



**Sedibeng  
WATER**



# **ANNUAL REPORT 2019 | 2020**

“Sustaining the source and flow of life forever”



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# CORPORATE PROFILE



## INTRODUCTION

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

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

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

## VISION AND MISSION

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

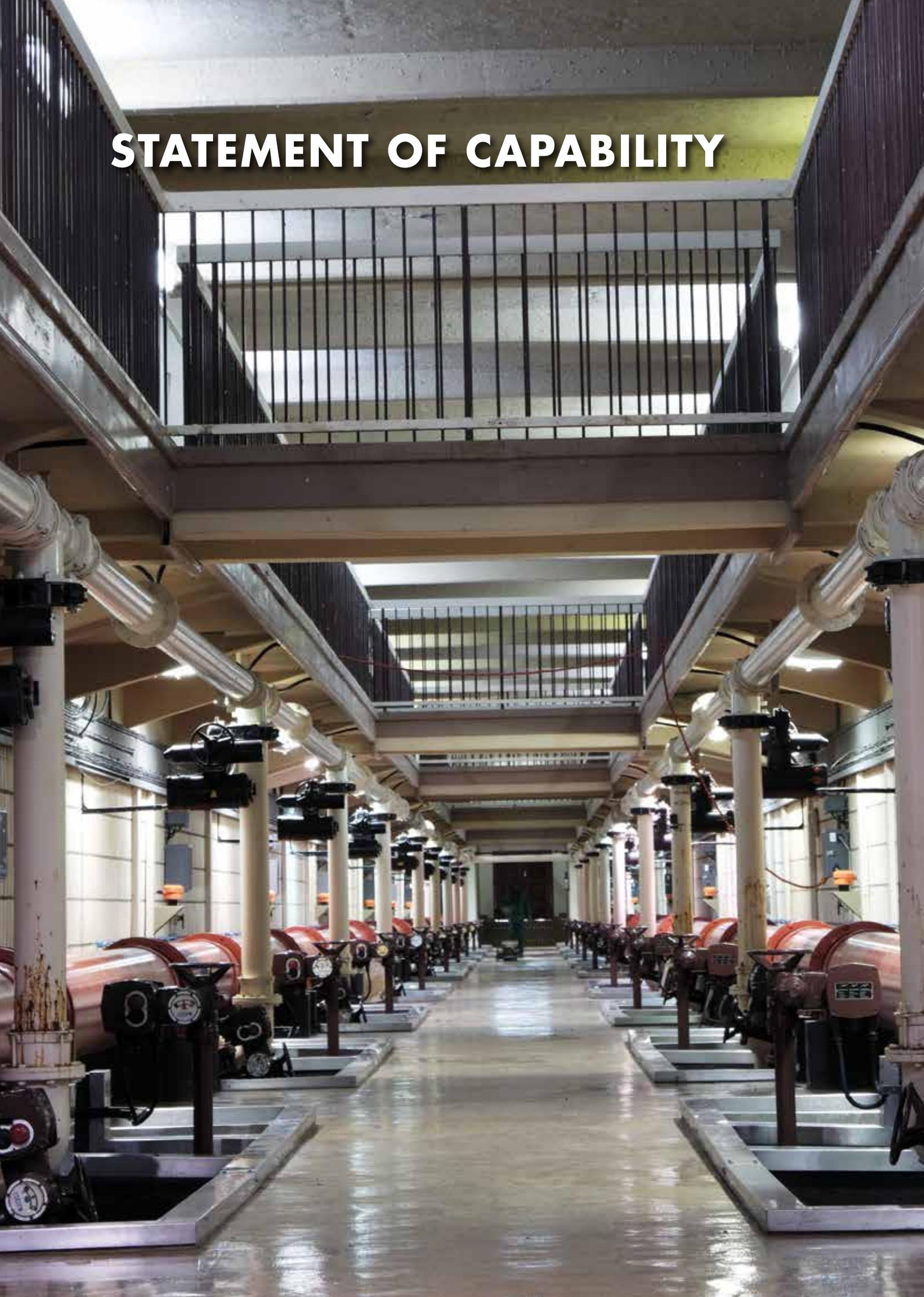
Sedibeng Water's mission statement underpins this excellence by focusing on:

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

## CORPORATE PHILOSOPHY AND VALUES

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

# STATEMENT OF CAPABILITY



### **TECHNICAL SERVICES**

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

### **SOCIAL SERVICES AND COMMUNITY INVOLVEMENT**

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

### **WASTEWATER TREATMENT**

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

### **WATER QUALITY MANAGEMENT IN NETWORK AND ENVIRONMENTAL SERVICES**

- Chemical analysis;
- Bacteriological analysis;
- Toxicity testing; and
- Consultancy (waste disposal and pollution control).

### **WATER AND WASTEWATER MANAGEMENT SERVICES**

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

### **OPERATIONS AND MAINTENANCE SERVICES**

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

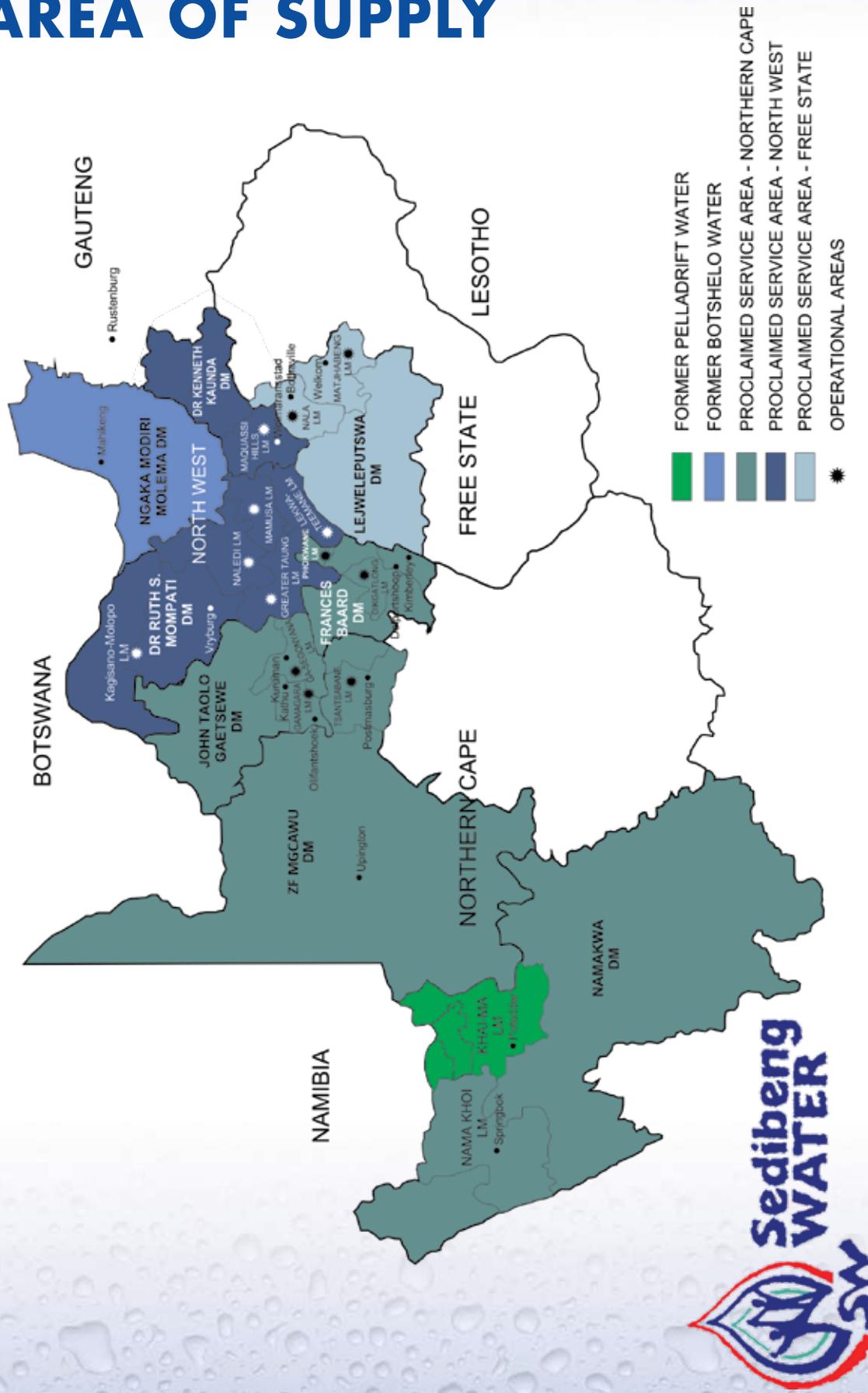
### **WATER PURIFICATION**

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

### **TRAINING AND DEVELOPMENT SERVICES**

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

# AREA OF SUPPLY



# FOREWORD BY THE MINISTER OF HUMAN SETTLEMENTS, WATER AND SANITATION



**Ms. Lindiwe Sisulu (MP)**

Minister of Human Settlements, Water and Sanitation

Climate change affects the availability, quantity and quality of water upon which all life depends. As such, climate change is also having a profound impact on South Africa's water resources evidenced by extreme weather conditions and unpredictability of water availability. It is within this context that the need for water resource management has become more crucial than ever. The socio-economic wellbeing of the people of our country and the business sector is dependent on a water-secure future. Communities count on an accessible and reliable supply of safe drinking water that sustains health and supports their livelihoods, while the industrial, mining and agricultural sectors in particular are dependent on water resources management to ensure sustainable economic development.

After 26 years of democracy, it is unacceptable that inequality persists with regards to water access, which is a basic human right. Many communities especially in rural South Africa still wait for the day when they can turn a tap and receive clean drinking water, something that most people in urbanised environments take for granted. The vulnerability of those communities in rural areas with inadequate water supply has been highlighted with the outbreak

of the COVID-19 pandemic. Factors such as aging water infrastructure, inadequate maintenance and a lack of capacity in municipalities as Water Services Authorities, exacerbate the situation. This status quo is indicative of the enormous challenges that are confronting the Department of Human Settlements, Water and Sanitation and the South African water sector in general.

The National Water Act (Act No. 36 of 1998) and the Water Services Act (Act No. 108 of 1997) in conjunction with national strategic objectives, governance and regulatory frameworks, provide an enabling environment for effective water use and management. The Department of Water and Sanitation and water boards are responsible for the planning and delivery of bulk water services to municipalities, which in turn have been mandated by legislation to reticulate and deliver basic services to communities.

The Water and Sanitation Master Plan for the country was launched in November 2019. Various sectors and stakeholders have responded positively to this Master Plan, and there is agreement on the concept of "water for all", which has henceforth become the

title and clarion call of this Plan aimed at redressing the disparities of our past, giving direction to where we are going and ensuring that the disadvantaged are given priority.

The Water and Sanitation Master Plan incorporates a section of the National Development Plan, which indicates the need for the creation of a National Water Resources Infrastructure Agency. The primary objective of this Agency is to sustain and improve the performance of all strategically important water supply systems in regions where water security is at increasing risk. In doing so, the Agency will work closely with stakeholders, role players and partners in the municipal, financial, industrial, agricultural and mining sector in order to strengthen the ability of the water sector to fund, build and operate the large water resource projects on which South Africa depends for its water security. In this regard, a statutory Water Board such as Sedibeng Water operating in predominantly rural areas has a significant role to play.

Water Boards are state-owned Public Entities in terms of Schedule 3B of the Public Finance and Management Act (Act No. 1 of 1999). Sedibeng Water, situated at Balkfontein just outside Bothaville, currently services an operational area spanning across three provinces, namely the Free State, North West and Northern Cape. The core functions of Sedibeng Water include:

- to provide bulk water, wastewater treatment and retail water services to especially municipalities as clients;
- to operate and maintain water infrastructure; and,
- to act as an Implementing Agent for the Department of Human Settlements, Water and Sanitation with regards to the implementation of capital infrastructure projects.

During the period under review, this Water Board delivered accessible and sustainable water services without major interruptions to its areas of supply in the three provinces concerned.

Notwithstanding constitutional and legislative frameworks placing municipalities at the core of the delivery of water and sanitation services, many of these Water Services Authorities often do not have the necessary experience, technical skills and functional infrastructure to efficiently deal with this challenge. In this regard, Sedibeng Water is playing an indispensable supportive role.

I encourage the Interim Board together with the management and staff of Sedibeng Water to ensure that the water needs of the communities and business sectors Sedibeng Water serves are met in a manner that will enhance sustainable socio-economic development and revive public confidence in our water boards.



**Ms. L.N. Sisulu, MP**

*Minister of Human Settlements, Water and Sanitation*

# CHAIRPERSON'S REPORT



## IN THIS SECTION:

- Introduction
- Governance
- Human Resources
- Customer and Stakeholder Relations
- Water Education and Conservation Awareness Campaigns
- Corporate Social Investment
- Career Development Initiatives for Learners
- Managing Risk
- Impact of the COVID-19 Pandemic
- Acknowledgements

## Mr. S. Siyengo

Chairperson of the Interim Board of Directors: Sedibeng Water

## INTRODUCTION

During the 2019/2020 Financial Year, Sedibeng Water continued to progressively position itself as an important role player and partner in the water services sector in South Africa, especially in the Free State, Northern Cape and North West Provinces that form its area of operations. Driven by its vision of *Excellence in Water Services Provision*, the organisation has made a significant contribution towards addressing government's imperatives related to the delivery of water services to communities. In so-doing, Sedibeng Water has fulfilled its mandate with honour and integrity.

As Chairperson of the Interim Board of Sedibeng Water, I hereby present the organisation's annual report for the 2019/2020 Financial Year, which ended on 30 June 2020. I will now give a brief overview of some highlights of the past financial year, while the Acting Chief Executive of Sedibeng Water will provide a summary of other operational achievements during the review period.

## GOVERNANCE

It is the task of the Board of Directors at Sedibeng Water to provide strategic direction to the

organisation. The Chief Executive of Sedibeng Water, assisted by the Executive Committee (EXCO) and its Sub-committees, is accountable to the Board for implementing strategy. Governance of the organisation, as well as the responsibility for driving good Corporate Citizenship, is vested in a unitary Board consisting of a Chairperson and 9 independent non-executive Directors. The governance framework at Sedibeng Water is mainly guided by the Water Services Act (Act No.108 of 1997); the Public Finance Management Act (Act No. 1 of 1999); the Companies Act (Act No. 71 of 2008); the King III and IV Reports on Corporate Governance; the Protocol on Corporate Governance in the Public Sector; and the Constitution of the Republic of South Africa (Act No. 108 of 1996). In fulfilling its responsibilities related to governance, the Board is supported by the following Sub-committees:

- Audit and Risk Committee;
- Finance and Information Technology Committee;
- Human Resources, Remuneration and Ethics Committee; and
- Infrastructural Development and Maintenance Committee.

The Board strives to create a corporate culture that fosters collective responsibility and shared accountability for stakeholder engagement in

order to manage risk and reputation, with the key objective of building strong relationships. This approach assisted in creating an enabling corporate management environment in which the organisation could excel in its endeavours to deliver on the strategic intent mandated by Government within the context of Sedibeng Water's 2019/2020 Business Plan and a Shareholder Compact that had been concluded with the Minister of Human Settlements, Water and Sanitation as Executive Authority, for the 2019/2020 Financial Year.

## **HUMAN RESOURCES**

Sedibeng Water places a high premium on the timeous recruitment of value-adding staff, the correct placement of staff, staff development and staff support. As a progressive organisation we have implemented a number of programmes and interventions that are aimed at providing employees at all levels with skills and knowledge to perform their current responsibilities competently. During the 2019/2020 Financial Year, a total of 49 functional and regulatory training initiatives benefitting 726 employees had been presented. Likewise, Sedibeng Water's Employee Bursary Programme assisted 82 employees to pursue formal studies for career development. Furthermore, the implementation of an Apprentice and Learnership Programme, a Graduate Programme, a Work Integrated Learning Programme, Internships and a Community Bursary Scheme all assisted in addressing the organisation's current and future skills needs.

During the year under review, a relatively low staff turnover of 0.78% was recorded, while 112 employees received Long Service Awards. The percentage of gender equity at middle and senior management levels amounted to 31%. People With Disabilities constituted 1.56% of the total workforce. To ensure that Sedibeng Water is able to attract and retain talented individuals at all levels in the organisation, the reward strategy and employee benefits have also been reviewed and improved.

## **CUSTOMER AND STAKEHOLDER RELATIONS**

Constructive relations with customers and stakeholders are a strategic priority at Sedibeng Water. Therefore, various channels and platforms were used during the 2019/2020 Financial Year to

reach each targeted stakeholder group effectively and efficiently. These included regularly scheduled meetings, involvement and collaboration on some projects, road shows, a corporate newsletter, the organisation's website, print and electronic media, a WhatsApp Group, as well as an inspector phone-in programme.

Sedibeng Water continues to support and improve customer interaction structures, such as coordinating committees, customer interaction forums, project steering committees and community forums. Through these initiatives, the organisation has driven systematic processes that captured and recorded issues raised by customers. Feedback was referred to the relevant departments to ensure that such issues would be resolved timeously. Furthermore, these structures were also used to share information and proactively resolve issues affecting communities.

An extensive and scientific customer satisfaction survey was conducted by an independent research company, drawing a representative sample amongst Sedibeng Water's bulk (municipalities and mines) and retail customers in the Ngaka Modiri Molema District Municipality and the Greater Taung, Ga-Segonyana, Phokwane, Ramotshere Moiloa and Kagisano Molopo Local Municipalities. Statistical analyses using various customer service indicators, established that Sedibeng Water currently maintains a customer satisfaction level of 65% amongst its retail customers and 78% amongst its bulk customers. Therefore, it can be assumed that Sedibeng Water has been relatively successful in maintaining adequate levels of customer satisfaction during the 2019/2020 Financial Year.

## **WATER EDUCATION AND CONSERVATION AWARENESS CAMPAIGNS**

Sedibeng Water has continued to host visits by schools, tertiary institutions, government departments, training institutions, etc. to its water and wastewater treatment plants. Themes covered during these visits included, amongst others, the water cycle, treatment process and the importance of water conservation, water quality monitoring and demand management. Sedibeng Water in partnership with the Department of Water and Sanitation also conducted several water awareness campaigns in the Free State, North West and

Northern Cape Regions. Community members and learners were targeted. Presentations on water conservation, vandalism, water quality, pollution and career opportunities were conducted.

Several Clear River Campaigns were launched as part of Mandela Day celebrations. In the Northern Cape, the provincial Department of Human Settlements, Water and Sanitation in partnership with the Sol Plaatje Municipality, Sedibeng Water and the Department of Environmental Affairs, cleaned the Lower Vaal River in the Riverton area. The Department of Human Settlements, Water and Sanitation in the North West Province in partnership with Sedibeng Water, the Ngaka Modiri Molema District Municipality, the Parks Board and the Ratshidi Tribal Authority with the assistance of EPWP workers, also targeted the Molopo River in Mahikeng.

### **CORPORATE SOCIAL INVESTMENT**

The main focus of our Corporate Social Investment (CSI) Programme is to assist previously disadvantaged schools with special needs (learners with disabilities), women, non-governmental organisations, community-based organisations and other cause-worthy organs of civil society. A number of these organisations benefitted through donations and sponsorships from our CSI Programme in order to create and maintain infrastructure, support feeding schemes, develop skills, provide transport, etc. The CSI beneficiaries included the Tlhomamo Child Care Centre, the Legae Motheo Child and Youth Care Centre, the Lapa La Botlhe Aged Care Centre and the Temoso Special School. Sedibeng Water intends to expand its Corporate Social Investment Programme in the next financial year by accommodating more isolated and rural communities in its area of operation.

### **CAREER DEVELOPMENT INITIATIVES FOR LEARNERS**

Given the scarce skills shortages being experienced in the South African water sector in general, Sedibeng Water also made concerted efforts during the 2019/2020 Financial Year to expose learners (following mathematics and science related subjects at school) to potential career opportunities in the sector. For example, during the financial

year concerned, Sedibeng Water sponsored and exhibited at the Department of Water and Sanitation's National Youth Adjudication and Youth Indaba held at the Birchwood Hotel in Gauteng Province. More than 500 learners visited Sedibeng Water's exhibition stall.

### **MANAGING RISK**

Sedibeng Water is a risk conscious and compliant organisation as required by Section 51(1)(a)(I) of the Public Finance Management Act (Act No. 1 of 1999) (PFMA), Section 27.2.1 of the Treasury Regulations, and the King Report on Corporate Governance. The Board of Sedibeng Water has delegated the monitoring of risk management activities to the organisation's Audit and Risk Committee (ARC), which convenes on a quarterly basis. Top critical risks that remained high at residual are reported to the ARC on a quarterly basis to ensure that the Board is aware of the risks facing the organisation and to report on any matters that may require their immediate attention.

Internal committees assist with risk management processes and activities to ensure that risks which may impact on the achievement of the organisation's strategic objectives, are managed effectively. Risk Management meetings are held on a quarterly basis with the regions and departments, where the risk registers are updated with developments that transpired within a particular quarter. Sedibeng Water has progressed from a risk-naïve level to a risk-managed level of maturity, which is evident in the fact that risk management is now being perceived as an integral part of the processes in the organisation.

### **IMPACT OF THE COVID-19 PANDEMIC**

During the last 3 months of the 2019/2020 Financial Year, the COVID-19 pandemic and resultant lockdown regulations had a profound impact on operational and managerial dynamics at Sedibeng Water. As an essential services organisation, Sedibeng Water was facing serious challenges in order to effectively and efficiently ensure sustained and sufficient water supply to especially municipalities and communities in its operational areas. As a result, the organisation had to develop and implement a COVID-19 Programme as a matter of urgency.

This programme included, amongst others, a COVID-19 Workplace Policy and Workplace Risk Assessments. Preventative measures entailed the screening of all persons (employees and non-employees) entering workplaces; the provision of Personal Protective Equipment (PPE) to employees; making hand sanitisers and surface disinfectants accessible to all employees; the disinfection of all buildings and vehicles on a regular basis, or whenever there was a reported or suspected COVID-19 incident; providing for the rotation of work teams to promote social distancing in the workplaces; and COVID-19 awareness initiatives in the form of posters and small group awareness sessions.

The pandemic and lockdown regulations affected Sedibeng Water in various ways, for example:

- The 70% accreditation target set for back-up testing methods at the Balkfontein water quality control laboratory was not achieved due to lockdown travel restrictions and SANAS not being able to do on-site assessments. The initial accreditation assessment of the Vaal Gamagara water quality control laboratory also had to be postponed due to the same reasons.
- Water production volumes by the Vaal Gamagara and Namakwa Schemes in the Northern Cape Region declined due to lower demand from mines not in operation during Lockdown Level 5 and operating at reduced production levels for some time thereafter.
- Apart from the Northern Cape Region (Namakwa and Pelladrift) and the North West Region (Ngaka Modiri Molema District Municipality, Mahikeng Local Municipality and Tswasa Scheme) achieving NOSA Five Star Gradings, NOSA CMB 253N Grading Audits could not be conducted in the remaining operational areas of Sedibeng Water.
- In order to avert the spread of the COVID-19 virus in the workplace due to gatherings and extended physical contact with external persons, only 12 training courses could be presented during the financial year under review in order to meet statutory requirements in different workplaces. A total of 18 such courses were presented during the previous financial year.

- At the beginning of Lockdown Level 5, Sedibeng Water was in the process of procuring a new contract for the implementation of its comprehensive Employees Wellness Programme. This procurement process had to be postponed as the implementation of the programme would have been a COVID-19 risk and interfere with the Department of Health's COVID-19 plans regarding the availability of nursing professionals.

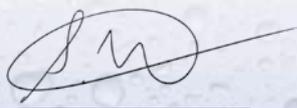
Sedibeng Water experienced its first COVID-19 case on 25 June 2020. This was also the only case that was recorded in the financial year under review. All contacts of the confirmed positive employee were immediately identified and placed in self-isolation.

## ACKNOWLEDGEMENTS

In conclusion, Sedibeng Water owes its existence and achievements to the organisation's valued customers, stakeholders, and other industry partners. I would like to express the Interim Board's appreciation for their loyalty and contributions to Sedibeng Water's continued growth and success.

On behalf of the Interim Board, I would also like to express my gratitude to the Minister of Human Settlements, Water and Sanitation who has continuously expressed confidence in the Board and its governance of the organisation. The Minister's support, as well as the guidance given to us by the Department of Water and Sanitation and the Portfolio Committee, are highly appreciated and played a significant role in our operational achievements during the 2019/2020 Financial Year.

I conclude by thanking the Management and all employees of Sedibeng Water for their contribution towards the achievements and success of the organisation during the past financial year. It is through your concerted efforts that we have succeeded once again in delivering effective and efficient services to all our clients. Sedibeng Water's achievements are your achievements. I am proud to be associated with you and this organisation.



**S. Siyengo**  
*Chairperson of the Interim Board*

# INTERIM BOARD MEMBERS



**Mr. S. Siyengo**  
(Chairperson)



**Dr. S.S. Mkhize**



**Ms. C.M. Chotelo**



**Mr. S. Dzengwa**



**Ms. B.S. Mahuma**



**Mr. T. Mhlope**



**Ms. K. Siyila**



**Ms. Z.M. Bogatsu**



**Mr. M.A.V. Dlamini**



**Ms. H. Matseke**

# ACTING CHIEF EXECUTIVE'S REPORT



## IN THIS SECTION:

- Introduction
- Financial Performance
- Water Supply
- Water Quality Assurance
- Infrastructure Maintenance
- Safety, Health and Environment
- Implementation of DWS Projects
- Intervention and Support
- Words of Appreciation

**M.A. Shasha**  
Acting Chief Executive

## INTRODUCTION

Sedibeng Water was established through Section 46 of the Water Services Act (Act No. 108 of 1997). As a role player of growing stature in the water services sector, Sedibeng Water is striving to deliver water services of a high standard and to engage effectively with stakeholders within the context of the legislative framework that governs the sector. This process is underpinned by our management philosophy that high levels of organisational performance in the past, should inspire even more exceptional standards in the present.

As Acting Chief Executive during the review period, I will now briefly highlight important indicators of organisational performance achieved during the financial year that ended 30 June 2020.

## FINANCIAL PERFORMANCE

Sedibeng Water continued its endeavours to contain expenditure, and increase and improve services and income generation, without sacrificing high standards in water services provision. The organisation received a qualified audit opinion for the 2019/2020 financial year. An action plan is being

developed by Management to adequately address all the issues raised in the Independent Auditor's Report by the Auditor-General of South Africa.

Total revenue increased from R1,6 billion in the previous financial year to R1,7 billion in the 2019/2020 financial year, which constitutes a 7% increase. The net profit for the 2019/2020 financial year amounts to R108 million, against a restated net profit of R156 million in the previous year. The decrease in profit is as a result of adjustments made relating to impairments and decreases in the water volumes sold especially in the Northern Cape and the Free State regions. Total assets increased from R8,7 billion in the previous financial year to R9,7 billion in the 2019/2020 financial year. Although the overall operational performance of Sedibeng Water remains adequate, outstanding debt owed to the organisation by the Water Services Authorities could pose a threat to the financial viability of the organisation in the medium to long term.

## WATER SUPPLY

The process of providing potable water involves abstracting raw water, purification and distribution to different municipalities in our area of supply. The

provision of water services to municipalities is the core business of Sedibeng Water and in fulfilling this aim, the organisation is committed to delivering clean and safe water in an uninterrupted manner to all its clients and consumers.

All three regions (the Free State, Northern Cape and North West regions) performed operationally well during the year under review. Water supply was delivered without major interruptions due to the efforts of a dedicated workforce. Where interruptions occurred, they were attended to within specified timeframes. Most interruptions were the result of aging infrastructure, as well as vandalism and/or theft of infrastructure/equipment, diesel and electrical cables.

During the 2019/2020 financial year, the Free State Region produced 80,074,315kℓ of potable bulk water. In addition, treatment works in the Northern Cape Region were responsible for the production of 29,660 000kℓ of potable water, while plants and boreholes in the North West Region delivered 40,401,105kℓ. It is estimated that more than 2 million consumers benefitted from this water supply during the year under review.

## **WATER QUALITY ASSURANCE**

Sedibeng Water is committed to providing accurate, reliable, professional and economically viable laboratory services in terms of ISO/IEC 17025:2017 requirements to internal and external clients within agreed timeframes. In doing so, both our quality control laboratories (Balkfontein and Vaal Gamagara) are playing a critical role in serving our clients and fellow employees by successfully addressing research, process optimisation and quality control imperatives.

The main laboratory at Balkfontein in the Free State Region is staffed by professionally qualified personnel equipped to analyse all chemical, hydrobiological and bacteriological determinands. This laboratory maintained its accreditation status by the South African National Accreditation System (SANAS) during the 2019/2020 financial year.

The laboratory at Vaal Gamagara in the Northern Cape Region was completed in April 2016. The

main laboratory at Balkfontein oversees the operation and development of this facility to ensure that SANAS accreditation will be obtained as soon as possible. The accreditation of testing methods at this laboratory could not be achieved as planned during the year under review due to lockdown restrictions related to the COVID-19 pandemic. The initial assessment was supposed to have taken place from 26-27 March 2020, but this assessment was postponed till further notice.

During the review period, the continuous improvement of the effectiveness of the laboratory management system and internal assessments resulted in the number of non-conformances at the Balkfontein laboratory decreasing from 42 to 9, and at the Vaal Gamagara Laboratory from 7 to 2. In doing so, Sedibeng Water continued to supply potable water of a high standard to clients and consumers, and where challenges had been experienced, these were promptly addressed by experienced scientists and resolved as soon as possible. In general, water treatment plants at regional water level were able to maintain a 98% compliance rate with SANS 241:2015 requirements for safe potable water.

## **INFRASTRUCTURE MAINTENANCE**

In order to acquire efficient performance of infrastructure, it is imperative to conduct proper maintenance and refurbishment timeously. Therefore, the maintenance and refurbishment of infrastructure is one of Sedibeng Water's strategic objectives. A programme of planned maintenance for all plants, equipment and infrastructure had been implemented successfully throughout the 2019/20 financial year.

Refurbishment and maintenance efforts are aimed at augmenting water supply, enhancing water quality and increasing the lifespan of plants and equipment. It is worth mentioning that numerous unplanned maintenance and repair activities had to be carried out during the review period. Apart from aging infrastructure, a significant number of these activities were caused by vandalism and theft. However, effective measures have been implemented in several areas to curb this challenge.

## SAFETY, HEALTH AND ENVIRONMENT

Sedibeng Water gives priority to the wellbeing of employees and caring for the environment alike. During the 2019/2020 financial year, 12 training courses related to safety, health and environmental issues were presented and attended by Sedibeng Water employees. The organisation successfully implemented its Occupational Hygiene Programme, Occupational Health Management Programme, Disease Management Programme, Employees Assistance Programme and the Employees Recreational Programme to enhance the wellbeing of our employees.

Sedibeng Water's overall Disabling Injury Frequency Rate (DIFR) at the end of the 2019/2020 financial year was 0.78, which met the organisation's strategic objective as indicated in the organisation's Business Plan. During the year under review, both the Northern Cape Region (Namakwa and Pelladrift) and the North West Region (Ngaka Modiri Molema District Municipality, Mahikeng Local Municipality and Tswasa Scheme) achieved a NOSA Five Star Grading. The remaining operational areas of Sedibeng Water were scheduled for external NOSA CMB 253N Grading Audits in the months of April and May 2020. Unfortunately, these audits had to be postponed in an effort to prevent the spread of the COVID-19 pandemic. The NOSA CMB 253N Grading Audits will resume as soon as circumstances allow in the 2020/2021 financial year.

## IMPLEMENTATION OF DWS PROJECTS

During the 2019/2020 financial year, Sedibeng Water dedicated its attention as Implementing Agent for the Department of Water and Sanitation (DWS) to the upgrading and expanding of the infrastructure of existing water schemes operating in the Northern Cape Province. Due to the aging infrastructure and the growing water demand from the mining sector with new mines opening and existing mines expanding, new challenges arose in this operational area. In order to address the situation, the refurbishment and upgrading of three schemes continued during the review period. These are:

### • Pelladrift Water Scheme

The project to expand the capacity of the plant (funded by Vedanta Black Mountain Mining Aggeneys Gamsberg) was completed by the end of June 2019. Sedibeng Water and Vedanta Black Mountain Mining Aggeneys Gamsberg are currently negotiating a further project i.e. a Phase 2 to double the capacity of the purification plant and replace the old pipeline to Aggeneys.

### • Vaal Gamagara Water Scheme

This project aims to satisfy the future water demands (up to 2030) of local consumers and various mines in the area, while also providing for an allocation to Botswana. Phase 1 is in construction since November 2016, and Phase 2 is currently in its detail design stage.

### • Namakwa Regional Water Supply Scheme

The refurbishment of the infrastructure of this scheme was divided into two phases. Phase 1 has been completed with Phase 2 in construction since July 2016.

## INTERVENTION AND SUPPORT

Sedibeng Water is involved in intervention and rendering support services to municipalities, especially in the North West Province. The North West Region performed a number of emergency maintenance related interventions within the Ngaka Modiri Molema District Municipality. Boreholes were refurbished and drilled within this municipal area, while the unblocking of sewer lines also took place. All of these interventions had been performed in accordance with directives issued by the former Minister of Water and Sanitation to Sedibeng Water in order to ensure that water and sanitation services are properly functioning within the Ngaka Modiri Molema District Municipality.

In addition, water tankering services are being provided during the Covid-19 pandemic to the Dr. Ruth Segomotsi Mompati District Municipality. However, this service will be provided for a limited period only and would most probably be

discontinued during the 2020/2021 financial year. Furthermore, the North West Region is also currently operating and maintaining the water supply line from Pudimoe to Vryburg on behalf of the Dr. Ruth Segomotsi Mompati District Municipality. Due to frequent breakages, a section of the pipeline will be refurbished or replaced in the 2020/2021 financial year.

The North West Region is likewise responsible for the operation and maintenance of the Christiana and Bloemhof Water and Wastewater Treatment Plants on a cost-recovery basis on behalf of the LekwaTeemane Local Municipality. While temporarily managing these systems, Sedibeng Water assists the Water Services Authority in the optimisation of the water treatment processes to bring the water quality to acceptable standards and to ensure the correct dosing of chemicals.

#### **WORDS OF APPRECIATION**

As Acting Chief Executive during the review period, I wish to thank the Chairperson and Members of the Board of Directors at Sedibeng Water for their continued support during the 2019/2020 financial year. Your guidance, visionary leadership and involvement empowered Sedibeng Water to not only successfully address the challenges related to the ever-changing and demanding water services environment, but also to excel in optimising operational performance.



**M.A. Shasha**  
*Acting Chief Executive*

I want to express my gratitude to the Ministry of Human Settlements, Water and Sanitation and the Department of Water and Sanitation for the trust they have placed in the Management of Sedibeng Water. Your support provided us with a positive and constructive organisational climate for strategic planning, decision-making and day-to-day operations. This allowed us the opportunity to realise our mandate and make a significant contribution towards the development of our country and its people.

I also want to thank our stakeholders and customers who are the very reason for our existence as a Water Services Provider. We regard you as partners in our quest for service excellence. Without your constructive involvement and support, our organisational progress and operational achievements during the past financial year, would not have been possible.

As had been the case in previous years, the employees of Sedibeng Water have proven themselves as a workforce to be reckoned with. Your dedication, skilled input and willingness to negotiate challenges in a positive manner, again ensured that we have achieved favourable operational results in the year under review. On behalf of Management, I want to express my profound appreciation to all of you for making us the service provider of choice in the areas where we serve.

# COMPANY SECRETARIAT



## IN THIS SECTION:

- Introduction
- Governance Framework
- 2019/2020 Corporate Governance Key Focus
- Board of Directors and Sub-committees
- Management Committee (MANCO) / Executive Committee (EXCO)
- Structure of the Board
- Summary of Previous Board and Sub-committee meetings
- Conclusion

**Adv. M. Dladla**

Acting Company Secretary and Manager: Secretariat

## INTRODUCTION

Sedibeng Water (formerly known as Goldfields Water) was established in 1979 in terms of Section 46 of the Water Services Act (Act No.108 of 1997) (WSA). The Company Secretariat is responsible for the overall governance of the Water Board. Sedibeng Water is listed as a Public Entity under Schedule 3B of the Public Finance and Management Act (Act No. 1 of 1999) (PFMA).

## GOVERNANCE FRAMEWORK

Sedibeng Water adheres to a governance framework as informed by, but not limited to:

- the Constitution of the Republic of South Africa (Act No. 108 of 1996);
- the Companies Act (Act No. 71 of 2008);
- the Public Finance Management Act (PFMA) (Act No. 1 of 1999);
- the Water Services Act (WSA) (Act No.108 of 1997);
- the King Report on Corporate Governance (King III);
- the King IV Report on Corporate Governance; and
- the Protocol on Corporate Governance in the Public Sector.

As a public entity, Sedibeng Water's purpose is to deliver on the strategic intent mandated by Government. The Executive Authority over the organisation is vested in the Minister of Human Settlements, Water and Sanitation, the Honourable Ms. Lindiwe Sisulu, MP. The Minister appoints the Board of Sedibeng Water. The Board guides the strategic direction of the organisation and monitors progress in executing the business strategy. The Board ensures that the organisation complies with the requirements of the Water Services Act, Companies Act, Public Finance Management Act, National Treasury Regulations, together with any other legislative requirements. The roles and responsibilities of the Executive Authority, the Accounting Authority and Management are clearly defined and do not overlap.

## 2019/2020 CORPORATE GOVERNANCE KEY FOCUS

During the financial year under review, the key focus was on the review of the corporate governance framework and the implementation of some of the principles contained in the King IV Report on Corporate Governance.

## BOARD OF DIRECTORS AND SUB-COMMITTEES

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

### Company Secretariat

The Company Secretariat is a central source of information and advice on matters of ethics and good governance to the Board and the organisation. The Company Secretary is responsible for coordinating meetings of the Board, its Sub-committees and the Executive Committee (EXCO).

### Changes in Board Composition

During the greater part of the 2019/2020 financial year (1 July 2019 - 30 June 2020), Sedibeng Water's Board consisted of the following members:

- Mr. M.D. Dikoko (Chairperson);
- Adv. M.A. Mphahlele;
- Mr. M.M. Mthombeni;
- Mr. S. Dzengwa;
- Mr. M.I. Motala;
- Mr. M.A.V. Dlamini;
- Mr. C.D. Mboweni;
- Mr. E.A. Gaborone;
- Ms. K.G. Sereko; and
- Ms. M. Esterhuizen (resigned on 16 March 2020).

On 1 June 2020, however, the Minister of Human Settlements, Water and Sanitation appointed a new Interim Board comprising:

- Mr. S. Siyengo (Chairperson);
- Ms. H. Matseke;
- Ms. K. Siyila;
- Mr. T. Mhlope;
- Mr. M.A.V. Dlamini;
- Dr. S.S. Mkhize;
- Ms. C.M. Chotelo;
- Ms. Z.M. Bogatsu;
- Mr. S. Dzengwa; and
- Ms. B.S. Mahuma

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

### Board Meetings

Meetings of the Board and its committees are scheduled annually in advance. Special meetings are convened as and when required to address specific material issues. The previous Board held five (5) scheduled meetings and eight (8) special meetings during the year under review. The newly appointed Interim Board convened two (2) special meetings during June 2020.

### Board Evaluation

The evaluation of the performance and effectiveness of the Board, individual directors and Board committees for 2019/2020 was put on hold and will take place in July 2021.

### Board Charter

The Board Charter regulates how the Board and individual members discharge their responsibilities according to the principles of good governance. The charter aims to ensure that all the Board Members understand their duties and responsibilities, as well as the laws, regulations and best practices governing their conduct. It also details the division of responsibilities at Board level and between the Board and Management. The Board Charter was approved on 31 July 2020.

### Key Board Activities

- Provision of strategic direction to the organisation;
- Managing the negative impact of escalating arrear municipal debt on liquidity and financial sustainability, with consideration of alternative options for collecting arrear municipal debt, such as payment of the debt by National Treasury using the municipalities' equitable share;
- Approval of the implementation of a number of measures to manage the arrear municipal debt, as well as the disconnection of non-paying municipalities;
- Consideration of risk management;
- Approval of the following matters:

- Sub-committee reports to the Board;
- Declaration of Interest and Confidentiality Undertaking Procedures;
- The Audited Annual Financial Statements and the Annual Performance Report for the year ended 30 June 2020;
- Condonation of the Irregular Expenditure Report on the basis that the transactions did not expose the organisation to any financial loss;
- All the Performance Information Reports for the four (4) quarters;
- Approval of tariffs and budget for the financial year ending 30 June 2020;
- Approval of the budget allocation per Strategic Objectives for the year ending 30 June 2020;
- Approval of annual salary increases and performance incentive bonuses for the 2019/2020 financial year;
- Revision of Delegation of Authority (DoA);
- Power of Attorney - Appointment of Registered Tax Representative;
- Executive Organisational Structure;
- Appointment of External Auditors; and
- Business/Corporate Plan 2020/2025.

#### **Stakeholder Engagement and Material Matters:**

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

#### **Management of Risks and Opportunities:**

A risk management system has been implemented to respond appropriately to all significant risks. Risk management is done at departmental, regional and operating unit levels. The risks are consolidated into

an Integrated Risk Report focusing on the top risks impacting the organisation. The report is presented to the Executive Committee, SHE Executive and Risk Committee and Audit and Risk Committee. Risk controls and treatment plans have been put in place to manage risks to acceptable levels.

#### **Performance Against the Shareholder Compact:**

The Board concluded a Shareholder Compact with the Executive Authority, the Minister of Human Settlements, Water and Sanitation, for the 2019/2020 financial year. The Board, in consultation with the shareholder, agreed on performance objectives, measures and indicators, as well as annual targets in line with the Public Finance Management Act of 1999.

#### **Board Committees**

##### **Audit and Risk Committee (A&RC):**

This Committee performs a statutory function as set out in the Companies Act of 2008, assisting the Board with oversight over financial reporting, internal control, risk management systems, as well as internal and external audit functions.

Some of the key activities of this Committee included:

- Review of the Internal Audit Progress Report every quarter;
- Approval of the Internal Audit Plan 2019-2020;
- Approval of the Internal Audit Operation Plan for the 2019/2020 financial year;
- Approval of Risk Assessment Reports every quarter;
- Approval of the Risk Management Implementation Plan;
- Review of the Master Internal Audit Findings Tracker every quarter;
- Review of the Audited Annual Financial Statements for recommendation to the Board for approval; and
- Review of the Management Accounts, Performance Information Report, Top 20 Payments, Debt Management and Contingent Liabilities' Reports on a quarterly basis.

The Audit and Risk Committee of the previous Board held three (3) scheduled and three (3) special meetings during the period under review. The new Interim Board that was appointed in June 2020 had not yet convened an Audit and Risk Committee meeting by 30 June 2020 (end of the reviewing period for this annual report).

#### **Finance and Information Technology Committee (FINCO):**

This Committee oversees financial reporting, effective and efficient financial management, review of the investment portfolio and information technology (IT) governance.

Some of the key activities of this Committee included:

- Recommend Significance and Materiality Framework to the Board for approval;
- Review of Irregular Expenditure and Fruitless and Wasteful Expenditure Reports for recommendation to the Board for condonation and noting;
- Review of Management Accounts for recommendation to the Board for approval every quarter;
- Review of the Audited Annual Financial Statements for recommendation to the Board for approval;
- Review of the Delegation of Authority for recommendation to the Board for approval;
- Recommend Annual Review of the FINCO Charter to the Board for approval;
- Review of the Business/Corporate Plan 2020/2025 for recommendation to the Board for approval;
- Review of the Finance Strategy Implementation Plan;
- Review of the Supply Chain Management, Debt Management and Information Technology Reports and
- Review of the progress made on debt collection/ cost-recovery for reporting to the Board.

Four (4) scheduled meetings and three (3) special meetings were held by the Finance and Information Technology Committee of the previous Board during the year under review. The new Interim Board that was appointed in June 2020 had not yet convened a Finance and Information Technology Committee

meeting by 30 June 2020 (end of the reviewing period for this annual report).

#### **Human Resources, Remuneration and Ethics Committee (REMCO):**

This Committee is responsible for recommending remuneration, ethics and other human resource-related policies, succession planning, training, as well as the evaluation of the Board and its committees.

Some of the key activities of this Committee included:

- Recommendation to the Board of the Minimum Services Agreement for the Amanzi Bargaining Council;
- Recommendation of the Marketing and Communication Policy to the Board for approval;
- Recommendation of annual Performance Incentive Bonuses for Employees to the Board for approval;
- Recommendation of the Annual Salary Increase for Non-Bargaining Levels 2019/2020 to the Board for approval;
- Recommendation of the Executive Organisational Structure to the Board for approval; and
- Review of Amanzi Bargaining Council (ABC) Matters, Feedback - South African Association of Water Utilities (SAAWU) Meeting, Safety, Health and Environment (SHE) Report, Skills Development and Employment Equity.

