

“Quality water for all, forever”



# ANNUAL REPORT 2020/21



**BREED-GOURITZ**  
CATCHMENT MANAGEMENT AGENCY



**RP172/2021**

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**Breede-Gouritz Catchment Management Agency  
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# PART A: GENERAL INFORMATION

## 1. PUBLIC ENTITY'S GENERAL INFORMATION

<b>REGISTERED NAME:</b>	Breede-Gouritz Catchment Management Agency
<b>REGISTRATION NUMBER (if applicable):</b>	N/A
<b>PHYSICAL ADDRESS:</b>	Corner of Mountain Mill & East Lake Way, <b>Worcester</b> 6850
<b>POSTAL ADDRESS:</b>	Private Bag X3055 <b>Worcester</b> 6850
<b>TELEPHONE NUMBER/S:</b>	+27 233468000
<b>FAX NUMBER:</b>	+27 233472012
<b>EMAIL ADDRESS:</b>	info@bgcma.co.za
<b>WEBSITE ADDRESS:</b>	www.breedegouritzcma.co.za
<b>EXTERNAL AUDITORS:</b>	<b>PricewaterhouseCoopers Inc (PwC)</b> Corner of Mountain Mill & East Lake Way, <b>Worcester,</b> 6850
<b>BANKERS:</b>	ABSA

## 2. ACRONYMS & DESCRIPTION

ACRONYMS	DESCRIPTION
APP	Annual Performance Plan
ARC	Audit & Risk Committee
BEE	Black Economic Empowerment
BBBEE	Broad-Based Black Economic Empowerment
BERG	Berg-Olifants Proto-CMA
BG	Breede-Gouritz
BGCMA	Breede-Gouritz Catchment Management Agency
BGWMA	Breede-Gouritz Water Management Area
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CMA	Catchment Management Agency
CMS	Catchment Management Strategy
DG	Director-General
DDG	Deputy Director-General
DPSA	Department of Public Service and Administration
DWS	Department of Water and Sanitation
FIR	Fourth Industrial Revolution
EDMS	Electronic Document Management Committee
EE	Employment Equity
ENE	Estimates of National Expenditure
EXCO	Executive Committee of the Governing Board
GDP	Gross Domestic Product
GGP	Gross Geographic Product
GIS	Geographical Information System
GRAP	Generally Recognized Accounting Practice
HDI	Historically Disadvantaged Individual
HSWS	Human Settlements, Water and Sanitation
HR	Human Resources
IB	Irrigation Board
IT	Information Technology
MoU	Memorandum of Understanding
MP	Member of Parliament
MTEF	Medium Term Expenditure Framework
NDP	National Development Plan
NEMP	National Eutrophication Monitoring Programme
NWA	National Water Act
NWRS	National Water Resources Strategy
OHS	Occupational Health and Safety
OSD	Occupation Specific Dispensation
PDMS	Performance and Development Management System
RO	Regional Office
RORs	Record of Recommendations
PFMA	Public Finance Management Act
RPF	Resource Poor Farmers
PSP	Professional Service Provider
R	Rand (unit of South African currency)
SANBI	South African National Biodiversity Institute
ToR	Terms of Reference
V&V	Validation and Verification
VAT	Value Added Tax
WMA	Water Management Area
WARMS	Water Authorization and Registration Management System
WMIs	Water Management Institutions
WRM	Water Resource Management
WMS	Water Management System
WUA	Water User Association



### 3. FOREWORD BY THE MINISTER OF WATER AND SANITATION

The Breede-Gouritz Catchment Management Agency (BGCMA), established in terms of Section 78 of the National Water Act 36 of 1998 (NWA), is one of two established catchment management agencies in the country responsible for the management of water resources in the Breede-Gouritz Water Management Area as contemplated in the NWA.

The BGCMA reports and is accountable to the Minister of Water and Sanitation as the Executive Authority. As a water resource management entity, the BGCMA ensures that water resource management services are brought to stakeholders at a local level with their participation and involvement in decision making.

The BGCMA was able to adapt its water resource management operations to the reality that was imposed on the organisation by COVID-19 pandemic and was able to achieve most of its targets as set out in the 2020/2021 Annual Performance Plan. It is comforting to know that the stakeholders in the Breede-Gouritz Water Management Area continue to support the BGCMA by partaking in public participation processes and paying of catchment management charges.

The BGCMA is a recommending authority to the Department of Water & Sanitation in the processing of license applications. The achievement of the target for the processing of licensing applications within the required timeframe is noted. It is an indication that water resource management at a local level is working.

The river rehabilitation projects are essentially about the eradication of alien vegetation that is growing in river riparian areas. For the future availability of water from rivers, it is of critical importance to control the growth of the alien vegetation as they suck out large volumes of water from water resources; it is noted that the BGCMA was successful in implementing projects to this effect.

The programme to install rainwater harvesting tanks, where rainwater is collected and stored for later irrigation use was successfully implemented. This made a significant contribution in availing water, especially for the irrigation of food gardens that provide food for people.

In the 2020/2021 financial year, the BGCMA made a positive difference in the lives of people when it comes to water resource management at a local level. I would like to thank the Governing Board and staff for their contributions to make it all possible.

**MR SENZO MCHUNU, MP**  
**MINISTER OF WATER AND SANITATION**

#### 4. FOREWORD BY THE CHAIRPERSON OF THE GOVERNING BOARD

Due to COVID-19 the resilience and adaptability of the BGCMA was tested in many ways. New processes were implemented to ensure that both the staff and the public are protected against possible infection. Apart from auditing of authorised water use, which was affected by the movement restrictions, all other operational processes were moved online, which enabled the provisioning of continuous water resource management services to the stakeholders in the Breede-Gouritz Water Management Area.

The COVID-19 restrictions coupled with the prevailing drought in some parts of the BGCMA water management areas have impacted and are continuing to impact the ability of many water users to pay the catchment management charges that are necessary for the operations of the BGCMA. It is fair to acknowledge that in these challenging times, many other water users have been supporting and are continuing to support the BGCMA, through the payment of these charges.

The seven strategic objectives of the BGCMA i.e., Water Resources Planning; Water Use Management; Institutional and Stakeholder Relations; Water Allocation Reform; Water Resource Protection; Strategic Support and Management & Governance are supporting the vision of the BGCMA, “Quality water for all forever”.

In the year under review, there were some notable achievements, and I will mention a few including, but not limited to the achievement of processing water use licensing application within the regulated timeframe. This achievement is also in the support of the call by the State President to speed up the processing of these applications, as it supports economic growth. The achievement to implement the river rehabilitation projects. These projects are linked to the removal of alien vegetation in the river riparian areas. The uncontrolled growth of alien vegetation is sucking water from the water resource infrastructure, resulting in diminishing river flow and water availability. The achievement to install rainwater storage tanks at various communities that are used for the irrigation of food gardens. The rainwater storage tanks project simply brings catchments to people’s doorsteps and enabling them to participate in food gardening and other associated projects, which would have otherwise been impossible. This made, in many ways, a significant impact on the lives of people.

I thank the Honourable Minister of Water and Sanitation for the support, not only for the achievement of the BGCMA’s set targets, but also for the support and commitment to the various governance processes that are required to be done by the Board.

The Governing Board ensured that there was accountability and oversight in the implementation of the 2020/2021 Annual Performance Plan. I therefore thank my team of Board Members for their continued selfless dedication to the governance of the BGCMA. Of utmost importance, I thank the forever dedicated and responsible employees of the BGCMA who continued to deliver on their functions and on the mandate of the BGCMA during this demanding year. Together as a united agency of the Department of Water and Sanitation, we have delivered key services to the BGCMA stakeholders. In Xitsonga we say “Hakunene, Mintirho ya Vulavula” *“Indeed, Deeds Speak Volumes”*.



**Bongani E Mnisi, Chairperson  
Breede-Gouritz Catchment Management Agency**

**Date:**

5.1 Overview of total operating expenditure

Total expenditure during the 2020/21 financial year decreases from R71, 864 million to R70, 836 million. The decrease is largely attributed to the decrease in operational expenses due to the effects of Covid-19. The annual salary costs resulted in 2.1% increase for employee costs due to increase in the number of staff employed during the financial year. The depreciation and amortisation increased from R1,4 million in 2019/20 to R2,1 million during the 2020/21 financial year.

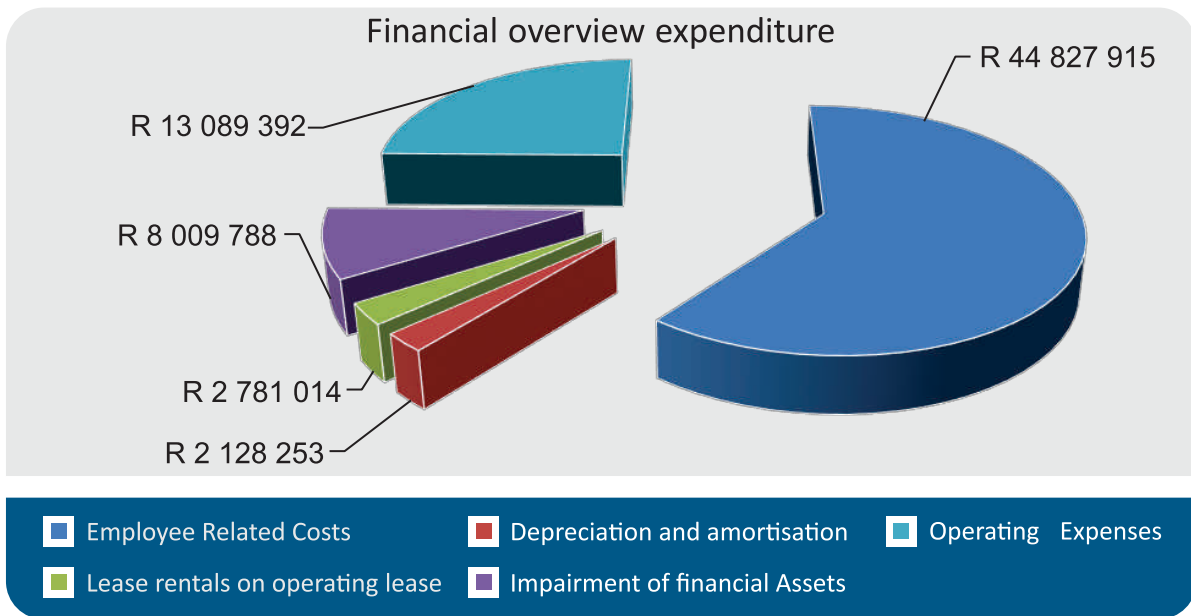


Figure 1: Expenditure Analysis

5.2 Revenue Analysis

5.2.1 Source of Funding

The revenue from catchment management charges reflects an increase of sixteen percent (16%) when compared to the prior year. This can be attributed to an increase on the annual catchment management charge and also to the efforts by the agency in ensuring efficiency in its billing.

The augmentation allocation for the 2020/21 financial year amounted to R38, 690 million which shows a decrease compared to the prior year, Interests charged on overdue debtors amounted to R6,6 million



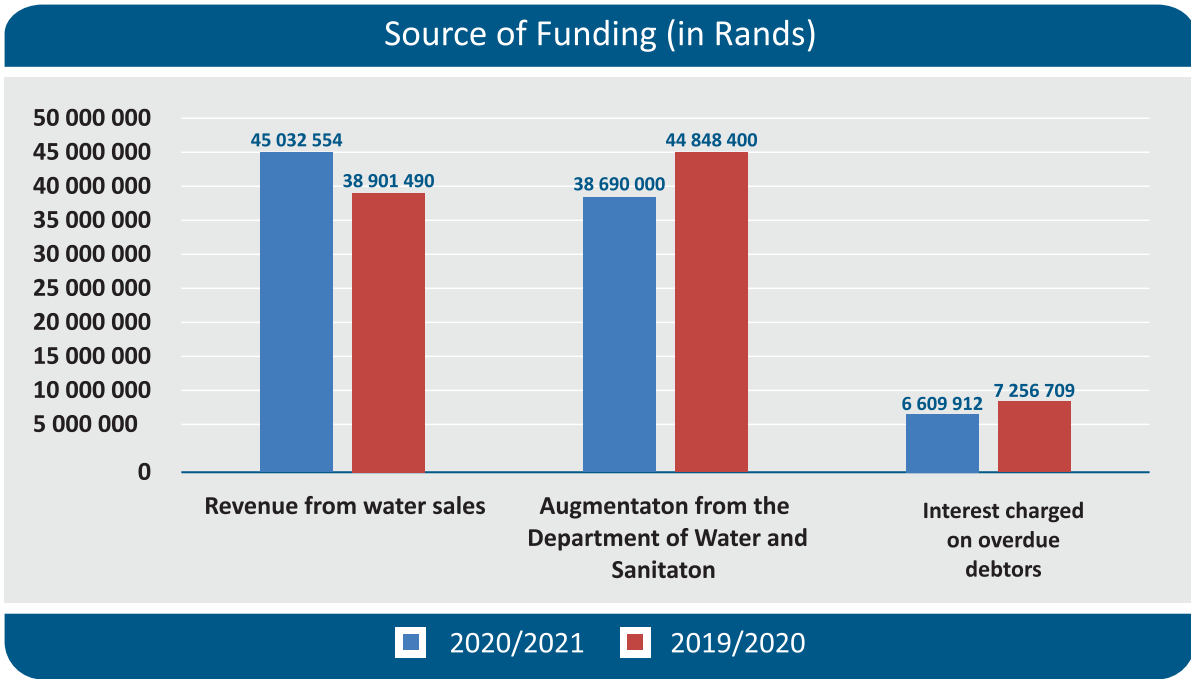


Figure 2: Revenue Analysis

### 5.3 Cash from operating activities

The collection debtor's day measures how quick cash is being collected from debtors. According to the policy of BGCMA all outstanding debt for water resource charges are payable within 30 days from the date of invoice. The Agency had a positive cash flow from operating activities amounting to R25,5 million. This can be attributed to decrease in revenue collection from significant customers. At the end of the 2020/21 financial year, the cash and cash equivalent reflected a positive balance of R96,2 million. Management is continuing to maintain strict budget controls to prevent negative cash flows. This is an indication that the Agency has adequate financial resources to continue in operation for the foreseeable future.

### 5.4 Debtors Collection days

The debtors' days' analysis as tabulated below reflects improvement when compared to the prior year. The decrease on debtors' days from 449 days in 2019/20 to 390 days during 2020/21 is due to the improvement in collecting revenue from significant customers who owe the agency significant amount. This is an indication that the Agency is taking the relevant steps to recover the revenue being billed since taking on the billing function from the Department of Water and Sanitation.

	2020/2021	2019/2020
Debtors' days in sales (days)	390	449



## 5.5 Capacity constraints and challenges facing the Agency.

### Water Resource Management

There are number of factors identified that prevent the Water Resources Unit from achieving more outputs. The following are the capacity constraints identified for the WRU:

#### DWS Systems reliability

The BGCMA utilises the DWS's Water Authorization & Registration Management System (WARMS), which is the national register of water use for South Africa. There was a WARMS shutdown experienced during Quarter 4 which affected BGCMA's performance. DWS also deployed a new WARMS version which caused an influx of errors due to existing CMA firewall hindrances.

#### Human Resources

The BGCMA like the rest of South African organisations is experiencing the challenge of skills shortage especially technical skills. The Water Use Licensing process is a scientific process which depends on the input from professions classified as "Scarce Skills" like groundwater specialist, professional engineer, freshwater ecologist etc. The BGCMA lost both the professional engineer and groundwater specialist to the regional offices of the DWS. This had a profound negative impact on the licensing process.

The effect of drought resulted in several illegal water uses that were reported to the agency. However, the compliance monitoring and enforcement unit is under capacitated as there were only 3 officials responsible for the entire catchment which makes it difficult and compromises attendance of all reported cases.

## 5.6 Discontinued activities / activities to be discontinued

None.

## 5.7 New or proposed activities

During the period under review there were no new or proposed activities.

## 5.8 Rollover of funds

Capital Commitments: Approved and Contracted for:

PROJECTS	AMOUNT
Validation and Verification of water use	R 3 549 261
Rainwater tanks project	R 152 284
Social upliftment	R 464 842
<b>TOTAL</b>	<b>R 4 166 387</b>

Due to Covid -19 lockdown all projects delayed, and the funds will be utilised in the next financial year.

## 5.9 Supply Chain Management

The Agency did not conclude any unsolicited bids in 2020/21 financial year. The SCM Internal process and systems are in place. Management and staff are adhering to the rules as expected.

## 5.10 Challenges experienced and how it was resolved

At the end of the performance year Covid-19 hampered the normal operations. Systems and processes were put in place to protect the staff and to ensure that operations can continue as close to normal as possible.

## 5.11 Events after the reporting date

None

## 5.12 Gifts and Donations received in kind from non-related parties

None

## 5.13 Exemptions and deviations received from the National Treasury

No exemptions and deviations were received from the National Treasury during the financial year.

## 5.14 Audit report matters in the previous year and how would be addressed

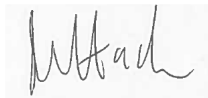
Management and the staff are committed to implement initiatives that can maintain/ improve the audit outcomes. The follow-up processes such as quarterly reporting on action plans performed by management to address the audit findings. Management developed and monitored the implementation of action plans to address internal control deficiencies.

### 5.15 Irregular expenditure

The irregular expenditure was identified during the 2020/2021 financial year. The irregular expenditure for 2020/2021 financial year amounts to R892 301 and for the prior years (2015 – 2020) amounts to R2 611 406. The entity did not suffer any loss, the value for money was achieved. No loss was incurred. The matter is free from fraudulent, corruption or criminal actions. It is a non-compliance of the prescribed regulations that led to the irregular expenditure. Management noted all these findings and going forward will make sure that practises are adhering to prescriptions.

### 5.16 Acknowledgement/s or Appreciation

We thank the Honourable Minister of Water and Sanitation, Mr Senzo Mchunu for his support that led to the achievement of the BGCMA performance objectives.



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**Jan van Staden**  
**Chief Executive Officer (Acting)**  
**Breede-Gouritz Catchment Management Agency**  
**Date:**

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

To the best of my knowledge and belief, I confirm the following:

All information and amounts disclosed in the annual report is consistent with the annual financial statements audited by the External Auditors, PricewaterhouseCoopers Inc.

The annual report is complete, accurate and is free from any omissions.

The annual report has been prepared in accordance with the guidelines on the annual report as issued by National Treasury.

The Annual Financial Statements (Part E) have been prepared in accordance with the Generally Recognised Accounting Practice (GRAP) applicable to the public entity.

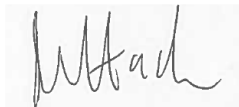
The accounting authority is responsible for the preparation of the annual financial statements and for the judgements made in this information.

The accounting authority is responsible for establishing and implementing a system of internal control 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.

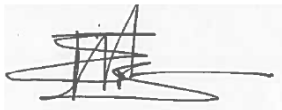
In our opinion, the annual report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the public entity for the financial year ended 31 March 2021.

Yours faithfully



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**Jan van Staden**  
**Chief Executive Officer (Acting)**  
**Date**



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**Bongani E Mnisi**  
**Chairperson of the Governing Board**  
**Date :**

## 7. PRESENTATION OF THE ANNUAL REPORT

Dear Honourable Minister

I have pleasure in presenting to you the 2020-2021 Annual Report of the Breede-Gouritz Catchment Management Agency for the year ended 31 March 2021.

Yours faithfully



**BONGANI EVIDENCE MNISI**  
**CHAIRPERSON OF THE GOVERNING BOARD**



## 8. THE GOVERNING BOARD MEMBERS



**Mr BE Mnisi**  
Chairperson of the  
Governing Board



**Mr TE Abrahams**  
Deputy Chairperson of the  
Governing Board



**Mr AP Barnes**



**Dr. O Curtis-Scott**



**Mr HM Rossouw**



**Ms EM Palmer**



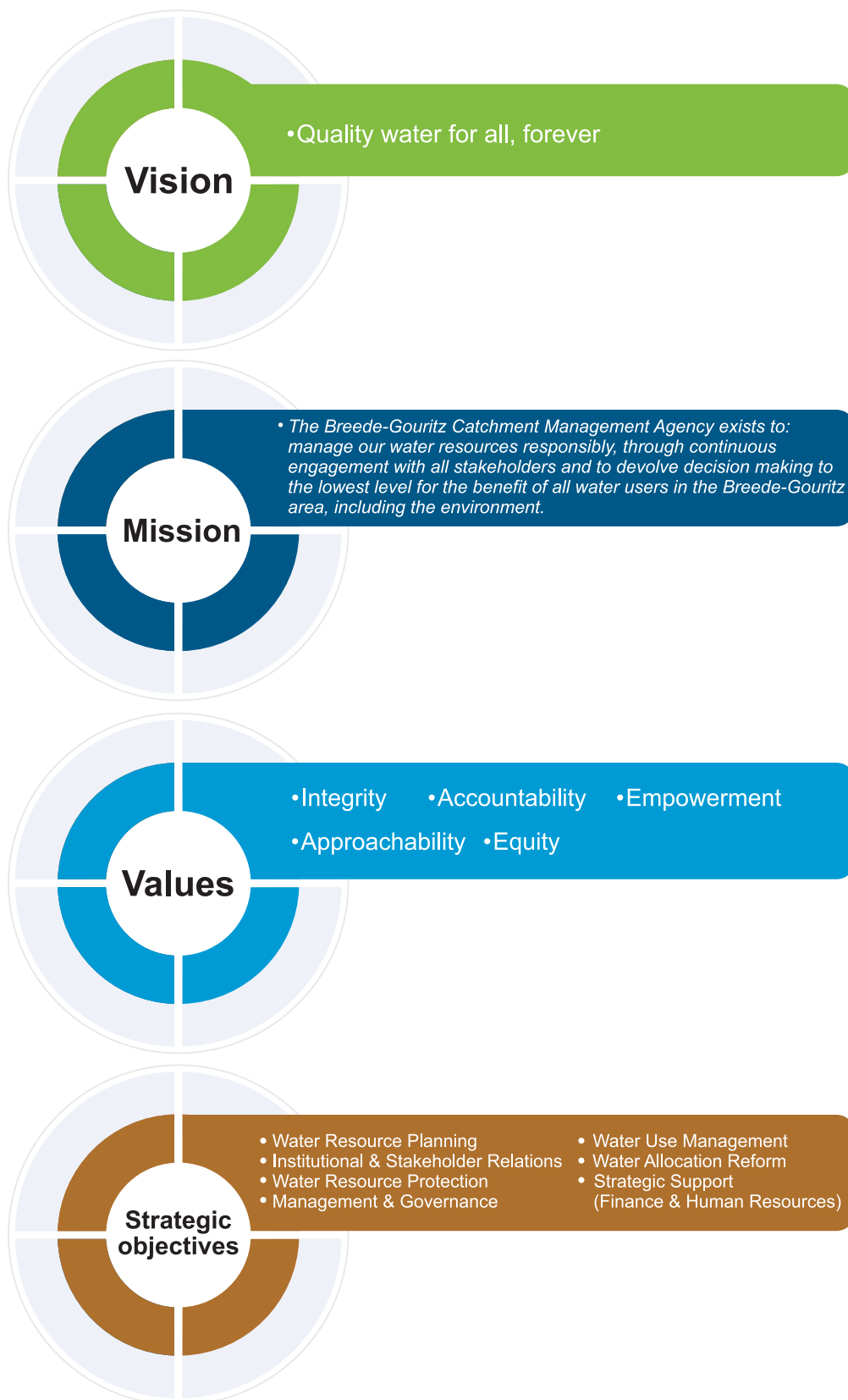
**Mr MJ Delpont**



**Ms B Damane**



**Mr CJU Swart**



## 10. LEGISLATIVE AND OTHER MANDATES

The Breede-Gouritz Catchment Management Agency (BGCMA) is a water management institution that was established in terms of section 78 of the National Water Act 36 of 1998 and is operational in the Breede-Gouritz Water Management Area (WMA). The BGCMA falls under Schedule 3A of the Public Finance Management Act (PFMA).

