performed successfully, which covered all major infrastructure maintenance activities.



Maintenance activities performed



Manufacturing of strategic components

6.9 Progress Made in Addressing the Maintenance Backlog

During the year under review, the Entity was able to replace bulk meters across all the regions on the distribution lines, some reservoirs, and some pump stations. This was informed by the meter verification/calibration exercise that is conducted by the Entity annually to make sure that all meters are within their operations specification. Furthermore, the Entity continued to replace electrical panels that were old, and of which the spares were obsolete. This assures that the operations of plants are not compromised due to electrical challenges. In addressing the maintenance backlog on the key infrastructure assets, a Preventative Maintenance Strategy is being executed by both in-house employees and externally appointed maintenance contractors.



Bulk meter replaced and new electrical panel built

6.10 System Automation

Bloem Water relies on system automation for the seamless operation of the water treatment works. The optimal operation of system automation resulted in downtime being reduced in the year under review. The continuous updating of the framework provides a consistent cycle. It allows a process controller to monitor the reservoirs and outstations from the control room. The control room constantly sends data to the various processing plants. This further maintains the cycle of tracking devices and operating the outstations, resulting in certain improvements to achieve water savings and improve water demand management. The project of replacing key defective bulk meters continued in the year under review. This ensures that accurate billing is maintained.



Instrumentation Department conducting maintenance

6.11 Water Operations

Water Quality

During the 2021/2022 financial year, Bloem Water experienced floods in its operational areas in the second and third quarters, which affected raw water quality. Notwithstanding the ever-deteriorating raw water quality in catchment areas, standards related to SANS 241:2015 were consistently overachieved. The ongoing partnership between the Entity and the laboratory at the Institute for Groundwater Studies at the University of the Free State provided independent verification for water quality analyses.



Water quality tests in the Laboratory

Raw Water Quality Per Catchment

The excessive rainfall experienced during the year under review had affected the quality of raw water in all the catchments. Emerging high levels of turbidity caused operations to be temporarily put on hold. This challenge resulted in high maintenance costs on key infrastructure assets, which required frequent maintenance. Furthermore, the floods brought about large amounts of debris that often led to the blocking of inlets and dysfunction of sluice gates at dam walls. In addition, the high level of turbidity required increased dosing of chemicals, resulting in higher treatment costs.

Welbedacht Dam

The Welbedacht Dam continues to pose operational challenges due to siltation that goes back since the dam was built in 1973. The dam has lost 96% of its capacity and continues to negatively impact the operations and maintenance costs of the region. Turbidity (NTU) in the dam reduced to 48,000 in the reporting period, despite the floods which caused high inflow into the dam from October 2021 to April 2022. The continuous environmental challenges emanating upstream from the catchment area are also exacerbating deteriorating raw water quality experienced at the treatment works.



Raw water at the Welbedacht Dam



Rustfontein Dam

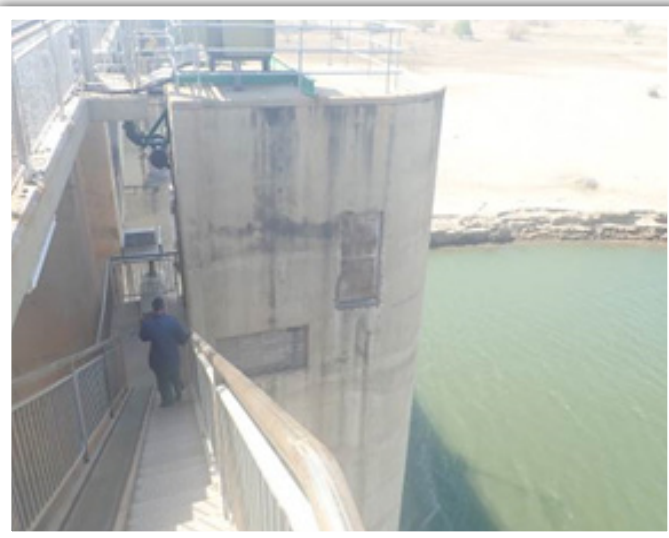
During the 2021/2022 financial year, the Rustfontein Dam overflowed for the first time since 2011 as a result of the above average rainfall received in its catchment area. The quality of raw water from the dam was impacted negatively in that the treatment works experienced high algae blooms, which caused taste and odour in the treated final water. This challenge was effectively managed during the rainy season. Continuing municipal waste spillages in the upper Modder River are also affecting the Entity in the sense that operational treatment costs (such as chemicals used for purification) must from time to time be adjusted. Nonetheless, these challenges were addressed effectively as a high level of water quality standards have been maintained throughout the year under review.



Raw water overflowing at the Rustfontein Dam

Orange River

Bloem Water experienced minimal challenges related to the Orange River as a source of raw water, despite floods occurring during the year under review. The quality of raw water from this river, which supplies the Bethulie, Gariiep and Philippolis Water Treatment Works, was stable. The turbidity levels of the raw water supplied to each of the water treatment works remained constant. The usage of the off-channel storage tank from the former South African Railways (SAR) continues to play an important role in the pre-treatment of raw water to reduce silt before such water is supplied to the Bethulie Water Treatment Works for further treatment.



Raw water from the Orange River

Groothoek Dam

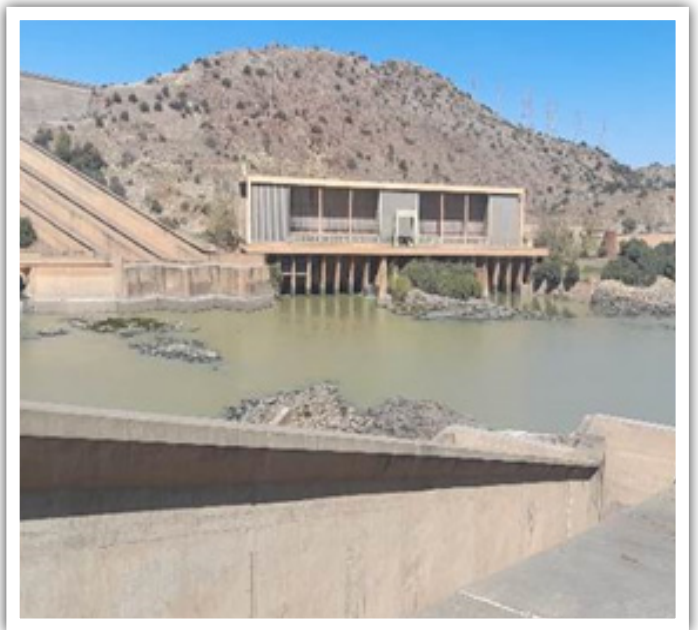
The quality of raw water from the Groothoek Dam was stable during the review period. Due to the high costs of raw water, Bloem Water remains frugal in utilising water from this dam. Constant levels of turbidity in the water from the dam were experienced, which assisted in containing operational costs at the water treatment works. The dam level remained above 60% for the year under review and ensured sufficient bulk water supply to the areas of the Mangaung Metropolitan Municipality.



Raw water overflowing at the Groothoek Dam

Gariep Dam

During the review period, the Gariep Dam received adequate water supply from the Caledon and Orange Rivers. The quality of raw water in this dam is also very stable, thus assisting in curbing operational costs, while adequate volumes were abstracted at the Gariep Water Works.



Raw water overflowing at the Gariep Dam

Kalkfontein Dam

The Kalkfontein Dam in the Orange River Region receives no inflow from other rivers as it depends solely on rainfall. Raw water quality remained stable during the year under review. Good rainfall contributed to adequate dam levels throughout the review period. The dam is situated on the banks of the Riet River, between the towns of Fauresmith and Koffiefontein. The Jagersfontein Water Treatment Works also receives raw water from this dam, which is operated by Bloem Water on behalf of the Kopanong Local Municipality in order to supply purified water to several towns in the area.



Quality of raw water at the Kalkfontein Dam

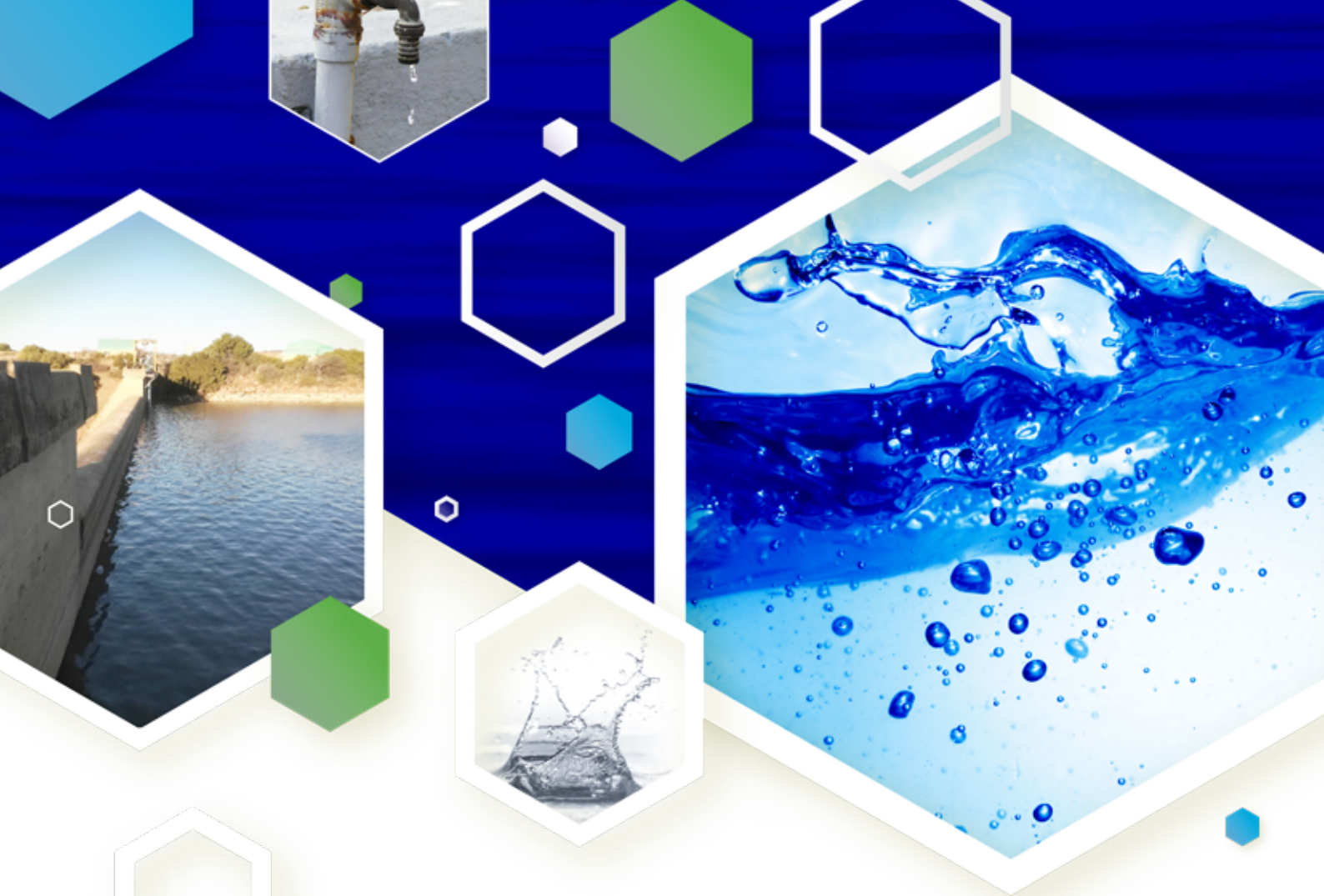
Water Losses

The extent of water losses improved during the 2021/2022 financial year. Even though floods occurred in all catchment areas, Bloem Water managed to mitigate the ensuing challenges. This resulted in water losses decreasing from 13.02% to 11.46%, as compared to the previous financial year. These losses comprise real losses of 9.48% on the distribution lines and apparent losses of 1.98%, which constitute operational plant usage.

Water Losses for the Period: 2021/07/01 to 2022/06/30

System Input	Authorized Consumption	Billed	Revenue Water
99,112,401	87,756,948	85,500,945	85,500,945
	(88.54%)	(86.27%)	(86.27%)
		Unbilled	Non-revenue Water
		(86.27%)	13,611,456
	Water Losses	Apparent Losses	(13.73%)
	11,355,453	1,960,967	
	(11.46%)	(1.98%)	
		Real Losses	
		9,394,485	
		(9.48%)	





PART C:

CORPORATE GOVERNANCE



1. INTRODUCTION

The governance framework of Bloem Water continued to mature based on the Water Services Act (Act No. 108 of 1997), the Public Finance Management Act (Act No. 1 of 1999) (PFMA), the King IV Guidelines and Principles for Corporate Governance, as well as the Bloem Water Compliance Universe. The Board exercises due care and oversight in line with the PFMA and along with other governance principles, such as National Treasury Regulations, and in accordance with its approved Board Charter. The Board and its Committees were again evaluated by an independent body at the end of June 2022.

2. PORTFOLIO COMMITTEES

Bloem Water made appearances before the National Portfolio Committee of Water and Sanitation in Parliament. The Entity also participated in the National Council of Provinces (NCOP) Provincial Week from 28 March to 1 April 2022, during which special focus was placed on the provision of water and sanitation infrastructure. This included visiting water and sanitation projects, as well as water reticulation sites and special economic zones.

Bloem Water's 2020/21 Annual Report was submitted to the Department of Water and Sanitation on 30 October 2021 as per the Water Services Act (Act No. 108 of 1997). The Entity likewise responded timeously to all parliamentary questions sent during the 2021/2022 financial year. Furthermore, the Minister of Water and Sanitation conveyed his appreciation to the Board for the performance audit outcomes of the Entity.

The National Portfolio Committee of Water and Sanitation expressed its concern about the ongoing non-payment of Water Boards by municipalities, and resolved that the South African Local Government Association (SALGA) and the Department of Water and Sanitation should coordinate meetings to address this challenge.

3. EXECUTIVE AUTHORITY

During the 2020/2021 financial year, Bloem Water continued to be accountable to the Minister of Water and Sanitation as required. The Entity's Business Plan 2022-2027, as well as the Shareholder Compact were prepared in compliance with the Department of Water and Sanitation's framework, and submitted timeously. Thereupon, the appraisal process was conducted on 31 May 2022 by the Department. During the year under review, the Entity duly complied with the submission of quarterly performance and monthly reports as required.

The Board held several engagements with the Executive Authority (EA). On 25 August 2021, the Entity made a presentation to the EA on the governance, finance and service delivery challenges facing Bloem Water. The Department acknowledged the challenges presented. Regarding the continuous non-payment by municipalities, the Entity appreciates the support offered by the EA in ensuring that legislative processes are followed in the recovery of outstanding debt.

During the year under review, the Minister announced his intention to implement a presidential directive on institutional reform in the water sector. As a result, he pronounced the disestablishment of Sedibeng Water, which had a direct impact on Bloem Water since most of Sedibeng Water's operational areas would be transferred to Bloem Water. The Entity participated fully in the unfolding process in order to ease this transition. This situation also led to a Due Diligence Study on Sedibeng Water being conducted by Bloem Water. On 4 March 2022, the Entity made presentations to the Presidential State-Owned Enterprises Council Workstreams (PSEC-WS), whose aim was to determine where the SOE/Entity should be placed to receive proper support from the Government.

During April 2022, the Entity was honoured by a visit of the Minister to discuss the state of water and sanitation in its area of mandate. Later during the same month, the Entity also attended a presentation by the Department of Water and Sanitation on six priorities identified for the Free State.



4. THE ACCOUNTING AUTHORITY/BOARD

During the review period, the Board and its Committees focused on strategic oversight of the performance of the Entity to ensure it delivered on its mandate in respect of governance and sustainability. This culminated in the Board honouring its calendar commitments. All scheduled meetings were convened, during which the Board not only approved governance instruments (strategies, policies, charters, etc), but also monitored the implementation of various governance instruments, as well as the performance of the Entity. The Board continued to encourage effective communication with stakeholders by monitoring communication reports, while also participating in communication initiatives where necessary. The decisions of the Board were effectively communicated to staff through the office of the Chief Executive. All the resolutions of the Board were monitored and implemented accordingly.

The Board responded timeously to challenges the Entity were facing, including financial challenges which threatened sustainability. It deliberated on these issues and devised plans to mitigate the threat of financial instability.

During the year under review, the Board attended various essential trainings to equip and empower its members to make informed decisions. The Board held its Strategic Planning Session, during which the status and envisaged future growth of the Entity were considered. During this strategic session, the Board addressed the imminent disestablishment of Sedibeng Water, which has significant implications for Bloem Water. Furthermore, the Board was instrumental in ensuring that good corporate governance remained a corner stone in managing ethics and corporate risks related to the Entity.



Board Members



Mr. TB Phitsane



Ms. MAF Moja



Adv. TS Segoe-Backward



Mr. JJ Price



Ms. DM Manamela

BOARD MEMBERS



Ms. TN Sandlana



Mr. T Manyoni



Mr. LEvR van Oudtshoorn



Ms. P Matete



Mr. LX Ntoyi

4.1 Profile of Board Members



Mr. TB Phitsane

Chairperson of the Board

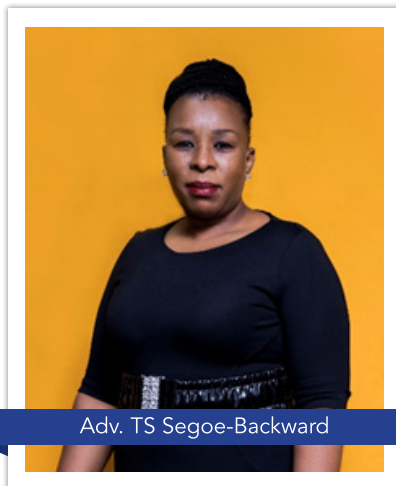
(Appointed: April 2019 – March 2023)

Academic and professional background: Diploma in Education, BA Economics and MBA: University of the Free State, Executive Leadership: University of Stellenbosch, Human Resources Strategy (Singapore).

Employment history: A former educator; former Director: Human Resources Management; former Deputy Secretary (Deputy CEO): Corporate Services and former CEO of the Free State Legislature; member of the Institute of Directors in Southern Africa; former member of the Permit Board of Transport; former member of

PACC in the Free State; former Chairperson of the Board of Sedibeng Water; former Deputy Chair of Free State Development Corporation; former member of the PRASA Board of Directors; Subcommittee Chair of REMCO, and a former member of the Sanlam Board of Trustees. Mr. T.B Phitsane is also a renowned businessman directing multiple companies specialising in construction, property development and investment. Additionally, he farms with both livestock and game.

Expertise and core skills: Varied knowledge of all scripts of laws in particular PFMA, MFMA, LRA, BCOEA, EECA, WSA and an in-depth understanding of other relevant laws and regulations with regard to Corporate Governance; Board Effectiveness; Public Administration and Governance; Service Delivery; Budget Implementation; Performance Management Systems; Policy Development and Analysis; Training and Development; Public Finance, and Supply Chain and Asset Management.



Adv. TS Segoe-Backward

Deputy Chairperson of the Board

(Appointed: April 2019 – March 2023)

Academic and professional background: B Juris degree (University of the Western Cape); LLB degree (University of the Western Cape); Post Graduate Diploma in Drafting and Interpretation of Contracts (former RAU currently known as the University of Johannesburg).

Employment history: Candidate attorney at Mokoena Rajuli Attorneys; Legal Officer at Lawyers for Human Rights; trade and industry advisor at Department of Economic Development; Registrar for the Consumer Court; legal advisor for the Department of Social Development; serving as an Audit Committee member at

the Departments of the Premier, Treasury and Agriculture; former member of the Risk and Audit Committees at Motheo FET College; serving as a member of the Free State Rental Housing Tribunal, and serving as a member of the Free State Consumer Court. Adv. Segoe-Backward is also the director of a legal and business consulting firm.

Expertise and core skills: Administrative Law; Governance; Contracts Management; Labour Law; Human Rights; Drafting and Interpretation of Legal Documents; Commercial Contracts; Business Management; Conflict Resolution; and Mediation and Arbitrations, amongst others.





Ms. MAF Moja

Board Member

(Appointed: April 2019 – March 2023)

Academic and professional background: BCom degree (University of Fort Hare); studied through UNISA to upgrade to the equivalent of BCompt and a Master of Business Leadership graduate at UNISA.

Employment history: Positions of leadership as a Chairperson at Northwest Gambling Board, Grant Thornton Financial services, Office of Disclosure at National Department of Human Settlements and participated as a board member at National Gambling Board, Northwest Development Corporation, National Arts Council, and

the Financial and Fiscal Council. Ms. Moja was also a managing partner at a retail franchise business for five years following two years of operating her own cleaning company in close relationship with a property management company.

Expertise and core skills: Oversight and advisory role in Governance, Risk Management and Compliance with legislation; Chairperson or member of Audit Committees, Risk Management Committees and Performance Audit Committees at various district and local municipalities, as well as State Entities/Agencies, including Marine Living Resources Fund, Railway Safety Regulator, Local Governance SETA and Estate Agency Affairs Board; served in national departments, including Rural Development and Land Reform, Human Settlements, Correctional Services, Government Printing Works and Communications; contributions to provincial departments, including Treasury, Education, Health, Economic Development and Environment, Agriculture, Sport and Recreation, Cooperative Local Governance and Traditional Affairs and Transport; executed executive responsibilities as an external and internal auditor, financial manager at SABC 1, Acting National Gambling Board Chief Executive Officer for three years; and Financial Manager at an NGO (Equal Opportunities Council).



Ms. DM Manamela

Board Member

(Appointed: April 2019 – March 2023)

Academic and professional background: Master's degree in environmental sciences; B.Sc. Hons: Microbiology; Certificate in Safety Management at the Workplace; Certificate in Business Leadership; Management Advanced Programme (MAP); Programme and Project Management, and a qualified environmental scientist registered with South African Council for Natural Scientific Professions (SACNASP).

Employment history: Various positions in the Public Sector as a Water Quality Manager; Environmental Specialist in the private

sector in manufacturing and the petroleum sector; managed various Water Quality Management Forums in various catchments in Gauteng; involved in Industry Specific Environmental Management on the South African Petroleum Industry Association Environmental and Engineering Committee; served as a Chairperson of the Network for Industrially Contaminated Land in Africa (Nicola): Industry; and founder and CEO of Dihlashana Group of Companies directing multiple companies specialising in environmental management, safety management, engineering, wholesale supply of petroleum products and industrial gases, construction and property development.

Expertise and core skills: Water Quality Management, Licensing and permitting, EIAS and EMPRS, stakeholder management; stormwater and effluent management; waste management; air quality management; carbon management and climate change; contaminated land management; oil spill response; environmental emergencies and environmental safety management training, and management systems auditing.





Mr. LEvR van Oudtshoorn

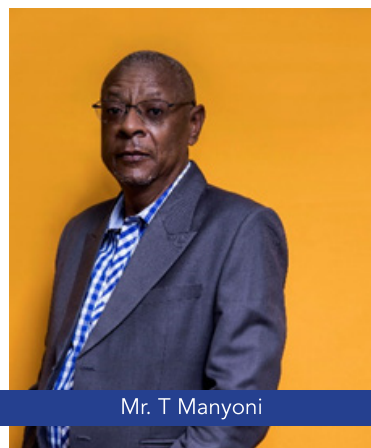
Board Member

(Appointed: April 2019 – March 2023)

Academic and professional background: B. Eng (Civil); B. Eng (Hons) (Water Utilisation); M. Eng (Water Utilisation) from the University of Pretoria; MBA (University of the Free State); Registered Professional Engineer with the Engineering Council of South Africa (ECSA); Member of the South African Institute of Civil Engineers (SAICE); Fellow of the Water Institute of Southern Africa (WISA); lectured on occasion to post-graduate students at both the University of the Free State and University of Pretoria; currently involved as an external examiner for post-graduate students at the Centre of Environmental Management (University of the Free State), and previously served on the Free State branch committee of WISA and the Water Division of SAICE.

Employment history: Engineer at the former Department of Water Affairs; Chief Engineer at Bloem Water; director of a construction company; and serves as specialist consulting engineer, a position he is still holding.

Expertise and core skills: Governance, management and technical engineering aspects relating to water; water resources; hydrology; leader in all water related feasibility studies, option analysis, project implementation and management within the confines of the WSA, NWA and relevant acts; fundamental understanding of the PFMA, PPPFA and NEMA; and strategy and planning skills related to capital expenditure planning and development for a time horizon (often a 20-year period) in relation to need determination, project identification, project cost estimation, project budgeting and project execution in terms of programming, as well as project planning and execution from inception to commissioning as it relates to sustainability and life cycle costing.



Mr. T Manyoni

Board Member

(Appointed: April 2019 – March 2023)

Academic and professional background: BA degree (University of the Witwatersrand); Diploma in Business Management; and Certificate in Leadership (University of Pretoria).

Employment history: CEO: FS Tourism; Municipal Manager: Maluti-a-Phofung Municipality; City Manager: Mangaung Metropolitan Municipality; MEC: Police, Roads and Transport; Executive Mayor: Mangaung Metropolitan Municipality; Chairperson: SALGA; President: United Cities and Local Governments (SADEC); Vice President: United Cities and Local Governments – Africa; and MPL: Parliament of SA. Mr. Manyoni is presently also the Executive Chairperson of the Demarcation Board.

Parliament of SA. Mr. Manyoni is presently also the Executive Chairperson of the Demarcation Board.

Expertise and core skills: A local government practitioner with extensive senior level executive management experience, including advanced administrative and corporate governance skills across a range of differently sized municipalities; proven and a well-developed understanding of local government functions both in local (SA) and international settings; exposure and experience in leading local governments in SADEC countries; strong reputation for delivering results through collaboration amongst diverse teams; experience in managing and operating at international settings and handling of international relations; experience as Executive Authority and MPL provides for efficiency in policy formulation; in-depth understanding of legislative framework related to development and service delivery; and leading and managing projects at strategic and operational levels.