Four (4) ordinary meetings and one (1) special meeting of which one was a joint meeting were held by the Human Resources, Remuneration and Ethics Committee of the previous Board during the year under review. The new Interim Board that was appointed in June 2020 had not yet convened a Human Resources, Remuneration and Ethics Committee meeting by 30 June 2020 (end of the reviewing period for this annual report).

#### **Infrastructural Development and Maintenance Committee (IDMC):**

This Committee ensures that Sedibeng Water's procurement system is fair, equitable, transparent, competitive and cost-effective, as required by

Section 217 of the Constitution, PFMA and Preferential Procurement Policy Framework Act (Act No. 5 of 2000) (PPPFA). The Committee is tasked with reviewing the infrastructure and expansion programmes of the organisation and with ensuring that the maintenance programme and schedules are adhered to. One (1) ordinary meeting and one (1) special meeting were held by the Infrastructural Development and Maintenance Committee of the previous Board during the period under review. The new Interim Board that was appointed in June 2020 had not yet convened an Infrastructural Development and Maintenance Committee meeting

by 30 June 2020 (end of the reviewing period for this annual report).

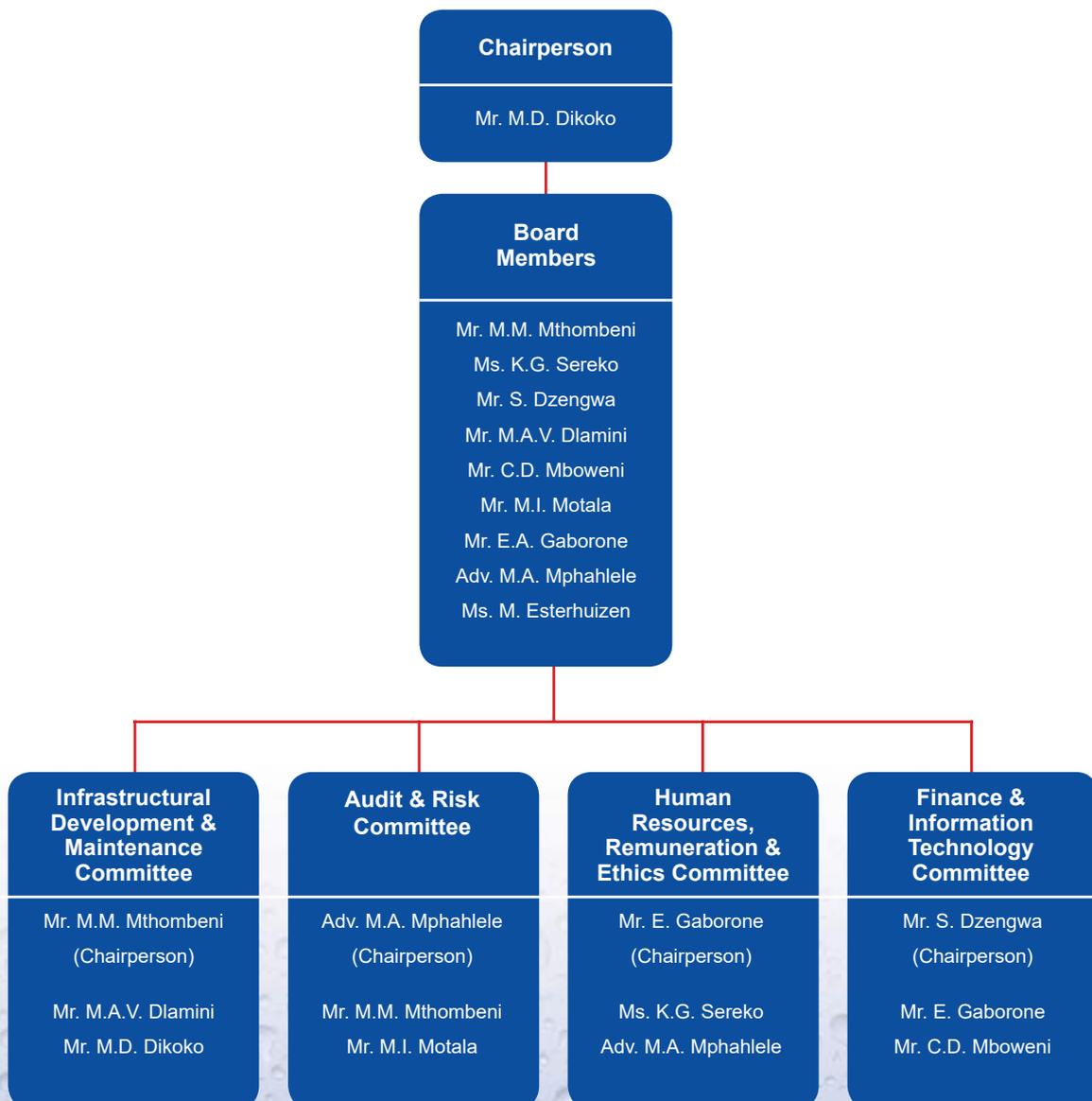
**MANAGEMENT COMMITTEE (MANCO) / EXECUTIVE COMMITTEE (EXCO)**

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

**STRUCTURE OF THE BOARD**

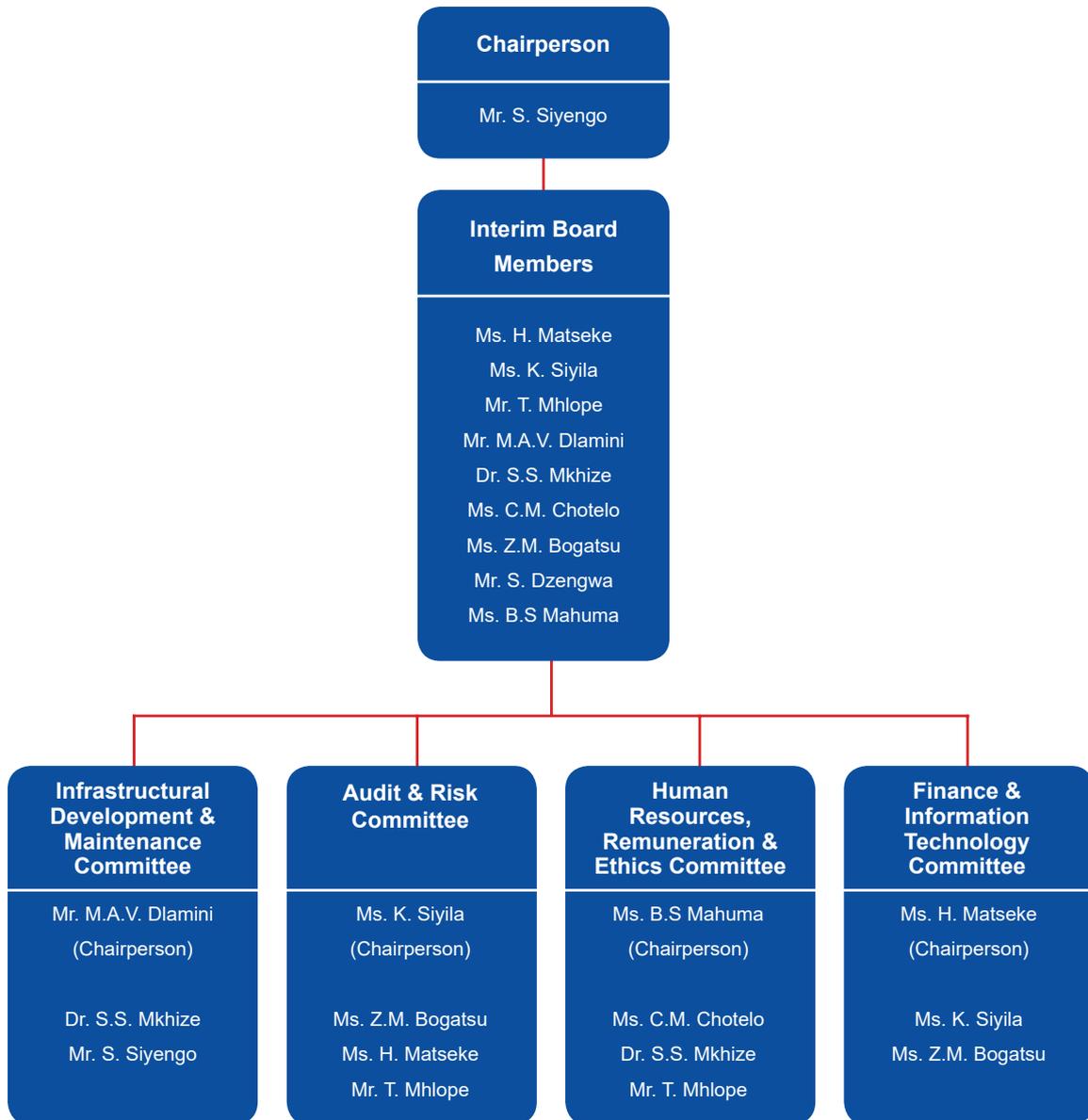
The structure of Sedibeng Water’s previous Board (effective until May 2020) is depicted in Illustration 1.

**Illustration 1: Previous Board Structure**



The structure of Sedibeng Water's Interim Board (effective from June 2020) is depicted in Illustration 2.

**Illustration 2: Interim Board Structure**



## SUMMARY OF PREVIOUS BOARD AND SUB-COMMITTEE MEETINGS

Board and Sub-committee meetings of the previous Board held during the 2019/2020 financial year, are summarised in Table 1.

**Table 1: Summary of Previous Board and Sub-committee Meetings**

Board Members	Board Meetings	Audit and Risk Committee Meetings	Finance and Information Technology Committee Meetings	Human Resources, Remuneration and Ethics Committee Meetings	Infrastructural Development and Maintenance Committee Meetings
<b>Number of Scheduled Meetings</b>	<b>13<sup>a</sup></b>	<b>6<sup>b</sup></b>	<b>7<sup>c</sup></b>	<b>5<sup>d</sup></b>	<b>2<sup>e</sup></b>
Mr. M.D. Dikoko	13				2
Mr. C.D. Mboweni	13		7		
Mr. M.M. Mthombeni	13	6			2
Ms. K.G. Sereko	13			5	
Mr. E.A. Gaborone	13		7	5	
Mr. S. Dzengwa	13		7		
Mr. M.A.V. Dlamini	13				2
Adv. M. Mphalele	13	6		5	
Mr. M.I. Motala	13	6			

a) Previous Board Meetings: Five (5) ordinary meetings and eight (8) special meetings

b) Previous Audit and Risk Committee Meetings: Three (3) ordinary meetings and three (3) special meetings

c) Previous Finance and Information Technology Committee Meetings: Four (4) ordinary meetings and three (3) special meetings

d) Previous Human Resources, Remuneration and Ethics Committee Meetings: Four (4) ordinary meetings and one (1) special meeting

e) Previous Infrastructural Development and Maintenance Committee Meetings: One (1) ordinary meeting and one (1) special meeting

## CONCLUSION

The overview provided above underscores the valuable contribution that the Corporate Secretariat made during the 2019/2020 financial year in enhancing the overall governance of Sedibeng Water as a public entity. This assisted in creating

an enabling corporate management environment in which Sedibeng Water could excel in its endeavours to deliver on the strategic intent mandated by Government.

# MEMBERS OF THE EXECUTIVE COMMITTEE

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**Ms. M.A. Shasha**  
Acting Chief Executive



**Adv. M. Dladla**  
Acting Company  
Secretary and  
Manager: Secretariat



**Ms. K.S. Sekonyela**  
Acting Chief Financial  
Officer



**Mr. N.T. Moloby**  
Human Resources  
Executive



**Mr. N.A. Theys**  
Marketing and  
Communication  
Executive



**Mr. M.P. Mokubung**  
Acting Chief  
Operations Officer



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

# MEMBERS OF THE EXECUTIVE COMMITTEE

(CONTINUED)



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



**Mr. T.E. Nteo**  
Internal Audit  
Executive



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



**Mr. D.F. Traut**  
Scientific Services  
Executive



**Adv. N.E. Ratshitanga**  
Technical Support &  
SHE Executive



**Mr. I.M. Hasenjager**  
New Business  
Development Executive





#### IN THIS SECTION:

- Legislative and Accounting Framework
- Change in the Accounting Framework
- Key Objectives
- Financial Highlights
- Statement of Financial Performance
- Statement of Financial Position
- Capital Investment Programme versus Debt
- Tariff Determination
- Looking Forward

**Ms. K.S. Sekonyela**  
Acting Chief Financial Officer

## LEGISLATIVE AND ACCOUNTING FRAMEWORK

The annual financial statements for the financial year ending 30 June 2020 were prepared and presented in accordance with Generally Recognized Accounting Practices (GRAP), the Public Finance Management Act (Act No. 1 of 1999) (PFMA) as amended, and reflect the reporting requirements of the Water Services Act (Act No. 108 of 1997). The Financial Department is guided in the performance of its tasks by the following Acts of Parliament and Financial Codes: the Water Services Act (Act No. 108 of 1997), the Public Finance Management Act (Act No. 1 of 1999), the Municipal Finance Management Act, the Preferential Procurement Policy Framework Act, the Supply Chain Management Framework, and other related prescripts.

## CHANGE IN THE ACCOUNTING FRAMEWORK

Schedule 3B entities were required to select for reporting based on Generally Accepted Accounting Practices (GRAP), or the International Financial Reporting Standards (IFRS). Directive 12 was issued by the Accounting Standards Board in 2018 in which entities were obliged to choose a reporting

accounting framework to be followed from the 30 June 2019 financial year onwards. The financial statements for the year ending 30 June 2020 have been prepared on the going concern basis using the GRAP accounting framework. The going concern basis assumes that the organisation will continue to operate in the foreseeable future.

## KEY OBJECTIVES

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

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

## FINANCIAL HIGHLIGHTS

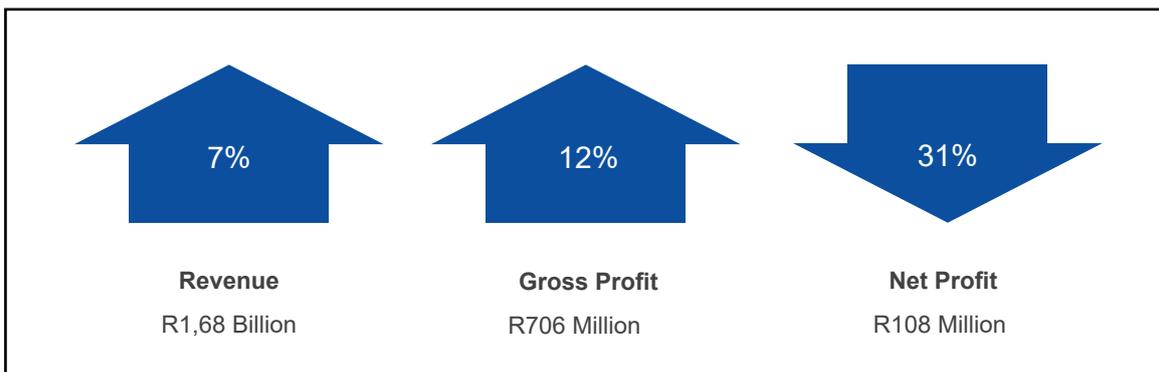
Sedibeng Water has realised a net profit of R108 million in the 2019/2020 financial year, against a restated net profit of R156 million in the previous year. The decrease in revenue is as a result of comparative amounts which had to be restated following prior year adjustments in Property, Plant and Equipment, Payables from Exchange Transactions and Receivables from Exchange Transactions, amongst others, as detailed in the notes to the financial statements. The decrease in water sale volumes for the Free State Region resulted from a pipe burst due to ageing infrastructure, while a decrease in volumes in the Northern Cape Region was related to COVID-19 lockdown regulations. These lockdown regulations affected

water usage by mines which form the majority of Sedibeng Water's customers in this province.

Sedibeng Water measures its financial performance in terms of its achievement against financial indicators, which are aligned to the organisation's strategic objectives, and are included in the section on Performance against Shareholder Compact for the financial year ending 30 June 2020 in the Annual Report.

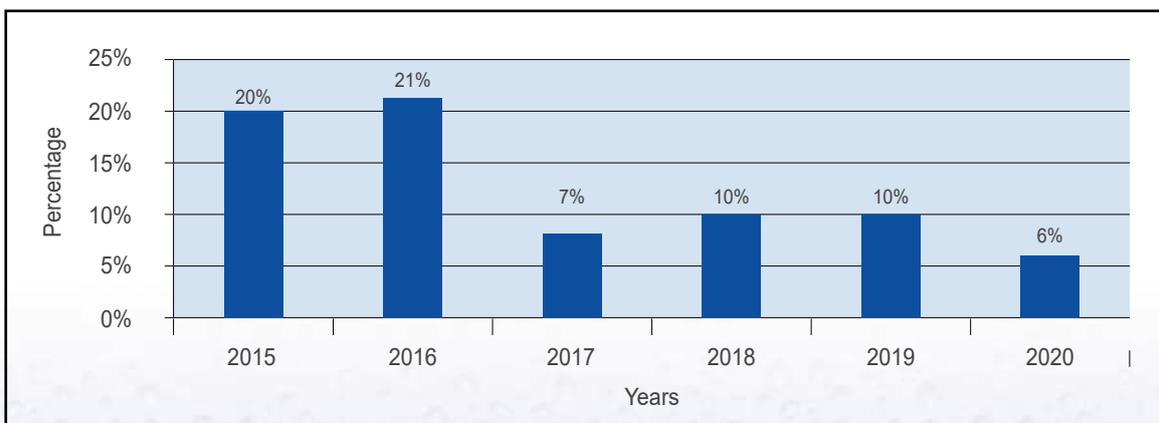
Graph 1 provides a summary of the most important financial highlights related to the financial year ending 30 June 2020.

**Graph 1: Financial Highlights: Financial Year Ending 30 June 2020**



The organisation achieved a net profit of R108 million (see Graph 2).

**Graph 2: Net Profit Margin (% of Revenue)**



No subsidies were received during the 2019 and 2020 financial years. The figure of 6.6% is the agreed upon target for the Net Profit Margin on

the entity's primary activities. The actual net profit margin achieved for the current financial year is 6%.

## STATEMENT OF FINANCIAL PERFORMANCE

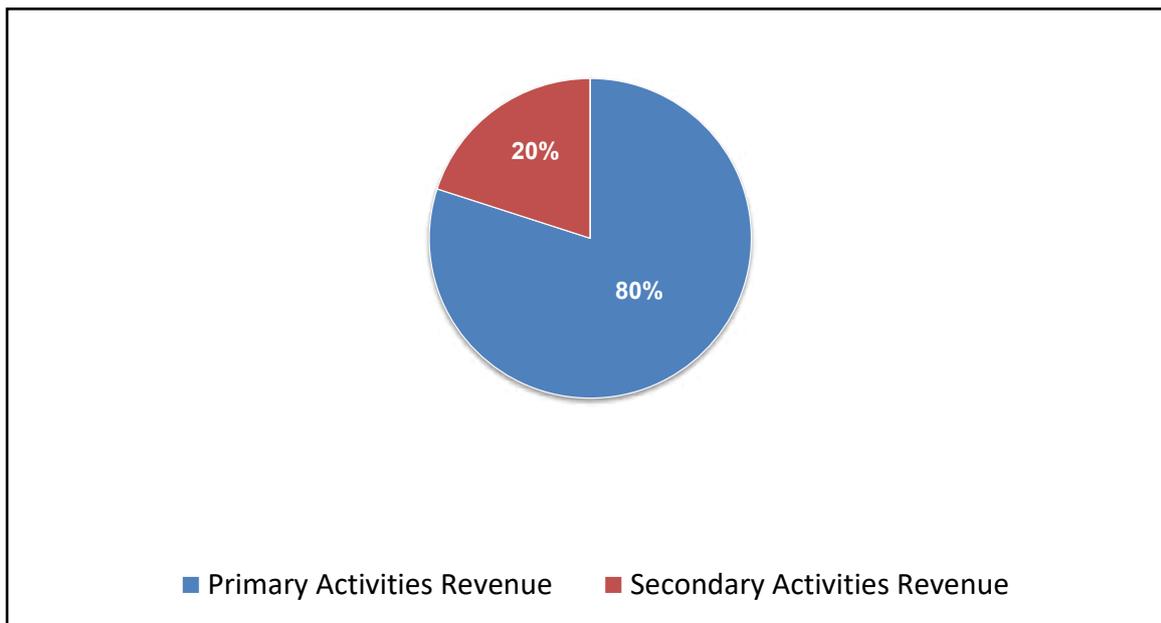
### Total Revenue

The business of Sedibeng Water is divided into two operations, i.e. Section 29 and Section 30 activities as defined by the Water Services Act (Act No. 108 of 1997). Section 29 activities depict our primary activities, i.e. activities linked to bulk potable water supply, while Section 30 activities relate to other services, which are the operation and maintenance of rural schemes on behalf of municipalities.

During the financial year ending 30 June 2020, total revenue from both operations amounted to R1,7 billion (2019: R1,6 billion). During the year

under review, Sedibeng Water achieved a 20% secondary business rating (2019: 22%) against a target of 15%. At least 80% of the activities of the organisation relates to Section 29 of the Water Services Act that forms the core business of Sedibeng Water (see Graph 3). The achievement regarding secondary activities is in line with the achievement of the previous year, which is based on the organisation's Shareholder Compact with the Department of Human Settlements, Water and Sanitation.

**Graph 3: Primary Versus Secondary Activities Revenue**

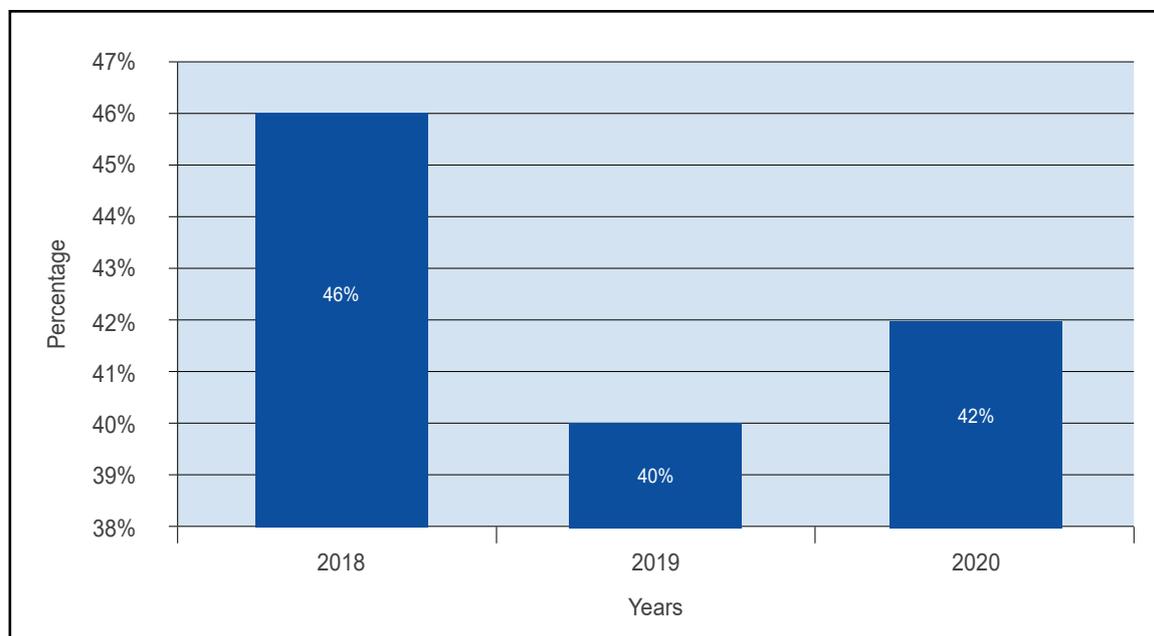


### Gross Profit

Gross profit is influenced by all the direct costs involved in the production of potable water. Direct costs include Raw Water Purchases, Electricity, Purification Costs, as well as Direct Labour Costs.

Raw water remains the major expenditure in the cost of sales as it represents 45% of the total costs of sales. The gross margin for the current financial year was 42% compared to 40% in the previous reporting period.

**Graph 4: Gross Profit Margin (as % of Revenue)**



#### **Total Comprehensive Income**

Sedibeng Water realised a total comprehensive income of R108,1 million for the financial year ended 30 June 2020, compared to the restated net income of R156,1 million for 30 June 2019. The decrease in net profit is as a result of the already mentioned decrease in sales volumes due to a pipe burst in the Free State Region and a reduction in water consumption in the Northern Cape Region due to COVID 19 lockdown regulations affecting the mining sector.

June 2020, many clients did not pay their accounts, claiming the non-availability of staff to do so due to COVID-19 lockdown regulations. Sedibeng Water is applying water restrictions in terms of Section 4(5) of the Water Services Act as part of its debt collection strategy. These cost-recovery challenges were further escalated to the Department of Water and Sanitation for intervention. A process to engage the provinces likewise commenced.

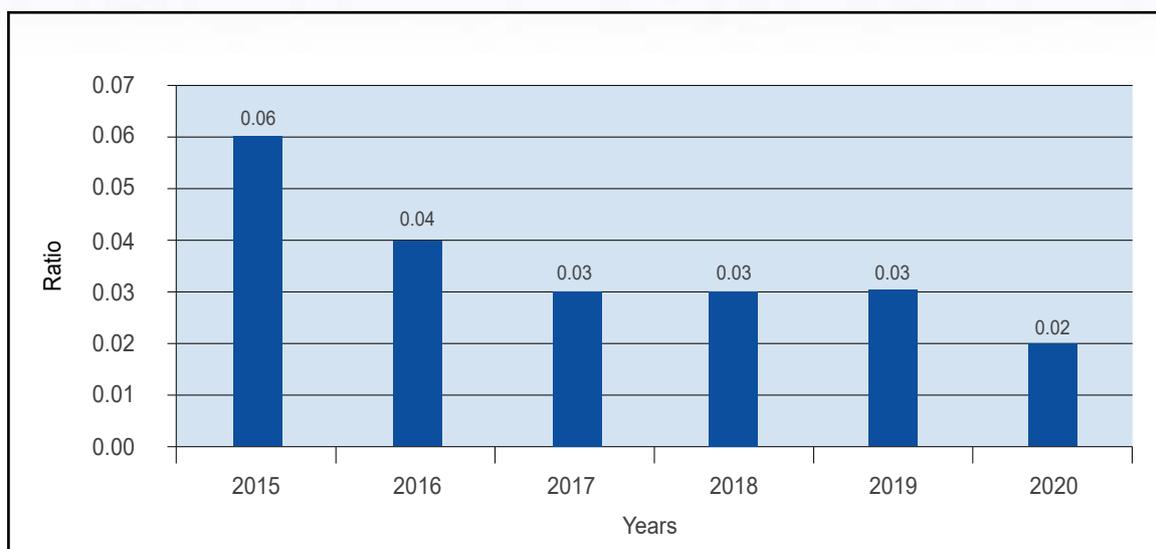
#### **CAPITAL INVESTMENT PROGRAMME VERSUS DEBT**

#### **STATEMENT OF FINANCIAL POSITION**

The financial position of the organisation remains viable - consistent with previous financial years. However, Debtors Days amounted to 911, against a target of 782 days. Cognisance must also be drawn to the fact that during March, April, May and

Sedibeng Water is continuing with the implementation of the Capital Investment Programme to refurbish the internal infrastructure. The Capital Investment Programme is funded by means of reserves generated year-on-year. The Gearing Ratio of the organisation for the financial year under review was 0.02 (see Graph 5).

**Graph 5: Gearing Ratio**



### **TARIFF DETERMINATION**

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

### **LOOKING FORWARD**

The Finance Department will be focusing on a Back-to-Basics Programme and thereby enhancing the internal control function. With the implementation of the change in the reporting accounting framework training will be provided to the Finance Department.

A total transformation framework is being developed to provide the organisation with an appropriate platform for improved coordination and organisational performance.

# HUMAN RESOURCES



## IN THIS SECTION:

- Introduction
- Strategic Objectives
- Strategic Priorities and the HR Department's Strategy Map
- Recruitment of Staff and Improvement of the Employment Equity Profile
- Training and Development of Staff
- Retention of Skilled and Competent Individuals, and Promotion of the Wellbeing of Employees
- Implementation of Benchmarked Employment Best Practices and Policies, and Compliance to Relevant Legislation
- Amanzi Bargaining Council
- Organisational Design
- Conclusion

**Mr. N.T. Moloby**  
Human Resources Executive

## INTRODUCTION

The Management of Sedibeng Water, like any other Public Entity, is faced with a plethora of challenges, one of them being to ensure that the organisation has the right people available for the current and future fulfilment of critical organisational roles. Comparable to a mechanical device, any organisation will fail to operate successfully if key elements, such as processes, systems and structures are skewed or misaligned. In the same vein, an entity such as Sedibeng Water must be designed, operated and maintained to ensure organisational success. These functions are performed by talent – the human capital employed by the enterprise. Without any shadow of doubt, talent is typically the single biggest pedal for driving improvements in business performance.

Therefore, the Human Resources (HR) Department had an appropriate and potent talent management strategy in place, which was aligned to the organisation's corporate plan and implemented during the 2019/2020 financial year. Through the talent management plan, Sedibeng Water was able to:

- Attract talent from outside;
- Identify talent from within;
- Develop talented individuals in areas identified as critical to the organisation (such as leadership, management and technical skills);
- Nurture and retain top talent; and
- Motivate employees at all levels to discharge their responsibilities industriously so that the organisation delivers without fail on its strategic objectives and statutory mandate.

The HR Department further fulfilled the above-stated role through the promotion of a positive and an engaging work environment, while identifying and responding to the ever-changing needs of the diverse community of stakeholders that the function (HR) is required to serve.

## STRATEGIC OBJECTIVES

The rolled-over strategic objectives that the HR function pursued during the 2019/2020 financial year have been the following:

- Recruiting skilled and competent individuals and offer them competitive market related remuneration;

- Making a concerted effort to improve the employment equity profile of the organisation focusing on gender, diversity and People With Disabilities (PWDs);
- Training and developing staff;
- Retaining skilled technical staff in particular and promoting the wellbeing of employees in general; and
- Implementing benchmarked employment best practices and policies and thereby, comply with relevant legislation.

## STRATEGIC PRIORITIES AND THE HR DEPARTMENT'S STRATEGY MAP

As stated above, the HR function ensured that there was alignment between the organisational strategy and the workforce plan. This was done through the review of functional strategic objectives and working against all odds to ensure that these objectives were achieved. The functional strategic objectives referred to, are summarised in Table 1 below:

**Table 1: HR Functional Strategic Objectives**

Objective 1	Objective 2	Objective 3	Objective 4
Recruitment of staff in general and improvement of the organisation's employment equity profile	Training and development of staff	Retention of skilled technical staff in particular and promotion of the wellbeing of employees in general	Implementation of benchmarked employment best practices and policies, and compliance to relevant legislation

## RECRUITMENT OF STAFF AND IMPROVEMENT OF THE EMPLOYMENT EQUITY PROFILE

In ensuring that the set Employment Equity targets of the organisation are achieved for the 2019/2020 financial year, the HR Department made a concerted effort to ensure that women were recruited to fill most vacancies that became available at senior and middle management levels. This was done

to promote equitable representation of women at the said levels and consequently, the percentage of women representation at senior and middle management levels has now increased to 31% (as compared to 25% and 30% for the respective levels in the previous financial year). Table 2 shows the distribution of employees who were recruited in terms of occupational levels, race and gender:

The current Employment Equity Plan for the period

**Table 2: Recruitment Distribution in Terms of Occupational Level, Race and Gender**

Occupational Levels	Male				Female				Foreign Nationals		Total
	A	C	I	W	A	C	I	W	Male	Female	
Top management											
Senior management					1						1
Professionally qualified and experienced specialists and mid-management	1				1						2
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	12				1						13
Semi-skilled and discretionary decision making	12				17						29
Unskilled and defined decision making		1			7						8
<b>Grand Total</b>	<b>25</b>	<b>1</b>			<b>27</b>						<b>53</b>

1 July 2017 to 30 June 2022, is being implemented and is updated as and when there are changes made to the organisational structure. In order to ensure compliance and guaranteed progress, the set employment equity targets are monitored in the various operational regions by representative Regional Employment Equity Forums, which are chaired by the Regional Managers who are also appointed as local Employment Equity Managers.

The percentage of people with disabilities (PWDs) decreased to 1.56% (as compared to 1.67% in the 2018/2019 financial year). The decline was as a result of an increase in the headcount.

Table 3 provides a comparison in terms of the number of employed PWDs in the previous financial year, and the 2019/2020 financial year.

**Table 3: Employment of People with Disabilities (PWDs) per Region**

Region	Number of PWDs for 2018/2019	Number of PWDs for 2019/2020
Free State	6	6
North West: Hartswater	4	4
North West: Mahikeng	2	2
Northern Cape	2	2
<b>Total</b>	<b>14</b>	<b>14</b>
<b>Total %</b>	<b>1.67%</b>	<b>1.56%</b>

As a designated employer, Sedibeng Water was able to compile and submit its Employment Equity Report for the reporting period (1 September 2018 - 31 August 2019) to the Department of Employment and Labour. Receipt thereof was acknowledged accordingly.

A staff turnover of 0.78% was recorded for the year under review. The gender distribution and reasons for or types of terminations are provided in Table 4 below:

**Table 4: Staff Turnover**

Reasons/Types of Termination	Males	Females	Total
Resignations	3	4	7
Dismissals	0	0	0
Deaths	3	1	4
Ill-Health	1	0	1
Retirements	7	0	7
Expiry of Fixed-term Contract	1	6	7
<b>Total</b>	<b>15</b>	<b>11</b>	<b>26</b>

## TRAINING AND DEVELOPMENT OF STAFF

Training and development of staff are mechanisms through which the knowledge, performance and skills of employees are improved. The organisation, therefore, believes that trained and developed talent have a greater probability of staying and growing in

our organisation, and contributing to the improved productivity of their teams.

### Functional and Regulatory Training

The implemented training initiatives in Table 5 below include NQF credit-bearing, occupation specific and legislation regulated programmes.

**Table 5: Functional and Regulatory Training**

Training Programme	Number of Interventions/ courses	Number of Beneficiaries	Equity Representation								
			Male				Female				
			A	C	I	W	A	C	I	W	
Functional training	30	348	169					179			
Professional conferences	6	22	12					9	1		
Regulatory training	13	356	200					148	8		
<b>Total</b>	<b>49</b>	<b>726</b>	<b>381</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>336</b>	<b>9</b>	<b>0</b>	<b>0</b>

**Bursary Programme**

The organisation provides financial assistance to both employees and community members who wish

to further their studies at registered and accredited tertiary institutions. Tables 6 and 7 below indicate the number of employee and community bursaries offered and utilised in the 2019/2020 financial year:

**Table 6: Employee Bursaries**

Study Programmes	Number Approved	Equity Representation							
		Male				Female			
		A	C	I	W	A	C	I	W
Postgraduate studies	17	11				6			
Undergraduate studies	37	16				21			
Vocational studies	28	15				13			
<b>Total</b>	<b>82</b>	<b>42</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>40</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Table 7: Community Bursaries**

Study Programmes	Number of Beneficiaries	Equity Representation							
		Male				Female			
		A	C	I	W	A	C	I	W
Postgraduate studies	0								
Undergraduate studies	5	1				2	1		
Vocational studies	1	1							
<b>Total</b>	<b>6</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>1</b>	<b>0</b>	<b>0</b>

**Apprenticeship and Learnership**

The organisation implemented apprenticeship and learnership programmes, and also entered into collaborations with external stakeholders to enable the implementation and completion of SETA funded

apprenticeship programmes focusing on the work placement of apprentices for practical learning. Tables 8 and 9 reflect both employer funded and SETA funded apprenticeship and learnership programmes.

**Table 8: Employer Funded Apprenticeship and Learnership Programmes**

Apprenticeships/ Learnerships (18.1)	Number of Beneficiaries	Equity Representation							
		Male				Female			
		A	C	I	W	A	C	I	W
Millwright	1	1							
Electrical Learnership Phase Three	1	1							
Electrical Learnership Phase One	1					1			
Mechanical Fitter Apprentice	1		1						
Electrical Apprentice	1	1							
<b>Total</b>	<b>5</b>	<b>3</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Table 9: SETA Funded Apprenticeship and Learnership Programmes**

Apprenticeships/ Learnerships (18.2)	Number of Beneficiaries	Equity Representation							
		Male				Female			
		A	C	I	W	A	C	I	W
Workplace Integrated Learning (WIL) Electrical Apprentice	14	7				7			
<b>Total</b>	<b>14</b>	<b>7</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>7</b>	<b>0</b>	<b>0</b>	<b>0</b>

### Internship Programme

During the 2019/2020 reporting period, 30 Interns were enlisted in the Internship Programme. In this programme, interns are contracted for 24 months

and given a monthly stipend to enable them to take care for their daily needs, such as transport, accommodation, meals, etc. Table 10 below depicts the distribution of interns in terms of department, race and gender.

**Table 10: Internship Programme**

Department/Region	Number appointed	Equity Representation							
		Male				Female			
		A	C	I	W	A	C	I	W
Scientific Services	10	4				6			
Human Resources	8	3				5			
Corporate Admin	1	1							
Finance	4	1				3			
SHE	4					4			
Internal Audit	1	1							
Supply Chain	2	1				1			
ICT	1					1			
<b>Total</b>	<b>31</b>	<b>11</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>20</b>	<b>0</b>	<b>0</b>	<b>0</b>

### RETENTION OF SKILLED AND COMPETENT INDIVIDUALS, AND PROMOTION OF THE WELL-BEING OF EMPLOYEES

Continuous review and alignment of Sedibeng Water's reward philosophy and policies are done in order to ensure that the organisation remains an employer of choice with a unique set of benefits

that employees would receive in return for the skills, capabilities and experience they bring to the organisation. Furthermore, effective strategies are being implemented to ensure that reward and benefit structures are enhanced to attract, retain and motivate key talent. To enable the effective administration of rewards and benefits, employees in the organisation are categorised into three distinct

levels, viz. an executive level, a middle management (or non-bargaining) level and a bargaining level.

With regards to the executive level, remuneration packages, as well as other terms and conditions of employment were not improved or adjusted in line with inflation, because the organisation implemented a Ministerial Directive from the Department of Human Settlements, Water and Sanitation.

Notwithstanding the fact that economic circumstances during the year under review were

unfavourable (characterised by negative growth; increased commodity prices in general; shedding of jobs, etc.) and further exacerbated by the effects of the COVID-19 pandemic, which engulfed the world during the third and the fourth quarters, middle management (non-bargaining) and bargaining levels were paid incentive bonuses, and their salaries and benefits were adjusted accordingly so as to cushion such employees from the negative impact of inflation on their disposable income. These implemented changes are indicated in Table 11.

**Table 11: Middle Management (Non-bargaining) Level: Adjusted Salaries, Housing Allowances and Medical Aid Subsidies**

Middle Management (Non-bargaining) Level	
Salaries	Increased by 6.5% plus a further 1% for pay progression for employees who have completed a year in service, but with a package that is below the maximum of the applicable grade
Housing Allowances	Increased to R2 620.00 per month
Medical Aid Subsidies	Adjusted accordingly

In respect of the Bargaining Level category of employees, the salaries and other terms and conditions of employment were adjusted based on a collective agreement, which was negotiated

centrally at the Amanzi Bargaining Council (ABC). The implemented changes are summarised in Table 12 below:

**Table 12: Bargaining Level: Adjusted Salaries, Housing Allowances and Medical Aid Subsidies**

Bargaining Level	
Salaries	Increased by 6.5% plus a further 1% for pay progression for employees who have completed a year in service, but with a package that is below the maximum of the applicable grade
Housing Allowances	Increased to R2 620.00 per month
Medical Aid Subsidies	Adjusted accordingly

Further to the above, and in order to ensure that competent individuals recruited are retained, a remuneration mix, which comprises the following financial and non-financial components, is being implemented:

- Market-related salary packages;
- Recognition of long service;
- Succession planning; and
- Personal development programmes.

### Recognition of Long Service

Employees who have completed five (5) years of service, get rewarded for loyalty through leave credits equivalent to the number of vacation leave days they are entitled to per annum. Employees who have completed ten (10) to 35 years of service during the course of this review period, were recognised for their loyalty to the organisation at functions that had been sanctioned by the Board,

and were held during November and December 2019 in the various regions. These employees were presented with long service awards, which were both in cash and in kind. Owing to the COVID-19 pandemic, a weekend vacation to the coastal city of

choice could not be organised for employees in the 35 years category. Table 13 below highlights the categories, tokens of recognition and total number of employees that received Long Service Awards during the 2019/2020 financial year:

**Table 13: Long Service Awards**

Long Service Category	No. of Recipients	Awards and/or Tokens
10	28	<ul style="list-style-type: none"> <li>• Long Service Certificate</li> <li>• Long Service Leave (annual leave credits applicable to the level)</li> <li>• A gift or cash payment not in excess of R5000.00</li> </ul>
15	29	<ul style="list-style-type: none"> <li>• Long Service Certificate</li> <li>• Long Service Leave</li> <li>• A gift or cash payment or a combination of the two, but not in excess of R7 500.00</li> </ul>
20	32	<ul style="list-style-type: none"> <li>• Long Service Certificate</li> <li>• Long Service Leave</li> <li>• A gift or cash payment or a combination of the two, but not in excess of R10 000.00</li> </ul>
25	14	<ul style="list-style-type: none"> <li>• Long Service Certificate</li> <li>• Long Service Leave</li> <li>• Company dinner for employee and spouse/partner together with two guests of his/her choice</li> <li>• A gift or cash payment or a combination of the two, but not in excess of R12 500.00</li> </ul>
30	5	<ul style="list-style-type: none"> <li>• Long Service Certificate</li> <li>• Long Service Leave</li> <li>• Company dinner for employee and spouse/partner together with two guests of his/her choice</li> <li>• A gift or cash payment or a combination of the two, but not in excess of R15 000.00</li> </ul>
35	3	<ul style="list-style-type: none"> <li>• Long Service Certificate</li> <li>• Long Service Leave</li> <li>• Weekend vacation for two (trip by bus to a coastal city of choice and three nights hotel accommodation)</li> <li>• A gift or cash payment or a combination of the two, but not in excess of R20 000.00</li> </ul>
40	1	<ul style="list-style-type: none"> <li>• Long Service Certificate</li> <li>• Long Service Leave</li> <li>• Weekend vacation for two (trip by bus to a coastal city of choice and three nights hotel accommodation)</li> <li>• A gift or cash payment or a combination of the two, but not in excess of R20 000.00</li> </ul>
<b>Total</b>	<b>112</b>	

### **Succession Planning and Accelerated Personal Development Programmes**

Employees who show definite potential were placed on the Succession Planning Programme to ensure that their development is purposeful and that ultimately, a skills pool is created from which to tap when posts, which were identified as critical, have to be filled. Most of the employees on the Succession Planning Programme were awarded bursaries to further their formal training at reputable tertiary institutions. It can be confirmed that this programme contributed significantly towards the achievement of the strategic objectives that are related to employee retention and wellbeing. In filling most of the positions that became vacant during the year under review, the organisation has indeed tapped into this skills pool that has been created as a result of implementing the Succession Planning Programme over the years.

### **Improved Terms and Conditions of Employment**

The organisation was able to successfully implement the agreement reached at the Amanzi Bargaining Council (ABC), and then went on to extend this agreement to middle management level. As stated above, the improved terms and conditions of employment referred to include an above inflation general increase on salaries and a R200.00 per month increase on housing allowances. Parties at the Bargaining Council also agreed to extend maternity leave to six (6) months of which four (4) months will be fully paid leave. Only 25% of an employee's salary will be paid during the ensuing two (2) months, while for the remainder the employee may then claim the applicable maternity benefits from the Unemployment Insurance Fund (UIF). With regards to other benefits and variable allowances (such as cell-phone allowances; standby and shift allowances, etc.), negotiations at the ABC are at an

advanced stage and hopefully an agreement will be reached and implemented in the next financial year. As a matter of principle and to create a competitive edge for the organisation, employees are remunerated at the upper quartile of the market. Through this approach, the organisation was able to lure young professionals from urban areas to serve in Sedibeng Water's operational areas in remote locations. The success of this approach is evident from the large number of applications received from the targeted groups, as and when posts were advertised externally.