The BGCMA has the following inherent functions in terms of section 80 of the National Water Act:

- Investigate and advise interested persons on water resource management.
- Compilation of the CMS
- Co-ordinate related activities of water users and WMIs
- Promote co-ordination of implementation of any applicable development plan.
- Promote community participation in water resource management.

In terms of section 5 of the National Water Act 36 of 1998, the National Water Resource Strategy determines the water management areas to be managed by catchment management agencies. This National Water Resource Management Strategy is also setting the national objectives for water resource management involving all water management institutions in terms of the National Water Act.

The Catchment Management Agency must, in terms of section 80(b) of the National Water Act, develop a catchment management strategy for its water management area which must not be in conflict with the National Water Resource Management Strategy II. The catchment management strategy will be a stakeholder driven document which, on completion, is a policy mandate by stakeholders.

In terms of the National Pricing Strategy for Raw Water Use Charges the determination of sectorial water resource management charges and the determination of annual waste loads are to be per water management area. In terms of section 57(2) of the National Water Act the BGCMA can determine the charges payable to the agency, in line with the National Pricing Strategy.





## 1. SITUATIONAL ANALYSIS

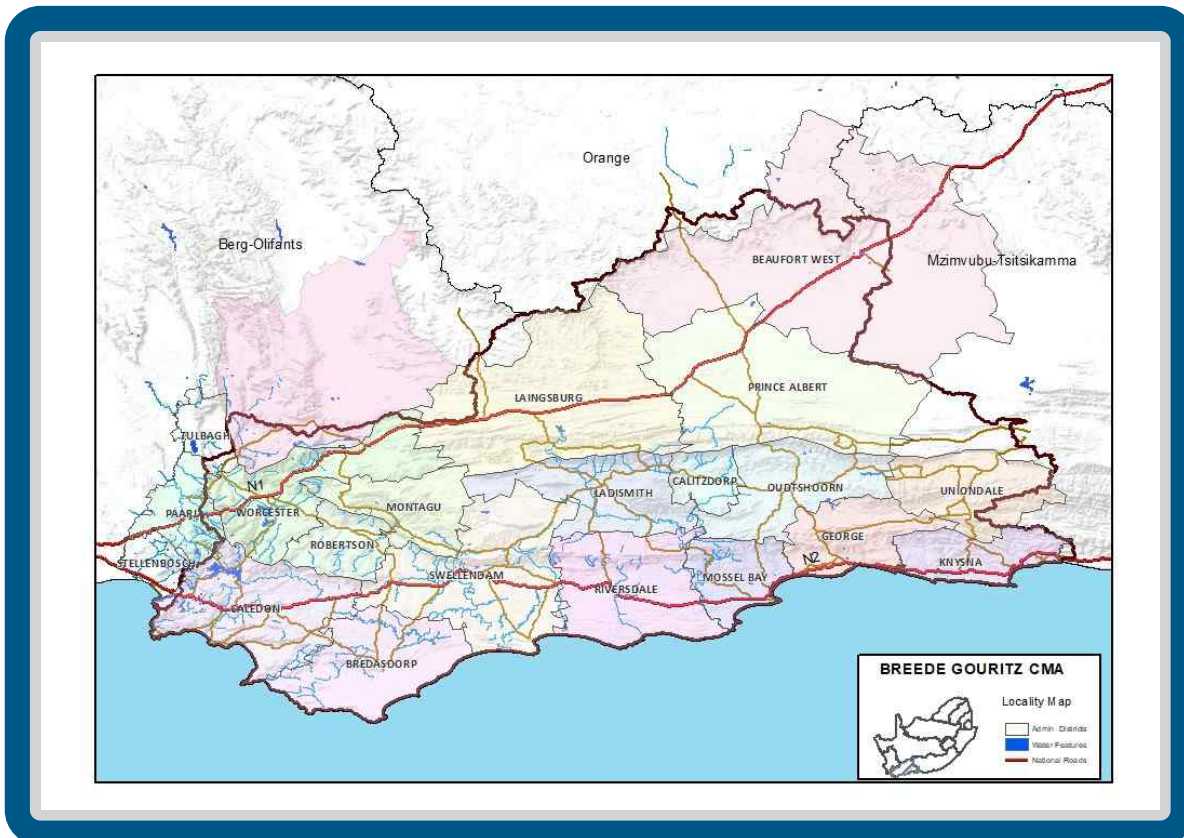
The Breede-Gouritz Catchment Management Agency (BGCMA) was established in 2014 (Government Notice 412, 23 May 2014) by extending the boundary and area of operation of the then Breede-Overberg Catchment Management Agency in terms of Section 80 of the National Water Act, 1998 (Act No 36 of 1998) (NWA). The BGCMA is a lead agent for water resources management within the Breede-Gouritz Water Management Area (BGWMA). The BGWMA is bounded by the Indian Ocean to the South, the Berg-Olifants Water Management Area to the west, the Orange WMA to the north and the Mzimvubu-Tsitsikamma WMA to the east.

The BGWMA falls largely within the Western Cape Province, with small portion of the upper catchment of the Olifants River in the Eastern Cape Province, and tiny portions of the upper catchments of the Gamka and Groot Rivers falling in the Northern Cape Province. The BGWMA includes the catchment area of the Gouritz River and its major tributaries (the Gamka, Groot and Olifants Rivers), as well as the catchments of the smaller coastal rivers that lie to the east and west of the Gouritz River mouth. It also includes the Breede River and the catchments of the smaller coastal rivers that lie to the west of the Breede River mouth, i.e., the Palmiet, Kars, Sout, Uylenkraals, Klein, Onrus, and Bot-Swart Rivers.

There are two large rivers within the WMA, i.e., the Breede and Gouritz Rivers. The Breede River, with its main tributary the Riviersonderend River discharges into the Indian Ocean. The Gouritz has three main tributaries, the Groot, Gamka and Olifants Rivers. There are several other smaller rivers in the WMA, the Touws, Duiwenhoks, Goukou, Hartenbos, Great Brak, Kaaimans and Keurbooms.

The BGCMA gives effect to its function to investigate and advise water users on the protection, conservation, management, and control of water resources in a cooperative manner. The BGCMA facilitates cooperative governance of water resources through the linking of National, Provincial and Local Government as well as a host of sector partners and stakeholders.

Figure 1: The Breede-Gouritz Catchment Management Area (Map)



The Breede-Gouritz Water Management Area has widely varying precipitation levels. The precipitation ranges from 160mm in the northern, more inland parts of the WMA to more than 3 000mm in the high mountainous regions of the Hottentots Holland and Franschoek water divides between Berg and Breede WMAs. The average rainfall over the Breede area is 200 mm, Overberg 400 mm, Gouritz Coastal 600mm and Klein Karoo / Great Karoo 150 mm. The Great Karoo and Olifants River catchment regions are classified as a very late summer rainfall region, with a large proportion of annual precipitation falling between March and May and October through storm events, whereas most of the rain in Breede Valley falls between the months of May and August. Parts of the Southern Coastal parts of the Gouritz used to experience all year-round rainfall.

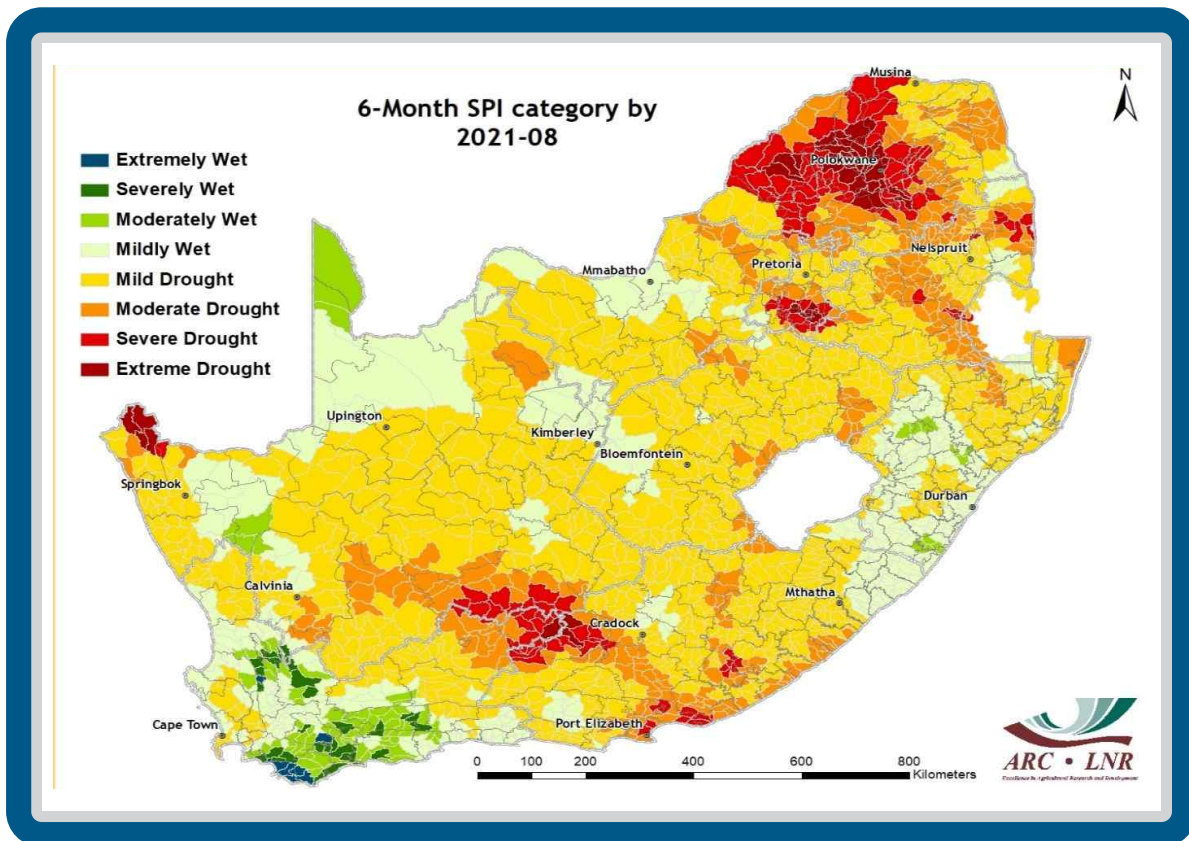
The rainfall patterns have, however, changed in the last couple of years, with the continuation of a severe drought in the Breede-Gouritz Water Management Area. This is depicted in the Seasonal Precipitation Index Maps supplied by the Agricultural Research Commission (Figures 2 and 3)

The southern coastal belt of South Africa has experienced far below-normal rainfall during most of the time since the end of 2015. This region of the country usually receives rainfall throughout the year, with the seasonal contribution to the annual rainfall quite comparable over the seasons, although the months of September to October typically contribute most to the annual rainfall total. Over the past few years, the lack of rainfall over this region became severe, resulting in diminished vegetation activity and critically low water storage levels. However, relief finally came at the beginning of September 2018 with even more

rain that fell towards the end of the first week of September as a cut-off low weather system moved over this area. Some parts along the coast received more than 200 mm during this period, whilst most of this coastal belt received rainfall totals exceeding 50 mm.

The winter rainfall region welcomed the onset of its rainy season at the end of May and more intensely during the early days of June 2020. On the 9th, a strong cold front made landfall over the Cape which resulted in widespread precipitation over the region, with stations in the Cape Winelands and adjacent areas recording totals in excess of 100 mm for the first 15 days of June.

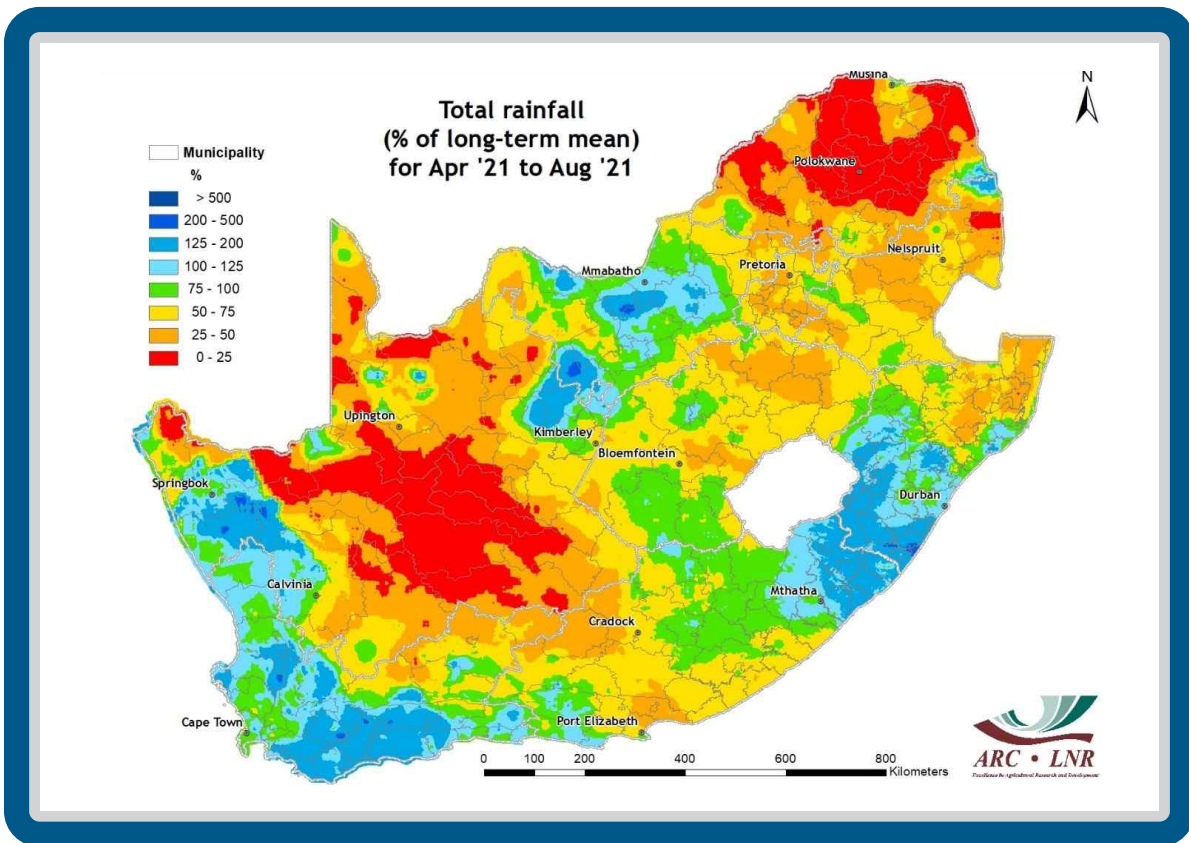
**Figure 2: 6-month Seasonal Precipitation Index Map (Source: ARC-LNR 2021)**



The Standardized Precipitation Index (SPI) which was developed to monitor the occurrence of droughts from rainfall data is shown in Figure 2. The short-term map (6-month SPI) ending in August indicates widespread near normal conditions (given by mildly wet and mild drought classifications) over the Breede-Gouritz Water Management Area, except for the Karoo area, where moderate to extreme drought conditions are depicted. In general, moderate to extremely wet conditions were experienced in the Western Cape Region.



Figure 3: 12-Month Seasonal Precipitation Index Map (Source: ARC-LNR 2021)



The total rainfalls for period of April-August 2021 given as percentage of the long-term mean is depicted on the map in Figure 3 above. Figure 3 shows that the winter rainfall region has received favourable rainfall since the onset of its rainfall season in May 2021, due to the frequent passage of numerous cold fronts over the southwestern parts of the country. The above stated conditions continued consistently into August. It can be observed that this region was characterized by near- to above-normal rainfall conditions. Another noteworthy feature of the climate that occurred during the 2021 winter season in August, was the occurrence of the rainfall, referred as 'first rain' over the summer rainfall region which is usually expected during spring in September.

### 1.1 Service Delivery Environment

The Western Cape Province has been experiencing a critical drought which is seriously impacting the agricultural sector across large parts of the province. Low winter rainfall experienced since 2014, coupled with high temperatures and evaporation, have resulted in extremely low dam levels in most areas. Furthermore, rapid urbanisation, population growth and increasing economic activity in water-scarce areas of the province are placing pressure on the limited water resource.

The drought situation resulted in an increase in a number of illegal water use and also in an increased in a number of water use licence application for storage. Due to the drought situation, the BGCMA put more efforts on increasing the sustainability of the water resources through effective and well-considered water use licencing, encouragement of the construction of dams in the winter rainfall area, compliance monitoring and enforcement, removal of alien invasive plant species, rehabilitation of riparian zones within rivers and the support of Community Gardens and water related projects.

## 1.2 The economic geography of the Breede-Gouritz WMA

The Gross Geographic Product (GGP) of the Breede-Gouritz Water Management Area is estimated at around R22 billion per annum and makes up just less than 1% of South Africa's Gross Domestic Product (GDP). The economy of the WMA is dependent on export fruit and fruit products, PetroSA, uranium mining, renewable energy, ostrich farming and tourism. The region as a whole is quite significantly dependant on the agricultural economy which provides 58% of jobs to the rural poor. The economy of the Breede-Gouritz is closely dependent upon the availability and health of water resources in the water management area because of its heavy dependence on agriculture, petroleum production, inter-basin transfers of bulk water resources to Western Cape Water Supply System and tourism.

Key spatial clusters of economic activity within the CMA are identified as:

- An intensive coastal urban economy in the far western portion of the CMA area (Gansbaai to Hermanus) and in the eastern portion (Mosselbaai to Plettenberg Bay). These areas have some of the largest urban populations in the catchment.
- An intensive irrigation agricultural and small-town economy along the length of Breede River, including Swellendam and Robertson.
- An intensive irrigation agricultural and small-town economy in the Grabouw/Theewaterskloof area.
- A widespread dry-land cultivation economy on the Agulhas Plains (from Napier in the west to George in the east) to the south of the Breede river valley, with occasional small coastal towns, such as Riversdale and Heidelberg.
- An extensive farming and small-town economy in Groot and Klein Karoo, including Prince Albert, Beaufort West, Laingsburg and Oudtshoorn; and
- A tourism economy overlies the whole CMA area, associated with urban areas, protected areas and importantly, agriculture.

The implication of this regarding water resources management is that there is a strong alignment between water supply areas and water demand, which reflects the history of a farming economy where settlement occurred in farming areas with abundant water. However, as the urban population grows, particularly in the Garden Route and the Overberg region, demand is starting to exceed supply and water shortages are becoming increasingly common, with Hermanus and Knysna being cases in point. Similarly, Cape Town's demand exceeds local geographical supply, and inter-catchment transfers are necessary from the Breede catchment to meet this demand.

Note that the relatively huge Cape Town urban economy, although outside of the CMA, is dependent on water exports from the Breede-Gouritz WMA and a portion of this economy can therefore be associated with the WMA.

### 1.3 Organisational environment

The Breede-Gouritz Catchment Management Agency's organizational structure was reviewed in the 2019/20 financial year by the governing board. This was a direct response to the additional functions of Compliance Monitoring and Enforcement (CM&E) within the Water Use Regulation. The new structure was not implemented in the same financial year due to some challenges and key among them is the financial constraints and as a result, 30 percent of the posts are not funded. While this is a major challenge, the volume of work within the CM&E of the Water Use Regulation has increased tremendously in the last two years which makes it difficult to align the human resources and our strategy.

The other challenge facing the Agency is skills shortage within the South African labour market despite the very high levels of unemployment the country is facing. This impacts negatively on the timely acquisition of human capital in the core business of the organisation. This will be exacerbated by the establishment of the other remaining CMAs in the country leading to serious poaching of talent from the established and the current functional CMAs leading to the erosion of institutional knowledge and memory. Another challenge facing the Agency is its location. The Agency is considered a rural CMA which deters several potential applicants including professions classified as "Scarce Skills" from joining it. The location further makes it relatively difficult for skilled personnel to stay longer despite the Agency offering an Occupation Specific Dispensation (OSD) salary linked to that of the Public Sector.

The new risk and challenge is the deadly COVID-19 pandemic with its dynamics leading to the declaration of the state of a national disaster in terms of the **Disaster Management Act, 2002 (Act No. 57 of 2002)** and the different adjusted lockdown alert levels. This has severely impacted on productivity and the collection of the much-needed revenue.

## 2. STRATEGIC OUTCOME ORIENTED GOALS

The Breede-Gouritz Catchment Management Agency has the following Programmes that support the Strategic outcomes of the BGCMA:

- Water Resources Planning
- Water Use Management
- Water Allocation Reform
- Water Resource Protection
- Institutional and Stakeholder Relations
- Strategic support, which includes finance, human resources, and administration.
- Management & Governance

## Water Resource Management

The Water Resources Management (WRM) unit is responsible for the management and co-ordination of functions performed by the Breede-Gouritz Catchment Management Agency (BGCMA) for the implementation of the National Water Act, (Act 36 of 1998) to ensure integrated water resources management in an equitable, efficient and sustainable manner.

The WRM Unit gives effect to the powers and duties as required by the Department of Water and Sanitation (DWS), (through three main divisions namely the Data Management, Water Use Regulation and Institutional and Stakeholder Relations). The three divisions enhance the efficiency of service delivery to the stakeholders through cooperative actions.

The Data Management division supports water resources management through constant updating and upgrading of water databases such as the Water Use Authorisation and Registration Management System and Geographical and Spatial Information Systems.

The Water Use Regulation division is responsible for, but not limited to, the functions relating to the Water Resource Planning, Water Resources Protection, Water Use Management, and Water Use Authorizations.

The Institutional and Stakeholder Relations division is responsible for engagement with stakeholders as well as maintaining and improving Inter-Governmental Relations.

### 3. PERFORMANCE INFORMATION BY OBJECTIVE

#### 3.1 Objective 1: Water Resource Planning

Water Resources Planning includes the Breede-Gouritz Catchment Management Strategy (“CMS”), which is a priority for the BGCMA, as well as conducting other assessments, engaging with DWS planning processes and advising DWS and other interested parties on the management of water resources in the Breede-Gouritz Water Management Area.

##### 3.1.1 Key highlights under the Water Resource Planning:

###### *Land use applications*

The BGCMA monitored and managed water resources within the Breede-Gouritz catchment. An average of 95% land use planning and rezoning applications were assessed and commented on within the regulated timeframes – commented on 226 of received 239.



## Key performance indicators, planned targets, and actual achievements

Objective: Water Resources Planning					
Performance Indicator	Actual Achievement 2019/2020	Planned Target 2020/2021	Actual Achievement 2020/2021	Deviation from planned target to Actual Achievement for 2020/2021	Comment on deviations
Percentage of land use planning and rezoning applications commented on (letters sent)	95%	90%	95%	5%	Target exceeded

### Strategy to overcome areas of under performance

No strategy put in place as the target was exceeded.

### Changes to planned target

None

### Linking performance with budgets

Objective	2019/2020			2020/2021		
	Budget	Actual Expenditure	(Over) / Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Water Resource Planning; Water; Water Use Management; Water Allocation Reform and Water Resource Protection	R27 165 975	R27 165 975	R0	R28 992 836	R27 460 826	R1 532 010

Water Resources Planning; Water Use Management; Water Allocation Reform and Water Resource Protection. The reasons why these strategic objectives are combined, is because the personnel cost is intertwined between the objectives.