Ms. TN Sandlana

Board Member

(Appointed: April 2019 – March 2023)

Academic and professional background: B.Com (Hons); H.E.D; M.B.A; CQA; CBCI; currently studying CD(SA) with IODSA; member of the Institute of Internal Auditors of South Africa (IIA), South African Institute of Chartered Accountants (SAICA), Independent Regulatory Board for Auditors (IRBA), Institute of Directors, Institute of Risk Management in South Africa and Business Continuity Institute; served as board member of City of Johannesburg Parks and Zoo, including being the Chairperson of the Risk Committee and a member of the Audit and Risk Committee; served as a member of the Audit and Risk Committee of Gauteng Enterprise

Propeller; currently serves as board member of Free State Development Corporation and acts as Chairperson of Audit and Risk Committee, Chairperson of the Finance and Investment Committee, as well as a member of the Human Resource Committee; also serves as a Board Member of Special Economic Zone in which she is a Chairperson of the Audit and Risk Committee, and also a member of the Audit and Risk Committee of Mafube Municipality. In addition, Ms. Sandlana was a director/partner in the Corporate Governance Services Division at Sizwe Ntsaluba Gobodo for more than 10 years. Currently, she is a director at PKF (Advisory) Services (Pty) LTD.

Employment history: More than 20 years of experience in risk management, internal audit and related fields; and worked for three of the big four audit firms: Ernst and Young, PwC and KPMG; director in charge of both consulting and audit projects; part of the finance team at Anglo American Gold Division and AngloGold Ashanti; head of internal audit department at self-administered medical scheme (Egolide Health Services) within the AngloGold Group, and substantial experience of internal audits, governance and risk assignment of national and provincial entities at departmental and local government level.

Expertise and core skills: Consultancy related to internal auditing; managing the outsourced internal audit at a large public entity; providing internal audit and risk management services to various complex and challenging clients, and extensive experience in various private industries, including financial services, mining, medical schemes and pension funds.



Mr. LX Ntoyi

Board Member

(Appointed: April 2019 – March 2023)

Academic and professional background: National Diploma in Civil Engineering; Bachelor's Degree Technology (B-Tech) in Civil Engineering (Central University of Technology); MBA in Business Administration (University of Free State); Certificate in Municipal Finance Management Programme (University of Pretoria); National Diploma in Public Finance Management and Administration; National Certificate in Local Economic Development from Local Government Sector Education and Training Authority, and a member of the Institute of Directors in Southern Africa.

Employment history, expertise and core skills: Former senior public servant with vast experience in Local Government; former Technical Manager of Letsemeng Local Municipality; former Strategic Executive Director Technical Services of Motheo District Municipality; former Executive Director Infrastructural Services in Mangaung Local Municipality; former Head of Engineering Services (City Engineer) in Mangaung Metropolitan Municipality; and a board member of Pelonomi Regional Hospital and Universitas Academic Hospital. Mr. Ntoyi is currently also a Director in the LXN Group of Companies and specialises in engineering services, property development and construction management services.





Mr. JJ Price

Board Member

(Appointed: April 2019 – March 2023)

Academic and professional background: B. Eng. Mechanical Engineering Degree (University of Pretoria); N. Dip. Electrical Engineering (Heavy current) from the former O.F.S Technicon; Certificate for Project Design in National Diploma Electrical Engineering (Pretoria Technicon); B. Eng. (Hons), MOT (Management of Technology) and B. Eng. (Hons) Degree in Maintenance Engineering (University of Pretoria); Master's Degree in Business Leadership (MBL) (University of South Africa); member of the Engineering Council of South Africa (ECSA) as a Professional Engineer; registered with the South African Institute of Mechanical

Engineers, the South African Institute of Electrical Engineers (SAIEE), the Chamber of Engineering Technology, the Institute of Directors in South Africa (IoDSA), the Association of Mine Resident Engineers (AMRE) and the Society for Mining, Metallurgy, and Exploration Inc. (SME) - an International Professional Engineering body. Mr. Price also holds a Government Certificate of Competency Factories (GCC), a Government Certificate of Competency Mines (GCC), as well as a 6 Sigma Black Belt certification.

Employment history, expertise and core skills: Group Governance and Standardisation Engineer; Business Improvement Manager; project lead on Group Reliability Engineering methodologies; member of Executive Sustainable Development Standards Steercom; acting head of Engineering (Process and Mining) at Lonmin; member of Rand Water Bulk Water Forums and Working Group Steercoms; member of various MOSH, IBMQ, Tripartite and Chamber of Mines Steercoms, 2.13.1 and 3.1 Plant and Engineering Manager appointments; ISO and SANS committee member and Technical Committee (TC82) Chairperson; Vertical Transport Manager, Chairperson of the Savuka Gold Control Team and SHE system auditors at Anglo Gold Ashanti; HSEC Champion on Projects, SAP development and implementation team lead on Projects and Maintenance, appointed 16.1 and 3.4; Production Manager at Xstrata and Assmang Manganese under OHSA and MHSA Act; Appointed Engineer/Engineering Manager under GMR 2.1 at Assmang Manganese; R&D work on boxfronts was presented at the International SME Conference in Stockholm and incorporated in SABS standards; Site Champion for implementation of Asset Integrity (AI), Systems Integrity Maintenance Management system, (SIMMS), Business Process framework (BPF) with Anglo Gold Ashanti; Unit Manager Engineering at Sibanye Gold and Manager Mining Maintenance at PMC carrying the 2.13.1 appointment; and recently joined the Minerals Council of South Africa and holds the appointment of Adoption Team Manager on Transport and Machinery.



Ms. P Matete

Board Member

(Appointed: December 2019 – March 2023)

Academic and professional background: BA (Urban & Regional Planning); BA Honours (Geography & Environmental Studies); thesis pending for M.A. in Geography and Environmental Studies, and a trained NED (including executive leadership training). Ms. Matete has acquired vast experience over the past 15 years in environmental law and governance, including the Executive Preparation Programme in mining and water law.

Employment history, expertise and core skills: Former head of environmental departments at steel and cement manufacturing companies; former Regional Manager: Environmental Monitoring during the construction of the Lesotho Highlands Tunnel from Mohale Dam to Katse Dam and before that Matsoku Diversion and Weir; and currently the Head of Environmental Management at one of the leading infrastructure development companies in South Africa.



4.2 The Board Charter

The Water Services Act outlines the powers, functions, and duties of the Board. These are translated into a Board Charter, which sets out the terms of reference for Board Members.

This Charter is a living document whose aim is to provide a concise overview of the following:

- The Board's composition and meeting procedures, as well as the roles and responsibilities of Non-executive Directors;
- The demarcation of roles, functions and powers of the Board, individual Non-executive Directors and Executives of the organisation;
- The powers delegated to various Board Committees of the organisation; and
- Dealing with matters reserved for final decision-making.

Amongst the roles and responsibilities, a Shareholder Compact, which is an agreement between the Shareholder and the Board, was signed, coupled with continuous monitoring of its implementation.

As guided by this Charter, the Board discharged its fiduciary duties by exercising their responsibilities with the utmost care to ensure the protection of Bloem Water's assets, including the management of finances and upholding of compliance, wherein:

- The Board Members participated in a strategic planning session where measures to ensure the sustainability of the Entity were explored and discussed; and
- The Board also ensured that the Committees are effective and fulfil their duties in terms of their respective mandates.

During the 2020/2021 financial year, the Charter served as a guiding tool for the Board in ensuring that there is effective leadership coupled with high standards of ethics within the Entity.



4.3 Composition of the Board

NAME	Date Appointed	QUALIFICATIONS			
Designation (in terms of the Public Entity Board structure)	Date term expires		Area of Expertise	Board Directorships (List of entities)	Other Committees or Task Teams.
TB Phitsane	1 April 2019 - March 2023	Diploma: Education; BA Economics and Master of Business Administration	Strategic Management, Finance & Corporate Governance; Public Administration and Governance; Policy Development and Analysis; Training and Development; Supply Chain and Asset Management	Chairperson of the Board & Finance Committee	Board Committee; Social & Ethics Committee
TS Segoe-Backward	1 April 2019 – March 2023	B Juris; LLB; Post Graduate Diploma in Drafting & Interpretation of the Contracts	Law	Chairperson of the Social & Ethics Committee	Board Committee; Finance and Audit Committee
T Manyoni	1 April 2019 - March 2023	BA; Diploma in Business Management; Certificate: Voter Education Elections	Governance	Chairperson of Human Resources & Corporate Support Committee	Board Committee; Audit Committee
TN Sandlana	1 April 2019 - March 2023	Diploma in Management; B Com; Higher Education Diploma; B. Com Hons; Master of Business Administration	Internal Audit; Risk Management; Corporate Governance	Chairperson of the Audit Committee	Board Committee; Finance Committee
LX Ntoyi	1 April 2019 - March 2023	National Diploma (Civil); B degree Technology (B-Tech) (Civil); Masters: (BA); Certificate: Municipal Finance Management Programme (MFMP); National Diploma Public Finance Management & Administration; National Certificate: Local Economic Development	Engineering; Project Management; Construction & Contract Management; Corporate and Project Finance; Risk Management; Human Resources Management; Water Sector	Chairperson of Capital Projects & Fixed Assets Committee	Board Committee; Human Resources & Corporate Support Committee
MAF Moja	1 April 2019 - March 2023	Master's in Business Leadership; Advanced Treasury Management; B. Comm	Auditing and Human resources; Performance Management System	None	Board Committee; Human Resources & Corporate Support and Capital Projects & Fixed Assets Committee



NAME	Date Appointed	QUALIFICATIONS			
Designation (in terms of the Public Entity Board structure)	Date term expires		Area of Expertise	Board Directorships (List of entities)	Other Committees or Task Teams.
LEvR van Oudtshoorn	1 April 2019 - March 2023	B. Eng. (Civil); B. Eng. (Hons); M. Eng. (Water Utilization); MBA.	Engineering	None	Board Committee; Capital Projects & Fixed Assets and Social & Ethics Committee
DM Manamela	1 April 2019 - March 2023	MSC. (Environmental Sciences); BSc (Hons) Microbiology; Programme Management; Management Advanced Programme (Leadership in Oil & Energy); Certificate in Safety Management; Certificate in Business Leadership	Project Management; Water Resources Management	None	Board Committee; Capital Projects & Fixed Assets and Social & Ethics Committee
JJ Price	1 April 2019 - March 2023	Master's degree in Business Leadership, MBL; B. (Hons) Eng. MOT, Management of Technology; B. (Hons) Eng. Degree in Maintenance Engineering; B. Eng. Mechanical Engineering Degree; Certificate for Project Design in National Diploma Electrical Engineering (Heavy current); National Diploma Electrical Engineering (Heavy current);	Engineering	None	Board Committee; Capital Projects & Fixed Assets and Audit Committee
P Matete	1 December 2019 - March 2023	BA (Urban & Regional Planning; BA Hons. (Environmental & Geography Studies); MA in Environmental & Geography Studies (thesis pending) Master of Public Administration (thesis pending)	Technical Management		



Board Composition

Board Members	Gender	Audit Committee	Finance Committee	Social & Ethics Committee	Capital Projects & Fixed Assets Committee	Human Resource & Corporate Support Committee
Mr. TB Phitsane	Male		√	√		
Adv. T Segoe-Backward	Female	√	√	√		
Mr. L Ntoyi	Male				√	√
Ms. N Sandlana	Female	√	√			
Ms. MF Moja	Female				√	√
Mr. JJ Price	Male	√			√	
Mr. LvR Oudtshoorn	Male			√	√	
Ms. DM Manamela	Male			√	√	
Mr. T Manyoni	Male	√				√
Ms. P Matete	Female		√	√		√

4.4 Board Committees

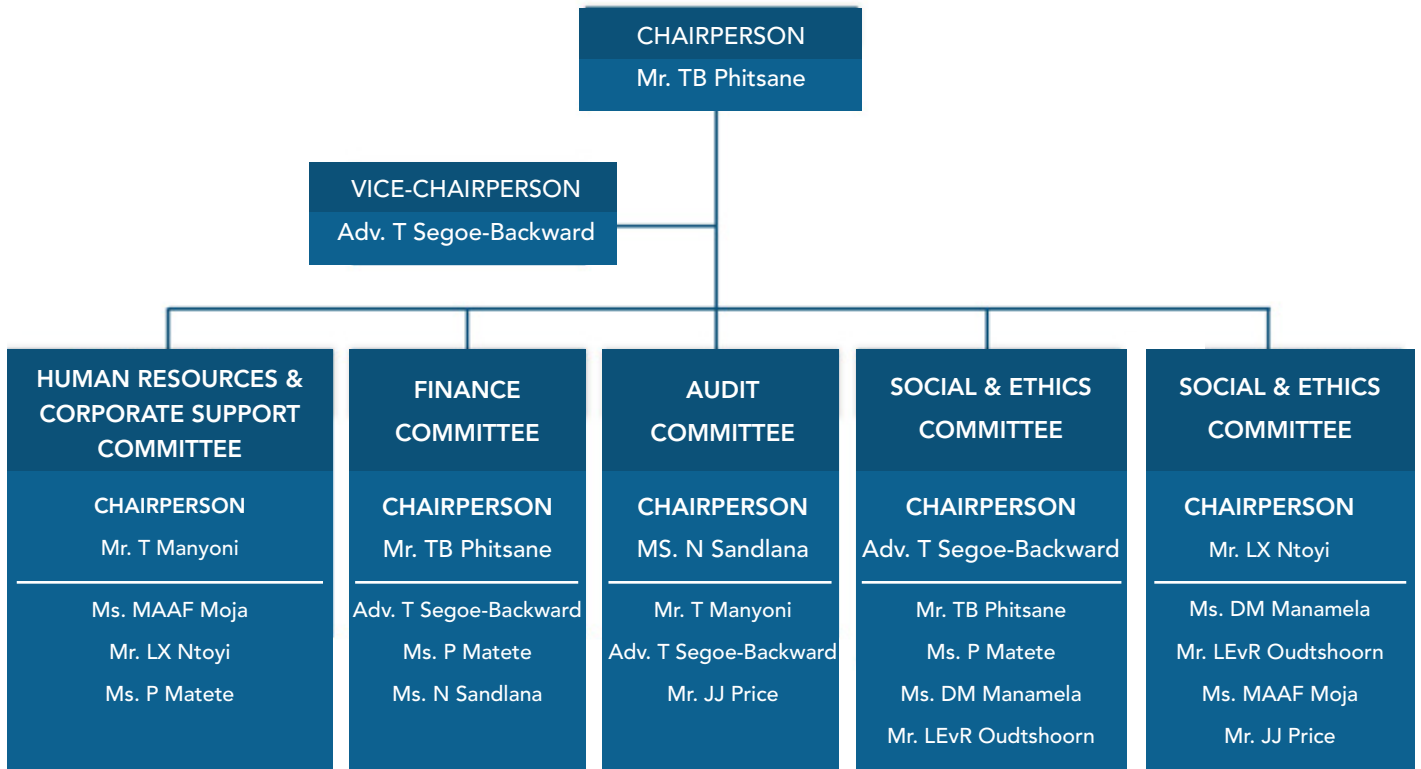
The Board is assisted by five (5) Committees in order to discharge its responsibilities. Each Committee operates within the ambit of its defined terms of reference and delegated duties as contained in various specific Charters. A comprehensive framework, which assists in the control of the decision-making process and the delegation of authority within the Entity, has been approved by the Board. All the Committees comprise Non-executive Directors and are also chaired by such independent Non-executive Directors. The Board has approved the Charters of each of its committees in which the performance and effectiveness of the Committees was reviewed during the reporting period.

These Committees are as follows:

- The Human Resources and Corporate Support Committee;
- The Finance Committee;
- The Audit and Risk Committee;
- The Social and Ethics Committee; and
- The Capital Projects and Fixed Assets Committee.



The following structure depicts the current Board Composition as from 1 April 2019:



4.5 Board Committee Meetings and Attendance

In the process of executing its responsibility for providing strategic direction and leadership, ensuring good corporate governance and ethics, determining policy, agreeing on performance criteria and delegating the detailed planning and implementation of policy to the Management Executive Committee, the Board of Directors met at least on a quarterly basis to monitor Management's compliance with policy and its achievements against objectives.

The reliance on various Board Committees is followed as per the structured approach for delegation, reporting and accountability. The Chairperson continued to guide and monitor the input and contribution of the Directors. Attendance is tabled below:

Board Meeting Attendance

Members	22\07\2021	28\10\2021	02\12\2021	31\03\2022	30\06\2022
1. Mr. TB Phitsane	√	√	√	√	√
2. Adv. T Segoe-Backward	√	√	√	√	√
3. Mr. LX Ntoyi	√	√	≠	√	√
4. Ms. N Sandlana	√	√	√	√	√
5. Ms. MAF Moja	√	√	√	√	√
6. Mr. JJ Price	√	√	√	√	√
7. Mr. LvR van Oudtshoorn	√	√	√	√	√
8. Mr. T Manyoni	√	√	√	√	√
9. Ms. DM Manamela	√	√	√	√	√
10. Ms. P Matete	√	√	√	√	√

≠ Apology

√ In Attendance

4.5.1 Audit and Risk Committee

The Audit and Risk Committee is responsible for playing an oversight role and monitoring the effectiveness of internal control; financial controls and risk management; compliance with legislation and regulations, and the review of the Annual Financial Statements. Internal Audit reports to this Committee on a quarterly basis and submits written annual assessments of controls and risk management at the end of each year. A summary of attendance by Committee members is given below.

Members	30\08\2021	30\09\2021	28\10\2021	10\02\2022	26\04\2022
Ms. N Sandlana	√	√	√	√	√
Adv. T Segoe-Backward	√	√	√	√	√
Mr. JJ Price	√	√	√	√	√
Mr. T Manyoni	√	√	√	√	√

≠ Apology

√ In Attendance



4.5.2 Capital Projects and Fixed Assets Committee

The Capital Projects and Fixed Assets Committee supports the Board in executing its duties with regard to capital projects and fixed assets of the Entity.

Capital Projects & Fixed Assets Committee Meeting Attendance

Members	19\08\2021	21\10\2021	23\02\2022	15\06\2022
1. Mr. LX Ntoyi	√	√	√	√
2. Ms. MAF Moja	√	√	≠	√
3. Mr. JJ Price	√	√	√	√
4. Mr. LvR van Oudtshoorn	√	√	√	√
5. Ms. DM Manamela	√	√	√	√

≠ Apology

√ In Attendance

4.5.3 Finance Committee

The Finance Committee assists the Board in fulfilling its obligations and fiduciary duties and responsibilities, incorporating supply chain management (procurement) matters. It also supports the Board and Management in publicly confirming that they have reviewed the effectiveness of the systems of internal control of the Entity and that the financial risks of the entity have been identified and assessed. The Committee further ensures that the implementation and monitoring of financial controls and information systems are essential for the effective discharge of the responsibilities of the Board.

The table below summarises attendance by Committee members:

Finance Committee Meeting Attendance

Members	26\10\2021	15\02\2022	05\05\2022
1. Mr. TB Phitsane	√	√	√
2. Adv. T Segoe-Backward	√	√	√
3. Ms. N Sandlana	√	√	√
4. Ms. P Matete	√	√	√

≠ Apology

√ In Attendance



4.5.4 Human Resources and Corporate Support Committee

The primary purpose of the Human Resources and Corporate Support Committee is to assist the Board in fulfilling its responsibility to:

- Ensure that Management and the Entity's staff in general are appropriately rewarded for their work in a manner that will ensure, as far as possible, the recruitment, retention and motivation of people with the skills that the organisation needs;
- Ensure that the actions of staff in general are directed towards the long-term benefit and best interests of the Entity's Shareholder;
- Oversee the implementation of the Entity's strategy aimed at developing the human capital to support the delivery of quality mandated services;
- Oversee the design and implementation of a sound labour relations strategy, which fosters good relations between Bloem Water as an employer, the employees and organised labour; and
- Oversee the implementation and monitoring of programmes aimed at ensuring the long-term sustainability of the organisation.

Human Resources and Corporate Support Committee Meeting Attendance

Members	05\08\2021	07\10\2021	03\03\2022	19\05\2022
Mr. T Manyoni	√	√	√	√
Mr. LX Ntoyi	√	√	√	#
Ms. MAF Moja	√	√	√	√
Ms. P Matete	√	√	#	√

Apology

√ In Attendance



4.5.5 Social and Ethics Committee

The Social and Ethics Committee has its own Charter, which was approved by the Board. A rolling annual plan, which deals with the principles that are contained in the United Nations Global Compact, guides the Committee in overseeing and monitoring the ethical and social practices of the Entity. During the year under review, this Committee considered the extent to which organisational values are implemented and the impact thereof on both internal and external stakeholders.

Social and Ethics Committee Meeting Attendance

Members	05\08\2021	14\10\2021	08\02\2022	17\05\2022
1. Adv. T Segoe-Backward	√	√	√	√
2. Ms. DM Manamela	≠	√	√	√
3. Mr. LvR van Oudtshoorn	√	√	√	√
4. Mr. TB Phitsane	√	≠	√	√
5. Ms. P Matete	√	√	√	√

≠ Apology

√ In Attendance

4.6 Remuneration of Board Members

Section 35(6) of the Water Services Act prescribes the remuneration of Board Members. Therefore, the remuneration is in accordance with the said piece of legislation.

Non-executive Directors receive fees for their contribution to the Board and the committees on which they serve. The remuneration of Directors paid during the year under review is contained in Note 22 on pages 182 - 183 to the financial statements.



5. COMPANY SECRETARY

During the review period, the Company Secretary not only played a pivotal role in organising Board activities, but also complemented and supported the Board in exercising its oversight function.

The following key functions of the Board Secretariat proved invaluable to the Entity's stability and enabled the Board to undertake its fiduciary duties of providing the strategic direction and ethical leadership in enabling the organisation to deliver on its mandate:

- Worked closely with the Chief Executive, Chairperson and the Board to ensure that effective shareholder relations were maintained;
- Prepared agendas of meetings in agreement with the Board and its Committee Chairpersons;
- Organised and ensured that all meetings convened as planned and that the minutes of Board and Committee meetings were recorded, circulated, agreed to by members of the Board, filed securely and that the decisions of the Board were implemented;
- Attended the meetings of the Board and its Committees and built effective working relationships with all members, offering impartial advice, as well as advising on compliance with applicable laws;
- Monitored and ensured that all governance instruments were reviewed and applied accordingly; and
- In promoting Board development, assisted the Chairperson with all development processes, including Board evaluation and training, amongst others.

6. RISK MANAGEMENT

6.1 Risk Appetite Statement

Bloem Water has always set itself the broad target of creating a leading, value-driven, effective, and responsive water services institution that can adapt best practice methods in anticipating tomorrow's challenges today. However, to deliver on this target effectively and efficiently, the Board monitors improvements in how risk management is implemented with adequate levels of risk maturity and a risk conscious culture where it is not only a notion, but is entrenched in the Entity's everyday work, from planning to reporting.

The approval of risk thresholds by the Board enabled the Entity to align its strategies and tactics more explicitly with its desired level of risk taking and management of risks. The approved thresholds were aligned to the following risk appetite statement for the period under review:

"The Board is risk averse with respect to risks that could:

- Put the safety of its employees in jeopardy;
- Result in tarnishing the Entity's image;
- Compromise compliance with laws and regulations; or
- Affect the ongoing status of the Entity."

6.2. Enterprise-wide Risk Management Implementation

Bloem Water is one of the key strategic drivers deployed by the South African Government in ensuring the effective implementation of the Constitution of the Republic. Executing this indispensable mandate means that there is small margin for errors/failures. This constantly requires the need to utilise all available resources to minimise possible failures. Therefore, one of the management tools that the Entity relies on is Enterprise-wide Risk Management. This is a vital mechanism to the Board in ensuring effective operations as it provides significant early warnings signs, which enables the proactive management of threats.



Throughout the period under review, enterprise-wide risk management was successfully implemented and driven by the following key drivers:

- Regulatory Compliance Policy;
- Business Continuity Management Policy;
- Risk Management Policy;
- Risk Management Strategy;
- Compliance Management Framework;
- POPIA Compliance Framework; and
- Business Continuity Management Framework.

The Entity has a fully-fledged Risk Management Unit that facilitates the implementation of enterprise-wide risk management processes. The Board continuously advocates for risk management to be a standing agenda item in all the Board and Management Committee meetings to ensure that key risk factors are not overlooked. Additional assurance was also provided to the Entity in the form of an enterprise-wide risk management maturity assessment conducted by Co-sourced Internal Auditors, PricewaterhouseCoopers. Subsequently, a positive report was received on the Entity's risk maturity level, indicating the assessment of five (5) key areas with the following ratings:

Enterprise-Wide Risk Management Maturity Assessment

Category	Risk Management Maturity Stages			
	Developing	Baseline	Mature	Leading
Governance and Culture				😊
Strategy and Oversight Setting			😊	
Performance			😊	
Review and Revision			😊	
Information, Communication and Reporting				😊



Creating a Risk Management Culture

Bloem Water acknowledges that enterprise risk management is seen to be a crucial part of successful institutions, while the unsuccessful management of risks could lead to the downfall of an otherwise successful institution. Therefore, it becomes imperative to continuously drive risk management principles in the form of employee education to build capacity within the Entity. The 2021/2022 financial year saw risk management advocacy on the following subjects:

- Social Engineering Attacks;
- Types of Occupational Fraud;
- Fraud Triggers;
- Board's Stance on Fraud and Corruption;
- Key Factors in Preventing Fraud;
- Responding to Fraud; and
- Reporting Platforms available to employees.







6.3. Strategic Risks

The crisis of water security, insufficient water infrastructure maintenance and investment, current climatic variations and deteriorating water quality in South Africa call for the water sector to review its corporate strategies and risk universe to ensure that relevant risks receive coverage.

The Entity reviewed its strategic risks in July 2021 in line with strategies adopted in the May 2021 Board Strategic Planning Session. This was also done to ensure alignment with the priorities of the Department of Water and Sanitation. The Board committed through the Shareholder Compact to achieve a minimum of 75% containment of strategic risk within the approved risk threshold. Thirteen (13) corporate risks were documented in a Strategic Risk Register with varying residual exposure levels throughout the quarters as influenced by the interventions implemented by respective risk owners.

As of 30 June 2022, strategic risks according to the approved risk threshold level can be summarised as follows:

Strategic Risks According to Approved Risk Threshold Level

Percentage of strategic risks & narrative	Strategic risks within risk appetite	Strategic risks beyond appetite, but within tolerance levels categorised		
		Acceptable - Low Deviation (Business as usual)	Endurable - Moderate Deviation (Management intervention)	Undesirable - High Deviation (Turnaround Strategy)
100% (13)	69% (9)	15% (2)	8% (1)	8% (1)
The Entity has a total of 13 strategic risks				
	Verdict: Maintain Current Controls	Verdict: Maintain Current Controls	Verdict: Opportunity to Refocus	Verdict: Immediate Control Enhancement Required

In summary, the pictorial image portrays the positive control environment the Entity operated under in the period of review.