### **Communication, Employee Involvement and Participation**

Since worker participation is an essential ingredient of workplace democracy as contemplated in Section 80 of the Labour Relations Act (Act No. 66 of 1995), serious efforts were made to ensure that workplace collective bargaining and consultative structures, such as the Local Labour Forum (LLF), Equity Consultative Forums (ECF) and Regional Union/Management Forums, were able to meet amidst the challenges that were encountered along the way. Executive Committee, Middle Management and Regional Management meetings were also convened to enhance communication and general monitoring of the implementation of decisions taken. Even though there had been employee participation at various levels and involvement of organised labour in consultative structures, it was evident that the level of understanding of issues differed amongst role players. In order to address this identified gap, Management together with recognised unions (SAMWU and UASA) negotiated a Memorandum of Understanding (MOU), which marked the beginning of a new era in the employee relations space of the organisation. In summary, this MOU by and large consolidated an agreed position on issues that are itemised and briefly described in Table 14 below:

**Table 14: Memorandum of Understanding Negotiated between Management and Both Recognised Unions**

ITEM	BRIEF DESCRIPTION OF AN AGREED POSITION
(i) Central and Regional Consultative Forums	These forums must be managed well, i.e. meetings thereof must be held at regular intervals following the annual schedule agreed upon; a correct record of proceedings should be kept and resolutions implemented within agreed timelines; unresolved matters at lower structures must be escalated to higher ones timeously; and an attempt must be made to resolve issues at appropriate levels and no structure must be bypassed or undermined.
(ii) Handling of grievances and disciplinary cases	Grievances are to be handled following the existing Grievance Policy and Procedure to the letter and resolved speedily. With regards to disciplinary cases, the Disciplinary Code and Procedure is to be applied fairly, speedily and consistently. Managers and supervisors must not administer discipline punitively, but must through the disciplinary process, attempt to correct the behaviour of erring employees.
(iii) Transfer of retirement funds of employees who were incorporated into the organisation from disestablished water boards	The Section 14 transfer process is to be expedited. All the required valuation reports are to be done and submitted to the FSCA and feedback given to employees at regular intervals.
(iv) Job description writing and job evaluation	Due to the fact that many jobs were restructured as a result of work processes that were changed, job descriptions of all employees needed to be re-written and evaluated accordingly.
(v) Deferred plant level bargaining matters	An undertaking was made to identify all matters (terms and conditions of employment) that were referred to plant level bargaining by the Amanzi Bargaining Council and schedule meetings to discuss and finalise them.

The organisation upholds the ideals of the Constitution of South Africa in that the right to freedom of association is protected. In light of this, employees are free to join, or not to join trade unions. However, if they do join any union, such a union should have adequate representation in the water

sector and in the workplace. SAMWU and UASA are recognised as collective bargaining agents for their members at the various work sites. Table 15 reflects the distribution of union membership at Sedibeng Water during the 2019/2020 financial year.

**Table 15: Distribution of Union Membership as at 30 June 2020**

Region	SAMWU	UASA	Other	Total
Free State	166	82	10	258
North West: Hartswater	192	4	0	196
Northern Cape: Namakwa	28	11	1	40
Northern Cape: Pelladrikt	6	0	4	10
Northern Cape: Vaal Gamagara	44	11	2	57
North West: Mahikeng	161	5	2	168
<b>Total</b>	<b>597</b>	<b>113</b>	<b>19</b>	<b>729</b>

Due to the fact that conflict is inherent in the workplace, a number of disputes arose between Management and organised labour. Some of these disputes were resolved internally, while others were

referred for either conciliation or arbitration by the CCMA. Table 16 below depicts the nature and number of disputes that were referred to the CCMA:

**Table 16: Disputes Referred to the CCMA**

Dispute	Number of Disputes Referred to the CCMA	Resolved	Remain Unresolved
Alleged unfair dismissal	4	3	1
Alleged unfair labour practice	4	4	0
Interpretation of the Settlement Agreement	1	0	1
<b>Total</b>	<b>9</b>	<b>7</b>	<b>2</b>

### IMPLEMENTATION OF BENCHMARKED EMPLOYMENT BEST PRACTICES AND POLICIES, AND COMPLIANCE TO RELEVANT LEGISLATION

In addition to the promulgation of amendments to labour legislation, such as the Labour Relations Act, Basic Conditions of Employment Act, Employment Equity Act and recent trends in various sectors, etc., the Policy Review Committee continued to deliver on its mandate of reviewing existing policies and procedures. To this end, Sedibeng Water solicited the services of external consultants to assist in this regard to ensure that its policies are compliant with the relevant statutes and regulations of the country. Newly-recruited employees and current employees are continuously being educated on the provisions of the approved policies to promote awareness and compliance.

### AMANZI BARGAINING COUNCIL (ABC)

Sedibeng Water is a member of the South African Association of Water Utilities (SAAWU). Through delegates who are appointed to serve at the ABC and in its sub-structures or workstreams, the

organisation makes a meaningful contribution to improved collective bargaining and labour peace in the water sector. It can also be reported that the Essential Services Committee of the Commission for Mediation, Conciliation and Arbitration (CCMA) has been engaged to assist the employers and organised labour in the sector with the compilation of a Minimum Service Level Agreement. Even though parties (employers and organised labour at plant level) have agreed and signed Minimum Service Level Agreements at almost all the worksites, a consolidated Minimum Service Agreement is yet to be signed for the sector as a whole.

### CONCLUSION

During the year under review, Sedibeng Water's Human Resources Department did relatively well to support and assist the organisation in achieving its strategic goals by fostering a positive and engaging work environment, and focusing on the development of skills and capacity required for the complex and constantly changing business landscape, which was amongst others, impacted by the outbreak of the COVID-19 pandemic.



# MARKETING AND COMMUNICATION



## IN THIS SECTION:

- Introduction
- Functions
- Corporate Social Investment
- Communication Management
- Technical Communication Support
- Customer and Stakeholder Relations
- Media Relations
- Marketing Communication
- Market Development
- Market Positioning
- Conclusion

**Mr. N.A. Theys**

Marketing and Communication Executive

## INTRODUCTION

The Marketing and Communication Department of Sedibeng Water formulates and manages the overall marketing and communication strategy of the organisation. The Department acknowledges the fact that the organisation's existence largely depends on sound stakeholder relationship management. Therefore, during the 2019/2020 financial year this department endeavoured to establish and maintain good relations with both internal and external stakeholders through effective communication and marketing initiatives. Furthermore, the Marketing and Communication Department is responsible for creating public awareness about Sedibeng Water, while also promoting the services rendered by the organisation in respect of its mandate, brand, and products.

Key to the Department's objectives is the implementation of a proactive Marketing and Communication Strategy that is relevant to stakeholders' needs and expectations, which are identified by means of the outcomes of surveys conducted and ad hoc feedback from customers.

## FUNCTIONS

The Marketing and Communication Department is responsible for the management of the organisation's brand. This is done by ensuring that Sedibeng Water establishes and maintains constructive relationships with internal and external stakeholders. The Marketing and Communication Department's key focus areas include:

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

## CORPORATE SOCIAL INVESTMENT

Sedibeng Water's Corporate Social Investment (CSI) Programme is designed to assist the organisation in refocusing its resources and efforts in ways that benefit the society and the organisation itself. This Corporate Social Investment Programme reflects the unique challenges of communities and contributes towards addressing the real needs of communities in our operational area. Our Corporate Social Investment activities are focused on enhancing the organisation's image and assisting in building a strong brand identity. The CSI Programme is also ensuring that the organisation continuously fosters customer goodwill and loyalty.

This programme is geared towards cause-worthy initiatives by civil society. The special needs of

previously disadvantaged communities are taken into account when considering any request for assistance. Therefore, vulnerable members of our society and schools have been prioritised. This includes the provision of donations, sponsorships and the development of sports and arts. To ensure accountability, monthly expenditure reports are submitted by the beneficiaries, while annual reviews are also conducted to assess the impact of the organisation's contributions within respective communities.

Table 1 indicates the schools and community organisations that have benefited from Sedibeng Water's Corporate Social Investment Programme during the 2019/2020 financial year.

**Table 1: Sponsorship Beneficiaries of CSI Programme**

Description	Location	Use of Sponsorship
<b>LETLOTLO NALEDI PUBLIC SCHOOL</b>		
Accommodates more than 1 500 learners from previously disadvantaged communities	Kgotsoeng near Bothaville in the Nala Local Municipality (Free State Province)	Establishing a feeding scheme and a trust fund to assist learners
<b>LESEDI DAY CARE CENTRE</b>		
Accommodates more than 500 children from unemployed families and orphans	Saaiplaas, Virginia (Free State Province)	Supporting a feeding scheme
<b>LEARAMELE SCHOOL</b>		
Caters for more than 200 intellectually impaired learners	Kuruman in Ga-Segonyana Local Municipality (Northern Cape Province)	Developing technical skills and the arts
<b>LOKGABENG CENTRE</b>		
Promotes social, emotional, physical and psychological well-being of disabled and vulnerable people	Lokgabeng village in Greater Taung Local Municipality (North West Province)	Providing food and maintenance at centre
<b>M.M. SEBITLOANE SPECIAL SCHOOL</b>		
Caters for learners with special needs	Taung village in Greater Taung Local Municipality (North West Province)	Developing sports and maintenance at school
<b>EMANG DISABILITY CARE CENTRE</b>		
Accommodates orphaned children and people with disabilities	Wolmaransstad in Maquassi Hills Local Municipality (North West Province)	Supporting a feeding scheme and maintenance at centre
<b>TLHOMAMO CHILD CARE CENTRE</b>		
Caters for learners with severe intellectual impairment	Dryharts village in Greater Taung Local Municipality (North West Province)	Supporting a feeding scheme and maintenance at centre

**Table 1: Sponsorship Beneficiaries of CSI Programme (Continued)**

Description	Location	Use of Sponsorship
<b>J.L.V. ECHOES PROVIDERS</b>		
Accommodates destitute and vulnerable community members	Longlands in Dikgatlong Local Municipality (Northern Cape Province)	Maintaining the centre and supporting people living with HIV/AIDS
<b>TEMOSO SPECIAL SCHOOL</b>		
Caters for 127 learners from unemployed and previously disadvantaged parents	Ganyesa village in Kagisano-Molopo Local Municipality (North West Province)	Financing renovations at school
<b>BOSENYANG ELDERLY HOME</b>		
Accommodates more than 30 destitute and neglected elderly people	Kraaipan in Ratlou Local Municipality (North West Province)	Erecting a fence
<b>LAPA LA BOTLHE AGED CARE CENTRE</b>		
Cares for 70 senior citizens	Signal Hill in Mahikeng Local Municipality (North West Province)	Assisting with operational costs, and buying food and medicine
<b>GOODHOUSE PRIMARY SCHOOL</b>		
Caters for 21 learners from unemployed parents	Henkries in Nama Khoi Local Municipality (Northern Cape Province)	Buying school uniforms and gardening equipment
<b>DITHAKWANA A RE RATANENG CENTRE</b>		
Caters for 44 elderly people	Ikageleng township in Ramotshere Moiloa Local Municipality (North West Province)	Constructing of ablution facilities and provision of food
<b>LEGAE MOTHEO CHILD AND YOUTH CARE CENTRE</b>		
Accommodates 20 orphans	Seweding village in Mahikeng Local Municipality (North West Province)	Acquiring one hectare of land to build its own facility (instead of renting a house)

Sedibeng Water intends to expand its Corporate Social Investment Programme in the next financial year to accommodate more isolated and rural communities in its area of operation.

These results of the survey indicated that Sedibeng Water was able to maintain adequate levels of customer satisfaction during the year under review. The organisation is also in the process of devising remedial actions to address some challenges identified in this research report.

## **COMMUNICATION MANAGEMENT**

The Marketing and Communication Department facilitated the conducting of a Customer Satisfaction Survey involving both retail and bulk customers. This survey, which was conducted by an independent research company, afforded the organisation the opportunity to investigate the prevailing levels of customer satisfaction amongst its customers. Statistical analyses using various customer service indicators, established that Sedibeng Water currently maintains a customer satisfaction level of 65% amongst its retail customers and 78% amongst its bulk customers.

## **TECHNICAL COMMUNICATION SUPPORT**

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

## CUSTOMER AND STAKEHOLDER RELATIONS

Sedibeng Water places high value on customer and stakeholder relations. As a result, various channels and platforms were used during the 2019/2020 financial year to reach each targeted stakeholder group effectively and efficiently. These included regularly scheduled meetings, involvement and collaboration on some projects, road shows, a corporate newsletter, the organisation's website, print and electronic media, WhatsApp group, as well as an inspector phone-in programme.

### Customer Interaction Structures

Sedibeng Water continues to support and improve customer interaction structures, such as coordinating committees, customer interaction forums, project steering committees and community forums. Through these initiatives, the organisation has driven systematic processes that captured and recorded issues raised by customers. Feedback was referred to the relevant departments to ensure that such issues would be resolved timeously. Furthermore, these structures were also used to share information and proactively resolve issues affecting communities.

### Water Education and Plant Visits

Sedibeng Water has continued to host visits by schools, tertiary institutions, government departments, training institutions, etc. to its water and wastewater treatment plants. Themes covered during these visits included, amongst others, the water cycle; the water treatment process and the importance of water conservation, water quality monitoring and demand management.

### Water Conservation Awareness Campaigns

Sedibeng Water in partnership with the Department of Water and Sanitation conducted several water awareness campaigns in the Free State, North West and Northern Cape Regions. Community members and learners were targeted. Presentations on water conservation, vandalism, water quality, pollution and career opportunities were conducted.

## Career Development Initiatives for Learners

During the financial year concerned, Sedibeng Water sponsored and exhibited at the Department of Water and Sanitation's National Youth Adjudication and Youth Indaba held at the Birchwood Hotel in Gauteng Province. More than 500 learners visited Sedibeng Water's exhibition stall.

### Mandela Day Celebrations

In the month of July annually, the Department of Human Settlements, Water and Sanitation embarks on a Clear Rivers Campaign - a campaign dedicated to the late Nelson Mandela. This campaign calls on the goodwill of citizens to devote 67 minutes of their time on any day during Mandela Month towards the cleaning up of our water ecosystems, such as rivers, streams, wetlands, dams, canals or any other freshwater source.

Several Clear River Campaigns were launched as part of Mandela Day celebrations. In the Northern Cape, the provincial Department of Human Settlements, Water and Sanitation in partnership with the Sol Plaatje Municipality, Sedibeng Water and the Department of Environmental Affairs, cleaned the Lower Vaal River in the Riverton area.

The Department of Human Settlements, Water and Sanitation in the North West Province in partnership with Sedibeng Water, the Ngaka Modiri Molema District Municipality, the Parks Board and the Ratshidi Tribal Authority with the assistance of EPWP workers, also targeted the Molopo River in Mahikeng.

## MEDIA RELATIONS

The media relations function involves establishing and maintaining good working and mutually beneficial relationships with the media. As part of ensuring positive publicity for Sedibeng Water, the Marketing and Communications Department is continuously engaging with a variety of print and electronic media, at a national, provincial, regional, as well as local level. A number of local community radio stations are continuously used to air advertisements and water related notifications.

For this purpose, Sedibeng Water has renewed its contracts with the following radio stations during the financial year under review: Modiri FM, Kopanong FM, Mahikeng FM, Ratlou FM, The Star FM, The Rock FM, Mozolo FM, Vaaltar FM, Radio NFM 98.1, Kurura FM, Bophirima FM and Bodumedi FM.

## **MARKETING COMMUNICATION**

Sedibeng Water used integrated marketing communication messages delivered through both print and electronic media to create and promote awareness about its products and services amongst the broader public. Apart from developing brand awareness, marketing communication also assisted in retaining the current customer base and improving healthy relationships with customers. Likewise, the Marketing Communication Strategy enabled Sedibeng Water to address potentially negative perceptions about the organisation and to consolidate its position within the larger market.

## **MARKET DEVELOPMENT**

Sedibeng Water's market development initiatives are aimed at increasing the organisation's market share. Therefore, Sedibeng Water has conducted an assessment profiling current and potential customers' needs. The organisation's Market Development Strategy is also underpinned by the notion of providing excellent service in our areas of operation. Furthermore, Sedibeng Water's market development initiatives are not only focusing on

increasing sales volumes, but also enhancing the capacity and skills base of targeted municipalities. Regular presentations and technical audits are conducted, and results are shared with targeted clients.

## **MARKET POSITIONING**

Through its Market Positioning Strategy, Sedibeng Water is able to understand and appreciate the needs of its customers. Needs and gaps were identified and addressed through rendering of the following services:

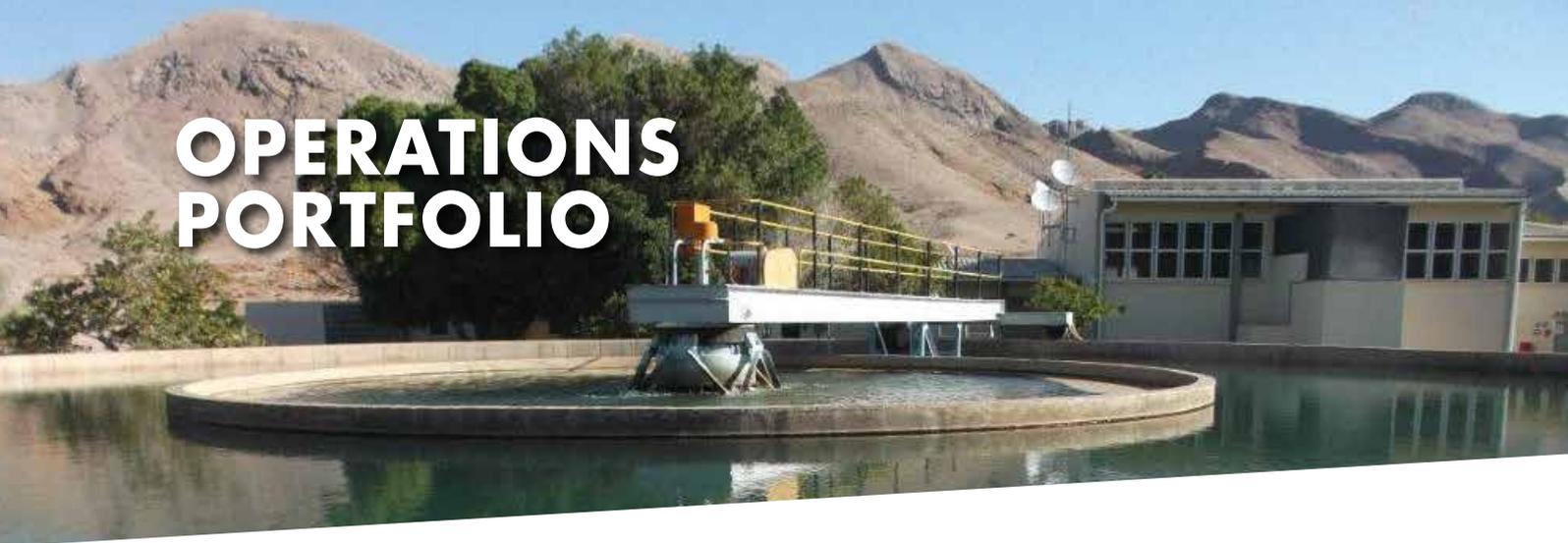
- Community capacity building;
- Water quality monitoring;
- Appointment as Implementing Agent for projects of the Department of Water and Sanitation;
- Environmental management services; and
- Operations and maintenance services.

## **CONCLUSION**

During the 2019/2020 financial year, the Marketing and Communication Department's integrated Marketing and Communication Strategy and related programmes, activities and initiatives made a substantial contribution towards ensuring that Sedibeng Water continuously engages with all its stakeholders. Central to its mandate, the Department has also successfully coordinated customer relations, market development and growth strategy initiatives.



# OPERATIONS PORTFOLIO



## IN THIS SECTION:

- The Free State Region
- The North West Region
- The Northern Cape Region
- Scientific Services
- Technical Support and Safety, Health and Environment
- New Business Development

### Mr. M.P. Mokubung

Acting Chief Operations Officer

The Operations Portfolio at Sedibeng Water comprises the Free State Region; the North West Region; the Northern Cape Region; Scientific Services; Technical Support & Safety, Health and Environment, as well as New Business Development.

Operational assets include, amongst others, two quality control laboratories, 15 plants, 74 pump stations, 499 reservoirs and a pipeline network of more than 2 000km. The Water Board's operational area covers approximately 100 000km<sup>3</sup> and includes parts of the North West, Northern Cape and Free State Provinces. This makes Sedibeng Water one of the largest water utilities in South Africa in terms of the geographical area that it serves. The Water Board provides water to a population of about 2.9 million people living mainly in rural communities and a few larger towns.

Water treatment works operated and maintained by Sedibeng Water include:

### FREE STATE REGION

- Balkfontein Water Treatment Works; and
- Virginia Water Treatment Works.

### NORTHERN CAPE REGION

- Vaal Gamagara Water Treatment Works;
- Henkries Water Treatment Works; and
- Pelladriest Water Treatment Works.

### NORTH WEST REGION

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

Since Sedibeng Water's operational area covers three provinces, a regionalised operational approach is followed to ensure efficient service delivery at ground level.

# FREE STATE REGION



## IN THIS SECTION:

- Introduction
- Potable Water Supply: Original Supply Area
- Potable Water Supply: Additional Supply Area
- Potable Water Quality
- Wastewater Effluent Quality
- Maintenance Expenditure
- Upgrading and Refurbishment
- Overview of Planned and Unplanned Maintenance
- Conclusion

## Mr. G.M. Dippenaar

Regional Manager: Free State

## INTRODUCTION

The Free State Region focuses on efficient purification practices, maintenance, the refurbishment of infrastructure, as well as new infrastructure development to meet the ever-increasing demand of consumers in its operational area. This is being done in order to honour the organisation's strategic intent of ensuring sustainable and reliable water supply. The Region supplies bulk potable water to:

- The Matjhabeng Local Municipality (Free State Province);
- The Nala Local Municipality (Free State Province);
- The Maquassi Hills Local Municipality (North West Province), and
- Various mines in the distribution area.

In addition to supplying bulk portable water to the areas mentioned above, the Free State Region continued to provide operations and maintenance services at the water and wastewater treatment works of Bloemhof and Christiana in the Lekwa-Teemane Local Municipality in the North West Province during the 2019/2020 financial year. Since Sedibeng Water took over these water and wastewater treatment works, the plants

have been operating optimally and produce potable water that meets high quality standards.

At the wastewater treatment works, the final effluent did not always comply with set standards. At the Christiana Wastewater Treatment Works, the final effluent failed with regards to free chlorine levels from time-to-time and also experienced bacteriological failures. The Bloemhof Wastewater Treatment Works is not performing well due to the Sequential Batch Reactor module that has not yet been handed over by the contractors to Sedibeng Water to operate.

## POTABLE WATER SUPPLY: ORIGINAL SUPPLY AREA

The sources of water for abstraction are the Vaal River, Sand River Canal and boreholes. All boreholes are located in the North West Province and supplement the water supply to the Maquassi Hills Local Municipality. Raw water treated at the Balkfontein Water Treatment Plant is abstracted from the Vaal River, and that of the Virginia Water Treatment Plant is abstracted from the Sand River Canal. This canal is fed from the Allemanskraal Dam. The raw water from the Allemanskraal Dam is subject to a quota, and the amount of water to be

used is dependent on the amount of water available in the dam, which is mostly influenced by rainfall in its catchment area. Raw water purchases and water

volumes produced/sold for the 2019/2020 financial year, are reflected in the following two tables.

**Table 1: Raw Water Purchases**

Year	Volume (kℓ)	Increase in Demand (kℓ)	Increase (%)
2017/2018	85,347,246	7,922,727	10.23
2018/2019	91,802,527	6,455,281	7.56
2019/2020	92,453,230	650,703	0.71

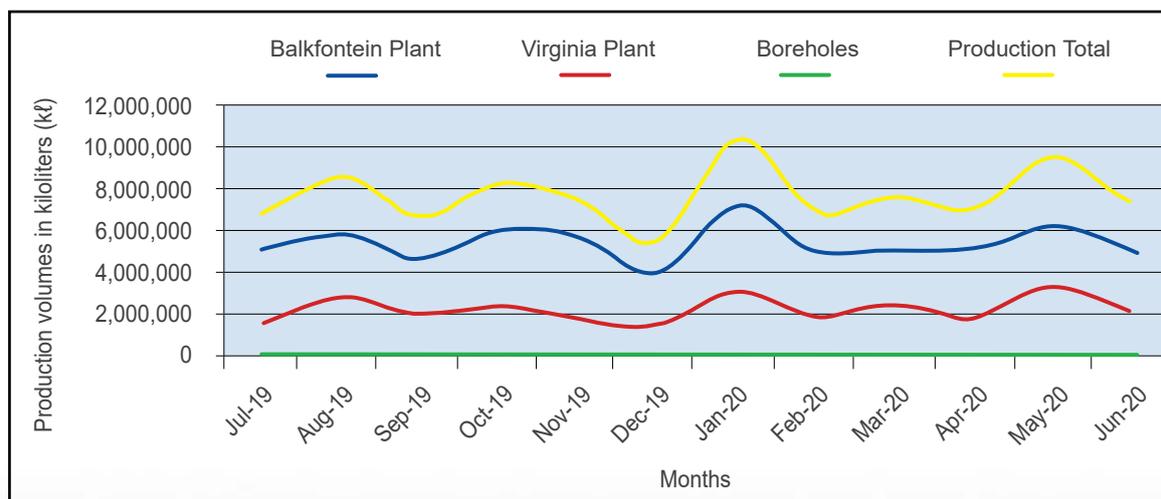
**Table 2: Volume Produced (Sold)**

Year	Volume (kℓ)	Increase in Demand (kℓ)	Increase (%)
2017/2018	76,235,439	2,078,146	2.80
2018/2019	78,377,125	2,141,686	2.81
2019/2020	80,074,315	1,697,190	2.17

During the year under review, raw water purchases and water sales volumes increased by 0.71% and 2.17%, respectively. These increases are attributed to population growth in the area of supply.

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

**Graph 1: Free State Region Monthly Production Trends**



**POTABLE WATER SUPPLY: ADDITIONAL SUPPLY AREA**

**Lekwa-Teemane Local Municipality**

The Free State Region continues to provide operations and maintenance services at the

Bloemhof and Christiana Water Treatment Works in the municipal area of the Lekwa-Teemane Local Municipality.

**Bloemhof Water Treatment Works:**

Raw water abstraction and volumes produced at the

Bloemhof Water Treatment Works are depicted in Tables 3 and 4.

**Table 3: Bloemhof Water Treatment Works: Raw Water Abstraction**

Year	Volume (kℓ)	Increase in Demand (kℓ)	Increase (%)
2017/2018	3,969,240	340,640	9.39
2018/2019	4,241,230	271,990	6.85
2019/2020	3,947,870	-293,360	-6.91

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

Year	Volume (kℓ)	Increase in Demand (kℓ)	Increase (%)
2017/2018	3,632,810	361,860	11.06
2018/2019	3,699,790	66,980	1.84
2019/2020	3,505,000	-194,790	-5.26

Raw water abstraction decreased by 6.91% in the 2019/2020 financial year, while water sold reduced by 5.26%.

**Christiana Water Treatment Works:**

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

**Table 5: Christiana Water Treatment Works: Raw Water Abstraction**

Year	Volume (kℓ)	Increase in Demand (kℓ)	Increase (%)
2017/2018	2,547,110	1,437,180	129.48
2018/2019	2,343,390	-2.3,720	-7.99
2019/2020	2,195,960	-147,430	-6.29

**Table 6: Christiana Water Treatment Works - Volume Produced (Sold)**

Year	Volume (kℓ)	Increase in Demand (kℓ)	Increase (%)
2017/2018	ND*	ND*	ND*
2018/2019	2,150,290	ND*	ND*
2019/2020	2,050,321	-99,969	-4.65

\* Final water produced in previous reporting periods could not be determined due to a faulty flowmeter.

**Drought Relief**

Drought relief projects that were undertaken during the 2019/2020 financial year include the Qwaqwa and Parys Projects. The Parys Project (Ngwathe Local Municipality) comprised the erection of

Jojo tanks, water supply by 8 water tankers and the refurbishment of a 10Mℓ water purification plant. The Qwaqwa Project (Maluti a Phofung Local Municipality) involved the erection of Jojo tanks and infrastructure repair, refurbishment and replacement. In total, 110 Jojo tanks were provided.

## Emergency Supply of Water to the Masilonyana and Mafube Local Municipalities

Sedibeng Water supplied potable water with water tankers to Winburg, Theunissen and Brandfort in the Masilonyana Local Municipality. This was done from time-to-time on request by the municipality. Since 6 May 2017, the Mafube Local Municipality had likewise been supplied with potable water using water tankers. This process still continued in the 2019/2020 financial year.

## POTABLE WATER QUALITY

### Potable Water Quality at the Balkfontein and Virginia Water Treatment Plants

Water quality statistics for the year under review are summarised in Tables 7.1 and 7.2. Final water from both the Balkfontein and Virginia Water Treatment Plants complied with SANS 241:2015 standards for drinking water with regards to microbiological, physical and organoleptic, as well as chemical parameters.

**Table 7.1: Water Quality Results - Balkfontein (Final Water)**

Determinand	Unit	Specification	Compliance SANS 241:2015
<b>Physical and Organoleptic Requirements</b>			
pH	pH	5.0 – 9.5	>99.9
Turbidity	NTU	<1.0	99.1
<b>Microbiology Safety Requirements</b>			
<i>E. coli</i>	Count/100mℓ	0	>99.91
<b>Operational Water Quality Alert Levels</b>			
Total Coliforms	Count/100mℓ	10	99.4
Average Free Chlorine	mg/ℓ	2.43	

**Table 7.2: Water Quality Results - Virginia (Final Water)**

Determinand	Unit	Specification	Compliance SANS 241:2015
<b>Physical and Organoleptic Requirements</b>			
pH	pH	5.0 – 9.5	>99.9
Turbidity	NTU	<1.0	>99.9
<b>Microbiology Safety Requirements</b>			
<i>E. coli</i>	Count/100mℓ	0	>99.9
<b>Operational Water Quality Alert Levels</b>			
Total Coliforms	Count/100mℓ	10	>99.9
Average Free Chlorine	mg/ℓ	1.44	

Water quality compliance for the different supply systems in the distribution network in the Free State Region is reflected in Table 7.3.

**Table 7.3: Water Quality Results (Supply Systems)**

Supply Systems in the Free State Region	Compliance Levels (%) - SANS 241:2015					
	Microbial: Acute Health (97% min)	Chemical: Acute Health (95% min)	Chemical: Chronic Health (95% min)	Chemical: Non-health: Aesthetic (95% min)	Operational: (95% min)	Disinfectant: (95% min)
<b>MATJHABENG LM</b>						
Welkom	>99.9	>99.9	>99.9	99.2	99.3	99.7
Allanridge	>99.9	>99.9	99.8	98.9	99.3	96.3
Odendaalsrus	>99.9	>99.9	>99.9	98.9	99.1	99.6
Hennenman	>99.9	>99.9	>99.9	98.9	99.2	99.6
Virginia	>99.9	>99.9	>99.9	99.2	99.4	93.1
Ventersburg	>99.9	>99.9	>99.9	99.0	99.3	99.7
<b>MAQUASSI HILLS LM</b>						
Leeudoringstad	99.7	>99.9	>99.9	98.7	98.4	99.7
Makwassie	99.5	>99.9	>99.9	99.1	98.4	99.5
Wolmaransstad	99.8	>99.9	>99.9	98.9	98.8	99.6
<b>NALA LM</b>						
Wesselsbron	>99.9	>99.9	99.7	99.2	99.3	98.9
Bothaville	>99.9	>99.9	>99.9	98.9	98.8	99.7

**Potable Water Quality in the Lekwa-Teemane Local Municipality**

Water quality statistics of the Bloemhof and Christiana Water Treatment Works in the Lekwa-Teemane Local Municipality for the 2019/2020 financial year, are summarised in Tables 8.1 and 8.2. Final water from the Bloemhof Water Treatment

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

**Table 8.1: Water Quality Results - Bloemhof (Final Water)**

Determinand	Unit	Specification	Compliance SANS 241:2015
<b>Physical and Organoleptic Requirements</b>			
pH	pH	5.0 – 9.5	>99.9
Turbidity	NTU	< 1.0	97.8
<b>Microbiology Safety Requirements</b>			
<i>E. coli</i>	Count/100mℓ	0	>99.9
<b>Operational Water Quality Alert Levels</b>			
Total Coliforms	Count/100 mℓ	10	>99.9
<b>Average Free Chlorine</b>	mg/ℓ	1.77	

**Table 8.2: Water Quality Results - Christiana (Final Water)**

Determinand	Unit	Specification	Compliance SANS 241:2015
<b>Physical and Organoleptic Requirements</b>			
pH	pH	5.0 – 9.5	>99.9
Turbidity	NTU	< 1.0 (Operational)	91.8
		<5 (Aesthetic)	>99.9
<b>Microbiology Safety Requirements</b>			
<i>E. coli</i>	Count/100mℓ	0	>99.9
<b>Operational Water Quality Alert Levels</b>			
Total Coliforms	Count/100mℓ	10	98
<b>Average Free Chlorine</b>	mg/ℓ	1.64	

## WASTEWATER EFFLUENT QUALITY

### Balkfontein Wastewater Treatment Plant

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

### Bloemhof Wastewater Treatment Plant

In terms of the Department of Water and Sanitation's Water Use Licence, the effluent discharged from the Bloemhof Wastewater Treatment Plant did not comply with the Special Standard for Wastewater effluent, due to hydraulic and organic overload at the plant. Upon the completion of the upgrade to the plant (addition of a Sequential Batch Reactor unit), the set standards will be complied with.

### Christiana Wastewater Treatment Plant

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

## MAINTENANCE EXPENDITURE

A system of planned maintenance was carried out throughout the 2019/2020 financial year. All buildings, equipment and vehicles were examined and serviced according to a daily, weekly, monthly, quarterly and annual schedule. Specific refurbishment projects were also implemented as part of the Maintenance Plan for the year under review. Provision for reactive maintenance was made in the Maintenance Budget. This expenditure is reflected in Table 9.

**Table 9: Maintenance Expenditure**

Year	Expenditure (R)	Increase/(Decrease) in Expenditure (R)	Increase/(Decrease) (%)
2018/2019	16,117,622	(3,930,263)	(19.60)
2019/2020	27,485,018	11,367,396	70.53

Reservoirs were cleaned as far as possible according to a scheduled programme throughout the Region. The cleaning programme is also determined by the analysis of the quality of water released from the

reservoirs. The joints and seals of the reservoirs were replaced as and when necessary. Some of the more significant maintenance activities are indicated in Table 10.

## UPGRADING AND REFURBISHMENT

### Upgrading of the Buisfontein-Tsweleng Bulk Water Supply and the Wesselsbron Bulk Water Supply Line

These two projects commenced in September 2016. However, further implementation was put on hold due to insufficient funds being available. Notwithstanding, a part of the Wesselsbron Project (laying of the new OPVC pipeline parallel to the existing one from the Welkom area towards Wesselsbron) did continue during the financial year under review.

### Upgrading of the Koppie Alleen-Ventersburg Bulk Water Supply

Project implementation was suspended due to challenges relating to funding.

### New Sludge Dams at the Virginia Plant

An Environment Impact Assessment Study was finalised and ratified. The tender was supposed to be advertised during the 2019/2020 financial year, but postponed due to financial constraints.

## OVERVIEW OF PLANNED AND UNPLANNED MAINTENANCE

Table 10 provides an overview of planned and unplanned maintenance performed in the Free State Region during the 2019/2020 financial year.

**Table 10: Planned and Unplanned Maintenance in the Free State Region**

Planned Maintenance	Unplanned Maintenance
<ul style="list-style-type: none"> <li>Removed Pump Number 1 at De-Erf New High Pressure Pump Station and sent it for repairs;</li> <li>Removed and replaced Bloemhof Wastewater Treatment Works T3 rotating assembly;</li> <li>Removed and replaced old fire hydrants at Balkfontein residential area;</li> <li>Removed Sulzer Pump Number 4 from De-Erf High Lift Pump Station for refurbishment;</li> <li>Removed and replaced pinch valve at the Dosing Plant;</li> <li>Replaced pump at Hoopstad Pump Station in Bloemhof;</li> <li>Repaired Suction Pump Number 1 at the Bloemhof Wastewater Treatment Works;</li> <li>Replaced Pump Number 5 at the Bloemhof Water Treatment Works;</li> <li>Removed and replaced pressure vessels at the Bloemhof Chlorine Plant;</li> <li>Removed and replaced Backwash Pump at the Bloemhof Water Treatment Works;</li> <li>Removed and replaced Leeudoringstad Pump Number 3 at Balkfontein;</li> <li>Removed and replaced Leeudoringstad Pump Number 2 at Balkfontein;</li> <li>Installed strainer on the Bloemhof Water Treatment Works DAF pipeline;</li> <li>Alignment of pumps carried out at new Christiana Pump Station;</li> <li>Scheduled maintenance conducted on Virginia-Saaiplaas pipeline;</li> </ul>	<ul style="list-style-type: none"> <li>Removed motor of Pump Number 2 at Leeudoringstad to install at Buisfontein pump whose motor had been sent for repairs;</li> <li>Repaired water leakage at the Balkfontein New High Pressure Pump Station;</li> <li>Repaired pipe leakage at the Balkfontein riverside;</li> <li>Repaired water leakages several times on three pipelines between De-Erf and Koppie Alleen (caused by ageing of pipes);</li> <li>Repaired pipe leakage at Tshepong Mine in Odendaalsrus;</li> <li>Removed Bloemhof Water Treatment Works DAF gearbox and sent it to supplier for repairs, whereafter it was installed again;</li> <li>Removed motor of Lebaleng Pump Number 2 for repairs;</li> <li>Removed and replaced Leeudoring Pump Number 4 at Balkfontein;</li> <li>Repaired water leakages several times on pipeline between Balkfontein and Leeudoringstad;</li> <li>Removed split casing pump at Balkfontein High Lift Pump Station and installed it at De-Erf High Lift Pump Station;</li> <li>Removed and replaced split casing of Pump Number 2 at De-Erf High Lift Pump Station;</li> <li>Removed and replaced blocked lime pipes several times at Balkfontein;</li> <li>Replaced and repaired Pump Number 1 at De-Erf High Lift Pump Station;</li> </ul>

Planned Maintenance	Unplanned Maintenance
<ul style="list-style-type: none"> <li>• Removed valve for repairs from Weselsbron Pump Station;</li> <li>• Installation of agitator at Christiana Wastewater Treatment Works;</li> <li>• Alignment and installation of v-belts of blower on Pump Number 2 at Virginia High Pressure Pump Station;</li> <li>• Replacement of butterfly valve at Virginia High-Pressure Pump Station;</li> <li>• Changed motor of Pump Number 1 at Wesselsbron Pump Station;</li> <li>• Installation of Pump Number 2 at the Wesselsbron Pump Station;</li> <li>• Repaired Christiana tower pipe burst;</li> <li>• Pipes modification and installation of butterfly valve at G13 in Welkom;</li> <li>• Scheduled maintenance of Virginia Water Purification Plant;</li> <li>• Replaced and alignment of Pump Number 1 at Virginia High Pressure Pump Station;</li> <li>• Conducted scheduled maintenance on Saaiplaas pipeline;</li> <li>• Installed Pump Number 1 at Brabant Pump Station;</li> <li>• Installed Pump Number 2 at Saaiplaas Pump Station;</li> <li>• Installed a remote-controlled pressure control valve at Phomolong water supply take-off;</li> <li>• Removed, repaired and replaced aerator gear box at Christiana Wastewater Treatment Works;</li> <li>• Replaced air valve at G 03 on Welkom ring feed pipeline;</li> <li>• Serviced all transformers at Balkfontein Pump Stations;</li> <li>• Converted Boreholes P9, 16 and A1 into submersible pumps;</li> <li>• Repaired and commissioned pump motor of New Balkfontein Intake Pump Station;</li> <li>• Upgraded variable speed drives at Old Buisfontein (Pump 1 completed and commissioned, while upgrading of Pumps 2 and 3 is still in progress);</li> <li>• Replaced compressor at Balkfontein Chlorine Plant with a new one positioned outside the plant;</li> <li>• Recommissioned Balkfontein Chlorine Plant Bank B after valves replacement;</li> <li>• Commissioned new Utlwanang pumps at Christiana Water Treatment Works;</li> <li>• Replaced motor bearings of Pump Number 3 at Virginia Beatrix Pump Station;</li> </ul>	<ul style="list-style-type: none"> <li>• Repaired water leakages at Balkfontein settling dams;</li> <li>• Removed and repaired Backwash Pump Number 1 at Balkfontein;</li> <li>• Repaired water leakages several times on pipelines between Balkfontein and De-Erf;</li> <li>• Removed and replaced inlet flow meter at Bloemhof Water Treatment Works;</li> <li>• Repaired water leakages on several occasions at Old Leeudoringstad Pump Station;</li> <li>• Replaced white metal bearings of De-Erf Sulzer Pump Number 4;</li> <li>• Repaired water leakages inside manhole at Kgotsong Pump Station;</li> <li>• Repaired water leakages between Leeudoringstad and Buisfontein Pump Stations;</li> <li>• Removed and replaced motor of Balkfontein Sulzer Number 10;</li> <li>• Removed and replaced Balkfontein KSB Pump Number 3;</li> <li>• Removed and replaced Pumps Number 2 and 6 at intake pump station of Bloemhof Water Treatment Works;</li> <li>• Repaired water leakages on pipeline between Balkfontein and Bothaville;</li> <li>• Repaired water leakages on pipeline between De-Erf and Allenridge;</li> <li>• Removed and replaced P16 Borehole Pump;</li> <li>• Removed and replaced compressor at Bloemhof Wastewater Treatment Works;</li> <li>• Repaired pipe and replaced vandalised H35 meter on Wesselsbron pipeline;</li> <li>• Repaired 500mm diameter pipeline supplying Masimong Mine at Bronville;</li> <li>• Repaired Hobas line in Wesselsbron;</li> <li>• Repaired several pipe bursts on Wesselsbron pipeline;</li> <li>• Repaired leaking pipe at Beatrix Mine;</li> <li>• Repaired leak on Erfdeel pipeline supplying Masimong Mine;</li> <li>• Repaired leak on Virginia-Welkom 700mm pipeline;</li> <li>• Repaired leaking pipe on corner of Tempest and Constantia roads in Welkom;</li> <li>• Repaired Christiana water supply line several times;</li> <li>• Repaired pipe burst on Christiana Water Pressure Tower supply line;</li> <li>• Repaired vandalised pipeline and N 03 valve supplying Thabong in Welkom;</li> </ul>

Planned Maintenance	Unplanned Maintenance
<ul style="list-style-type: none"> <li>• Condition monitoring analysis and vibration testing done on pump sets at Brabant Pump Station;</li> <li>• Condition monitoring done on Pumps 1, 2, 3, 4 and 6 at Virginia High-Pressure Pump Station;</li> <li>• Installed additional flow meter for inflow verification at inlet works of Christiana Wastewater Treatment Plant;</li> <li>• Commissioned Saaiplaas TRU;</li> <li>• Commissioned Koppie Alleen TRU; and</li> <li>• Verification of flow meters at the Virginia Plant, Saaiplaas Pump Station and Koppie Alleen.</li> </ul>	<ul style="list-style-type: none"> <li>• Repaired pipe burst on Welkom 700mm diameter ring feed G19;</li> <li>• Repaired Utlwanang pipe burst and booster pump in Christiana;</li> <li>• Repaired pipe leak at Monyakeng Pump Station;</li> <li>• Assisted Balkfontein with pipeline repairs at De-Erf;</li> <li>• Removed aerator gearbox several times at Christiana Wastewater Treatment Works;</li> <li>• Repaired compressor at Christiana Water Treatment Works;</li> <li>• Repaired leaking pipe at the Beatrix Mine;</li> <li>• Replaced vandalised radio antenna and supply cables at Buisfontein, Bothaville and Kgotsong Pump Stations;</li> <li>• Recommissioned pump set at De-Erf KSB Pump Number 2;</li> <li>• Repaired cross valve actuator at Koppie Alleen;</li> <li>• Repaired washout valve actuator at Virginia Filter Number 10; and</li> <li>• Recommissioned Pump Number 2 at Saaiplaas Pump Station.</li> </ul>

## CONCLUSION

During the 2019/2020 financial year, the Free State Region excelled in ensuring the provision of a viable and consistent water supply to customers and communities in its operational area. This

success was achieved through efficient water purification practices, continuous maintenance and infrastructure refurbishment.