### 3.2 Objective 2: Water Use Management

Water use management includes activities such as water use licensing, registration of water users, pollution control and ensuring water use compliance and enforcement for the 11 prescribed water uses, engaging consumptive water use, waste discharge and disposal and in-stream activities.

The BGCMA has highlighted the urgency of fast-tracking the registration and licensing process to address the backlog. The water quality management activities included the prioritisation of registration of waste discharge and effective resource protection and compliance monitoring.

### **3.2.1 Key highlights under the Water Use Management:**

#### ***Registered Water Use***

The target set for the water registrations finalised was 85%. The BGCMA confirmed the water registrations of 92.3% average on the Water Authorisation and Registration Management System (WARMS), which is 7.3% more than the target.

The major causes were:

- The number of incoming logs was considerably reduced due to Level 5, 4 & 3 of Lockdown.
- No walk-in clients, no requests sent from reception as the office was not open for human engagements.
- The flexibility of working from home and not being limited to the 8-5 physical attendance.

#### *3.2.1.1 Water Use Authorizations*

##### ***Licences***

The BGCMA achieved 90% - received 79 Licenses and finalized 71 thereof:

- 68 Recommended for approval.
- 3 Declined at WUAAAC.
- 4 Rejected
- 4 Withdrawn by Applicants.

##### ***General Authorizations***

The BGCMA reviewed and confirmed 100% of the General Authorisations for water use requests (84 of 84 requests for confirmation).

#### *3.2.1.2 Water Use compliance audits*

A total of 80 Audit Reports were completed for water use compliance during this financial year.

A total of 9 Water Quality Compliance Reports of Municipal Wastewater Treatment Works that discharges to water resources were completed during this financial year.

### *3.2.1.3 Validation and Verification of water use in selected priority areas*

Validation is the process to confirm whether the volume of water registered coincides with the volume of water required for crops cultivated. On the other hand, verification is the process to check the lawfulness of the volume of water actually used under previous legislation, so as to clarify the extent of Existing Lawful Use (ELU).

The BGCMA proceeded with the Validation and Verification process for targeted quaternaries in the Gouritz Water Management Area. The water use of 85 properties was verified. Applications outside of these areas were also dealt with by the BGCMA staff on an ad-hoc basis.

## Key performance indicators, planned targets and actual achievements

### Objective: Water Use Management

Performance Indicator	Actual Achievement 2019/2020	Planned Target 2020/2021	Actual Achievement 2020/2021	Deviation from planned target to Actual Achievement for 2020/2021	Comment on deviations
Percentage of water registrations finalised (incoming requests logged)	73%	85%	92.3%	7.3%	Target exceeded
Number of signed and finalised Validation & Verification confirmation letters captured	New target	700	85	615	Target not achieved There were challenges experienced by the Professional Service Provider for the Validation and Verification project which included retrenchment of team members for the project and the National Lockdown
Number of backlogs on Properties and water uses with revenue implications	New target	350	414	64	Target exceeded
Percentage of water use authorizations captured (licences & GAs)	100%	100%	100%	None	Target met
Percentage of licences recommended as per regulation	75.76%	85%	90%	5%	Target exceeded
Percentage of General Authorisations confirmed	100%	100%	100%	None	Target met
Number of audit reports completed for water use compliance	88	80	80	None	Target met
Number of Water Quality Compliance Reports of Municipal Wastewater Treatment Works (WWTW) that discharges to Water Resources	New target	4	9	5	Target exceeded BGCMA received several complaints for non-complying discharge to water resources by Municipal Wastewater Treatment Works (WWTW), which prompted compliance monitoring for numerous Municipal Wastewater discharged
Number of confirmation letters sent	93	200	85	115	Target not achieved There were challenges experienced by the Professional Service Provider for the Validation and Verification project which included retrenchment of team members for the project and the National Lockdown.

## Strategy to overcome areas of underperformance

Renewed focus on the V&V and the bringing in of additional capacity.

## Changes to planned targets

None.

## Linking performance with budgets

Budget is included in 3.1 Water Resource Planning.

## 3.3 Objective 3: Institutional and Stakeholder Relations

The BGCMA communicated with stakeholders through various stakeholder forums, awareness drives such as Water Week. Identified Social Responsibility projects were supported, and capacity building provided where necessary.

### 3.3.1 Key highlights under the Institutional and Stakeholder Relations

#### 3.3.1.1 Stakeholder Engagement, Marketing and Communication

The set target to reach 5 000 learners and stakeholders during water campaigns 2020/2021 was **exceeded** and **6 030** stakeholders were reached. These stakeholders and learners were reached through several awareness days and campaigns throughout the year and not only during Water Week activities. These include:

- School Holiday Programmes
- Water Week
- School Water Awareness activities
- River/Stream clean-up activities

#### 3.3.1.2 Grant Projects Financially Supported

100% of the Grant projects recommended by the Grant Assessment Committee to the Technical Committee were recommended to be funded.

The following water related community projects were funded in 2020/2021:

- Buzybeez Vegetable Garden - Laingsburg
- Samaritans Development Foundation - Blanco
- Ability Gardens Growing Food and Medicine - Hawston/Mount Pleasant/Stanford
- Green Fingers Initiative – Soulfood Community Organisation - Grabouw
- National Institute of the Deaf (NID) Water Security Project – Worcester
- Siyahluma Creche & Aftercare - Zwelethemba, Worcester
- Sustainable Development Goals Project – Dysselsdorp and De Rust

### 3.3.1.3 Water Related Forums support

The BGCMA provided assistance, support and advice to water related forums within its water management area. These forums included community forums, Water User Associations, Inter-governmental Forums, and several Steering committees within Local Municipalities, etc.)

#### **31 Forums were supported during this financial year.**

- Food Security CPAC
- Witzenberg ISC
- Garden route ISC
- Bossieveld IB
- Jan Du Toit's IB
- Smalblaar IB
- Groot-eiland Klipdrift IB
- Houtveld IB
- Brandwag IB
- SWMP Steercom
- Kraaiboschdam Forum
- Heuningnes Estuary Forum
- GCTWF OPS and Data WG
- GREF
- Great Brak River Estuary Forum
- Klein Brak River Estuary Forum
- Hartenbos River Estuary Forum
- Friemersheim IB AGM
- Bitou Water & Sanitation Forum
- George Water & Sanitation Forum
- Nuweberg offset meeting
- Cape Winelands ISC
- Central Karoo ISC
- Garden Route District Advisory Forum (Estuary Forum)
- Goukou Estuary Forum
- Gouritz Estuary Forum
- Keurbooms/Piesang Estuary Forum
- Greater Cape Town Water Fund Forum (GCTWF)
- Western Cape Sustainable Water Management Plan SteerCom (WCSWMPS)
- Breede Estuary Forum
- Upper Breede Collaboration Extension Group (UBCEG)

## Key performance indicators, planned targets, and actual achievements

### Objective: Institutional and Stakeholder Relations

Performance Indicator	Actual Achievement 2019/2020	Planned Target 2020/2021	Actual Achievement 2020/2021	Deviation from planned target to Actual Achievement for 2020/2021	Comment on deviations
Number of learners and stakeholders capacitated and awareness in Water Resource Management (WRM)	9793	5000	6030	1030	Target exceeded Increased focus on awareness
Number of Intergovernmental Cooperation initiatives facilitated to enhance WRM	6	4	4	None	Target met
Number of newsletters compiled and printed	4	4	4	None	Target met
Percentage of approved water related community projects funded	100%	100%	100%	None	Target met
Number of Forums supported in WRM	46	40	31	9	Target not achieved. Number of fora could not take place due to level 5 lockdown restriction

#### Strategy to overcome areas of underperformance

Lockdown restrictions are lifted, it is now normalised.

#### Changes to planned targets

No changes were made.

## Linking performance with budgets

Objective	2019/2020			2020/2021		
	Budget	Actual Expenditure	(Over) / Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Institutional and Stakeholders Relations	R9 857 851	R8 931 640	R926 211	R8 534 814	R7 501 860	R1 032 954

### 3.4 Objective 4: Water Allocation Reform

The BGCMA has prioritised programmes promoting water allocation reform (and equity arrangements) giving assistance to Resource Poor Farmers, particularly in terms of technical assistance with water use license applications.

A total of 285 Rainwater Harvesting Tanks were installed in the Breede-Gouritz Water Management Area for households and schools to enhance food production and food security.

The original figure of 400 was reduced to **285** due to a budget cut.

#### 3.4.1 Key highlights under the Water Allocation Reform

The BGCMA gave support to 6 Resource Poor Farmers through knowledge sharing, financial and administrative assistance.

During the 2020/2021 financial year, the BGCMA could not facilitate any applications for Capital or Operation & Maintenance Cost assistance because of lack of funding in DWS budget for RPFs.

### Key performance indicators planned targets and actual achievements.

Objective: Water Allocation Reform					
Performance Indicator	Actual Achievement 2019/2020	Planned Target 2020/2021	Actual Achievement 2020/2021	Deviation from planned target to Actual Achievement for 2020/2021	Comment on deviations
Percentage of HDIs and RPF technically supported on water use	100%	100%	100%	None	Target met 6 RPF technically supported on water use
Percentage of RPF assisted with completing financial applications for Government Subsidies	N/A	100%	0%	100%	No applications facilitated due to the lack of funding in DWS budget for RPF's



Number of workshops held to capacitate and empower Resource Poor Farmers in WRM	9	2	0	2	Target not achieved. No workshops were held due to Covid-19
Number of Rain Water Harvesting Tanks installed	400	285	285	None	Target met

### Strategy to overcome areas of underperformance

Lockdown restrictions are lifted, it is now normalised.

The DWS budget for RPF's is now allocated to Department of Agriculture, BGCMA to collaborate with Department of Agriculture to assist RPF.

### Changes to planned targets

No changes were made.

### Linking performance with budgets

Budget is included in 3.1 Water Resource Planning.

## 3.5 Objective 5: Water Resource Protection

The focus of the Resource protection over the next three years will be on compliance, to achieve the Reserve determination and Classification lead by DWS. This involves ongoing assessments of Water Resources and Water Use monitoring information in the WMA against objectives and standard/licence conditions.

### 3.5.1 Key highlights under the Water Resource Protection:

#### 3.5.1.1 Water Quality Monitoring

The BGCMA conducted National Eutrophication Monitoring Programme (NEMP), which was previously conducted for DWS, however, the BGCMA took over the program. Two water quality monitoring points located in Theewaterskloof Dam and Brandvlei Dam were sampled for NEMP.

BGCMA also sampled for water quality analysis to give effect to the delegation to monitor and manage water resources. These included sampling points for pollution incidents and ad-hoc sampling.

A total of 116 points were monitored by BGCMA for the 2020/2021 financial year, excluding the NEMP.

- 80 points in the Breede Overberg area
- 27 points in the Gouritz area
- 9 Ad hoc points

### 3.5.1.2 River Rehabilitation Projects

A total of 6 River Rehabilitation Projects were supported through some initial clearing and ongoing follow-up clearing and restoration.

5 of these projects were done within collaboration with the Department of Environmental Affairs, Department of Agriculture, SANBI, the Wolseley WUA, Central Breede River WUA, Worcester East WUA, Hex River Valley Water Users Association and the Zonderend Water Users association. Careful planning ensured that projects within the regions were complimenting each other through participation in the Upper Breede Collaborative Extension Group forum. The aim of the projects is to restore the Breede River to its natural function as an important environmental infrastructure within the catchment for both flow and water quality.

The 6<sup>th</sup> river rehabilitation project supported by BGCMA is the Napier alien clearing project that was initiated by the Overberg Renosterveld Conservation Trust in collaboration with the Department of Agriculture, the Agulhas Biosphere Reserve (ABI), the Cape Agulhas local municipality, the Overberg District Municipality, the Flower Valley conservation trust, as well as local landowners. Its focus is the Klipdrift River, which flows through the town of Napier. The project sets out to prioritize and execute the clearing of alien vegetation and to restore ecological infrastructure and associated flows. All of this is done with the collective input by the local community of Napier. The assistance by BGCMA enabled the planning and mapping of the area to be cleaned, as well as the initial clearing of priority sections along the Klipdrift River.

### 3.5.1.3 Compliance Monitoring and Enforcement

#### **Non-Compliance Cases**

65% of Reported non-compliance cases were resolved:

27 CME cases out of the 46 CME Cases received were dealt with in the 2020/2021 financial year. In addition, about 23 backlog CME Cases were also dealt with.

#### **Pollution incidents**

A total of 14 pollution incidents were dealt with in the 2020/2021 financial year. Of the 14 dealt with, 9 Pollution Incidents were received and were all dealt within the 2020/2021 financial year, 5 were backlog cases that were received in the previous financial year and finalised in the 2020/2021 financial year.

BGCMA acted timeously on Pollution incidents to prevent any lasting damage to water resources. The DWS Compliance, Monitoring and Enforcement unit were provided with assistance where necessary with non-compliance cases.

The above figures included the investigation into pollution incidents, the follow up on rehabilitation after such incidents and the liaison with the authorities where necessary. Inspections on water users with valid permits/licenses were carried out and are an ongoing process as part of the delegations received by the BGCMA. Areas identified as "pollution hotspots" were included in the current sampling programs of the BGCMA to increase the monitoring of these areas. This will also enable the BGCMA to be pro-active in timeously mitigating pollution incidents.

## Key performance indicators, planned targets, and actual achievements

### Objective: Water Resource Protection

Performance Indicator	Actual Achievement 2019/2020	Planned Target 2020/2021	Actual Achievement 2020/2021	Deviation from planned target to Actual Achievement for 2020/2021	Comment on deviations
Number of BGCMA Water Resource points monitored	146	80	116	36	Target exceeded. During lockdown, several activities were restricted but water quality sampling could still be conducted.
Number of River Rehabilitation Projects funded and technically supported	5	3	6	3	Target exceeded. BGCMA received more request for River Rehabilitation funding assistance
Percentage of reported non-compliant cases resolved	100%	100%	65%	35%	Target not achieved. The unit is under capacitated, and one of the CME Officers left the organisation early in 2020, leaving all the work for the two CME officials remaining.

#### Strategy to overcome areas of underperformance

The CME unit was capacitated by replacing the resigned official and adding two more officials.

#### Changes to planned targets

No changes were made.

#### Linking performance with budgets

Budget is included in 3.1 Water Resource Planning.

### 3.6 Objective 6: Strategic Support

The strategic support section is made of the following: Finance & Administration, Information systems and Human Resource Management.

#### (i) Finance unit

Is the backbone of financial management and administration for the organisation, with the priority of ensuring financial viability and financial sustainability through water use charges and effective organisational development.

#### (ii) Information Systems

Information system focused on providing comprehensive and consistent information at an organisational and catchment level, through effectively functioning systems, including interfaces with DWS information systems where necessary.

### Key performance indicators, planned targets, and actual achievements

Objective: Financial Management					
Performance Indicator	Actual Achievement 2019/2020	Planned Target 2020/2021	Actual Achievement 2020/2021	Deviation from planned target to Actual Achievement for 2020/2021	Comment on deviations
Percentage of reports complying with listed financial reporting prescripts	100%	100%	100%	None	Target met
Number of proposed tariff reports submitted to DWS complying with pricing strategy	1	1	1	None	Target met
Number of risk assessment reports	1	1	1	None	Target met
Percentage of compliance to audit recommendation	100%	100%	100%	None	Target met
Percentage of targeted procurement budget spent on BBBEE	163% (R15 006 533)	100%	141% (R12 972 079)	41%	Target exceeded Agency prioritises companies that are BBBEE compliant
Percentage of WRM charges collected	78%	70%	106%	36%	Target exceeded The Agency developed the recovery plan and strengthened the customer relations.

## Revenue collection

Sources of revenue	2019/2020			2020/2021		
	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 Resources Collected Charges	R34 447	R43 843	(R9 395)	R33 774	R44 972	(R11 198)

### Background:

On the 31 January 2018 the Department of Water and Sanitation formally transferred the function to collect and bill revenue to the BGCMA. Subsequently the department of Water and Sanitation took a decision to transfer debtor's book to the amount of Ninety-One Million, Six Hundred and Fifteen Thousand, Four Hundred and Forty **(R91 615 440.01)**. At the time of the transfer the age analysis of the transferred debtor's book indicated that Eighty percent (80%) of the debt was older than 150 days which pose a significant risk in terms of recoverability.

Majority of the customers did not comply with the 30 days payment terms prescribed by the Department. The historic data analysis obtained from the Department indicated that the payment behaviour of the customers can be projected just under 60% debt recovery. The Agency used the 60% recovery as baseline informed by the historic data obtained from the Department of Water and Sanitation.

### Intervention taken to improve the situation:

**Recovery plan-** the BGCMA developed and implemented a recovery plan to support effective and efficient recovery of debt owed to the agency. The results of cost recovery are reported on monthly basis to monitor progress against targeted revenue collection. Automating distribution of invoices and statements to customers for the purpose of reducing the turnaround time to deliver invoices to customers.

**Personnel-** the BGCMA capacitated the revenue unit order to ensure the full recover of monies owes to the state.

**Strengthening Customer relations-** BGCMA has acknowledged the need to improve all facets of customer experience with the aim of improving debt collection. As results a catchment management forum was established to ensure we build a strong cohesive team with our customers.

Several meetings with significant customers were held to resolve long outstanding issues which contributed positively on revenue collection.

**Future intervention to improve the current situation:**

The agency intends to improve the manner in which it interfaces with its customers through utilizing technology. The Agency has implemented part of a self-service portal whereby the customers can view their statements online. The Agency is in the process of implementing dunning process that will enable and empowers the customers to request services, find information, register and resolve queries online. The initiative will enhance communication between the agency and its customers and ultimately improve.

*(iii) Human Resources Management*

The Human Resources is a strategic pattern and plays a supportive role within the Agency to enable it to achieve its objectives. It further supports capacity building and creates a conducive and enabling environment that is legislatively compliant. Above all, its main functions are to plan, co-ordinate and manage the human resources function of the Agency through the design, development, formulation, and implementation of policies, procedures and systems in line with all applicable Board approved policies, legislations, and prescripts.

**Key performance indicators, planned targets and actual achievements**

Objective: Human Resources Management					
Performance Indicator	Actual Achievement 2019/2020	Planned Target 2020/2021	Actual Achievement 2020/2021	Deviation from planned target to Actual Achievement for 2020/2021	Comment on deviations
Percentage of approved and filled posts on the organogram	72%	75%	70%	5%	Target not achieved due to resignation of staff & the impact of the COVID-19 pandemic. However, human capital acquisition is already underway.

**Strategy to overcome areas of underperformance**

Renewal of recruitment in the coming years.

**Changes to planned targets**

None.

## Linking performance with budgets (Finance, Human Resource Management and Information System units)

	2019/2020			2020/2021		
Objective	Budget	Actual Expenditure	(Over) / Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
<b>Strategic Support</b>	R29 954 558	R29 500 198	R454 360	R29 799 089	R27 712 313	R2 086 776

### 3.7 Objective 7: Management and Governance

This programme represents the executive and board management of the CMA, together with the aspects required for good corporate governance and relationships with the Minister as the executive authority (and DWS). The governance priority is to sign and mainstream the Memorandum of Understanding (MoU) with DWS Regional Office (RO) and other relevant Chief Directorates into the operation of the CMA together with DWS.

#### Key performance indicators, planned targets and actual achievements

### Objective: Management and Governance

Performance Indicator	Actual Achievement 2019/2020	Planned Target 2020/2021	Actual Achievement 2020/2021	Deviation from planned target to Actual Achievement for 2020/2021	Comment on deviations
Percentage of Corporate Compliance reports and non-financial reporting scripts produced	100%	100%	100%	None	Target met
Number of Shareholder compacts signed	1	1	1	None	Target met
Number of agreements signed	1	1	2	1	Target exceeded

#### Strategy to overcome areas of underperformance

Not applicable.

#### Changes to planned targets

None.

## Linking performance with budgets

	2019/2020			2020/2021		
Objective	Budget	Actual Expenditure	(Over) / Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Management & Governance	R521 616	R358 415	R163 201	R765 552	R151 575	R613 977



# PART C: GOVERNANCE

## 1. INTRODUCTION

The National Water Act, 1998 (Act No. 36 of 1998) provides for the progressive establishment of Catchment Management Agencies (CMAs) in South Africa. The establishment and evolution of the CMAs provide an important opportunity to give effect institutionally and organizationally to the principles of integrated water resources management to address the specific challenges at a Water Management Area (WMA) level, including stakeholder participation. In terms of Section 81(1) of the National Water Act, 1998, members of the board are appointed by the Minister of Human Settlements, Water and Sanitation as a Public Trustee of the shareholder, the Government of the Republic of South Africa to run the affairs of the CMA. The BGCMA board was appointed and subsequently inaugurated in October 2007. The board comprises of an appropriate balance of knowledge, skills, experience, expertise, diversity and independence in discharging its governance roles and responsibilities impartially. As an Accounting Authority, is responsible for the management, including the safeguarding of assets, management of revenue, expenditure, and liabilities of the CMA. The Board must comply with any tax, levy, duty, pension, and audit commitments as required by Statutes. Therefore, the overall function of the board is the provision of strategic leadership and direction, provision of oversight to ensure efficiency, effectiveness, accountability, good corporate governance and compliance with all applicable laws and regulations pertaining to the Public Entity as enshrined in the PFMA, Public Sector Governance Protocol, the relevant Treasury Regulations and the King Code of Corporate Governance. Overall, the board is required to provide visionary leadership to the Agency in a way that enhances shareholder values and ensures long-term sustainability of the Agency as a public entity.

## 2. PORTFOLIO COMMITTEES

### PORTFOLIO COMMITTEE ON WATER AND SANITATION

The Parliamentary Portfolio Committee on Human Settlements, Water and Sanitation plays an oversight function role on the Department of Water and Sanitation and all the water management entities reporting to the Minister of Human Settlements, Water and Sanitation. For the reporting period, the BGCMA Board appeared before the Committee twice:

- On 12 March 2021 tabled the 2021/2022 Annual Performance Plan (APP), and
- On 30 March 2021 for the 2019/2020 Annual Report presentation, respectively.

### STANDING COMMITTEE ON PUBLIC ACCOUNTS (SCOPA)

The Committee exercises oversight on government departments and their components and/or entities on behalf of the South African Government to ensure accountable utilization of resources and prudent financial management and makes recommendations to the legislature. Its role is complemented by the Auditor-General South Africa as required by the Public Audit Act, 2004 (Act No. 25 of 2004) and the Constitution of the Republic of South Africa. The BGCMA has never appeared before SCOPA including the year under review ended 31 March 2021.

### 3. EXECUTIVE AUTHORITY

The Executive Authority of the BGCMA is the Minister of Human Settlements, Water and Sanitation, to whom the Accounting Authority reports in terms of the NWA, 1998.

#### Shareholding

The Government of the Republic of South Africa is the sole shareholder of the BGCMA, and the Shareholder representative is the Minister of Human Settlements, Water and Sanitation.

#### Shareholder Compact

In terms of the Treasury Regulations issued in accordance with the Public Finance Management Act (PFMA), the Agency must in consultation with the Executive Authority, annually conclude a shareholder compact documenting mandated key performance measures and indicators to be attained by the Agency as agreed to between the parties. The Shareholder Compact is not intended to interfere in any way with normal business operations and principles of the Agency. In that way, the relationship between the Shareholder and the Board is preserved, as the Board is responsible for ensuring that proper internal controls are in place as well as the effective management of the entity.

#### King IV Disclosure by the Governing Board

The King IV report defines corporate governance *“as an exercise of ethical and effective leadership by the Governing Board towards the achievement of governance outcomes namely an ethical culture, good performance, effective control, and legitimacy”*. The governance is concerned with the intrinsic nature, purpose, and integrity of the Agency as an organisation on its relevance, business continuity and fiduciary aspects.