This is evident in the following breakdown:

- 84% of strategic risks were managed within the approved risk tolerance levels;
- 8% of strategic risks showed a moderate deviation from the approved risk tolerance levels and required the Board and Executive Management's intervention to reverse the situation back to normality; and
- 8% of strategic risks showed a very high level of deviation from the approved risk tolerance levels, which threatened the sustainability of the Entity and required turnaround strategies.



6.4. Emerging Risk

Bloem Water does not operate in a risk-free environment, therefore there are certain internal and external events occurring that might have a significant impact on its operations.

The disestablishment of the Sedibeng Water Board announcement by the Minister of Water and Sanitation in January 2022 will have a direct impact on the operations of the Entity as it entails taking over the operations, assets and liabilities of Sedibeng Water in the Free State and Northern Cape areas. This presents long-term opportunities as the areas of services and revenue sources get expanded, while acknowledging the reconfiguration and integration is fraught with unique challenges and risks, such as short-term financial risks.

The Entity adopted a project management approach in managing all the identified risks associated with the disestablishment. These project risks influenced all the strategic engagements of the Board, its Committees, Executive Committee and other Management Committees during the latter part of the financial year concerned.

6.5. Business Continuity Management

Bloem Water has a constitutional mandate of bulk water supply, thereby creating value in the communities serviced. During the provision of these essential services, the Entity will always encounter certain vulnerabilities inherent in the delivery of this value. The established framework in place is intended to increase the Entity's resilience in absorbing, responding and recovering from disruptions.

In the beginning of the 2021/2022 financial year, the Board identified the following five (5) key business continuity risk triggers (known as BETH3):

- Losses of Buildings and Equipment;
- Technology;
- Human Resources; and
- Third Parties.

For the period under review, the Entity experienced three (3) events relating to the triggers that influenced the invocation of Business Continuity Measures. This ensured that the Entity's normal business operations were recovered with minimal negative impact.



7. INTERNAL AUDIT AND INTERNAL CONTROL

7.1 Internal Audit

Internal Audit is an independent assurance provider to Bloem Water and provides the Audit and Risk Committee with assurance on the effectiveness of risk management, internal controls and governance processes across all the Entity's regions by evaluating and making recommendations for improvement.

During the year under review, the Internal Audit Activity comprised of a senior internal staff member and co-sourced capacity. The internal staff directly coordinated the activities of the externally appointed co-sourced capacity. To maintain its independence, the Internal Audit Activity reports administratively to the Chief Executive and functionally to the Audit and Risk Committee.

The purpose, authority and responsibility of the Internal Audit Activity is formally defined in its charter, which was approved by the Audit and Risk Committee. The internal audit activities as per the Annual Audit Plan and Three Year Rolling Strategic Plan were identified through a combination of the Entity's Risk Management Processes, as well as a risk-based internal audit methodology adopted. The Risk-Based Annual Audit Plan and Three Year Rolling Strategic Plan were also approved by the Committee.

The Internal Audit Activity reported progress made towards the achievement of the Audit Plan to the Audit and Risk Committee on a quarterly basis, while having unrestricted access to the Audit and Risk Committee on an ongoing basis.

Internal Audit managed to execute and report on a total of 95% of the scheduled reviews as per the approved Audit Plan. More than 84% of strategic risks (compared to 70% in the previous financial year) were within the approved risk tolerance levels for the period under review. This supports the overall improvement in the internal control environment.

The Combined Assurance Model continued to ensure that a coordinated approach was applied by all lines of defence in providing assurance to the Entity. Internal Audit coordinated their planned activities with other assurance providers and relied on the work performed by other specialists to ensure proper coverage and minimising the duplication of efforts.

7.2 Combined Assurance

Our combined assurance model



In line with the principles of Combined Assurance as outlined in the King IV report on Corporate Governance, the implementation of the Combined Assurance Model continued throughout the Entity. The Combined Assurance Framework was approved by the Board and the framework has been added as a standing agenda item at meetings of the Risk and Security Management Committee.



The Entity's combined assurance approach incorporates and seeks to optimise all assurance-related activities across the regions and the various assurance providers, in line with the Combined Assurance Framework. The framework outlines the minimum requirements for achieving the combined assurance mandate. The three lines model is aimed at improving and monitoring the Entity's governance, risk management and internal controls.

The Combined Assurance Framework provided reasonable assurance to the Audit and Risk Committee that a coordinated approach was applied by all lines of defence in providing assurance to the Entity. In this manner, adequate assurance was provided for significant risks facing the Entity and that assurance gaps that had been identified, were appropriately addressed.

8. COMPLIANCE WITH LAWS AND REGULATIONS

Bloem Water's Compliance Universe consists of all applicable laws as guided by the approved Compliance Management Policy. Executives continuously identify applicable laws to be observed.

A Legislative Compliance Register, which includes deadline dates for complying with certain statutory requirements, is confirmed annually by all Executives and thereafter, monthly confirmations are done. As a quality control measure, the legislative environment is scanned on a quarterly basis for changes, and the Compliance Universe is updated accordingly. Management strives to ensure full compliance with all relevant legislation, regulations, and directives/practice notes.

9. FRAUD AND CORRUPTION

The Board has a zero-tolerance stance on fraud and corruption. This has also been exonerated by the existing Anti-fraud and Corruption Policy and response strategy, respectively. The Entity continued to uphold the requirements of the Protected Disclosure Act (Act No. 26 of 2000), by maintaining the independent Ethics Hotline as an anonymous reporting platform, which augments the existing non-anonymous reporting platforms. During the year under review, the Entity had no reported incidents/allegations of fraud or corruption on both reporting platforms.

10. MINIMISING CONFLICT OF INTEREST

Bloem Water is committed to a policy of fair dealing and integrity in the conduct of its business. In terms of its Code of Ethics and Conduct, it is expected that all employees share in the organisation's commitment to high moral, ethical and legal standards. All employees are to declare gifts they received, as well as instances of conflict of interest on the Register of Interest. During the year under review, 99% percent of employees disclosed registerable interest.

Directors of the Board declared interest at all meetings they attended during the review period to ensure adherence to the Code of Conduct. The Entity has further resolved that Directors must declare interest annually in an attempt to enhance accountability.

11. CODE OF CONDUCT

The Entity's Code of Ethics and Conduct Policy was reviewed by the Board and implemented in the year under review. This Code articulates the values of the organisation and represents the highest ethical standards applicable to all employees and the Board.



Contraventions of the Code are dealt with in the provisions of the applicable human resources policies, as well as the Terms and Conditions of the organisation. Matters are investigated and sanctions issued based on the merits of each case.

The Board likewise has a Code of Conduct that supports the organisation's mission, values, and principles. Board Members must adhere to this Code as it regulates members' behaviour and standards of professional conduct. In so doing, the Board embraces its role to set the tone of good ethical conduct for the entire organisation.

12. HEALTH, SAFETY, ENVIRONMENT AND SECURITY

12.1 Health and Safety

Bloem Water is dedicated to providing a safe and healthy working environment for all of its stakeholders, including, but not limited to its employees. The Health and Safety Programme has been established to focus primarily on the prevention of hazards, the promotion and maintenance of a conducive work environment and employee health, as well as organisational productivity. The programme is aimed at improving workplace conditions for workers and co-workers, customers and other stakeholders in line with the Occupational Health and Safety Act (Act No. 85 of 1993).

During the 2021/2022 financial year, the Entity conducted annual medical screening of employees with the highest risk exposure as part of the Medical Surveillance Programme. The purpose of the programme is to determine whether an employee suffers any negative effects of specific workplace hazards identified during the Hazard Identification and Risk Analysis (HIRA) process, as well as the effectiveness of workplace control measures.

In the previous financial year, a baseline for the health of employees was established for the programme, and during the reporting period, follow-up screening was conducted to establish whether employees are still fit to perform their duties.

A total of 210 employees have been screened in the 2021/2022 financial year, based on their job profiles and risk exposures. Employees with suspected health issues are referred for further medical consultation. Medical screening is also conducted periodically for newly appointed officials, as prescribed by the Occupational Health and Safety Act, which includes screening when exiting and during job changes. Employees are continuously informed of the importance and benefits of medical screening. The Entity was successful in surpassing the annual goal that was set and achieved a screening rate of 93%.

12.2 Environmental Management

The following environmental management activities were conducted during the year under review:

Waste Management

In an effort to be responsible in managing waste, Bloem Water established designated and specific areas for dumping waste in compliance with the National Environmental Management: Waste Act (Act No. 59 of 2008). The Entity is in the process of pursuing permits for the use of these sites. However, waste is transported in the interim to the nearest authorised municipal waste disposal site. The rehabilitation of previously used sites has commenced in compliance with applicable legislation, including municipal by-laws. The Entity's long-term plan includes the sourcing of waste storage containers to prevent pollution and to implement recycling in the short-term with the intention of reducing the Entity's carbon footprint. Various studies indicate that waste decomposition results in the release of methane and carbon dioxide, which are major greenhouse gases associated with climate change. The Entity is committed to reducing the amount of waste produced and where relevant, implement recycling to ensure the effective and efficient management of waste.



Pollution Management

In compliance with Section 28 of the National Environmental Management Act (Act No. 59 of 2008), which requires that reasonable preventative and corrective measures be implemented, Bloem Water is exploring feasible solutions related to sludge lagoons and sewer management in pursuit effective pollution management.

Policy and Relevant Procedure Development

A draft Environmental Policy was developed in the 2021/2022 financial year and consultation with employees and the Labour Forum to ensure stakeholder contribution and ownership will commence in the new financial year. Upon finalisation of this process, procedures will be developed to implement the policy, while other procedures based on the policy commitments will likewise be developed. The policy is an important step towards ensuring effective environmental management.

Project Management

Environmental management plays a vital role in project management to ensure the sustainable development of infrastructure and compliance with the National Environmental Management Act. During the year under review, the Entity monitored and supported running projects to ensure compliance to legislation and the implementation of related best practices.

According to the World Health Organisation, sustainable development is a broad term to describe policies, projects and investments that provide benefits today without sacrificing environmental, social and personal health in the future. As the threats of climate change become increasingly important, win-win strategies for development and environmental protection are advantageous to various stakeholders. It has been ensured that environmental concerns are incorporated in all projects. This includes input in project development, inspections and monitoring during project implementation, as well as in the closeout of projects. The focus is not only on compliance, but also to ensure best practice for environmental protection and carbon footprint management.

Environmental Awareness

During the celebration of Water Month in March 2022, Bloem Water collaborated with the Department of Water and Sanitation in presenting an awareness campaign within the Entity's areas of operation. The theme of the campaign was "Leaving no one behind; water for all," bringing to the fore government's commitment to ensure that all citizens have access to clean water. The aim was to educate communities on the importance of water and its conservation. This is particularly relevant in a water scarce country such as South Africa, with day zero a threatening reality in different provinces. There have also been other awareness sessions touching on various topics, such as climate change, source conservation, etc. These continuous environmental education sessions are conducted within the Entity in a physical or email/memorandum format.



Environmental awareness campaign

12.3 Security Management

At a national level, the vandalism of water infrastructure threatens water security. This situation necessitated Bloem Water to prioritise the security of its water infrastructure so as to protect the sustainability of its supply.

During the 2021/2022 financial year, several security incidences related to infrastructure were reported, which includes vandalism and theft. Public unrests at provincial level and the consequences of water interruptions in areas of supply threatened water service delivery and infrastructure. The South African Police Service (SAPS) and Security Management jointly ensured that there was no unauthorised access to the infrastructure of Bloem Water, which would have led to disruptions in the water supply.

Against this background, the Entity continued to improve its security infrastructure through the utilisation of technological advancements in security surveillance and where necessary, the deployment of additional private security.

13. INFORMATION AND COMMUNICATION TECHNOLOGY

The Board regards Information and Communication Technology (ICT) as a strategic asset, enabler and driving force in the Entity. ICT supports the Board's ability to exercise oversight in a manner that is consistent with authorised standards. The Entity will not be able to accomplish the aims and objectives it has established without adequate ICT investment.

An ICT Security Policy has been implemented at Bloem Water. This policy also underwent review in light of recent legislation related to the implementation of the Protection of Personal Information Act (Act. No. 4 of 2013) and the Cybercrimes Act (Act. No. 19 of 2020).

During the review period, the Entity entered the fourth year of the implementation of its Five-Year Strategic Plan. This involved the strengthening of ICT security measures to prevent and respond to cyber-attacks, as well as reviewing processes connected to these threats, amongst others. A proactive network monitoring solution was deployed to ensure that mission-critical network services, such as virtual meetings and systems availability, are prioritised. Active monitoring also aids in managing the risk of losing data as a key asset of the Entity.

Technology continues to play a vital role in managing resources and supporting the Entity's processes from technical, financial to human resources through a wide range of practical solutions to achieve set goals and objectives.



14. CORPORATE SOCIAL RESPONSIBILITY

Bloem Water is devoted to meeting the highest standards of ethical, social and environmental performance, transparency, and responsibility in all of its business practises. The Board continues to exercise its social corporate responsibility with the aim of improving the quality of life in the communities in which the entity operates. During the reporting period, the following CSR initiatives took place:

Assistance to Schools

This campaign was aimed at assisting less privileged learners in various schools. A number of schools were identified in the Entity areas of service in order to donate sanitary towels and promote water conservation. The schools that benefited were: Excelsior Combined and Reutlwahetse Secondary (Excelsior), Bergmanshoogte Primary (Philippolis), Beang tse molemo Primary (Reddersburg), Emang Primary (Thaba Nchu), Batjha Primary (Botshabelo) and Tsholetsang Primary (Bloemfontein). The employees of Bloem Water also contributed to the campaign, and it was implemented successfully. More learners had been reached than was initially anticipated.



Mr. J Dhladhla and Mr. D Maelamo from Bloem Water at Excelsior Combined School



Learners at Excelsior Combined School



Reutlwahetse Secondary School in Excelsior



Reutlwahetse Secondary School in Excelsior



Bloem Water's liaison officer, Ms. N Libate, addressing learners in Philippolis



Mr. A Manotsi (SHEQ Officer) and Ms. N Libate (Liaison Officer) addressing learners in Reddersburg



Water Harvesting/JoJo Tanks

In accordance with Bloem Water's Water Conservation and Water Demand Management Strategy and the provision of sustainable water services, the Entity has launched a Rainwater Harvesting Programme with the goal of educating and encouraging communities to collect rainwater for use in their homes and businesses. During the launch, JoJo tanks were distributed to eighty-five (85) beneficiaries. The Entity will continue its efforts to educate communities in its areas of service on the most effective ways to save and conserve water, a resource that is in short supply.



From left to right: Adv. T Backward-Segoe (Deputy Chairperson of the Board); Mr. Dywili (SAMKVA representative); Mr. T Phitsane (Chairperson of the Board); Dr. T Ntili (DWS Provincial Head); Mr. L Ntoyi (Board Member), and Mr. LEvR van Oudtshoorn (Board Member)





The Chairperson of the Board, Mr. T Phitsane handing over JoJo tanks to beneficiaries



15. STAKEHOLDER ENGAGEMENT AND MANAGEMENT

15.1 Department of Water and Sanitation as Shareholder

Bloem Water continues to consult and engage the Department of Water and Sanitation as its Shareholder for the purpose of reporting on statutory matters to ensure compliance with applicable acts and laws, expressing concern about issues that may have a detrimental impact on the supply of water services, and recommending feasible solutions. Furthermore, the Entity supports the initiatives by the Department as its Shareholder in national and local activities.

The Entity conducted stakeholder engagements with some of the municipalities who were previously served by Sedibeng Water, mining houses, as well as employees of both entities. This was aimed at keeping all stakeholders abreast on the announcement of the Minister of Water and Sanitation to disestablish the Sedibeng Water Board. Change management processes were initiated and executed to bring all employees from the Entity and Sedibeng Water on board.

Following the President's State of the Nation's Address to deal with water and sanitation challenges in the Free State province, the Minister also engaged Bloem Water in public participation initiatives focusing on impacted communities. A key highlight of this engagement was the directive to the Entity to transform into a Regional Utility in the Free State province focusing on the entire water value chain.





From top to bottom: The Minister of Water and Sanitation (Hon. Mr. S Mchunu) with the Bloem Water team; The Minister's arrival at Bloem Water premises, and the Minister with Board Members and other attendees

15.2 Inter-Governmental Relations Processes

The Free State Government is one of the key stakeholders assisting Bloem Water in fulfilling its commitment to provide bulk water to communities and various industries. During the 2021/2022 financial year, Inter-Governmental Relations initiatives brought together the Office of the Premier, the Free State Treasury, the DWS Regional Office, COGTA, and other departments. The engagements intended to resolve water service delivery issues in the province, most notably the non-payment by municipalities that results in water supply interruptions due to water restrictions.

15.3 Water Services Authorities

The sustainability of Bloem Water rests heavily on the Water Services Authorities, the commitment of municipalities and continuous payment for bulk water services. However, non-payment for such services rendered has become more prevalent in recent years. This necessitated the Entity to engage with customers to find practical solutions for non-payment issues, including payment plans, the reduction of water supply or restrictions. The Entity pursued all its customers to maintain good customer relations, while addressing non-payment issues.



15.4 Communities

Bloem Water interacted with diverse groups of water consumers in its service areas to educate and raise awareness on the significance of water conservation. In partnership with other stakeholders, such as DWS, Government Communication Information System (GCIS) and Coca-Cola Beverages Africa, the Entity participated in a global handwash campaign in Fauresmith.



Global Handwash Campaign

Mr. L Crisp (Regional Department of Water and Sanitation) sanitising the hands of attendees in adhering to COVID-19 regulations

Mr. A Visagie (Kopanong Local Municipality representative) welcoming guests and addressing the attendees

Water supply interruptions firstly affect high lying areas within communities before reaching other low-lying areas. During the year under review, members of one such affected community protested at the Entity's head office. These members expressed their discontent with reduced water supply, which is having a significant impact on them despite paying their water accounts on a consistent basis. The management team of Bloem Water engaged with these community members and was able to diffuse the situation by explaining how the distribution process takes place.

15.5 Participation in Bloem Show

Bloem Water participates annually in the Bloem Show presented in Bloemfontein, an event that offers a variety of promotional opportunities for awareness creation about the water sector. Bloem Show affords the Entity numerous prospects for interaction with stakeholders from diverse and related sectors, such as agriculture and other industries. During the 2022 show event, the Entity displayed and outlined its various regions, associated dams and water purification processes involved. As a result, Bloem Water was awarded a silver certificate, a second-place award for a well-presented and well-managed stall.



Bloem Show attendees visiting the Bloem Water stall with employees providing information on the water purification process



15.6 Biodiversity Education and Public Engagements

The Free State National Botanical Garden in Bloemfontein presented its International Day for Biological Diversity in May 2022. The theme of the event was "Creating a common future for all life". At this event, Bloem Water used the occasion to educate learners about biodiversity, while also introducing the Entity, the services it provides and related careers opportunities in the water sector. Learners were also encouraged to become water ambassadors advocating for the adequate utilisation of water.



Learners from the Lereko and Navalsig High Schools attending Bloem Water's biodiversity exhibition

16. AUDIT AND RISK COMMITTEE REPORT

The Audit and Risk Committee is duly constituted in terms of the Public Finance Management Act (Act No. 1 of 1999). The main purpose of this Committee is to assist the Board in fulfilling its oversight responsibility regarding the system of internal financial controls, the governance of risk, internal and external audit functions, annual reporting, and the Entity's processes for monitoring statutory and regulatory compliance.

The Audit and Risk Committee accordingly adopted its Charter, which is updated on a year-on-year basis, which was approved by the Board. Throughout the financial year under review, the Committee carried out its duties in accordance with the terms of this Charter, the Public Finance Management Act and the applicable National Treasury Regulations.

Composition

The Audit and Risk Committee consists of four (4) independent Non-executive Directors. Collectively, these members have sufficient skills and knowledge to deliver on the set responsibilities. The meeting attendance of the Committee members, as well as their qualifications of the Committee members are detailed in the table on page 79 of this Annual Report.

During the 2021/2022 financial year, the Committee held separate meetings with Senior Management, external auditors, and internal auditors as and when required. The internal and external auditors have unrestricted access to the Audit and Risk Committee. The Committee and its members are assessed for effectiveness on an annual basis.

The Audit and Risk Committee is, therefore, pleased to report that it has regulated its affairs in compliance with its Charter and has delivered on all its responsibilities as contained therein.

The Effectiveness of Internal Control

The Audit and Risk Committee reviewed:

- the significant issues raised by both internal and external auditors, which were discussed and resolved as and when they were reported;



- the policies and procedures relating to the prevention and detection of fraud and corruption; and
- the effectiveness of Bloem Water's systems of internal control, including the assurance received from Management, Internal Audit and External Audit during the course of the financial year under review.

With regards to the last point raised above, the combined assurance model was subsequently updated and the tracking map reported. The final Combined Assurance Report concluded that the internal controls were regarded as satisfactory.

Regulatory Compliance

The Audit and Risk Committee has complied with all applicable legal and regulatory responsibilities. These are tracked, reported and discussed at quarterly meetings.

External Audit:

The Audit and Risk Committee reviewed, discussed and deliberated on the external audit scope and coverage, including the fees as set out in Note 15 of the financial statements. The Committee concurs with the conclusions on the status of the internal financial controls and therefore, recommended these to the Board for approval.

Internal Audit:

The Audit and Risk Committee:

- reviewed the updated Internal Audit Charter and recommended it for approval by the Board;
- evaluated the independence, effectiveness and performance of the function, as well as compliance with its charter;
- considered and satisfied itself that Internal Audit has the necessary resources, budget and appropriate standing within Legal Aid SA;
- approved the Internal Audit Plan and the adjustments thereafter; and
- continuously encouraged cooperation and reliance between Internal and External Audit.



Management Monthly/Quarterly Reports

Bloem Water submitted monthly and quarterly reports to the Executive Authority as per the prescripts contained in the Shareholder Compact.

Evaluation of Financial Statements

The Audit and Risk Committee has reviewed the Annual Financial Statements as prepared.

Auditor's Report

The Audit and Risk Committee has reviewed Bloem Water's implementation plan for audit issues raised in the prior financial year as stated above, and is satisfied that the matters raised by External Audit have been adequately resolved.

The Committee concurs and accepts the conclusions by the external auditor as articulated in the Annual Financial Statements, and is of the opinion that the audited Annual Financial Statements should be accepted and read together with the report of the Auditor-General of South Africa.

Annual Reporting

We recommended the Annual Report for approval by the Board on the basis of the processes in place, underpinned by the assurance provided by the Internal Audit function.

In conclusion, nothing came to the attention of the Committee to indicate any material breakdown of Bloem Water's internal control processes, risk management, corporate governance and compliance.



Ms. N Sandlana

Date: 31 October 2022

Chairperson of the Audit and Risk Committee: Bloem Water



17. B-BBEE COMPLIANCE PERFORMANCE INFORMATION

During the 2021/2022 financial year, the prevailing conditions created by the COVID-19 pandemic and the current financial status of the Entity, negatively affected Bloem Water's ability to fund the development of service providers. Nonetheless, training sessions and the practical exercising of support to SMMEs were rendered during this period. Service providers were also assisted in registering on the Central Supplier Database at National Treasury, while administrative support was also given where needed and applicable.

The Entity encourages stakeholders to attend training sessions to improve knowledge on supply chain activities, as well as the requirements for local content. The local content compliance requirements implemented by the Department of Trade and Industry are still a concern in the supply chain management and procurement environment.

Bloem Water continues to monitor and ensure sourcing from B-BBEE compliant suppliers. The B-BBEE spend target of equal/above 65% for the reporting period was achieved. Spend performance for the year under review measured at 195.8%. Seventy-five (75) new entrants, from a target of thirty-two (32) for the year under review, were accommodated.





PART D:

HUMAN RESOURCES MANAGEMENT



1. OVERVIEW OF HUMAN RESOURCES MANAGEMENT

The water sector and related industry in general, had to face unprecedented challenges during the past two years. The work environment required agility and adaptability from employees to keep the taps running. Economic volatility and the lingering impact of the COVID-19 pandemic, including ongoing lockdown measures, continued to dominate in the 2021/22 Financial Year.

Despite anxiety created by these uncertainties, Bloem Water employees demonstrated admirable resilience in responding and adapting to changes in the external environment. Employees are acknowledged for having weathered these challenging times. It is confirmed with gratefulness that all the Entity's employees returned safely to work during the 2021/22 financial year, whilst continuing to observe health and safety protocols, such as social distancing, wearing of masks and isolation/working from home requirements as and when necessary.

2. CURRENT SUSTAINABILITY AND BEYOND

The Board of Bloem Water adopted a strategy to promote sustainability and beyond. The Entity continued to observe sustainability measures through alternative staff utilisation, pursuing early retirement options and limiting recruitment to critical operational positions only. Following the Minister of Water and Sanitation's announcement of the disestablishment of Sedibeng Water and a Section 197 transfer to Bloem Water as contemplated by the Labour Relations Act (Act No. 66 of 1995), the sustainability objectives and processes will require realignment during the 2021/2022 financial year, which includes organisational study and the grading of the Entity.

3. SET HR PRIORITIES AND THEIR IMPACT

Recruitment

Bloem Water is dependent on engaged and productive employees to achieve on its mandate of bulk quality water provision. Accordingly, recruitment processes target competent, skilled and fit for purpose candidates who will be able to contribute to effective and efficient operations. Such recruitment processes have to observe compliance to the Entity's Recruitment and Selection Policy and submit to the spirit of employment equity legislation for a workplace in which diversity is encouraged. Twelve (12) key operational positions were prioritised and filled by available competent and qualifying internal and external candidates.

Business processes and the optimising or alternative utilisation of mainly support staff were reviewed in response to the need to reduce the total cost of employment. The pending disestablishment of Sedibeng Water further required diligence in staffing processes. This impacted on the planned recruitment for the year and reduced recruitment to only 67% of the planned recruitment for the year under review.

Attraction and Retention

The staff turnover rate increased from 0.99% in the previous reporting period to 2,51% in the 2021/2022 financial year. Furthermore, 1.53% of the turnover rate relates to terminations due to misconduct. It is acknowledged that the retaining of top performers, adds significant value to the Entity. However, there should also be a healthy staff turnover to allow for diversifying, fresh talent, novel ideas and innovation to prevent organisational stagnation.

The Entity values engaged and committed employees through its policies and by applying best practices to attract and retain staff. The following measures were applied to attract and retain employees:

- Advertising internally and externally with outlined job requirements;
- Promotion of fair labour practices;



- Competitive market related remuneration;
- Appropriate induction of new staff;
- Growth opportunities through developmental and upward mobility prospects; and
- Employee friendly policies.