# NORTH WEST REGION



## IN THIS SECTION:

- Introduction
- Services Rendered in the North West Region
- Primary Objective of the North West Region
- Operational Overview: North West (Hartswater) Sub-region
- Operational Overview: North West (Mahikeng) Sub-region
- Conclusion

## Mr. S.K. Sithole

Acting Regional Manager: North West

## INTRODUCTION

The North West Region comprises two sub-regions, namely the North West (Hartswater) Sub-region with its regional office in Hartswater, and the North West (Mahikeng) Sub-region where the regional office is situated in Mahikeng. The Hartswater Sub-region serves the Ga-Segonyana Local Municipality (Northern Cape Province), Phokwane Local Municipality (Northern Cape Province) and Dr. Ruth Segomotsi Mompati District Municipality (North West Province), while the Mahikeng Sub-region serves the Ngaka Modiri Molema District Municipality (North West Province). Bulk water supply, and operations and maintenance services are being rendered in these municipalities as defined in the Water Services Act (No. 108 of 1997) as Sections 29 and 30 activities. However, in certain areas the North West Region also provides retail services.

## SERVICES RENDERED IN THE NORTH WEST REGION

The services that the Region offers to municipalities are (but not limited to) the following:

### Bulk Water Services

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

### Reticulation Water Services

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

### Management and Other Support Services

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

## Water Quality Monitoring

- Sampling and testing; and
- Water quality monitoring of sources, reservoirs and points of use.

## Retail Services

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

## PRIMARY OBJECTIVE OF THE NORTH WEST REGION

The primary objective of Sedibeng Water in the North West Region is to fulfil the requirements of the Water Services Act, for which reason the organisation signed several water service provider agreements with Water Services Authorities in the North West and Northern Cape Provinces. The North West Region (Hartswater Sub-region) has

entered into such an agreement with the Dr. Ruth Segomotsi Mompati District Municipality for bulk water supply to the Mamusa Local Municipality and Lekwa-Teemane Local Municipality, as well as both bulk and retail water supply to the Kagisano Molopo Local Municipality and Greater Taung Local Municipality. All these bulk water supply contracts are still valid and will be revised in the 2020/2021 financial year. Likewise, the North West Region (Mahikeng Sub-region) has also concluded bulk and retail Service Level Agreements with the Ngaka Modiri Molema District Municipality to supply water to Mahikeng and surrounding peri-urban areas. The Service Level Agreements with the Ngaka Modiri Molema District Municipality and Mahikeng Local Municipality are valid until June 2020 and November 2020, respectively. Negotiations are underway to revise the bulk water supply contract with the Ditsobotla Local Municipality, which expired in August 2019. The Mahikeng Sub-region also entered into a tripartite agreement with the Department of Human Settlements, Water and Sanitation and the Water Utility Cooperation of Botswana to operate and maintain the TSWASA Scheme.

## OPERATIONAL OVERVIEW: NORTH WEST (HARTSWATER) SUB-REGION

### IN THIS SECTION:

- Background
- Water sources
- Production volumes
- Water quality monitoring
- Bulk wastewater services
- Wastewater effluent quality
- Retail services
- Reticulation water services
- Maintenance and refurbishment
- Optimisation and management of water supply systems
- Management and other support services

## BACKGROUND

The municipalities being served by Sedibeng Water in the North West (Hartswater) Sub-region include:

- Ga-Segonyana Local Municipality (Northern Cape Province);
- Phokwane Local Municipality (Northern Cape Province);
- Dr. Ruth Segomotsi Mompati District Municipality (North West Province);
  - Kagisano-Molopo Local Municipality;
  - Greater Taung Local Municipality;
  - Lekwa-Teemane Local Municipality;
  - Naledi Local Municipality; and
  - Mamusa Local Municipality.

## WATER SOURCES

The primary source of potable water in the Sub-region is ground water resources, which constitute 45% of the total potable water supply. Villages are scattered over a vast area of operation, and each village has its own boreholes. Supply and demand related to the water sources used by the Hartswater Sub-region in order to service the Dr. Ruth Segomotsi Mompati District Municipality, are depicted in Table 1.

**Table 1: Total Potable Water Production**

Source	Water Treatment Plant	Design Capacity (Mℓ per day)	Current Demand (Mℓ per day produced)	Comments
Harts River	Kgomotso	1.8	1.5	Insufficient capacity - augmentation needed
Vaal Harts Canal	Pudimoe Module 1	6	5	Insufficient supply of raw water
Vaal Harts Canal	Pudimoe Module 2	7	6	Insufficient supply of raw water
Vaal Harts Canal	Pudimoe Module 3	7	3	Insufficient supply of raw water (raw water allocation is 12,5 Mℓ/day for Pudimoe WTW Modules 1, 2 & 3)
Vaal Harts Canal	Bogosing	1.2	1.2	Plant will be decommissioned once Taung Plant becomes operational
Taung Dam	Taung	11	48	Construction at the Taung Plant is 98% complete and the due date for completion is January 2020
Wentzel Dam and Boreholes	Mamusa	4	3.5	Insufficient supply of raw water - construction of pipeline from Bloemhof Purification Plant in progress
Vaal Harts Canal and Harts River	Pampierstad	9.6	8.2	Raw water bulk supply is limiting the supply to the plant (demand is therefore higher than the supply)

## PRODUCTION VOLUMES

As can be seen in Table 2, total annual production volumes for the Dr. Ruth Segomotsi Mompati District Municipality, the Phokwane Local Municipality and the Ga-Segonyana Local Municipality, have increased by 7.98% (from 22,111,398kℓ in the previous financial year to 24,028,105kℓ in the 2019/2020 financial year). Water production from the treatment works decreased by 8.78% (from 14,238,306kℓ in

the previous financial year to 12,988,861kℓ in the 2019/2020 financial year - see Table 3), while that of boreholes increased by 40.21% (from 7,873,092kℓ to 11,039,244kℓ in the review period - see Table 4). This decrease in production by plants was mainly due to the unavailability of raw water supply, while the increase in the production from boreholes was primarily as a result of the drilling of new and the rehabilitation of existing boreholes.

**Table 2: Total Potable Water Production**

Source	2018/2019 Volume (kℓ)	2019/2020 Volume (kℓ)
Plants	14,238,306	12,988,861
Boreholes	7,873,092	11,039,244
<b>Total Production</b>	<b>22,111,398</b>	<b>24,028,105</b>

**Table 3: Monthly Potable Water Production by Plants in Kilolitres (July 2019 – June 2020)**

Month	Pampierstad	Bogosing	Kgomotso	Pudimoe	Mamusa	Bloemhof	Christiana
JULY	195,420	27,165	34,750	365,535	85,510	256,000	175,000
AUG	215,560	30,561	36,530	380,531	84,920	264,640	216,450
SEPT	221,200	28,476	42,480	383,906	85,910	224,760	223,563

**Table 3: Monthly Potable Water Production by Plants in Kilolitres (July 2018 – June 2019) (Continued)**

OCT	217,020	30,953	43,090	325,362	84,750	217,040	232,385
NOV	212,600	34,844	43,910	261,562	84,510	132,530	184,840
DEC	123,930	36,142	33,800	293,042	84,900	106,890	129,820
JAN	230,910	31,002	48,050	195,300	80,316	173,250	241,276
FEB	201,990	31,259	40,630	348,014	84,450	174,430	145,320
MAR	163,310	18,240	36,040	325,646	84,250	245,110	149,390
APR	183,690	26,731	40,300	404,570	85,110	232,610	166,830
MAY	194,420	33,539	39,230	369,511	49,450	282,550	203,900
JUNE	198,900	33,683	41,360	347,820	85,301	262,650	165,460
<b>Total</b>	<b>2,358,950</b>	<b>362,595</b>	<b>480,170</b>	<b>4,001,783</b>	<b>979,377</b>	<b>2,572,460</b>	<b>2,234,234</b>
<b>Total Production</b>							<b>12,988,861</b>

**Table 4: Monthly Borehole Production Trends in Kilolitres (July 2019 – June 2020)**

Month	Ga-Segonyana	Greater Taung	Kagisano-Molopo
JULY	492,125	132,310	165,044
AUG	351,538	179,421	150,385
SEPT	318,200	107,071	181,944
OCT	295,042	113,068	717,358
NOV	295,042	124,916	633,583
DEC	378,263	104,922	613,388
JAN	309,681	126,899	179,166
FEB	319,485	120,574	353,807
MAR	335,895	110,462	454,509
APR	202,537	102,333	863,662
MAY	285,229	117,245	689,501
JUNE	323,529	107,669	683,441
<b>Total</b>	<b>3,906,566</b>	<b>1,446,890</b>	<b>5,685,788</b>
<b>Total Production</b>			<b>11,039,244</b>

Monthly potable water production per municipality is shown in Table 5.

**Table 5: Monthly Potable Water Production per Municipality in Kilotres (July 2019 – June 2020)**

Month	Phokwane	Ga-Segonyana	Dr. Ruth S. Mompoti
JULY	195,420	195,420	1,241,314
AUG	215,560	215,560	1,343,438
SEPT	221,200	221,200	1,278,110
OCT	217,020	217,020	1,764,006
NOV	212,600	212,600	1,500,695

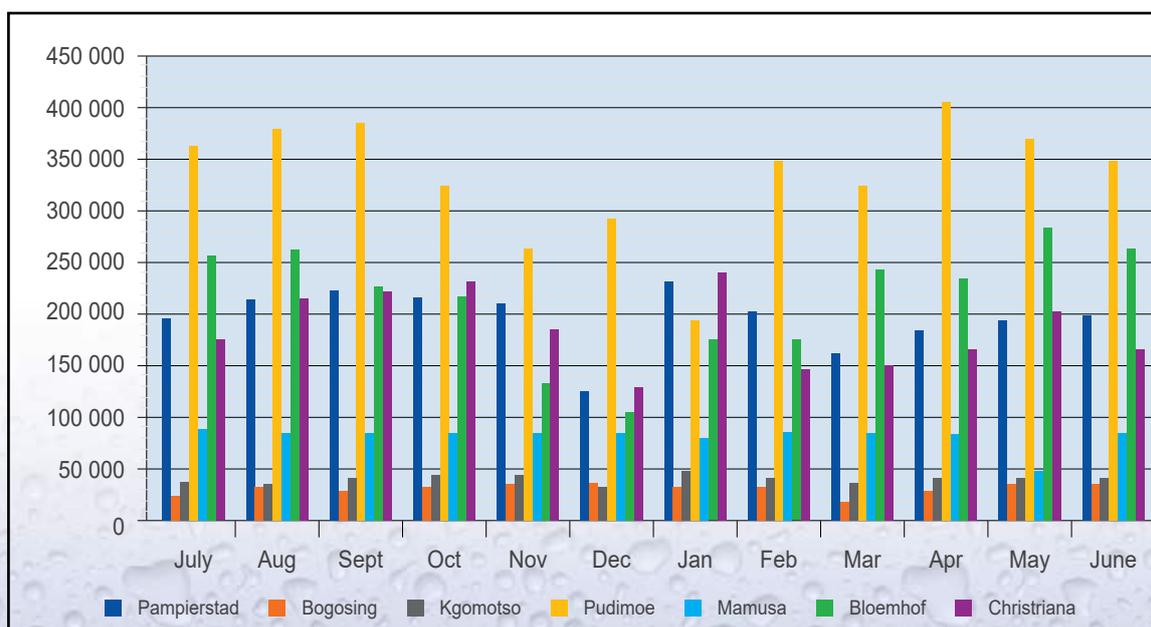
**Table 5: Monthly Potable Water Production per Municipality in Kilotres (July 2019 – June 2020)  
(Continued)**

DEC	123,930	123,930	1,402,904
JAN	230,910	230,910	1,075,259
FEB	201,990	201,990	1,298,484
MAR	163,310	163,310	1,423,647
APR	183,690	183,690	1,922,146
MAY	194,420	194,420	1,784,926
JUNE	198,900	198,900	1,727,384
<b>Total</b>	<b>2,360,950</b>	<b>2,360,950</b>	<b>17,762,313</b>
<b>Total Production</b>			<b>22,484,213</b>

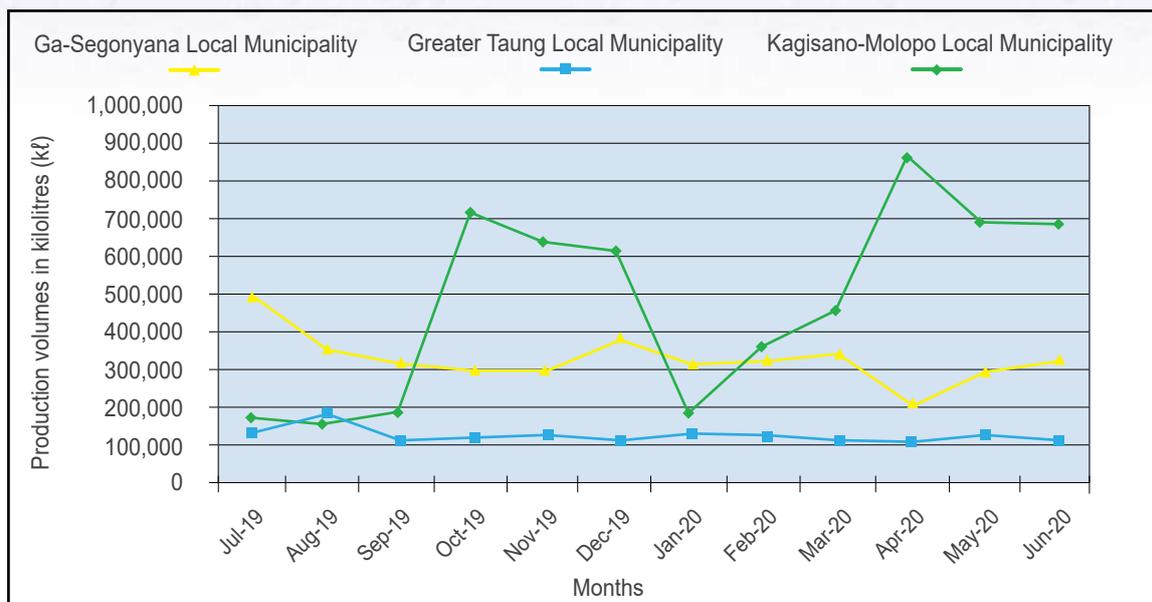
Graphs 1-3 indicate water demand and production trends in the Sub-region, highlighting the periods of high demand and consumption. There were great fluctuations in production volumes from the

Pudimoe Water Treatment Works due to the fact that the Vaalharts Water Users Association is in the process of upgrading and refurbishing the supply canal.

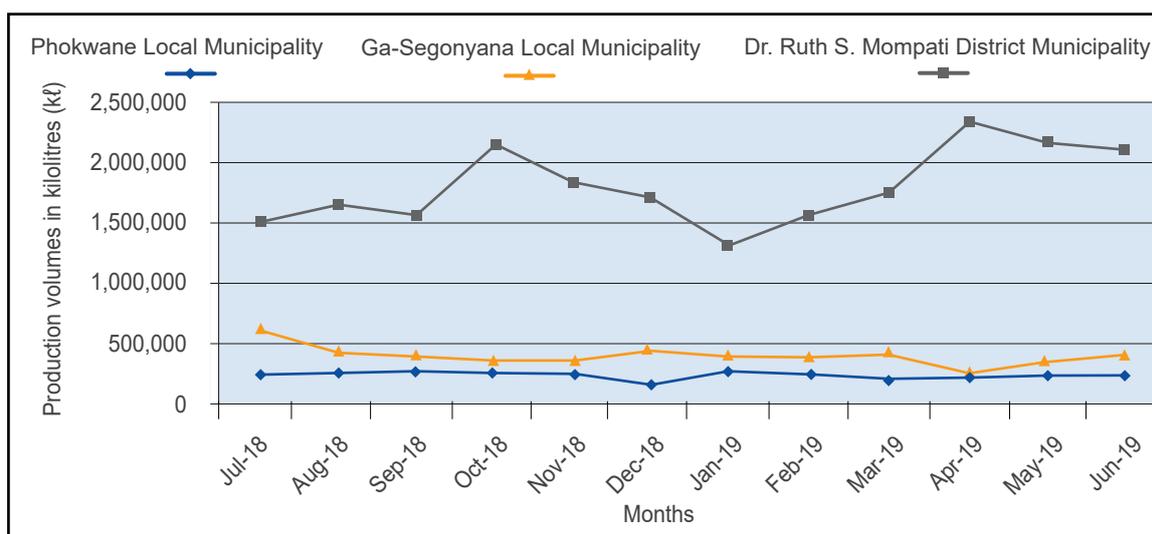
**Graph 1: Molatedi Dam Level Trends**



**Graph 2: Monthly Borehole Production Trends**



**Graph 3: Monthly Production Trends per Municipality**



**WATER QUALITY MONITORING**

**Water Treatment Works**

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

procedures have also been extended to the Mamusa Local Municipality in the review period.

On a weekly basis, samples from the water treatment plants are sent to Sedibeng Water’s accredited laboratory at Balkfontein for detailed analysis as per SANS 241:2015 standards. Table 6 summarises water quality statistics for the 2019/2020 financial year, which complied with SANS 241:2015 bacteriological requirements for drinking water, and with most of the microbiological requirements for final water.

**Table 6: Treated Potable Water Quality Results**

Treated Water	Bogosing Supply System	Kgomotso Supply System	Pampierstad Supply System	Pudimoe-Taung Supply System	Majeakgoro Supply System	Majeakgoro Supply System
	% Compliance					
Microbiological (Health)	100.0%	99.9%	100.0%	100.0%	100.0%	100.0%
Chemical (Health)	99.6%	100.0%	100.0%	99.9%	100.0%	99.9%
Physical, Organoleptic (Non-health)	75.0%	99.0%	99.5%	95.0%	99.9%	99.9%
Operational	89.5%	95.0%	97.0%	97.0%	100.0%	100.0%

No microbiological health failures were encountered for the water supply systems within the Water Service Authority, i.e. the Dr. Ruth Segomotsi Mompoti District Municipality.

### Boreholes

A Water Quality Monitoring Programme for the Ganyesa area was also developed and implemented. One sampler was appointed and trained to apply sampling techniques. Most of the boreholes are being vandalised and fencing is absent. A business plan for the refurbishment of the boreholes has been compiled and submitted to the

Dr. Ruth Segomotsi Mompoti District Municipality and the Department of Water and Sanitation. Due to funding challenges being experienced, the refurbishment of boreholes still needs to be done. However, some refurbishment has already been completed by the Municipal Infrastructure Support Agent (MISA). Borehole water samples from the Ga-Segonyana Local Municipality are sent on a weekly basis for chemical and bacteriological analysis to the laboratories at Balkfontein and Vaal Gamagara, respectively. Table 7 summarises the water quality test results of boreholes in the Sub-region for the 2019/2020 financial year.

**Table 7: Borehole Water Quality Results**

Borehole Water	Taung East Borehole WMA	Taung West Borehole WMA	Ga-Segonyana North WMA	Ga-Segonyana West WMA
	% Compliance			
Microbiological (Health)	97.0%	90.5%	98.9%	97.5%
Chemical (Health)	99.9%	99.7%	99.5%	99.9%
Physical, Organoleptic (Non-health)	99.1%	99.3%	99.9%	99.9%
Operational	96.0%	97.1%	97.0%	96.1%

### BULK WASTEWATER SERVICES

Sedibeng Water in the Sub-region renders operations and maintenance services to the Pampierstad Wastewater Treatment Works on behalf of the Phokwane Local Municipality, and to the Christiana, Bloemhof and Mamusa Wastewater Treatment Works, on behalf of the Dr. Ruth Segomotsi Mompoti District Municipality. These wastewater treatment works treat household effluent from the townships of Pampierstad, Christiana, Bloemhof and Schweizer

Renke. The Pampierstad Wastewater Treatment Works is currently under-utilised, operating at below 60% of its design capacity. There is a substantial increase in population in the area, while informal housing structures and RDP houses are not yet connected to the sewer system due to a lack of formal infrastructure. Sekhile is serviced with both water and sanitation reticulation, but the sewer system is non-operational. The Phokwane Local Municipality is responsible for the sewer reticulation system.

The Christiana and Bloemhof Wastewater Treatment Works are currently encumbered, and projects to upgrade and refurbish these plants have been approved. The refurbishment of the Bloemhof Sewer Treatment Works has commenced, but the upgrade to the Christiana Sewer Treatment Works is still outstanding. The upgrade should start in the new financial year. Both these plants are licensed and authorised to discharge effluent into the nearby Harts River and Vaal River, respectively. Currently, 60% of the effluent is discharged into these rivers, while the rest is recycled back into the plants. It can be confirmed that the effluent discharged into these sources meets SANAS standards. In Schweizer Reneke, effluent is also discharged into the Harts River. This plant is in the process of being refurbished and therefore, not optimally in operation. Much work still needs to be done before the plant will be fully operational and in compliance with SANAS requirements.

### **WASTEWATER EFFLUENT QUALITY**

Final effluent from the Pampierstad Wastewater Plant complied with the General Standard for effluent. The presence of free chlorine was maintained within the limits, before discharging the final effluent into the Harts River. A fully equipped and on-site quality monitoring laboratory ensures compliance in this regard. Samples are sent on a weekly basis to the accredited main laboratory at Balkfontein for detailed analysis. The final effluent from the Christiana Wastewater Treatment Plant also complied with the required standard.

### **RETAIL SERVICES**

The Sub-region renders full retail services, including the installation of pre-paid water meters, maintenance and management of old meters, as well as billing and revenue collection. However, challenges are being experienced with the current pre-paid meters in respect of the supply of spare parts and vending units. The new pre-paid system is non-operational due to a lack of financial resources to affect the vending of credit. Sedibeng Water decided to replace all conventional water meters with pre-paid meters. The process is pending in the area of the Phokwane Local Municipality as the municipality

has not yet approved this replacement. The Sub-region was likewise in the process of replacing all conventional water meters with pre-paid meters in the Ganyesa area. However, this process was placed on hold due to the non-availability of funds.

### **RETICULATION WATER SERVICES**

In addition to bulk water services, the Sub-region also renders operations and maintenance services to reticulation systems, making this a full-scale service ranging from source to tap. A refurbishment programme to replace the asbestos pipes in Pampierstad within the Phokwane Local Municipality has been approved. The municipality is currently busy with a procurement process to appoint consultants and contractors to attend to the outstanding areas. The refurbishment of the reticulation system in the area has increased the water demand in Pampierstad and a proposal regarding the upgrade of the water treatment works and raw water supply system was presented to the municipality. There is also an increasingly high demand for yard connections. Yard connections are limited to areas where water sources and articulation systems are available.

The Pudimoe Water Treatment Works Module 3 has been commissioned during May 2018 and is supplying the Naledi Local Municipality with potable water. The Taung Plant will be supplying potable water to Greater Taung and its surrounding areas. However, progress related to the completion of this plant has been delayed and the facility will only be commissioned during the 2020/2021 financial year. A new project supplying water from the Taung Water Treatment Works to the villages on the Eastern Plato was approved and construction of the bulk reticulation system has been completed. The construction of a bulk supply line from the treatment plant to the demand reservoir at Morokweng is currently under construction. This supply pipeline and certain other construction aspects of the project should be completed by the end of the 2020/2021 financial year.

The Sub-region also services the drought-stricken Ganyesa area. A ground water study was conducted and has identified the areas where potentially high-yield boreholes can be drilled. Plans

and system designs to provide the operational area of the Dr. Ruth Segomotsi Mompati District Municipality with a more sustainable water supply have been completed. Consultants concluded an Implementation Readiness Study and the tender documents have been prepared to construct a bulk water supply system for the most needing areas by the beginning of the new financial year. However, this project has been placed on hold due to financial constraints.

### **MAINTENANCE AND REFURBISHMENT**

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

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

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

has been replaced with a Gorman Rubb pump, while a second pump has been refurbished.

### **OPTIMISATION AND MANAGEMENT OF WATER SUPPLY SYSTEMS**

The Hartswater Sub-region is currently operating and maintaining the water supply line from Pudimoe to Vryburg on behalf of the Dr. Ruth Segomotsi Mompati District Municipality. Due to frequent breakages, a section of the pipeline will be refurbished or replaced in the 2020/2021 financial year. The Sub-region is likewise responsible for the operation and maintenance of the Christiana and Bloemhof Water and Wastewater Treatment Plants on a cost-recovery basis on behalf of this district municipality. While temporarily managing these systems, Sedibeng Water assists the Water Services Authority in the optimisation of the water treatment processes to bring the water quality to acceptable standards and to ensure the correct dosing of chemicals.

### **MANAGEMENT AND OTHER SUPPORT SERVICES**

In addition to standard services that are provided in the fulfilment of Water Services Provider Agreements in the Sub-region, Sedibeng Water also renders management and other support services on request from the Water Services Authorities within its area of operations.

During the Covid-19 pandemic, water tankering is being provided to the Dr. Ruth Segomotsi Mompati District Municipality. However, this service will be provided for a limited period only and would most probably be discontinued during the 2020/2021 financial year.

## OPERATIONAL OVERVIEW: NORTH WEST (MAHIKENG) SUB-REGION

### IN THIS SECTION:

- Introduction
- Primary Objective
- Water Sources
- Water Treatment Works
- Production Volumes
- Bulk Potable Water Sales
- Potable Water Quality
- Management and Other Support Services
- Operations and Maintenance Services
- Retail Services
- TSWASA Water Scheme
- Interventions

### INTRODUCTION

The North West (Mahikeng) Sub-region serves the Ngaka Modiri Molema District Municipality, which includes the following local municipalities:

- Ramotshere Moiloa Local Municipality;
- Ratlou Local Municipality;
- Tswaing Local Municipality;
- Ditsobotla Local Municipality; and
- Mahikeng Local Municipality.

The Minister of Water and Sanitation issued Gazette Number 38100, disestablishing the Botshelo Water Board with effect from 1 October 2014, thereby expanding the operations of Sedibeng Water to include all the rural areas of the Ngaka Modiri Molema District Municipality previously serviced by the former Botshelo Water. Thus, the Ministerial Directive affected water provisioning in the entire district municipality.

### PRIMARY OBJECTIVE

The Ministerial Directive mentioned above

mandated Sedibeng Water to service the Ngaka Modiri Molema District Municipality with regards to bulk water supply, operations and maintenance of boreholes and hand pumps (rural supply), as well as retail business. Therefore, the water services offered by Sedibeng Water (Water Service Provider) to the Ngaka Modiri Molema District Municipality (Water Service Authority) cover both primary and secondary activities in terms of the Water Services Act (Act No. 108 of 1997).

The 2019/2020 financial year has been characterised by additional responsibilities bestowed upon Sedibeng Water in the district municipality concerned. Sedibeng Water is expanding its offerings as an Implementing Agent to also implement projects on behalf of the Department of Water and Sanitation and the Local Government and Human Settlements Department in the North West province. Responsibilities in this regard relate to the restoration of boreholes, installation of storage tanks and reticulation networks, water treatment plants, wastewater treatment plants and wastewater pumping stations. Table 1 indicates services rendered by Sedibeng Water to the Ngaka Modiri Molema District Municipality (NMMDM).

**Table 1: Services rendered within NMMDM**

Client	Services Rendered			
	Bulk	O&M	Retail	Implementing Agent
Ngaka Modiri Molema District Municipality	✓	✓	✓	✓
Ditsobotla Local Municipality	✓			
Mahikeng Local Municipality	✓			

## POTABLE WATER SOURCES

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

### Grootfontein and Molopo Eye

There are two abstraction points from dolomitic ground water compartments located approximately 20km to the east of Mahikeng, namely the previously high-yielding Grootfontein borehole fields and the Molopo Eye. The abstraction quantity allocated from these dolomitic ground water compartments previously amounted to 35Mℓ/day. This quantity has since reduced to approximately 23Mℓ/day.

The water abstracted from these two sources is of good quality. However, the yield from the Molopo Eye abstraction point has been inconsistent over the reporting period, ranging from 600m<sup>3</sup> to 830m<sup>3</sup> per hour. A number of investigations undertaken during the 2017/2018 financial year delivered inconclusive findings on the reasons for this decline. Further investigations are underway to explore various ways to augment the existing raw water supply from these sources.

### Setumo Dam

The Setumo Dam was constructed in 1996 to augment the bulk water supply to Mmabatho, Mahikeng and the surrounding peri-urban villages. It is situated to the west of Mahikeng and supplies raw water to the Mmabatho Water Treatment Works. The design capacity of the dam is 18 million m<sup>3</sup> per annum. The abstraction quantity allocated from this source amounts to 20Mℓ/day. However, the raw water quality has deteriorated and the abstraction volumes have decreased to about 14.8Mℓ/day. An upgrade project is currently underway at the Mmabatho Water Treatment Works to increase its capacity from 20Mℓ/day to 30Mℓ/day.

### Sehujwane Dam

The Sehujwane Dam is situated approximately 102km north-east of Mahikeng and is used for supplying raw water to the Motswedi Water Treatment Works in the Ramotshere Moiloa Local

Municipality. The abstraction quantity allocated from this resource is 2Mℓ/day.

### Dinokana Eye

The Dinokana Eye is situated 100km north-east of Mahikeng in the Dinokana village. Raw water abstracted from this source is pumped into 600m<sup>3</sup> storage reservoirs. After disinfection, the water then gravitates to supply the Dinokana village and other small surrounding villages. The quality of raw water abstracted from Dinokana is good. It only requires disinfection before it can be supplied to consumers. The abstraction quantity allocated to this resource is 2Mℓ/day.

### Itsoseng Well Field

The Itsoseng well field is situated 32km south-east of Mahikeng. Here, Sedibeng Water is licensed to abstract 4.6Mℓ/day. Water is pumped from 16 boreholes to a ground reservoir and from there, to an elevated reservoir. Thereafter, it gravitates to the Itsoseng Township. The water quality is very good and meets the set standards for potable water. However, the quantity of water that is supplied by the existing boreholes is not adequate to meet the demand of the consumers in the area. A previous study found that approximately 8Mℓ/day is required to augment the water supply to the Itsoseng area.

## WATER TREATMENT WORKS

Water production by plants is undertaken through Bulk Water Contracts with the Ngaka Modiri Molema District Municipality, as well as the Mahikeng and Ditsobotla Local Municipalities.

### Mahikeng Water Treatment Works

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

The level of water production is highly dependent on the yield from the Molopo Eye and Grootfontein boreholes. During the 2019/2020 financial year, the average production volume of the Mahikeng Treatment Works was 23.5Mℓ/day, compared to 22Mℓ/day in the previous financial year, resulting in an increase of 6.4%. This increase is due to an improvement in raw water supply from both the Molopo Eye and Grootfontein well fields.

### **Mmabatho Water Treatment Works**

Average production during the 2019/2020 financial year was 13.1Mℓ/day, which has decreased from an average of 14.59Mℓ/day during the previous financial year. This decrease is largely due to deteriorating raw water quality from recycled sewage and dropping levels of the Setumo Dam. This plant has an allocation of 20Mℓ/day, although it was designed to be upgradable through phases up to a maximum capacity of 60Mℓ/day.

The average level of the Signal Hill Reservoirs has dropped to levels between 40% and 65%, as compared to the previous financial year due to reduced production volumes. Currently, there are no major water supply interruptions to the customers as compared to previous years. However, ESKOM power failures continue to pose a threat to the reliability of supply.

### **Motswedi Water Treatment Works**

The Motswedi Water Treatment Works is situated in Lehurutshe, close to Zeerust. It has a treatment design capacity of 2Mℓ/day and only supplies peri-urban areas in Motswedi, Borakalalo, Gopane and Reagile. During the 2019/2020 financial year, an average of 1.61Mℓ/day was estimated to have been produced from the Motswedi Water Treatment Works. This average production volume is the same as that of the previous financial year. Issues with regards to turbidity still prevail at the Motswedi Water Treatment Works. However, minor modifications had been done to the water treatment process, including changes in water treatment chemicals

to reduce instances of unacceptably high turbidity levels.

### **Dinokana Water Scheme**

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

### **Itsoseng Water Scheme**

The Itsoseng Water Scheme is situated 20km to the west of Lichtenburg in the Ditsobotla Local Municipality's area of jurisdiction. Water for this scheme emanates from 16 boreholes situated at the Itsoseng village. Of these 16 boreholes, seven supply the old reservoir, while the remaining nine feed the new reservoir. The overall total of the current yield amounts to 4Mℓ/day, which has increased from 3.21 Mℓ/day in the previous financial year. This increase can be attributed to resuscitating three of the boreholes that had been vandalised.

## **BULK POTABLE WATER PRODUCTION**

### **Potable Water Supplied by Water Treatment Works**

During the 2019/2020 financial year, plants in the Sub-region (Ngaka Modiri Molema District Municipality) produced a total of 16 373Mℓ of potable water. Table 2 indicates that the Mahikeng Water Treatment Works produces the most potable water as compared to the rest of the schemes, while the second highest production volume of potable water comes from the Mmabatho Water Treatment Works.

**Table 2: Bulk Water Production on Average**

Mahikeng WTW [Mℓ]	Mmabatho WTW [Mℓ]	Itsoseng WTW [Mℓ]	Motswedi WTW [Mℓ]	Dinokana WTW [Mℓ]	Total [Mℓ]
4 724	8 493	1 460	581	1 115	16 373

**Potable Water Supplied from Boreholes**

Water production by means of boreholes resides under an Operations and Maintenance Contract with the Ngaka Modiri Molema District Municipality. In most of its rural schemes, Sedibeng Water uses specialised meters to account for pumping time and energy used, as well as to avoid over-abstraction from boreholes, which could exceed the recharge

rate. During the 2019/2020 financial year, Sedibeng Water utilised boreholes to supply a total of 3 986kℓ of potable water to the areas of the Ngaka Modiri Molema District Municipality. This production from the boreholes presents an increase of 26% when compared to the previous financial year. The increase can be attributed to additional boreholes that were drilled in accordance with a drought relief project and the Ngaka Modiri Molema internal PMU.

**Table 3: Potable Water Production**

Source	2017/2018 Volume (kℓ)	2018/2019 Volume (kℓ)	2019/2020 Volume (kℓ)
Plants	16,488	16,589	16,373
Boreholes	3,717	2,917	3,986
<b>Total Production</b>	<b>20,205</b>	<b>19,507</b>	<b>20,359</b>

The total production volumes for both plants and boreholes have increased by 4.2% from the previous financial year to the 2019/2020 financial year, mainly due to a number of boreholes that have been added to the system.

**BULK POTABLE WATER SALES**

The bulk of the potable water produced in the Sub-region is sold to the Mahikeng Local Municipality, the Ngaka Modiri Molema District Municipality (western side) and the Ditsobotla Local Municipality. The Sub-region's bulk potable water sales for the 2019/2020 financial year, are indicated in Table 4.

**Table 4: Bulk Water Sales in the Ngaka Modiri Molema District Municipality**

Financial Year	2018 / 2019	2019/2020
Volume (Mℓ)	12,426	14,677

The increase in bulk water sales in the Ngaka Modiri Molema District Municipality's operational area resulted from an increase in raw water supply from both the Mahikeng Water Treatment Plant and Itsoseng Plant. Contributing to this increase, are the addition of new boreholes into the system, and the increase of raw water yield from the Molopo Eye and Grootfontein well fields. The Department of Water and Sanitation has been requested to do a feasibility study on increasing the ground water sources.

**POTABLE WATER QUALITY**

The Sub-region assists the Water Services Authority in the optimisation of the water treatment processes to bring water quality to acceptable standards, and to ensure the correct dosing of chemicals. This is done through sampling and analysing water samples at the sources, reservoirs and carefully selected points of use, while communicating the results to the municipalities affected for actions to be taken.

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

## Water Treatment Works

Samples are sent on a weekly basis to Sedibeng Water's accredited laboratory at Balkfontein for detailed analysis as per SANS 241:2015 standards. Water quality results from the water treatment plants are indicated in Table 5.

**Table 5: Treated Potable Water Quality in the Ngaka Modiri Molema District Municipality (based on SANS 241: 2015)**

Determinand	Unit	Specification	Mahikeng Plant	Mmabatho Plant	Itsoseng Plant	Dinokana Plant	Motswedi Plant
			% Compliance				
<b>Microbiology Safety Requirements</b>							
<i>E. coli</i>	MPN/100 ml	Not detected	>99.0 %	98.7%	>99.99 %	98.5%	99%
<b>Physical and Organoleptic Requirements</b>							
pH	pH	≥5 to ≤ 9.7	>99.99 %	<99.99%	>99.99 %	>99.99 %	>99.99 %
Turbidity	NTU	≤1	>99.99 %	84%	95%	94%	79%
<b>Operational Water Quality Alert Levels</b>							
Total Coliforms	MPN/100 ml	≤10	>99.99 %	98%	>99.99 %	98%	>99.99 %
<b>Average Free Chlorine</b>	mg/l	≤ 5	>99.99 %	98.9%	>99.99 %	>99.99 %	>99.99 %

Most of the water quality parameters in the Ngaka Modiri Molema District Municipality complied with the SANS 241:2015 standard. During the financial year under review, some slight challenges were encountered regarding turbidity, especially at the Dinokana and Motswedi Plants. Issues related to turbidity compliance at the Motswedi Plant are due to the lower quality of raw water from the Sehujuwane Dam. The turbidity of water from the dam ranges from 200-250 NTU during dry seasons, and up to 5000 NTU during rainy seasons. As a result, the turbidity of final treated water exceeds 1NTU more frequently during rainy seasons (nonetheless, never more than 5NTU). Turbidity compliance at the Dinokana Plant also shifted from 84% in the 2018/2019 financial year, to 94% in the year under review.

Interventions were undertaken, which included changes in the chemical dosing used, the installation of rain gauges to monitor rainfall and slight modifications to the configuration of the plant.

### Boreholes

Boreholes are normally located in remote areas, which expose them to vandalism and theft of fences

and diesel. The quality of borehole water is unstable, with major problems being the high concentration of nitrates and bacteriological contamination as a result of livestock activities around such ground water sources.

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

- In case of bacteriological contamination, localised dosing of chlorine takes place;
- The roofs of steel tanks are sealed to eliminate contamination; and
- Awareness campaigns are conducted to encourage communities to take ownership of water infrastructure and keep their livestock away from boreholes.

Borehole water samples from the Mahikeng, Ratlou, Ditsobotla, Ramotshere Moiloa and Tswaing Local Municipalities are regularly sent to the laboratory at Balkfontein for bacteriological and chemical analysis.

## OPERATIONS AND MAINTENANCE SERVICES

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

Operation and maintenance services relating to bulk water infrastructure include, but are not limited to:

- Pump operation and maintenance for raw water abstraction;
- Operation and maintenance of the sites and facilities of the water treatment works;
- Operation and maintenance of booster pump stations;
- Operation and maintenance of bulk reticulation; and
- Valves, and the cleaning and maintenance of reservoirs.

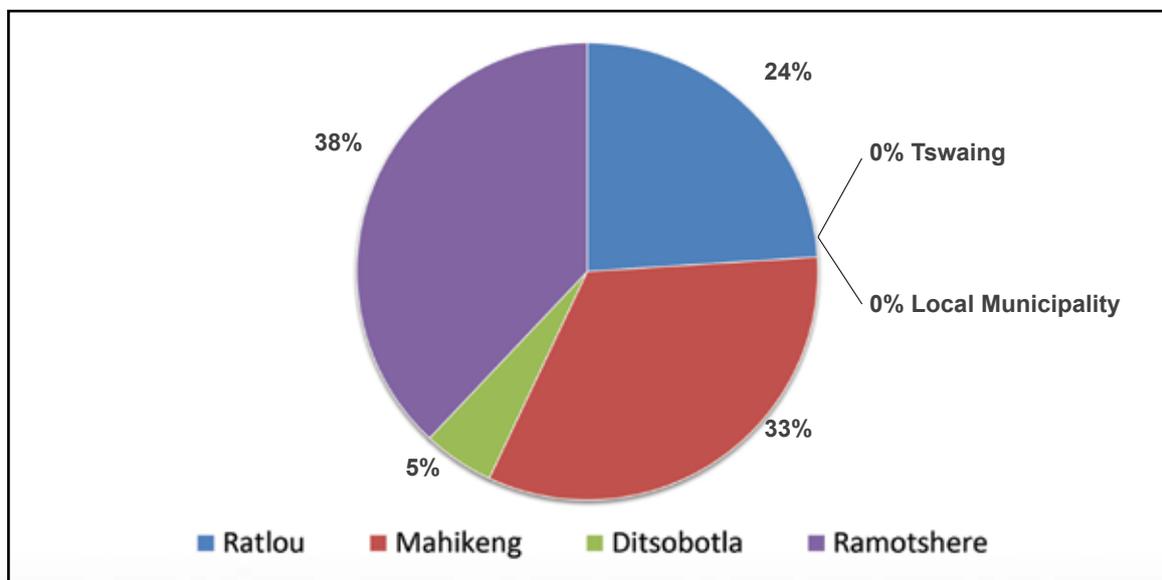
Operation and maintenance services associated with ground water abstraction, include:

- Repairs and maintenance of borehole pipes and pumps;
- Installations and the reading of borehole meters;
- Pipeline repair or replacement; and
- Valve maintenance.

The Mahikeng regional office performs operation and maintenance services in 67 villages in the Ngaka Modiri Molema District Municipality. During the review period, maintenance teams have been strengthened further to respond effectively to additional infrastructure-related challenges. This has assisted in improving service delivery and successful interventions in both existing and additional operational areas.

During the 2019/2020 financial year, 3 653 pipeline, plant and borehole maintenance activities were conducted within the Ngaka Modiri Molema District Municipality. These maintenance activities per local municipality are depicted in Graph 1.

**Graph 1: Maintenance Activities per Local Municipality**



Trends in Graph 1 indicate that the most extensive maintenance time was spent in villages of the Ramotshere Moiloa Local Municipality, followed by the Mahikeng and Ratlou Local Municipalities. No

maintenance activities took place in the Tswaing Local Municipality as the area is still operated and maintained by the Water Services Authority, Ngaka Modiri Molema District Municipality.

## RETAIL SERVICES

The Sub-region renders retail services in some of the areas of the North West Region. In the Ngaka Modiri Molema District Municipality, retail services provided are minimal and done at Welbedacht (Lehurutshe) under the Ramotshere Moiloa Local Municipality, and in peri-urban areas of the Mahikeng Local Municipality, including Signal Hill, Military, Moshawane, Top Village and Setumo Park. Readings of conventional water meters are being done on a monthly basis and account statements sent to customers. The Sub-region implements a cost-recovery strategy, which was developed in line with the credit control policies of the Water Services Authorities.