The King IV amplifies the corporate governance definition with combined assurance that goes beyond the Technical Definitions of Assurance. It states that *“a combined assurance model incorporates and optimises all assurance services and functions to:*

- **Enable** an effective control environment.
- **Support** the integrity of information used for decision-making by management, the Governing Board, and its Committees.
- **Support** the integrity of the Agency’s external reports. Although the King IV recommendations do not prescribe the design of the model, it however, allows for the Governing Board to exercise its judgement in this regard”.

The Governing Board of the BGCMA regard corporate governance as fundamental to the success of the business. It is their primary objective to ensure that good governance is adhered to for the viability of the Agency to be achieved and sustained.

No.	Principles	Explanation	Status
1.	Leadership	<p>The Accounting Authority (AA) should lead ethically and effectively</p> <p><b>Recommended Practice:</b> Characteristics of effective &amp; ethical leadership include accountability, integrity, competence, fairness, responsibility &amp; transparency</p>	Applied
2.	Organisational Ethics	<p>The AA should govern the ethics of the Agency in a way that supports the establishment of ethical culture</p> <p><b>Recommended Practice:</b> The Code of Ethics is enforced through instilling a culture of work ethics throughout the Agency</p>	<p>Applied</p> <p>Code of Conduct Policy in place</p>
3.	Responsible Corporate citizen	<p>The AA should ensure that the organisation is seen to be a responsible corporate citizen.</p> <p><b>Recommended Practice:</b> Practice Public Service Mandate</p>	<p>Applied</p> <p>The Board Charter</p>
4.	Strategic & Organisational Performance	<p>The AA should ensure that the Agency's core purpose, its risks and opportunities, strategy &amp; performance are all inseparable elements of the value chain creation process</p> <p><b>Recommended Practice:</b> The Board approves both the APP &amp; Strategic Plan after considering the factors that affect its delivery. The Board oversees &amp; monitors the execution of the APP by management in ensuring that the Agency delivers on its strategic objectives. The Board engages with management to interrogate the suitability of the strategy and guides the way forward</p>	<p>Applied</p> <p>Determined in the implementation of both the signed APP &amp; Strategic Plan</p>
5.	Reporting	<p>The Governing Board should ensure that reports issued by the Agency enable stakeholders to make informed assessments &amp; decisions of the Agency's overall performance and its work in line with mandate</p> <p><b>Recommended Practice:</b> Reports should communicate meaningfully with its stakeholders in informing them about the organisation's performance in relation to its mandate</p>	<p>Applied</p> <p>Consideration is given to the preparation of Agency reports including the Annual Reports</p>
6.	Roles & responsibilities of the Governing Board	<p>The AA should serve as the focal point &amp; custodian of corporate governance in the Agency</p> <p><b>Recommended Practice:</b> The leadership of the governing board is expressed by,</p> <ul style="list-style-type: none"> <li>▪Steering the organisation &amp; setting its strategy direction</li> </ul>	<p>Applied</p> <p>The Board is committed by setting unequivocal tone from the top that requires all directors &amp;</p>

No.	Principles	Explanation	Status
		<ul style="list-style-type: none"> <li>▪ Approve policies &amp; planning that give effect to the direction of the Agency</li> <li>▪ Overseeing &amp; monitoring implementation &amp; execution by management and Ensuring accountability of the Agency's performance using among others, reporting &amp; disclosures</li> </ul>	employees to embrace transparency & accountability in the performance of their duties
7.	Composition of the Governing Board	<p>The AA comprise the appropriate balance of knowledge, skills, experience, diversity &amp; independence for it to discharge its governance roles &amp; responsibilities objectively &amp; effectively</p> <p><b>Recommended Practice:</b> The AA &amp; Executive Authority should be transparent in the processes followed for the nomination, election &amp; appointment of the Governing Board</p>	Applied The Board has a mix of diverse skills, knowledge & experience to objectively discharge their governance responsibilities
8.	Structure of Board Committees	<p>The AA should ensure that its arrangement for delegation within its own structures promote independent judgement &amp; assist with the balance of power &amp; the effective discharge of its duties &amp; responsibilities</p> <p><b>Recommended Practice:</b> To ensure that there is no duplication of roles &amp; responsibilities in the structure of Committees</p>	Applied The Board consists of different Committees that attend & report on each Committees' duties & deliberations
9.	Performance Evaluation	<p>The AA should ensure that the evaluation of its performance &amp; that of its Committees, its Chair, and its members, support continued improvement in its performance</p> <p><b>Recommended Practice:</b> Appoint a lead independent director if there is no one to lead the evaluation of the Board and its Committees</p>	Applied the Board Charter. The Performance Evaluation of the Board & its Committees was conducted in - house by a peer review mechanism
10.	Appointment & delegation to management	<p>The AA should ensure that the appointment &amp; delegation to management contribute to role clarity &amp; the effective exercise of authority &amp; responsibilities</p> <p><b>Recommended Practice:</b> To facilitate structured decision-making process at all levels &amp; promote efficiency &amp; effectiveness of governance in the Agency</p>	Applied Done through a Delegation of Authority as prescribed in the Governing Board Framework
11.	Risk Governance	<p>The AA should govern risks in a way that supports the organisation in setting &amp; oversee the risk management in achieving its APP &amp; Strategic objectives</p>	Applied  IT Governance Framework in

No.	Principles	Explanation	Status
		<b>Recommended Practice:</b> Oversee the risk management including assessment of risks, threats & opportunities	place but outdated
12.	IT Governance	The AA should govern technology & information in a way that supports the organisation in achieving its strategic objectives  <b>Recommended Practice:</b> Oversee effective, efficient & secure management of technology, networks & information throughout the organisation	Applied  Compliance adhered to always
13.	Compliance & Governance	The AA should govern compliance with applicable laws & adopted non-binding rules, codes & standards in a way that supports the Agency being ethical & good corporate citizen  <b>Recommended Practice:</b> Oversee compliance management so that it is understood & is responsive to change & developments following continuous monitoring of the regulatory environment & encourages compliance culture throughout the organisation	Applied  Always compliant with the PFMA, Treasury Regulations & all the relevant guidelines, laws & regulations throughout the entity.
14.	Remuneration	The AA should ensure that the organisation remunerates fairly, responsibly, & transparently to promote the development of its strategic objectives & positive outcomes both in the medium & long term  <b>Recommended Practice:</b> The remuneration policy is such that it attracts & retains human capital to promote its strategic objectives, positive outcomes & ethical culture	Applied  The Board adopted the Remuneration of the DPSA and/or that of the Public Sector which in itself is competitive
15.	Combined assurance model	The AA should ensure that assurance services & functions enable an effective control environment & that these support the integrity of information for internal decision making & of the Agency's external report  <b>Recommended Practice:</b> Ensure combined assurance model is applied that covers the significant risks & material matters through a combination of the Agency's assurance providers, risks, governance & internal controls & compliance functions and internal audit functions	Applied  Combined assurance model
16.	Stakeholders	In the execution of its governance roles & responsibilities, the AA should adopt a stakeholder inclusive approach that balances the needs, interests, & expectations of material stakeholders in the best interest of the Agency overtime	Applied



No.	Principles	Explanation	Status
		<p><b>Recommended Practice:</b> Oversee the management of stakeholder relationship including methodology for identification, material stakeholder engagement, &amp; communication &amp; other measurement of the quality stakeholder engagement</p>	

#### 4. THE ACCOUNTING AUTHORITY / GOVERNING BOARD

In the reporting period, the Board appointed by the Executive Authority, exercised its accounting authority over the entity for the financial year ended 31 March 2021. The Board comprises of nine Governing Board members and one executive Board member, the Chief Executive Officer, as an ex-officio member. The term of office of the BGCMA is effective from October 2007 until a new Board is appointed.

The Chairperson of the Governing Board and all other Governing Board members with the exception of the Chief Executive Officer are independent Governing Board members in the manner described in the King IV Report on Corporate Governance (herein referred to as “King IV”) to ensure the independence of the two positions with clear definitions of the roles and responsibilities. All Board members execute their collective legal duty in a professional manner, with integrity and utmost good faith. The Board is accountable for the leadership and control of the BGCMA. Its responsibility includes the development, review and monitoring of strategic objectives in line with the 6<sup>th</sup> Administrations’ apex priorities and aligned to the National Development Plan (NDP), vision 2030 and blueprint for South Africa, the approval of capital expenditure, risk management and monitoring of operational and financial performance. For the period under review, the Board was assisted with discharging its duties and responsibilities through four Committees, namely:

- Executive Committee,
- Audit & Risk Committee,
- HR & Remuneration Committee, and
- Technical Committee.

#### The Governing Board Committees

Governing Board Committees are formally constituted and are chaired by the member of the Governing Board. The Board Committees assist the Board in providing more detailed attention to matters within the Terms of Reference (ToR). The Committees report to the Board on activities at every meeting. In terms of the NWA, 1998, the Board is authorised to delegate powers to the established Committees. The functions and powers delegated to Committees are set out in the written ToR that are formally approved by the Board. The BGCMA Board and Committee membership for the reporting period is shown in **Table 1** below:

**Table 1: Board and Committee Membership for the period ended 31 March 2021.**

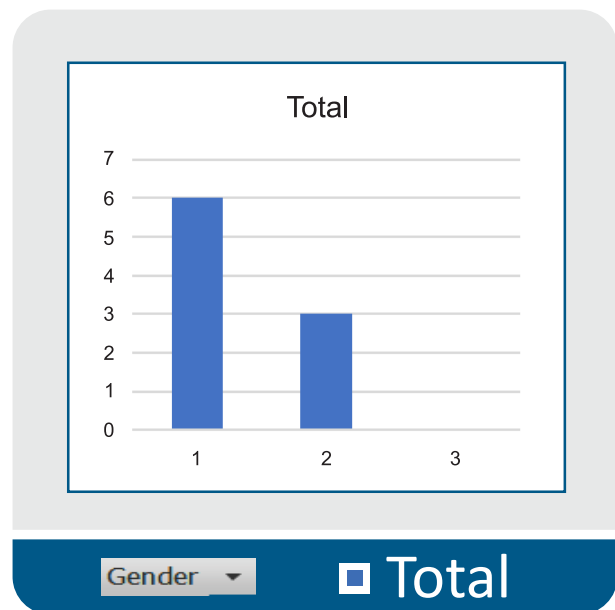
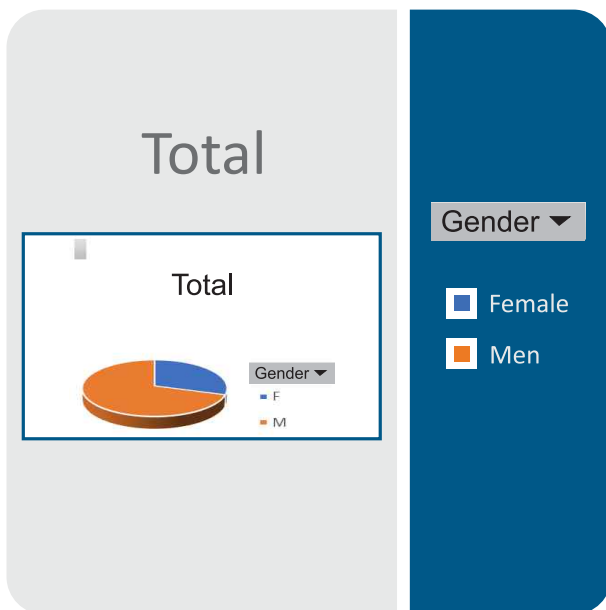
Board Member	Gender	Race	Audit & Risk	HR & RemCo	Technical
Bongani Mnisi	M	A		*	
Trevor Abrahams	M	C		*	
Dr. O Curtis-Scott	F	W			X
C J U Swart	M	W	✓		X
H M Rossouw	M	W		*	X
B Damane	F	A	✓		
A P Barnes	M	C			X
M J Delpont	M	W	✓		
EM Palmer	F	C		*	

✓ Audit & Risk Committee; \* HR & Remuneration Committee & x Technical Committee

### Board member demographics

The percentage of female representation at the Board and its Committees is 33.3% compared to their male counterpart which stands at 66.7%. (See chart A below).

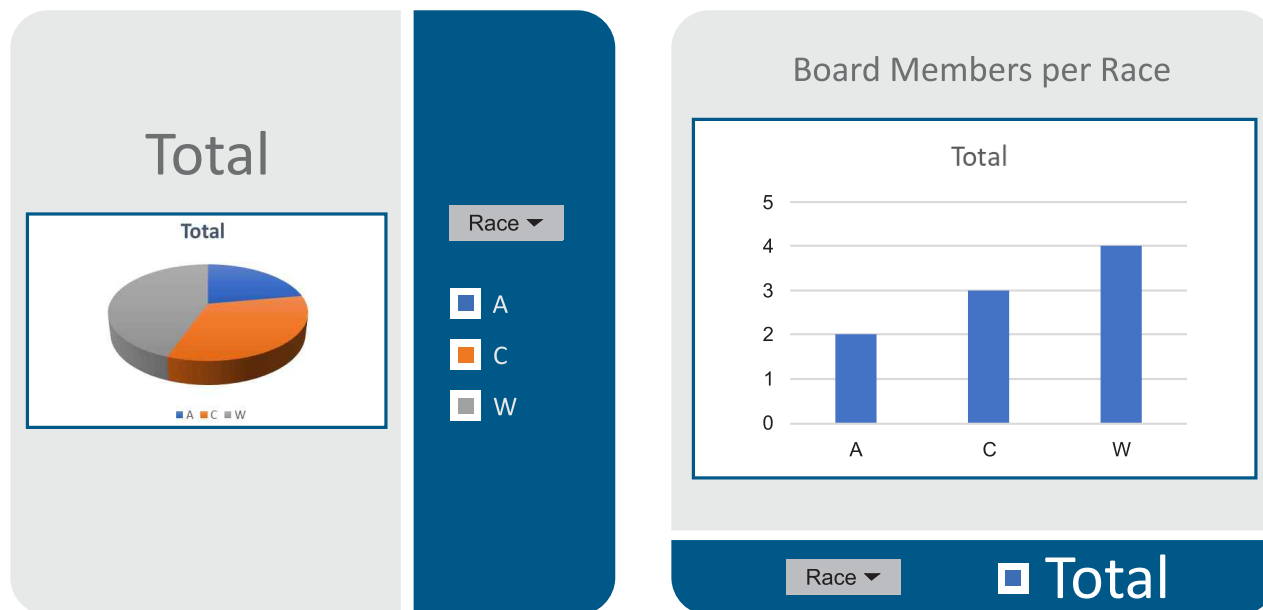
#### (a) Board & Committee Member Gender Profile





The chart below shows the Board and Committee member race profile.

### (a) Board & Committee Member Race Profile



### Board Charter

A Board Charter (reviewed on 30 November 2016) provides a framework for fiduciary duties, responsibilities, management, and overall functioning of the Board. The Board Charter is read in conjunction with:

- The Public Finance Management Act, 1999 (Act No. 1 of 1999) as amended by the Public Finance Management Act, 1999 (Act No. 29 of 1999), herein referred to as the PFMA.
- Treasury Regulations ((GG 27338) as amended from time to time.
- Schedule 4 of the National Water Act, 1998 (Act No. 36 of 1998).
- The King Code of Governance Principles, 2016 (King IV).

As recommended by the King IV, the Board evaluates the performance of all units within the Agency. The members of the Board have skills that are put to good use in providing leadership, guidance, and directing strategy in the year under review. Overall, the Board functioned at a strategic level and delivered outputs in line with its mandate.

### Attendance of Board Meetings

The Governing Board meetings are normally scheduled annually in advance for each financial year through a board resolution. This minimizes absenteeism and/or non-attendance of meetings given the hectic engagement schedules of board members. The approach has been used by the Agency since its inception and has worked perfectly and is in line good corporate governance and practice. Special meetings are convened as necessary to address specific issues and/or matters. Directors and/or Committee members who, on exceptional basis, cannot attend meetings may communicate electronically. Meetings of the Board are attended by Non-Executive Directors. Executive Directors attend only on invitation basis. The record of attendance of meetings is kept and is reflected in **Table 2 below** for the period under review. However, because of the COVID-19 pandemic and its associated protocols and regulatory requirements to serve life, all meetings were conducted virtually.

**Table 2: Board Member Attendance for the 2020/21 financial year ended 31 March 2021.**

Board Member	Ordinary Meetings				
	Gender	12 June 2020	8 Sept. 2020	12 Nov. 2020	30 March 2021
Bongani Mnisi	M	✓	✓	✓	✓
Trevor Abrahams	M	✓	✓	✓	✓
Dr. O Curtis-Scott	F	✓	✓	✓	✓
C J U Swart	M	✓	✓	✓	✓
H M Rossouw	M	✓	✓	✓	✓
B Damane	F	X	X	X	✓
A P Barnes	M	X	✓	✓	✓
M J Delpport	M	✓	✓	✓	✓
EM Palmer	F	✓	✓	✓	✓

✓ Attendance & X Non-Attendance

### Delegation of Authority

The Governing Board recognises the importance of Delegation of Authority (DoA) Framework within its governance structure. This is to promote independent judgement and assist with the balance of power and effective discharge of its duties. The BGCMA's Governing Board Framework utilises the levels of materiality in relation to the business and has reserved powers for its decision-making and delegated certain powers to its sub-committees and the Chief Executive Officer (CEO). The CEO has also been granted the authority to sub-delegate further to management and throughout the organisation. The DoA Framework does not in any way divest the Board of its authority, duties, and responsibilities.

### Remuneration of Board members

The Governing Board members receive remuneration benefits and fees for their contributions to the Board and the Committees on which they serve. This is governed by **Practice Notice 1 of 2017** as issued by the Executive Authority (the Minister of Human Settlements, Water and Sanitation) which sets the rate for non-executive directors who are also reimbursed for out-of-pocket expenses incurred on the Agency's behalf. No

**Table 3: Remuneration of the Board members**

Name	Remuneration	Other allowance	Other re-imburements	Total
Mr. BE Minisi	R 34 474.66	-	R14 390.91	R48 865.57
Mr. TE Abrahams	R 14 750.70	-	R4 318.22	R19 068.92
Dr. O Curtis-Scott	R12 106.14	-	R0.00	R12 106.14
Mr. MJ Delpport	R12 106.14	-	R0.00	R12 106.14
Mr. AP Barnes	R0.00	-	R0.00	R0.00
Mr. HM Rossouw	R15 966.08	-	R0.00	R15 966.08
Mr. CJU Swart	R14 562.46	-	R0.00	R14 562.46
Ms. B Damane	R3 333.58	-	R0.00	R3 333.58
Ms. EM Palmer	R10 176.18	-	R0.00	R10 176.18

## Executive Committee

The Executive Committee of the Board meets on an ad hoc basis. The Committee is chaired by the chairperson of the Governing Board Mr. BE Mnisi and consists of 4 (four) Board members and are all Committee Chairpersons of the different Sub-Committees of the Board. The CEO is an ex-officio member of the Committee by virtue of the position. The Committee comprises of Non-Executive Directors as informed by **Table 4 below**.

**Table 4: Executive Committee Members and Meeting Attendance for 2020/2021**

Names of Committee Members	Designation	Ad hoc Meetings Held
BE Mnisi	Chair: Governing Board	None
T Abrahams	Chair: HR & Remuneration Committee	None
Dr. O Curtis-Scott	Chair: Technical Committee	None
M J Delport	Chair: Audit & Risk Committee	None
Jan van Staden	CEO(A) & Ex-Officio	None

However, for the reporting period ended 31 March 2021, there was no ad hoc Executive Committee meeting as there was not any need to warrant one.

## The Audit and Risk Committee

The Committee has four (4) Board members, and its chairperson is Mr. M J Delport. The Committee is mandated to achieve the highest level of financial management, accounting and reporting to the Board and to meet the requirements in section 51(1) (a)(iii) and 76(4)(d) of the Public Finance Management Act, 1999 (Act No. 29 of 1999), as well as Treasury Regulations, 2005 (Chapter 27.1). The Audit and Risk Committee further performs a critical function of risk management by ensuring the effectiveness, quality, integrity and reliability of the Agency's audit and risk management processes.

The terms of reference of the Audit and Risk Committee takes into account the recommendations of King IV, the Companies Act (Act No. 71 of 2008), the Public Finance Management Act (Act No. 29 of 1999) as amended and Treasury Regulations, 2005, to ensure alignment to best practice and legislation. The Audit and Risk Committee further performs a critical function of risk management by ensuring the effectiveness, quality, and reliability of the Agency's risk management processes. **Table 5 below** indicates and shows the attendance of the Audit and Risk Committee meeting which were virtually conducted due to the COVID-19 pandemic and the protocols and regulations governing it thereof.

**Table 5: Audit & Risk Committee Meeting Attendance for 2020/21**

Member	Scheduled Ordinary Committee Meetings		
	27 July 2020	27 October 2020	16 March 2021
M J Delport	✓	✓	✓
B Damane	x	x	✓
C J U Swart	✓	✓	✓
Jan van Staden	✓	✓	✓

✓ attendance & x non-attendance

## Internal Control

The Institute of Internal Auditors define internal control as the” foundation *on which an effective system of internal control is built and operated in an organisation that strives to (a) achieve its strategic objectives, (b) provide reliable financial reporting to internal and external stakeholders, (c) operate its business efficiently and effectively, (d) comply will all applicable laws and regulations, and (e) safeguard its assets”.*

Therefore, **enforcing good governance and internal controls** is the cornerstone of managing and running an institution. The **controls are not bureaucratic burden which stifles** the Agency’s agility and competitiveness but are a set of activities and processes that are an integral part of the Agency’s daily operations at all levels.

**Ethical leadership** with high level **integrity is essential** as it supports good governance and enhances internal controls. When this combination functions in an integral manner, the internal control environment becomes stronger and consequently helps the Agency to **comply with laws and regulations**, deliver value to its stakeholders and achieve its strategic objectives.

The Board is accountable for the systems of internal control. The BGCMA policies, procedures, structures, and delegation of authority framework clearly defines and provides appropriate levels of responsibility. The internal control systems are designed to provide reasonable assurance that assets are safeguarded, and that liabilities and funds are managed efficiently.

To assist the Board in discharging its responsibilities, internal Audit undertakes an independent assessment of the internal control systems and business risks and reports to the Board through the Audit and Risk Committee. The audit plan covers major financial risks and responds to any changes emanating from the BGCMA’s risk management process and register.

## Internal Audit

Internal audit is an independent co-sourced assurance function. The purpose, authority, and responsibility of which is formally defined in a charter approved by the Board in line with the stipulations of the Institute of Internal Auditors. In line with the requirements of the Public Finance Management Act (PFMA) and Good Corporate Governance, the internal auditors give the Audit and Risk Committee and management assurance on the appropriateness and effectiveness of internal controls. The Internal Auditors report through the office of the Chief Executive Officer and it reports regularly to the Audit and Risk Committee and have unrestricted access to the Committee chairperson as prescribed by the best practice.

## External Audit

The external auditors are responsible for implementing procedures to obtain audit evidence regarding the amounts and disclosures in the financial statement, the report on predetermined objectives, and compliance with laws and regulations applicable to the entity, which is based on, amongst others:

- Assessment of the risks of material misstatement of the financial statement, the report on predetermined objectives and material non-compliance with laws and regulations.
- Considering internal controls relevant to the BGCMA’s preparation and fair presentation of the financial statements, the report on predetermined objectives and compliance with laws and regulations.

- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, and
- Evaluating the appropriateness of systems and processes that ensure the accuracy and completeness of the financial statements, the report on predetermined objectives and compliance with laws and regulations.