The above-mentioned measures are in line with the long-term objective of making the Entity an Employer of Choice.

Employee and Labour Engagement

Bloem Water endorses the principles of fair labour practice as entrenched in the United Nations Global Compact. At a minimum, the Entity conforms to and often exceeds labour legislation requirements. Protecting the right to freedom of association and collective bargaining is evident in union representation and the Entity having a member serving on the various structures of the Amanzi Bargaining Council. Both SAMWU and NEHAWU are organised trade unions and party to the Local Labour Forum.

This forum, which includes senior managers, holds regular meetings where business strategy, financial status, safety and labour challenges are discussed. A productive relationship is maintained with organised labour in the face of sectoral and financial challenges impacting on sustainability, as addressed in the Current Sustainability and Beyond Report.

Employees are consistently engaged through awareness sessions and internal communication to ensure that they are kept abreast of new developments. Staff engagement is achieved by conducting awareness sessions that deal with organisational policies; the updating of constituencies by labour representatives; performance management; pension fund matters, and general information related to internal organisational matters.

The relationship with employees and organised labour is critical to strengthen capacity, improve productivity and drive operational excellence. There is proactive partnering with labour and employees challenging the status quo where necessary, whilst seeking to remain current with innovative approaches relating to employee engagement.

In as far as litigation/disputes at the Entity is concerned, three (3) pending Labour Court matters were successfully concluded in favour of the employer. There are currently no matters before the Labour Court, whilst one matter is filed at the CCMA as an alleged unfair dismissal. During the 2021/2022 financial year, the Entity experienced a higher percentage of termination of service owing to misconduct. Despite interventions and support provided, the unacceptable conduct persisted.

Mandatory and compliance imperatives are implemented and overseen as specified in the South African labour laws. Matters pertaining disputes and grievances are supported by the Employee Relations function according to the Code of Good Practice as contained in the Labour Relations Act and the grievance policy/procedure of the Entity.

Employment Equity Status

Employment Equity (EE) numerical targets are revised on an annual basis as informed by the goals of Bloem Water's Five-Year Business Plan. There were no major variances identified and improvement on targets is maintained. The legal requirements and monitoring of set targets inform recruitment and staff development processes.



The Employment Equity Report was submitted to the Department of Labour as a statutory requirement on 13 December for the 2021 reporting period, well in advance of the January 2022 deadline. The Entity is fully compliant with EE reporting requirements.

The Entity's representation of people living with disabilities increased from 1.50% in the previous financial year to 1.79%, as of June 2022. An awareness drive initiated in the current financial year to conduct sessions on People Living with Disabilities was well received and yielded positive results. Having qualified the definition of disability, several employees voluntarily disclosed their disabilities.

Employee Performance Management Framework

Bloem Water's performance management framework is intended to improve individual and organisational performance. Employees and managers mutually establish goals and expectations that are specific, measurable, attainable and linked to objectives as expressed in the Entity's Shareholder Compact.

Executives and senior managers enter annually into a strategic performance agreement for regular assessing and reporting during the year concerned, as well as external auditing at year-end supported by a respective portfolio of evidence. Other levels of staff participate in a performance enhancement system, which requires quarterly assessment. The developmental requirements of the performance enhancement system are identified, which feed into the Annual Training Plan to address the gaps identified. During the review period, 100% of the employees complied with the submission requirements.

Employee Wellness Programme

The Employee Wellness Programme (EWP) seeks to enhance employee and workplace effectiveness through the prevention, identification and resolution of personal challenges. Bloem Water promotes wellness through an integrated approach of group and/or individual counselling (self-referral or supervisory referral), awareness and educational working sessions, as well as psycho-physical wellness.

During the 2021/22 financial year, the EWP utilisation rate for internal individual counselling services measured at 21% of the work force, while external counselling services measured at 2%. Internal counselling was significantly higher than the 8% measured in the previous financial year, while external counselling reduced from 6% in the previous financial year to 2% in the current reporting period.

Since the beginning of the 2021/2022 financial year, some of COVID-19 regulations were eased and the following awareness sessions and other wellness activities could now be conducted physically as per an approved year-planner:

- Stress Management;
- Voluntary Health screening for TB, Hypertension and HIV;
- Gender based violence awareness;
- Anti-Drug Awareness;
- STI/TB Awareness;
- Cancer screening;
- Employee Wellness Day; and
- Employees participating in psycho-physical activities.





Ms. B Mohlalekoa (Mangaung Metro Municipality Wellness Officer) conducting trauma debriefing for Welbedacht employees





Employees Wellness Day at Welbedacht Dam



Mr. J Mapanyane participating in Comrades Marathon



Training and Development

Skills training remains essential to enable employees to excel in their individual and organisational roles and functions. For the year under review, the Entity has submitted its Workplace Skills Plan to the Energy and Water Sector Education and Training Authority (EWSETA) with various training programmes to be implemented to further build capacity of the employees. The Annual Training Report (ATR) was also submitted concurrently with the Workplace Skills Plan to EWSETA, highlighting the implemented training programmes.

The Entity have invested in a range of initiatives to ensure that it remains a dynamic and high performing organisation that attracts talented, values-driven and high-performing employees. The Entity continues to invest in full-time and part-time sponsored study programmes, which include functional/technical, safety and compliance learning and development programmes, as well as leadership, career and succession development programmes.

The information below provides the overall occupational level representation in terms of beneficiaries of various skills development initiatives that the Entity undertook during the year under review.

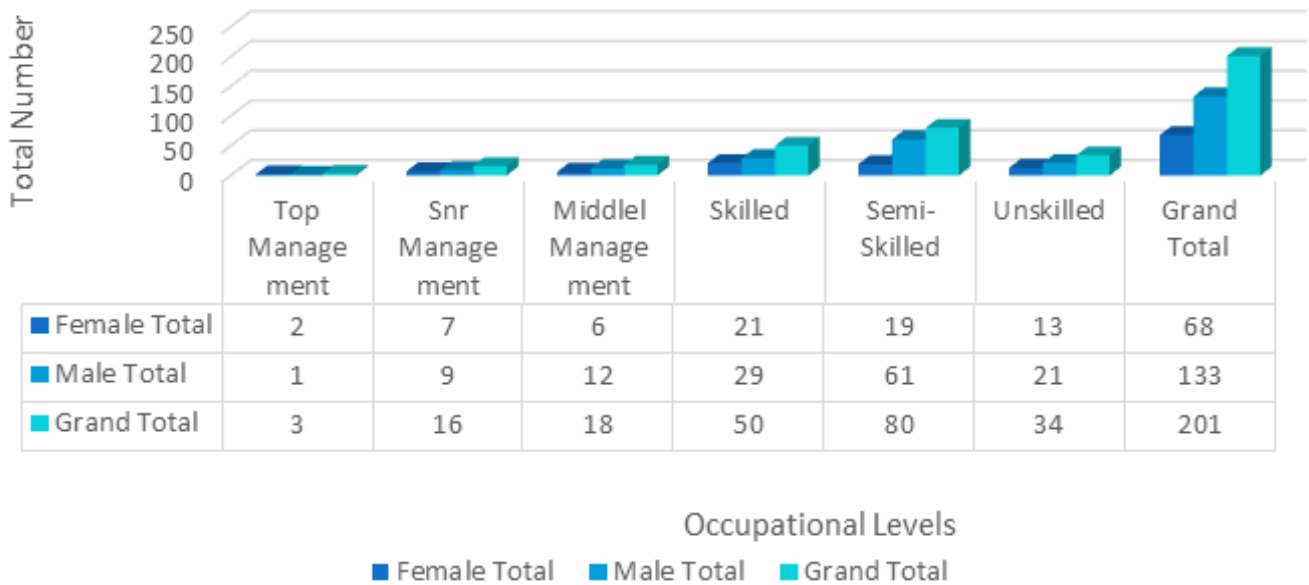
Training Instances/Interventions completed per Occupational Level.

Compliance, Conferences and Functional Training (Employed-18.1)

Occupational Categories	AFRICAN		COLOURED		INDIAN		WHITE		TOTAL
	MALE	FEMALE	MALE	FEMALE	MALE	FEMALE	MALE	FEMALE	
Top Management	1	1	0	0	0	0	0	1	3
Snr Management	6	5	1	0	0	0	2	2	16
Middle Management	8	5	0	0	0	0	4	1	18
Skilled	29	17	0	2	0	1	0	1	50
Semi-Skilled	59	18	0	0	0	0	2	1	80
Unskilled	19	11	0	2	0	0	2	0	34
Grand Total	122	57	1	4	0	1	10	6	201



Beneficiaries Trained per Occupational Level



Interpretation of the Bar Chart:

The chart above classifies training beneficiaries as follows:

- It can be deduced that the focus was on improving semi-skilled personnel, which happens to align to the Entity's skills plan as evidenced by the 80 employees trained from the semi-skilled category.
- It can also be seen that lesser focus was on management level as expected in most high-level functioning institutions. This is evidenced by the combined number of 19 management personnel trained.



Earthing and lightning protection training for artisans



Report writing workshop for managers

Compliance, Conference and Functional Training

The skills programmes rendered to the above-mentioned beneficiaries are aimed at developing mandatory or operational skills to ensure compliance as regulated by legislation, whilst enhancing organisational capacity.



Cherry-picker/lifting boom practical course training



Basic digital computer literacy course facilitated by CUT in partnership with NEMISA

EWSETA Co-funded Learning Projects

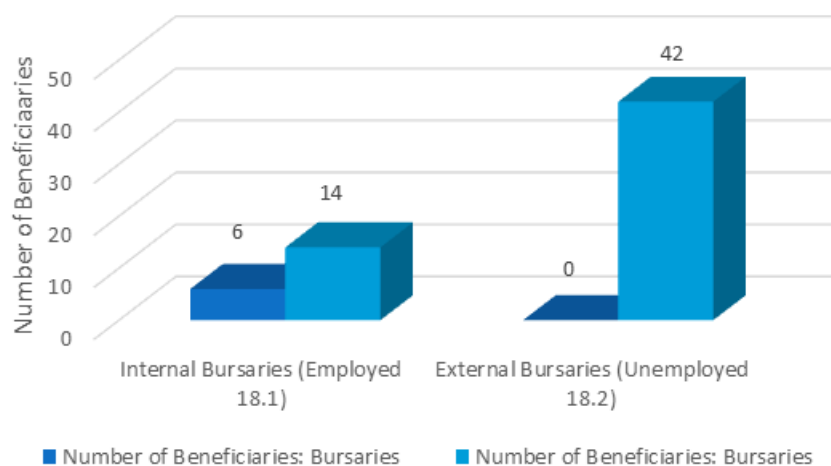
For the period under review, the Entity embarked on providing skills development projects, that is, Bursaries, Skills Programmes, National Accredited Technical Education Diploma Courses and Section 26D through EWSETA co-funding. These projects are targeted to build feeder and talent pipelines for the organisation that will enhance the supply of key skills in critical positions and to address historical challenges.

Internal Financial Assistance for Educational Studies

Bloem Water provides support and opportunities to its employees and external candidates to further their qualifications. The internal bursary scheme provides employees with the opportunity to study towards various qualifications in line with the Entity's skills priorities and the sector's skills plan, whilst external bursaries create a talent pipeline for the water sector at large.

The diagram below shows the allocation of all bursaries to both internal (employed -18.1) staff and external (unemployed youth). In total, 62 bursaries were allocated within two (2) academic years.

Diagram: Number of Beneficiaries Bursaries



Work Integrated Learning and Workplace approval

Bloem Water has the responsibility of implementing learning projects for unemployed youth to capacitate the water sector. The Work Integrated Learning Programme provides learners with an opportunity for placement within an organisational setting to apply the knowledge learned in class in relation to the chosen field of study to fulfil the requirements of the chosen qualification. The Entity collaborated with external stakeholders (i.e., training providers and TVET Colleges) to support workplace integrated learning that is in line with the sector priority skills needs. During the year under review, four (4) learners were successfully placed to complete the Work Integrated Learning module and to attain required qualifications.

The Entity has been accredited by EWSETA as Host Employer to offer structured work experience for applied training interventions of artisans as per Section 26B of the Skills Development Act (Act No. 97 of 1998) effective from March 2022 for a period of five (5) years. The following trades/fields were approved: Water and Wastewater Treatment Process, Electrician, Welder, Boilermaker, and Fitter and Turner.

Skills Development Spending/Budget

The table below indicates the allocation of all instances of training by internal (employed -18.1) staff. In total, 54 instances/interventions of training were presented.

Training Costs 2022

Programme//activity /objective	Personnel Expenditure (R'000)	Training Expenditure	Training Expenditure as a % of Personnel Cost	No. of Employees Trained	Average Training Cost per Employee
		(R'000)			
Management	51 788 420.24	104 990.00	0,00203	19	1 050 695.07 / 201 = 5 227.34
Administration	76 672 275.25	214 260.04	0,00279	63	
Electrical	15 011 994.01	242 976.26	0,01619	15	
Civil	11 949 405.95	67 472.77	0,00565	11	
Water Treatment	71 981 939.54	150 259.00	0,00209	22	
Mechanical	40 399 681.91	246 984.00	0,00611	35	
Security	21 321 307.50	23 753.00	0,00111	36	
Volunteers	1 005 259.40	0	0	0	
TOTAL	290 130 283.80	1 050 695.07	0,36%	201	



4. POLICY DEVELOPMENT

Policies are designed to support and give effect to the strategy and operating model of the Entity. The Executive Committee of Bloem Water reviews and aligns policies annually, whilst the Board must review policies every three (3) years. The Local Labour Forum is consulted on new or changed policies. Regular policy awareness sessions are conducted for all employees.

The disestablishment and transfer of Sedibeng Water staff to Bloem Water required a thorough comparison, analysis and review/alignment of policies, which will be continuing during the 2022/2023 financial year.

5. FUTURE HR PLANS/GOALS

In forecasting the year ahead, a key priority for the Human Resources Department will be to implement and monitor a change management process for the extended Entity, following the integration of Sedibeng Water employees. Equally, this would necessitate review and alignment of the organisational structure, job profiles, resource allocation and grading of the Entity and positions. Further efforts will have to be made to grow and enhance flexibility and resilience in the organisational culture. Additionally, the leadership will have to be supported through training and development to manage and lead the change agenda, whilst maintaining a human-centered working environment.

6. HUMAN RESOURCE OVERSIGHT STATISTICS

The total expenditure on payroll represents 34.28% of the total operating expenditure.

Table 1: Personnel /cost by programme/ activity/ objective (30.06.2022)						
Programme/activity/objective	*Total Expenditure for the Entity (R'000)	Personnel Expenditure (R'000)	Personnel Exp. as a % of Total Exp. (R'000)	No. of Employees	% of Total Personnel	Average Personnel Cost per Employee (R'000)
Top management	847 150.00	22 109	2.61	7	1.79	3 158
Senior management		29 783	3.52	19	4.86	1 568
Professionally qualified and experienced specialists and mid-management		31 369	3.70	25	6.39	1 255
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents		69 880	8.25	84	21.48	832
Semi-skilled and discretionary decision making		120 637	14.24	194	49.62	622
Unskilled and defined decision making		15 663	1.85	62	15.86	253
TOTAL		289 441	34.17	391	100.00	7 687
Volunteers**		1 005	0.12	26**	0.00	38 664
Other employer cost adjustments		- 4 534				
TOTAL		285 912	34.29	417**	100.00	46 351

** Number of employees inclusive of 26 borehole volunteers



Table 2: Personnel cost by salary band: 2022

Level	Personnel Expenditure (R'000)	% of Personnel Exp. to Total Personnel Cost (R'000)	No. of Employees	% of Total Personnel	Average Personnel Cost per Employee (R'000)
Top management	22 109	7.73	7	1.79	3 158
Senior management	29 783	10.42	19	4.86	1 568
Professionally qualified and experienced specialists and mid-management	31 369	10.97	25	6.39	1 255
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	69 880	24.44	84	21.48	832
Semi-skilled and discretionary decision making	120 637	42.19	194	49.62	622
Unskilled and defined decision making	15 663	5.48	62	15.86	253
TOTAL	289 441	101.23	391	100.00	7 687
Volunteers**	1 005	0.35	26	0.00	39
Other employer cost adjustments	- 4 534				
TOTAL	285 912	101.59	417	100.00	7 726

** Number of employees inclusive of 26 borehole volunteers

Performance Rewards

To encourage good performance, the Board has granted the following performance rewards during the year under review.

Table 3: Performance Rewards 2022

Programme/activity/objective	Performance Rewards	Personnel Expenditure (R'000)	% of Performance Rewards to Total Personnel Cost (R'000)
Top management	4 613	22 109	20.86
Senior management	4 267	29 783	14.33
Professionally qualified and experienced specialists and mid-management	2 708	31 369	8.63
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	4 446	69 880	6.36
Semi-skilled and discretionary decision making	5 363	120 637	4.45
Unskilled and defined decision making	733	15 663	4.68
Volunteers**	-	1 005	-
Other employment cost adjustments		-4 534	
TOTAL	22 130	285 912	7.74

* Performance reward does not include 13th cheques payable to Top Management (R1 074 000)

** No of employees inclusive of 26 borehole volunteers



Employment and Vacancies

The Entity's staff turnover is relatively low and measured at 2.51% for the 2021/2022 financial year.

Staff retention is encouraged by a well-designed induction programme, offering of attractive working conditions, a conducive organisational culture, market-related remuneration, career development through training and development opportunities, performance management and performance incentives.

The recruitment focus was on attracting and sourcing candidates that meet the minimum legal requirements, whilst presenting with suitable experience and organisational fit. In all instances, preference is given to suitable internal candidates.

Key positions that remained vacant during the year under review include that of Chief Information Officer and Asset Manager. Interviews for the position of Chief Information Officer were concluded by the end of June 2020, whilst the Asset Manager recruitment process did not yield a suitable candidate. The matter is pursued in line with the strategic nature of the position. The position of Chief Audit Executive was not filled as it was resolved that the current co-sourced internal audit function will be continue in view of cost containment efforts.

Table 4: Employment and vacancies 2022

Programme/activity/objective	2020/2021 Approved Posts	2020/2021	2020/2021 Vacancies	2021/2022 Approved Posts	2021/2022	2021/2022 Vacancies	% of Vacancies
		No. of Employees			No. of Employees		
Top management	8	7	1	8	7	1	12.5
Senior management	28	20	8	28	19	9	32.14
Professionally qualified and experienced specialists and mid-management	23	23	0	25	25	0	0
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	156	90	66	154	84	70	45.45
Semi-skilled and discretionary decision making	220	201	19	220	194	26	11.82
Unskilled and defined decision making	90	59	31	90	62	28	31.11
TOTAL	525	400	125	525	391	134	25.52

Employment Changes

The table below explains the performance on staff recruitment and the improvement of employment equity with regards to the advancement of designated groups.

At the end of the financial year under review, the total number of employees at Bloem Water amounts to 417, including 26 borehole volunteers. As such, volunteers are not considered employees. For reporting purposes, however, these volunteers are included in most tables, but do not form part of the official employee count as they do not meet the definition of an employee.



The table below indicates a total of 12 appointments during the 2021/2022 financial year.

Salary Band	Employment at Beginning of Period	Appointments	Terminations	Employment at End of the Period on Payroll
Top management	7	0	0	7
Senior management	20	0	1	19
Professionally qualified and experienced specialists and mid-management	23	2	0	25
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	90	1	7	84
Semi-skilled and discretionary decision making	201	5	12	194
Unskilled and defined decision making	59	4	1	62
Total	400	12	21	391

Exit Analysis

A total of 5.36% employees left the service of Bloem Water during the 2021/2022 financial year. Of this turnover percentage, 1.53% represents retirements, 1.28% equates for deaths, resignations equal 1.02% and 1.53% is related to dismissals.

Exit interviews are conducted and reasons for resignations included relocating closer to family, professional and career development and better employment offers.

The target that is measured for staff turnover refers to the proportion of employees who leave the organisation (excluding normal retirements) during the year expressed as a percentage of total workforce numbers. The intention is to measure employees who leave as a result of a lack of staff retention strategies. For measuring purposes, Bloem Water excluded retirements (normal/early and ill-health) and deaths from the calculation.

The Bloem Water staff turnover rate for the 2021/2022 year was 2.51% (due to the 4 resignations and 6 dismissals) as opposed to the projected rate of 2.21%.

Recruitment requirements due to natural attrition consider the critical nature of the position, core versus support priorities and possible transfer or alternative utilisation options of internal staff before embarking on recruitment processes. Learnerships and interns at times assist in performing activities that results in deferring recruitment of some positions based on budgetary impact.



Table 6: Reasons for staff leaving - 2022

Reason	Number	% of Total Number of Staff Leaving
Death	5	1.28
Resignation	4	1.02
Dismissal	6	1.53
Retirement	6	1.53
Ill health	0	0.00
Expiry of contract	0	0.00
Other	0	0.00
Total	21	5.36

Equity Target and Employment Equity Status

The status of equity and targets for male employees are reflected in the table below.

Table 7: Employment Equity 2022

Occupational Levels	MALE							
	AFRICAN		COLOURED		INDIAN		WHITE	
	Current	Target	Current	Target	Current	Target	Current	Target
Top management	2	2	0	0	0	0	1	1
Senior management	7	5	2	1	0	2	2	2
Professionally qualified and experienced specialists and mid-management	13	4	0	1	0	0	5	1
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	42	63	0	9	1	3	4	9
Semi-skilled and discretionary decision making	135	78	4	5	0	1	3	4
Unskilled and defined decision making	32	110	2	8	1	2	2	4
TOTAL	231	262	8	24	2	8	17	21

The table above indicates that only one occupational level (skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents) reveals major variance. Deliberate attempts will be made in the new financial year to review the Entity's organisational structure in order to adequately address underrepresentation at this particular occupational level.



The following table contains a breakdown of female only employees by race and related targets.

Table 8: Employment Equity 2022

Occupational Levels	FEMALE							
	AFRICAN		COLOURED		INDIAN		WHITE	
	Current	Target	Current	Target	Current	Target	Current	Target
Top management	3	2	0	1	0	0	1	1
Senior management	5	4	1	1	0	0	2	1
Professionally qualified and experienced specialists and mid-management	6	3	0	3	0	1	1	0
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	30	29	4	3	1	2	2	7
Semi-skilled and discretionary decision making	48	44	1	8	0	1	3	9
Unskilled and defined decision making	23	48	2	5	0	1	0	2
TOTAL	115	130	8	21	1	5	9	20

The numerical targets of Employment Equity are revised on an annual basis as informed by the numerical goals of Bloem Water's Five-Year Business Plan. No major variances have been identified and improvement on targets is maintained. The legal requirements and monitoring of set targets are taken into consideration to oversee the Entity's performance in respect of employment equity, transformation and staff development. Recruitment focused on the representation of females and people with disabilities. Female representation has grown from 33.50% in the previous financial year to 34.02% in the year of reporting.

Tenure per occupational level
Years in Service: 2021/2022

Years of Service	No. of Employees	Occupational Level					
		Unskilled and defined decision making	Semi-skilled and discretionary decision making	Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	Professionally qualified and experienced specialists and mid-management	Senior management	Top management
0-4	97	30	35	16	7	8	1
5-9	108	11	59	24	5	5	4
10-14	128	12	73	34	5	4	0
15-19	3	0	0	2	1	0	0
20-24	28	8	10	5	4	1	0
25-29	17	1	10	3	2	0	1
>30	10	0	7	0	1	1	1
TOTAL	391	62	194	84	25	19	7



Age Analysis: 2021/2022							
Age	No. of Employees	Occupational Level					
		Unskilled and defined decision making	Semi-skilled and discretionary decision making	Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	Professionally qualified and experienced specialists and mid-management	Senior management	Top management
20-35	81	22	37	19	2	1	0
36-45	173	25	90	39	10	7	2
46-55	96	12	49	17	10	6	2
56-65	41	3	18	9	3	5	3
TOTAL	391	62	194	84	25	19	7

The age distribution indicates that youth (≤ 35 years) represent approximately 20.72% of the total workforce, and the majority fall in the semi-skilled technical and academically qualified workers occupational level.

Disciplinary Outcomes: 2021/2022

Nature of Disciplinary Action	Number
Verbal warning	2
Written warning	20
Final written warning	1
Demotion	1
Dismissal	6
Ill health	0
Expiry of contract	
Total	30



Employees Living with Disabilities – Race and Gender

The representation of employees with a disability is 1.79%, as opposed to a target of 2.55%. The recruitment of employees with disabilities remains a challenge.

2021/2022 Levels	Employees with Disabilities			
	Male		Female	
	Current	Target	Current	Target
Top management	0	1	1	0
Senior management	0	1	1	1
Professionally qualified and experienced specialists and mid-management	0	1	0	1
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	2	1	0	1
Semi-skilled and discretionary decision making	3	1	0	0
Unskilled and defined decision making	0	2	0	0
TOTAL	5	7	2	3

EMPLOYEES WITH DISABILITIES

2021/2022					
Population Group	Male	Female	Total	Percentage	Employees with Disabilities
African*	231	115	346	88.49%	4
Coloured	8	8	16	4.09%	0
Indian	2	1	3	0.77%	0
Whites**	17	9	26	6.65%	3
Staff Total	258	133	391	100%	7
Staff Percentage	65.98%	34.02%			1.79%

*Disabled employees reported under the African population group are male employees

**Disabled employees reported under the White population group included a male and a female employee





PART E:

FINANCIAL PERFORMANCE



1. FINANCIAL PERFORMANCE

The COVID-19 pandemic prevailed during most of the 2021/2022 financial year and affected the operational environment, as well as the environments of the major clients. Municipalities informed the Entity that their financial environments are strained, impacting their ability to settle the accounts issued. The Department of Water and Sanitation upheld the 15% restriction level in terms of the Drought Regulations. Above average rainfall was experienced within the service area of Bloem Water over the period November 2021 to February 2022. This resulted in heavy floods during December 2021 and January 2022. During these periods, the Entity was unable to supply sufficient volumes of water owing to damaged infrastructure. This resulted in increased operational costs and repairs to the infrastructure.

Legal processes have been followed with regard to the continuing non-payment by municipalities and subsequently, payment plans were agreed upon. During the year under review, the municipalities did not comply with settlements in terms of payment plans, and also defaulted on the payment of current accounts. However, further engagements led to revised payment plans, as well as applying the conditions stipulated by the "Order of the Court" concerned. The Board and Management also met with councils to alleviate the challenges and to ensure that regular payments are made. Credit control measures were embarked upon in accordance with the IGR, legal processes and legislative requirements, which resulted in restrictions of municipal water supply. It needs to be reported that one of the municipalities has received limited supply for most part of the 2021/2022 financial year.