## TSWASA WATER SCHEME

The TSWASA Water Scheme was built in the late 1980s, following an agreement between the then Republic of Bophuthatswana, the Water Utilities Corporation of the Republic of Botswana and the former Department of Water Affairs in the Republic of South Africa. The total cost of constructing the scheme in 1989 was estimated at R38 million. Sedibeng Water operates and maintains the TSWASA Water Scheme on behalf of the Department of Water and Sanitation. This scheme provides for an allocation of 5.03 million m<sup>3</sup> of water per annum to Botswana to augment water supply to Gaborone. Furthermore, it also provides a small allocation for irrigation purposes in Botswana along the Marico River, which forms the border between the two countries. In South Africa, the scheme

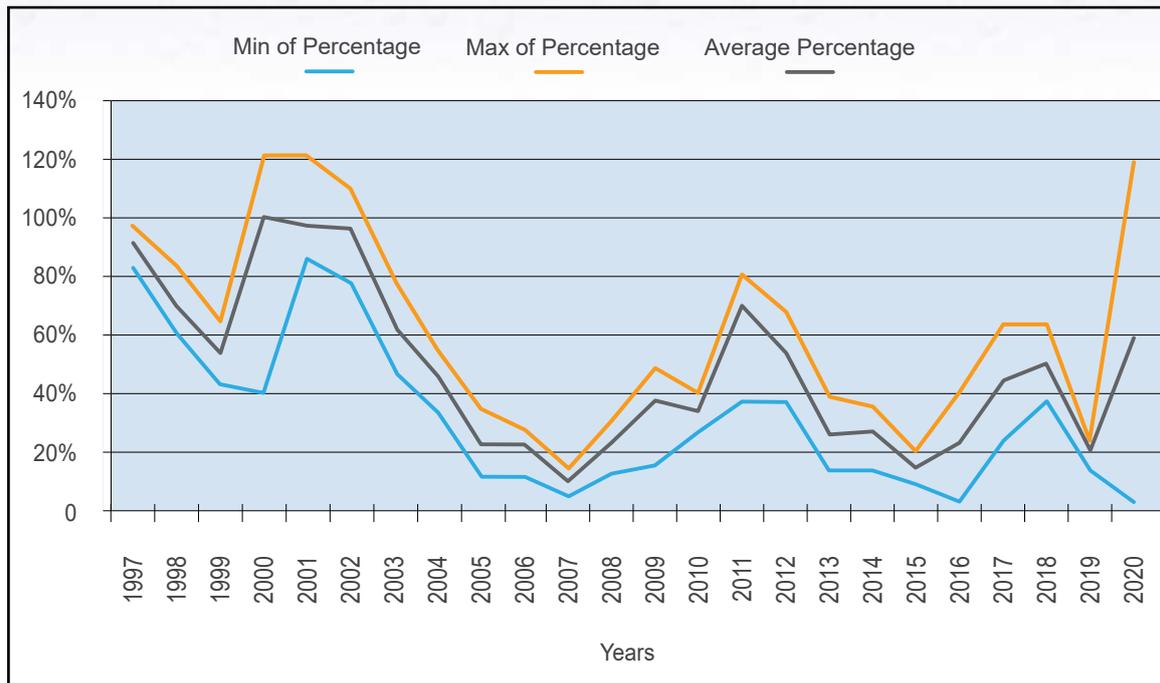
supplies about 3.44 million m<sup>3</sup> of water per annum to irrigation farmers along the Lower Groot Marico River, and about 5 million m<sup>3</sup> of water per annum for primary use in the Madikwe Game Reserve and the village of Molatedi. The scheme consists of the following infrastructure:

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

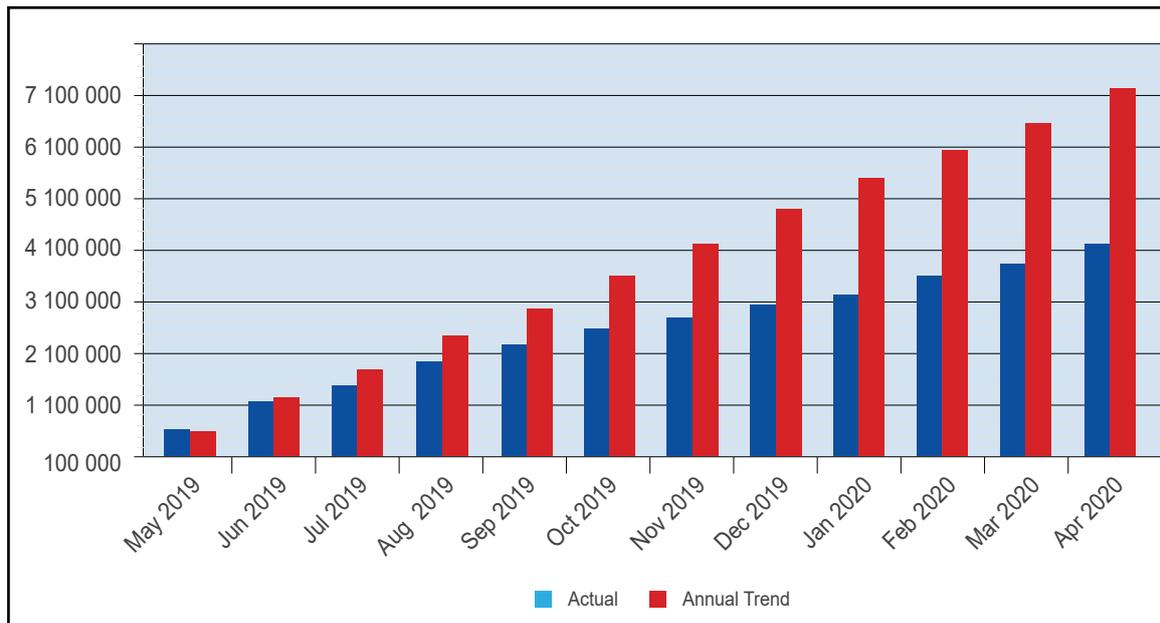
During the 2019/2020 financial year, the TSWASA Scheme supplied a total volume of 3 853 200m<sup>3</sup> to the Water Utilities Corporation (Botswana) and released a total volume of 2 700 145m<sup>3</sup> to South African farmers (Derdepoort Irrigation Board). Both these volumes of water supplied are less than the allocation of 5.03 million m<sup>3</sup> of water per annum (average 608 333 m<sup>3</sup> per month) to Botswana and 3.44 million m<sup>3</sup> of water per annum to irrigation farmers. However, supply has substantially increased from the previous financial year due to higher levels of water in the Molatedi Dam and improved rainfall in the first quarter of the financial year under review.

Monthly water supply trends to the Utilities Corporation of Botswana from the TSWASA Transfer Scheme and trends in the level of the Molatedi Dam are illustrated in Graphs 2 and 3, respectively.

**Graph 2: Minimum and Maximum Levels of the Molatedi Dam: 1997-2019**



**Graph 3: Molatedi Dam Level Trends: May 2019 - April 2020 (in cubic metres)**



**INTERVENTIONS**

The Sub-region performed a number of emergency maintenance related interventions within the Ngaka Modiri Molema District Municipality, specifically in an area that falls within the Tswaing Local Municipality, which was not part of the jurisdiction of the former Botshelo Water Board. The previous operational areas of the former Botshelo Water have been incorporated into Sedibeng Water’s footprint in the

North West Province. A number of boreholes were refurbished and drilled within this municipal area, while the unblocking of sewer lines also took place. All of these interventions had been performed in accordance with directives issued by the Minister of Water and Sanitation to Sedibeng Water in order to ensure that water and sanitation services are properly functioning within the Ngaka Modiri Molema District Municipality.

## MANAGEMENT AND OTHER SUPPORT SERVICES

In addition to standard services that are rendered in fulfilment of Water Services Provider Agreements in the Sub-region, management and other support services were also provided on request by the Water Services Authorities concerned.

### Diesel Supply

As part of its operations and maintenance function, the Sub-region is responsible for supplying diesel

in order to pump water to various communities. In the Ngaka Modiri Molema District Municipality, the Sub-region supplies diesel to pump water from 104 boreholes to villages located within the Ratlou and Ramotshere Moiloa Local Municipalities. Most of these boreholes are entirely diesel-driven, but there are some boreholes where diesel generators are only used as back-up during ESKOM power failures. Volumes of diesel supplied in the 2019/2020 financial year are shown in Table 6.

**Table 6: Diesel Volumes Supplied to Boreholes in Ngaka Modiri Molema District Municipality**

Mahikeng LM (ℓ)	Ramotshere Moiloa LM (ℓ)	Ratlou LM (ℓ)
7 530	148 470	131 510

### Water Tankering

Water tankering is a short-term intervention undertaken in various areas to assist communities with access to potable water. Water tankering services are being provided due to infrastructure breakdowns, special events, emergencies, etc.

During borehole maintenance activities, tankering services were also organised to ensure water

supply to affected areas. Due to a continuous reduction in the water table caused by drought, such services were likewise used to augment existing water supplies. However, the total volume of tankered water supplied has significantly decreased as Sedibeng Water is gradually phasing out water tankering in line with a directive from the Minister of Water and Sanitation.

**Table 7: Water Tankering Volumes in the Ngaka Modiri Molema District Municipality**

Mahikeng LM (ℓ)	Ramotshere Moiloa LM (ℓ)	Ditsobotla LM (ℓ)
-	298 500	-

In the Ngaka Modiri Molema District Municipality, volumes of water were supplied through water tankering to villages located within the Ramotshere Moiloa Local Municipality as they experienced serious water shortages. It is expected that water tankering will eventually decrease as more water supply projects are being successfully completed.

## CONCLUSION

Despite numerous challenges related to the acquisition and takeover of municipal infrastructure and operations to provide water services in several areas, Sedibeng Water in the North West Region excelled during the 2019/2020 financial year in supporting municipalities and supplying potable water that meet quality standards to local communities.

# NORTHERN CAPE REGION



## IN THIS SECTION:

- Introduction
- Primary Objective
- Water Sources
- Supply Areas
- Production Volumes
- Infrastructure Maintenance and Refurbishment
- Potable Water Quality
- Conclusion

**Mr. O.A. Masia**

Regional Manager: Northern Cape

## INTRODUCTION

The Vaal Gamagara, Pelladrift, and Namakwa Water Schemes are the main water treatment works in the operational area of Sedibeng Water's Northern Cape Region. As part of the Regional Water Utility Establishment processes, a due diligence investigation was conducted where Sedibeng Water's footprint would cover all the municipalities in the Northern Cape Province.

## PRIMARY OBJECTIVE

The primary objective of the Northern Cape Region is to supply bulk potable water, maintain the extensive pipeline network in its operational area and ensure that the water supplied meets SANS: 241 standards. The Region also operates a quality control laboratory, which is located at the Vaal Gamagara offices of Sedibeng Water and provides services to internal and external customers in the Region. Various programmes were implemented to assist some of the municipalities in the area to attain Blue and Green Drop status.

## WATER SOURCES

### Vaal Gamagara Water Supply Scheme

Raw water is abstracted from the Vaal River and augmented with ground water from the dewatering operations at Kolomela (Beeshoek) and the Sishen Mines. The raw water from the Vaal River is treated at the Vaal Gamagara Water Treatment Plant near Delpportshoop, and distributed through a bulk pipeline to Black Rock, which is situated 430km from the water treatment plant.

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

### Pelladrift Water Supply Scheme

Raw water is sourced from the Orange River and treated at the treatment works located on the banks of the river. This plant has been upgraded to double its capacity from 12Mℓ/day to 25Mℓ/day in order to accommodate the water demands of the new Gamsberg Mine. An additional pipeline (parallel to the existing line) was constructed in 2017/2018 and commissioned during the 2018/2019 financial year to supply water directly to the Gamsberg Mine.

### Namakwa Water Supply Scheme

Water is abstracted from the Orange River about 110km north of Springbok in the Namakwa District Municipality. The scheme has reached the end of its operational lifespan and a project to refurbish the infrastructure is being implemented. Construction work commenced in September 2013 and progress to date stands at 64%. The scheme met the expected consumer demand during the 2019/20 financial year.

### AREAS OF SUPPLY

Potable water in the Region is supplied to the following areas:

- **Pelladrift Scheme**

- Poffader;
- Pella;

- Aggeneys township;
- Gamsberg Mine; and
- Black Mountain Mine within the Khâi-Ma Local Municipality.

- **Namakwa Scheme**

- Nama Khoi Local Municipality;
- De Beers Mine; and
- Small industries within the jurisdiction of the above mentioned municipality.

- **Vaal Gamagara Scheme**

- Dikgatlong Local Municipality;
- Tsantsabane Local Municipality;
- Gamagara Local Municipality;
- Joe Morolong Local Municipality;
- Industries;
- Government institutions; and
- Farmer and mines in the operational area.

### PRODUCTION VOLUMES

The Region's water supply schemes performed according to the targets set for the 2019/2020 financial year. Performance levels with regards to raw water purchases and volumes produced during the review period, are indicated in Tables 1 and 2. As indicated in these tables, the three schemes in the Northern Cape Region produced a total of 29,66 million kℓ of water during the 2019/2020 financial year, while total water sales amounted to 28,14 million kℓ.

**Table 1: Raw Water Purchases**

Year	Vaal Gamagara Volume (kℓ)	Namakwa Volume (kℓ)	Pelladrift Volume (kℓ)	Total Volume (kℓ)
2019/2020	18,715,855	3,229,678	7,718,868	29,664,401
2018/2019	20,053,532	3,846,658	6,907,251	30,807,441

The total raw water purchases of the Region have decreased by 3.71% from the previous financial year to the 2019/2020 financial year, due to the COVID-19 pandemic and resulting national lockdown as mines were not in operation during Level 5 and operating

at reduced production levels thereafter. Volumes from the Vaal Gamagara and Namakwa Schemes declined when compared to the previous financial year.

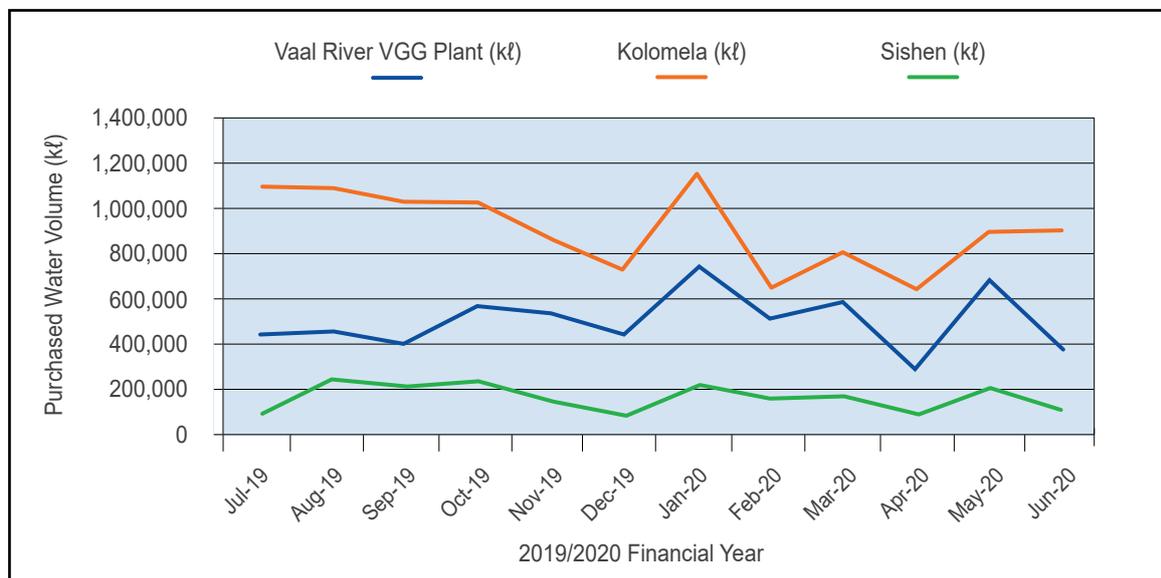
**Table 2: Volume of Water Produced (Sold)**

Year	Vaal Gamagara Volume (kℓ)	Namakwa Volume (kℓ)	Pelladrift Volume (kℓ)	Total Volume (kℓ)
2019/2020	17,856,369	2,833,815	7,459,525	28,149,709
2018/2019	18,423,734	2,565,896	6,409,858	27,399,488

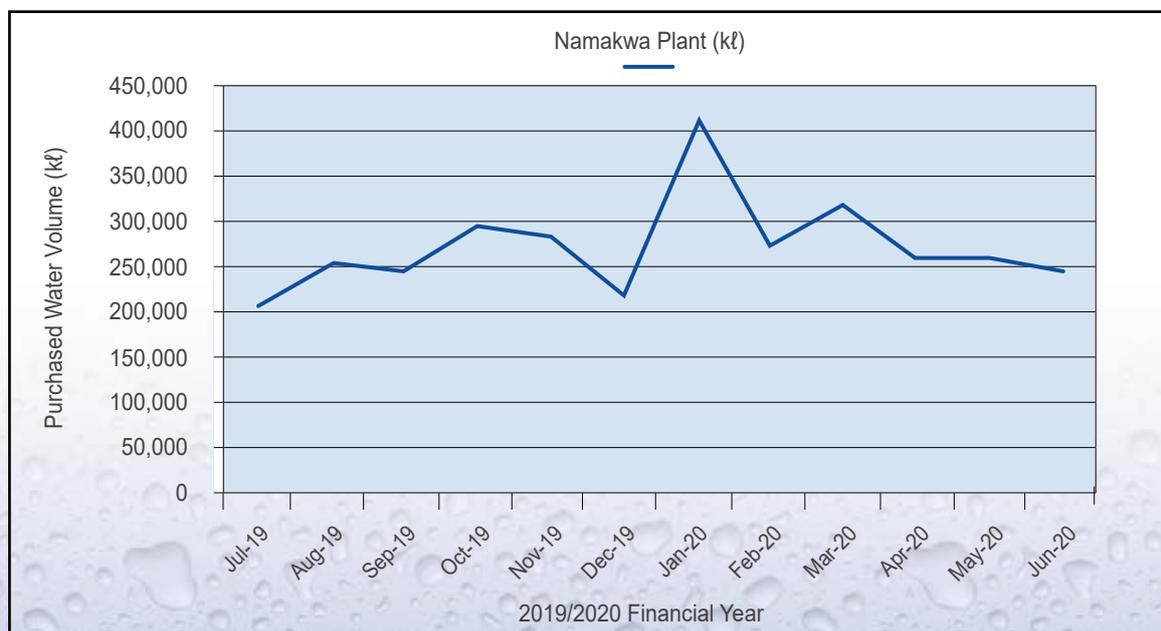
The volume of water produced (sold) by the Region has increased by 1.03% from the previous financial year to the 2019/2020 financial year, due to higher demand by households during the COVID 19 pandemic.

Month-by-month trends in water purchases and production are depicted in the following graphs:

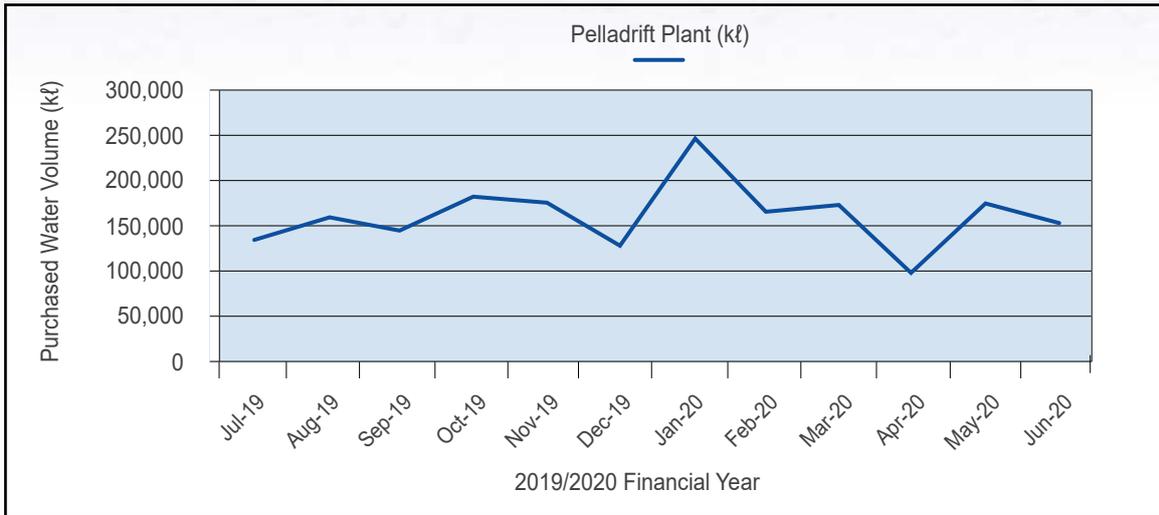
**Graph 1.1: Vaal Gamagara Scheme: Monthly Trends in Bulk Water Purchased**



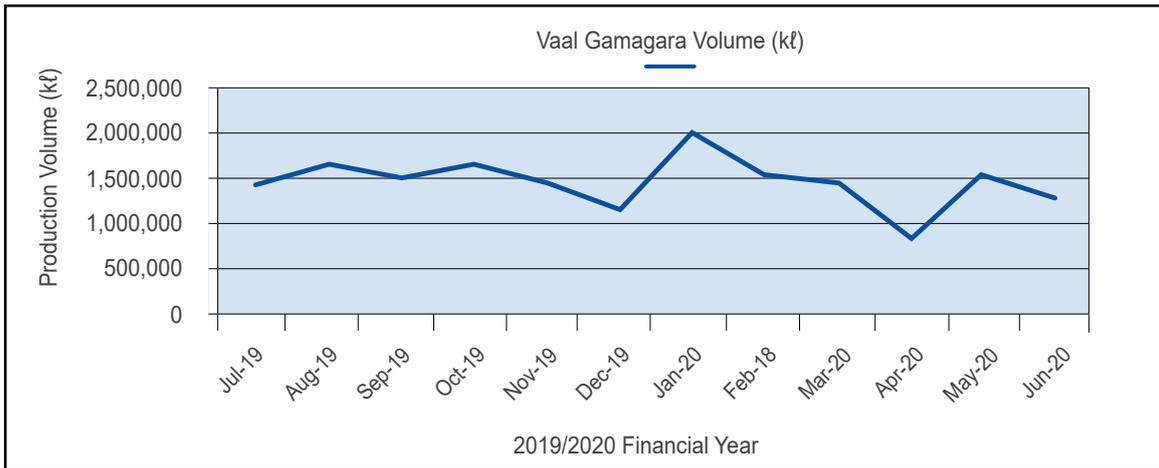
**Graph 1.2: Namakwa Scheme: Monthly Trends in Bulk Water Purchased**



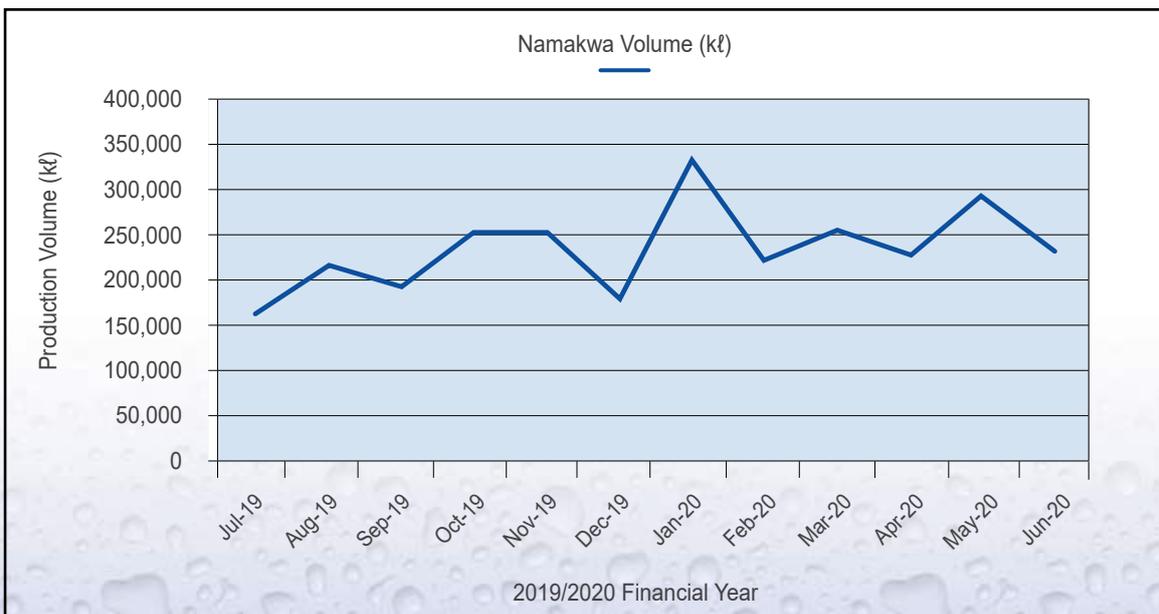
**Graph 1.3: Pelladrift Scheme: Monthly Trends in Bulk Water Purchased**



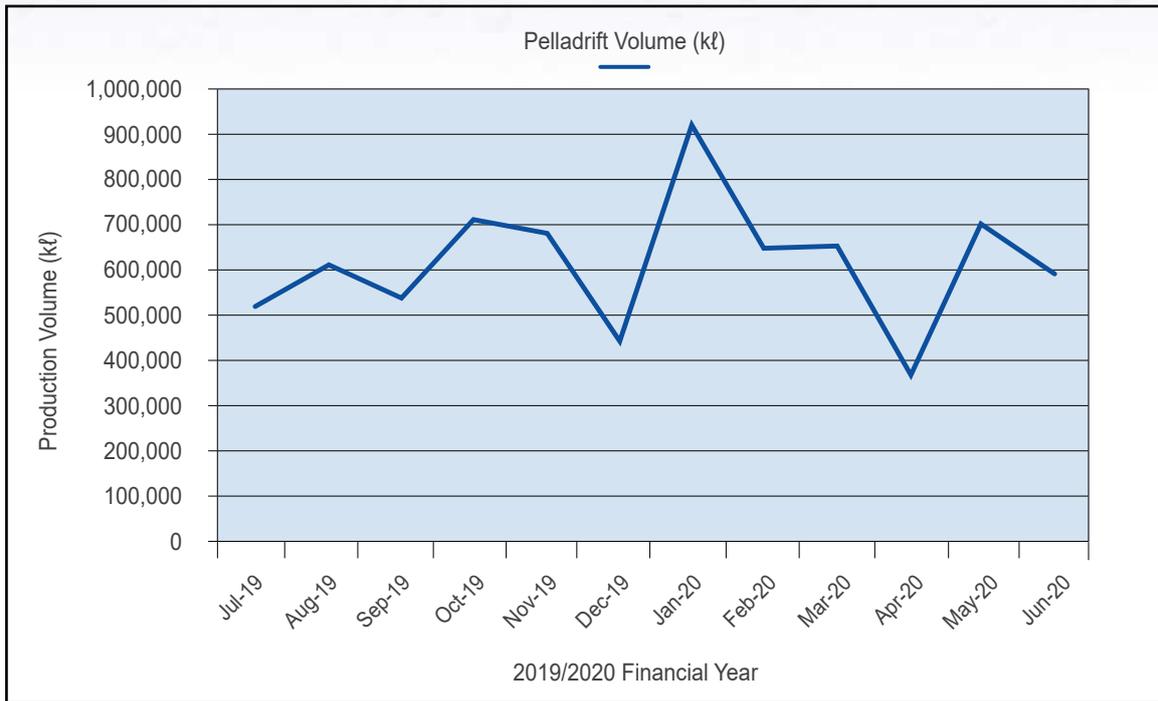
**Graph 2.1: Vaal Gamagara Scheme: Monthly Trends in Potable Water Production**



**Graph 2.2: Namakwa Scheme: Monthly Trends in Potable Water Production**



**Graph 2.3: Pelladrift Scheme: Monthly Trends in Potable Water Production**



**INFRASTRUCTURE MAINTENANCE AND REFURBISHMENT**

Planned maintenance programmes were carried out on an on-going basis according to a planned

maintenance schedule, including daily, weekly, monthly and annual inspections. Expenditure related to maintenance/refurbishment during the 2019/2020 financial year is reflected in Table 3.

**Table 3: Expenditure: Maintenance and Refurbishment Activities**

Year	Maintenance/ Refurbishment	Expenditure (R)	Increase in Expenditure (R)	Variance (%)
2019/2020	Maintenance	7,247,335	-2,082,650	-22.32%
2018/2019	Maintenance	9,329,985	730,377	8.49%

During the financial year under review, maintenance was primarily aimed at critical plant machinery to keep the schemes operating due to resource challenges. Maintenance expenditure decreased by 22.32% compared to the 2018/2019 financial year.

**Namakwa and Pelladrift Water Supply Schemes**

The upgrading of the Pelladrift Water Treatment Works commenced in March 2017 and a new scheme was constructed parallel to the existing infrastructure. The main objective of the upgrading project was to double the capacity of the existing water scheme in order to meet the demand of the

new Gamsberg Mine. The upgrading of the plant was completed by March 2018 and is currently in the commissioning phase.

The Namakwa Regional Bulk Water Supply Scheme is still under construction. The contractor is currently engaged in Phase 2 of the project, which entails the construction of a pipeline and pump stations between the Orange River and the Eenriet Reservoir. Progress in the project is behind schedule due to financial constraints being experienced. The project plan has to be revised based on new projected cashflows.

The following maintenance work was conducted during the 2019/2020 financial year as per the annual Maintenance Plan:

**Planned maintenance:**

- Servicing and repairing air conditioning system at the booster pump station;
- Servicing of overhead lifting equipment;
- Cleaning of reservoirs and balancing reservoir at Pelladrift;
- Performing of vibration analysis and oil sampling at the pumps;
- Servicing of pumps and motors at all pump stations in Pelladrift and Henkries;
- Replacing meter at Pella off-take;
- Replacing flow switches at the old High Lift Pump Station at Pelladrift;
- Cleaning of clarifiers and canal at Henkriesmond;
- Refurbishing of pumps at Henkries; and
- Repairing overhead electrical line at the residential area in Henkries.

**Unplanned Maintenance:**

- Repairing of leaks on Aggeneys pipeline;
- Repairing of burst pipes and leaks in Henkries;
- Replacing contactors at Okiep Pump Station;
- Replacing electrical cables at Garagoup Pump Station;
- Repairing of burst pipes in Bersig and Okiep;
- Working on automated control of Garagoup Pump Station;
- Replacing chlorine alarms at Okiep and Pelladrift;
- Repairing a burst along the new pipeline; and
- Changing of faulty meters along the pipeline.

**Vaal Gamagara Water Supply Scheme**

Phase 1 of the refurbishment and upgrading of the Vaal Gamagara Supply Scheme commenced in November 2016, starting with the Roscoe to Black Rock pipeline section (80km). Construction is on-going and the pipeline is being replaced and upgraded. Phase 2 of the project is in the planning and design stage.

**Planned Maintenance:**

- Repairing Pump No. 1 and staffing packings on the drive side;
- Repairing faulty transformer at Beeshoek Pump Station;
- Fault finding on vacuum contactor on Pump No.

- 1 at Trewill Pump Station;
- Fault finding on Motor No. 2 at High Lift Pump Station;
- Fault finding on plunger valve of Motor No. 3;
- Installing new chlorine alarm at chlorine room;
- Installing modem interface on GPRS at Beeshoek Pump Station;
- Maintaining the motors at Kneukel and Trewill; and
- Installing of telemetry system at Olifantshoek Reservoir.

**Unplanned Maintenance:**

- Repairing leak at Silverstream;
- Repairing leak from the air valve upstream of SWEPE line;
- Repairing water pipeline leak near Hotazel/Kuduman off-take;
- Replacing leaking pipe at Koopmansfontein;
- Repairing of a pipe leak at Kalahari East;
- Repairing of a leak on IV 29;
- Repairing leak on Bishop line;
- Restoring communication failure at Trewill Pump Station;
- Fault finding on PLC at Kneukel Pump Station;
- Resetting pumps at High Lift Pump Station;
- Fault finding on Pump No. 2 at Kathu Pump Station;
- Fault finding on extractor fan at Beeshoek Pump Station;
- Disconnecting Bio Filter No. 2 at Vaal Gamagara Sewage Plant; and
- Install Auma No. 4 and maintenance on the battery at Beeshoek Pump Station.

**POTABLE WATER QUALITY**

**Pelladrift Water Supply Scheme**

Tables 4.1 and 4.2 depict the overall water quality results for the Pelladrift distribution network during the last quarter of the 2019/2020 financial year. The Pelladrift Water Treatment Works did not comply with final turbidity as per SANS 241:2015, due to the unavailability of a filtration system. A clarifier is used to settle the flocs formed during the flocculation process. The balancing reservoir also serves to settle turbid particles. It is planned that a filtration system will be incorporated in the next phase of expansion at the treatment works.

**Table 4.1: Water Quality Results – Pelladrift (Final Water)**

Pelladrift Water Supply Scheme	Compliance Levels (%) – SANS 241:2015		
	NTU <1	NTU 1-5	NTU >5
Final water	0%	96.97%	0%

**Table 4.2: Water Quality Results (Pelladrift Supply Systems)**

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

### Namakwa Regional Bulk Water Supply Scheme

Tables 5.1 and 5.2 indicate the overall water quality results for the Henkries distribution network during the 2019/2020 financial year. The organisation's water quality target is a compliance rate of 97%. Concerning the test results for Physical and Organoleptic determinands, pH complied 100% with set requirements, while turbidity achieved a compliance rate of 96%, which meets the set water

quality standards. *E. coli* complied 100% with the requirements of the SANS 241:2015 standard.

The water supply system has a chlorine booster station at the Okiep Pump Station to boost the dosage of chlorine to the areas of Nababeep, Concordia and Carolusberg, which used to experience residual chlorine depletion in the past. All take-off points complied with minimum residual chlorine levels throughout the year under review.

**Table 5.1 Quality Results – Henkries (Final Water)**

Henkries Purification Plant	Compliance Levels (%) – SANS 241:2015			
	Physical Organoleptic: (95%)	Chemical Health: (95%)	Operational Limits: (95%)	Microbiological Health: (97%)
Final Water	>99.9	>99.9	>99.9%	>99.9

**Table 5.2: Water Quality Results (Namakwa Supply Systems)**

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

## Vaal Gamagara Water Supply Scheme

Tables 6.1 and 6.2 indicate the water quality results of the Vaal Gamagara distribution network for the 2019/2020 financial year. Water quality complied with the set SANS 241:2015 standards. The organisation's water quality target is a compliance rate of 99%. Concerning the test results of the Physical and Organoleptic determinands, pH complied 99.9% with set requirements, while turbidity achieved a compliance rate of 99.9% (which complies with the water quality standards).

The water treatment plant operation and optimisation control measures implemented were successful and effective as confirmed by the operational monitoring compliance of 99.9%. Chlorine gas is dosed at various booster pump stations along the pipeline route to ensure microbiological compliance and improve the quality of ground water augmented by Kolomela and Sishen mines. The average residual chlorine attained was 2.4 mg/l, and as a result the Microbiological Safety Requirements for *E.coli* and the Operational Water Quality Total Coliforms achieved a 99.9% compliance rate as per the requirements of the SANS 241:2015 standard.

**Table 6.1: Water Quality Results – Vaal Gamagara (Final Water)**

Vaal Gamagara Purification Plant	Compliance Levels (%) – SANS 241:2015			
	Physical Organoleptic: (95%)	Chemical Health: (95%)	Operational Limits: (95%)	Microbiological Health: (97%)
Final Water	99.9	99.9	99.9	99.9

**Table 6.2: Water Quality Results (Vaal Gamagara Supply Systems)**

Supply Systems for Vaal Gamagara	Compliance Levels (%) – SANS 241:2015			
	Physical Organoleptic: (95%)	Chemical Health: (95%)	Operational Limits: (95%)	Microbiological Health: (97%)
Dikgatlong	99.9	99.9	99.5	99.9
Olifantshoek	99.9	99.9	99.9	99.9
Kathu	98.7	99.9	98.6	99.9
Hotazel	99.9	99.9	98.9	99.9
Postmasburg	99.9	99.9	99.9	99.9

## CONCLUSION

During the 2019/2020 financial year, the Northern Cape Region excelled at providing a reliable supply of potable water of high quality to designated

communities and clients in the Northern Cape Province.

# TECHNICAL SUPPORT & SAFETY, HEALTH AND ENVIRONMENT



## IN THIS SECTION:

- Introduction
- Disabling Injury Frequency Rates
- Injury Statistics
- External Audit Results
- Training Programme
- Occupational Hygiene Programme
- Occupational Health Management Programme
- Environmental Management Programme
- Wellbeing of Employees
- Incentive Programme
- COVID-19 Challenges
- Conclusion

## Adv. N.E. Ratshitanga

Technical Support & Safety, Health and Environment Executive

## INTRODUCTION

The Safety, Health and Environment (SHE) Programme at Sedibeng Water aims to ensure continuous compliance to set requirements with regards to safety, health and environmental concerns in the workplace. Likewise, the programme demonstrates the organisation's firm commitment to sustainable growth and development, while also balancing social, economic and environmental imperatives in the process. Such a balance assures the fulfilment of long-term business goals and maintains the wellbeing of both employees and customers.

Mutual commitment by Management and the employees of Sedibeng Water safeguards the successful implementation of our SHE Programme. This commitment manifests in equal liability and a joint obligation and responsibility to render reliable and sustainable services to our customers. In addition, the SHE Programme, which is based on risk management systems, is integrated with the organisation's operational strategy in order to diminish the likelihood of the occurrence of SHE incidents and to minimise the severity thereof. In the process, effective communication and the empowerment of employees through training and

development, ensures that Sedibeng Water excels in attaining the set targets of its key strategic objectives.

## DISABLING INJURY FREQUENCY RATES

The 2019/2020 financial year has been excellent regarding the overall performance of Sedibeng Water. The organisational strategic objective regarding injury incidents is targeting a Disabling Injury Frequency Rate (DIFR) of two (2). However, to excel beyond this organisational target, the Safety, Health and Environment (SHE) Department has set the stringent objective of maintaining a DIFR of less than one (1) in all operational areas. The primary objective of the SHE Programme is to prevent and minimise incidents, which may adversely affect the environment and assets including human capital, while the secondary objective is to achieve a NOSA Five Star Grading. To attain this objective, the organisation not only has to achieve an overall effort score of more than 90%, but also needs to maintain a DIFR of less than one (1) in the respective workplaces. At operational level, the target is to achieve zero (0) disabling injury (DI), as well as a NOSA Five Star Grading. More importantly, Management and the employees of Sedibeng

Water have always been working hard at focusing resources towards the pursuit of the underlying key performance areas, namely, a lower DIFR and a higher external NOSA Audit Grading.

## INJURY STATISTICS

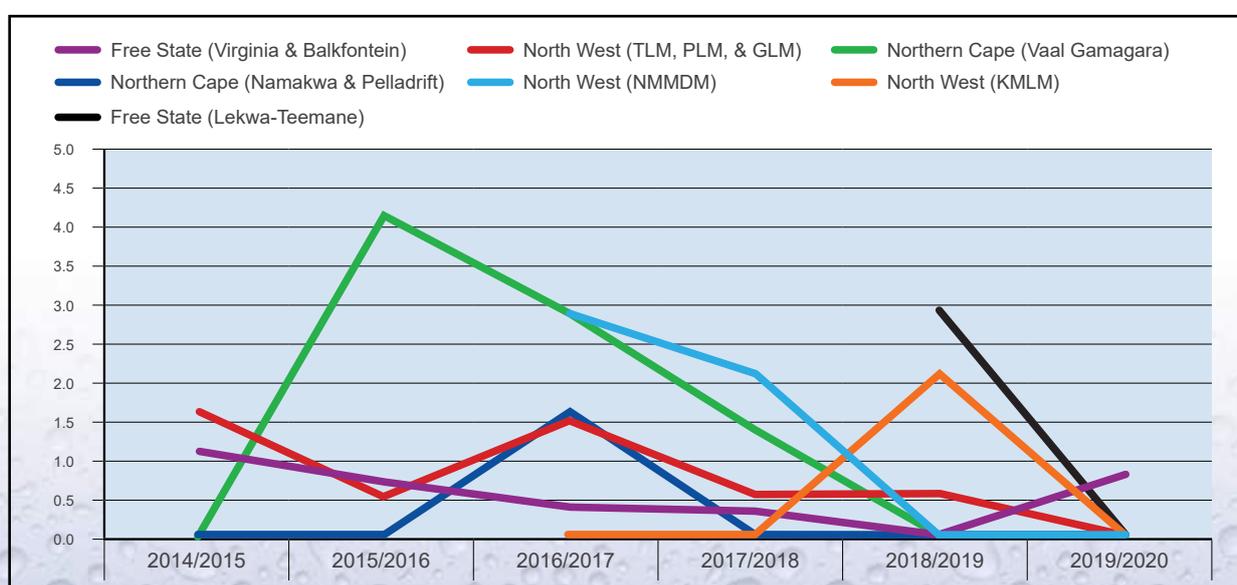
The Free State Region (Balkfontein and Virginia) completed the 2019/2020 financial year with a Disabling Injury Frequency Rate (DIFR) of 0.78, which marks the achievement of the strategic objective target of a DIFR of not more than 2. All other regions and their areas of operation

successfully completed the year under review with a remarkable achievement of a DIFR of 0.00. The recently incorporated area of the Free State Region covering the Lekwa Teemane Local Municipality demonstrated outstanding improvement in safety management by also achieving a DIFR of 0.00. As highlighted above, all areas of operation achieved the strategic objective target and this enabled Sedibeng Water to achieve an overall organisational DIFR of 0.26 at the end of the 2019/2020 financial year. Table 1 and Graph 1 show the performance trends over the past six (6) financial years (2014/2015 to 2019/2020).

**Table 1: DIFR (Disabling Injury Statistics)**

Operational Area	Disabling Injury Frequency Rate (DIFR)					
	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Free State (Matjabeng LM, Nala LM & Maquassi Hills LM)	1.1	0.7	0.36	0.32	0.00	0.78
North West (Taung LM, Pokwane LM & Ga-Segonyana LM)	1.6	0.5	1.5	0.53	0.54	0.00
North West (Kagisano-Molopo LM)	-	-	0.00	0.00	2.11	0.00
North West (Ngaka Modiri Molema DM)	-	-	2.89	2.12	0.00	0.00
North West (Lekwa-Teemane LM)	-	-	-	-	2.96	0.00
Northern Cape (Vaal Gamagara)	0.00	4.2	2.92	1.39	0.00	0.00
Northern Cape (Namakwa & Pelladrift)	0.00	0.00	1.62	0.00	0.00	0.00

**Graph 1: DIFR Trends**



## EXTERNAL AUDIT RESULTS

During the year under review, the Northern Cape Region (Namakwa and Pelladrift) and the North West Region (Ngaka Modiri Molema District Municipality, Mahikeng Local Municipality and Tswasa Scheme) were audited by NOSA using the CMB 253N system. NOSA also conducted a gap audit in the North West Region (Lekwa-Teemane Local Municipality). Both the Northern Cape Region (Namakwa and Pelladrift) and the North West Region (Ngaka Modiri Molema District Municipality, Mahikeng Local Municipality and Tswasa Scheme) achieved a NOSA Five Star Grading. The remaining operational areas of Sedibeng Water were scheduled for NOSA CMB 253N Grading Audits in the months of April and May 2020. Unfortunately, these audits had to be postponed in an effort to prevent the spread of the COVID-19 pandemic. The NOSA CMB 253N Grading Audits will resume as soon as circumstances allow in the 2020/2021 financial year.

## TRAINING PROGRAMME

The Management of Sedibeng Water has always committed itself to the training and development of employees. Training is considered so vital that it forms part of the organisation's key strategic objectives. In the beginning of the 2019/2020 financial year, the Technical Support and SHE Department developed an annual training matrix as a tool for the successful implementation and monitoring of the Training Programme. The matrix was populated by information derived from a training needs analysis to close the gaps that were identified in the legal, operational and system improvement requirements. In order to avert the spread of the COVID-19 virus in the workplace due to gatherings and extended physical contact with external persons, only twelve (12) courses were successfully conducted to meet the statutory requirements in the different workplaces during the financial year concerned. These included:

- Confined Space Entry;
- Permit to Work;
- Overhead Crane Pendant Control (with hydraulic boom);
- Overhead Crane;

- Truck-mounted Crane;
- Tractor Loader Backhoe;
- Cherry Picker;
- Scaffolding Erection and Inspection;
- Safe Working at Heights;
- SHE Representatives Functions;
- HIV & AIDS Peer Educators and Counselling; and
- SAMTRAC.

## OCCUPATIONAL HYGIENE PROGRAMME

Occupational Hygiene Surveys are conducted biennially and by the end of the financial year concerned, all operational areas of Sedibeng Water were complying with the requirements of these surveys. The purpose of the Occupational Hygiene Surveys is to ensure that all work areas comply with recommended exposure limits and that Management understands the health risks that employees could be exposed to. The surveys included the assessments and/or measurements of the following hazardous aspects in terms of standard specifications:

- Measurement of noise and vibration levels;
- Measurement of illumination intensity;
- Ergonomic assessments;
- Ventilation and air quality;
- Hazardous chemical substances (chemicals, dust, welding fumes, etc.);
- Environmental pollution (air, ground and water);
- Hazardous physical aspects (safety glass, fire risks, etc.);
- Assessments for effectiveness of extraction of fumes in the laboratories; and
- Environmental stressors (thermal and cold stressors).

Action plans to rectify the identified deviations and to implement the recommendations from the survey reports were developed, implemented and monitored.

## OCCUPATIONAL HEALTH MANAGEMENT PROGRAMME

This programme aims to monitor the health status of employees throughout their employment period to determine their medical fitness and to identify

any adverse health effects that might be caused by occupational risks. Employees undergo the following three distinct medical surveillances:

- **Entry Medicals** which are conducted during the recruitment stage to determine the candidate's fitness in relation to the job requirements, and to identify and record any existing medical conditions.
- **Periodic Medicals** which are conducted at a predetermined frequency based on job requirements and/or risk exposure levels. In addition to medical surveillance, employees who are being exposed to biological hazards due to their areas of work (such as those working at the sewage treatment plants and the laboratories) undergo scheduled immunisation.

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

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

Table 3 displays medical surveillances that were done as part of the Occupational Health Programme in the 2019/2020 financial year.

**Table 3: Medical Surveillances Conducted in the 2019/2020 Financial Year**

Region	Pre-employment (Baseline)	Periodic (Scheduled)	Exit	Immunisation
Free State (including Bloemhof and Christiana)	10	34	5	38
Northern Cape	6	64	2	10
North West (Hartswater)	3	8	2	0
North West (Mahikeng)	5	0	2	0
<b>Total for the Organisation</b>	<b>24</b>	<b>106</b>	<b>11</b>	<b>48</b>

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

## ENVIRONMENTAL MANAGEMENT PROGRAMME

Environmental impact and aspect assessments had been conducted in the Northern Cape Region and the Free State Region. An environmental pollution study was also completed in the North West Region, where there is a possibility of soil pollution from

diesel and oil at boreholes. Corrective action plans were developed to address all the environmental deviations that had been identified.