The external auditors express an opinion on the financial statement and report on findings relating to their audit of the report on predetermined objectives applicable to the entity for a particular fiscal year.

### The Human Resources and Remuneration Committee

The committee comprises of four (4) Board members and the Chief Executive Officer as an ex-officio member. Mr. Trevor Abrahams is its chairperson. The other members of the Committee are Ms EM Palmer, Mr. HM Rossouw and Mr. BE Mnisi (**see Table 6 below**). The Committee reviews and recommends to the Board all matters related to:

- HR Policies and organisational structure.
- Conditions of employment including that of the Executive Management (the CEO).
- Appointment of the Chief Executive Officer (CEO).
- Remuneration package of the CEO in consultation with the Minister of Public Service and Administration (MPSA) subject to the approval of the Minister of Human Settlements, Water and Sanitation in terms of Schedule 4 Section 3(7) of the NWA, 1998.
- Policy and Practices for Performance Management.

**Table 6: HR & Remuneration Committee members & attendance for 2020/2021**

Names of Committee Members	Scheduled Ordinary Meetings			Special Meeting/s
	15 July 2020	4 Nov. 2020	16 Feb. 2021	9 Dec. 2020
TE Abrahams	✓	✓	✓	✓
EM Palmer	✓	✓	x	✓
HM Rossouw	✓	✓	✓	✓
BE Mnisi	✓	✓	✓	✓
Jan van Staden	✓	✓	✓	✓

✓ Attendance & x Absence.

For the year under review, all the meetings were conducted virtually because of the COVID-19 pandemic and all its associated protocols and regulations.

### Technical Committee

The Committee is established by the Governing Board to assist in discharging its duties relating to all water resources management powers and functions including any technical service so determined by the Governing Board. The Committee is chaired by Dr. Odette Curtis-Scott, and its composition is informed by **Table 7 below**.



**Table 7: Technical Committee attendance Meetings for the 2020/2021**

Members	Scheduled Ordinary Meetings		
	15 July 2020	4 Nov. 2020	16 Feb. 2021
Dr. O Curtis-Scott	✓	✓	✓
AP Barnes	✓	✓	✓
HM Rossouw	✓	✓	✓
CJU Swart	x	✓	✓
Jan van Staden	✓	✓	✓

✓ Attendance & x Non-Attendance

The Committees' main functions are:

- To guide and review the establishment of catchment strategy for the BGCMA as well as driving the appropriate involvement of stakeholders in decision making by establishing bodies to enable their participation.
- Provision of high-level oversight in relation to the allocation of water to ensure alignment with National policies and guidelines.
- Provision of oversight over the management and dissemination of information to ensure that proper information management procedures are in place, that relevant legislation such as Access to Information Act is adhered to.
- Ensuring that information is provided to stakeholders in an appropriate and accessible manner.
- Exercising oversight over water control and enforcement to ensure that appropriate action is being taken.
- Contribution to the building of credibility of the CMA in relation to key stakeholders at local, provincial, and national level through developing strong relations with local, provincial, national government and other water management institutions.
- To assist in positioning the BGCMA in the Water Management Area and in South Africa and participate in communication with the public about the development of the BGCMA.

### Performance Evaluation of the Governing Board

For purposes of ensuring continuous improvement on the Governing Board's performance and effectiveness, Governing Board members are individually and collectively subjected to a process of performance evaluation on an annual basis. The process is conducted in accordance with the Policy regarding Board Practices and Remuneration of Members for Entities reporting to the Minister of Human Settlements, Water and Sanitation and includes the assessment of the performance of the governance structure. For the reporting period, the performance assessment of the Board members was conducted on 30 March 2021 by peer review mechanism during its scheduled ordinary meeting and the outcome was subsequently forwarded to the Executive Authority on 31 March 2021.

### Risk Management

The BGCMA has a risk management register and conducts regular risk management to determine the effectiveness of its risks and to identify any new and/or emerging risks. The Audit and Risk Committee advises management on the overall system of risk management (especially the mitigation of unacceptable levels of risk) and independently monitors the effectiveness of the system of risk management. Submissions of quarterly reports in line with the PFMA and the institutionalisation of risk management into the day-

to-day operations of the entity continues to find expression in all management, units, and all meeting sessions. The risk management has indeed matured and continues to receive attention and support from the Board, Audit and Risk Committee and the entire Management and throughout the Agency.

The BGCMA, together with its management, continues to implement sound principles of good corporate governance to ensure that risk management continues to remain a way of thinking and operation and not just **“a tick box or compliance exercise”**.

## 5. COMPLIANCE WITH LAWS AND REGULATIONS

As a public entity, adherence to sound governance principles is of utmost importance. To this effect, regulate measures against the Public Finance Management Act and King IV Code of Corporate Governance for South Africa “King IV” is carried to ensure that deficiencies are identified, and corrective measures are implemented.

### Public Finance Management Act (PFMA)

The PFMA focuses on financial management with related outputs and responsibilities which continues to enhance its compliance with management systems. The Board as the Accounting Authority must comply with their fiduciary duties as set out in the PFMA. In terms of the PFMA, the responsibilities of the Board include taking appropriate action to ensure that:

- Economic, efficient, effective, and transparent systems of financial and risk management and internal controls are in place.
- A system is maintained for properly evaluating projects before a final decision is made on each project.
- The implementation of appropriate and effective measures to prevent unauthorised, irregular, or fruitless and wasteful expenditure, expenditure not complying with legislation, or losses from criminal conduct.
- All revenue due to the Agency is collected.
- The economic and efficient management of available funds; and
- The definition of objective and the allocation of resources in an economic, efficient, effective, and transparent manner.

In terms of Section 52 of the PFMA, the Accounting Authority for a public entity must submit to the Accounting Officer for the Department designated by the Executive Authority for that public entity and to the relevant Treasury, at least one month, or another period agreed with the National Treasury, before the start of the financial year, the Annual Performance Plan (APP).

## 6. FRAUD AND CORRUPTION

The Board is responsible for ensuring that an integrated crime prevention and fraud plan is in place and implemented to minimise the risk and opportunity for crime and irregularities and in particular, fraud. To support the strategic intent and objectives of the Agency, the Board, and its Committees, at its discretion may request a forensic audit where there is prima facie evidence that this is justified. Corruption, fraud, nepotism, and theft has no room within the Agency and is not condoned and tolerated. Put differently, the Agency has **“zero tolerance for corruption, fraud, any dishonest, and unethical behaviour”**. All directors, employees, suppliers, contractors, and other stakeholders are expected to observe this when conducting business for or with the Agency. This is guided among others by the Public Finance Management Act (PFMA), National Treasury Regulations, Protected Disclosure Act and Combating of Corrupt Activities.



## 7. MINIMISING CONFLICT OF INTEREST

In terms of the Governing Board Charter and the Code of Good Practice, all Governing Board members are required to declare their interests before the commencement of each meeting and on an annual basis and as and when there is a change in their status of interest. All Governing Board members shall adhere to the provisions of Schedule 4(7)(i) of the National Water Act, 1998, **“disclose their interest at all material times as soon as practicable after the relevant facts come to his/her knowledge”**.

This is a standing agenda item in all meetings of the Governing Board and related sub-committees. Potential conflicts of interest are assessed through a formula process and where, conflicts of interest may exist, members are requested to recuse themselves from meetings. The Governing Board subscribes to the principle that conflicts of interest should be avoided. Members are required to declare any personal financial interest that pose a potential conflict of interest through formal disclosure process.

A disclosure of interest, even if it is approved, does not authorise any member to engage in behaviour which conflicts with the interests of the BGCMA.

## 8. CODE OF CONDUCT

The Agency has a Code of business Conduct and Ethics in place which aims to ensure that every employee of the Agency shares the same values and levels of accountability while conducting the business of the Agency.

## 9. HEALTH, SAFETY AND ENVIRONMENTAL ISSUES

The BGCMA is fully committed to ensuring that its employees work in a safe and healthy environment. This is not an option, but a minimum requirement as stipulated in the Occupational Health and Safety Act, (OHS) 1993 (Act No. 85 of 1993) as amended. The Agency is continuously striving to implement the highest safety measures for its employees, visitors and/or stakeholders in its premises which is beneficial to all in the event of an incident. For the reporting period, there were no incidents reported to the department of Employment and Labour as required by Section 24 of OHS Act.

### **Extraordinary times call for extraordinary measures**

For the reporting period, South Africa together with other nations, territories, and jurisdictions remained in the grip of the Coronavirus (COVID-19) pandemic and the BGCMA was not spared either. Infections were also recorded within our organisation but without any fatalities for the reporting period. However, control measures were implemented and rapid response strategies that were activated when COVID-19 cases were confirmed were highly effective in preventing proliferation, thus ensuring business continuity and uninterrupted provision of essential services to our constituency, the water users in terms of the NWA, 1998.

The BGCMA under the political leadership of the Minister of Human Settlements, Water and Sanitation and the Governing Board, rose above the limitations of the prevailing conditions, accepted that the organisation was operating in abnormal times and implemented measures to ensure business continuity. Interruption of service was no option. Some of the effective measures implemented were restricting site visits,

observing physical distance at the workplace, remote (working from home), alternate work arrangements within the different units of the BGCMA, constant monitoring of staff for any symptoms of the virus, disinfection of offices, provision of PPEs, measuring of employee and client temperatures, keeping contact details of clients to our offices for tracing purposes, strict adherence to the number of employees and clients physically permitted at the workplace at any given time, the disablement of the biometric system and almost all engagements went electronic (virtual) including but not limited to meetings under lockdown restrictions. This has really paid dividends as all our water users have received and continue to receive uninterrupted service during levels: 5, 4, 3, and 1 respectively of the lockdown. We continue to operate under the COVID-19 protocols and regulations as determined by the State from time to time and which are vital to persevering health.

## 10. SOCIAL RESPONSIBILITY

The BGCMA programmes support socio-economic development initiatives to improve community livelihoods. The Agency's programmes in this regard are driven through an approved policy. This ensures a coordinated approach in the implementation of community-based initiatives and projects which are all related to water resource management, the core mandate of the entity.

To ensure that funds are aligned to policy, applications follow a thorough process of screening that includes consideration of the designated body to ensure that projects contribute and support the organisation's strategic goals and intent. To that effect, a comprehensive process has been developed to institutionalise the selection criteria.

For the reporting period, the BGCMA supported the establishment of several food gardens at old age homes, crèches, youth groups and places of care for people with Tuberculosis (TB) through the BGCMA's community grant funding. These projects ensured that nutritious food could be supplied on a regular basis to these vulnerable groups. During several river and stream clean-up activities, numerous children and other community members participated by picking up litter and thus ensuring a clean environment and clean streams and rivers whilst being capacitated through lessons given by BGCMA officials, supporting municipalities and government departments. During these activities, learners were supplied with stationary bags and lunch boxes. The BGCMA has also embarked on an "Adopt-a-School" project, supplying the school with stationary and educational information regarding water resource management.

Extraordinary measures had to be taken to ensure that water week activities could still take place without physical contact because of the COVID-19 pandemic. Schools were contacted and requested to participate by giving the information to the learners but also to make posts / videos / take picture of their activities. They were also asked to take part in a competition with prizes including a 10 000-litre rainwater harvesting tank, masks, and sanitisers.

## 11. SHAREHOLDER COMPACT

In compliance with Regulation 29 of the National Treasury Regulations issued in accordance with the PFMA, the Accounting Authority in consultation with the Executive Authority, the Minister of Water and Sanitation annually concludes a Shareholder Compact documenting the mandated key performance measures and indicators to be attained by the Agency as agreed between the Governing Board and the Executive Authority. The Shareholder Compact regulates the relationship between the parties. In that regard, the Governing Board ensures that Quarterly Reports and the Integrated Annual Report are submitted to the Shareholder to provide information about performance against set targets. However, the Compact is not intended to interfere in any way with normal Agency's law principles.

## 12. BBEE COMPLIANCE PERFORMANCE INFORMATION (CFO)

The following table has been completed in accordance with the compliance to the BBEE requirements of the BBEE Act of 2013 and as determined by the Department of Trade and Industry.

**Has the Department / Public Entity applied any relevant Code of Good Practice (B-BBEE Certificate Levels 1 – 8) with regards to the following:**

Criteria	Response Yes / No	Discussion ( <i>include a discussion on your response and indicate what measures have been taken to comply</i> )
Determining qualification criteria for the issuing of licences, concessions or other authorisations in respect of economic activity in terms of any law?		The BGCMA is a recommending authority in the process to authorise water use licenses
Developing and implementing a preferential procurement policy?	Yes	Procurement plan was developed, and the Agency prioritise the use of Broad Based Black Economic Empowerment
Determining qualification criteria for the sale of state-owned enterprises?	No	
Developing criteria for entering into partnerships with the private sector?	No	
Determining criteria for the awarding of incentives, grants and investment schemes in support of Broad Based Black Economic Empowerment?		The Grant policy is to support organisations/communities in water related projects. The nature of the targeting and the qualifying criteria is such that it supports previous marginalised communities

## 1. INTRODUCTION

The BGCMA drive, demand employees to be agile and innovative in the execution of their duties in achieving set objectives as articulated by the Accounting Authority and the shareholder representative, the Minister of Human Settlements, Water and Sanitation on behalf of the South African Government. The organisation relies on the skills, knowledge, and discretionary efforts of its employee base. The capabilities and skills of the workforce is a key driver of service delivery, economic prosperity and productivity by ensuring that employees are able to sustain good health, they are in possession of in-depth skills and capabilities. The value of human capital is realised through productive employment, and it is developed through education and training. Human resource creates and maintains an environment that supports employees through targeted interventions in order to enable the organisation to perform. The BGCMA continues to invest in skills development through bursary programmes and targeted trainings as identified in the Work Skills Plan (WSP) and the Pivotal Training Report (PTR). The trainings are intended to prepare employees for the changing world of work, developmental opportunities and potential career advancement opportunities as well as pressures on high-performance culture.

To meet the business challenges of tomorrow, the BGCMA must maximize the potential of its workforce while improving efficiencies through employee productivity. The BGCMA is aware of the challenges that emanate from the water sector skills requirements now and into the future, the demographics and age profile of the current workforce, the demand and supply issue in the general labour market, the progression of the business landscape as well as the potential impact of the *“fourth Industrial Revolution (4IR)”*. However, this challenge has been exacerbated by the advent of the COVID-19 pandemic which has reaffirmed the rapid need for technological advancement and further revolutionised the world of work. The COVID-19 has fundamentally changed the way work is conducted now and into the future and the world of work will never be the same again. Organisations, therefore, need to adjust accordingly if they are to survive in the very competitive global work environment.

The successful implementation of the Agency’s mandate and vision depends on the institution’s ability to develop a capable pool of human capital and to attract and retain the best talent available. The National Development Plan (NDP), vision 2030 and blue for South Africa, provides the strategic direction to build an institution that drives the agenda of *“a capable and developmental state”* to enable inclusive growth and transformation of key sectors of the economy. The BGCMA recognises the role of committed employees who contribute positively to the ability of the institution to fulfil its mandate. As an employer, the Agency continuously strives to create an environment that supports employee engagement and development, encourages high performance by investing in personal employee growth and training and reward exceptional performance. The employee value proposition attends to key strategic skills and talent segment seeking to attract these in a very competitive labour market, develop individual potential and retain key skills.

### Skills Development

Every year, the BGCMA compiles and submits a Workplace Skills Plan (WSP) and Pivotal Training Report (PTR) to the Energy and Water Sector Education and Training Authority (EWSETA), which guides the implementation of skills development initiatives within the water sector through the identification of the skills needs of the Agency and ensures the effectiveness of skills development plans. The skills development programmes include:

- Employee training and development.
- Assisted education programme.
- Bursary programmes, and
- Internship programmes.

### Employee Training and Development

Training and development for the year under review was seriously impacted and non-existent due to the COVID-19 pandemic. Organisations including the BGCMA, and service providers closed their doors to prevent the spread of the virus and save lives in line with the protocols and regulations proclaimed by the State President based on the prevailing epidemiological information as guided by the National Centre for Communicable Diseases (National Centre for Disease Control) NCDC.

### Internship

The Internship programme provides training, development and exposure to external candidates. For the reporting period, two interns are being trained to acquire the prerequisite experience for the field of work. The interns receive practical work exposure from the various sub-components within the water resource management unit including site visits. The internship programme is a pledge by the BGCMA towards contributing to the skills development of the country and to alleviate the three ills that has plagued South Africa namely, inequality, poverty and unemployment. The interns are employed for a 36-month fixed term contract to enable them to acquire and gain the much-needed practical-on-the-job experience given the complexities of water resource management. This will enable them to become more employable in the general labour market characterised by stiff and cut-throat competition.

For the year under review, the program was only implemented in the core business of the Agency, Water Resource Management. It is envisaged that the programme will create a pipeline and pool of future skilled professionals. The internship offered for the reporting period is informed by **Table 1 below**:

**Table 1: Internship programme offered for the period under review.**

Internship Program	Unit	Male	Female	Total	Status of Program
Water Resources Management	WRM	1	1	2	In progress



## Talent Management

Human resources are scarce, and it is important to attract and retain the best people that contribute towards the achievement of organisational objectives and its strategic intent, both in the short term and long term. However, the COVID-19 pandemic caused havoc of unprecedented proportion and necessitate maximum insights and flexibility on how organisations manage human capital. It has forced institutions to adapt to the ever-changing global circumstances within which they operate. However, in order to strengthen the Agency, a few appointments were made for the reporting period.

## Appointment and Turnover

The Agency seeks to maintain a workforce that enables it to deliver quality service to all stakeholders. Most employees are based within the Agency's area of operation and jurisdiction while others are within commuting distance from operational sites. All full-time employees up to and including salary level 10 are provided with benefits i.e., housing allowance, membership of a pension fund [Government Employee Pension Fund (GEPF)] and medical aid subsidy. All female employees are entitled to a four-months' maternity leave. During the reporting period, 2 female employees qualified for 100% maternity leave benefits and both officials safely returned to work after their leave.

In the reporting period, the Agency appointment only two officials; namely:

- Geohydrologist, and
- Supply Chain Officer

Human resource acquisition in the main during the year under review was severely hampered and impacted by the outbreak of the COVID-19 pandemic and its associated lockdown protocols and regulations as it restricted all operations related to any activity including recruitment and selection. However, the appointment of both a Geohydrologist and Supply Chain Officer has greatly strengthened the Agency and especially the water resource management unit and the finance unit respectively.

## Turnover

During the period under review, 2 officials resigned from the employment of the Agency namely:

- Finance Officer: Revenue Management; and
- Compliance Monitoring & Enforcement (CM&E) Officer

The Agency's turnover percentage for the year is 3.2% and is far below the industry average.

**Table 2: Workforce by employment/type, race, and gender**

Occupation category	Total	Male				Female			
		African	Coloured	White	Indian	African	Coloured	White	Indian
Senior Management	3	0	0	1	0	2	0	0	0
Professionally qualified	59	13	6	1	0	29	7	3	0
Semi	1	0	0	0	0	1	0	0	0
<b>Total</b>	<b>63</b>	<b>13</b>	<b>6</b>	<b>2</b>	<b>0</b>	<b>32</b>	<b>7</b>	<b>3</b>	<b>0</b>

**Child and Forced Labour**

The BGCMA as a State Entity, fully subscribes to the National Legislation that ensures a healthy and safe work environment for its employees. The Agency’s Human Resource Policies comply and are in line with the Labour Relations Act, 1995 (Act No. 66 of 1995), the Basic Conditions of Employment Act, 1997 (Act No. 75 of 1997) and the relevant Codes of Good Practice. The BGCMA is also aligned to the United Nations Global Compact Principles and the Organisation for Economic Corporation and Development (OECD) recommendations with regards to child labour. The Agency does not practice child and forced labour as it is prohibited by the South African employment laws and practices and the international convention (the Geneva Convention) on the right of the child.

**Promotion of Equality and Prevention of Unfair Discrimination.**

The purpose of the Promotion of Equality and Prevention of Unfair Discrimination Act (PEPUDA), 2000 (Act No. 4 of 2000) is to give effect to the spirit of the Constitution and in particular, to promote equality, non-racialism and non-sexism, prevent unfair Discrimination and protect human dignity as contemplated in Sections 9 and 10 of the Constitution. It prohibits unfair discrimination by government and private organisations and individuals and forbids hate speech and harassment. In compliance with the above, the Agency strengthens itself in respect to constitutionalism and the rule of law, the Constitution being the Supreme Law of the land.

**Non-Discrimination**

For the year under review, zero incidents of discrimination were reported.

**Code of Conduct and Ethics**

The BGCMA conducts its business with integrity, honesty and transparency and in full compliance with all applicable laws, regulations, guidelines and ethical standards. The Code of Conduct and business ethics reflects the Agency’s core values and provides guidance to employees and other stakeholders on important ethical issues in the agency’s’ operating environment.

The Agency has zero-tolerance on any dishonest or unethical behaviour and is not tolerated. All employees, suppliers and other stakeholders are expected to observe this Code when conducting business for and with the Agency irrespective of the area in which



the person may be located. If you have been informed about behaviour contrary to this Code by the Agency employee or other stakeholders, please report it promptly to the relevant authorities as by keeping the information, you become an accomplice.

## **Indigenous Rights**

The BGCMA subscribes fully to the Bill of Rights in terms of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996). During the year under review, there was zero reported incidents of the rights of indigenous people in any aspect of the organisations' activities and business operations.

## **Human Rights Remediation**

Zero grievance related to human rights issues or contravention were filed because the BGCMA supports the protection and furtherance of human rights and confirms its commitment thereto to all human rights declarations under the Geneva Convention.

## **Occupational Health and Safety**

The BGCMA places great importance on the protection, health and safety of its employees, contractors and all stakeholders and firmly believes in risk prevention and the promotion of health and safety working conditions, competitiveness and sustainability of operations. Health and safety are a way of doing business and it is not the responsibility of a single person or unit but a collective effort and responsibility where every employee is responsible for playing their part. The agency's' commitment to health and safety is driven by:

- Acknowledging that while we operate in an inherently high-risk environment, we cannot ignore our moral and legal obligation to safeguard the wellbeing of our people and community and other stakeholders within the domain of our work.
- Ensuring that employees understand the hazards and risks associated with their activities.
- Prioritising, addressing and mitigating health and safety risks.
- Our approach is that health and safety come first at all times and that there are no shortcuts.
- Our continuous effort to create a culture where every employee understands the importance of working safely and can go home safe and healthy to their family after each day.
- Ongoing supervision of the work environment to ensure compliance.
- Instilling beliefs and culture to our employees and relevant stakeholders that health and safety go hand-in-hand.
- Managing the health and safety of our employees as well as within the environment in which we operate.
- Promoting Dam safety awareness to schools and communities which are located within our Water Management Area (WMA).
- Scheduled compliance audits which are conducted regularly to ensure maximum compliance.
- Continually providing resources, information, training, equipment, systems and other support to all individuals as they have a role to play to enable all to understand their role, to work safely and to participate in improving performance and overall minimise the impact on business and the environment.

## Employee Development:

The Agency's focus is to provide developmental opportunities for internal staff in preparation for them assuming higher roles and enhancing their skills to perform in their current jobs. The organisation gives priorities to capacity building initiatives that are value-adding in improving business efficiencies and effectiveness thereby strengthening its overall performance and productivity.

## Bursaries

The BGCMA provides limited bursaries to internal employees only due to financial constraints. The internal bursaries are awarded to permanent employees of the Agency with the aim of enhancing business efficiencies, productivity, promoting individual career aspirations and advancement and building a high-performance culture. The Table below indicates bursaries implemented for the reporting period.