The major municipal client continued at intervals to settle accounts as agreed, but was affected with the attrition of senior staff, which led to non-payment at times. An administration team was also appointed to manage this municipality. The Entity engaged the administration team of the municipality and processes were implemented to improve operational and financial requirements.

The tariffs approved for the reporting period were still strained with the zero percent (0%) increase in the previous financial year. This placed pressure on the Entity's budget, which needed to be revised to accommodate the lower tariff. Furthermore, the Entity was appointed by the Department of Water and Sanitation as an operating agent and implementing agent on projects. These requirements brought about added responsibility to the operations of the Entity and its financial resources. It was agreed that there would be a fee attached to these services to partly cover the expenses incurred.

The sustainability of Bloem Water is highly dependent on revenue generation from municipalities. The resources generated intend to support borrowings for CAPEX requirements, efficient operations and maintenance in order to prolong the useful life of aged infrastructure.

1.1 Bulk Water Sales Analysis

The Entity supplies both treated and untreated bulk water. Raw water is mainly supplied to the Mangaung Metropolitan Municipality and treated water to all other municipalities concerned. The volumes billed were influenced by the demand for treated and raw water during the year under review, which is dependent on seasonal and rainfall conditions. The fifteen percent (15%) restriction level on drought was still imposed by the Department of Water and Sanitation and a specific levy was charged in line with the approved tariffs. The water volumes supplied to the other municipalities were affected and reduced due to restrictions implemented over a period of time as a result of non-payment.

Bulk treated water sales, as presented in the table below, have decreased marginally from the previous financial year.



Quantity of Treated Water Sold (Kℓ)

	2020/21	2021/22
Mangaung Metropolitan Municipality	66 296 050	67 166 067
Kopanong Local Municipality	3 655 066	2 785 682
Mantsopa Local Municipality	77 725	613 352
Other (Bulk)	1 033 737	726 215
Total	71 062 578	71 291 316

Quantity of Untreated Water Sold (Kℓ)

	2020/21	2021/22
Mangaung Metropolitan Municipality	13 169 428	14 209 629
Other	2 844	247
Total	13 172 272	14 209 876

1.2 Bulk Water Tariff

The application for a bulk tariff to the Department of Water and Sanitation and the subsequent approval of the tariff by the Minister of Water and Sanitation was lower than requested. It did not accommodate the shortfall created by the zero percent (0%) increase, which was implemented during the previous financial year.

Due to inevitable increased expenditure, the budget had to be reprioritised in line with the approved zero percent (0%) tariff increase of the previous financial year. This will not only impact the Entity and the sector in the short term, but also in the medium to long term with regards to infrastructure development and water services.

Tariffs (excluding VAT)

Bulk consumers: Bloemfontein, Botshabelo, Bethulie, Dewetsdorp, Edenburg, Excelsior, Fauresmith, Gariep, Jagersfontein, Phillippolis, Reddersburg, Springfontein, Thaba Nchu, Trompsburg and Wepener.

Normal Tariffs	2020/2021	2021/2022
Bulk Treated Water - cents per kl	901	100
Bulk Raw Water - cents per kl	662	735
Drought Tariffs		
Bulk Treated Water - cents per kl for every 10% restriction	69	78
Bulk Raw Water - cents per kl for every 10% restriction	98	109



The drought tariff as approved by the Minister and tabled in Parliament was maintained in addition to the normal tariff for every 10% drought restriction legislated.

1.3 Cash Flow Analysis

All the processes followed to ensure that payment is made for services rendered yielded positive results as the revenue generation and cash resources were reasonably stable during the reporting period. Cash reserves were able to mitigate the risk and support a few months of operational cost in the event of total payment default.

Further measures were implemented by Management to contain expenditure to manage the cash resources and to sustain operations. The impact of the legal processes followed by parties also impacted positively on the timely payment of bulk water accounts to support cash flow.

1.4 Assets and Funding Requirements

Bloem Water plans for the different phases and requirements of assets over the short to medium term. The ability to fund projects and assets are dependent on stable revenue streams, cash resources, approved tariff increases and the approved borrowing limits by National Treasury. All these factors play a role in the quantification of the financial ability of the Entity to fund projects from internally generated resources or to obtain external loan funding.

The current financial environment does not allow for the borrowing of funds as the revenue streams have not stabilised to the extent that the process could be started. The application of borrowing limits is also on hold due to the inability to repay loans.

The CAPEX Plan continues to be revised in line with financial ability, and where the Entity is unable to meet the financial requirements, projects are directed to the Department of Water and Sanitation for support. Furthermore, critical high value projects were also directed to the Presidential Infrastructure Investment Office for possible inclusion in the National Plan for financial support. One such project has been earmarked and was gazetted as part of the list of projects by the Presidential Office.



1.5 Supply Chain Management: Procurement by other means between 1 April and June 2022

Project description	Name of supplier	Type of procurement by other means	Contract number	Value of contract R'000
Integration Of Financial Systems Between Bloem Water And Sedibeng Water	AccTech RSA Central	Paragraph 4.2 (a): Limited bidding	N/A	769.00
Total				769.00

Contract variations and expansions

Project description	Name of supplier	Contract modification type (Expansion or Variation)	Contract number	Original contract value	Value of previous contract expansion/s or variation/s (if applicable)	Value of current contract expansion or variation
				R'000	R'000	R'000
Appointment of Panel of Service Providers for the Provision of Travelling Services to Bloem Water for a Period of 36 Months	FCTG Corporate (Pty) Ltd T/A Flight Centre	Expansion	BW244/TA/17	As per Contract Pricing Schedule	0.00	116
Appointment of Panel of Service Providers for the Provision of Travelling Services to Bloem Water for a Period of 36 Months	Candy's Unlimited Collections (Pty) Ltd T/A Unlimited Travel	Expansion	BW244/TA/17	As per Contract Pricing Schedule	0.00	3
PROVISION OF PROFESSIONAL SERVICES OF STEEL PIPELINE PCP LINE FOR 33,7KM, 1 000M DIAMETER FROM LIEUWKOP TO BRANDKOP	Ultimate Dynamic T/A Udumo	Variation	BW177/WB/12	410 023	56 450	77 127
Supply, Installation and Maintenance of Multifunton Printers (Copy, Print, Fax, and Scan)	Gerox Trading CC	Variation	BW244/IT/PRNT /17	As per Contract Pricing Schedule	0.00	1 366
Total						78 612



2. REPORT OF THE EXTERNAL AUDITOR

Report of the auditor-general to parliament on Bloem Water

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of Bloem Water out on pages .139. to .191, which comprise the statement of financial position as at 30 June 2022, the statement of financial performance, statement of changes in net assets, and cash flow statement for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Bloem Water as at 30 June 2022, and its financial performance and cash flows for the year then ended in accordance with South African Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Public Finance Management Act 1 of 1999 (PFMA).

Basis for opinion

3. 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.
4. I am independent of the public entity in accordance with the International Ethics Standards Board for Accountants' *International code of ethics for professional accountants (including International Independence Standards)* (IESBA code) as well as other 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.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Material uncertainty relating to going concern/ financial sustainability

6. I draw attention to the matter below. My opinion is not modified in respect of this matter.
7. I draw attention to note 26 to the financial statements, which indicates that the minister of water and sanitation disestablished Sedibeng Water and transferred its staff, assets and liabilities into Magalies Water and Bloem Water from 1 August 2022. These events or conditions, along with the other matters as set forth in note 26, indicate that a material uncertainty exists that may cast significant doubt on the public entity's ability to continue as a going concern.



Emphasis of matters

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

Irregular expenditure

9. As disclosed in note 24 to the financial statements, the public entity incurred irregular expenditure of R79 069 000 (2021: R2 519 000), due to non-compliance with supply chain management requirements.

Restatement of corresponding figures

10. As disclosed in note 27 to the financial statements, the corresponding figures for 30 June 2021 were restated as a result of errors in the financial statements of the public entity at, and for the year ended, 30 June 2022.

Material impairments

11. As disclosed in note 5 to the financial statements, material impairments of R171 555 000 was incurred as a result of uncollectable debts.

Responsibilities of the accounting authority for the financial statements

12. The board of directors, which constitutes the accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with GRAP 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.
13. In preparing the financial statements, the accounting authority is responsible for assessing the public entity'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 appropriate governance structure either intends to liquidate the public 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

14. 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 the 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
15. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.



Report on the audit of the annual performance report

Introduction and scope

16. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for selected objectives presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.
17. My procedures address the usefulness and reliability of the reported performance information, which must be based on the public entity's approved performance planning documents. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures do not examine whether the actions taken by the public entity enabled service delivery. My procedures do not extend to any disclosures or assertions relating to the extent of achievements in the current year or 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.
18. 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 public entity's annual performance report for the year ended 30 June 2022:

Objectives	Pages in the annual performance report
Strategic objective 1 – plan, develop, operate, and maintain infrastructure to ensure sustainable water service delivery	35 - 44
Strategic objective 3 – securing of supply and quality of raw water resource	36 - 45

19. I performed procedures to determine whether the reported performance information 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.
20. I did not identify any material findings on the usefulness and reliability of the reported performance information for these objectives:
- Strategic objective 1 – plan, develop, operate, and maintain infrastructure to ensure sustainable water service delivery
 - Strategic objective 3 – securing of supply and quality of raw water resource



Other matters

21. I draw attention to the matters below.

Achievement of planned targets

22. Refer to the annual performance report on pages 37 to 47 for information on the achievement of planned targets for the year.

Adjustment of material misstatements

23. I identified a material misstatement in the annual performance report submitted for auditing. This material misstatement was in the reported performance information of the strategic objective to "plan, develop, operate, and maintain infrastructure to ensure sustainable water service delivery". As management subsequently corrected the misstatement, I did not raise any material findings on the usefulness and reliability of the reported performance information.

Report on the audit of compliance with legislation

Introduction and scope

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

25. The material findings on compliance with specific matters in key legislation are as follows:

Annual financial statements and annual report

26. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework, as required by section 55(1)(b) of the PFMA. Material misstatements of non-current assets, current assets, liabilities, revenue, expenditure, accumulated surplus and disclosure items identified by the auditors in the submitted financial statement were corrected, resulting in the financial statements receiving an unqualified audit opinion.

Revenue management

27. Effective and appropriate steps were not taken to collect all revenue due, as required by section 51(1)(b)(i) of the PFMA.

Expenditure management

28. Effective and appropriate steps were not taken to prevent irregular expenditure, as required by section 51(1)(b)(ii) of the PFMA.



Procurement and contract management

29. I was unable to obtain sufficient appropriate audit evidence that some goods, works and services were procured through a procurement process that is fair, equitable, transparent and competitive, as required by section 51(1)(a)(iii) of the PFMA.
30. I was unable to obtain sufficient appropriate audit evidence that commodities designated for local content and production, were procured from suppliers who met the prescribed minimum threshold for local production and content, as required by the 2017 Preferential Procurement Regulation 8(5).
31. Some bid documentation for procurement of commodities designated for local content and production, did not stipulate the minimum threshold for local production and content as required by the 2017 preferential procurement regulation 8(2). Similar non-compliance was also reported in the prior year.
32. I was unable to obtain sufficient appropriate audit evidence that some commodities designated for local content and production, were procured from suppliers who submitted a declaration on local production and content in accordance with paragraph 3.4 of National Treasury Instruction Note 4 of 2015/2016. Similar non-compliance was also reported in the prior year

Asset management

33. Significant assets were disposed without approval by the executive authority, in contravention of section 54(2)(d) of the PFMA.
34. Significant assets were acquired without approval by the executive authority, in contravention of section 54(2)(d) of the PFMA.

Other information

35. The 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 and those selected objectives presented in the annual performance report that have been specifically reported in this auditor's report.
36. 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 on it.
37. 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.
38. I did not receive the other information prior to the date of this auditor's report. When I do receive and read 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



retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

Internal control deficiencies

39. 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 on it. The matters reported below are limited to the significant internal control deficiencies that resulted the findings on compliance with legislation included in this report.
40. The leadership did not exercise oversight responsibility regarding financial and performance reporting and compliance as there were material misstatements on the financial statements and annual performance report that were identified.
41. Management did not in all instances review and monitor compliance with applicable laws and regulations as there were instances of non-compliance with laws and regulations that were identified during the audit.

Auditor-General
Auditor-General

Bloemfontein

31 October 2022



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 public 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 this 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 public 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 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 relating to events or conditions that may cast significant doubt on the ability of Bloem Water 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 my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a public entity to cease operating as a going concern
 - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation



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 provide the accounting authority with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.





ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 2022



Bloem Water

Annual Financial Statements for the year ended 30 June 2022

General Information

Business address	2 Mzuzu Street Pellissier Bloemfontein Free State 9301
Postal address	P O Box 30121 Bloemfontein Free State 9322
Auditors	Auditor-General of South Africa
Bankers	First National Bank of Southern Africa Limited
Country of incorporation and domicile	South Africa
Legal form of entity	Bloem Water in terms of the Public Finance Management Act (PFMA), Act No. 1 of 1999, as amended, is listed as a Schedule 3B National Government Business Enterprise which reports to the Minister of Water and Sanitation as the Executive Authority, through the Board as the Accounting Authority.
Nature of business and principal activities	The supply of bulk purified and un-purified water



Bloem Water

Annual Financial Statements for the year ended 30 June 2022

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Abbreviations

GRAP	Generally Recognised Accounting Practice
PFMA	Public Finance Management Act (PFMA), Act No. 1 of 1999, as amended



Bloem Water

Annual Financial Statements for the year ended 30 June 2022

Statement of Responsibilities and Approval

The Board is responsible for the maintenance of adequate accounting records and the preparation, fair presentation and integrity of the Annual Financial Statements and related information. The external auditors are responsible to report on the fair presentation of these Annual Financial Statements. The Annual Financial Statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP) and in the manner required by the Public Finance Management Act of South Africa.

The Board also prepared the other information included in the Annual Report and is responsible for both its accuracy and its consistency with the Annual Financial Statements.

The Board is also responsible for such internal controls as the Board determines are necessary to enable the preparation of Annual Financial Statements that are free from material misstatement, whether due to fraud or error. These controls are designed to provide reasonable, but not absolute assurance as to the reliability of the Annual Financial Statements and to adequately safeguard, verify and maintain accountability of assets, and to prevent and detect misstatement 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 Annual Financial Statements have been prepared on the basis of accounting policies applicable to a going concern since the Board believe that Bloem Water will obtain adequate resources through risk mitigation strategies to continue with operations in the foreseeable future.

The Auditor-General of South Africa has audited the Annual Financial Statements. They have been given unrestricted access to all financial records and related data, including minutes of all meetings of the Board and Committees of the Board. The Board believes that all representation made to the external auditors were valid and appropriate. The Audit Report is presented as part of the Annual Financial Statements.

The Annual Financial Statements set out on Pages 142 to 191 , which have been prepared on the going concern basis, were approved by the members of the Board on 28 October 2022 and was signed on the Board's behalf by the Chief Executive.



Dr L Moorosi
Chief Executive

Bloem Water

Annual Financial Statements for the year ended 30 June 2022

Statement of Financial Position as at 30 June 2022

	Note(s)	2022 R'000	(Restated) 2021 R'000
Assets			
Non-current Assets			
Property, plant and equipment	2	736 152	749 716
Living assets	3	269	478
Receivables from exchange transactions	5	37 500	197 249
		773 921	947 443
Current Assets			
Inventories	4	28 026	25 779
Receivables from exchange transactions	5	409 029	391 733
Cash and cash equivalents	6	453 565	218 853
VAT receivable	7	3 349	-
		893 969	636 365
Total Assets		1 667 890	1 583 808
Liabilities			
Non-current Liabilities			
Interest bearing borrowings	8	-	36 146
Finance lease liability	9	-	164
Employee benefit obligations	10	17 533	16 352
		17 533	52 662
Current Liabilities			
Deferred VAT payable	7	126 466	127 449
VAT payable	7	-	1 346
Interest bearing borrowings	8	37 130	39 670
Finance lease liability	9	165	253
Employee benefit obligations	10	53 463	57 486
Payables from exchange transactions	11	69 817	95 122
		287 041	321 326
Total Liabilities		304 574	373 988
Net Assets		1 363 316	1 209 820
Accumulated surplus		1 363 316	1 026 103
Capital replacement fund		-	87 351
Capital development fund		-	70 217
Insurance fund		-	26 149
Total Net Assets		1 363 316	1 209 820



Bloem Water

Annual Financial Statements for the year ended 30 June 2022

Statement of Financial Performance

Presented by nature	Note(s)	2022 R'000	(Restated) 2021 R'000
Revenue			
Revenue from exchange transactions			
Water sales		880 615	792 124
Other income		6 442	4 633
Interest revenue	12	112 596	114 612
Total revenue from exchange transactions		999 653	911 369
Revenue from non-exchange transactions			
Other income		992	-
Total revenue		1 000 645	911 369
Expenditure			
Water abstraction cost	13	(34 710)	(43 184)
Inventory chemicals consumed		(34 052)	(21 534)
Depreciation	2	(37 689)	(37 091)
Impairment of property, plant and equipment	2	(108)	(104)
Write-off of property, plant and equipment (WIP)	2	-	(5 431)
Repairs and maintenance	2	(39 519)	(12 844)
Maintenance items consumed	2	(7 459)	(12 335)
Energy cost		(117 265)	(128 026)
Employment cost	14	(285 912)	(279 224)
Bad debt written off	5	(30 286)	(409 612)
(Impairment)/reversal of impairment of receivables	5	(171 555)	728 077
Operating expenses	15	(42 252)	(45 897)
Finance costs	16	(46 343)	(46 799)
Total expenditure		(847 150)	(314 004)
Surplus/(loss) for the year		153 496	597 365



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Statement of Changes in Net Assets

	Note	Capital development fund R'000	Capital replacement fund R'000	Insurance Fund R'000	Total reserves R'000	Accumulated surplus R'000	Total net Assets R'000
Balance at 01 July 2020		70 217	87 351	21 486	179 054	433 401	612 455
2020/21 Annual Financial Statements		70 217	87 351	21 486	179 054	767 121	946 175
Prior period error – opening accumulated surplus	27					(333 720)	(333 720)
Changes in net assets							
Surplus for the year		-	-	-	-	597 365	597 365
2020/21 Annual Financial Statements		-	-	-	-	702 054	702 054
Prior period error	27	-	-	-	-	(104 689)	(104 689)
Transfer from / (to) the insurance fund		-	-	4 663	4 663	(4 663)	-
Balance at 30 June 2021		70 217	87 351	26 149	183 717	1 026 103	1 209 820
Changes in net assets							
Surplus for the year		-	-	-	-	153 496	153 496
Transfer from / (to) accumulated surplus		(70 217)	(87 351)	(26 149)	(183 717)	183 717	-
Total changes		(70 217)	(87 351)	(26 149)	(183 717)	337 213	153 496
Balance at 30 June 2022		-	-	-	-	1 363 316	1 363 316



Bloem Water

Annual Financial Statements for the year ended 30 June 2022

Cash Flow Statement

Presented in the direct method	Note(s)	2022 R'000	(Restated) 2021 R'000
Cash flows from operating activities			
Receipts			
Water sales		919 776	741 262
Other income		7 643	4 645
Interest revenue		14 047	5 491
		941 466	751 398
Payments			
Employment costs		(288 638)	(252 991)
Water abstraction cost suppliers paid		(45 749)	(45 766)
Energy cost suppliers paid		(133 732)	(117 148)
Suppliers paid for goods and services		(28 582)	(22 250)
Net VAT paid to the South African Revenue Services		(99 682)	(68 560)
Finance costs		(46 343)	(46 799)
		(642 726)	(553 514)
Net cash flows from operating activities	17	298 740	197 884
Cash flows from investing activities			
Purchase of property, plant and equipment	18	(24 289)	(27 168)
Proceeds from sale of property, plant and equipment		11	-
Net cash flows from investing activities		(24 278)	(27 168)
Cash flows from financing activities			
Repayment of interest-bearing borrowings		(38 686)	(41 886)
Capital portion payment on finance lease liability		(1 064)	(1 048)
Net cash flows from financing activities		(39 750)	(42 934)
Net increase/(decrease) in cash and cash equivalents		234 712	127 782
Cash and cash equivalents at the beginning of the year		218 853	91 071
Cash and cash equivalents at the end of the year	6	453 565	218 853



Bloem Water

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with and are in compliance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 91(1) of the Public Finance Management Act (Act 1 of 1999) as amended.

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand (R), which is the functional and presentation currency of Bloem Water, rounded to the nearest thousand (R'000) except where otherwise indicated.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

1.1 Standards and interpretations

Adoption of new Standards in the current year

There were no new Standards that became effective for the current financial year.

New Standards issued not yet effective

The following standards/guidelines were amended but is not yet effective:

New Standard/guidelines	Nature of change	Impact on Accounting Policies
<p>Amendments to the Standard of GRAP on Employee Benefits (GRAP 25)</p> <p>Effective date: No effective date determined yet</p> <p>Entity expects to adopt the amendments: When it becomes effective</p>	<p>The main impact relates to amendments regarding the presentation of defined benefit plans and the fact that minimum funding requirements in the post-employment benefit plan may give rise to a liability. Additional guidance was also provided in relation to past service cost, remeasurements, treatment of future contributions when there is a minimum funding requirement and tax and administrative costs of the fund.</p> <p>Other changes relate to other long-term benefits, termination benefits and disclosure objectives.</p>	<p>Presentation of the components to be presented in the statement of financial performance will result in the cost being grouped between service cost, net interest and remeasurements.</p> <p>The impact of other changes is not determinable at this stage.</p>
<p>Guideline for the Accounting for Landfill Sites (2020)</p> <p>Effective date: No effective date determined yet</p> <p>Entity expects to adopt the guideline: When it becomes effective</p>	<p>The guideline provides specific guidance to consider when an entity has Landfill Site assets that it needs to account for.</p>	<p>Bloem Water does not expect that this guideline will be adopted or impact its financial statements in the foreseeable future as the entity does not have any Landfill Site assets or related liabilities.</p>



Bloem Water

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

1.1 Standards and interpretations (continued)

The following amendments, improvements were approved by the Minister of Finance per Government Gazette No. 44981, 13 August 2021:

New amendments/improvements	Nature of change	Impact on Accounting Policies
<p>Amendments to the Standard of GRAP on Financial Instruments (GRAP 104)</p> <p>Effective date: Financial years 2025/2026</p> <p>Entity expects to adopt the amendments: 1 July 2025</p>	<p>The main changes made were to amend the scope of financial instruments, classification and reclassification rules, recognition of interest and the impairment model and disclosure.</p> <p>Revisions in the Standard requires the issuer of a guarantee or a loan commitment to be recognised at fair value when the entity becomes a party to the contract.</p> <p>The classification of financial assets is based on (a) the entity's management model for managing the asset, and (b) the contractual cash flow characteristics of the asset. Reclassifications are permitted when there is a change in the management model.</p> <p>Financial assets are measured at amortised cost when it consists solely of principal and interest payments. All other financial assets are measured at fair value unless it is measured at amortised cost or cost.</p> <p>Changes were made to how interest revenue is recognised and calculated using the effective rate.</p>	<p>The financial assets of Bloem Water consist mainly of trade debtors and cash and cash equivalents.</p> <p>The changes relating to the interest recognition and impairment model may significantly impact the current approach and methods applied in measuring financial assets at amortised cost.</p> <p>The current approach only requires an entity to recognise an impairment if there is evidence that a receivable is impaired. The new model is based on an expected credit loss and requires an entity to assess expected cash flows irrespective of whether there is evidence of a loss. It is expected that impairment of receivables may be impacted as a result of the model. The expected amount is not yet determinable.</p> <p>Bloem Water does not expect any significant changes as a result of the changes in the reclassification rules or measurement basis when the Standard becomes effective.</p> <p>As Bloem Water is not issuing financial guarantee contracts or loan commitments, it is not expected that the changes in the scope will impact the entity.</p>



Bloem Water

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

1.1 Standards and interpretations (continued)

New amendments/improvements	Nature of change	Impact on Accounting Policies
<p>Improvements of Standards of GRAP, 2020</p> <p>Effective date: 1 July 2023</p> <p>Entity expects to adopt the improvement: 1 July 2023</p>	<p>Various improvements were made to the Standards of GRAP from the 2020 Improvements Project by the Accounting Standards Board. These had minor impact on the following standards:</p> <ul style="list-style-type: none"> • GRAP 5 Borrowing Costs • GRAP 13 Leases • GRAP 16 Investment Property • GRAP 20 Related Party Disclosures • GRAP 24 Presentation of Budget Information in Financial Statements • GRAP 31 Intangible Assets • GRAP 32 Service Concession Arrangements: Grantor • GRAP 37 Joint Arrangements • GRAP 106 Transfer of functions between entities not under common control • Directive 7 Deemed Cost 	<p>Management reviewed the amendments and concluded that these amendments would not impact any accounting policies of the entity.</p>
<p>Amendments to GRAP 1 on Presentation of financial statements, issued 2019:</p> <p>Effective date: financial years 2023/2024</p> <p>Entity expects to adopt the amendments: 1 July 2023</p>	<p>The amendments clarify the line items to be presented on the face of the financial statements and presentation and ordering of notes.</p>	<p>Entities are not required to disclose the impact of any changes made in accordance with GRAP 3 par.30 to .32 for these amendments.</p>



Bloem Water

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

1.2 Going concern

In preparing the Financial Statements the Board assess whether there are material uncertainties related to events or conditions which may cast significant doubt upon the entity's ability to continue as a going concern. There is no intention to liquidate the entity or to cease operating and the Board has reason to believe based on actuals, forecast business plans, strategies and risk mitigations that it will obtain adequate resources to continue as a going concern in the foreseeable future. Annual Financial Statements have therefore been prepared on the going concern basis.

1.3 Comparatives

Comparative information was represented where required to provide relevant information and corrections have been made for prior period errors. Refer to note 27.

1.4 Off-setting

Amounts are only off set and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1.5 Significant accounting judgements, estimates and assumptions

The preparation of the entity's annual financial statements in conformity with Generally Recognised Accounting Practices (GRAP) requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the reporting date. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised.