In compliance with the NOSA CMB 253N guideline, Resource Conservation Plans had been developed and implemented throughout the organisation. These plans are aimed at managing the use of natural resources, such as energy (electricity and fuel) and water consumption. The implementation of a Resource Conservation Plan is monitored and reported on a monthly basis. Waste management continues to be a nucleus in the Environmental Management Programme. Hazardous waste (in the form of used oil, oil rags, expired chemicals and fluorescent tubes), is collected and disposed of by registered waste management companies. Certificates of safe collection and safe disposal are issued in this regard. Hazardous biological waste generated in the laboratories is also collected regularly by a contracted service provider. Waste

separation, with the intention of implementing the Recycling Programme, has also been introduced in all the regions.

An environmental incident is defined as any event that has a localised effect that causes environmental damage beyond the organisation's operational boundaries, or that has a substantially adverse effect on the community. At Sedibeng Water, the identified high-risk substance is chlorine that is used in plants to disinfect water. As part of emergency preparedness, the organisation has developed a Chlorine Emergency Plan, which is still undergoing consultation with the municipalities and all other relevant authorities. Sedibeng Water has never experienced any reportable environmental incident. Sedibeng Water has implemented a Waste Separation and Recycling Programme in its operational areas where there are recycling companies. The programme focuses on the four (4) waste types, namely paper, plastic, glass and printer cartridges. Recycling helps to reduce the organisation's carbon footprint and emissions. Sedibeng Water's carbon footprint is also managed by monitoring the monthly energy (electricity and fuel) consumption.

## WELLBEING OF EMPLOYEES

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

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

### Disease Management Programme

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

establishment. The programme includes, amongst other things, the following:

- The establishment and training of HIV and AIDS support structures (peer educators) in all areas of operation;
- The establishment of HIV and AIDS Committees in all areas of operation;
- As part of the programme's strategic objectives, the following targets have been achieved in 2019/2020:
  - Undertaking at least four (4) HIV and AIDS awareness campaigns per year; and
  - Developing and implementing a comprehensive Disease Management Programme, which gives access to antiretroviral drugs to those employees and their beneficiaries who require such medication.

The objective of undertaking at least two (2) HIV Counselling and Testing (HCT) sessions in all areas of operation per year could not be achieved in the 2019/2020 financial year. At the beginning of the COVID-19 Level 5 lockdown, Sedibeng Water was in the process of procuring a new contract for the implementation of its comprehensive Employees Wellness Programme. This procurement process had to be postponed as the implementation of the programme would have been a COVID-19 risk and an interference with the Department of Health's COVID-19 plans regarding the availability of nursing professionals.

The Employee Wellness Programme also includes the assessment and awareness of the following common chronic conditions:

- Hypertension and Hypotension (High/low blood pressure);
- Diabetes; and
- Cholesterol.

Employees are also assessed for the following health conditions:

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

The new contract for the Employee Wellness Programme will be procured as soon as COVID-19

safety regulations allow gatherings and physical contact with external persons. This contract will also be extended to include the following:

- Diagnosis and prevention of cervical cancer for all females;
- Diagnosis of breast cancer for females of the age of 35 years and above; and
- Diagnosis of prostate cancer for males of the age of 40 years and above.

### Employees Assistance Programme

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

It is being planned to have a single contract for a comprehensive Employees Wellness Programme in future (combining the Disease Management Programme and Employee Assistance Programme into a single programme). By combining these two programmes, the organisation shall be able to address health problems more effectively as chronic diseases (such as hypertension and diabetes) could now be related to psychological, social and economic challenges being experienced by employees.

### Employees Recreational Programme

Chronic illnesses, such as diabetes, hypertension and cholesterol, are becoming a national concern. The reason for this increase in chronic cases has been identified as changes in lifestyle leading to obesity and stress. Sedibeng Water took cognisance of these problems and introduced the Employees Recreational Programme, which includes regularly scheduled activities, such as netball, soccer, fun run/walk, etc. Employees in different regions participate in internal and external sport tournaments. In addition to sport, Sedibeng Water is also in the process of establishing gymnasia for employees in the different regions. The first gymnasium was established at Vaal Gamagara in the Northern Cape Region in the 2013/2014 financial year. During the 2015/2016 financial year, the organisation likewise opened a gymnasium at Balkfontein in the Free State

Region. The objective is to establish gymnasia in all major workplaces in the regions, once the venues have been identified and modified to meet the set requirements.

### INCENTIVE PROGRAMME

The NOSA CMB 253N system requires the organisation to present competitions relating to best achievements in the implementation of the SHE Programme and to reward the winners. In order to comply with these requirements, Sedibeng Water initiated a SHE Representatives Competition to recognise the best performers in executing the duties of a SHE representative. Based on the set criteria for the competition, monthly winners are selected from each SHE Committee and rewarded at regional levels as the "SHE Rep of the Month" and the "SHE Rep of the Year". The best performer in the regional category of the "SHE Rep of the Year" receives the "Organisational SHE Rep of the Year" award. Despite COVID-19 challenges being experienced towards the end of the financial year under review, the SHE Programme maintained an overall good performance in the 2019/2020 financial year. This improvement is underpinned by the devotion and effort of employees at all levels in the organisation and is also resulting from, amongst other things, the following:

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

### COVID-19 CHALLENGES

As an essential services organisation, Sedibeng Water was faced with serious challenges during the last three (3) months of the financial year under review. The organisation had to develop and implement a COVID-19 Programme as a matter of urgency. This programme included, amongst other things, the following:

- A COVID-19 Workplace Policy which enforces the prevention of COVID-19 infections in the workplaces;
- COVID-19 Workplace Risk Assessments which identify and mitigate the potential risks associated with various workplaces and tasks; and
- A COVID-19 Workplace Plan which is in line with the organisational strategic plan and identifies necessary actions and assigns responsibilities.

Some of the actions that were taken without delay were:

- Screening of all persons (employees and non-employees) entering the workplaces;
- Provision of Personal Protective Equipment (PPE) to employees, such as a pair of 3-ply cloth face masks and a face shield, while the need for special types of PPE was also identified as informed by task-based risk assessments;
- In addition to the normal provision of soap dispensers in the bathrooms, hand sanitisers and surface disinfectants were also made accessible to all employees;
- All buildings and vehicles were disinfected on a weekly basis, or whenever there was a reported or suspected COVID-19 incident;
- Providing for staggering and the rotation of teams to promote social distancing in the workplaces; and
- COVID-19 Awareness initiatives in the form of posters and small groups awareness sessions.

Sedibeng Water experienced its first COVID-19 case on 25 June 2020. This was also the only case that was recorded in the financial year under review. All contacts of the confirmed positive employee were immediately identified and placed in self-isolation. All subsequent COVID-19 cases were confirmed and recorded in the following financial year (2020/2021).

## CONCLUSION

The Safety, Health and Environment Programme made a noteworthy contribution towards the success of Sedibeng Water during the 2019/2020 financial year by ensuring continuous compliance to set requirements with regards to safety, health and environmental concerns in the workplace. Despite unforeseeable circumstances relating to the COVID-19 pandemic, Sedibeng Water maintained excellent performance as far as safety, health and environment management is concerned. This is especially confirmed by the primary objective of incident management according to which the organisation completed the financial year under review with a Disabling Injury Frequency Rate (DIFR) of 0.26 as compared to the set target of a DIFR of 2.0.

# NEW BUSINESS DEVELOPMENT



**Mr. I.M. Hasenjager**  
New Business Development Executive

## IN THIS SECTION:

- Introduction
- Pelladrift Water Scheme
- Vaal Gamagara Water Scheme
- Namakwa Regional Water Supply Scheme
- Conclusion

## INTRODUCTION

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

In rendering these services, Sedibeng Water enters into contractual agreements with clients. Such agreements could incorporate:

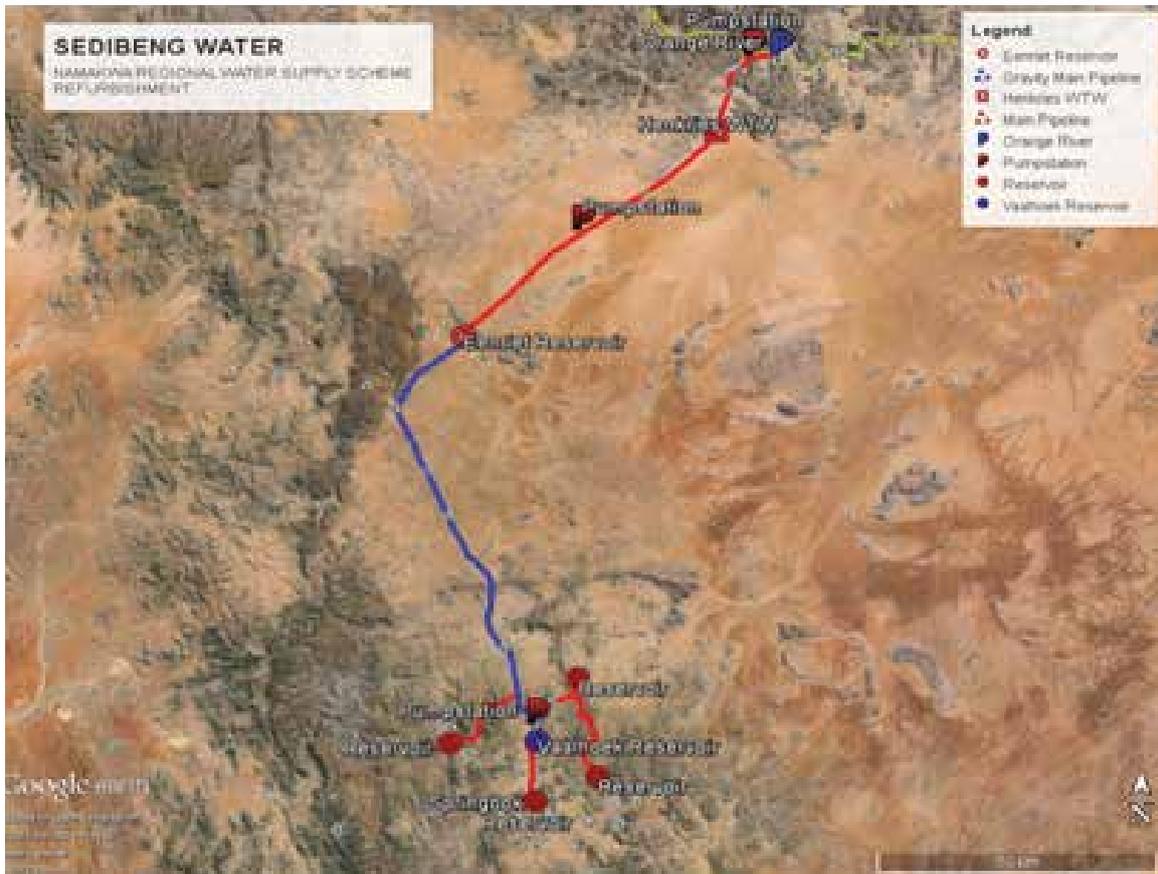
- Strategic support;
- Bulk water provision;
- Total water service provision;
- Training and development;
- Analytical services; and
- Acting as implementing agent.

During the 2019/2020 financial year, the New Business Development Department focused on the upgrading and expanding of the infrastructure of existing water schemes operated by Sedibeng Water in the Northern Cape Province. Due to the ageing of infrastructure and the growing water demand from the mining sector with new mines opening and existing mines expanding, new challenges arose. This situation, in combination with a simultaneous increase in water demand by municipalities in the area, affected the growth of the mining industry and the economy of the province, negatively.

The refurbishment and upgrading of three schemes are currently in the planning, design or construction phases. These are:

## NAMAKWA WATER SUPPLY SCHEME

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



### General Condition of the Existing Supply System

The primary problems of the existing system are aging infrastructure and the lack of extensive maintenance over a long period of time. The main supply system is now in excess of 30 years old and has reached the end of its economic lifecycle. Before copper mining activities ceased in 1998, maintenance was primarily conducted by staff of the Okiep Copper Company, as it was in their interest to do so. Since the closure of the copper mines, the Namakwa Water Board has had neither the capacity in terms of personnel, nor the financial resources to maintain the system to the required standard.

The current water supply crisis is mainly due to the continuous failure of the gravity main between the Eerriet Reservoir and Okiep. Failures occur primarily as a result of the delamination of the pipe's concrete lining over the past 10 years and the consequent accelerated corrosion of the steel pipe wall. The highest pressure occurs in the section

between the Bulletrap turn-off and Rooiwinkel. The pipe structure is no longer able to cope with the stress involved.

### Project Scope, Timeframes and Costs

The project has been divided into three phases, namely:

#### Phase 1

Project 1:

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

Project 2:

- Construction of the gravity main pipeline between Eerriet Reservoir and Vaalhoek Reservoir;
- Upgrading of the raw water pump station at the Orange River, including replacement of raw water pumps with new pumps on a trolley system;

- Upgrading of the sand filters at the Henkries Water Treatment plant;
- Refurbishment of the Eenriet Reservoir; and
- Refurbishment of the Vaalhoek Reservoir.

When the implementation of the project commenced in 2010, emergency works were performed on the system, which had not been budgeted for initially. These works are referred to as Project 1 of Phase 1. Project 2 of Phase 1 was completed in the 2015/2016 financial year and was carried out by the Department of Water and Sanitation (Construction Unit West). Sedibeng Water and the Department of Water and Sanitation signed a Memorandum of Understanding in November/December 2012 in order for this Construction Unit to carry out the refurbishment of the scheme.

Phase 1 of the scheme was completed in June 2016 at a cost R440.1 million.



*Construction during Phase 2: Rising Main*

Project 4:

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

## **Phase 2**

Phase 2 Project 3:

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

Project 3 commenced in July 2016 and the expected completion date has been moved to 30 August 2022 due to funding problems. A total of 105 people were employed on the project during the year under review.



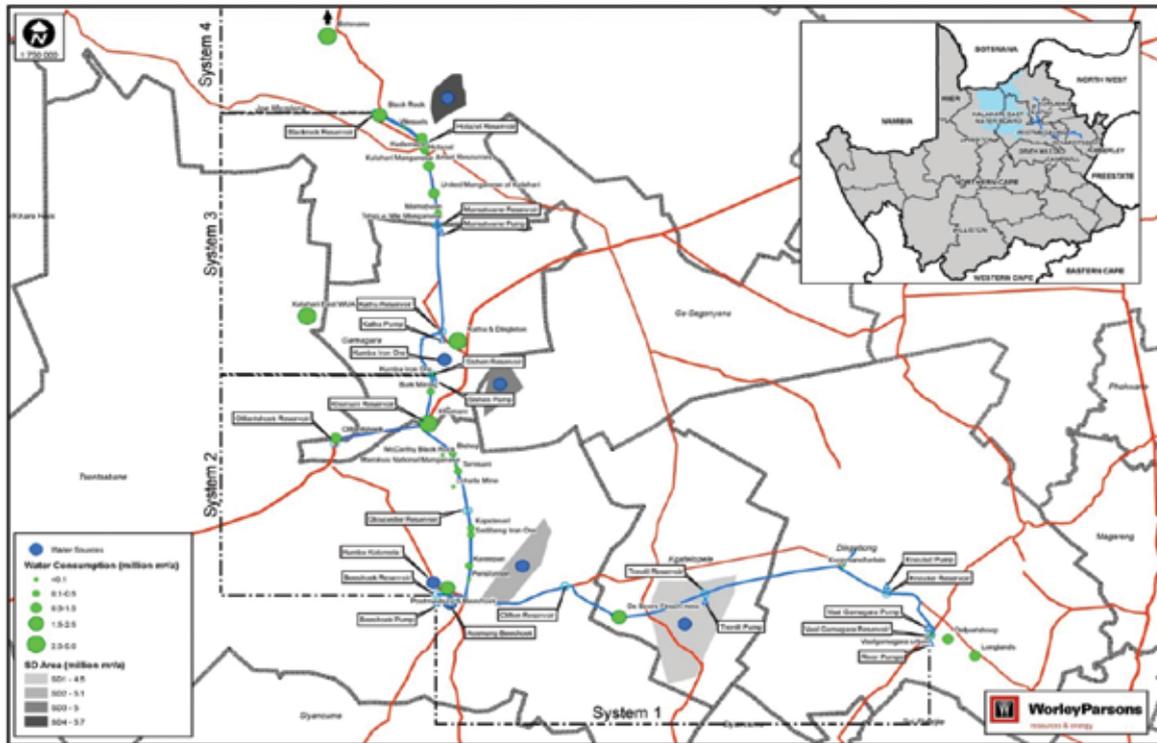
- Vaalhoek-Springbok gravity main and Springbok Reservoir.

Project 5 (still to be done):

- Refurbishment of the clear water gravity main from Nababeep to Kleinzee.

## VAAL GAMAGARA WATER SUPPLY SCHEME

Illustration 2: Main Components of the Vaal Gamagara Water Scheme



### Background

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

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

- Purification works (13.27 million m<sup>3</sup>/annum capacity);
- Several pump stations;
- 11 reservoirs; and
- 370km of pipes that deliver water to users.

The pipeline has the capacity to convey and import a maximum of 19 million m<sup>3</sup>/annum into the area. Water from the Vaal River (13.27 million m<sup>3</sup>/annum) is augmented by dewatering facilities at the Kolomela, Beeshoek and Sishen mines. (Dewatering activities are aimed at lowering the ground water table to ensure safe mining conditions.)

### Municipal Beneficiaries

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

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

## Phases in the Upgrading Process

The upgrading of the Vaal Gamagara Water Scheme is being done in the following two phases:

### Phase 1:

This phase consists of:

- Replacing the existing pipeline with a 1 100mm and 900mm pipeline from Roscoe to the South West Expansion Project (7.8km);
- Replacing the existing pipeline with a 700 and 800mm pipeline from Kathu to Hotazel, and a 600mm pipeline to Black Rock (82.6km); and

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

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

#### *Pipeline 1A:*

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

#### *Pipeline 1B:*

This new DN700 pipeline, which is currently under construction, stretches from the SWEP by-pass to a new Pressure Reducing Valve (PRV) station at the Kathu Reservoir (5.6 km in length). However, the length of the pipeline has since been reduced to 0.38km due to design changes. Completion of the refurbishment of this section stands at 79%.

#### *Pipeline 2:*

This new DN700 and DN800 pipeline, which is currently under construction, stretches from a new Pressure Reducing Valve (PRV) station at the Kathu Reservoir to the Hotazel Reservoir (54.5km in length). In this section all the pipes have been laid, but there are some manholes that still have to be built and the pipeline needs to be tested. The project is 93% completed.

#### *Pipeline 3:*

This new DN600 pipeline, which is currently under construction, stretches from the Hotazel Reservoir to Blackrock (11km in length), and include the

installation of a DN400 pipeline (2.3km in length) in parallel with an existing DN560 pipeline.

At the end of June 2020, 88% of the work in Phase 1 had been completed.

### Phase 2:

Phase 2 will consist of:

- Replacing the pipeline from Clifton to Roscoe;
- Development of SD2 well site;
- Replacing the pipeline between Beeshoek and Gloucester;
- Refurbishing rising main from water treatment works to Clifton;
- Upgrading of reservoirs;
- Upgrading the Trewill Pump Station and sump;
- Developing of SD 1 well site;
- Replacing the third rising main;
- Upgrading and refurbishing the Vaal Gamagara Water Treatment Works and pump stations;
- Upgrading the Kneukel Pump Station and sump; and
- Developing of SD 4 well site and the bulk supply to 22 villages.

Phase 2 has been divided into ten sub-projects. These projects are currently in a design stage and construction is expected to be completed by 2028.

## PELLADRIFT WATER SUPPLY SCHEME

### Background

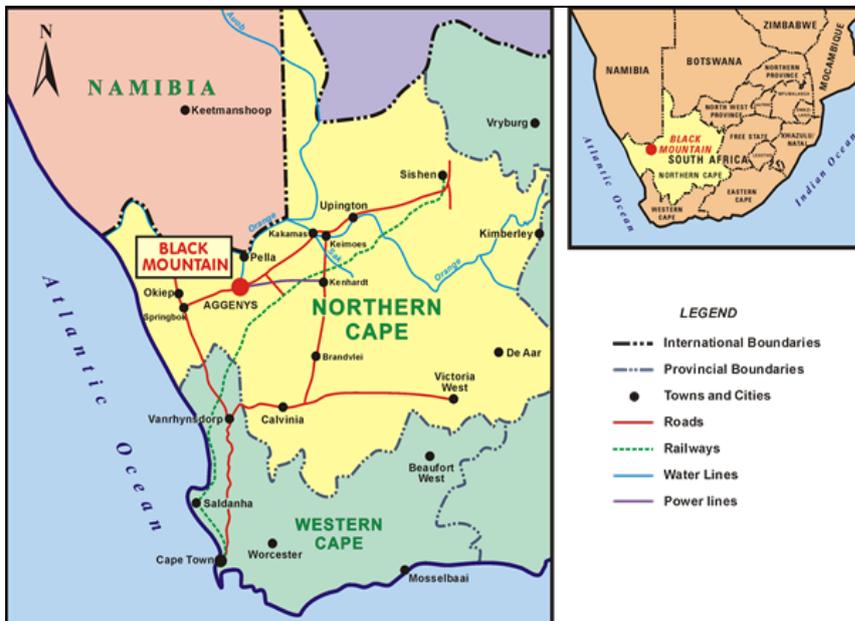
The Pelladrift Water Board had been established in terms of the Water Services Act (Act No. 108 of 1997). The infrastructure concerned was initially constructed and previously owned by Anglo Operations Limited, who invested in the asset base for 30 years in order to sustain mining activity at the Black Mountain Mine and also provide water services to local communities in this remote area of the Northern Cape Province. After the formation of the Pelladrift Water Board, Anglo Operations Limited transferred these assets to the newly established water board. The Black Mountain Mine was recently sold by Anglo Operations Limited to Vedanta Resources plc.

The main purpose of the Pelladrift water scheme is the provision of sustainable water services to

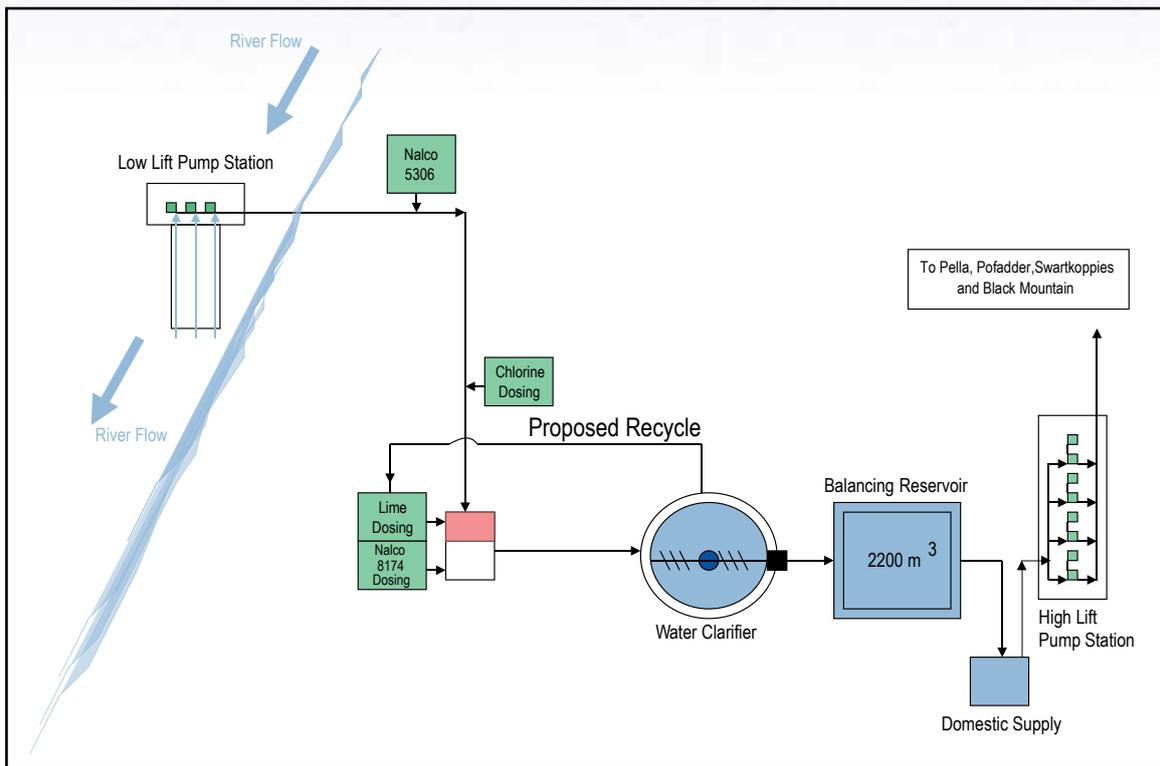
the Black Mountain Mine and surrounding areas. Water is abstracted at Pelladrift on the Orange River, where after it is purified and supplied to the mine and the towns of Aggeneyns and Pofadder, the Pella Mission Station and some farms along the distribution routes. The primary non-mining customer of the Pelladrift water scheme is the Khâi-Ma Local Municipality, which is also the local Water Service Authority (WSA) in the area. The Black Mountain Mine currently utilises approximately 86% of the entire water supply. The total population that benefits from this scheme (including staff at the Black Mountain Mine) is approximately 8 500 people.

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

**Illustration 3: Pelladrift Water Scheme**



**Illustration 4: Pelladrift Purification Plant**



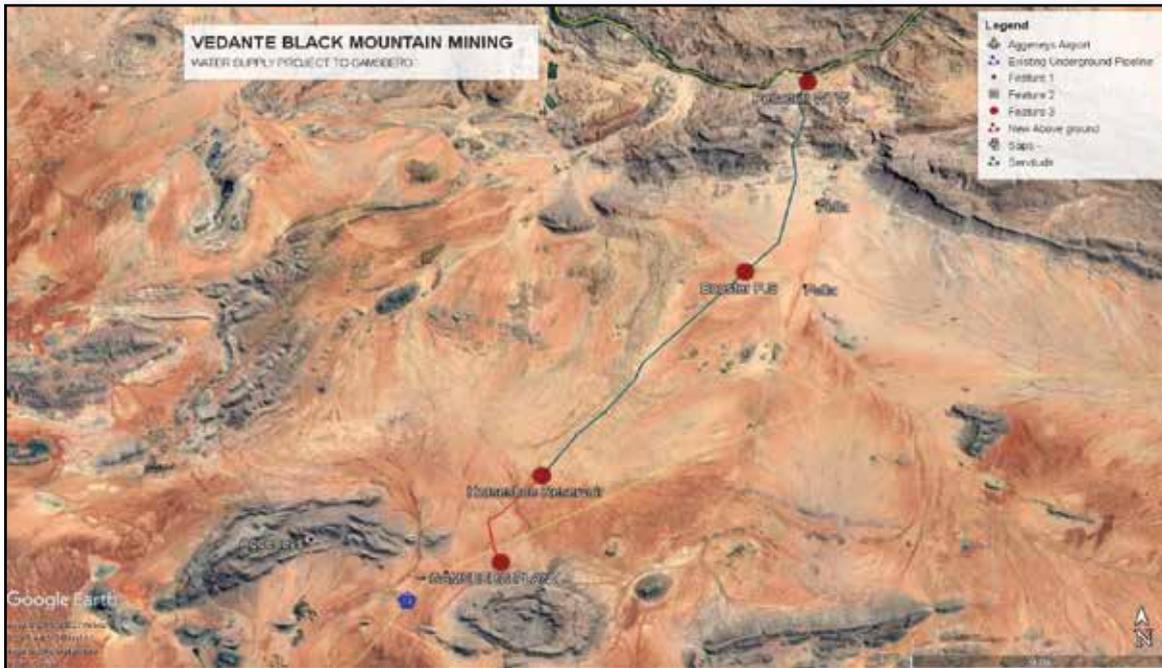
**Expansion of the Capacity of the Scheme**

The challenge Sedibeng Water faces at Pelladrift is that the current plant is designed to deliver only 12,5Mℓ per day, which is no longer sufficient to comply with the rising demand. Especially during summer and peak seasons, water demand continuously exceeds the design capacity of the plant on a daily basis. In light of the fact that the Black Mountain Mine is currently in the process of opening the long awaited Gamsberg Mine, a huge capital injection in the Northern Cape Province and

in South Africa, the existing plant and infrastructure have to be upgraded in order to meet the envisaged increased demand.

The project to expand the capacity of the plant (funded by the Vedanta Black Mountain Mining Aggeneys Gamsberg) was completed by the end of June 2019. At the moment, Sedibeng Water and Vedanta Black Mountain Mining Aggeneys Gamsberg are busy negotiating a further project to double the capacity of the purification plant and replace the old pipeline to Aggeneys.

Illustration 5: Main Components of the Pelladrift Water Scheme



## CONCLUSION

Through its New Business Development Department, Sedibeng Water enhanced efficient water services delivery during the 2019/2020 financial year. This included the provision of various water related services, operational expertise and partnerships to

local government structures and other stakeholders, as well as acting as Implementing Agent for the Department of Water and Sanitation in carrying out infrastructure projects in the Northern Cape Province.

# SCIENTIFIC SERVICES



## IN THIS SECTION:

- Introduction
- Goals for the 2019/2020 Financial Year
- Potable Water Quality Performance: Regional Water Quality
- Conclusion
- 2019/2020 Potable Water Quality Compliance Tables

**Mr. D.F. Traut**

Scientific Services Executive

## INTRODUCTION

Being part of an organisation focused on service delivery, the Scientific Services Department at Sedibeng Water had to adapt to a changing work environment caused by the outbreak of the COVID-19 pandemic in the latter part of the 2019/2020 financial year. Apart from an additional weekly sample testing workload as a result of the provision of about 5 000 Jojo tanks to communities in Sedibeng Water's operational area, the Department also had to ensure the continued suitability of policies and procedures, as well as operational effectiveness, and where necessary, introduce changes for continuous improvement.

## GOALS FOR THE 2019/2020 FINANCIAL YEAR

The Quality System was revised and changed during the 2019/2020 financial year, while goals and objectives with targets for the Department were likewise developed. Policies and procedures that were not suitable anymore, were changed or made obsolete and such changes are now being reflected in our Quality Manual.

The Department's goals for the year under review included:

- To maintain the status of continued accreditation by the South African National Accreditation System (SANAS);
- To extend the scope of accredited methods;
- To increase our business and improve on income generation;
- To improve on our customer reviews and reduce complaints;
- To review current methods and ensure back-up methods are accredited;
- To increase the scope of knowledge in the Department through accredited training;
- To successfully participate in Proficiency Testing Schemes for all methods; and
- To attend to water quality non-compliance by assisting the operations departments.

Issues related to these goals will now be discussed in more detail:

**Maintaining the Laboratory's SANAS Accreditation Status in Compliance with ISO/IEC 17025 to Ensure the Integrity of Results**

### Balkfontein Quality Control Laboratory

- None of the methods were suspended by SANAS.
- The laboratory maintained its accreditation.
- All accredited test methods have more than one Technical Signatory.
- Currently, only 65% of accredited methods have backups. The 70% accreditation target set for back-up methods was not achieved due to COVID-19 lockdown regulations. Efforts related to extending the scope of accredited methods were cancelled by SANAS due to travel restrictions and SANAS being unable to do on-site assessments.
- Transition from ISO/IEC 17025/2005 to ISO/IEC 17025/2017 was implemented.

### Vaal Gamagara Quality Control Laboratory

- Methods were not accredited. This goal was again not achieved due to the COVID-19 pandemic. The initial assessment was supposed to have taken place from 26-27 March 2020, but due to the national lockdown that started on 26 March 2020, this assessment was postponed till further notice.
- Tables 1 and 2 indicate the validated methods that were planned to be accredited, but this will only take place once travel restrictions across provincial borders are lifted during the new financial year.

**Table 1: Vaal Gamagara Quality Control Laboratory: Chemistry Methods to be Accredited**

DETERMINAND	METHOD DEVELOPMENT	METHOD VALIDATION	ACCREDITATION
Total Suspected Solid	Completed	Completed	In progress - delayed by COVID-19 lockdown regulations
Total Dissolved Solid	Completed	Completed	
Oxygen Observed	Completed	Completed	
Total Alkalinity	Completed	Completed	
Determination of Chloride (Colorimetry method)	Completed	Completed	
Nickel (ICP)	Completed	Completed	
Chromium (ICP)	Completed	Completed	
Cadmium (ICP)	Completed	Completed	
Lead (ICP)	Completed	Completed	
Cobalt (ICP)	Completed	Completed	

**Table 2: Vaal Gamagara Quality Control Laboratory: Microbiology Methods to be Accredited**

DETERMINAND	METHOD DEVELOPMENT	METHOD VALIDATION	ACCREDITATION
<i>E. coli</i> (Colilert method)	Completed	Completed	In progress - delayed by COVID-19 lockdown regulations
Total Coliforms (Colilert method)	Completed	Completed	
Heterotrophic Plate Counts	Completed	Completed	

### Implementing and Accrediting New Methods in Compliance with ISO/IEC 17025

- Only 82% of SANS 241:2015 methods are currently accredited. Extension of scope efforts were cancelled by SANAS due to travel restrictions and SANAS being unable to do on-

site assessments at the Balkfontein Laboratory.

- New test methods (Colour, Calcium, Magnesium, Potassium and Sodium by ICP-OES, Faecal and Total Coliforms by Filtration Method, as well as Environmental Monitoring) were implemented, but not accredited due to restrictions on travel during the lockdown period.

## Enhancing Customer Satisfaction and the Satisfaction of Other Interested Parties

### Balkfontein Quality Control Laboratory

- 80% of test reports were sent on time to customers.
- There were no customer complaints received during the review period

### Vaal Gamagara Quality Control Laboratory

- The laboratory obtained a rating of 100% from internal customers (the laboratory is currently not analysing any samples from external customers).
- No complaints were received during the review period.

Table 3 summarises the results of the Scientific Services customer survey conducted during the 2019/2020 financial year.

**Table 3: Customer Survey Results**

DESCRIPTION	AVERAGE SCORE OF ALL THE SURVEYS	
	2018/2019	2019/2020
Results	6	12
Turnaround time (time elapsed when sample is received up to report is sent out)	4.8	5
Accuracy, precision and reliability	5	5
Test reports		5
Test report user friendly and legible	5	5
Test report received on time	4.8	5
Liaison		5
Standard of communication, interaction and accessibility of laboratory personnel	4.8	5
Response to water quality related issues (turnaround time)	5	5
Flexibility (laboratory's ability to timeous analyse samples in case of operational problems/emergencies)	5	5
Overall efficiency and effectiveness of the laboratory	5	5
<b>Total %</b>	<b>98</b>	<b>100</b>

### Professionally Performing Quality Testing Services to Produce Accurate, Reliable and Consistent Results

- The laboratories are participating in Proficiency Testing Schemes as per the PTS/ILC Plan. However, the implementation of this plan was affected towards the end of the 2019/2020 financial year due to the consequences of the COVID-19 pandemic.
- At the Balkfontein laboratory, a 99% accuracy rate was obtained by the Chemistry and Microbiology Sections, while 100% and 99.1% accuracy rates for PTS were achieved by the Chemistry and Microbiology Sections of the Vaal Gamagara laboratory, respectively. The Microbiology

Section obtained a 93.8% accuracy rate on ILC.

- Recorded PTS outliers decreased in both the Chemistry and Microbiology Sections.
- No methodological breaches were recorded for the Chemistry and Microbiology Sections during the year under review.
- Both the Chemistry and Microbiology Sections analysed blind samples as per procedure to measure the reproducibility, and the %RSD was within the set criteria.
- At the Balkfontein laboratory, all test methods have more than one staff member with test method competencies.
- Ongoing efforts to promote the competency of each staff member were successfully implemented during the review period.

### Maintenance and Continual Improvement on the Effectiveness of the Management System

- The number of non-conformances at the Balkfontein laboratory decreased from forty-two (42) to nine (9), and at the Vaal Gamagara Laboratory from seven (7) to two (2).
- All Root Cause Analysis categories decreased.
- Internal audits were conducted as per the annual audit schedule.
- All non-conformances were dealt with timeously.

### Ensuring that All Laboratory Personnel Are Well Trained and Competent to Execute the Specific Tasks or Jobs Assigned to Them

- A 100% attendance figure was registered for all training opportunities provided.
- All personnel are deemed competent in the testing methods assigned to them.

### Suitability of Policies and Procedures

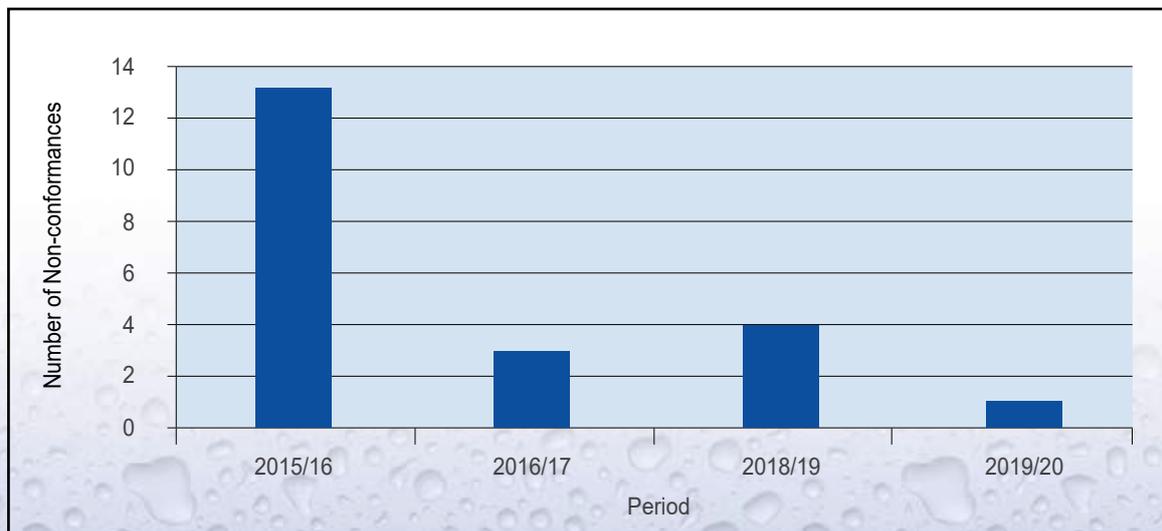
The Quality Policy statement was not changed during the 2019/2020 financial year, since it remained suitable to the Quality Management System, the laboratory goals and objectives, as well as ISO/IEC 17025:2017 requirements. The Quality Manual was reviewed in November 2019. No major changes were made to the document, except for minor grammatical corrections. The Laboratory Policies and Procedures are reviewed every two years. The laboratories reviewed all Quality Standard Operating

Procedures in the month of May 2019 according to the planned schedule. At the Balkfontein laboratory, a total number of seventeen (17) Quality SOPs were changed, while none was created nor made obsolete. At Vaal Gamagara, the laboratory also reviewed all Quality SOPs. A total number of two (2) Quality SOPs were changed, while none was created nor made obsolete.

### Assessment by External Bodies

Assessments are conducted by SANAS as per an 18-month cycle, and re-assessments are conducted after a 5-year cycle. The Balkfontein laboratory underwent remote surveillance on the 14th of May 2020. One major non-conformance was registered during this assessment (one from the Chemistry section, and zero from the Microbiology Section and Management System, respectively). This non-conformance was eventually addressed, resulting in the laboratory being successfully granted ISO/IEC 17025:2017 accreditation status. The laboratory's current Schedule of Accreditation (Issue no. 27) was received in July 2020 after the conducting of the May 2020 remote surveillance assessment. The Schedule of Accreditation is a true reflection of methods the laboratory is accredited for and the expiry date is January 2022. There were no major changes at SANAS except that assessments were now conducted remotely, and no new application/extension of scope evaluation was done due to COVID-19 lockdown regulations.

Graph 1: Balkfontein Laboratory: Results from SANAS Assessments



Graph 1 shows that the assessment results of the Balkfontein laboratory have improved over the past five years, i.e. starting with a total number of fifteen (15) non-conformances in the 2015/2016 financial year and ending with only one non-conformance in the current review period. This indicates that the laboratory's Management System is well documented and stable, and that personnel are following testing procedures meticulously.

The Vaal Gamagara laboratory has applied for accreditation and only a document review (Stage 1) has been conducted, whereafter all non-conforming procedures were rectified. Resultantly, Stages 2 & 3 of the application process will not be applicable and therefore, dates for Initial Assessment (Stage 4) are being awaited. Initial assessments, extension of scope and the approval of personnel were not part of the P35-document. Hence, the laboratory is not yet accredited. The assessment was supposed to take place from 26-27 March 2020. However, it was postponed due to national lockdown regulations related to the COVID-19 pandemic. SANAS revised the P35-document to include other assessments that were not forming part of the remote assessment. The laboratory completed the risk assessment evaluation form from SANAS, and it is waiting to be informed by SANAS regarding the dates for remote initial assessment.

### Overall System Performance

The assumption that the Quality System of the laboratories is stable and performing very well, is supported by a significant decrease in the number of non-conformances and Proficiency Testing outliers, as well as SANAS assessments results and the positive outcomes of the already mentioned Customer Survey.

## POTABLE WATER QUALITY PERFORMANCE: REGIONAL WATER QUALITY

### Water Treatment Works

Water quality performance is established for each plant on an annual basis indicating compliance (as a percentage) to each determinand listed in SANS 241:2015. It is required that a 98% compliance rate for each determinand is achieved on an annual basis.

### Free State Region

- **Balkfontein (Table 4)**

The Balkfontein Water Treatment Works has put out final water of exceptionally high quality during the period of reporting. All determinands listed in SANS 241 have a compliance percentage above the required 98% standard.

- **Virginia (Table 4)**

The Virginia Water Treatment Works delivered treated water to consumers that was excellent and achieved an above 98% compliance rate for the determinands tested in SANS 241.

### North West Region

- **Pampierstad (Table 5a)**

During the year under review, the Pampierstad Water Treatment Works delivered safe and good quality water that complied with SANS 241 requirements to its consumers.

- **Pudimoe (Table 5a)**

Despite on-going construction and the extension of infrastructure at the Pudimoe Water Treatment Works, the final water delivered during the reporting period complied with all SANS 241 requirements.

- **Bogosing (Table 5b)**

Regardless of the best efforts of the personnel at the Bogosing Water Treatment Works, final water delivered by this plant continues to fail in meeting SANS241 requirements. Aesthetic determinands, colour and turbidity, as well as aluminium and iron, indicate a decline in compliance from last year. However, microbiological compliance improved somewhat. All other determinands presented a greater than 98% compliance rate.

- **Kgomotso (Table 5b)**

The final water of the Kgomotso Water Treatment Works complied with SANS 241 requirements for the reporting period and in doing so, delivered safe water of good quality to consumers.

- **Schweizer Reneke (Table 5c)**

During the reporting period, the Schweizer Reneke Water Treatment Works delivered safe

and good quality water that complied with SANS 241 requirements to its consumers.

- **Itsoseng (Table 5d)**

The borehole system supplying Itsoseng has delivered final water of exceptionally high quality during the period of reporting. All determinands listed in SANS 241 have a compliance rate above the required 98% standard.

- **Mmabatho (Table 5d) / Mahikeng (Table 5e)**

Water is supplied from two systems to Mahikeng, namely the Mmabatho Water Treatment Works and the Mahikeng Water Treatment Works. Water samples from both these systems were in general of an acceptable standard with a few microbiological and turbidity failures. Instances of non-compliance were addressed soon after the sampling programmes were implemented, and very few failures have occurred during the last months of the 2019/2020 financial year.

- **Dinokana (Table 5e)**

Water sourced by the Dinokana Water Supply System from the Dinokana Eye is of exceptional quality.

- **Motswedi (Table 5e)**

During the reporting period, the Motswedi Water Treatment Works delivered safe and good quality water that complied with SANS 241 requirements to its consumers, except during the raining season when extremely high turbidities occurred after heavy rainfall.

- **Bloemhof (Table 5f)**

During the reporting period, the Bloemhof Water Treatment Works delivered safe and good quality water that complied with SANS 241 requirements to its consumers.

- **Christiana (Table 5f)**

During the reporting period, the Christiana Water Treatment Works delivered safe and acceptable quality water that complied with SANS 241

requirements to its consumers. However, the Christiana Water Treatment Works is struggling to meet the demand and delivers water that only complies with the aesthetic requirements of SANS 241.