**Table 3: Beneficiaries of the Internal Bursary by Head Count for the period**

Bursaries offered			
Internal Bursaries	Females	Males	Grand Total
Grand Total	5	Nil	5

## Development of Policies

Policies foster accountability, good corporate governance, best practices and strengthen internal controls within an institution. They also act as deterrents to fraud, corruption, theft, wasteful and fruitless expenditure. Policies further assist to establish a professional effective organisation while providing consistency and continuity for further personnel. The other critical role played by policies is the prevention of ambiguity about how particular situations and/or issues should be handled within the Agency. Policies promote harmony among staff and the way things are done while ensuring more efficiency and effectiveness in delivering the mandate of the Agency. However, for the reporting period, there was no policy developed however, only 2 (two) Policies were reviewed namely: the Internship and Learnership Policy and Performance Management and Development System (PMDS) Policy.

## Performance, alignment to strategy and remuneration

The BGCMA continues to implement a performance management system in the organisation. The system ensures that all employees have conceptual knowledge and understanding of the role and purpose of their job with line of sight for the Agency's strategy and performance objectives and targets as encapsulated in both the Annual Performance Plan (APP) and Strategic Plan. The BGCMA Board assess the organisation's performance against predetermined objectives on a quarterly and annual basis, while formal employee performance assessments are undertaken twice a year.

The remuneration of the BGCMA is aligned to that of the Department of Public Service and Administration (DPSA) or that of the Public Sector and it is the only water management institution in the country whose condition of service is aligned to the DPSA. It is further aligned to the performance management to ensure that performance management processes at the Agency is development oriented to cultivate effective human resources management and career development. As a result, appraisals are constructively used to provide feedback and coaching to individual employees concerning their job performance. Through the scheduled performance management

system, the BGCMA ensures implementation of its strategic goals through skilled, competent, motivated, and engaged employees while recognising and rewarding good performance in the absence of cost containment and moratorium.

### 3. HUMAN RESOURCE OVERSIGHT STATISTICS

**Table 4: Personnel cost by salary band**

Level	Personnel Expenditure	% of personnel exp. to total personnel cost	No. of employees	Average personnel cost per employee
Senior Management	R4 897 433	10.92%	3	R1 632 477
Professional qualified	R39 734 535	88.63%	59	R673 467
Semi-skilled	R195 947	0.44%	1	R195 947
<b>TOTAL</b>	<b>R44 827 915</b>	<b>100%</b>	<b>63</b>	<b>R711 554</b>

#### Performance Rewards

For the reporting period, there was no performance bonuses paid to any employee. The reason being the directive from the Minister of Human Settlements, Water and Sanitation to all water management entities reporting to her including the BGCMA to effect cost-containment measures in order to assist in amplifying government's commitment towards fiscal prudence given the precarious position of the public finance, and the proposed intervention for a sustainable fiscal trajectory. The directive was adhered to and implemented by the Accounting Authority for the year under review.

#### Training Costs

Because of the outbreak of the COVID-19, there was no training for the period under review because of the very hard lockdown alert level 5 and other subsequent lockdown levels. All businesses including the BGCMA, and service providers closed their doors to contain the spread of the COVID-19 thereof.

**Table 5: Employment and Vacancies**

Programme	No. of employees beginning FY	Approved post	No. of employees end of FY	% of vacancies filled
Senior Management	3	3	3	100%
Professional qualified	59	85	59	69%
Semi-skilled	1	2	1	50%
<b>Total</b>	<b>63</b>	<b>90</b>	<b>63</b>	

**Table 6: Employment Changes**

Salary Band	Employment at beginning of period	Appointments	Terminations	Employment at end of the period
Senior Management	3	Nil	Nil	3
Professional qualified	59	02	02	59
Semi-skilled	1	Nil	Nil	1
<b>Total</b>	<b>63</b>	<b>02</b>	<b>02</b>	<b>63</b>

**Table 7: Reasons for staff leaving.**

Reason	Number	% of total no. of staff leaving
Death	Nil	Nil
Resignation	02	02
Dismissal	Nil	Nil
Retirement	Nil	Nil
Ill health	Nil	Nil
Expiry of contract	Nil	Nil
Other	Nil	Nil
<b>TOTAL</b>	<b>02</b>	<b>3.2%</b>

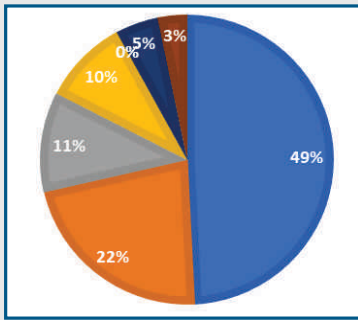
**Table 8: Labour Relations: Misconduct and disciplinary action**

Nature of disciplinary Action	Number
Verbal Warning	Nil
Written Warning	Nil
Final Warning	Nil
Dismissal	Nil

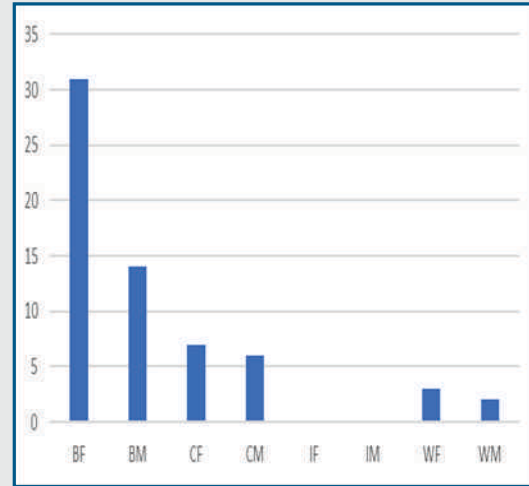
**Table 9: Employment Equity Status**

<b>BGCMA</b>										
<i>Current Employment Equity</i>			<i>Data</i>							Total number of staff
	BF	BM	CF	CM	IF	IM	WF	WM		
CFO	1									
Senior Manager: WR								1		
IT / strategic Support Manager		1								
IT Technician		1								
Performance & Planning Coordinator	1									
Executive PA to CEO	1									
Human Resources Manager		1								
Human Resources Officers	2									
Finance Manager: Expenditure								1		
Finance Manager: Revenue		1								
Finance Officer: Expenditure x 2	1		1							
Finance Officer: Revenue	1									
Payroll Clerk			1							
Finance Admin. Clerk	1									
Administration Officer x 2	2									
Data Manager	1									
ISR Manager							1			
Water Liaison Officer x 3		1	1	1						
Principal Water Liaison Officer			1							
Principal Data Capturer				1						
Data Capturer X 4	2		2							
Senior Data Capturer	1									
Manager: CM&E	1									
CM&E Officer X 1	1									
Supply Chain Officer		1								
Water Data (GIS) Officer	1									
Water Use Specialist X 4		1		2			1			
Water use Officer X 8	5	2		1						
Water Licensing Clerk x 2	1						1			
PR & Marketing Officer	1									
Receptionist	1		1							
Registry Clerk	1									
Cleaner	1									
Auxiliary Officer X 2		1		1						
Geohydrologist		1								
Freshwater Ecologist X 2	2									
Professional Engineer: WRM		1								
Water Use Manager	1									
Billing & Invoicing Clerk		1								
Finance Officer: Billing Manager	1									
Finance Officer: Debt Manager		1								
<b>TOTAL</b>	<b>31</b>	<b>14</b>	<b>7</b>	<b>6</b>	<b>0</b>	<b>0</b>	<b>3</b>	<b>2</b>	<b>63</b>	

### EE STATS 2020/2021



- BF
- BM
- CF
- CM
- IF
- IM
- WF
- WM



■ Total

**NB:** BF = Black Females, BM = Black Males, CF = Coloured Females, CM = Coloured Males, IF = Indian Females, IM = Indian Males, WF = White Females and WM = White Males



# PART E: FINANCIAL INFORMATION

## **Breede-Gouritz Catchment Management Agency**

Annual Financial Statements for the year ended 31 March 2021

### **1. REPORT OF THE EXTERNAL AUDITOR**

This is the audit report as issued by the external auditor.

### **2. ANNUAL FINANCIAL STATEMENTS**



# ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

## Breede-Gouritz Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2021

### GENERAL INFORMATION

<b>Country of incorporation and domicile</b>	South Africa
<b>Type of entity</b>	Schedule 3A Public Entity
<b>Governing board members</b>	Mr BE Mnisi (Chairperson) Mr TE Abrahams (Deputy Chairperson) Mr AP Barnes Dr O Curtis-Scott Ms B Damane Mr MJ Delpont Ms EM Palmer Mr HM Rossouw Mr CJU Swart Mr Jan van Staden (Acting Chief Executive Officer) Mr S Maseko (DWS Ex Officio member)
<b>Registered office</b>	Breede-Gouritz CMA Cnr of Mountain Mill and East Lake Roads Private Bag X3055 Worcester 6850
<b>Business address</b>	Breede-Gouritz CMA Cnr of Mountain Mill and East Lake Roads Worcester 6850
<b>Postal address</b>	The Chief Executive Officer Breede-Gouritz CMA Private bag X3055 Worcester 6850
<b>Bankers</b>	ABSA Bank Limited
<b>Auditors</b>	PricewaterhouseCoopers Inc. Chartered Accountants (S.A.) Registered Auditors

# Breede-Gouritz Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2021

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The reports and statements set out below comprise the annual financial statements presented to the Executive Authority:

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### Independent auditor's report to Parliament on Breede-Gouritz Catchment Management Agency

#### Report on the audit of the financial statements

#### Disclaimer of opinion

1. We were engaged to audit the financial statements of the Breede-Gouritz Catchment Management Agency set out on pages 12 to 38, which comprise the statement of financial position as at 31 March 2021, the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. We do not express an opinion on the financial statements of the Schedule 3A Public Entity. Because of the significance of the matters described in the basis for disclaimer of opinion section of this auditor's report, we were unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

#### Basis for disclaimer of opinion

#### Receivables from exchange transactions

3. We were unable to obtain sufficient appropriate audit evidence for receivables from exchange transactions due to the status of the accounting records. We were unable to confirm the receivables from exchange transactions by alternative means. Consequently, we were unable to determine whether any adjustment relating to receivables from exchange transactions, stated at R48,082,739 in the financial statements, was necessary.

#### Revenue from exchange transactions – water resource management

4. We were unable to obtain sufficient appropriate audit evidence for revenue from exchange transactions for water resource management due to the status of the accounting records. We were unable to confirm the revenue from water resource management by alternative means. Consequently, we were unable to determine

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P O Box 62, Worcester, 6849  
T: +27 (0) 23 346 5500, F: +27 (0) 23 346 5600, www.pwc.co.za*

Chief Executive Officer: L S Machaba  
The Company's principal place of business is at 4 Lisbon Lane, Waterfall City, Jukskei View, where a list of directors' names is available for inspection.  
Reg. no. 1998/012055/21, VAT reg.no. 4950174682.

whether any adjustment relating to revenue from water resource management, stated at R45,032,554 in the financial statements, was necessary.

### **Revenue from exchange transactions – interest received**

5. Included in interest received is interest charged to late payments. Due to the status of the accounting records we were unable to obtain sufficient appropriate audit evidence for the interest charged to late payments, as disclosed in note 13 to the financial statements. We were unable to confirm the interest charged to late payments by alternative means. Consequently, we were unable to determine whether any adjustment relating to interest charged to late payments, stated at R6,609,912 in the financial statements, was necessary.

### **Payables from exchange transactions**

6. Included in payables from exchange transactions is R6,101,781 for debtors in credit refund. We were unable to obtain sufficient appropriate audit evidence for debtors in credit refund, as disclosed in note 9 to the financial statements, due to the status of the accounting records. We were unable to confirm the debtors in credit refund by alternative means. Consequently, we were unable to determine whether any adjustment relating to debtors in credit refund, stated at R6,101,781 in the financial statements, was necessary.

### **Responsibilities of the accounting authority for the financial statements**

7. The members of the Governing Board, which constitutes the accounting authority, is responsible for the preparation and fair presentation of the financial statements in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Public Finance Management Act 1 of 1999 (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.
8. In preparing the financial statements, the accounting authority is responsible for assessing the Schedule 3A 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 accounting authority either intends to liquidate the Schedule 3A Public Entity or to cease operations, or has no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the financial statements

9. Our responsibility is to conduct an audit of the financial statements in accordance with the International Standards on Auditing (ISAs) and to issue an auditor's report. However, because of the matters described in the basis for disclaimer of opinion section of this auditor's report, we were unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.
10. We are independent of the Schedule 3A Public Entity in accordance with the Independent Regulatory Board for Auditors' *Code of professional conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*.

## Report on the audit of the annual performance report

### Introduction and scope

11. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, we 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. We performed procedures to identify material findings but not to gather evidence to express assurance.
12. Our procedures address the usefulness and reliability of the reported performance information, which must be based on the Schedule 3A Public Entity's approved performance planning documents. We have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. Our procedures do not examine whether the actions taken by the Schedule 3A Public Entity enabled service delivery. Our 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, our findings do not extend to these matters.

13. We 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 Schedule 3A Public Entity’s annual performance report for the year ended 31 March 2021:

Objectives	Pages in the annual performance report
Objective 2 – Water Use Management	2 – 4

14. We performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. We 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.
15. We did not identify material findings on the usefulness and reliability of the reported performance information for the following objectives:
- Objective 2 – Water Use Management.

**Other matters**

16. We draw attention to the matters below.

**Achievement of planned targets**

17. Refer to the annual performance report on pages 2 to 4 for information on the achievement of planned targets for the year and management’s explanations provided for the under and over achievement of targets. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraph 15 of this report.

## Report on the audit of compliance with legislation

### Introduction and scope

18. In accordance with the PAA and the general notice issued in terms thereof, we have a responsibility to report material findings on the Schedule 3A Public Entity's compliance with specific matters in key legislation. We performed procedures to identify findings but not to gather evidence to express assurance.
19. The material findings on compliance with specific matters in key legislation are as follows:

### Annual financial statements, performance and annual report

20. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework and supported by full and proper records, as required by section 55(1)(a) and (b) of the PFMA.
21. Material misstatements of disclosure items identified by the auditors in the submitted financial statements were corrected, but the supporting records that could not be provided resulted in the financial statements receiving a disclaimer of opinion.

### Procurement and contract management

22. Some of the goods and services with a transaction value below R500 000 were procured without obtaining the required price quotations, as required by Treasury Regulation 16A6.1 and paragraph 3.3.1 of Practice Note 8 of 2007/08.
23. Some of the contracts were awarded to bidders based on evaluation/adjudication criteria that were not stipulated and/or differed from those stipulated in the original invitation for bidding as required by Treasury Regulation 16A6.3(a) and (b).
24. Some of the contracts were awarded to bidders based on functionality criteria that were not stipulated in the original invitation for bidding and quotations, as required by the 2017 Preferential Procurement Regulation 5(1) and (3).

### Expenditure management

25. Effective and appropriate steps were not taken to prevent irregular expenditure amounting to R3 503 706 as disclosed in note 22 to the annual financial statements, as



required by section 51(1)(b)(ii) of the PFMA. The majority of the irregular expenditure was caused by the fact that some of the contracts were awarded to bidders based on evaluation/adjudication criteria that were not stipulated and/or differed from those stipulated in the original invitation for bidding.

#### Other information

26. 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.
27. Our opinion on the financial statements and my findings on the reported performance information and compliance with legislation do not cover the other information and we do not express an audit opinion or any form of assurance conclusion on it.
28. In connection with our audit, our 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 our knowledge obtained in the audit, or otherwise appears to be materially misstated.
29. As a result of the disclaimer of opinion expressed on the financial statements, we do not conclude on material misstatements of the other information relating to the financial statements. If, based on the work we have performed relating to the audit of performance information and compliance with legislation, we conclude that there is a material misstatement of this other information, we are required to report that fact.
30. We have nothing to report in this regard.

#### Internal control deficiencies

31. We considered internal control relevant to our audit of the financial statements, reported performance information and compliance with applicable legislation; however, our 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 in the basis

for the disclaimer of opinion and the findings on compliance with legislation included in this report.

32. Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is available and accessible to support financial reporting. Management did not have adequate and effective monitoring and review processes implemented to ensure that the financial statements are supported by valid, accurate and complete supporting information, therefore material misstatements occurred in non-compliance with section 55 of the PFMA. This was partly due to management processes for the review of the financial statements being inadequate.

**PricewaterhouseCoopers Inc.**  
**Director: PJ Eksteen**  
**Registered Auditor**  
**Worcester, South Africa**  
**31 May 2022**



# Breede-Gouritz Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2021

## STATEMENT OF RESPONSIBILITY AND APPROVAL

In accordance with the National Water Act 36 of 1998, and Public Finance Management Act, Act 1 of 1999 as amended, the Board is required to prepare annual financial statements that comply with South African Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board (ASB) and the Public Finance Management Act (PFMA).

The Accounting Authority is responsible for establishing and implementing a system of internal control designed to provide reasonable assurance as to the integrity and reliability of the annual financial statements. Ensuring that complete, accurate and reliable accounting records for the basis of preparing annual financial statements. The financial statements include judgements and estimates that are reasonable and prudent, made by management, reviewed, and accepted by the Board.

The Board ensures that accounting policies are appropriate to the agency's circumstances. To achieve this objective, the Board rely on the system of internal controls set up and maintained by management. These controls are monitored throughout the year and all employees are required to maintain the highest ethical standards in ensuring that the agency business is conducted in a manner that is in all reasonable circumstances above reproach.

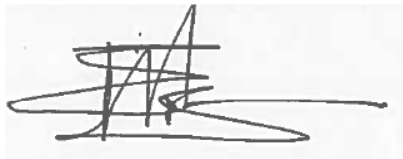
The Board is of the opinion, that the annual financial statements fairly reflect the operations of the Agency for the year ended 31<sup>st</sup> March 2021.

The Accounting Authority have reviewed the agency's cash flow forecast for the year to March 31, 2022 and, in the light of this review and the current financial position, they are satisfied that the agency has or has access to adequate resources to continue in operational existence for the foreseeable future.

The Agency is partly dependent on the Department of Water and Sanitation (DWS) for continued augmentation in the funding of operations over and above own revenue collection from water users. The annual financial statements are prepared on the basis that the agency is a going concern and that the Department of Water and Sanitation has neither the intention nor the need to liquidate or curtail materially the scale of the augmentation funding to the Agency.

The external auditors are responsible to express an independent opinion on the annual financial statements of the Agency.

The annual financial statements set out on pages 83 to 109, which have been prepared on the going concern basis, were approved by the Audit and Risks Committee together with the Governing Board were signed.



**Chairperson: Governing board**



**Acting: Chief Executive Officer**

# Breede-Gouritz Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2021

## REPORT OF THE ACCOUNTING AUTHORITY

The members of the Governing Board submit their report for the year ended 31 March 2021.

### 1. Review of activities

#### Main business and operations

The Breede-Gouritz Catchment Management Agency is responsible for the integrated management of the water resource in the Breede-Gouritz Catchment Management Area (BGCMA). The operating results and state of affairs of the agency are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

### 2. Going concern

The Board believes that the agency has adequate financial resources to continue in operation for the foreseeable future and accordingly the annual financial statements have been prepared based on accounting policies applicable to a going concern. The Board is satisfied that the agency is in a sound financial position and that it has access to sufficient resources to meet its foreseeable cash requirements. The Board is not aware of any new material changes that may adversely impact on the agency. The Board is also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation that may affect the agency.

### 3. Subsequent after the reporting period

The members are not aware of any matter of concern or circumstance arising since the end of the financial year.

### 4. Governing Board

The members of the Governing Board during the year and to the date of this report are as follows:

Name	Changes
Mr BE Mnisi (Chairperson)	
Mr TE Abrahams (Deputy-Chairperson)	
Mr AP Barnes	
Dr O Curtis-Scott	
Ms B Damane	
Mr MJ Delpont	
Ms EM Palmer	
Mr HM Rossouw	
Mr CJU Swart	
Mr Jan van Staden (Acting Chief Executive Officer)	
Mr S Maseko (DWS Ex Officio member)	Assigned on 1 April 2019

### 5. Auditors

PricewaterhouseCoopers Inc. has been appointed as auditors in accordance with Section 25 of the Public Audit Act.

# Breede-Gouritz Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2021

## REPORT OF THE AUDIT & RISKS COMMITTEE

We are pleased to present our report for the financial year ended 31 March 2021.

### Audit Committee Terms of Reference

The Audit and Risks Committee reports that it has complied with its responsibilities arising from Section 51(1)(a)(i) of the Public Finance Management Act 1 of 1999, as amended December 2010 and Treasury Regulations 27.1.8 and that it has adopted formal terms of reference as its Audit Committee charter that has been approved by the Board.

### Audit Committee Responsibility

The Audit and Risks Committee reports that it has adopted an appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

### Statutory duties

The committee's role and responsibilities include statutory duties as per the PFMA, Act 1 of 1999 and the further responsibilities assigned to it by the Board. The Committee is satisfied that it complied with its legal, regulatory and other responsibilities.

### External auditor appointment and independence

The Committee ensured that the appointment of external auditors complied with the applicable legislation relating to the appointment of auditors. The Committee in consultation with management agreed to the budgeted audit fees for the 2020/21 financial year.

### The effectiveness of Internal Financial Controls

The Audit and Risks Committee is satisfied that internal controls and systems have been in place and that these controls have functioned effectively during the period under review. The committee has overseen a process by which internal audit has performed audits according to a risk audit plan where the effectiveness of risk management and internal control systems including financial internal controls were evaluated. The findings of the evaluations formed the basis for the Committee's recommendation in this regard to the Board, in order for the Board to report thereon as well as through discussions with external audit on the result of their audits that an adequate system of internal control is being maintained to:

- Reduce the risk to an acceptable level
- Meet the business objectives
- Ensure the assets are adequately safeguarded and
- Ensure that the transactions undertaken are all recorded in the Agency's records.

The Committee is satisfied with the content and quality of monthly and quarterly reports prepared and issued by the Agency during the year under review. The committee noted that there were challenges experienced by the Agency with the handing over of the billing and revenue from Department of Water and Sanitation (WTE) in that customers will need to be continually be sensitised of these new developments.

### Internal Audit

In line with the PFMA, and the King IV Report on Corporate Governance requirements, Internal Audit provides the Audit and Risks Committee and management with assurance that internal controls are appropriate and effective. The Committee is responsible for ensuring that Agency's internal audit function is independent and has the necessary resources, standing and authority within the Agency to enable it to discharge its duties. Furthermore, the Committee oversees cooperation between internal and external auditors and serves as a link between the Board and these functions.

The Committee considered and approved the internal audit charter. The internal audit plan and three year strategic plan were approved by the Committee. The internal audit function reports administratively to the Chief Executive Officer and functionally to the Audit and Risks Committee and has responsibility for reviewing and providing assurance on the adequacy of the internal control environment across all the agency's operations. From the various reports of the internal auditors, it was noted that no matters were reported that indicate any material deficiencies in the systems of internal controls.

Areas of concern in the financial year under review are the significant doubts on the full recoverable amount of debtors on the Debtors balances that was transferred by DWS (Water trading Entity) into the Agency's book. The Agency is committed to do its best to try and recover the monies due from water users.

# Breede-Gouritz Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2021

## Governance of risk

The Committee oversees the implementation of the policy and plan for risk management taking place by means of risk management systems and processes. The Committee is satisfied that appropriate and effective systems are in place for risk management.

The Audit and Risks Committee permits the appointed external auditors, PricewaterhouseCoopers Inc., to audit the agency's annual financial statements.

The Accounting Authority have reviewed the agency's financial statements for the year ended March 31,2021 and, in the light of this review and the current financial position, they are satisfied that the agency has access to adequate resources to continue in operational existence for the foreseeable future.