Significant judgements, estimates and assumptions are included in the accounting policies and notes below:

- Employee benefits (note 10)
- Allowance for impairment of financial assets measured at amortised cost (note 5)
- Valuation and depreciation of property, plant and equipment (note 2)
 - o Classifying assets as non-cash generating
 - o Impairment
 - o Useful lives of depreciable assets

The COVID-19 pandemic and sanctions are affecting the global economy and affected Bloem Water's operations/projects and those of third parties on which Bloem Water relies, including causing disruptions in the supply chain, limiting availability of staff due to lock down requirements, et cetera. The potential economic impact brought by, and the duration thereof remains uncertain due to the speed, frequency and continued evolving developments. Bloem Water continues to monitor and manage the risk.



Bloem Water

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

1.6 Property, plant and equipment

Bloem Water recognises items of property, plant and equipment when the asset is controlled by the entity and the cost can be measured reliably. Property, plant and equipment is measured at cost less accumulated depreciation and impairment, except for land which is not depreciated.

Borrowing costs are capitalised to the cost of an item of property, plant and equipment when the item is being constructed or developed and the period to complete the asset and get it ready for its intended use are longer than 1 year. The capitalisation rate applied is the weighted average of the borrowing costs applicable to the borrowings.

Repairs and maintenance are charged to profit or loss during the financial period in which it is incurred.

Depreciation of assets commences when the assets are ready for their intended use. Finance lease assets are depreciated over the shorter of the lease term and its useful life. Depreciation is calculated on a straight-line basis over the estimated useful lives.

The average range of useful lives at initial recognition are summarised below:

Item	Depreciation method	Useful life
Land	Not depreciated	Indefinite
Buildings	Straight line	40 - 60 Years
Plant equipment	Straight line	5 - 54 Years
Furniture and office equipment (including Finance Leased assets)	Straight line	2 - 50 Years
Vehicles and machinery	Straight line	10 - 39 Years
Roads	Straight line	40 - 60 Years
Pipeline and reservoirs	Straight line	20 - 50 Years

The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of financial performance in the year the asset is derecognised.

The following judgements, estimates and assumptions have been applied:

Classifying property, plant and equipment as Non-Cash Generating

Judgement have been applied around classifying assets as Cash Generating or Non-Cash Generating. Bloem Water assets and operation are not commercial in nature and the intention is not to generate cash flows that are significantly higher than the cost of the assets but on a sustainable basis to deliver services. Assets are therefore classified as non-cash generating.

Impairment

In assessing impairment, management estimates the recoverable service amount of each asset, based on present value of expected future service potential and uses an interest rate to discount them. Estimated uncertainty relates to



Bloem Water

Annual Financial Statements for the year ended 30 June 2022

assumptions about future service potential and the determination of a suitable discount rate. It is expected that the future potential of all assets impaired are none.

Notes to the Annual Financial Statements

1.6 Property, plant and equipment (continued)

Useful lives of depreciable assets

Depreciation is based on the useful lives of the property, plant and equipment. The estimation of useful lives of property, plant and equipment is based on historical performance as well as expectations about future use. Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on condition assessments taking into consideration the current condition of asset and expected utilisation of the assets.

1.7 Living assets

A living resource is recognised as an asset if, and only if: it is probable that future economic benefits or service potential associated with the asset will flow to the entity; and the cost or fair value of the resource can be measured reliably.

Living assets consist of game which is measured at fair value less estimated cost to sell. The fair value of the living assets is determined annually based on observable living resource prices in the active market or recent market transactions.

1.8 Inventories

Inventories consist of Water, Chemicals, Maintenance and consumable items. Inventories are valued at the lower of cost or net realisable value. Cost is determined on the weighted average basis.

The cost of water inventory comprises of all costs of water abstraction, costs of conversion and other costs incurred in bringing the inventory to its present location and condition.

1.9 Financial instruments

Bloem Water recognise financial assets and financial liabilities when it becomes a party to the contractual obligations in the contract. Financial assets comprise mainly of trade receivables (included in receivables from exchange transactions in note 5) and cash and cash equivalents (note 6), which is initially measured at fair value and subsequently at amortised cost. Financial liabilities comprise of interest bearing borrowings included in note 8 and trade payables and accruals included in note 11, which is measured at amortised cost.

Trade and other short-term receivables and payables are not discounted where the initial credit period granted or received is consistent with terms used in the public sector, either through established practices or legislation.

Financial assets measured at amortised cost is impaired when the present value of estimated future cash flows is less than the carrying amount of the asset after objective evidence indicated that such an impairment may exist. The impairment is recognised in a provision for an impairment account and changes in the impairment provision is recognised in expenditure in the statement of financial performance. Bad debts written off after approval in terms of delegation is recognised as an expense in the Statement of Financial Performance and the related receivable is derecognised. It also results in a decrease in provision for impairment if the receivable was provided for in the prior period.

The determination of the recoverability of the amount due from customers involves the identification of whether there is any objective evidence of impairment which requires significant judgements, estimates and assumptions. Impairment of trade receivables is determined individually for each item. In cases where that process is not feasible, a collective evaluation of impairment is performed.

As a consequence, the way individual and collective evaluations are carried out and the timing relating to the identification of objective evidence may materially affect the carrying amounts of receivables at the reporting date. The allowance for impairment is calculated taking into account the ageing of receivables, payments received after year end and commitments/agreements reached on outstanding amounts. There remains an element of uncertainty whether commitments reached with Municipalities will be honoured. Further details are disclosed in note 5.



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Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

1.9 Financial instruments (continued)

Financial assets and liabilities are derecognised when the asset or liability is settled, waived or cancelled on the date of such transaction. Interest based on the effective interest method is recognised as revenue (note 12) or expense (note 16).

1.10 Cash and cash equivalents

Cash and cash equivalents comprise of cash at banks and cash on hand with an original maturity of three months or less.

1.11 Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Finance leases - lessee

Leases where the entity assumes substantially all the benefits and risks of ownership, are classified as finance leases. Finance leases are capitalised as property, plant and equipment at the lower of fair value or the present value of the minimum lease payments at the inception of the lease with an equivalent amount being stated as a finance lease liability. The capitalised amount is depreciated over the asset's useful life. Lease payments are allocated between capital repayments and finance expenses using the effective interest rate method. The incremental borrowing rate of interest implicit in the lease is based on what the entity would have to pay on a similar lease or, if that is not determinable, the rate that, at the inception of the lease, the lessee would incur to borrow over a similar term, and with a similar security, the funds necessary to purchase the asset.

Operating leases - lessee

Leases where substantially all of the risks and rewards of ownership are not transferred to the entity, are classified as operating leases. Operating leases are charged to profit and loss on a straight-line basis over the period of the lease.

1.12 Tax

1.12.1 Value added tax (VAT)

The entity is registered with the South African Revenue Services (SARS) for VAT on the payments/cash basis, in accordance with Section 15(2) of the VAT Act (Act No. 89 of 1991). The total VAT (receivable)/liability at year-end consists of an amount payable or receivable based on realized cash transactions. Deferred VAT payable consist of an amount payable or receivable in future periods as cash transactions are realised. The entity is liable to account for VAT at the standard rate of 15% in terms of section 7 (1) (a) of the VAT Act in respect of the supply of goods or services, except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT Act or are scoped out for VAT purposes. The entity is registered and submits VAT201 returns on a monthly basis.

1.12.2 Income tax

No provision is made for taxation since Bloem Water is exempt from tax in terms of section 10(1) (cA) of the Income Tax Act of South Africa.

1.13 Employee benefits obligation



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Annual Financial Statements for the year ended 30 June 2022

1.13.1 Post retirement benefit obligation – Pension fund

The policy of Bloem Water is to provide retirement benefits for all its employees. The fund is a defined benefit plan administered by Verso Funds Administrator.

A defined liability (or obligation) is recognised as the net total of the present value of the defined benefit obligation at reporting date less the fair value the plan assets. An asset is recognised where the net total liability calculated above is negative. The asset is limited to the present value of any refunds or reductions available in future contributions to the plan.

Notes to the Annual Financial Statements

1.13 Employee benefits obligation (continued)

1.13.1 Post retirement benefit obligation – Pension fund

The defined benefit obligation comprises the present value of the defined benefit plan obligation less past service cost not yet recognised and less the fair value of plan assets out of which the obligations are to be settled directly. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method.

The valuation is performed annually by a qualified actuary. The defined benefit assets and obligations are measured making use of actuarial assumptions. Refer to note 10 for actuarial assumptions.

Interest on the defined benefit obligation is recognised in finance cost (note 16) and all other gains and losses are recognised in employment cost (note 14).

1.13.2 Long-term service awards

Bloem Water provides long-term service awards to all its employees in the form of a cash bonus for every five years of completed service. The amount due is calculated based on a daily cost-to-company rate multiplied by the number of leave days entitlement on the date that the employee becomes entitled to the bonus considering the probabilities that the employee will resign before the amount becomes payable. The liability is measured as the present value using the projected unit credit method. The liability is unfunded. Interest on the long-term service awards is recognised in finance cost (note 16) and all other gains and losses are recognised in employment cost (note 14).

1.13.3 Short term employee benefits

Short-term employee benefits provided includes leave, overtime, standby and shift benefits. These expenses are included in Employment Cost in note 14. Leave liabilities are measured at the amount of leave days accrued at year-end and the cost-to-company rate per day as at reporting date. A liability for performance bonuses and board member allowance are provided for when a legal or constructive obligation exist, and the amount can be estimated reliably.

A liability is recognised for short term employee benefits due not paid (refer to note 10).

1.14 Reserve funds

The Board decided to discontinue the use of reserve funds in the 2021/2022 financial year and all balances were transferred to accumulated surplus. These funds were disaggregated in prior years based on the purpose for which the reserves were created.

Capital replacement fund

Amounts as determined by the Board were transferred to a separate fund to be utilised for the replacement of capital assets.



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Annual Financial Statements for the year ended 30 June 2022

Capital development fund

Amounts as determined by the Board were transferred to a separate fund to be utilised for the development of infrastructures.

Insurance fund

At the discretion of the Board, an amount equal to the estimated external insurance premium were transferred to the insurance fund. This fund was utilised for the replacement of certain assets.

Notes to the Annual Financial Statements

1.15 Revenue from exchange transactions

Bloem Water earns its revenue mainly from water sales and interest revenue classified as revenue from exchange transactions.

Revenue from water sales is measured at the fair value of the consideration received or receivable. Bloem Water's water tariffs are regulated in terms of Municipal Finance Management Act Circular No 23.

Interest revenue comprises interest receivable on trade receivables and interest revenue on cash and cash equivalents. Interest revenue is recognised as it accrues in profit and loss, using the effective interest rate method.

Other income comprises of income that does not arise from the main operating activities of Bloem Water. These other income items, *inter alia*, include employee rent and cost recouplements, implementation agent income, insurance proceeds, garnishees income, skills development grants, etc.

1.16 Revenue from non-exchange transactions

Bloem Water receives grants for the development of infrastructure projects classified as revenue from non-exchange transactions and is measured at the fair value, which usually equates the nominal amount received. These grants are conditional and are recognised as revenue as the conditions relating to these grants are met. The remaining balance is deferred and included in current liabilities. Bloem Water also receives funds from EWSETA for training relating to services in-kind that is recognised in other income.

1.17 Expenditure

Expenses are recognised in profit or loss upon utilisation of the service or as incurred. Expenses are classified based on their nature.

1.18 Finance costs

Finance costs comprise of interest on borrowings, interest on finance lease liability, net interest on defined benefit liability and other. Finance costs are recognised in the statement of financial performance as an expense except for capitalised borrowing costs.

1.19 Fruitless and wasteful expenditure, irregular expenditure and material losses through criminal conduct

Fruitless and wasteful expenditure, irregular expenditure and material losses through criminal conduct are disclosed in accordance with the requirements of the PFMA and the guidelines issued in terms of the PFMA when the entity identifies events that gave rise to the classification of these expenditures and the entity confirmed the classification as such. Receivables for the recovery of these expenditure are only recognised when there is a reasonable expectation that the amounts will be recovered. These expenditures are reduced by the amounts recoverable, condoned by National Treasury or written off as irrecoverable. Any uncertainties to these expenditures are also disclosed. Fruitless and



Bloem Water

Annual Financial Statements for the year ended 30 June 2022

wasteful expenditure is included in note 23. Irregular expenditure is included in note 24. There were no expenditures identified relating to material losses through criminal conduct.

1.20 Contingent liabilities

A contingent liability is a possible obligation that arises from past events, and whose existence will be confirmed only 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 past events but is not recognised because: (i) it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or (ii) the amount of the obligation cannot be measured with sufficient reliability. Refer to note 20 for detail.

Notes to the Annual Financial Statements

1.21 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. Bloem Water is a 100% controlled entity of the Government of South Africa as represented by the Department of Water and Sanitation. As a Schedule 3B Enterprise in terms of the Public Finance Management Act. Key management is defined as being individuals with the authority and responsibility for planning, directing and controlling the activities of the entity. Bloem Water considers the key management personnel to be the board members and executives as detailed in the related party note. Close family members of key management personnel are considered to be those family members who may be expected to influence or be influenced by key management individuals or other parties related to the entity. Transactions and balances with the related parties as defined by Bloem Water that occurred during the financial period are disclosed as related party transactions or balances.

These disclosures are not made if the relevant transaction occurs within:

- a) normal supplier and/or client/recipient relationships on terms and conditions no more or less favorable than those which it is reasonable to expect the entity to have adopted if dealing with that individual entity or person in the same circumstances; and
- b) terms and conditions within the normal operating parameters established by that reporting entity's legal mandate.

In these cases, the entity discloses narrative information about the nature of the relevant transactions.

1.22 Events after reporting date

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date. These are adjusting events after the reporting date.
- those that are indicative of conditions that arose after the reporting date. These are non-adjusting events after the reporting date that are disclosed in the annual financial statements accordingly.



Bloem Water

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

2. Property, plant and equipment

	2022 – R'000			2021 – R'000 (Restated)		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Land	879	-	879	879	-	879
Buildings	333 536	(106 717)	226 819	325 482	(97 540)	227 942
Buildings – in use	327 841	(106 717)	221 124	318 290	(97 540)	220 750
Buildings – Work-in-Progress	5 695	-	5 695	7 192	-	7 192
Plant equipment	108 517	(67 788)	40 729	101 930	(65 417)	36 513
Furniture & office equipment	35 365	(23 122)	12 243	34 020	(22 167)	11 853
- Owned	31 619	(19 523)	12 096	31 086	(19 622)	11 464
- Finance lease assets	3 746	(3 599)	147	2 934	(2 545)	389
Vehicles & machinery	42 693	(29 854)	12 839	44 697	(28 885)	15 812
Roads	3 698	(1 559)	2 139	3 698	(1 476)	2 222
Pipeline & reservoirs	1 225 543	(785 039)	440 504	1 220 440	(765 946)	454 494
Pipelines & reservoirs – in use	1 215 217	(785 039)	430 178	1 204 250	(765 946)	438 306
Pipelines & reservoirs – Work-in-Progress	10 326	-	10 326	16 189	-	16 189
Total	1 750 231	(1 014 079)	736 152	1 731 145	(981 429)	749 716

Reconciliation of property, plant and equipment - 2022

	Opening – Carrying value R'000	Additions R'000	Impairment/ Disposal Cost R'000	Impairment/ Disposal Accumulated Depreciation R'000	Transfer from WIP R'000	Depreciation R'000	Closing – Carrying value R'000
Land	879	-	-	-	-	-	879
Buildings	220 750	870	-	-	8 681	(9 177)	221 124
Plant equipment	36 513	6 701	(114)	107	-	(2 478)	40 729
Furniture & office equipment	11 853	4 988	(3 643)	3 196	-	(4 151)	12 243
- Owned	11 464	4 176	(3 643)	3 196	-	(3 097)	12 096
- Finance lease assets	389	812	-	-	-	(1 054)	147
Vehicles & machinery	15 812	366	(2 369)	1 736	-	(2 705)	12 839
Roads	2 222	-	-	-	-	(83)	2 139
Pipelines & reservoirs	438 306	7 455	-	-	3 512	(19 095)	430 178
WIP – Assets under construction	23 381	4 833	-	-	(12 193)	-	16 021
Total	749 716	25 212	(6 126)	5 039	-	(37 689)	736 152



Notes to the Annual Financial Statements

**2. Property, plant and equipment (continued)
Reconciliation of property, plant and equipment – 2021 (Restated)**

	Opening – Carrying value R'000	Additions R'000	WIP – write off R'000	Impairment Cost R'000	Impairment Accumulated Depreciation R'000	Transfer from WIP R'000	Depreciation R'000	Closing – Carrying value R'000
Land	879	-	-	-	-	-	-	879
Buildings	200 725	1 477	-	-	-	27 759	(9 211)	220 750
Plant equipment	32 254	1 326	-	-	-	4 974	(2 041)	36 513
Furniture & office equipment	12 550	3 630	-	(465)	444	-	(4 305)	11 853
- Owned	11 183	3 630	-	(465)	444	-	(3 328)	11 464
- Finance lease assets	1 367	-	-	-	-	-	(977)	389
Vehicles & machinery	18 765	-	-	(216)	133	-	(2 871)	15 812
Roads	2 304	-	-	-	-	-	(82)	2 222
Pipelines & reservoirs	410 350	216	-	-	-	46 321	(18 581)	438 306
WIP – Assets under construction	99 130	8 736	(5 431)	-	-	(79 054)	-	23 381
Total	776 957	15 385	(5 431)	(681)	577	-	(37 091)	749 716

All asset classes not separately indicated as leased assets are owned assets.

Reconciliation of Work-in-Progress 2022

	Buildings R'000	Pipelines & reservoirs R'000	Total R'000
Opening balance	7 192	16 189	23 381
Additions/capital expenditure	4 620	213	4 833
Transfer between classes	2 564	(2 564)	-
Transferred to completed items	(8 681)	(3 512)	(12 193)
Closing balance	5 695	10 326	16 021

Reconciliation of Work-in-Progress 2021 (Restated)

	Buildings R'000	Plant equipment R'000	Pipelines & reservoirs R'000	Total R'000
Opening balance	35 585	4 859	58 686	99 130
Additions/capital expenditure	1 885	115	6 736	8 736
Write off	-	-	(5 431)	(5 431)
Transferred to completed items	(30 278)	(4 974)	(43 802)	(79 054)
Closing balance	7 192	-	16 189	23 381



Notes to the Annual Financial Statements

	2022 R'000	(Restated) 2021 R'000
2. Property, plant and equipment (continued)		
Carrying value of assets-under-construction included in the carrying amount of property, plant and equipment:		
<i>Projects significantly delayed – Gross carrying amount</i>	13 026	23 381
<i>Projects discontinued</i>	-	-
Gross carrying amount	-	5 431
Less: write-off	-	(5 431)
The following carrying value of capital projects included in the above Work-in-Progress are significant delayed:		
Projects significantly delayed:		
The Pipeline between Knellpoort and Welbedacht project	6 500	6 500
The extension of head offices project	4 973	4 778
The construction of Orange River abstraction point project	286	286
Construction of Tabali-OK pipeline project	1 267	1 267
Replacement of flow meters	-	6 075
Other projects	-	1 693
Total carrying value of delayed projects excluding borrowing costs	13 026	20 599
Borrowing cost included in assets under construction of delayed projects	2 782	2 782
Total carrying value of significant delayed projects	15 808	23 381



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Notes to the Annual Financial Statements

	2022 R'000	2021 R'000
2. Property, plant and equipment (continued)		
Projects discontinued:		
The Xhariep pipeline project	-	4 832
Reason for discontinuation:		
Directive by Minister	-	4 832
Total carrying value written off on discontinued projects excluding borrowing costs	-	599
Borrowing cost written off included in assets under construction of discontinued projects	-	599
Total carrying value of discontinued projects written off	-	5 431
Property, plant and equipment class as per Statement of Financial Performance		
Pipeline and Reservoirs (VIP) – written off	-	5 431



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	2022	2021
	R'000	R'000
		(Restated)

2. Property, plant and equipment (continued)

The impact on depreciation for the current and future years due to a change in estimate remaining useful life per asset class:

Vehicles and machinery depreciation adjustment	(10)	(49)
Plant equipment depreciation adjustment	(17)	(131)
Furniture & office equipment depreciation adjustment	(428)	(628)

Depreciation charges for the 2022 financial year includes the above changes in estimates of useful life made during the financial year. The asset classes reflected above include assets that were nearing the end of its useful life but are still in use. Bloem Water established that these items of property, plant and equipment would continue to be utilised for further number of years and necessitated a review of the original useful life and residual values linked to it. The change in accounting estimates have been reflected above. Changes have been made prospectively.

Maintenance cost on property, plant and equipment consist of the following:

Vehicles repairs and maintenance	4 323	3 347
Infrastructure and other asset repairs and maintenance	35 196	9 497
External contractors - repairs and maintenance	39 519	12 844
Internal - Inventory maintenance items consumed	7 459	12 335
Total maintenance cost	46 978	25 179

The nature of repairs and maintenance as reflected in statement of financial performance consist of maintenance work conducted by contractors.

The nature of maintenance items consumed as reflected in statement of financial performance consist of inventory items (material and consumables) used for maintenance by Bloem Water employees.



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Notes to the Annual Financial Statements

	2022 R'000	(Restated) 2021 R'000
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2. Property, plant and equipment (continued)

Borrowing costs capitalised in this period

Property, plant and equipment	-	-
Cumulative borrowing costs included in carrying amount of WIP qualifying assets	2 782	2 782

There were no borrowing costs on general borrowings capitalised during the period due to cessation and suspension of projects. The average borrowing cost on qualifying assets were not applicable for 2021 and 2022 (9,69% p.a. in 2020). No specific borrowings existed at year end.

Other information

- There are no assets pledged as security.
- A register of all land and servitudes held by Bloem Water is available for inspection at the registered office of the entity.

Contractual commitments relating to property, plant and equipment

Capital commitments

Approved and contracted

Property, plant and equipment	24 438	4 069
Pipelines and reservoirs	605	3 911
Vehicles and machinery	23 447	-
Buildings	386	158

Capital commitments include all projects cost expected to be paid to suppliers, contractors and consultants for approved contracts.

Only firm commitments are included in the note above. Bloem Water has several contracts for maintenance whereby contractors are appointed but payment is based on actual work performed and the value of the contract is not fixed. These have not been included in the above disclosures.

The expenditure will be financed through general external borrowings, available cash resources and internally generated funds.



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3. Living assets

	2022 R'000			2021 R'000		
	Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Game	269	-	269	478	-	478

Reconciliation of living assets

	Opening balance R'000	Gains or losses R'000	Total R'000
2020/2021 - Game	490	(12)	478
2021/2022 - Game	478	(209)	269

Methods and assumptions used in determining fair value

Game was valued in June 2022. The fair value was based on an estimated 35 (2021:167) animals, the most significant categories being Eland and Waterbuck (2021: Blesbuck and Red Hartebees). The fair value of the living assets is determined annually based on observable living resource prices in the active market or recent market transactions. The value decreased due to the reduction in quantities of certain categories and changes in market values. These assets are not restricted nor are they pledged as security.

	2022 R'000	2021 R'000
Fair value less estimated costs to sell	269	478

4. Inventories

Chemicals and raw materials	10 043	7 966
Maintenance items and consumables	14 708	14 898
Water	3 275	2 915
	28 026	25 779

Inventories are measured after recognition at the lower of cost and net realisable value. Impairment of inventory of R1 368 thousand (2021: R1 571 thousand) consisting of obsolete inventory (consumables) written-off through expenditure is R456 thousand (2021: R289 thousand) and the value of inventory written-off to estimate net realisable value through expenditure is R912 thousand (2021: R1 542 thousand). The carrying amount of these items remaining in inventory after write-off to net realisable value is R5,756 million (2021: R2,68 million). The main reason for the write-off is a decrease in price compared to average cost.

The total cost of water sales is R651,41 million (2021: R620,16 million). This consist of total expenditure excluding impairment of receivables and bad debt written-off.

No inventory has been pledged as security.



Bloem Water

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

	2022 R'000	(Restated) 2021 R'000
5. Receivables from exchange transactions		
Trade receivables	411 090	553 236
Deposits - Eskom (SOC) Ltd, Centlec (SOC) Ltd & other	13 788	14 240
Cost Recovery Project	19 566	19 923
Other receivables	2 086	1 582
	446 529	588 982
Financial instruments at amortised cost	446 529	588 982

Receivables from exchange transactions - Trade receivables includes the non-current portion which is reflective of some of the Municipalities that have a special arrangement to liquidate their obligation over an extended period of time as per arbitration outcome or as approved by Board. As at 30 June these net receivable debt are recognised as non-current assets as reflected below:

	446 529	588 982
Receivables from exchange transactions		
Non-current	37 500	197 249
Current	409 029	391 733

Refer to note 20 for Financial Instrument disclosure. Deposits is expected to be recovered at end of the contract period but is available on demand. No trade and other receivables have been pledged as security.

Credit quality of trade and other receivables

Management evaluated credit risk relating to customers on an ongoing basis. Management assesses the credit quality of the customer, taking into account its financial position, past and current experience and its future expectations. The entity utilises a system where when debtors do not settle their account within 60 days a warning letter is issued after which the water supply is restricted in accordance with the Water Services Act 108 of 1997 until the account is settled. Legal processes, Intergovernmental processes, Mediation processes and Arbitration processes are also being pursued.

Trade Receivables

Reconciliation of carrying amount

Gross trade receivables	1 264 652	1 235 243
- Municipal	1 235 842	1 231 490
- Other	28 810	3 753
Allowance for impairment	(853 562)	(682 007)
- Municipal	(852 549)	(679 866)
- Other	(1 013)	(2 141)
Net trade receivables	411 090	553 236
- Municipal	383 294	551 624
- Other	27 796	1 612

Included in gross trade receivables is R27,4 million (2021: R1,5 million) related to Grants and other income receivables.

Reconciliation of provision for impairment of trade and other receivables

Opening balance	682 007	1 410 084
Increase/(decrease) in impairment of receivables	171 555	(728 077)
Prior year's provision utilised included in bad debt written off		
- Mangaung Metropolitan Municipality	-	(927 424)
- Other	(999)	(7)
Increase in provision raised in current year	172 554	199 354
Closing balance	853 562	682 007



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Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

	2022 R'000	2021 R'000
5. Receivables from exchange transactions (continued)		
Reconciliation of bad debt written-off		
Mangaung Metropolitan Municipality - arbitration outcome		
Provided in prior year's provision for impairment	-	927 424
Not provided in prior year's provision for impairment	-	210 504
Settlement agreement invoice	-	(715 000)
Net written-off at settlement	-	422 928
VAT	-	(41 920)
Net written-off at settlement (excluding VAT)	-	381 008
Interest written-off on outstanding settlement agreement invoice	29 183	28 598
Net amount written-off on Mangaung Metropolitan Municipality	29 183	409 606
Other debtors' amounts written-off		
Provided in prior year's provision for impairment	999	7
VAT	(61)	(1)
Written-off against current year invoices	178	-
VAT	(12)	-
Net amount written-off on other debtors	1 103	6
Bad debt written-off as per Statement of Financial Performance	30 286	409 612

Mangaung Metropolitan Municipality amounts have been written-off in terms of the Public Finance Management Act based on the arbitration settlement agreement reached in December 2020. The initial arrears settlement of R715 million is payable in monthly instalments of R20 million and additional instalments when equitable share is received.