### **Northern Cape Region**

- **Vaal Gamagara (Table 6)**

Vaal Gamagara Water Treatment Works has supplied final water of exceptionally high quality during the review period. All determinands listed in SANS 241 have a compliance rate above the required 98% standard.

- **Pelladrift (Table 6)**

During the reporting period, the Pelladrift Water Treatment Works delivered safe and good quality water that complied with SANS 241 requirements to its consumers. The only exception was for turbidity, which recorded a compliance rate of 77.8%.

- **Henkries (Table 6)**

During the 2019/2020 financial year, Henkries Water Treatment Works supplied safe and good quality water that complied with SANS 241 requirements to its consumers.

### **CONCLUSION**

During the 2019/2020 financial year, the Department of Scientific Services contributed to the success of Sedibeng Water by rendering key services that mainly centre around the performing of chemical and bacteriological analyses associated with the production of potable water, wastewater treatment, environmental management and process optimisation.

Detailed potable water quality compliance results for the 2019/2020 financial year are presented in the next section (Tables 4-8).

# 2019/2020 POTABLE WATER QUALITY COMPLIANCE TABLES

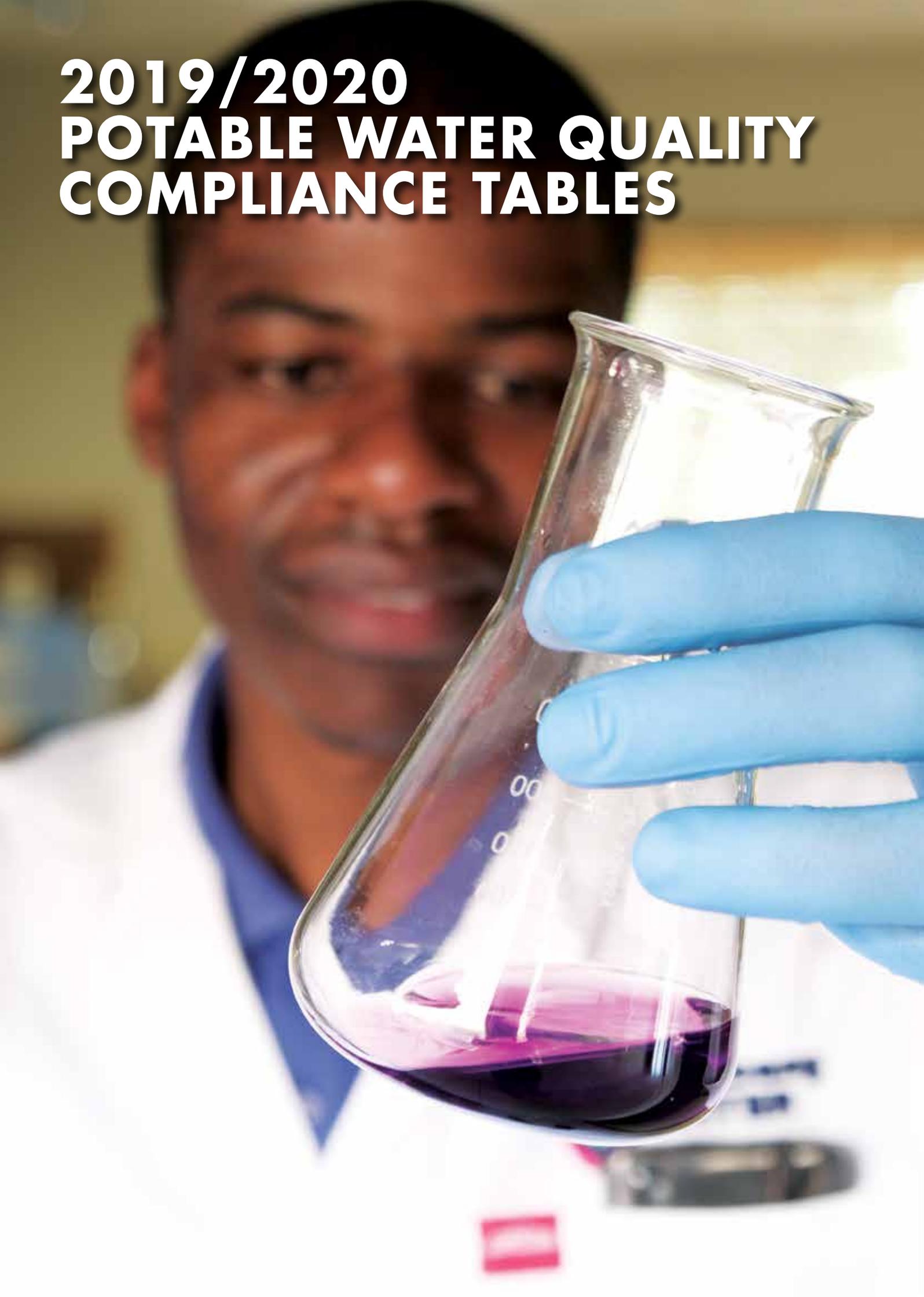


Table 4 Compliance of Potable Water in the Free State Region (based on SANS 241: 2015)					
Determinand	Risk	Unit	Standard Limits	Virginia Plant	Balkfontein Plant
<b>Microbiological determinands</b>					
<i>E. coli</i> or faecal coliforms	Acute health – 1	Count per 100 mL	Not detected	>99.99%	>99.99%
Protozoan parasites					
<i>Cryptosporidium</i> species	Acute health – 2	Count per 10 L	Not detected	>99.99%	>99.99%
<i>Giardia</i> species	Acute health – 2	Count per 10 L	Not detected	>99.99%	>99.99%
Total coliforms	Operational	Count per 100 mL	≤ 10	>99.99%	99.42%
Heterotrophic plate count	Operational	Count per mL	≤ 1 000	>99.99%	>99.99%
Somatic coliphages	Operational	Count per 10 mL	Not detected	>99.99%	>99.99%
<b>Physical and aesthetic determinands</b>					
Free Chlorine	Chronic health	mg/L	≤ 5	>99.9%	>99.99%
Colour	Aesthetic	mg/L Pt-Co	≤ 15	>99.9%	99.08%
Conductivity at 25°C	Aesthetic	mS/m	≤ 170	>99.9%	>99.9%
Odour or taste	Aesthetic	–	Inoffensive	Inoffensive	Inoffensive
Total dissolved solids	Aesthetic	mg/L	≤ 1 200	n/a	n/a
Turbidity	Operational	NTU	≤ 1	98.0%	99.15%
	Aesthetic	NTU	≤ 5	>99.9%	>99.9%
pH at 25°C	Operational	pH units	≥ 5 to ≤ 9,7	>99.9%	>99.9%
<b>Chemical determinands — macro-determinands</b>					
Nitrate as N	Acute health – 1	mg/L	≤ 11	>99.9%	>99.9%
Nitrite as N	Acute health – 1	mg/L	≤ 0,9	>99.9%	>99.9%
Sulfate as SO <sub>4</sub> <sup>2-</sup>	Acute health – 1	mg/L	≤ 500	>99.9%	>99.9%
Fluoride as F <sup>-</sup>	Chronic health	mg/L	≤ 1,5	>99.9%	>99.9%
Ammonia as N	Aesthetic	mg/L	≤ 1,5	>99.9%	>99.9%
Chloride as Cl <sup>-</sup>	Aesthetic	mg/L	≤ 300	>99.9%	>99.9%
Sodium as Na	Aesthetic	mg/L	≤ 200	>99.9%	>99.9%
Zinc as Zn	Aesthetic	mg/L	≤ 5	>99.9%	>99.9%
<b>Chemical determinands — micro-determinands</b>					
Antimony as Sb	Chronic health	µg/L	≤ 20	>99.9%	>99.9%
Arsenic as As	Chronic health	µg/L	≤ 10	>99.9%	>99.9%
Cadmium as Cd	Chronic health	µg/L	≤ 3	>99.9%	>99.9%
Total Chromium as Cr	Chronic health	µg/L	≤ 50	>99.9%	>99.9%
Cobalt as Co	Chronic health	µg/L	≤ 500	>99.9%	>99.9%
Copper as Cu	Chronic health	µg/L	≤ 2 000	>99.9%	>99.9%
Cyanide (recoverable) as CN <sup>-</sup>	Acute health – 1	µg/L	≤ 70	>99.9%	>99.9%
Iron as Fe	Chronic health	µg/L	≤ 2 000	>99.9%	>99.9%
Lead as Pb	Chronic health	µg/L	≤ 10	>99.9%	>99.9%
Manganese as Mn	Chronic health	µg/L	≤ 500	>99.9%	>99.9%
Mercury as Hg	Chronic health	µg/L	≤ 6	>99.9%	>99.9%
Nickel as Ni	Chronic health	µg/L	≤ 70	>99.9%	>99.9%
Selenium as Se	Chronic health	µg/L	≤ 10	>99.9%	>99.9%
Uranium as U	Chronic health	µg/L	≤ 15	>99.9%	>99.9%
Vanadium as V	Chronic health	µg/L	≤ 200	>99.9%	>99.9%
Aluminium as Al	Operational	µg/L	≤ 300	>99.9%	>99.9%
<b>Chemical determinands — organic determinands</b>					
Trihalomethanes:					
Chloroform	Chronic health	mg/L	≤ 0,3	>99.9%	>99.9%
Bromoform	Chronic health	mg/L	≤ 0,1	>99.9%	>99.9%
Dibromochloromethane	Chronic health	mg/L	≤ 0,1	>99.9%	>99.9%
Bromodichloromethane	Chronic health	mg/L	≤ 0,06	>99.9%	>99.9%
Phenols	Aesthetic	µg/L	≤ 10	>99.9%	>99.9%

**Table 5a Compliance of Potable Water in the North West Region: Dr. Ruth S. Mompoti District Municipality (based on SANS 241: 2015)**

Determinand	Risk	Unit	Standard Limits	Pampierstad Plant	Pudimoe Plant
<b>Microbiological determinands</b>					
<i>E. coli</i> or faecal coliforms	Acute health – 1	Count per 100 mL	Not detected	>99.99%	>99.99%
Total coliforms	Operational	Count per 100 mL	≤ 10	97.87%	>99.99%
Heterotrophic plate count	Operational	Count per mL	≤ 1 000	>99.99%	98.75%
Somatic coliphages	Operational	Count per 10 mL	Not detected	>99.99%	>99.99%
<b>Physical and aesthetic determinands</b>					
Free Chlorine	Chronic health	mg/L	≤ 5	>99.9%	>99.99%
Colour	Aesthetic	mg/L Pt-Co	≤ 15	91.49%	95.48%
Conductivity at 25°C	Aesthetic	mS/m	≤ 170	>99.9%	>99.9%
Odour or taste	Aesthetic	–	Inoffensive	Inoffensive	Inoffensive
Turbidity	Operational	NTU	≤ 1	87.23%	77.50%
	Aesthetic	NTU	≤ 5	>99.9%	>99.9%
pH at 25°C	Operational	pH units	≥ 5 to ≤ 9,7	>99.9%	>99.9%
<b>Chemical determinands — macro-determinands</b>					
Nitrate as N	Acute health – 1	mg/L	≤ 11	>99.9%	>99.9%
Nitrite as N	Acute health – 1	mg/L	≤ 0,9	>99.9%	>99.9%
Sulfate as SO <sub>4</sub> <sup>2-</sup>	Acute health – 1	mg/L	≤ 500	>99.9%	>99.9%
Fluoride as F <sup>-</sup>	Chronic health	mg/L	≤ 1,5	>99.9%	>99.9%
Ammonia as N	Aesthetic	mg/L	≤ 1,5	>99.9%	>99.9%
Chloride as Cl <sup>-</sup>	Aesthetic	mg/L	≤ 300	>99.9%	>99.9%
Sodium as Na	Aesthetic	mg/L	≤ 200	>99.9%	>99.9%
Zinc as Zn	Aesthetic	mg/L	≤ 5	>99.9%	>99.9%
<b>Chemical determinands — micro-determinands</b>					
Antimony as Sb	Chronic health	µg/L	≤ 20	>99.9%	>99.9%
Arsenic as As	Chronic health	µg/L	≤ 10	>99.9%	>99.9%
Cadmium as Cd	Chronic health	µg/L	≤ 3	>99.9%	>99.9%
Total Chromium as Cr	Chronic health	µg/L	≤ 50	>99.9%	>99.9%
Cobalt as Co	Chronic health	µg/L	≤ 500	>99.9%	>99.9%
Copper as Cu	Chronic health	µg/L	≤ 2 000	>99.9%	>99.9%
Cyanide (recoverable) as CN <sup>-</sup>	Acute health – 1	µg/L	≤ 70	>99.9%	>99.9%
Iron as Fe	Chronic health	µg/L	≤ 2 000	>99.9%	>99.9%
Lead as Pb	Chronic health	µg/L	≤ 10	>99.9%	>99.9%
Manganese as Mn	Chronic health	µg/L	≤ 500	>99.9%	>99.9%
Mercury as Hg	Chronic health	µg/L	≤ 6	>99.9%	>99.9%
Nickel as Ni	Chronic health	µg/L	≤ 70	>99.9%	>99.9%
Selenium as Se	Chronic health	µg/L	≤ 10	>99.9%	>99.9%
Uranium as U	Chronic health	µg/L	≤ 15	>99.9%	>99.9%
Vanadium as V	Chronic health	µg/L	≤ 200	>99.9%	>99.9%
Aluminium as Al	Operational	µg/L	≤ 300	78.72%	88.75%
<b>Chemical determinands — organic determinands</b>					
Trihalomethanes:					
Chloroform	Chronic health	mg/L	≤ 0,3	>99.9%	>99.9%
Bromoform	Chronic health	mg/L	≤ 0,1	>99.9%	>99.9%
Dibromochloromethane	Chronic health	mg/L	≤ 0,1	>99.9%	>99.9%
Bromodichloromethane	Chronic health	mg/L	≤ 0,06	>99.9%	>99.9%
Combined THM	Chronic health	µg/L	≤ 1	>99.9%	>99.9%

**Table 5b Compliance of Potable Water in the North West Region: Dr. Ruth S. Mompoti District Municipality (based on SANS 241: 2015)**

Determinand	Risk	Unit	Standard Limits	Bogosing Plant	Kgomotso Plant
<b>Microbiological determinands</b>					
<i>E. coli</i> or faecal coliforms	Acute health – 1	Count per 100 mL	Not detected	>99.99%	>99.99%
Total coliforms	Operational	Count per 100 mL	≤ 10	>99.99%	>99.99%
Heterotrophic plate count	Operational	Count per mL	≤ 1 000	97.69%	>99.99%
Somatic coliphages	Operational	Count per 10 mL	Not detected	>99.99%	>99.99%
<b>Physical and aesthetic determinands</b>					
Free Chlorine	Chronic health	mg/L	≤ 5	>99.99%	>99.99%
Colour	Aesthetic	mg/L Pt-Co	≤ 15	0.00%	83.67%
Conductivity at 25°C	Aesthetic	mS/m	≤ 170	>99.9%	>99.9%
Odour or taste	Aesthetic	-	Inoffensive	Inoffensive	Inoffensive
Turbidity	Operational	NTU	≤ 1	0.00%	75.51%
	Aesthetic	NTU	≤ 5	>99.9%	>99.9%
pH at 25°C	Operational	pH units	≥ 5 to ≤ 9,7	>99.9%	>99.9%
<b>Chemical determinands — macro-determinands</b>					
Nitrate as N	Acute health – 1	mg/L	≤ 11	>99.9%	>99.9%
Nitrite as N	Acute health – 1	mg/L	≤ 0,9	>99.9%	>99.9%
Sulfate as SO <sub>4</sub> <sup>2-</sup>	Acute health – 1	mg/L	≤ 500	>99.9%	>99.9%
Fluoride as F <sup>-</sup>	Chronic health	mg/L	≤ 1,5	>99.9%	>99.9%
Ammonia as N	Aesthetic	mg/L	≤ 1,5	>99.9%	>99.9%
Chloride as Cl <sup>-</sup>	Aesthetic	mg/L	≤ 300	>99.9%	>99.9%
Sodium as Na	Aesthetic	mg/L	≤ 200	>99.9%	>99.9%
Zinc as Zn	Aesthetic	mg/L	≤ 5	>99.9%	>99.9%
<b>Chemical determinands — micro-determinands</b>					
Antimony as Sb	Chronic health	µg/L	≤ 20	>99.9%	>99.9%
Arsenic as As	Chronic health	µg/L	≤ 10	>99.9%	>99.9%
Cadmium as Cd	Chronic health	µg/L	≤ 3	>99.9%	>99.9%
Total Chromium as Cr	Chronic health	µg/L	≤ 50	>99.9%	>99.9%
Cobalt as Co	Chronic health	µg/L	≤ 500	>99.9%	>99.9%
Copper as Cu	Chronic health	µg/L	≤ 2 000	>99.9%	>99.9%
Cyanide (recoverable) as CN <sup>-</sup>	Acute health – 1	µg/L	≤ 70	>99.9%	>99.9%
Iron as Fe	Chronic health	µg/L	≤ 2 000	25.58%	>99.9%
Lead as Pb	Chronic health	µg/L	≤ 10	>99.9%	>99.9%
Manganese as Mn	Chronic health	µg/L	≤ 500	>99.9%	>99.9%
Mercury as Hg	Chronic health	µg/L	≤ 6	>99.9%	>99.9%
Nickel as Ni	Chronic health	µg/L	≤ 70	>99.9%	>99.9%
Selenium as Se	Chronic health	µg/L	≤ 10	>99.9%	>99.9%
Uranium as U	Chronic health	µg/L	≤ 15	>99.9%	>99.9%
Vanadium as V	Chronic health	µg/L	≤ 200	>99.9%	>99.9%
Aluminium as Al	Operational	µg/L	≤ 300	0.00%	97.69%
<b>Chemical determinands — organic determinands</b>					
Trihalomethanes:					
Chloroform	Chronic health	mg/L	≤ 0,3	>99.9%	>99.9%
Bromoform	Chronic health	mg/L	≤ 0,1	>99.9%	>99.9%
Dibromochloromethane	Chronic health	mg/L	≤ 0,1	>99.9%	>99.9%
Bromodichloromethane	Chronic health	mg/L	≤ 0,06	>99.9%	>99.9%
Combined THM	Chronic health	µg/L	≤ 1	>99.9%	>99.9%

Table 5c

**Compliance of Potable Water in the North West Region: Dr. Ruth S. Mompoti District Municipality (based on SANS 241: 2015)**

Determinand	Risk	Unit	Standard Limits	Schweizer R Plant
<b>Microbiological determinands</b>				
<i>E. coli</i> or faecal coliforms	Acute health – 1	Count per 100 mL	Not detected	>99.99%
Total coliforms	Operational	Count per 100 mL	≤ 10	97.87%
Heterotrophic plate count	Operational	Count per mL	≤ 1 000	>99.99%
Somatic coliphages	Operational	Count per 10 mL	Not detected	>99.99%
<b>Physical and aesthetic determinands</b>				
Free Chlorine	Chronic health	mg/L	≤ 5	>99.99%
Colour	Aesthetic	mg/L Pt-Co	≤ 15	>99.9%
Conductivity at 25°C	Aesthetic	mS/m	≤ 170	>99.9%
Odour or taste	Aesthetic	–	Inoffensive	Inoffensive
Turbidity	Operational	NTU	≤ 1	93.62%
	Aesthetic	NTU	≤ 5	>99.9%
pH at 25°C	Operational	pH units	≥ 5 to ≤ 9,7	>99.9%
<b>Chemical determinands — macro-determinands</b>				
Nitrate as N	Acute health – 1	mg/L	≤ 11	>99.9%
Nitrite as N	Acute health – 1	mg/L	≤ 0,9	>99.9%
Sulfate as SO <sub>4</sub> <sup>2-</sup>	Acute health – 1	mg/L	≤ 500	>99.9%
Fluoride as F <sup>-</sup>	Chronic health	mg/L	≤ 1,5	>99.9%
Ammonia as N	Aesthetic	mg/L	≤ 1,5	>99.9%
Chloride as Cl <sup>-</sup>	Aesthetic	mg/L	≤ 300	>99.9%
Sodium as Na	Aesthetic	mg/L	≤ 200	>99.9%
Zinc as Zn	Aesthetic	mg/L	≤ 5	>99.9%
<b>Chemical determinands — micro-determinands</b>				
Antimony as Sb	Chronic health	µg/L	≤ 20	>99.9%
Arsenic as As	Chronic health	µg/L	≤ 10	>99.9%
Cadmium as Cd	Chronic health	µg/L	≤ 3	>99.9%
Total Chromium as Cr	Chronic health	µg/L	≤ 50	>99.9%
Cobalt as Co	Chronic health	µg/L	≤ 500	>99.9%
Copper as Cu	Chronic health	µg/L	≤ 2 000	>99.9%
Cyanide (recoverable) as CN <sup>-</sup>	Acute health – 1	µg/L	≤ 70	>99.9%
Iron as Fe	Chronic health	µg/L	≤ 2 000	>99.9%
Lead as Pb	Chronic health	µg/L	≤ 10	>99.9%
Manganese as Mn	Chronic health	µg/L	≤ 500	>99.9%
Mercury as Hg	Chronic health	µg/L	≤ 6	>99.9%
Nickel as Ni	Chronic health	µg/L	≤ 70	>99.9%
Selenium as Se	Chronic health	µg/L	≤ 10	>99.9%
Uranium as U	Chronic health	µg/L	≤ 15	>99.9%
Vanadium as V	Chronic health	µg/L	≤ 200	>99.9%
Aluminium as Al	Operational	µg/L	≤ 300	>99.9%
<b>Chemical determinands — organic determinands</b>				
Trihalomethanes:				
Chloroform	Chronic health	mg/L	≤ 0,3	-
Bromoform	Chronic health	mg/L	≤ 0,1	-
Dibromochloromethane	Chronic health	mg/L	≤ 0,1	-
Bromodichloromethane	Chronic health	mg/L	≤ 0,06	-
Combined THM	Chronic health	µg/L	≤ 1	-

Table 5d Compliance of Potable Water in the North West Region: Ngaka Modiri Molema District Municipality (based on SANS 241: 2015)					
Determinand	Risk	Unit	Standard Limits	Itsoseng Plant	Mmabatho Plant
<b>Microbiological determinands</b>					
<i>E. coli</i> or faecal coliforms	Acute health – 1	Count per 100 mL	Not detected	>99.99%	93.75%
Total coliforms	Operational	Count per 100 mL	≤ 10	>99.99%	93.75%
Heterotrophic plate count	Operational	Count per mL	≤ 1 000	>99.99%	>99.99%
Somatic coliphages	Operational	Count per 10 mL	Not detected	>99.99%	>99.99%
<b>Physical and aesthetic determinands</b>					
Free Chlorine	Chronic health	mg/L	≤ 5	>99.9%	>99.9%
Colour	Aesthetic	mg/L Pt-Co	≤ 15	97.44%	82.61%
Conductivity at 25°C	Aesthetic	mS/m	≤ 170	>99.9%	>99.9%
Odour or taste	Aesthetic	-	Inoffensive	Inoffensive	Inoffensive
Turbidity	Operational	NTU	≤ 1	97.44%	71.74%
	Aesthetic	NTU	≤ 5	>99.9%	>99.9%
pH at 25°C	Operational	pH units	≥ 5 to ≤ 9,7	>99.9%	>99.9%
<b>Chemical determinands — macro-determinands</b>					
Nitrate as N	Acute health – 1	mg/L	≤ 11	>99.9%	>99.9%
Nitrite as N	Acute health – 1	mg/L	≤ 0,9	>99.9%	>99.9%
Sulfate as SO <sub>4</sub> <sup>2-</sup>	Acute health – 1	mg/L	≤ 500	>99.9%	>99.9%
Fluoride as F <sup>-</sup>	Chronic health	mg/L	≤ 1,5	>99.9%	>99.9%
Chloride as Cl <sup>-</sup>	Aesthetic	mg/L	≤ 300	>99.9%	>99.9%
Zinc as Zn	Chronic health	mg/L	≤ 10	>99.9%	13.04%
<b>Chemical determinands — micro-determinands</b>					
Iron as Fe	Chronic health	µg/L	≤ 2 000	>99.9%	91.30%
Aluminium as Al	Operational	µg/L	≤ 300	>99.9%	93.48%

Table 5e Compliance of Potable Water in the North West Region: Ngaka Modiri Molema District Municipality (based on SANS 241: 2015)						
Determinand	Risk	Unit	Standard Limits	Mahikeng Plant	Dinokana Plant	Motswedi Plant
<b>Microbiological determinands</b>						
<i>E. coli</i> or faecal coliforms	Acute health – 1	Count per 100 mL	Not detected	97.56%	93.41%	>99.99%
Total coliforms	Operational	Count per 100 mL	≤ 10	95.12%	95.60%	>99.99%
Heterotrophic plate count	Operational	Count per mL	≤ 1 000	>99.99%	>99.99%	>99.99%
Somatic coliphages	Operational	Count per 10 mL	Not detected	>99.99%	>99.99%	>99.99%
<b>Physical and aesthetic determinands</b>						
Free Chlorine	Chronic health	mg/L	≤ 5	>99.9%	>99.9%	>99.9%
Colour	Aesthetic	mg/L Pt-Co	≤ 15	>99.9%	85.39%	66.61%
Conductivity at 25°C	Aesthetic	mS/m	≤ 170	>99.9%	>99.9%	>99.9%
Odour or taste	Aesthetic	-	Inoffensive	Inoffensive	Inoffensive	Inoffensive
Turbidity	Operational	NTU	≤ 1	>99.9%	91.01%	91.11%
	Aesthetic	NTU	≤ 5	>99.9%	>99.9%	>99.9%
pH at 25°C	Operational	pH units	≥ 5 to ≤ 9,7	>99.9%	>99.9%	>99.9%
<b>Chemical determinands — macro-determinands</b>						
Nitrate as N	Acute health – 1	mg/L	≤ 11	>99.9%	>99.9%	>99.9%
Nitrite as N	Acute health – 1	mg/L	≤ 0,9	>99.9%	>99.9%	>99.9%
Sulfate as SO <sub>4</sub> <sup>2-</sup>	Acute health – 1	mg/L	≤ 500	>99.9%	>99.9%	>99.9%
Fluoride as F <sup>-</sup>	Chronic health	mg/L	≤ 1,5	>99.9%	>99.9%	>99.9%
Chloride as Cl <sup>-</sup>	Aesthetic	mg/L	≤ 300	>99.9%	>99.9%	>99.9%
Total organic carbon as C	Chronic health	mg/L	≤ 5	>99.9%	>99.9%	>99.9%
<b>Chemical determinands — micro-determinands</b>						
Iron as Fe	Chronic health	µg/L	≤ 2 000	>99.9%	>99.9%	97.78%
Aluminium as Al	Operational	µg/L	≤ 300	>99.9%	>99.9%	97.78%

**Table 5f Compliance of Potable Water in the North West Region: Lekwa-Teemane Local Municipality (based on SANS 241: 2015)**

Determinand	Risk	Unit	Standard Limits	Bloemhof Plant	Christiana Plant
<b>Microbiological determinands</b>					
<i>E. coli</i> or faecal coliforms	Acute health – 1	Count per 100 mL	Not detected	>99.99%	>99.99%
Cytopathogenic viruses	Acute health – 2	Count per 10 L	Not detected	>99.99%	>99.99%
Protozoan parasites					
<i>Cryptosporidium</i> species	Acute health – 2	Count per 10 L	Not detected	>99.99%	>99.99%
<i>Giardia</i> species	Acute health – 2	Count per 10 L	Not detected	>99.99%	>99.99%
Total coliforms	Operational	Count per 100 mL	≤ 10	>99.99%	97.96%
Heterotrophic plate count	Operational	Count per mL	≤ 1 000	95.92%	>99.99%
Somatic coliphages	Operational	Count per 10 mL	Not detected	>99.99%	>99.99%
<b>Physical and aesthetic determinands</b>					
Free Chlorine	Chronic health	mg/L	≤ 5	>99.9%	>99.9%
Colour	Aesthetic	mg/L Pt-Co	≤ 15	>99.9%	>99.9%
Conductivity at 25°C	Aesthetic	mS/m	≤ 170	>99.9%	>99.9%
Odour or taste	Aesthetic	-	Inoffensive	Inoffensive	Inoffensive
Turbidity	Operational	NTU	≤ 1	93.88%	75.51%
	Aesthetic	NTU	≤ 5	>99.9%	>99.9%
pH at 25°C	Operational	pH units	≥ 5 to ≤ 9,7	>99.9%	>99.9%
<b>Chemical determinands — macro-determinands</b>					
Nitrate as N	Acute health – 1	mg/L	≤ 11	>99.9%	>99.9%
Nitrite as N	Acute health – 1	mg/L	≤ 0,9	>99.9%	>99.9%
Sulfate as SO <sub>4</sub> <sup>2-</sup>	Acute health – 1	mg/L	≤ 500	>99.9%	>99.9%
Fluoride as F <sup>-</sup>	Chronic health	mg/L	≤ 1,5	>99.9%	>99.9%
Ammonia as N	Aesthetic	mg/L	≤ 1,5	>99.9%	>99.9%
Chloride as Cl <sup>-</sup>	Aesthetic	mg/L	≤ 300	>99.9%	>99.9%
Sodium as Na	Aesthetic	mg/L	≤ 200	>99.9%	>99.9%
Zinc as Zn	Aesthetic	mg/L	≤ 5	>99.9%	>99.9%
<b>Chemical determinands — micro-determinands</b>					
Antimony as Sb	Chronic health	µg/L	≤ 20	>99.9%	>99.9%
Arsenic as As	Chronic health	µg/L	≤ 10	>99.9%	>99.9%
Cadmium as Cd	Chronic health	µg/L	≤ 3	>99.9%	>99.9%
Total Chromium as Cr	Chronic health	µg/L	≤ 50	>99.9%	>99.9%
Cobalt as Co	Chronic health	µg/L	≤ 500	>99.9%	>99.9%
Copper as Cu	Chronic health	µg/L	≤ 2 000	>99.9%	>99.9%
Cyanide (recoverable) as CN <sup>-</sup>	Acute health – 1	µg/L	≤ 70	>99.9%	>99.9%
Iron as Fe	Chronic health	µg/L	≤ 2 000	97.96%	>99.9%
Lead as Pb	Chronic health	µg/L	≤ 10	>99.9%	>99.9%
Manganese as Mn	Chronic health	µg/L	≤ 500	>99.9%	>99.9%
Mercury as Hg	Chronic health	µg/L	≤ 6	>99.9%	>99.9%
Nickel as Ni	Chronic health	µg/L	≤ 70	>99.9%	>99.9%
Selenium as Se	Chronic health	µg/L	≤ 10	>99.9%	>99.9%
Uranium as U	Chronic health	µg/L	≤ 15	>99.9%	>99.9%
Vanadium as V	Chronic health	µg/L	≤ 200	>99.9%	>99.9%
Aluminium as Al	Operational	µg/L	≤ 300	95.92%	97.96%
<b>Chemical determinands — organic determinands</b>					
Trihalomethanes:					
Chloroform	Chronic health	mg/L	≤ 0,3	>99.9%	>99.9%
Bromoform	Chronic health	mg/L	≤ 0,1	>99.9%	>99.9%
Dibromochloromethane	Chronic health	mg/L	≤ 0,1	>99.9%	>99.9%
Bromodichloromethane	Chronic health	mg/L	≤ 0,06	>99.9%	>99.9%
Phenols	Aesthetic	µg/L	≤ 10	>99.9%	>99.9%

Table 6 Compliance of Potable Water in the Northern Cape Region (based on SANS 241: 2015)						
Determinand	Risk	Unit	Standard Limits	Henkries Plant	Pelladrift Plant	Vaal Gamagara Plant
<b>Microbiological determinands</b>						
<i>E. coli</i> or faecal coliforms	Acute health – 1	Count per 100 mL	Not detected	>99.99%	>99.99%	>99.99%
Total coliforms	Operational	Count per 100 mL	≤ 10	>99.99%	>99.99%	>99.99%
Heterotrophic plate count	Operational	Count per mL	≤ 1 000	>99.99%	>99.99%	95.45%
Somatic coliphages	Operational	Count per 10 mL	Not detected	>99.99%	>99.99%	>99.99%
<b>Physical and aesthetic determinands</b>						
Free Chlorine	Chronic health	mg/L	≤ 5	>99.9%	>99.9%	>99.9%
Colour	Aesthetic	mg/L Pt-Co	≤ 15	>99.9%	97.06%	>99.9%
Conductivity at 25°C	Aesthetic	mS/m	≤ 170	>99.9%	>99.9%	>99.9%
Odour or taste	Aesthetic	-	Inoffensive	Inoffensive	Inoffensive	Inoffensive
Total dissolved solids	Aesthetic	mg/L	≤ 1 200	>99.9%	>99.9%	>99.9%
Turbidity	Operational	NTU	≤ 1	>99.9%	97.06%	93.62%
	Aesthetic	NTU	≤ 5	>99.9%	>99.9%	>99.9%
pH at 25°C	Operational	pH units	≥ 5 to ≤ 9,7	>99.9%	>99.9%	>99.9%
<b>Chemical determinands — macro-determinands</b>						
Nitrate as N	Acute health – 1	mg/L	≤ 11	>99.9%	>99.9%	>99.9%
Nitrite as N	Acute health – 1	mg/L	≤ 0,9	>99.9%	>99.9%	>99.9%
Sulfate as SO <sub>4</sub> <sup>2-</sup>	Acute health – 1	mg/L	≤ 500	>99.9%	>99.9%	>99.9%
Fluoride as F <sup>-</sup>	Chronic health	mg/L	≤ 1,5	>99.9%	>99.9%	>99.9%
Ammonia as N	Aesthetic	mg/L	≤ 1,5	>99.9%	>99.9%	>99.9%
Chloride as Cl <sup>-</sup>	Aesthetic	mg/L	≤ 300	>99.9%	>99.9%	>99.9%
Sodium as Na	Aesthetic	mg/L	≤ 200	>99.9%	>99.9%	>99.9%
Zinc as Zn	Aesthetic	mg/L	≤ 5	>99.9%	>99.9%	>99.9%
<b>Chemical determinands — micro-determinands</b>						
Antimony as Sb	Chronic health	µg/L	≤ 20	>99.9%	>99.9%	>99.9%
Arsenic as As	Chronic health	µg/L	≤ 10	>99.9%	>99.9%	>99.9%
Cadmium as Cd	Chronic health	µg/L	≤ 3	>99.9%	>99.9%	>99.9%
Total Chromium as Cr	Chronic health	µg/L	≤ 50	>99.9%	>99.9%	>99.9%
Cobalt as Co	Chronic health	µg/L	≤ 500	>99.9%	>99.9%	>99.9%
Copper as Cu	Chronic health	µg/L	≤ 2 000	>99.9%	>99.9%	>99.9%
Cyanide (recoverable) as CN <sup>-</sup>	Acute health – 1	µg/L	≤ 70	>99.9%	>99.9%	>99.9%
Iron as Fe	Chronic health	µg/L	≤ 2 000	>99.9%	>99.9%	>99.9%
Lead as Pb	Chronic health	µg/L	≤ 10	>99.9%	>99.9%	>99.9%
Manganese as Mn	Chronic health	µg/L	≤ 500	>99.9%	>99.9%	>99.9%
Mercury as Hg	Chronic health	µg/L	≤ 6	>99.9%	>99.9%	>99.9%
Nickel as Ni	Chronic health	µg/L	≤ 70	>99.9%	>99.9%	>99.9%
Selenium as Se	Chronic health	µg/L	≤ 10	>99.9%	>99.9%	>99.9%
Uranium as U	Chronic health	µg/L	≤ 15	>99.9%	>99.9%	>99.9%
Aluminium as Al	Operational	µg/L	≤ 300	>99.9%	>99.9%	>99.9%
<b>Chemical determinands — organic determinands</b>						
Total organic carbon as C	Chronic health	mg/L	≤ 10	>99.9%	>99.9%	>99.9%
Trihalomethanes:						
Chloroform	Chronic health	mg/L	≤ 0,3	>99.9%	>99.9%	>99.9%
Bromoform	Chronic health	mg/L	≤ 0,1	>99.9%	>99.9%	>99.9%
Dibromochloromethane	Chronic health	mg/L	≤ 0,1	>99.9%	>99.9%	>99.9%
Bromodichloromethane	Chronic health	mg/L	≤ 0,06	>99.9%	>99.9%	>99.9%
Microcystin as LR	Chronic health	µg/L	≤ 1	>99.9%	>99.9%	>99.9%
Phenols	Aesthetic	µg/L	≤ 10	>99.9%	>99.9%	>99.9%



# **FINANCIAL REPORT**

- **BOARD'S RESPONSIBILITY AND APPROVAL**
- **REPORT BY THE INTERIM BOARD**
- **AUDIT AND RISK COMMITTEE'S REPORT**
- **ENVIRONMENTAL PROTECTION AND MANAGEMENT**
- **ANNUAL PERFORMANCE REPORT**
- **INDEPENDENT AUDITOR'S REPORT**
- **STATEMENT OF FINANCIAL POSITION**
- **STATEMENT OF FINANCIAL PERFORMANCE**
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- **STATEMENT OF CASH FLOWS**
- **SIGNIFICANT ACCOUNTING POLICIES**
- **NOTES TO THE FINANCIAL STATEMENTS**

# BOARD'S RESPONSIBILITY AND APPROVAL

AS AT 30 JUNE 2020

The members of Sedibeng Water's Interim Board are required by the Public Finance Management Act (Act No. 1 of 1999) to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the members to ensure that the annual financial statements fairly present the state of affairs of the entity as at the end of the financial year under review and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The members acknowledge that they are ultimately responsible for the system of internal financial control established by the entity and place considerable importance on maintaining a strong control environment. To enable the members to meet these responsibilities, the Board sets standards for internal control aimed at reducing the risk of error or deficit in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the entity and all employees are required to maintain the highest ethical standards in ensuring the entity's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the entity is on identifying, assessing, managing and

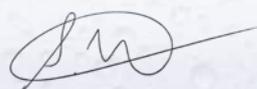
monitoring all known forms of risk across the entity. While operating risk cannot be fully eliminated, the entity endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The members are of the opinion, based on the information and explanations given by Management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The members have reviewed the entity's cash flow forecast for the year to 30 June 2021 and, in the light of this review and the current financial position caused by high debt owed to the entity as well as low collection rate attributed to economic and a Covid 19 related challenges facing the entity, the financial statements have been prepared on the assumption that the entity is a going concern. However, more periodical assessments still need to be conducted by Management in the next 12 months to confirm Sedibeng Water's financial position.

Although the Board members are primarily responsible for the financial affairs of the entity, they are supported by the entity's external auditors.

The external auditors are responsible for independently reviewing and reporting on the entity's annual financial statements. The annual financial statements have been examined by the entity's external auditors and their report is presented on pages 135-142.



**Mr. S. Siyengo**  
*Chairperson of the Interim Board*

# REPORT BY THE INTERIM BOARD

AS AT 30 JUNE 2020

The members of Sedibeng Water's Interim Board submit their report for the year ended 30 June 2020.

The operating results and state of affairs of the entity are fully set out in the attached annual financial statements and do not, in our opinion, require any further comment.

## REVIEW OF ACTIVITIES

### Main Business and Operations

The Net Surplus of the entity was R 108,145 as at 30 June 2020 (2019: surplus R 156,161).

#### Proportion of Surplus or Deficit Attributable to Various Regions of the Entity:

REGIONS	2020 IN %	2019 IN %	2020 IN R'000	2019 IN R'000
Free State	117%	135 %	126,558	210,740
North West	29%	12%	30,644	18,918
Northern Cape	(7)%	(7)%	(7,537)	(10,731)
Namakwa	6 %	(3)%	6,983	(5,082)
Mahikeng	(45)%	(37)%	(48,371)	(57,458)
Cafeteria	- %	- %	(132)	(226)
<b>Surplus for the Year</b>	<b>100%</b>	<b>100 %</b>	<b>108,145</b>	<b>156,161</b>

## GOING CONCERN

We draw attention to the fact that at 30 June 2020, the entity had an accumulated surplus of R2,695,042 and that the entity's total assets exceed its liabilities by R4,962,911.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern.

However, attention needs to be drawn to the current cash flow crisis of the organisation and that should the matter persist, the entity will discontinue to be a going concern.

## SUBSEQUENT EVENTS

The following events have occurred after year-end:

a) Ms. K. Sekonyela (Management Accountant: Assets and Investments) was the Acting Chief Financial Officer during the 2019/2020 financial year. She resigned from both her acting and official roles (last working day on 10 July

2020). As a result, Ms. M. Shasha (Acting Chief Executive) resumed her role as Sedibeng Water's Chief Financial Officer, whereafter Mr. S. Dzengwa (a member of the Board) was appointed as Acting Chief Executive on 17 July 2020 (commencement 03 August 2020).

b) Ms. M. Shasha (Chief Financial Officer) resigned from the organisation on 07 September 2020 and as a result, Ms. T. Busakwe was appointed as Acting Chief Financial Officer on 09 September 2020. Due to limited resources in the Finance Department, Ms. K. Sekonyela was appointed as a Finance Consultant on 17 July 2020 to assist with finance-related matters.

c) Mr. M. Mokubung was the Acting Chief Operations Officer and resigned from the organisation with his last working day being on 29 September 2020.

d) Ms. C. M. Chotelo and Ms. Z.M. Bogatsu were appointed as members of the Interim Board on 31 July 2020 and commenced their duties accordingly.

# REPORT BY THE INTERIM BOARD

AS AT 30 JUNE 2020 (CONTINUED)

## COMPOSITION OF THE BOARD

The Board members of the entity during the year under review and to the date of this report were as follows:

NAME	CAPACITY	APPOINTMENT DATE
Mr. M.D. Dikoko	Former Chairperson	Terminated 29 May 2020
Mr. E.A. Gaborone	Former Board Member	Terminated 29 May 2020
Mr. C.D. Mboweni	Former Board Member	Terminated 29 May 2020
Mr. M.M. Mthombeni	Former Board Member	Terminated 29 May 2020
Ms. K.G. Sereko	Former Board Member	Terminated 29 May 2020
Ms. A. Mphahlele	Former Board Member	Terminated 29 May 2020
Ms. M. Eisterhuzen	Former Board Member	Resigned 16 March 2020
Mr. I.M. Motala	Former Board Member	Terminated 29 May 2020
Mr. S. Siyengo	Interim Chairperson	Appointed 29 May 2020
Ms. H. Matseke	Interim Deputy Chairperson	Appointed 29 May 2020
Mr. S. Dzengwa	Re-appointed as Interim Board Member	Appointed 29 May 2020
Mr. M.A.V. Dlamini	Re-appointed as Interim Board Member	Appointed 29 May 2020
Ms. B.S. Mahuma	Interim Board Member	Appointed 29 May 2020
Dr. S. S. Mkhize	Interim Board Member	Appointed 29 May 2020
Ms. K. Siyila	Interim Board Member	Appointed 29 May 2020
Mr. T. Mhlophe	Interim Board Member	Appointed 29 May 2020
Ms. C.M. Chotelo	Interim Board Member	Appointed 31 July 2020
Ms. Z.M. Bogatsu	Interim Board Member	Appointed 31 July 2020

## COMPANY SECRETARY

The Company Secretary of the entity is Advocate M. Dladla, who is an employee of the entity and is acting in this position.

highest standards of corporate governance and the ongoing development of best practice.

## CORPORATE GOVERNANCE

### General

The Board is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the Board supports the

The entity confirms and acknowledges its responsibility to total compliance with the Code of Corporate Practices and Conduct ("the Code") laid out in the King Report IV. The Board discusses the responsibilities of management in this respect at Board meetings and monitor the entity's compliance with the code on a three-monthly basis.

The salient features of the entity's adoption of the Code are outlined below.

# REPORT BY THE INTERIM BOARD

AS AT 30 JUNE 2020 (CONTINUED)

## General

The Board:

- retains full control over the entity, its plans and strategy;
- acknowledges its responsibilities as to strategy, compliance with internal policies, external laws and regulations, effective risk management and performance measurement, transparency and effective communication both internally and externally by the entity;
- is of a unitary structure comprising:
  - non-executive directors, all of whom are independent directors as defined in the Code.

## Chairperson and Chief Executive

The Chairperson is a non-executive and independent director (as defined by the Code).

The roles of Chairperson and Chief Executive are separate, with responsibilities divided between

them, so that no individual has unfettered powers of discretion.

## Internal Audit

The entity has an internal audit function which is led by Mr. T. Nteo. This is in compliance with the Public Finance Management Act (Act No. 1 of 1999).

## BANKERS

The entity currently is using the services of ABSA as their banker. However, the entity also has other accounts held at Standard Bank SA, Nedbank and a Sanlam Investment.