**Thys Delport**  
Chairperson of the Audit and Risk Committee

**Audit and Risk Committee members:**  
Ms Bulelwa Damane  
Mr Corniè Swart





# Breede-Gouritz Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2021

## STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2021

Figures in Rand	Note(s)	2021	2020
<b>Assets</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	5	1,331,314	2,618,903
Intangible assets	6	534,850	761,939
		<b>1,866,164</b>	<b>3,380,842</b>
<b>Current Assets</b>			
Receivables from exchange transactions	7	48,082,739	47,818,536
Cash and cash equivalents	8	96,283,744	71,378,233
		<b>144,366,483</b>	<b>119,196,769</b>
<b>Total Assets</b>		<b>146,232,647</b>	<b>122,577,611</b>
<b>Net Assets and Liabilities</b>			
<b>Net Assets</b>			
Accumulated surplus		136,635,039	115,115,265
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Operating lease liability		143,694	117,948
Payables from exchange transactions	9	9,453,914	7,344,398
		<b>9,597,608</b>	<b>7,462,346</b>
<b>Total Liabilities</b>		<b>9,597,608</b>	<b>7,462,346</b>
<b>Total Net Assets and Liabilities</b>		<b>146,232,647</b>	<b>122,577,611</b>

# Breede-Gouritz Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2021

## STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31 MARCH 2021

Figures in Rand	Note(s)	2021	2020
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Other income	11	6,594	1,791
Interest received	13	8,623,574	10,787,380
Water resource management		45,032,554	38,901,490
<b>Total revenue from exchange transactions</b>		<b>53,662,722</b>	<b>49,690,661</b>
<b>Revenue from non-exchange transactions</b>			
<b>Transfer revenue</b>			
Grants received		38,690,000	44,848,400
<b>Total revenue</b>	10	<b>92,352,722</b>	<b>94,539,061</b>
<b>Expenditure</b>			
Employee related costs		(44,827,915)	(43,886,211)
Depreciation and amortization		(2,128,253)	(1,468,723)
Lease rentals on operating lease		(2,781,014)	(2,028,451)
Doubtful debt		(8,009,788)	(6,612,406)
Operating expenses	12	(13,089,392)	(17,868,394)
<b>Total expenditure</b>		<b>(70,836,362)</b>	<b>(71,864,185)</b>
Gain on disposal of assets and liabilities		3,414	-
<b>Surplus for the year</b>		<b>21,519,774</b>	<b>22,674,876</b>

# Breede-Gouritz Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2021

## STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 31 MARCH 2021

Figures in Rand

	Accumulated surplus	Total net assets
<b>Balance at 01 April 2019</b>	<b>92,440,389</b>	<b>92,440,389</b>
Surplus for the year	22,674,876	22,674,876
<b>Balance at 01 April 2020</b>	<b>115,115,265</b>	<b>115,115,265</b>
Surplus for the year	21,519,774	21,519,774
<b>Balance at 31 March 2021</b>	<b>136,635,039</b>	<b>136,635,039</b>

# Breede-Gouritz Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2021

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2021

Figures in Rand	Note(s)	2021	2020
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Cash receipts from the Department of Water and Sanitation		38,690,000	44,848,400
Interest received		2,013,661	3,530,671
Customer receipts		44,910,800	55,466,723
		<u>85,614,461</u>	<u>103,845,794</u>
<b>Payments</b>			
Cash paid to employees		(43,732,054)	(43,856,617)
Cash paid to suppliers		(16,366,736)	(20,795,266)
		<u>(60,098,790)</u>	<u>(64,651,883)</u>
<b>Net cash flows from operating activities</b>	15	<b><u>25,515,671</u></b>	<b><u>39,193,911</u></b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	5	(229,385)	(1,016,177)
Proceeds from sale of property, plant and equipment	5	4,586	3,750
Purchase of other intangible assets	6	(385,361)	(977,312)
<b>Net cash flows from investing activities</b>		<b><u>(610,160)</u></b>	<b><u>(1,989,739)</u></b>
<b>Net increase in cash and cash equivalents</b>		<b>24,905,511</b>	<b>37,204,172</b>
Cash and cash equivalents at the beginning of the year		71,378,233	34,174,061
<b>Cash and cash equivalents at the end of the year</b>	8	<b><u>96,283,744</u></b>	<b><u>71,378,233</u></b>

# Breede-Gouritz Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2021

## STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 31 MARCH 2021

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Billing Income	29,408,532	-	29,408,532	45,032,554	15,624,022	Note 5
Other income	-	-	-	6,594	6,594	Note 4
Interest Received	-	-	-	8,623,574	8,623,574	Note 1
<b>Total revenue from exchange transactions</b>	<b>29,408,532</b>	<b>-</b>	<b>29,408,532</b>	<b>53,662,722</b>	<b>24,254,190</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Transfer revenue</b>						
Government grants & subsidies	38,690,000	-	38,690,000	38,690,000	-	
<b>Total revenue</b>	<b>68,098,532</b>	<b>-</b>	<b>68,098,532</b>	<b>92,352,722</b>	<b>24,254,190</b>	
<b>Expenditure</b>						
Employee Costs	(44,218,337)	(1,001,618)	(45,219,955)	(44,827,915)	392,040	Note 7
Depreciation	-	-	-	(2,128,253)	(2,128,253)	Note 2
Public Participation & Engagement	(4,500,000)	1,927,780	(2,572,220)	(2,781,014)	(208,794)	Note 7
Bad debts written off	-	-	-	(8,009,788)	(8,009,788)	Note 3
Operating expenses	(19,380,195)	(926,162)	(20,306,357)	(13,089,392)	7,216,965	Note 6/ Note 7
<b>Total expenditure</b>	<b>(68,098,532)</b>	<b>-</b>	<b>(68,098,532)</b>	<b>(70,836,362)</b>	<b>(2,737,830)</b>	
<b>Operating surplus</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>21,516,360</b>	<b>21,516,360</b>	
Gain on disposal of assets and liabilities	-	-	-	3,414	3,414	Note 4
<b>Surplus before taxation</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>21,519,774</b>	<b>21,519,774</b>	
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>				<b>21,519,774</b>	<b>21,519,774</b>	

The accounting policies on pages 88 to 97 and the notes on pages 98 to 109 form an integral part of the annual financial statements.

The following material differences were identified during the financial year.

As a result of not including the figures below in the annual budget, it represents variances:

- Note 1: Interest received R8 623 574
- Note 2: Depreciation R2 128 253
- Note 3: Doubtful Debt R8 009 788
- Note 4: As a result of the components of other income not forming part of the normal run of business, no budget was formulated for other income.
- Note 5: Reason for higher billing is that billing income has been under estimated in the Annual Performance plan.
- Note 6: Operating Expenses variance is 35.54% This represents the under spending on operating expenses as a direct result of down scaling on operations because of the restrictions prescribed during lockdown and COVID19.
- Note 7: The reasons for changes between the approved and final budget were that an assessment of the relevant expenses and budgets necessitated adjustments in order for the budgets to cover the relevant expenses. These budgets were transferred from budgets that were under spent.

# Breede-Gouritz Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2021

## ACCOUNTING POLICIES FOR THE YEAR ENDED 31 MARCH 2021

### 1. Basis of preparation

The annual financial statements have been prepared in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP), including any interpretations of such statements issued by the Accounting Practices Board.

The financial statements have been prepared on an accrual basis in accordance with the historical cost convention.

The policies used in preparing the financial statements are consistent with those of the previous year, unless otherwise stated. The details of any change in accounting policies are explained in the relevant notes to the financial statements.

#### Going concern

The annual statements have been prepared based on the accounting policies applicable to a going concern. This basis presumes that funds will be available for finance future operations and that realisation of assets and settlement of liabilities, contingent obligation and commitments will occur in the ordinary course of business.

#### Off-setting

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

#### Materiality and aggregation

Each material class of similar items shall be presented separately in the financial statements. Items of a dissimilar nature or function shall be presented separately unless they are immaterial.

### 1.1 Presentation currency

The functional currency of the Agency is the South African Rand (R). These annual financial statements are presented in South African Rand and all amounts have been rounded to the nearest Rand.

### 1.2 Revenue

#### Revenue from Non-Exchange Transactions

A corresponding liability is raised to the extent that the grant, transfer or donations is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached, is recognised as revenue when the asset is recognised. An asset acquired through non-exchange will be measured at its fair value. At the date of acquisition where there is a condition attached to the assets a liability should be recognised at the best estimates of the amount required to settle the present obligation at the reporting date.

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

An annual transfer of revenue as per the approved Annual Performance Plan is received from the DWS WTE.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.



# Breede-Gouritz Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2021

## ACCOUNTING POLICIES FOR THE YEAR ENDED 31 MARCH 2021

### 1.2 Revenue (continued)

#### Revenue from exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an entity, which represents an increase in net assets, other than increases relating to contributions from owners. Control of an asset arises when the entity can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Water Resources Management Charges are statutory charges determined in terms of section 57 of the National Water Act (NWA) and these charges are payable to the Agency as the relevant water management institution within the Breede-Gouritz Water Management Area. These charges are statutory charges which are billed to water users in line with the water pricing strategy set tariffs based on the allocation of the amount or volume of raw water as it appears on the water users authorisation.

#### Interest

Interest is recognised, in surplus or deficit, using the effective interest method.

#### License Application Fee

Delegated authority determined an applicable fee to process applications to authorised water use.

### 1.3 Statutory receivables

Statutory Receivables are receivables that arise from legislation, supporting regulations, or similar means and require settlement by another entity in cash or another financial asset.

Statutory receivables are classified and recognised as exchange or non-exchange in accordance with the relevant standards on Revenue and essentially based on whether there is a supply of goods and services in exchange for economic benefits of similar value.

#### Initial measurement

Statutory receivables are measured at their transaction amount in accordance with the relevant standards on revenue based on the classification between exchange and non-exchange (refer accounting policy 1.2).

#### Subsequent measurement

Statutory receivables are measured at cost, plus nominally accrued interest, less any impairment recognised.

Interest is calculated using the nominal interest rate as stipulated in legislation.

#### Impairment losses

Impairment is assessed on an annual basis based on objective evidence that the entity will not be able to collect all amounts due according to the original terms of the receivables. The water resource management charges are due within 30 days from invoice date. If the client does not pay within the 30 days, the receivable is considered for impairment.

An impairment loss is recognised firstly on individually significant receivables. Thereafter, an impairment loss is recognised on a group of receivables with the same credit risk. Impairment assessments are based on objective evidence as a result of one or more events that occurred during the reporting period. For clients that have defaulted, management made judgements based on history to determine if the receivable or group of receivables have to be impaired.

If there is an indication that a statutory receivable may be impaired, the entity measures that impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable shall be reduced directly or through the use of an allowance account. The amount of the loss is recognised in the Statement of Financial Performance.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows. Any previously recognised impairment loss is adjusted by adjusting the allowance account. The amount of any adjustment is recognised in the Statement of Financial Performance.

## ACCOUNTING POLICIES FOR THE YEAR ENDED 31 MARCH 2021

### 1.3 Statutory receivables (continued)

#### Derecognition

Statutory receivables are derecognised when the asset is extinguished, settled or through transferring of all significant risks and rewards to a third party. Extinguishing the asset would usually be in terms of legislation or other similar means.

Derecognition also occurs where despite having retained some significant risks and rewards of ownership of the receivable, control of the receivable is transferred to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.

The difference between the consideration received and amount derecognised shall be recognised in the surplus or deficit of the period of transfer.

#### Transitional provisions

Every effort is made to ensure compliance with the standard, but due to the risk of omission of some items due to a lack of experience with implementing this standard, the entity is utilising the transitional provisions contained in Directive 2 that grants the entity a period of three years in order to finalise the classification and impairment methods for Statutory receivables.

The transitional period commences from 1 April 2019 and will be utilised until the period ending 31 March 2022.

### 1.4 Financial instruments

#### Initial Recognition and Measurement

Financial instrument are recognised initially when the group becomes a party to the contractual provision of the instruments. This is achieved through the application of trade date accounting.

The Agency classified financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or residual interest in accordance with the substance of the contractual arrangement.

For financial instruments which are not at fair value, transaction costs are included in the initial measurement of the instrument.

Trade and other receivables that have fixed and determinable payments that are not quoted in an active market are classified as loans and receivables.

#### Trade and other receivables

Trade and other receivables are initially recorded at fair value plus transactions costs that are directly attributable to the acquisition and subsequently stated at amortised costs, less provision for impairment. All trades and other receivables are assessed at least annually for possible impairment. A provision for impairment of trade receivables is established when there is objective evidence that the entity will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of the expected cash flows. Impairment adjustments are made through the use of an allowance account. Bad debts are written off in the year in which they are identified as irrecoverable.

#### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at amortised cost.

In accordance with GRAP 104 the financial assets of the entity are all classified as financial assets at amortised cost, except for cash floats and petty cash, which are classified as financial assets at fair value.

#### Trade and other payables

Trade payables are initially measured at fair value plus transaction costs that are directly attributable to the acquisition and are subsequently measured at amortised costs, using the effective interest rate method.

# Breede-Gouritz Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2021

## ACCOUNTING POLICIES FOR THE YEAR ENDED 31 MARCH 2021

### 1.4 Financial instruments (continued)

#### Impairment of financial assets

Cash generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the costs of the assets. Impairment is a loss in the future economic benefit or service potential of an asset, over and above the recognition of the loss of the asset's future economic benefit.

The Agency assesses at each reporting period date whether there is any indication that an asset may be impaired. If any such indication exists, the Agency estimates the recoverable amount of the asset. If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of the cash generating unit to which the asset belongs is determined.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds recoverable amount. Impairment losses are recognised in the statement of financial performance. The impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

#### Derecognition

Is the removal of a previously recognised financial asset or financial liability from the Agency's statement of financial position. A

financial asset is derecognised at trade date, when:

- The cash flow from the asset expired are settled or waived;
- Significant risks and rewards are transferrable to another party.

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

### 1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

#### Initial recognition

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits associated with the item will flow to the Agency;
- and the cost of the item can be measured reliably.

In determining recognition, the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence at the time of initial recognition is assessed and the exchange transaction evidencing the purchase of the asset identifies its cost.

#### Initial Measurement

An item of property, plant and equipment which qualifies for recognition as an asset shall initially be measured at its cost at the acquisition date.

# Breede-Gouritz Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2021

## ACCOUNTING POLICIES FOR THE YEAR ENDED 31 MARCH 2021

### 1.5 Property, plant and equipment (continued)

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

Where an asset is acquired at no cost, or for nominal cost, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

#### Subsequent Measurement – Cost Model

Subsequent to initial recognition as an asset, an item of property, plant and equipment shall be carried at its cost less any accumulated depreciation and any accumulated impairment losses.

#### Depreciation

Depreciation is charged to the profit and loss on a straight-line basis over the estimated useful life of each item of property, plant and equipment. The depreciation method used shall reflect the pattern in which the asset's economic benefits or service potential is consumed by the Agency. The depreciation charge for each asset shall be recognised as an expense unless it is included in the carrying amount of another asset.

Depreciation is provided using the straight-line method to write down the cost, less initial estimated residual value over the useful life of the property, plant and equipment, which is as follows:

Item	Item
Furniture and fixtures	5 - 12 years
Motor vehicles	5 - 11 years
Office equipment	5 - 12 years
IT equipment	5 - 12 years
Leasehold improvements	5 - 11 years
Security system	12 years

The residual value and the useful life of each asset are reviewed at each financial period-end. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately over its useful life.

#### Impairment

All the Agency's items of property, plant and equipment are considered to be non-cash generating assets as no commercial return is generated from these assets.

The carrying amounts of assets are reviewed at each reporting date to determine whether there is an indication of impairment. If there is an indication that an asset may be impaired, its recoverable service amount is estimated. The estimated recoverable service amount is the higher of the asset's fair value less cost to sell and its value in use. When the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. The reduction is an impairment loss.

The value in use is determined through depreciated replacement cost, restoration cost approach or service units approach. The decision to the approach to use is dependent on the nature of the identified impairment.

The impairment loss is recognised immediately in the Statement of Financial Performance. After the recognition of an impairment loss, the depreciation charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value if any, on a systematic basis over its remaining useful life.



# Breede-Gouritz Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2021

## ACCOUNTING POLICIES FOR THE YEAR ENDED 31 MARCH 2021

### 1.5 Property, plant and equipment (continued)

#### Derecognition

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the assets. The gain or loss arising from the derecognition of an item of property, plant and equipment is included in the Statement of Financial Performance when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

### 1.6 Intangible assets

#### Initial Recognition

Intangible asset is recognised when:

- it is probable that the expected future economic benefits that are attributable to the assets will flow to the Agency and
- the cost of the asset can be measured reliably.

The Agency has no internally generated intangible assets.

#### Initial Measurement

Intangible assets are initially measured at cost.

Acquired computer software is capitalised on the basis of the costs incurred to acquire and bring into use the specific software. Costs associated with researching or maintaining computer software programmes are recognised as an expense as incurred.

Where an intangible asset is acquired through a non-exchange transaction, the cost shall be its fair value as at the date of acquisition.

#### Amortisation

Amortisation is charged to the Statement of Financial Performance on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Other intangible assets are amortised from the date they are available for use.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Item
Computer software	2 - 5 years

Intangible assets are considered to have finite useful lives. Amortisation begins when the asset is available for use.

#### Impairment

All items of intangible assets are considered to be non-cash generating assets as no commercial return is expected from these.

The entity tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is performed at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable service amount, it is written down immediately to its recoverable service amount and an impairment loss is charged to the Statement of Financial Performance.

# Breede-Gouritz Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2021

## ACCOUNTING POLICIES FOR THE YEAR ENDED 31 MARCH 2021

### 1.6 Intangible assets (continued)

#### Derecognition

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as a difference between the net sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

### 1.7 Leases

A lease where the Agency assumes substantially all the risks and rewards of ownership are classified as finance leases. All other leases are classified as operating leases.

#### Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease liability. This liability is not discounted.

### 1.8 Employee benefits

#### Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employee rendered the related services. Such short term employee benefits include items such as:

- Wages, salaries and social security contributions;
- Bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employee rendered the related services; and
- Non-monetary benefits (for example, medical aid, medical care, housing, cell phone and any other benefits) for current employees.

Short-term employee benefits are measured on an undiscounted basis and are expensed as the related service is provided.

An accrual is recognised for the amount expected to be paid under short-term cash benefits if the Agency has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably. The cost of all short term employee benefits is recognised during the period in which the employee renders the related service.

The liability for employee entitlements to wages, salaries and annual leave represents the amount which the Agency has a present obligation to pay as a result of employees' services provided to the Statement of Financial Position date. The liability has been calculated at undiscounted amounts based on current wage and salary rates.

#### Long term employee benefits

Are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the reporting period in which the employee rendered the related service.

Long term service award e.g. one lump sum amount and long service award certificate will be given to the employee depending on the number of years as stipulated on the policy.

#### Defined contribution plans

The Agency provides benefit to all its employees. The BGCMA is a member of GEPF pension fund which is subject to the Pension Fund Act. The Agency is under no obligation to cover any unfunded benefits.

The contributions of the fund obligations for the payment of the retirement benefits are charged against the Statement of Financial Performance in the year they become payable.

# Breede-Gouritz Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2021

## ACCOUNTING POLICIES FOR THE YEAR ENDED 31 MARCH 2021

### 1.9 Commitment and provisions

#### 1.9.1 Commitments

Commitments are future expenditure to which the entity committed and that will result in the outflow of resources. Commitments are not recognised in the Statement of Financial Position as a liability or as expenditure in the Statement of Financial Performance, but are included in the disclosure Notes. A distinction is made between capital and current commitments.

Lease commitments as defined per GRAP 13: Leases are disclosed in note 19.

Commitments are disclosed for:

- Items are classified as capital commitments where the agency commits itself to future transactions that will normally result in the outflow of resources;
- Approved and contracted capital commitments, where the expenditure has been approved and the contract has been awarded at the reporting date, where disclosure is required by a specific standard of GRAP.

#### 1.9.2 Provisions

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation. Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the Agency settles the obligation. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Provisions are not recognised for future operating losses.

### 1.10 Use of Estimates, Judgements and assumptions

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates and assumptions are recognised in the period of which the estimate and assumption is revised.

Assumptions and estimation uncertainties that may have significant risk of resulting in a material adjustment within the next financial year include:

- Useful lives and residual values
- Measurement of fair value
- Receivable from Exchange Transaction (including statutory receivable)

Detail on the nature of these estimates is provided below, and quantification of the affected items provided in the notes to the financial statements, as applicable.

#### Useful lives and residual values

The useful lives and residual values of property, plant and equipment as well as the useful lives of the intangibles are reviewed at each reporting date. The useful lives are estimated, by management, based on historic analysis and other available information. The residual values are estimated based on useful lives as well as other available information.

Property, plant and equipment, is depreciated on the straight-line basis over their expected useful lives to their estimated residual value.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values.

#### Fair value

Fair value measurement estimates the price at which an orderly transaction to the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions.



# Breede-Gouritz Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2021

## ACCOUNTING POLICIES FOR THE YEAR ENDED 31 MARCH 2021

### 1.10 Use of Estimates, Judgements and assumptions (continued)

#### Receivable from Exchange Transaction (including statutory receivable)

Trade and other receivables are initially recognised at fair value plus transactions costs that are directly attributable to the acquisition and subsequently stated at amortised cost, less provision for impairment. All trade and other receivables are assessed at least annually for possible impairment.

A provision for impairment of trade receivables is established when there is objective evidence that the entity will not be able to collect all amounts due according to the original terms of receivables. The water resource management charges are due within 30 days from invoice date. If client do not pay within 30 days, the receivable is considered for impairment.

An impairment loss is recognised firstly on individually significant receivables. Thereafter, an impairment loss is recognised on a group of receivables with the same credit risk. Impairment assessments are based on objective evidence as a result of one or more events that occurred during the reporting period. For clients that have defaulted, management made judgements based on history to determine if the receivable or group of receivables have to be impaired.

The current year impairment is based on management's best estimate of the expected cash flows for amounts that are outstanding.

#### Budget Information

Variances of 20% or more between budget and actual amounts or quantitative material variances are regarded as material. All material differences are explained in the notes to the annual financial statements.

## 2 Unauthorised, Irregular, Fruitless and Wasteful Expenditure

### 2.1 Unauthorised expenditure

Unauthorised Expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, entity or organ of state., and expenditure in the form of a grant that is not permitted in terms of the Public Finance Management Act (Act No 1 of 1999).

All expenditure relating to Unauthorised Expenditure is accounted for as an expense in Surplus or Deficit in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in Surplus or Deficit.

### 2.2 Irregular expenditure

Irregular Expenditure is expenditure that is contrary to the Public Finance Management Act (Act No 1 of 1999), the Public Office Bearers Act (Act No 20 of 1998), Treasury Regulations or is in contravention of the Entities' Supply Chain Management Policies. Irregular Expenditure excludes Unauthorised Expenditure.

Irregular Expenditure is accounted for as an expense in Surplus or Deficit in the period it occurred and where recovered, it is subsequently accounted for as revenue in Surplus or Deficit.

### 2.3 Fruitless and wasteful expenditure

Fruitless and Wasteful Expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to Fruitless and wasteful expenditure is accounted for as expenditure in Surplus or Deficit in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in Surplus or Deficit.

## 3 Related parties

A related party is a person or an entity with the ability to control or jointly control the agency, or exercise significant influence over the agency, or vice versa, or an entity that is subject to common control.

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions.

# Breede-Gouritz Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2021

## ACCOUNTING POLICIES FOR THE YEAR ENDED 31 MARCH 2021

### 3 Related parties (continued)

An entity is related to the reporting entity where they are members of the same economic entity or controlled by the same group of individuals or related individuals who exercise significant influence over their operational and financial decision making (such as group, associate or joint venture).