Receivables not impaired

Based on historical default rates, the entity believes that no additional impairment allowances are necessary in respect of the following trade receivables due to payments received or payment commitments made by customers. Past due amount not impaired consist of invoices for which payments have been made on after year end or for which approved payment plans exist. The following receivable amounts have not been impaired:

Current	146 433	95 682
Amounts past due not impaired:	264 657	457 554
Past due 30 to 60 days	69 420	79 715
Past due 60 to 90 days	15	70 153
Past due 90 to 120 days	36 649	13
Past due more than 120 days	158 573	307 673
Trade receivables not impaired	411 090	553 236

Trade and other receivables impaired

Trade receivables exceeding payment terms are interest bearing at the prime overdraft rate plus 200 basis points. Payment terms are generally 30 days from statement date. At year-end the prime overdraft rate was 8.25% per annum (2021: 7% p.a.).

Concentration of risk - At 30 June, the concentration of credit risk is as follows:

Gross receivables	2022		2022 R'000 Total	2021		2021 R'000 Total
	2022 R'000 Current	2022 R'000 Overdue		2021 R'000 Current	2021 R'000 Overdue	
Mangaung Metropolitan Municipality	121 330	569 027	690 357	95 293	670 029	765 322
Kopanong Local Municipality	7 768	535 716	543 484	7 308	457 084	464 392
Mantsopa Local Municipality	307	1 695	2 002	13	1 763	1 776
Subtotal	129 405	1 106 438	1 235 843	102 614	1 128 876	1 231 490
Other	27 756	1 053	28 809	1 452	2 301	3 753
Total	157 160	1 107 491	1 264 652	104 066	1 131 177	1 235 243



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Notes to the Annual Financial Statements

	2022 R'000	(Restated) 2021 R'000
6. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Bank balances and cash on hand	453 565	218 853
<p>There are no cash and cash equivalents held by the entity that are not available for use by the entity. Interest on the bank balances were between 1,5% to 4,15% (2021: 1,5% to 5,19%) per annum.</p>		
7. VAT		
VAT (receivable)/payable at year-end	(3 349)	1 346
Deferred VAT payable	126 466	127 449
<p>The entity is registered on the cash basis for Value Added Tax (VAT). The total VAT (receivable)/liability at year-end consists of an amount payable or receivable based on realised cash transactions.</p> <p>Deferred VAT payable consist of an amount payable or receivable in future periods as cash transactions are realised.</p>		
8. Interest bearing borrowings		
at amortised cost		
Nedbank	-	4 996
<p>The loan is unsecured and bears interest at a fixed rate of 9,12% per annum. Average repayments of R5 221 403 are made on a six-monthly basis. The agreement came into effect on 29 December 2006 and continued until 29 December 2021.</p>		
Nedbank	37 102	70 820
<p>The loan is unsecured and bears interest at a fixed rate of 9,8% per annum. The loan facility amounts to approximately R269,6 million and has a draw down arrangement. Average repayments of approximately R19,3 million are made on a six-monthly basis. The agreement came into effect on 1 March 2013 and will continue until 1 March 2023.</p>		
Corporate credit card	28	-
<p>The credit card account is unsecured and bears interest 15.20% (2021: 13,95%) per annum at year end.</p>		
Total interest-bearing borrowings	37 130	75 816
Non-current liabilities	-	36 146
Current liabilities	37 130	39 670



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	2022 R'000	2021 R'000
9. Finance leases liability		
At amortised cost		
Total finance leases liability	165	417
Non-current liabilities	-	164
Current liabilities	165	253

Photocopier contract commenced in August 2018

The 36 months finance lease was entered into for 20 photocopiers. Interest was calculated based on Bloem Water's incremental borrowing rate of interest of 11.5% (2021: 11.5%) per annum. Instalments of R72 105 are payable on the 1st day of each month without any escalation. No further restrictions and contingent rent are imposed on the lease agreement.

Addendum 1 to photocopier contract commenced in November 2019

The 36 months finance lease was entered into for 3 photocopiers. Interest was calculated based on Bloem Water's incremental borrowing rate of interest of 11.5% (2021: 11.5%) per annum. Instalments of R4 246 are payable on the 1st day of each month without any escalation. No further restrictions and contingent rent are imposed on the lease agreement.

Addendum 2 to photocopier contract commenced in March 2020

The 36 months finance lease was entered into for 4 photocopiers. Interest was calculated based on Bloem Water's incremental borrowing rate of interest of 10.25% (2021: 10.25%) per annum. Instalments of R19 138 are payable on the 1st day of each month without any escalation. No further restrictions and contingent rent are imposed on the lease agreement.

Addendum 3 to initial photocopier contract extended from July 2021

The 12 months finance lease extension was entered into for 20 photocopiers due to underutilization of initial contracted photocopiers and unavailability of new photocopiers due to Covid 19. Interest was calculated based on Bloem Water's incremental borrowing rate of interest of 8.50% per annum. Instalments of R70 857 are payable on the last day of each month without any escalation. No further restrictions and contingent rent are imposed on the lease agreement.

The depreciation on these assets were R1 054 thousand (2021: R977 thousand) and the finance charge was R67 thousand (2021: R98 thousand) for the year.

Reconciliation between the total of future minimum lease payments at the reporting date, and their present value:

2022

Description	Lease payments R'000	Finance charges R'000	Present value of lease payments R'000
Not later than one year	170	(5)	165
	170	(5)	165

2021

Description	Lease payments R'000	Finance charges R'000	Present value of lease payments R'000
Not later than one year	281	(28)	253
Later than one year and not later than five years	170	(5)	165
	451	(33)	418



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Notes to the Annual Financial Statements

10. Employee benefit obligations

	Notes	2022			2021		
		Current	Non-current	Total	Current	Non-current	Total
		R'000	R'000	R'000	R'000	R'000	R'000
Defined pension benefits	10.1	-	-	-	-	-	-
Long term service awards	10.2	154	17 533	17 687	75	16 352	16 427
Other short-term benefits	10.3	53 309	-	53 309	57 411	-	57 411
Employee benefit obligations		53 463	17 533	70 996	57 486	16 352	73 838

10.1 Employee benefit obligations - Defined benefit plan

The entity provides retirement benefits for all its permanent employees through a funded defined benefit pension scheme that is subject to the Pension Funds Act, 1956 as amended.

Bloem Water operates the defined benefit pension plans in South Africa. The plan is a final salary pension plan, which provide benefits to members in the form of a guaranteed level of pension payable. The level of benefits provided depends on members' length of service and their salary in the final years leading up to retirement. Responsibility for governance of the plans, including investment decisions and contributions schedules, lies jointly with Bloem Water and the board of trustees. The board of trustees are composed of representatives of Bloem Water and plan participants in accordance with the plan's regulations.

The amounts recognised in the statement of financial position are as follows:

Carrying value analysis of funding indicating the present value of the defined benefit obligations that is fully or partially funded:

	2022	(Restated) 2021
	R'000	R'000
Present value of the defined benefit obligation	(341 691)	(316 493)
Fair value of plan assets	429 462	405 421
	87 771	88 928
Asset ceiling limit	(87 771)	(88 928)
	-	-

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	316 493	247 333
Interest cost – note 16	39 729	36 423
Entity service cost – note 14	16 859	13 000
Employee cost – note 14	10 927	10 263
Benefits paid	(30 991)	(13 418)
Actuarial (gains)/losses – note 14	(11 326)	22 892
	341 691	316 493

Changes in the fair value of plan assets are as follows:

Opening balance	405 421	318 782
Expected return – note 14	51 873	49 779
Contributions paid by employees	12 237	10 903
Contributions paid by employer	34 403	41 001
Benefits paid	(30 991)	(13 418)
Actuarial gains (losses) – note 14	(43 481)	(1 626)
Fair value of assets	429 462	405 421
Asset ceiling limit – (movement note 14)	(87 771)	(88 928)
Fair value of plan assets after application of asset ceiling limit	341 691	316 493



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	2022 R'000	2021 R'000
10.1 Employee benefit obligations - Defined benefit plan (continued)		
Defined benefit asset ceiling limit applied		
Present value of defined benefit obligation	(341 691)	(316 493)
Fair value of plan asset	429 462	405 421
Ceiling limit applied	87 771	88 928

Asset allocation of fund

Domestic Equity	43.3%	34.5%
Domestic Property	3.6%	2.7%
Domestic Bonds	24.1%	21.5%
Domestic Cash	6.6%	18.2%
Private Equity	1.4%	1.4%
Foreign Assets	21.0%	21.6%

The assets of the fund as at the valuation date were invested as follows:

Prudential Inflation Plus	51 992	47 666
Coronation Managed	219 930	174 263
Sanlam Absolute Return	153 177	179 231
Sampada Equity	4 651	4 846
Cash at bank	12 652	10 751
Sundry creditors	(12 940)	(11 336)
	429 462	405 421

Net expense recognised in the statement of financial performance

Net interest	12 145	13 356
Interest cost on obligation	(39 729)	(36 423)
Return on assets	51 874	49 779
Employer service cost	(16 859)	(13 000)
Employee cost	(10 927)	(10 263)
Actuarial (gains)/losses on obligation	11 326	(22 892)
Actuarial (gains)/losses on asset	(43 481)	(1 625)
Asset ceiling Paragraph .68 limit movement	1 157	(17 479)

Over the valuation period the return on assets was approximately 3.27% (2021:15.68%) per annum, net of investment fees. The expected cost of benefits accruing to qualifying employees for the 2022/23 financial year is calculated at R15 736 310 (2022: R16 859 245, 2021: R12 999 677).

	2022 R'000	2021 R'000	2020 R'000	2019 R'000	2018 R'000
Analysis for five years					
Present value of the defined benefit obligation	341 691	316 493	247 333	290 914	267 608
Fair value of plan assets	429 462	405 421	318 782	290 914	268 642
Surplus/(deficit) before asset ceiling limit	87 771	88 928	71 449	-	1 034
Ceiling limit applied	(87 771)	(88 928)	(71 449)	-	(1034)
Defined benefit plan balance	-	-	-	-	-

Reconciliation of active membership

Description	2022 Number	2021 Number
Active members at 1 July	404	412
New members	12	2
Retirements	(4)	(3)
Deaths	(4)	(3)
Resignations	(12)	(4)



Bloem Water

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Active members at 30 June	396	404
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Annual Financial Statements for the year ended 30 June 2022

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	2022	2021
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10.1 Employee benefit obligations - Defined benefit plan (continued)

Assumptions

The principal actuarial assumptions used were:

Pre-retirement discount rate	12.62%	12.55%
Post-retirement discount rate*	4.12%	4.46%
Inflation	8.17%	7.74%
General salary increase rate	9.17%	8.74%
Investment return/salary differential	3.16%	3.5%

Pre-retirement Mortality – SA 85-90 ultimate with a light AIDS loading.

Post-retirement Mortality – PA (90) ultimate less 3 years.

*This rate implicitly takes into account the pension increases policy of the Trustees of 100% of inflation.

Discount rate assumption

The Fund's liabilities are discounted with reference to the yield on government debt. For this purpose, it was relied on the JSE Zero Coupon Nominal Bond Curve with an average duration of 17.5 to 22.5 years.

The discount rate has been set by using the best-fit discount rate as at 30 June 2022 based on the yields from the zero-coupon government bond curve. The discount rate is 12.62% (2021:12.55%) per annum. The source is the Johannesburg Stock Exchange through Inet BFA data service.

Inflation assumption

The implied long-term inflation rate at the valuation date was based on the differential between the above discount rate, and the real rate implied by the JSE Zero Coupon Real Bond Yield Curve, also with an average duration of 17.5 to 22.5 years. The latter was equal to 4.12% (2021:4.46%) per annum at the valuation date. This gave rise to the inflation assumption of 8.17% (2021:7.74%) per annum.

Salary inflation assumption

It is assumed that future salary inflation will exceed general inflation by 1% per annum. The implied salary inflation assumption is therefore 9.17% (2021:8.74%) per annum.

Salary increases due to promotional, or merit increases are as follows:

Age	Salary increases
20	12.0%
25	9.0%
30	6.0%
35	3.0%
40	2.0%
45+	1.0%

Investment return assumption relative to salary increase assumption

The salary-increase and investment-return assumptions reflect a "real return" of 3.16% (2021:3.50%) per annum consisting of 12.62% (2021:12.55%) per annum investment return relative to 9.17% (2021:8.74%) per annum salary inflation. It is important to note that salary increases and the return on assets tend to be related. This means that if the actual real return is in excess of that assumed then the excess will go toward improving the financial position of the Fund.



Bloem Water

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Notes to the Annual Financial Statements

10.1 Employee benefit obligations - Defined benefit plan (continued)

Pension increase assumption

The Bloem Water Pension Fund's stated aim is to target pension increases of 100% of the change in inflation. This implies future pension increases of 8.17% (2021:7.74%) per annum.

Net post-retirement discount rate

Based on the differential between the gross discount rate of 12.62% (2021:12.55%) per annum and the pension increase rate of 8.17% (2021:7.74%) per annum, it is expected that a net post-retirement discount rate of 4.12% (2021:4.46%) per annum would finance pension increases of 100% of inflation over the long term.

Minimum benefits

The Board of Trustees elected to use the Earnings Yield method for the calculation of minimum benefits. The Earnings Yield as at 30 June was equal to 3.64% (2021:2.12%) per annum.

Demographic valuation assumptions

Pre-retirement mortality

It is assumed that the pre-retirement mortality will be in line with SA585-90 (Light) table. This is a table reflecting mortality experience in South Africa.

Post-retirement mortality

It is assumed that the post-retirement mortality will be in line with PA (90) mortality tables (male and female), rated down 3 years.

Family statistics

It is assumed that on average a husband would be 3 years older than his wife and that 80% of males and 30% of females are married at retirement.

Resignation rates

The following rates of withdrawal have been used in the valuation:

Age	Average annual percentage rate of withdrawal
20	20.0%
25	17.5%
30	15.0%
35	12.5%
40	10.0%
45	7.5%
50	5.0%
55	2.5%

There were no further experience adjustments made to Defined Benefit Obligations and Plan Assets.

Other assumptions

The projected unit credit method is used to place a value on the past service liabilities.

The asset ceiling provision ensures the asset to be recognised in the statement of financial position is subject to a maximum of the present value of any economic benefits available to the employer in the form of refunds or reductions in future contributions.



Bloem Water

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Notes to the Annual Financial Statements

10.1 Employee benefit obligations - Defined benefit plan (continued)

Sensitivity analysis

The results of the valuation are dependent on the underlying assumptions made. The tables below illustrate the likely impact that certain changes to the underlying assumptions would have on the figures as at 30 June 2022. These values are determined by assuming all other relevant assumptions remain constant. These tables set out the impact on results relating to changes of the following assumptions:

Discount rate	Current assumptions R'000	1% decrease R'000	1% increase R'000
Active Member Liability	341 691	403 372	292 270
Cost/(saving)		61 681	(49 421)
Total change		18.05%	-14.46%

Inflation rate	Current assumptions R'000	1% decrease R'000	1% increase R'000
Active Member Liability	341 691	294 412	399 613
Cost/(saving)		(47 279)	57 922
Total change		-13.84%	16.95%

10.2 Employee benefit obligations – Long-service awards

Bloem Water has a policy to provide long-service awards to eligible employees that complies with the Basic Conditions of Employment Act, Act 75 of 1997. An employee qualifies for service leave equal to his/her annual leave entitlement after every completed period of five years uninterrupted service with Bloem Water. Service is granted on the employee's anniversary of appointment date and may be accumulated and taken part of the employee's annual leave or as cash-in-lieu of leave. All employees will be entitled to 25 (2021:23) working days annual leave per annum and all Executives are entitled to 27 working days annual leave per annum. At the current valuation date, there were 7 Executive members.

The expected value of each employee's long-service award is projected by allowing for future salary growth (through inflationary and promotional salary increases). The calculated values are then discounted at the assumed discount interest rate to the present date of the valuation. Allowance for mortality, retirements and withdrawals were made. No allowance for retrenchments were made.

	2022 R'000	2021 R'000
Long-service awards accrued liability is estimated as follows:		
Eligible in-service employees	17 687	16 427
Reconciliation of opening to closing balance of long service awards accrued liability:		
Obligation at the beginning of financial year	16 427	12 664
Interest cost (All eligible individuals) – note 17	1 430	1 116
Current service cost (Eligible in-service employees) – note 15	2 038	1 691
Benefit payments	(4 485)	(3 304)
Actuarial (gain)/loss on basis – note 15	552	1 502
Actuarial (gain)/loss on experience – note 15	389	2 758
Actuarial (gain)/loss on methodology – note 15	1 336	-
Obligation at the end of financial year	17 687	16 427
Projections of long-service award liability:		
Less than 1 year	154	75
Between 1 and 2 years	156	42
Between 2 and 5 years	683	885
Between 5 and 10 years	1 826	1 683
Beyond 10 years	14 868	13 742
Total	17 687	16 427



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10.2 Employee benefit obligations – Long-service awards (continued)

	2022 R'000	2021 R'000	2020 R'000	2019 R'000
Long-service award obligation analysis	17 687	16 427	12 664	11 237

	2022 R'000	2021 R'000
Membership reconciliation:		
Number of eligible in-service employees at the beginning of the year	400	408
New	12	2
Exits	(19)	(10)
Number of eligible in-service employees at the end of the year	393	400

Financial Assumptions:

Discount rate	11.19%	9.39%
General Inflation	7.09%	5.95%
Salary inflation	8.09%	6.95%
Salary-inflation premium	1.00%	1.00%
Net discount rate (Gap)	2.86%	2.28%

The Projected Unit Credit Method has been used to value the liabilities. The liability for the In-Service Employees is accrued over their expected working lifetimes. The average expected remaining working lifetime of eligible In-Service Employees is 22.10 (2021: 22.90) years as at 30 June.

Discount rate assumption

The discount rate is set by taking the average yields from the zero-coupon Government bond curve with a duration of 8 years. The discount rate as at 30 June is 11.19% (2021: 9.39%) per annum. The source is the Johannesburg Stock Exchange through INET BFA data service.

Inflation assumption

The general inflation assumption is used to estimate the base rate for determining the rate at which the future employee benefits will increase. Bloem Water have estimated the market's pricing of inflation by comparing the yields on nominal bonds to the yields on real bonds on the yield curve for bonds with a duration of 8 years. The implied inflation assumption is therefore 7.09% (2021: 5.95%) per annum as at 30 June for future inflation. The source is the Johannesburg Stock Exchange through INET BFA data service.

Salary inflation assumption

We have assumed that the salaries (total-cost to company) will increase in line with 1.00% in excess of general inflation, i.e., 8.09% (2021: 6.95%) per annum as at 30 June.

Promotional salary increases according to the following table have been allowed:

Age Band	Males	Females
20-24	12%	12%
25-29	9%	9%
30-34	6%	6%
35-39	3%	3%
40-44	2%	2%
45-49	1%	1%



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Notes to the Annual Financial Statements

10.2 Employee benefit obligations – Long-service awards (continued)

Net discount rate

Even though the actual values used for the discount rate and the expected increase in salary inflation are important, the “gap” between the two assumptions is more important. This “gap” is referred to as the net discount rate. The net discount rate for salary inflation is assumed to be 2.86% (2021: 2.28%) per annum as at 30 June. (Derived from a discount rate of 11.19% (2021:9.39%) per annum and the expected salary inflation rate of 8.09% (2021:6.95%) per annum.

The Entity does not have any specific assets set aside to fund the long-service award liability.

Demographic assumptions

The key demographic assumptions that were used for the previous and current valuations are summarised in the table below.

Demographic Assumptions	2022	2021
Normal retirement age	65	65
Mortality during employment	SA 85-90 Ultimate with a light AIDS loading	SA 85-90 Ultimate with a light AIDS loading

Sensitivity analysis

The results of the valuation are dependent on the underlying assumptions made. The assumptions present our best-estimate view of future experience. The actual cost of the Long-service Award benefits will however be dependent on the actual experience.

The tables below illustrate the likely impact that certain changes to the underlying assumptions would have on the figures as at 30 June 2022. These values are determined by assuming all other relevant assumptions remain constant. These tables set out the impact on results relating to changes of the following assumptions:

- The discount rate
- The salary inflation rate
- The age-rating of the mortality rates
- The retirement age

Discount rate	Current assumptions R'000	1% decrease R'000	1% increase R'000
Liability	17 687	19 068	16 483
Cost/(saving)		1 381	(1 204)
Total change		7.81%	-6.80%
Projected Service cost	2 315	2 506	2 149
Projected Interest cost	1 973	1 946	1 994
Total change		3.81%	-3.37%

Salary inflation	Current assumptions R'000	1% decrease R'000	1% increase R'000
Liability	17 687	16 440	19 096
Cost/(saving)		(1 246)	1 409
Total change		-7.05%	7.97%
Projected service cost	2 315	2 143	2 510
Projected interest cost	1 973	1 826	2 140
Total change		-7.44%	8.43%



Bloem Water

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

10.2 Employee benefit obligations – Long-service awards (continued)

Mortality age-rating	Current assumptions	Rated down 1 year	Rated up 1 year
	R'000	R'000	R'000
Liability	17 687	17 691	17 669
Cost/(saving)		5	(18)
Total Change		0.03%	-0.10%
Projected service cost	2 315	2 316	2 313
Projected interest cost	1 973	1 974	1 971
Total Change		0.03%	-0.10%

Retirement age	Current assumptions	Earlier by 1 year	Later by 1 year
	R'000	R'000	R'000
Liability	17 687	17 665	17 817
Cost/(saving)		(22)	130
Total Change		-0.12%	0.74%
Projected Service cost	2 315	2 295	2 329
Projected Interest cost	1 973	1 970	1 989
Total Change		-0.54%	0.69%

10.3 Other Short-term employee benefits

	(Restated)	
	2022 R'000	2021 R'000
Other short-term employee benefits obligation consists of:		
Leave	27 248	27 195
Overtime	1 984	1 957
Standby	504	483
Shift	349	333
Allowance board member	-	5 313
Performance bonus	23 224	22 130
	53 309	57 411

The annual leave accumulates (vesting) as an employee is in service of Bloem Water and when the employee leaves the employment the unused annual leave is paid out. Overtime, standby and shift accrued at the end of the financial year and is payable as part of the next month payroll.

11. Payables from exchange transactions

	(Restated)	
	2022 R'000	2021 R'000
Trade payables	2 453	9 862
Project retention accruals	22 438	22 783
Work in progress accruals	15 032	5 798
Water abstraction cost accruals	13 152	23 473
Energy cost accruals	2 035	18 503
Cost recovery projects – Implementing agent	1 692	2 573
Trade accruals	13 015	12 130
	69 817	95 122
Financial instruments	69 817	95 122

Trade and other payables are non-interest bearing and are normally settled on 30-day terms.



Bloem Water

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

	2022 R'000	(Restated) 2021 R'000
12. Interest revenue		
Interest on trade receivables	98 831	109 121
Interest on bank balances	13 765	5 491
	112 596	114 612
13. Water abstraction costs		
Water opening stock	2 915	2 952
Water closing stock	(3 275)	(2 915)
Water resource expenditure	35 070	43 147
	34 710	43 184
14. Employment cost		
Salaries and Wages	144 238	138 632
Allowance COVID-19	-	3 240
Allowance acting	389	348
Defined benefit plan obligation – entity service cost	16 859	13 000
Defined benefit plan obligation – employee cost	10 927	10 263
Defined benefit plan obligation – actuarial (gains)/losses	(11 326)	22 892
Defined benefit plan assets – expected return	(51 874)	(49 779)
Defined benefit plan assets – actuarial (gains)/losses	43 481	1 626
Defined benefit plan assets – Asset ceiling limit movement	(1 157)	17 479
Long-service awards – current service cost	2 038	1 691
Long-service awards – actuarial (gains)/loss on basis	552	1 502
Long-service awards – actuarial (gains)/loss on experience	1 337	2 758
Long-service awards – actuarial (gains)/loss on methodology	389	-
Housing benefits and allowances	14 144	11 919
Performance and other bonuses	36 273	34 491
UIF and Medical Aid	22 631	22 694
Leave payments	11 492	10 252
Overtime payments	19 414	13 620
Shift allowance payments	2 685	2 441



Bloem Water

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Notes to the Annual Financial Statements

	2022 R'000	(Restated) 2021 R'000
14. Employment cost (continued)		
Standby payments	3 817	3 639
Payroll accrual movement (leave, overtime, standby and shift allowance)	116	170
Travelling reimbursement allowance	13 224	11 405
Allowance board members	3 158	2 661
Other employee related costs	3 105	2 278
	285 912	279 224
15. Operating expenses		
Advertising & marketing	215	334
Audit cost	3 084	3 132
Bank charges	301	416
Computer services	4 842	8 124
Consultants, business and advisory services	822	2 001
Compensation Commissioner	1 784	1 624
Communication	4 995	4 729
Clothing material and accessories	1 388	1 445
Insurance	4 307	4 663
Impairment of inventory	1 369	1 571
Laboratory services	1 768	1 813
Legal services	2 627	5 029
Loss on sale of assets	557	-
Other operating expenses	3 915	3 556
Rates and taxes	697	715
Stationary, printing and office supplies	785	804
Training and development	1 234	616
Travelling, fuel and accommodation	7 562	5 325
	42 252	45 897
16. Finance costs		
Interest on borrowings	5 103	9 126
Interest on finance lease liability	67	98
Interest on long-term service award	1 430	1 116
Interest on defined benefit liability	39 729	36 423
Other interest	14	36
	46 343	46 799
17. Cash generated from (used in) operations		
(Loss)/Surplus	153 496	597 365
Adjustments for:		
Bad debt written off	30 286	409 612
Impairment/(reversal) of receivables	171 555	(728 077)
Depreciation	37 689	37 091
Impairment of property, plant and equipment	108	104
Write-off of property, plant and equipment	-	5 431
Loss on sale of property, plant and equipment	557	-
Impairment of inventory	1 369	1 571
Short-term employee benefit liability	116	170
Other Employee benefit liabilities	(2 842)	26 063
(Gain) / loss on fair value adjustment of Living assets	209	12
Changes in working capital:		
Inventories	(3 616)	(3 797)
Receivables from exchange transactions	(59 388)	(159 981)
Payables from exchange transactions	(25 121)	37 906
VAT	(5 678)	(25 586)



Bloem Water

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	2022 R'000	(Restated) 2021 R'000
18. Purchase of property, plant and equipment as per Cash Flow Statement		
Additions of property, plant and equipment as per note 2	25 212	15 385
Increase in finance lease assets as per note 2	(812)	-
Accruals (increase)/decrease	(111)	11 783
Purchase of property, plant and equipment	24 289	27 168
19. Financial instruments		
Categories of financial instruments		
Financial assets at amortised cost		
Receivables from exchange transactions	5 446 529	588 982
Cash and cash equivalents	6 453 565	218 853
	900 094	807 835
Financial liabilities at amortised cost		
Interest bearing borrowings	8 37 130	75 816
Finance lease liability	9 165	417
Payables from exchange transactions	11 69 817	95 122
	107 112	171 355

Financial risk management

Risk management is of critical importance to the entity as it understands that changing market conditions make risk unavoidable. Over the years the entity has sought and implemented a comprehensive risk management process to consistently identify, understand and properly manage risk at all times.