Management is regarded as a related party and comprises the non-executive members of the governing board, executive management and persons having the authority and responsibility for planning, directing and controlling the activities of the reporting agency.

Remuneration of management includes remuneration derived for services provided to the agency in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the agency for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration. Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the agency.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

Close members of the family of a person are those family members who may be expected to influence or be influenced by that person in their dealings with the agency such as:

- A person married to or live together in a relationship similar to a marriage.
- People who are separated by no more than two degrees of natural or legal consanguinity or affinity.

# Breede-Gouritz Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2021

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

### 4. New standards and interpretations

#### 4.1 Standards and interpretations effective and adopted in the current year

The following GRAP standards and interpretations became effective for the current financial year and are relevant to the Agency operations:

- |  |                                   |  |
|--|-----------------------------------|--|
| • GRAP 34 – Separate Financial Statements                | with effective date 01 April 2020 | The impact of the pronouncement is not material. |
| • GRAP 35 – Consolidated Financial Statements            | with effective date 01 April 2020 |  |
| • GRAP 36 – Investments in Associates and Joint Ventures | with effective date 01 April 2020 | As above   |
| • GRAP 37 – Joint Arrangements                           | with effective date 01 April 2020 | As above   |
| • GRAP 38 – Disclosure of Interests in Other Entities    | with effective date 01 April 2020 | As above   |
| • GRAP 110 – Living and Non-living Resources             | with effective date 01 April 2020 | As above   |

#### 4.2 Standards and interpretations issued, but not yet effective

The following GRAP standards have been published but are not yet effective and have not been early adopted by the Agency.

Standard/ Interpretation: Years beginning on or after	Effective date:	Expected impact:
• GRAP 104 (amended): Financial Instruments	Effective date to 01 April 2025	Unlikely there will be a material impact
• GRAP 25: Employee benefit	Effective date to 01 April 2023	As above

# Breede-Gouritz Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2021

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

Figures in Rand

2021

2020

### 5. Property, plant and equipment

	2021			2020		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Leasehold property	560,595	(557,041)	3,554	689,936	(579,233)	110,703
Scientific equipment	151,004	(138,040)	12,964	151,004	(107,839)	43,165
Furniture and fixtures	3,063,172	(2,463,987)	599,185	3,084,406	(2,135,722)	948,684
Motor vehicles	2,296,184	(2,213,881)	82,303	2,306,334	(1,857,514)	448,820
IT equipment	4,285,159	(3,651,851)	633,308	5,076,416	(4,008,885)	1,067,531
<b>Total</b>	<b>10,356,114</b>	<b>(9,024,800)</b>	<b>1,331,314</b>	<b>11,308,096</b>	<b>(8,689,193)</b>	<b>2,618,903</b>

#### Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Disposals	Accumulated depreciation on disposals	Depreciation	Total
Leasehold property	110,703	-	(129,341)	129,341	(107,149)	3,554
Scientific equipment	43,165	-	-	-	(30,201)	12,964
Furniture and fixtures	948,684	46,440	(67,674)	66,502	(394,767)	599,185
Motor vehicles	448,820	-	(10,150)	10,150	(366,517)	82,303
IT equipment	1,067,531	182,945	(974,202)	974,202	(617,168)	633,308
	<b>2,618,903</b>	<b>229,385</b>	<b>(1,181,367)</b>	<b>1,180,195</b>	<b>(1,515,802)</b>	<b>1,331,314</b>

#### Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Disposals	Accumulated depreciation on disposals	Depreciation	Total
Leasehold property	214,851	-	-	-	(104,148)	110,703
Scientific equipment	73,366	-	-	-	(30,201)	43,165
Furniture and fixtures	1,133,226	123,323	-	-	(307,865)	948,684
Motor vehicles	901,855	-	-	-	(453,035)	448,820
IT equipment	467,816	892,854	(195,557)	176,001	(273,583)	1,067,531
	<b>2,791,114</b>	<b>1,016,177</b>	<b>(195,557)</b>	<b>176,001</b>	<b>(1,168,832)</b>	<b>2,618,903</b>

There are no restrictions or property, plant and equipment pledged as securities.

Repairs and maintenance including to leasehold improvements amounted to R123 530 (2020: R1 408 926).

# Breede-Gouritz Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2021

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

Figures in Rand

2021

2020

### 6. Intangible assets

	2021			2020		
	Cost	Accumulated amortisation and accumulated impairment	Carrying value	Cost	Accumulated amortisation and accumulated impairment	Carrying value
Software ArcGIS Server	2,508,884	(1,974,034)	534,850	2,123,522	(1,361,583)	761,939

#### Reconciliation of intangible assets - 2021

	Opening balance	Additions	Amortisation	Total
Software ArcGIS Server	761,939	385,361	(612,450)	534,850

#### Reconciliation of intangible assets - 2020

	Opening balance	Additions	Amortisation	Total
Software ArcGIS Server	84,519	977,312	(299,892)	761,939

### 7. Receivables from exchange transactions

Recoverable Debtors	47,784,051	47,577,889
Gross debtors	146,114,938	137,898,988
Allowance for doubtful debts	(98,330,887)	(90,321,099)
Prepayments and deposits	298,688	240,647
	<b>48,082,739</b>	<b>47,818,536</b>

### 8. Cash and cash equivalents

Cash and cash equivalents consist of:

Petty cash	1,264	1,134
Bank balances	4,250,936	1,042,460
CMA Cashier Breede Gouritz	26,831	26,831
Bank Balances Deposit Account	92,004,713	70,307,808
	<b>96,283,744</b>	<b>71,378,233</b>

Cash and cash equivalents comprise of cash held and short-term deposits. The carrying amount of these assets approximates their fair value.

The BGCMA has a fuel credit card facility with ABSA Bank for the purchase of fuel

	50,000	50,000
--	--------	--------

### 9. Payables from exchange transactions

Trade payables	344,590	808,625
Accrued leave pay	2,256,107	1,355,482
Staff bonus accrual	751,436	556,200
Debtors in credit refund	6,101,781	4,624,091
	<b>9,453,914</b>	<b>7,344,398</b>

The fair value of trade and other payables approximate their carrying values. The carrying amount of these payables approximates fair value due to the short period to maturity of these instruments.

# Breede-Gouritz Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2021

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

Figures in Rand		2021	2020
<b>10. Revenue</b>			
Government grants & subsidies		38,690,000	44,848,400
Other income	11	6,594	1,791
Interest received		8,623,574	10,787,380
Billing for water resource management		45,032,554	38,901,490
		<b>92,352,722</b>	<b>94,539,061</b>
<b>Revenue relating to non-exchange transactions</b>			
Grants received		38,690,000	44,848,400
<b>Revenue relating to exchange transactions</b>			
Other income	11	6,594	1,791
Interest received		8,623,574	10,787,380
Billing for Water Resource Management		45,032,554	38,901,490
		<b>92,352,722</b>	<b>94,539,061</b>
<b>11. Other income</b>			
Registration fees received		6,594	1,791
<b>12. Operating expenses</b>			
Advertising		177,062	143,363
Auditors remuneration		683,727	860,539
Bank charges		36,599	38,329
Cleaning		188,058	109,988
Conferences and seminars		27,617	30,566
Consulting and professional fees		1,386,666	2,756,516
Consumables		5,998	13,460
Electricity		253,540	146,790
Equipment hire		150,087	158,846
Fines and penalties		600	4,630
Fleet - fuel		93,571	208,684
IT expenses		812,791	489,139
Insurance		616,688	562,120
Loss on disposal of assets		-	15,806
Maintenance of Water Dams		2,214,513	2,004,307
Placement fees		482,320	971,779
Postage and courier		87,629	131,225
Printing and stationery		378,003	382,264
Promotions and sponsorships		3,957,950	5,583,822
Repairs and maintenance consumables		123,530	188,603
Security		94,983	145,540
Subscriptions and membership fees		193,602	183,661
Telephone and fax		771,764	751,232
Training		66,952	108,368
Travel - local		278,799	1,819,804
Uniforms		1,366	53,932
Vehicles licenses		4,977	5,081
		<b>13,089,392</b>	<b>17,868,394</b>
<b>13. Interest revenue</b>			
Interest received from ABSA		2,013,662	3,530,671
Interest charged to late payments		6,609,912	7,256,709
		<b>8,623,574</b>	<b>10,787,380</b>

# Breede-Gouritz Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2021

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

Figures in Rand	2021	2020
<b>14. Auditors' remuneration</b>		
Audit fees (internal and external)	683,727	860,539
<b>15. Cash generated from operations</b>		
Surplus	21,519,774	22,674,876
<b>Adjustments for:</b>		
Depreciation and amortisation	2,128,253	1,468,723
Loss on sale of property, plant and equipment	-	15,806
Gain on disposal of assets and liabilities	(3,414)	-
Interest received	-	-
Movements in operating lease assets and accruals	25,746	(103,040)
Doubtful debts	8,009,788	6,612,406
Movements in accrued leave pay and staff bonuses accrual	1,095,861	29,594
<b>Changes in working capital:</b>		
Receivables from exchange transactions	(8,273,992)	11,668,155
Payables from exchange transactions	1,013,655	(3,172,609)
	<b>25,515,671</b>	<b>39,193,911</b>

## 16. Related parties

Relationships Executive management

Department of Water and Sanitation  
Governing Body

Executive Authority  
Accounting Authority

The Governing Body includes the following members:

Mr BE Mnisi (Chairperson)  
Mr TE Abrahams (Deputy-Chairperson)  
Mr AP Barnes  
Dr O Curtis-Scott  
Ms B Damane  
Mr MJ Delpont  
Ms EM Palmer  
Mr HM Rossouw  
Mr CJU Swart  
Mr J. Van Staden (Acting Chief Executive Officer)  
Mr S Maseko (DWS Ex Officio member)

### Related party balances

#### Department of Water and Sanitation

Receivables	5,178,509	4,644,624
Provision for doubtful debts	(5,178,509)	(4,644,624)

### Related party transactions

#### Grants received from related parties

Department of Water and Sanitation	(38,690,000)	(44,848,400)
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The Agency has a related party called Department of Water and Sanitation and transaction or amount received from the related party for operational expenses have been disclosed under note 10 to the financial statements.



# Breede-Gouritz Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2021

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### Remuneration

#### Executive

##### 2021

	Basic salary	Pension	Other short-term benefits and allowances	Total
Mr. JW Van Staden (Acting Chief Executive Officer)	925,175	191,547	731,446	1,848,168
Ms. Z Mngoma (Chief Financial Officer)	925,175	191,547	563,086	1,679,808
PT Mahlaba (Acting Senior Manager - Water Resources)	561,982	116,352	691,123	1,369,457
	<b>2,412,332</b>	<b>499,446</b>	<b>1,985,655</b>	<b>4,897,433</b>

##### 2020

	Basic salary	Bonuses	Pension	Other short-term benefits and allowances	Total
Mr. JW Van Staden (Acting Chief Executive Officer)	897,574	28,440	184,003	696,543	1,806,560
Ms. Z Mngoma (Chief Financial Officer)	897,574	42,660	184,003	533,032	1,657,269
PT Mahlaba (Acting Senior Manager - Water Resources)	539,848	25,531	111,769	674,511	1,351,659
	<b>2,334,996</b>	<b>96,631</b>	<b>479,775</b>	<b>1,904,086</b>	<b>4,815,488</b>

#### Non-executive

##### 2021

	Members' fees	Total
Chairman	48,866	48,866
Deputy Chairman	19,069	19,069
Non-executive members	68,251	68,251
	<b>136,186</b>	<b>136,186</b>

##### 2020

	Members' fees	Total
Chairman	39,506	39,506
Deputy Chairman	19,073	19,073
Non-executive members	124,516	124,516
	<b>183,095</b>	<b>183,095</b>

## 17. Defined contribution plan

### Pension fund

The Breede-Gouritz Catchment Management Agency provides retirement benefits to its employees. The amount was recognized as an expense in the Statement of Financial Performance. The total pension fund contributions for the 2021 financial year amounted to R5,687,811 compared with R5,449,922 for the 2020 financial year.

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### 17. Defined contribution plan (continued)

The entity accounts for this defined benefit state plan as a defined contribution plan, as there is no consistent and reliable basis for allocating the obligation, plan assets and cost to the individual employers participating in the plan and the plan exposes the participating employers to actuarial risks associated with the current and former employees of other employers participating in the plan. That statutory valuation performed as at 31 March 2018 stated that net assets of the fund amounted to R1 800 068 000 (31 March 2016: R1 629 923 000) with funding levels of 108.3% (31 March 2016: 115.8%). The contribution rate paid by employers (13 %) and members (7.5 %) is sufficient to fund the benefits accruing from the fund in the future. The entity has 63 members (2019-20: 65 members) that are members of this fund.

### 18. Financial risk management

#### Financial risk factors

The management of the Agency has overall responsibility for the establishment and monitoring of the Agency's risk management policies and procedures which have been established to identify and analyse the risks faced by the Agency, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and procedures are reviewed regularly to reflect changes in market conditions and the Agency's activities.

The entity's activities expose it to a variety of financial risk (including currency risk and interest rates will affect the entity's income. The objective of market risk management is to manage and control market risk exposure within rate risk and price risk), credit risk, liquidity risk and interest rate risk.

#### (a) Market risk

Market risk is the risk that changes in the market prices, such as foreign exchange rates and interest rates will affect the entity's income. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimising the return. The entity's exposure to changes in the interest rates is on a floating rate basis to funds invested with reputable financial institutions.

#### (b) Credit risk

Credit risk is the risk of financial loss to the entity if a customer or counterpart to a financial instrument fails to meet its contractual obligations, and arises principally from the entity's receivables from customers. An allowance for impairment is established based on managements' estimate of identified incurred losses in respect of specific trade and other receivables bad debts identified are written off as they occur. There is no significant concentration of unsecured credit risk. Reputable financial institutions are used for investing and cash handling purposes.

#### (c) Liquidity risk

Liquidity risk is the risk that the entity will not be able to meet its financial obligations as they fall due. The entity's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liability when due. The liquidity risk is considered as low, because the entity has adequate funds at their disposal.

#### Liquidity risk

The carrying amounts of financial liabilities at the reporting date were the other payables of R3,352,133 for the 2021 financial year compared with R2,720,307 for the 2020 financial year. The contractual maturities for other payables outstanding at 31 March 2021 are 12 months or less. These are payable on demand and most accurately reflects the short-term nature of trading activities.

#### Other Payables

	Payable within 1 month	Payable 3 to 12 months	Total
2020	808,625	1,911,682	2,720,307
2021	344,590	3,007,543	3,352,133
	<b>1,153,215</b>	<b>4,919,225</b>	<b>6,072,440</b>

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Annual Financial Statements for the year ended 31 March 2021

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### 18. Financial risk management (continued)

#### Credit risk

##### Water resource management charges

Current (0 - 30 days)	23,117,879	26,533,900
31 - 60 days	158,958	6,467,301
61 - 90 days	586,918	-
90 days+	122,251,184	104,925,787
	<b>146,114,939</b>	<b>137,926,988</b>

##### Impairment Aging

Current (0 - 30 days)	(15,557,626)	(17,379,178)
31 - 60 days	(106,974)	(4,235,954)
61 - 90 days	(394,978)	-
90 days+	(82,271,309)	(68,705,967)
	<b>(98,330,887)</b>	<b>(90,321,099)</b>

Statutory receivables included in receivables from exchange transactions above are as follows:

Water resource management charges	146,114,939	137,926,988
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#### Statutory receivables general information

Receivable type	Revenue type	Legislation that gives rise to the transactions	Rates and interest	Impairment considerations
Water resource management charges	Exchange	National Water Act 36 of 1998	The Act determines rates and interest charged.	Firstly on individually significant receivables, thereafter on a group of receivables with the same credit risk based on the collection rate.

#### Interest on other charges levied/charged

Interest was only charged on outstanding on water resource management accounts. No other levies were charged.

#### Discount rate applied to the estimated future cash flows

Interest is calculated using the nominal interest rate as stipulated in the legislation (prime + 1%). This rate is also considered an appropriate discount rate.

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### 18. Financial risk management (continued)

#### Statutory receivables past due but not impaired

Statutory receivables which are not current are considered as past due. At 31 March 2021, R24 666 172 (2020:R21 043 989) were past due not impaired.

No statutory receivables are pledged as security.

The ageing of amounts past due but not impaired is as follows:

	2021 Past due	2021 Impaired	2021 Past due not impaired
31 - 60 days	158,958	(106,974)	51,984
61 - 90 days	586,918	(394,978)	191,940
90 days+	122,251,184	(82,271,310)	39,979,874
	<b>122,997,060</b>	<b>(82,773,262)</b>	<b>40,223,798</b>

	2020 Past due	2020 Impaired	2020 Past due not impaired
31 - 60 days	6,467,301	(4,235,954)	2,231,347
90 days+	104,897,787	(68,705,968)	36,191,819
	<b>111,365,088</b>	<b>(72,941,922)</b>	<b>38,423,166</b>

#### Factors the entity considered in assessing statutory receivables past due but not impaired

Receivables are assessed in terms of an objective evidence as a result of one or more events that occurred during the reporting period. Some debtors are therefore past due, but the balances are still expected to be recoverable based on payment patterns reflecting a positive recovery rate.

#### Reconciliation of provision for impairment for statutory receivables

Opening balance	90,321,099	83,708,693
Contributions	8,009,788	6,612,406
Reversal to allowance	-	-
<b>Closing balance</b>	<b>98,330,887</b>	<b>90,321,099</b>

#### Main events and circumstances that led to the recognition or reversal of impairment losses on statutory receivables Significant impairment losses recognised or reversed

**Water resource management charges:** Impairment recognised: Annually, the outstanding receivables are assessed in terms of GRAP 104. The impairment loss is similar to our expectation, but quantitatively the impairment is significant and therefore disclosed separately.

The credit quality of receivables that are neither past due nor impaired can be assessed to historical information. The entity's historical experience in collection of receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the entity's receivables.

The allowance for impairment was calculated after grouping all the financial assets of similar nature and risk ratings, and by calculating the historical payment ratios for the groupings.

#### Changes in accounting policy

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice on a basis consistent with the prior year except for the adoption of GRAP 108: Statutory Receivables.

# Breede-Gouritz Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2021

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### 18. Financial risk management (continued)

#### GRAP 108: Statutory Receivables

During the year, the entity adopted its accounting policy with respect to the treatment of GRAP 108: Statutory Receivables. The significant judgements were also updated accordingly. The standard does not significantly impact measurement of these receivables, but resulted in additional disclosures as per note 18.

#### Interest rate risk

The carrying amount of financial assets and financial liabilities represent the maximum interest exposure. The maximum exposure to interest risk at the reporting date in respect of floating interest rate instruments amounted to R96,255,649 (Cash and cash equivalents) for the 2021 financial year compared with R71,350,268 for the 2020 financial year. The maximum exposure to interest risk at the reporting date in respect of interest bearing instruments amount to R344,590 (trade payables) for the 2021 financial year compared to R808,625 for the 2020 financial year.

A change of 50 basis points in interest rate at reporting date would have increased/(decreased) the deficit or surplus by R419,015 for the 2021 financial year and R263,742 for the 2020 financial year.

### 19. Commitments

#### Operating Premise Lease Commitments

##### Minimum lease payments due

- within one year	2,477,605	2,004,226
- in second to fifth year inclusive	8,639,947	1,107,198
- later than five years	-	-

##### Minimum lease payments

11,117,552	3,111,424
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#### Operating Equipment Lease commitments

##### Leased office equipment

- within one year	134,383	71,179
- in second to fifth year inclusive	291,688	125,851
- later than five years	-	-

426,071	197,030
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Leases premises are contracted for periods between 2 and 5 years with further renewal option. The commitment above comprise of future minimum lease payments under non-cancellable operating leases. Escalation on the different leases varies between 5% to 8%.

Lease equipment relates to the rental contracts on printing and office equipment contracted for a period of 5 years. The commitments above comprise of future minimum lease payments under non-cancellable operating leases.

#### Capital commitments

##### Operating project commitments

##### Approved and contracted for

Breede-River Alien Clearing Project	-	200,533
Commitments for the validation and verification of water use in respect of the 2020/21 financial year	3,549,261	3,549,261

3,549,261	3,749,794
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##### Capital project commitments

##### Approved and contracted for

Rainwater tanks project	152,284	874,660
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##### Approved and not yet contracted for

Social Upliftment	464,842	999,102
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##### Total project commitments

4,166,387	5,623,556
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# Breede-Gouritz Catchment Management Agency

Annual Financial Statements for the year ended 31 March 2021

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

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### 20. Reconciliation between Statements of Financial Performance

The entity obtained resources in the form of a government grant R38,690,000 from the Department of Water and Sanitation and were used in accordance with the approved budget. The approved budget covers the period 1 April 2020 to 31 March 2021.

The financial statements and the budget were not on the same basis of accounting, thus reconciliation between the statement of financial performance and the approved budget were included in the financial statements as per below.

Reconciliation between the actual amounts on a comparable basis as presented in the statement of comparison of budget and actual amount and actual amounts in the cash flow statement for the period ended 31 March 2021

	Operating	Financing	Investing	Total
Actual amount on comparable basis as presented in the budget and actual comparative statement	21,519,774	-	-	21,519,774
Basis differences	3,995,897	-	(610,160)	3,385,737
Entity Differences	-	-	-	-
Actual amount in the cash flow statement	25,515,671	-	(610,160)	24,905,511

### 21. Financial instruments

#### Categories of financial instruments

#### 2021

##### Financial assets

	At fair value	At amortised cost	Total
Receivables from cash exchange transactions	-	48,082,739	48,082,739
Cash and cash equivalents	28,095	96,255,649	96,283,744
	<b>28,095</b>	<b>144,338,388</b>	<b>144,366,483</b>

##### Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	3,352,133	3,352,133

#### 2020

##### Financial assets

	At fair value	At amortised cost	Total
Receivables from exchange transactions	-	47,818,536	47,818,536
Cash and cash equivalents	27,965	71,350,268	71,378,233
	<b>27,965</b>	<b>119,168,804</b>	<b>119,196,769</b>

##### Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	2,720,307	2,720,307

# Breede-Gouritz Catchment Management Agency

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<b>22. Irregular expenditure</b>		
Opening balance	-	-
Add: Irregular expenditure - current	892,301	-
Add: Irregular expenditure - prior years (2015 to 2020)	2,611,406	-
Less: Approved/Condoned by Governing Board	(3,503,707)	-
<b>Closing balance</b>	<b>-</b>	<b>-</b>
<b>Incident</b>		
Due process not followed when 3 quotations were not obtained	125,464	-
Non-compliance with Treasury Regulation 16A8.4 - No declaration of interest	117,397	-
Non-compliance with Treasury Regulation 16A6.3(b) - Evaluation and adjudication criteria	649,440	2,611,406
	<b>892,301</b>	<b>2,611,406</b>

### Due process not followed when 3 quotations were not obtained:

During the 2020/21 financial year, irregular expenditure amounting to R125 464 was identified where the reasons were not recorded and approved by a delegated official in instances where three written price quotations were not obtained.

### Non-compliance with Treasury Regulation 16A8.4:

During the 2020/21 financial year, irregular expenditure amounting to R117 397 was identified where the declaration of interest was not completed and signed by the winning supplier.

### Non-compliance with Treasury Regulation 16A6.3(b):

During the 2020/21 financial year, irregular expenditure was identified with regards to the procurement of travel services, internal and external audit services where the bid documentation did not include the evaluation and adjudication criteria, including the criteria prescribed in terms of the Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000) and the Broad Based Black Economic Empowerment Act, 2003 (Act No. 53 of 2003).