Bloem Water monitors and manages the financial risks relating to the operations of the entity through internal risk reviews which analyse exposures by degree and magnitude of risks. These risks include the following:

- liquidity risk;
- credit risk; and
- market risk (including interest rate risk).

Bloem Water seeks to minimise the effects of these risks in accordance with the entity's policies approved by the Board. The policies provide written principles on interest rate risk, credit risk, and in the investment of excess liquidity. The entity does not enter into or trade in financial instruments for speculative purposes.

Liquidity risk

Liquidity risk is the risk of the entity defaulting on its financial obligations as a result of insufficient funding capacity in relation to such obligations. The entity manages this risk through maintaining adequate working capital, planning and continuing re-planning of long-term project costs and funding requirements.

The entity has not defaulted on any payments.

The undiscounted contractual cash flows of the liabilities are set out below:

At 30 June 2022	No later than one month R'000	Later than one month not later than three months R'000	Later than three months and not later than one year R'000
Interest bearing borrowings	-	19 297	19 298
Finance lease liability	23	47	100



Payables from exchange transactions	69 817	-	-
Total	69 840	19 344	19 398

Notes to the Annual Financial Statements

19. Financial instruments (continued)

At 30 June 2021	Less than 1 year R'000	Between 1 and 5 years R'000	Over 5 years R'000
Nedbank – loan 1	5 227	-	-
Nedbank – loan 2	38 595	38 595	-
Total	43 822	38 595	-

At 30 June 2021 (Restated)	No later than one month R'000	Later than one month not later than three months R'000	Later than three months and not later than one year R'000	Later than one year and not later than five years R'000
Interest bearing borrowings	-	19 297	24 525	38 595
Finance lease liability	23	47	210	170
Payables from exchange transactions	95 122	-	-	-
Total	95 145	19 344	24 735	38 765

Bloem Water implement a project funded by the Department of Water and Sanitation as per note 2. This project accrue retention that should be paid by the Department of Water and Sanitation when due. Retention on this project is accounted for which is included in payables from exchange transactions in note 11.

Credit risk

Potential concentrations of credit risk mainly relate to cash and cash equivalents and receivables from exchange transactions.

The Board of Bloem Water limits the credit risk arising from short term investments and other cash items by dealing only with reputable well-established financial institutions in South Africa. Credit control procedures are being followed aligned to Service Level Agreements, policies and legal requirements. The financial positions of customers are monitored on an ongoing basis. Provisions are made for impairment allowances where deemed appropriate.

The entity is exposed to significant credit risk due to the nature of its customers and the extensive period it takes to recover amounts due.

Concentration of credit risk of receivables from exchange transactions.

Bloem Water has significant exposure to Mangaung Metropolitan Municipality as its major customer.

The concentration of credit risk with reference to receivables from exchange transactions is included in note 5:

The carrying amount of financial assets represents the maximum credit exposure. The following accounts are exposed to credit risk at the reporting date:

	2022 R'000	2021 R'000
Receivables from exchange transactions (refer to note 5)	446 529	588 982
Cash and cash equivalent (refer to note 6)	453 565	218 853
	900 094	807 835

The age analysis of receivables from exchange transactions is set out in note 5.

Market risk



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Bloem Water's water tariffs are regulated in terms of Municipal Finance Management Act Circular No 23. Bloem Water is exposed to tariffs not being cost reflective considering the operational and capital requirements.

Notes to the Annual Financial Statements

19. Financial instruments - Risk instruments (continued)

Capital management

The overall objective of the entity's capital management strategy is to maintain a strong capital base so as to maintain stakeholder confidence and to sustain future development of the business. Long-term loans and cash reserves are managed through the process of reviewing all associated risks, including liquidity, credit and interest rate risks. It is also the policy of the entity to maintain a strong debt to equity ratio as this plays an important role in the entity's credit rating which impacts positively on the cost of funding. Accumulated income is managed through a number of initiatives and processes including planning and budgeting for long-term growth, capital expansion and maintaining or improving cost efficiencies.

Interest rate risk

Interest rate risk arises from variable rate interest bearing loans and interest on bank balances. Interest rate fluctuation will directly impact on the results of the entity. The following table identifies those financial instruments that are sensitive to interest rate changes:

Sensitivity analysis

	Increase R'000 2022	Increase R'000 2021	Decrease R'000 2022	Decrease R'000 2021
Cash and cash equivalents	4 535	2 188	(4 535)	(2 188)

Loans and borrowings to the value of R37,102 million (2021: R75,816 million) are fixed interest rate loans. Therefore, a change in interest rate at the reporting date would not affect the profit or loss.

Cash and cash equivalents to value of R453,565 million (2021: R218,853 million) are exposed to variable interest rates as disclosed in note 6.

Foreign currency

The entity is not exposed to foreign currency risk as no transactions in foreign currency are entered into except for offshore exposure risk related to the unemployment benefit asset (refer to note 10).



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	2022 R'000	2021 R'000
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20. Contingent liabilities

The following are contingent liabilities estimated financial exposure:

Bloem Water is involved in an ongoing litigation regarding the cancellation of a service contract in the prior years due to non-performance of the supplier ALO Vivacitas. The service provider instituted a claim against Bloem Water in which Bloem Water issued a counter claim against the service provider for contract breach. The Plaintiffs (ALO Vivacitas) keep changing legal representatives causing delays. No liability has been recognised in the annual financial statements because management is of the view that the existence of the possible obligations will only be confirmed by the occurrence or non-occurrence of uncertain future events not within the control of Bloem Water.

5 000 5 000

Inyathi Specialist Coating Pty (Ltd) Case 5460/2021: This Company was a cessionary of the Entity's principal contractor, Patsa Civils. The Entity was an Implementing Agent in the contract Project BW207/SF/14-WSIG Kopanong Local Municipality: Trompsburg Bulk Water Supply and as such could only effect payments due under the Cession between Patsa and Inyathi upon receipt of funds from the Kopanong Local Municipality. Inyathi launched a lawsuit against Bloem Water as the first Respondent and Kopanong as the second one for penalty for late payment. Both the Entity and Kopanong entered appearance and will defend the action by Inyathi. The matter is continuing and action awaited from Inyathi.

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Bloem Water is also involved in a number of pending labour arbitration matters (case numbers D1143/16, FSBF1487-17, FSBF1019-18, SFSBF2783-19, FSBF3596-19 and FSBF3615-19). No liability has been recognised in the annual financial statements because management is of the view that the existence of the possible obligations will only be confirmed by the occurrence or non-occurrence of uncertain future events not within the control of Bloem Water.

6 567 8 450

21. Related parties

The Department of Water Affairs established Bloem Area Water Board with the aim to operate the Caledon/Bloemfontein Government Water Scheme as well as supplying water to the Municipal areas of Bloemfontein, Bainsvlei, Bloemspruit, Botshabelo and Dewetsdorp. Through a consultative process the name was changed to Bloem Water and officially gazetted in 1994 to operate and account its activities in accordance with the Water Services Act with its Head Office located in Bloemfontein.

Bloem Water in terms of the PFMA is listed as a Schedule 3B National Government Business Enterprise which reports to the Minister of Water and Sanitation as the Executive Authority, through the Board as the Accounting Authority.

Bloem Water purchases raw water from the Department of Water and Sanitation ("the Department"). Refer to water abstraction cost in the statement of financial performance. Bloem Water owed the Department R13,152 million (2021: R23,473 million).



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Notes to the Annual Financial Statements

21. Related parties (continued)

Apart from the transactions listed in the previous paragraph, Bloem Water undertakes the following transactions with other entities of government within normal operating parameters established by the entity's legal mandate:

- Jo-jo tank cost recovery project assistance to Rand Water, which is controlled by the same Executive Authority – Outstanding balance owed by Rand Water is R0,629 million (2021 – R0,360 million)

Board members and executive management are the persons responsible for planning, directing and controlling the activities of the entity and are considered related parties. Executive management's salaries are disclosed below, and Board remuneration is included in note 22. These costs are included in employment cost in statement of financial performance.

Razzmatazz Civil (Pty) Ltd provides project construction at arm's length to the entity. A Board member of Bloem Water became a director of the company subsequent to the service provider being appointed. Outstanding retention amounts to R4,587 million (2021: R4,587 million).

Remuneration of Management

Executive Management

2022

Name	Basic salary	Bonuses and performance related payments	Other Short-term employee benefits	Post-employment benefits	Other benefits	Total
	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)
Dr L Moorosi (CE)	1 737	1 178	134	170	375	3 594
Mr OJ Stadler (CFO)	1 802	752	224	472	93	3 343
Mr MG Rapudungoane *	1 745	708	108	330	130	3 021
Mr TS Ngubeni *	1 793	668	50	300	204	3 015
Ms NP Silevu *	1 437	667	115	245	209	2 673
Ms SL Meyer *	1 814	946	135	356	193	3 444
Ms NM Motlhaolwa *	1 728	768	68	214	241	3 019
Total	12 056	5 687	834	2 087	1 445	22 109

2021

Name	Basic salary	Bonuses and performance related payments	Other Short-term employee benefits	Post-employment benefits	Other benefits	Total
	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)
Dr L Moorosi (CE)	1 737	148	135	261	212	2 493
Mr OJ Stadler (CFO)	1 782	80	224	391	828	3 305
Mr MG Rapudungoane *	1 659	135	102	379	40	2 315
Mr TS Ngubeni *	1 755	120	50	336	35	2 296
Ms NP Silevu *	1 423	145	53	333	30	1 984
Ms SL Meyer *	1 753	230	140	282	176	2 581
Ms NM Motlhaolwa *	1 662	170	90	333	25	2 280
Total	11 771	1 028	794	2 315	1 346	17 254

Other benefits included leave capitalized, group life assurance, permanent health.

*Note – Other Executives



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22. Board members' emoluments

Period served during the 2021/22 financial year

Board Member	Date of first appointment	Start date	End date	Stipend backpay (R'000)	Stipend and Board activity fees (R'000)	Expenses (R'000)	Total Remuneration (R'000)
Mr TB Phitsane	01.06.2009	01.07.2021	30.06.2022	943	443	33	1 419
Adv TD Segoe-Backward	01.04.2019	01.07.2021	30.06.2022	-	336	11	347
Ms DM Manamela	01.04.2019	01.07.2021	30.06.2022	-	320	16	336
Mr TM Manyoni	01.04.2019	01.07.2021	30.06.2022	-	271	5	276
Ms P Matete	01.07.2014	01.07.2021	30.06.2022	681	290	9	980
Ms MAF Moja	01.04.2019	01.07.2021	30.06.2022	-	230	2	232
Mr LX Ntoyi	01.04.2019	01.07.2021	30.06.2022	-	310	14	324
Mr JJ Price	01.04.2019	01.07.2021	30.06.2022	-	272	11	283
Ms TN Sandlana	01.04.2019	01.07.2021	30.06.2022	-	267	4	271
Mr LE Van Rheede Van Oudtshoorn	01.04.2019	01.07.2021	30.06.2022	-	347	26	373
Total				1 624	3 086	131	4 841

Period served during the 2020/21 financial year

Board Member	Date of first appointment	Start date	End date	Board Activity Fees (R'000)	Expense Allowance (R'000)	Total Remuneration (R'000)
Mr TB Phitsane	01.06.2009	01.07.2020	30.06.2021	444	3	447
Ms P Matete	01.07.2014	01.07.2020	30.06.2021	244	2	246
Ms DM Manamela	01.04.2019	01.07.2020	30.06.2021	238	2	240
Mr TM Manyoni	01.04.2019	01.07.2020	30.06.2021	237	3	240
Ms MAF Moja	01.04.2019	01.07.2020	30.06.2021	250	1	251
Mr LX Ntoyi	01.04.2019	01.07.2020	30.06.2021	247	1	248
Mr JJ Price	01.04.2019	01.07.2020	30.06.2021	245	5	250
Ms TN Sandlana	01.04.2019	01.07.2020	30.06.2021	241	1	242
Adv TD Segoe-Backward	01.04.2019	01.07.2020	30.06.2021	254	1	255
Mr LE Van Rheede Van Oudtshoorn	01.04.2019	01.07.2020	30.06.2021	249	6	255
Total				2 649	25	2 674



Bloem Water

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Notes to the Annual Financial Statements

	2022 R'000	2021 R'000
23. Fruitless and wasteful expenditure		
Balance at the beginning of the year	-	-
Current year expenditure	-	-
Balance at end of the year	-	-
<p>Possible fruitless and wasteful expenditure of 2018 on the Rustfontein to Botshabelo Pipeline project investigation by an independent Professional Service Provider was completed in 2019.</p> <p>The following indicates the cost still to be recovered based on the investigation outcome report:</p> <ul style="list-style-type: none"> - R4,51 million to be recovered from the Consultant (The proposal has been received from the Consultant for a settlement of R2,5 million of the R4,51 million) and the balance the PSP is disputing. 		
24. Irregular expenditure		
Balance at the beginning of the year	11 533	9 014
Removal approved by Board	(4 897)	-
Current year expenditure	79 069	2 519
Balance at end of the year	85 705	11 533
Balance at beginning of the year	11 533	9 014
Removal approved by Board	(4 897)	-
<p>R1,922 million (R1,113 million – 2017/2018 & R0,791 million – 2018/2019) due to non-compliance with National Treasury Instruction note nr 3 of 2016/17. It relates to an extension of a contract beyond allowed percentage. Investigation was concluded and consequence management dealt with accordingly. Amount not condoned by National Treasury.</p> <ul style="list-style-type: none"> - Removal approved by Board 		
	(1 922)	-
<p>R2,975 million – 2018/2019 due to non-compliance with Treasury Instruction note 3 of 2016/2017 paragraph 8. Deviation from normal bidding processes. Amount not condoned by National Treasury.</p> <ul style="list-style-type: none"> - Removal approved by Board 		
	(2 975)	-
<p>R0,607 million – 2019/2020 due to non-compliance with Treasury Instruction note 3 of 2016/2017 paragraph 8. Deviation from normal bidding processes for which Treasury condonement is outstanding.</p>		
	-	-
<p>R1,128 million – 2019/2020 due to non-compliance with Treasury regulations due to evaluation not including preference points. Treasury condonement is outstanding.</p>		
	-	-
<p>R2,382 million – 2019/2020 due to non-compliance with Treasury regulations on local content.</p>		
	-	-



Bloem Water

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

	2022 R'000	2021 R'000
24. Irregular expenditure (continued)		
Current year expenditure	79 069	2 519
R2,519 million – 2020/2021 due to non-compliance with Treasury regulations on local content.	-	2 519
R77,127 million – 2021/2022 due to contravention of paragraph 9.2 of the National Treasury SCM Instruction Note No. 3 of 2016/2017 for allowing a project to continue while waiting for National Treasury approval of the variation order submissions	77 127	-
R1,625 million - Due to non-compliance with Treasury regulations on Local content and Production.	1 625	
R0,317 million – Non-Compliance to Bid prequalification requirements	317	
Balance at end of the year	85 705	11 533

Determination tests and disciplinary processes for all cases for the prior years have been conducted and concluded. The condonement submissions to be submitted to National Treasury in line with paragraph 56 (a-h) the Irregular Expenditure Framework is in process.

Determination test concluded in-line with Irregular Expenditure Framework for the 2021/2022 irregular expenditure. The condonement submission was submitted to National Treasury and rejected on 26 June 2022. The Irregular expenditure total R4.897 million was submitted to the Board for removal and approved in line with Section 44 (c) of Irregular Expenditure Framework.

25. Events after the reporting date

The Minister of Water and Sanitation disestablished Sedibeng Water and transferred its staff, assets and liabilities into Magalies Water and Bloem Water from 1 August 2022. This could have a material impact on going concern assumptions and the impact will still be assessed.

26. Going concern

The Minister of Water and Sanitation disestablished Sedibeng Water and transferred its staff, assets and liabilities into Magalies Water and Bloem Water from 1 August 2022 as disclosed in note 25 Events after reporting date. The following are material uncertainties related to events or conditions which may cast significant doubt upon the entity's ability to continue as a going concern:

Sedibeng's 2020/21 Annual Financial Statements with a qualified audit opinion reflected the following information regarding going concern which could impact Bloem Water's ability to continue as a going concern:

We draw attention to the fact that at 30 June 2021, the entity had an accumulated surplus of R 2,750,512,000 and that the entity's total assets exceed its liabilities by R 5,018,381,000. However, the following indicate that the entity may not be a going concern:

- The receivables from exchange transactions gross balance was R7,043,897,000 as at 30 June 2021 on which some of the accounts may not be recoverable due to the entity's key customers that are not servicing their accounts.
- The depletion of cashflows has also contributed to the entity's inability to maintain and/or refurbish its infrastructure. As a result of poor or no maintenance of infrastructure assets in some instances, the economic value of infrastructure assets of the entity has been reduced significantly and in the process entity also suffered major water losses.



Bloem Water

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

26. Going concern (continued)

- c) During the period under review, the Department of Water and Sanitation (DWS) provided a bailout of R 139,006,000. This amount was depleted within five (5) months of receiving it, and this necessitated a request for a further bailout from DWS which was paid out after year end.
- d) The entity has experienced an increase in the number of court cases as a result of non-payment of the suppliers' accounts. One of the entity's bank accounts was attached by a supplier post the balance sheet period.
- e) The entity has had a substantial increase in its payables from exchange transactions due to non-payment of its accounts within the prescribed period of 30 days. This has contributed to the increase in the interest that is charged by the suppliers on late payment of accounts.
- f) During the year under review, the entity struggled to pay employees' salaries when they became due. The entity had to apply for an exemption from implementing the collective agreement on improved terms and conditions of employment reached at the bargaining council in full due to lack of funds.
- g) The entity has not been able to fill critical vacancies that exist in the organisation at senior executive management level.
- h) The cash and cash equivalents that are presented by the entity are not wholly owned by the entity as there are restrictions placed upon the use of those funds. Due to those restrictions, the funds are not available for operations and cannot be used for the funding of the day-to-day running of the entity.

The ability of Bloem Water to continue as a going concern is highly dependent on collecting outstanding debt or obtaining adequate capital grants through the Executive Authority, via the Department of Water and Sanitation, to fund operations until debt collection improves. The significant risk of inability to recover the outstanding debt is being managed through Bloem Water's risk mitigation strategies and the liquidity requirements and possible impacts are reported and managed with the support of the Executive Authority.

Subsequent payments and payment commitments on arrears by Municipalities after reporting period have been factored into the allowance for impairment of trade receivables calculation.

Based on the above factors, the Board is satisfied that given the mitigation steps taken, Bloem Water will continue operating as a going concern. The Annual Financial Statements have been prepared on the basis of accounting policies applicable to a going concern since the Board believe that Bloem Water will obtain adequate resources through risk mitigation strategies to continue with operations in the foreseeable future.



Bloem Water

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

27. Prior period corrections - The following reclassifications have been made to prior year figures:

	Note	2021 as per published 2020/21 financial statements R'000	Adjustments	2021 as per 2021/22 financial statements R'000
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27.1 Receivables from exchange transactions

	Note	2021 as per published 2020/21 financial statements R'000	Adjustments	2021 as per 2021/22 financial statements R'000
Receivable - Cost Recovery Project	27.5	-	19 924	19 924
Receivables from exchange transactions – non-current				197 249
Receivables from exchange transactions – current				391 733

Payment commitments on outstanding receivables beyond 12 months were reclassified to non-current.

27.2 Employee benefit obligations

Employment cost – Performance and other bonuses	14	12 361	22 130	34 491
Other short-term benefits – performance bonus	10	-	(22 130)	(22 130)

Provision of performance bonus due to a constructive obligation existed in prior year.

27.3 Employee benefit obligations

Other short-term benefits – Allowance board members	10	-	5 313	5 313
Accumulated surplus – Employee benefit adjustments			5 313	

Allowance for board members provision as an obligation existed in prior year.

27.4 Employment cost

	Note	2021 as per published 2020/21 financial statements R'000	Adjustments	2021 as per 2021/22 financial statements R'000
Employment cost - Defined benefit plan	14	15 481	-	15 481
Defined benefit plan obligation – entity service cost		-	13 000	13 000
Defined benefit plan obligation – employee cost		-	10 263	10 263
Defined benefit plan obligation – actuarial (gains)/losses		-	22 892	22 892
Defined benefit plan assets – expected return		-	(49 779)	(49 779)
Defined benefit plan assets – actuarial (gains)/losses		-	1 626	1 626
Defined benefit plan assets – Asset ceiling limit movement		-	17 479	17 479
Defined benefit plan contributions – employee		10 903	(10 903)	-
Defined benefit plan contributions – employer		41 001	(41 001)	-
Defined benefit plan service cost		13 000	(13 000)	-
Defined benefit plan valuation (gain)/loss		(49 423)	49 423	-

Employment cost - Long-service awards

	Note	2021 as per published 2020/21 financial statements R'000	Adjustments	2021 as per 2021/22 financial statements R'000
Employment cost - Long-service awards	14	5 951	-	5 951
Long-service awards – current service cost		-	1 691	1 691
Long-service awards – actuarial (gains)/loss on basis		-	1 502	1 502
Long-service awards – actuarial (gains)/loss on experience		-	2 758	2 758
Long-service awards payments		3 304	(3 304)	-
Long-service awards service cost		1 691	(1 691)	-
Long-service awards valuation (gain)/loss		956	(956)	-

Presenting employment cost on Defined benefit plan and Long-service awards to align expenditure with GRAP requirements and Employee benefit note 10.



Notes to the Annual Financial Statements

27. Prior period corrections (continued)

27.5 Property, plant and equipment

The 33,7 km Steel Bypass Line from Lieuwkop to Brandkop Project is derecognised due to being in control by the Department of Water and Sanitation and therefore not meeting GRAP asset recognition criteria. The impact is as follows:

	2021 as per published 2020/21 financial statements R'000	Adjustments	2021 as per 2021/22 financial statements R'000
PPE - WIP – Assets under construction	450 984	(427 603)	23 381
Revenue from non-exchange transactions	82 559	82 559	-
Deferred VAT Payable	(124 162)	(3 287)	(127 449)
Receivable - Cost Recovery Project	-	19 924	19 924
	328 407		
Accumulated surplus – Derecognition of project	328 407		

Property, plant and equipment – note 2

	2021 as per published 2020/21 financial statements – R'000			2021 as per 2021/22 financial statements – R'000		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Pipelines & reservoirs – Work-in-Progress	443 792	-	443 792	16 189	-	16 189

Reconciliation of property, plant and equipment - 2021

	Opening – Carrying value R'000	Additions R'000	WIP – write off R'000	Impairment Cost R'000	Impairment Accumulated Depreciation R'000	Transfer from WIP R'000	Depreciation R'000	Closing – Carrying value R'000
WIP – Assets under construction – published Adjustments	444 174 (345 044)	91 295 (82 559)	(5 431)	-	-	(79 054)	-	450 984 (427 603)
WIP – Assets under construction – 2021/22	99 130	8 736	(5 431)	-	-	(79 054)	-	23 381



Notes to the Annual Financial Statements

27.5 Prior period corrections (continued)

Reconciliation of Work-in-Progress 2021

	Pipelines & reservoirs published 2020/21 financial statements R'000	Adjustments	Pipelines & reservoirs 2021 as per 2021/22 financial statements R'000
Opening balance	403 730	(345 044)	58 686
Additions/capital expenditure	89 295	(82 559)	6 736
Write off	(5 431)	-	(5 431)
Transferred to completed items	(43 802)	-	(43 802)
Closing balance	443 792	(427 603)	16 189

	2021 as per published 2020/21 financial statements R'000	Adjustments	2021 as per 2021/22 financial statements R'000
Projects significantly delayed - The steel bypass line parallel to existing Caledon/Bfn PCP line from LieuwKop to Brandkop project	425 024	(425 024)	-
Cumulative borrowing cost included in assets under construction	5 361	(2 579)	2 782

Receivables from exchange transactions – note 5

Trade receivables	553 236	-	553 236
Deposits - Eskom (SOC) Ltd, Centlec (SOC) Ltd & other	14 240	-	14 240
Cost Recovery Project	-	19 923	19 923
Other receivables	1 582	-	1 582
	569 058	19 923	588 982



Notes to the Annual Financial Statements

27.5 Prior period corrections (continued)

	2021 as per published 2020/21 financial statements R'000	Adjustments	2021 as per 2021/22 financial statements R'000
VAT – note 7			
VAT (receivable)/payable at year-end	(8 543)	9 889	1 346
Deferred VAT payable	124 162	3 287	127 449
Grants and subsidies			
Capital grants - Government grant & subsidies	82 559	(82 559)	-
Cash flow statement			
Cash flows from operating activities – Water sales	761 186	(19 924)	741 262
Cash flows from operating activities - Government grants	82 559	(82 559)	-
Cash flows from operating activities - Suppliers paid for goods and services	(47 455)	25 205	22 250
Cashflows from investing - Purchase of property, plant and equipment	(104 446)	77 278	(27 168)

27.6 Note 20 – Financial instruments Liquidity risk analysis - The undiscounted contractual cash flows

At 30 June 2021	No later than one month R'000	Later than one month not later than three months R'000	Later than three months and not later than one year R'000	Later than one year and not later than five years
Interest bearing borrowings	-	19 297	24 525	38 595
Finance lease liability	23	47	210	170
Payables from exchange transactions	95 122	-	-	-

Additional Disclosures in terms of GRAP