## AUDITORS

The Auditor-General of South Africa will continue in the office for audit of the current year financial period.



**Mr. S. Siyengo**

*Chairperson of the Interim Board*

# AUDIT AND RISK COMMITTEE'S REPORT

The Audit and Risk Committee of Sedibeng Water's Interim Board hereby tables its report for the financial year ended 30 June 2020 in terms of Section 51.1 of the Public Finance Management Act (PFMA) (Act No.1 of 1999), as well as Section 27.1 of the related Treasury Regulations.

## AUDIT AND RISK COMMITTEE STRUCTURE AND MEMBERSHIP

The Audit and Risk Committee consisted of three non-executive Board Members. The members for the year ended 30 June 2020 were as follows:

- Mr. M Mthombeni (Member and Chairperson until 11 May 2020)\*
- Mr. C Mboweni\*
- Mr. I Motala\*
- Ms. A Mphahlele (Chairperson from 11 May 2020 to 28 May 2020)\*
- Ms. K Siyila (Chairperson from 29 May 2020)\*\*
- Mr. T Mhlope\*\*
- Ms. H Matseke\*\*

\* = Term ended 28 May 2020

\*\* = Term began on 29 May 2020

Subsequent to the end of the financial year, Ms. M. Bogatsu also became a member of the committee and the number of committee members increased from three to four non-executive Board Members with effect from 26 August 2020.

## RESPONSIBILITY OF THE AUDIT AND RISK COMMITTEE

The Audit and Risk Committee reports that it has complied with its responsibilities arising from Section 51.1 of the Public Finance Management Act (Act No.1 of 1999), and Treasury Regulation 27.1. The Audit and Risk Committee also reports that it has adopted appropriate formal terms of reference as its Audit and Risk Committee Charter, as required by Treasury Regulations. It has during the year under review

regulated its affairs in compliance with this Charter and has discharged all its responsibilities as contained therein, and the related policies and practices.

It is the responsibility of the Audit and Risk Committee to, inter alia:

- Monitor and review the effectiveness of the internal audit function and its activities, findings and reports;
- Review and monitor the independence of both internal and external auditors;
- Evaluate the effectiveness of the internal control system, including controls over financial reporting;
- Review policies and procedures for risk management and fraud prevention;
- Monitor compliance with legislation, Sedibeng Water policies and code of conduct;
- Review and monitor performance against predetermined objectives;
- Review the integrity of the annual financial statements and associated reports by ensuring that its contents are reliable and recommending them to the Board for approval; and
- Review and monitor Sedibeng Water's risk management processes.

Both internal and external auditors have had unrestricted access to the Audit and Risk Committee and its Chairperson, Executive Management and the Chairperson of the Board, ensuring that auditors are able to maintain their independence as required by their respective standards. Both the internal and external auditors report at Audit and Risk Committee meetings on a quarterly basis. The committee also meets with both internal and external auditors separately without members of Management being present at least once every year.

## AUDIT AND RISK COMMITTEE MEETINGS

The previous Audit and Risk Committee held three ordinary meetings and two special meetings during 2019/2020 financial year:

**Table 1: Meetings of the Audit and Risk Committee**

MEMBER	MEETINGS					ATTENDANCE
	1	2	3	4	5	
M. Mthombeni	✓	✓	✓	✓	N/A	100%
I. Motala	✓	✓	✓	✓	✓	100%
C. Mboweni	✓	✓	✓	✓	✓	100%
A. Mphahlele	N/A	N/A	N/A	N/A	✓	100%

The committee achieved a combined 100% meeting attendance from its members during the financial year under review.

No material changes were made to the structure and operation of the internal audit function in the 2019/2020 financial year.

### STAKEHOLDER ENGAGEMENT/S

In executing its responsibilities, the Audit and Risk Committee has been able to engage with the following stakeholders:

- The Board and Management of Sedibeng Water,
- The Internal Audit Unit at Sedibeng Water,
- External Auditors (Auditor-General of South Africa);
- Management and other relevant staff members, and
- The Audit Committee of the Department of Water and Sanitation.

### INTERNAL AUDIT

The internal control, information technology and risk management systems of Sedibeng Water are monitored by the internal audit function, which reports its findings to Executive Management and the Audit and Risk Committee on a quarterly basis. The Audit and Risk Committee determines the purpose, authority and responsibility of the internal audit function in an Internal Audit Charter. The internal audit function reports administratively to the Chief Executive and functionally to the Audit and Risk Committee.

The Audit and Risk Committee has approved the three-year strategic and annual internal audit plan and monitors progress against the plan on a quarterly basis. All internal audit reports are presented to the Audit and Risk Committee and the committee monitors the adequacy of management responses and implementation of recommendations on a quarterly basis.

### RISK MANAGEMENT

Sedibeng Water has developed a process of managing risks that are relevant to the organisation. There is a Risk Register in place and an Executive Risk Management Committee meets on a quarterly basis to review and consider reports from various regional and departmental risk management committees. The critical risks with high residual rating for Sedibeng Water are monitored by the Executive Risk Management Committee and the Audit and Risk Committee on a quarterly basis. Special attention is paid to remedial actions and residual risk exposures. Throughout the financial year under review, the critical risks with high residual rating that affect the organisation remained high.

### FINANCIAL AND PERFORMANCE INFORMATION

The committee has reviewed and evaluated Financial Information and Performance Information reports on a quarterly basis. The committee noted with concern that there appears to be a breakdown of controls governing the performance information and reporting process. The organisation achieved less than half of its set objectives and also attracted several findings in the year-end audit report. The committee has instructed Management to ensure that the control environment is improved and all critical positions are filled within reasonable timeframes, including the position of the ICT manager, which remained vacant throughout the financial year. The CFO position

became vacant from 07 September 2020 and remains vacant up to the date of this report. The organisation is in the process of filling the position.

### **ANNUAL FINANCIAL STATEMENTS**

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

### **REPORT OF THE EXTERNAL AUDITORS**

The Audit and Risk Committee has studied the report of the Auditor-General of South Africa (AGSA) as presented on pages 135-142, read together with the Audited Annual Financial Statements as presented on pages 143-233 of this Annual Report, and recommended the same to the Board for approval.

The reports were approved by the Board in its meeting on 15 April 2021. The committee takes note of the qualified audit opinion issued by the AGSA and has advised Management to develop a turnaround plan to ensure that the audit outcomes are improved in the next financial year. Upon finalisation of the turnaround plan and agreement with Management about the practicality of the suggested interventions and determination of realistic time frames, the committee will approve the plan. The committee will then monitor the implementation of this plan throughout the year through progress reports that will be submitted by Management on a periodic basis and also discussed in quarterly Audit and Risk Committee meetings.



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**Ms. K. Siyila**

*Chairperson of the Audit and Risk Committee:  
Sedibeng Water*

19 April 2021

# ENVIRONMENTAL PROTECTION AND MANAGEMENT

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

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

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

## WASTE MANAGEMENT

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

## HAZARDOUS WASTE

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

## NON-HAZARDOUS WASTE

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

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

## AUTHORISATION/LICENCES

Sedibeng Water's operations at Balkfontein in the Free State has been issued with a licence by the

Department of Water and Sanitation to dispose of sludge on-site. Other regions were encouraged to follow the same process of applying for authorisation in terms of Section 21(g) of the National Water Act (Act No. 36 of 1998).

### **WASTE AND POLLUTION MINIMISATION**

Our success in waste management is founded on the principle of waste and pollution minimisation. Recycling is regarded as the nucleus in this process of waste and pollution minimisation. Therefore, waste that is identified as recyclable or reusable is collected by service providers in the recycling business for free, or at reduced prices. The recycling and reusing of waste have long-term environmental benefits in that they directly and indirectly impact on the reduction of the carbon footprint.

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

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

### **ENERGY AND RESOURCE CONSERVATION**

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

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

# ANNUAL PERFORMANCE REPORT

AS AT 30 JUNE 2020

## INTRODUCTION

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

The vision of Sedibeng Water is *Excellence in water services provision*. In other words, the organisation wants to take a leading position in providing potable water services. In order to achieve this vision, the following strategic performance objectives and priorities, further supported by goals or outcomes, have been developed and implemented for the 2019/2020 financial year to set the strategic direction for the entity's performance in the upcoming 5 to 10 years:

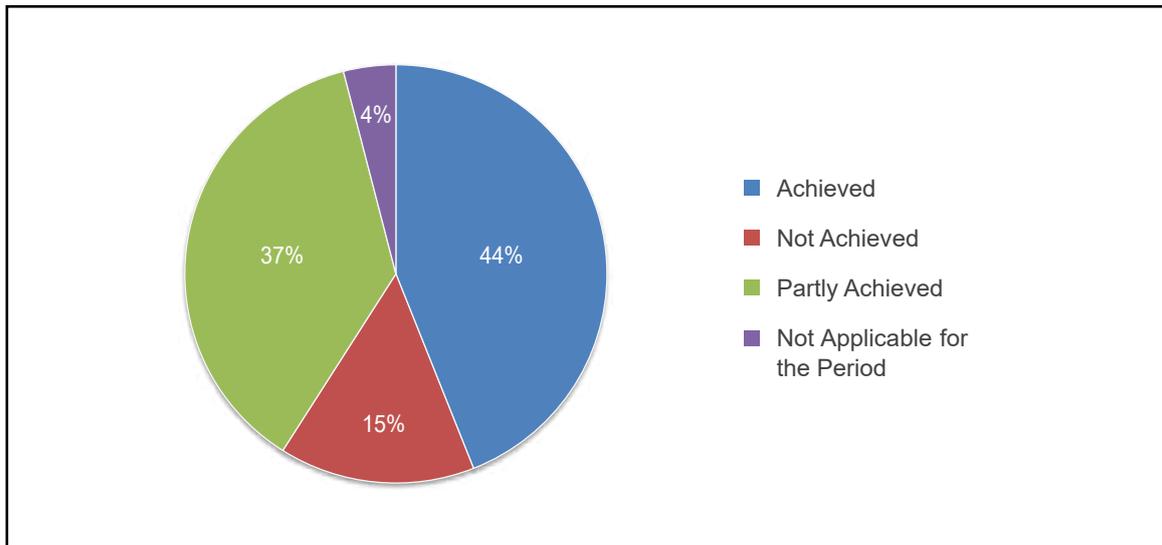
- **Strategic Objective No. 1:** Appropriate treatment of wastewater and supply of potable water by focusing on effective infrastructure maintenance, efficient treatment processes, availability or sufficient provision of resources, adequate infrastructure capacity, water demand management and resource protection through efficient and safe use of natural resources, loss control and efficient use of energy;
- **Strategic Objective No. 2:** Ensure viability and sustainability through effective internal management processes to address critical areas of debt collection and cost recovery, budget/cost control and management, cash flow management, internal control and asset management;
- **Strategic Objective No. 3:** Creating an environment that is conducive to the growth and retention of skills by focusing on employment equity profile, human capital development, and competitive remuneration, conditions of services, effective safety, health and environment programmes; and compliance to internal and external guidelines;
- **Strategic Objective No. 4:** Provide effective and efficient communications by implementing programmes that bring our business closer to our customers through corporate social responsibility, water value chain awareness and public engagement, partnership with 3 spheres of government in the growth and development initiatives, and fostering sound relationships with all stakeholders; and
- **Strategic Objective No. 5:** Ensure compliance to foster integrated management systems and statutory reporting and promote best practices.

## EXECUTIVE SUMMARY

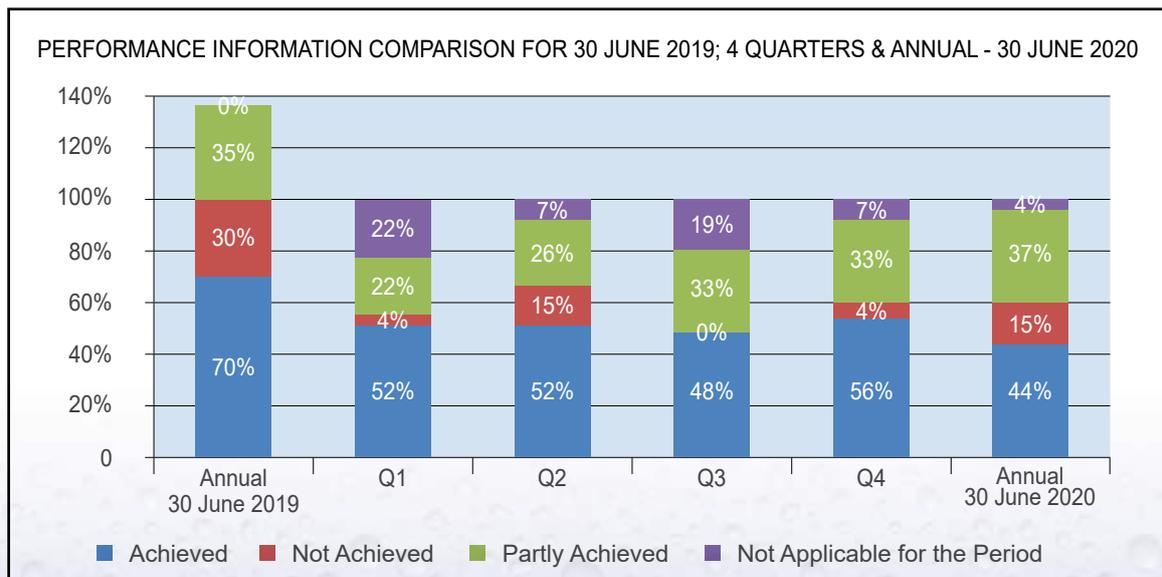
Performance targets are based on the Shareholder Compact, which was approved by the Board before submission to the Department of Human Settlements, Water and Sanitation (HDWS).

The overall performance for Sedibeng Water amounted to 44%, while 37% of the Key Performance Indicators (KPIs) were partly achieved for the year.

**Table 2.1: Performance Analysis for Year Ended 30 June 2020**



**Table 2.2: Comparison between Previous Year, Quarters and Current Year Achievements**



On the main, non-achievements were as a result of the following:

- **Water quality compliance** regarding operational determinands in the North West and Pelladrift areas of operation;
- **Water losses and reliability of supply** affected by aged infrastructure and an inability to refurbish due to cash flow challenges of the organisation;
- **Ratios** involving high debtors days (due to non-payment of accounts by customers) and repairs and maintenance (no spending due to cash flow challenges);
- **Bulk service level agreements** as most contracts with municipalities have expired - reviews are currently in process through the Marketing and Communication Department; and

- **Board effectiveness** with reference to attendance and the implementation of Board resolutions.

The continuous area of concern is high outstanding debt and non-payments of accounts by some municipalities, such as the Matjhabeng Local Municipality, Nama-Koi Local Municipality and Ngaka Modiri District Municipality. This has affected Sedibeng Water's financial performance (financial ratios) and the debt-recovery targets. The Board and Executive Management are collaborating with the stakeholders concerned to ensure that all performance targets are achieved. Management will also be working on those areas of non-achievement during the new financial year.

**Table 1: Performance Against the Shareholder Compact for July 2019 – June 2020**

Performance Objectives	Performance Area/Projects	Performance Indicator	Actual Performance for the Prior Year 30 June 2019	Performance Target for the Year 30 June 2020	Audited Performance Results 30 June 2020	Variations (Final Result and Target)	Reasons for Variances and Recovery Plans
1 Bulk potable water quality compliance	Water quality standards met	Test results, SANS 241-2015. General Standards for wastewater or as per licence. % compliance	98.1%	98%  Sedibeng Water: -Bacteriological: -Chemical: -Aesthetic: -Operational:  Free State: -Bacteriological: -Chemical: -Aesthetic: -Operational:  Vaal Gamagara: -Bacteriological: -Chemical: -Aesthetic: -Operational:  Namakwa: -Bacteriological: -Chemical: -Aesthetic: -Operational:  Pelladrift: -Bacteriological: -Chemical: -Aesthetic: -Operational:  North West: -Bacteriological: -Chemical: -Aesthetic: -Operational:	91.0%  99.3% 99.3% 98.0% 91.1%  100% 100% 99.9% 99.9%  100% 100% 100% 99.57%  100% 100% 100% 100%  100% 100% 100% 64.7%  100% 100% 92.3% 92.2%	2% 1.3% 0.0% -6.9%  2% 2% 0.1% 0.1%  2% 2% 2% 1.57%  2% 2% 2% 2%  2% 2% 2% -33.3%  2% 2% -5.7% -5.8%	Target achieved per each compliance determinant, except for operational determinant as a result of water compliance issues in North West and Pelladrift.  Results are in line with SANS 241:2015 reporting requirements, which indicates for a population >100,000.  Good and acceptable results: Microbiological risk (≥97%) Acute health Chemical (≥97%) Operational (≥93%) Aesthetic (≥93%)  North West: The design limitations of the Bogosing WTP leads to frequent failures for turbidity and colour, and this accounts for 90% of the North West failures. The plan is to decommission the plant upon completion of the Taung Plant. The completion of the plant is dependent on an agreement with tribal chiefs on mineral rights.  Pelladrift Treatment Plant: This plant fails due to a lack of filtration. The plant relies on decreasing the turbidity to less than 1NTU with only chemical dosing and settling. Filtration is only planned for the second phase of refurbishment.

Table 1: Performance Against the Shareholder Compact for July 2019 – June 2020

Performance Objectives	Performance Area/Projects	Performance Indicator	Actual Performance for the Prior Year 30 June 2019	Performance Target for the Year 30 June 2020	Audited Performance Results 30 June 2020	Variations (Final Result and Target)	Reasons for Variances and Recovery Plans
2	Manage avoidable water losses	Water lost as a % of water produced	8%	8%	9.15	1.15	Target not achieved. Lower water losses were experienced during the year under review, mainly in the Free State Region with a number of leaks on the pipeline between De Erf Pump Station and the Koppie Alleen Reservoir (due to leaking and vandalised valves). These continuous leaks are as a result of the age of the pipeline, which requires refurbishment.
3	Reliability of supply	Number of days' supply interrupted exceeding 24 hours	0	0	55	-55	Target not achieved, due to repair of a pipe leak on the Hennenman/Ventersburg line. There was a planned interruption on the Vaal Gamagara (VGG) pipeline in the Northern Cape Region, which did not exceed 24 hours. This interruption was to allow for the tie-in of a new pipeline on the VGG supply line at Roscoe-Olifantshoek Cross. Notice of interruption was sent to all the customers.
4	Increased access to services	Actual CAPEX spend on expansion related projects (initiatives by the Minister) as % of budget	81%	90%	136%	46	Target achieved. Funds in respect of the VGG and Namakwa Projects were received during the year under review.
5	Comply to maintenance plan	% compliance to maintenance plan	Overall: 98%	90%	79%	-11	Target is not achieved. However, most of the maintenance activities were carried out as per the maintenance plan.
6	Financial reporting compliance	Annual external audit	Qualified Audit Opinion	Unqualified Audit Opinion	Qualified Audit Opinion	N/A	Target not achieved, Audit action plan of findings has been developed and will be monitored.
7	Improve key financial ratios	Current ratio	1.6	1.7	1.3	-0.4	Target not achieved, due to cash flow challenges. A reduction in cash flow led to an increase in creditors, and therefore, reduced the ability to pay creditors when due.
		Gross profit margin (primary activity)	68%	65%	70%	5	Target achieved.
		Gross profit margin (secondary activity)	91%	30.9%	91%	60	Target achieved.
		Net profit margin (primary & secondary activities)	7%	4%	11%	7	Target achieved.

Table 1: Performance Against the Shareholder Compact for July 2019 – June 2020

Performance Objectives	Performance Area/Projects	Performance Indicator	Actual Performance for the Prior Year 30 June 2019	Performance Target for the Year 30 June 2020	Audited Performance Results 30 June 2020	Variations (Final Result and Target)	Reasons for Variances and Recovery Plans
		Debt/Equity	0.008	0.011	0.006	0.005	Target achieved.
		Return on assets %	6%	0.6%	7.1%	6.5	Target achieved.
		Debtors days #	935	782	911	-129	Target not achieved. The organisation is implementing water supply restrictions to non-paying municipalities. The organisation has also written to the Minister of Human Settlements, Water and Sanitation requesting intervention by National Treasury.
		Repairs and maintenance as % of PPE and Investment Property (Carrying Value)	2%	2%	2%	0	Target achieved.
		Staff remuneration as % of total operating expenditure	24%	28%	22%	6%	Target achieved.
8	Increase BBBEE expenditure in relation to operational projects	Spending	95%	90%	90	0	Target achieved, except in the North West and Northern Cape Regions. The organisation is currently working on increasing the number of BBBEE suppliers and recording related credentials.
			176	85	74	-11	Target partly achieved. However, the cumulative achievement of recording 74 new BBBEE suppliers has been realised. There have been some challenges of capturing new entrants due to the COVID-19 pandemic.
9	Manage costs within	Financial reports	-17%	5%	-17%	-22	Target not achieved, due to an increase in costs during the year under review.
10	Capital expenditure programme	Overall project expenditure within R target	394,2m	250m	307m	57	Target achieved. Funds in respect of VGG and Namakwa Projects were received during the year under review.
11	Engagements in secondary activities	% of total turnover	22	15	20%	5	Target achieved.
12	Bulk supply agreements concluded with municipalities/other customers	Municipalities/other customers with bulk supply agreements	Overall: 95% Municipalities: 100% Other: 91%	100%	Overall: 87% Municipalities: 80% Other: 91%	-13	Target not achieved. Twelve of the 15 contracts with the municipalities were signed and are still valid. Three out of 31 contracts with mines and other companies are being reviewed by legal personnel/experts.
13	Foster sound relationships with all stakeholders	% of attendance by stakeholder forums and functions	6	2	20	18	Target exceeded. More than 2 stakeholders forum meetings were held during the year under review.

Table 1: Performance Against the Shareholder Compact for July 2019 – June 2020

Performance Objectives	Performance Area/Projects	Performance Indicator	Actual Performance for the Prior Year 30 June 2019	Performance Target for the Year 30 June 2020	Audited Performance Results 30 June 2020	Variations (Final Result and Target)	Reasons for Variances and Recovery Plans
14	Implementation of Ministerial Directives	Progress against implementation plan	100%	100%	0	N/A	Part of the directive on Maluti-a-Phofung will be finalised in the new financial year. The organisation awaits approval for funding.
15	Support rural Development	Signed contracts, MOUs etc.	6	6	6	0	Target achieved, due to support to 6 rural municipalities.
16	Achieve statutory reporting compliance	Submission dates met	91%	95%	66%	-29	Target not achieved. Non-achievement was evident in Quarters 1 and 2, while achievement improved in Quarter 3. A decline was experienced in Quarter 4, due to the COVID-19 pandemic.
17	Water value chain awareness through public management	Monthly coordinating meetings with municipalities	38	10	23	13	Target exceeded. Most of the coordinating meetings were held with municipalities as scheduled, except for Quarter 4 as a result of the COVID-19 pandemic.
18	Staff levels	Staff turnover	2.61%	2	1.67%	0.33%	Target achieved. Fifteen employees left employment during the year under review due to resignations, dismissals, etc.
19	Training and skills development	Learnerships	17	10	2 apprenticeships	-8	Target not achieved. The organisation relies mainly on the approval of SETA Discretionary Grant applications to fund this programme. However, submitted applications were not approved. In the absence of Discretionary Grant funding, the organisation implemented alternative interventions by collaborating with external stakeholders to implement learnerships. This resulted in the placement of 14 unemployed individuals and 3 employees in learnerships.
20	Jobs created	Bursaries: employees	65	35	65	30	Target exceeded. The policy on financial assistance for graduates and postgraduates allows the intake of bursaries to be done twice annually (per semester). The total of bursaries allocated to date is 65 (for internal staff).
		Graduate Programmes	23	15	17	2	Target achieved. Recruitment and appointment of trainees/interns for the Graduate Programme are dependent on the need raised and the available capacity of the line functions.
		Total number	41	40	51	11	Target achieved. The organisation has embarked on a process of organisational design. Upon finalisation, appointments of permanent employees will resume.

Table 1: Performance Against the Shareholder Compact for July 2019 – June 2020

Performance Objectives	Performance Area/Projects	Performance Indicator	Actual Performance for the Prior Year 30 June 2019	Performance Target for the Year 30 June 2020	Audited Performance Results 30 June 2020	Variances (Final Result and Target)	Reasons for Variances and Recovery Plans
	Temporary (indirect)	Total number	420	200	371	171	Target exceeded. The Department of Water and Sanitation (DWS) appointed Sedibeng Water as Implementing Agent for capital projects on its behalf, and these capital projects are funded by DWS.
	Employment equity	Number of people with disabilities expressed as a percentage over the total number of employees	1.61	2%	1.56	0.44	Target not achieved. The process will find expression upon the review and finalisation of a new organisational structure.
21	Improved performance of fiduciary duties/governance	Board Member attendance of all Board/committee meetings	100%	90%	88%	-2	Target not achieved, due to the non-attendance of board meeting by certain members. The previous Board has since been disbanded and there is currently an Interim Board appointed in June 2020.
22	Improved performance of fiduciary duties/governance	Decision making: % number resolutions taken by the Board vs number of resolutions implemented	95%	100%	77%	-23	Target not achieved. One of the board resolutions is in the process of being implemented by the organisation.
23	Internal audit findings dealt with	Internal audit reports	1	0	1	-1	Focus was on the issues that were reported in the AGSA Audit Report. The AGSA has therefore commenced with the external audit.
		Number of repeated findings	2	0	0	0	Focus was on the issues that were reported in the AGSA Audit Report. The AGSA has therefore commenced with the external audit.
24	Improved controls and risk mitigation	Breaches of materiality and significance framework	0	0	0	0	Target achieved. There were no breaches to materiality in the year under review.
25	Good corporate citizenship	Number of initiatives undertaken	14 initiatives with NGOs & 39 once-off sponsorships	40	14 initiatives with NGOs & 31 once-off sponsorships	5	Target achieved. The organisation has a defined Corporate Social Investment Programme, which is aimed at improving the lives of the people in its areas of operation.

Table 1: Performance Against the Shareholder Compact for July 2019 – June 2020

Performance Objectives	Performance Area/Projects	Performance Indicator	Actual Performance for the Prior Year 30 June 2019	Performance Target for the Year 30 June 2020	Audited Performance Results 30 June 2020	Variations (Final Result and Target)	Reasons for Variances and Recovery Plans
26 Resource protection	To create an environment that is conducive to the growth and retention of skills	Maximum number of injuries at the workplace Number (ratio)	0.35	2	Average 0.79	1.21	Target achieved. The rate of disabling injuries is acceptably low for the year under review.
27 Employee retention	Implement HIV/AIDS strategy	Annual HIV/AIDS campaigns (1 per region) Number	20	4	4	0	Target achieved. HCT and General Health Assessment were conducted in conjunction with HIV/AIDS road shows.

# INDEPENDENT AUDITOR'S REPORT

BY THE AUDITOR-GENERAL OF SOUTH AFRICA

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Qualified Opinion

1. I have audited the financial statements of Sedibeng Water set out on pages 143-233 of this annual report, which comprise the statement of financial position as at 30 June 2020, statement of financial performance, statement of changes in net assets, and statement of cash flows for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, except for the effects of the matters described in the basis for qualified opinion section of this auditor's report, the financial statements present fairly, in all material respects, the financial position of Sedibeng Water as at 30 June 2020, and its financial performance and cash flows for the year then ended 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).

### Basis for qualified opinion

#### *Property plant and equipment*

3. I was unable to obtain sufficient appropriate audit evidence for land, buildings and improvements, as they could not be found during physical verifications. I could not perform the physical verifications of these assets by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to land, buildings and improvements, stated at R161,8 million in Note 5 to the financial statements.
4. I was unable to obtain sufficient appropriate audit evidence for the restated opening balance of capital work-in-progress as described in Note

5 to the financial statements, as the supporting information was not provided. I was unable to confirm the opening balance by alternative means. Consequently, I was unable to determine whether any further adjustment was necessary to the capital work-in-progress stated at R1,371 billion in the financial statements. I was also not able to determine the consequential impact that any adjustments would have on the prior period error Note 51.

#### *Payables from exchange transactions*

5. I was unable to obtain sufficient appropriate audit evidence for the amounts disclosed as trade payables due to the status of the accounting records. I could not confirm trade payables by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to payables from exchange transactions, stated at R4,242 billion in Note 18 to the financial statements.

#### *Deferred income*

6. The entity did not recognise revenue from non-exchange transactions in terms of GRAP 23, *Revenue from non-exchange transactions*. Revenue from non-exchange transactions was incorrectly recognised in deferred income. As a result, deferred income is overstated and revenue from non-exchange transactions understated by R172,4 million. In addition, I was unable to obtain sufficient appropriate audit evidence that all deferred income had been recorded, as the entity did not have adequate systems and I could not confirm this by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to deferred income, stated at R387,6 million in Note 16 to the financial statements. Additionally, there was an impact on the surplus for the period and on the accumulated surplus.

### Revenue from non-exchange transactions

7. The entity did not recognise revenue from non-exchange transactions in terms of GRAP 23, *Revenue from non-exchange transactions* as the realisation of deferred income in Note 28 was recorded inclusive of VAT. This resulted in revenue from non-exchange transactions being overstated by R254,6 million and VAT receivable being misstated by R230,8 million. The additional overstatement of R23,9 million relates to an error in the realisation of deferred income in Note 28. Additionally, there was an impact on the surplus for the period and on the accumulated surplus.

### Commitments

8. I was unable to obtain sufficient appropriate audit evidence for commitments, as the entity did not maintain accurate and complete records of the contractual information used to determine commitments. I could not confirm the amounts by alternative means. In addition, the entity did not disclose all items of commitments in accordance with GRAP 17, *Property, plant and equipment*. Some contracts from capital work-in-progress were not included in the commitments schedule. I could not determine the value of commitments as it was impractical to do so. Consequently, I was unable to determine whether any adjustment was necessary to commitments, stated at R972,9 million (2019: R1,185 billion) in Note 47 to the financial statements.

### Irregular expenditure

9. The entity did not include all irregular expenditure in the notes to the financial statements, as required by Section 55(2) (b)(i) of the PFMA. There were differences between the irregular expenditure recognised in the financial statements and the irregular expenditure register, which resulted in irregular expenditure being understated by R251,3 million. In addition, I was unable to obtain sufficient appropriate audit evidence to confirm the irregular expenditure included in the notes to the financial statements, as sufficient appropriate audit evidence was not provided. I was unable to confirm this by

alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to the irregular expenditure, stated at R1,197 billion (2019: R417,7 million) in Note 45 to the financial statements.

### Context for the opinion

10. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the Auditor-General's responsibilities for the audit of the financial statements section of this auditor's report.
11. I am independent of the entity in accordance with the International Ethics Standards Board for Accountants' *International code of ethics for professional accountants (including International Independence Standards)* (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
12. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

### Material uncertainty relating to going concern

13. I draw attention to the matter below. My opinion is not modified in respect of this matter.
14. I draw attention to Note 48 to the financial statements, which indicates that the entity has cash flow challenges. As stated in Note 48, these events or conditions, along with the significant portion of the receivables from exchange transactions, stated at R6,238 billion, which have been impaired at year-end due to the entity's inability to collect significant amounts owed to it as set forth in Note 9, indicate that a material uncertainty exists that may cast significant doubt on the entity's ability to continue as a going concern.

### Emphasis of matters

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

### **Material impairments - receivables from exchange transactions**

16. As disclosed in Note 9 to the financial statements, provision was made for impairments of R1,046 billion (2019: R850 million) on receivables from exchange transactions.

### **Restatement of corresponding figures**

17. As disclosed in Note 51 to the financial statements, the corresponding figures for 30 June 2019 were restated as a result of errors in the financial statements of the entity at, and for the year ended, 30 June 2020.

### **An uncertainty relating to the future outcome of exceptional litigation**

18. With reference to Note 44 to the financial statements, the entity is the defendant in a lawsuit. The entity is opposing the claim, as it believes that it has a reasonable defence. The ultimate outcome of the matter could not be determined and no provision for any liability that may result was made in the financial statements.

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

19. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with the SA Standards of GRAP and the requirements of the PFMA, and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
20. In preparing the financial statements, the accounting authority is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

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

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

## **REPORT ON THE AUDIT OF THE ANNUAL PERFORMANCE REPORT**

### **Introduction and scope**

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

respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.

25. I evaluated the usefulness and reliability of the reported performance information in

accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected objective presented in the entity's annual performance report for the year ended 30 June 2020:

Objective	Pages in the Annual Performance Report
Appropriate treatment of wastewater and supply of potable water	126-134

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

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

**Appropriate treatment of wastewater and supply of potable water**

**Number of days' supply interrupted exceeding 24 hours**

28. The reported target did not agree with the planned target as per the approved shareholder compact. In addition, I was unable to obtain sufficient appropriate audit evidence that clearly defined the predetermined source information method of calculation and that related systems and processes were established to enable consistent measurement and reliable reporting of the actual achievement for the indicator. This was due to a lack of measurement definitions and processes. I was unable to test whether the indicator was well-defined and verifiable by alternative means. As a result, I was unable to audit the reliability of the achievement of 55 reported against a target of 0 in the annual performance report.

**Actual CAPEX spend on expansion-related projects (initiatives by the Minister) as % of budget**

29. The achievement of 163% was reported against a target of 90% in the annual performance report. However, the supporting evidence provided did not agree with the reported achievement and indicated an achievement of 29%.

**Avoidable water lost as a percentage of water produced**

30. The reported achievement of 9,15% for avoidable water lost as a percentage of water produced is not reliable as the entity did not have an adequate performance management system to maintain records to enable reliable reporting on the achievement of targets. As a result, I was unable to obtain sufficient appropriate audit evidence for the reported achievement. I was unable to confirm the actual reported performance by alternative means. Consequently, I was unable to determine whether any further adjustments were required to the reported achievement.

**REPORT ON THE AUDIT OF COMPLIANCE WITH LEGISLATION**

**Introduction and scope**

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

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

#### **Annual financial statements and annual report**

33. Financial statements were not submitted for auditing within the prescribed period after the end of financial year, as required by Section 55(1)(c)(i) of the PFMA.
34. 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.
35. Material misstatements identified by the auditors in the submitted financial statements were not corrected and the supporting records could not be provided, which resulted in the financial statements receiving a qualified opinion.

#### **Expenditure management**

36. Effective and appropriate steps were not taken to prevent irregular expenditure, as required by Section 51(1)(b)(ii) of the PFMA. As reported in the basis for the qualified opinion paragraphs on the value disclosed in Note 45 to the financial statements, the full extent of the irregular expenditure could not be quantified. The majority of the irregular expenditure disclosed in the financial statements was caused by non-compliance with applicable supply chain management (SCM) laws and regulations.
37. Effective steps were not taken to prevent fruitless and wasteful expenditure of R831,1 million disclosed in Note 46 to the financial statements, as required by Section 51(1)(b)(ii) of the PFMA. The majority of the fruitless and wasteful expenditure disclosed was caused by interest incurred due to late payments.
38. I was unable to obtain sufficient appropriate audit evidence that the resources of Sedibeng Water were used economically, as required by Section 57(b) of the PFMA because the entity incurred costs relating to standing time on some of their capital work-in-progress.

#### **Consequence management**

39. I was unable to obtain sufficient appropriate audit evidence that disciplinary steps were taken against officials who had incurred fruitless and wasteful expenditure as required by Section 51(1)(e)(iii) of the PFMA as management indicated that all instances of fruitless and wasteful expenditure disclosed were still under investigation. The evidence of investigations being in progress could not be obtained.
40. I was unable to obtain sufficient appropriate audit evidence that disciplinary steps were taken against officials who had incurred irregular expenditure, as required by Section 51(1)(e)(iii) of the PFMA. Management indicated that all instances of irregular expenditure were still under investigation. The irregular expenditure investigation reports were not provided with the financial statements.

#### **Procurement and contract management**

41. Sufficient appropriate audit evidence could not be obtained that all contracts and quotations were awarded in accordance with the legislative requirements as the entity did not maintain accurate and complete records. Similar limitations were also reported in the prior year.
42. Sufficient appropriate audit evidence could not be obtained that goods, works and services were procured through a procurement process which is fair, equitable, transparent and competitive, as required by Section 51(1)(a)(iii) of the PFMA. Similar limitations were also reported in the prior year.
43. Some construction contracts were awarded to contractors that did not qualify for the contract in accordance with Construction Industry Development Board (CIDB) Regulations 17 and 25(7A). Similar non-compliance was also reported in the prior year.
44. Sufficient appropriate audit evidence could not be obtained that construction contracts were awarded to contractors that were registered with the CIDB in accordance with Section 18(1) of the CIDB Act. Similar limitations were also reported in the prior year.

## OTHER INFORMATION

45. 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 the selected objective presented in the annual performance report that has been specifically reported in this auditor's report.
46. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion on it.
47. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected objectives presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

## INTERNAL CONTROL DEFICIENCIES

48. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation. However, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the qualified opinion, the findings on the annual performance report and the findings on compliance with legislation included in this report.
49. Management did not implement controls for daily and monthly processing and reconciling of transactions.

50. Management did not implement proper timely record keeping to ensure that complete, relevant and accurate information was accessible and available to support financial and performance reporting.
51. Leadership did not exercise its responsibility to oversee financial and performance reporting and compliance, as well as related internal controls.
52. Management did not review and monitor compliance with applicable laws and regulations.
53. Leadership did not establish and communicate policies and procedures to enable and support the understanding and execution of internal control objectives, processes and responsibilities.
54. Management did not prepare regular, accurate and complete financial and performance reports supported and evidenced by reliable information.

## OTHER REPORTS

55. I draw attention to the following engagements conducted by various parties which had, or could have, an impact on the matters reported in the entity's financial statements, reported performance information, compliance with applicable legislation and other related matters. These reports did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.

### Commission of Enquiry into State Capture

56. In June 2019, the Commission of Enquiry into State Capture sent a communication to the water board indicating that the commission was undertaking investigations into allegations

of state capture, corruption and fraud involving several public entities and other organs of state according to the commission's terms of reference. The commission indicated that Sedibeng Water falls within the scope of the commission's terms of reference and requested that certain documents for the period 1 April 2008 to 31 March 2018 be submitted to the commission. The outcome of any investigations or enquiry ensuing from this is not yet known.

Auditor - General

Pretoria

30 April 2021



## ANNEXURE: AUDITOR-GENERAL'S RESPONSIBILITY FOR THE AUDIT

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements and the procedures performed on reported performance information for selected objectives and on the entity's compliance with respect to the selected subject matters.

### Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:
  - identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is

sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting authority
- conclude on the appropriateness of the accounting authority's use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of Sedibeng Water to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause an entity to cease operating as a going concern
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

### **Communication with those charged with governance**

3. I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

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

# STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2020

Figures in Rand Thousand	Note(s)	2020 R'000	2019* R'000
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Biological Assets	3	563	534
Investment Property	4	10,460	8,850
Property, Plant and Equipment	5	4,013,573	3,869,352
Intangible Assets	6	5,901	7,296
<b>Total Non-Current Assets</b>		<b>4,030,497</b>	<b>3,886,032</b>
<b>Current Assets</b>			
Inventories	8	16,781	19,729
Receivables from Exchange Transactions	9	5,191,775	4,236,922
Receivables From Non-Exchange Transactions	10	185	-
VAT Receivable	11	124,024	173,590
Cash and Cash Equivalents	12	384,226	407,459
<b>Total Current Assets</b>		<b>5,716,991</b>	<b>4,837,700</b>
<b>Total Assets</b>		<b>9,747,488</b>	<b>8,723,732</b>
<b>LIABILITIES</b>			
<b>Non-Current Liabilities</b>			
Interest-Bearing Borrowings	13	24,945	31,429
Finance Lease Liabilities	14	603	3,122
Retirement Benefit Obligation	15	88,527	96,420
Deferred Income	16	387,609	99,574
Long Service Awards Liability	17	30,695	30,815
<b>Total Non-Current Liabilities</b>		<b>532,379</b>	<b>261,360</b>
<b>Current Liabilities</b>			
Interest-Bearing Borrowings	13	6,483	5,866
Finance Lease Liabilities	14	2,854	3,057
Payables from Exchange Transactions	18	4,242,861	3,598,683
<b>Total Current Liabilities</b>		<b>4,252,198</b>	<b>3,607,606</b>
<b>Total Liabilities</b>		<b>4,784,577</b>	<b>3,868,966</b>
<b>NET ASSETS</b>		<b>4,962,911</b>	<b>4,854,766</b>
<b>Reserves</b>			
Revaluation Reserve	19	2,267,869	2,267,869
Accumulated Surplus	20	2,695,042	2,586,897
<b>Total Net Assets</b>		<b>4,962,911</b>	<b>4,854,766</b>

\* The 30 June 2019 comparative was restated.

# STATEMENT OF FINANCIAL PERFORMANCE

Figures in Rand Thousand	Note(s)	2020 R'000	2019 R'000
<b>REVENUE FROM EXCHANGE TRANSACTIONS</b>			
Water Sales	21	1,349,629	1,232,639
Service Delivery Fees	22	330,187	333,883
Interest Received on Outstanding Debtors	23	1,982	1,003
Project Income	24	16,558	7,973
Other Income	25	33,780	35,064
Interest Received on Investment	26	12,597	31,375
<b>Total Revenue from Exchange Transactions</b>		<b>1,744,733</b>	<b>1,641,937</b>
<b>REVENUE FROM NON-EXCHANGE TRANSACTIONS</b>			
<b>Other Revenue</b>			
Fair Value Adjustments	27	1,824	-
Actuarial Gain	28	14,541	3,606
<b>Total Other Revenue</b>		<b>16,365</b>	<b>3,606</b>
<b>TRANSFER REVENUE</b>			
Realisation of Deferred Income	29	330,722	431,652
<b>Total Transfer Revenue</b>		<b>330,722</b>	<b>431,652</b>
<b>Total Revenue From Non-Exchange Transactions</b>		<b>347,087</b>	<b>435,258</b>
<b>Total Revenue</b>	30	<b>2,091,820</b>	<b>2,077,195</b>
<b>EXPENDITURE</b>			
Employee Related Costs	31	(147,611)	(134,054)
Repairs and Maintenance	32	(61,421)	(60,757)
Depreciation and Amortisation	33	(167,136)	(168,010)
Finance Costs	34	(263,446)	(234,406)
Lease Rentals on Operating Lease	35	(5,879)	(2,606)
Debt Impairment	36	(196,528)	(199,774)
Contracted Services	37	(65,244)	(67,490)
Fair Value Adjustments	27	-	(244)
Cost of Sales	38	(973,722)	(934,614)
General Expenses	39	(102,688)	(119,079)
<b>Total Expenditure</b>		<b>(1,983,675)</b>	<b>(1,921,034)</b>
Taxation	40	-	-
<b>Surplus For The Year</b>	41	<b>108,145</b>	<b>156,161</b>

# STATEMENT OF CHANGES IN NET ASSETS

AS AT 30 JUNE 2020

	Revaluation reserve	Accumulated surplus	Total net assets
Figures in Rand Thousand	R'000	R'000	R'000
Opening Balance as Previously Reported	2,304,057	1,386,668	3,690,725
<b>Adjustments</b>			
Prior Year Adjustments	(36,188)	1,044,068	1,007,880
<b>Restated Balance as at 01 July 2018</b>	<b>2,267,869</b>	<b>2,430,736</b>	<b>4,698,605</b>
<b>Changes in Net Assets</b>			
Surplus For The Year	-	156,161	156,161
<b>Total Changes For The Year</b>	<b>-</b>	<b>156,161</b>	<b>156,161</b>
<b>Restated Balance as at 01 July 2019</b>	<b>2,267,869</b>	<b>2,586,897</b>	<b>4,854,766</b>
<b>Changes in Net Assets</b>			
Surplus For The Year	-	108,145	108,145
<b>Total Changes For The Year</b>	<b>-</b>	<b>108,145</b>	<b>108,145</b>
<b>Balance at 30 June 2020</b>	<b>2,267,869</b>	<b>2,695,042</b>	<b>4,962,911</b>
Note(s)	19	20	
Prior Period Error Note		51	

# STATEMENT OF CASH FLOWS

AS AT 30 JUNE 2020

Figures in Rand Thousand	Note(s)	2020 R'000	2019 R'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Sale of Goods and Services		619,968	603,703
Advance Payment for Projects	16	629,111	606,364
Interest Received from Investments	26	12,597	31,375
<b>Total Cash Receipts</b>		<b>1,261,676</b>	<b>1,241,442</b>
<b>Payments</b>			
Payments to Employees		(152,673)	(137,564)
Payments to Suppliers		(808,275)	(829,532)
Finance Costs	34	(5,469)	(11,655)
<b>Total Payments</b>		<b>(966,417)</b>	<b>(978,751)</b>
<b>Net Cash Flows From Operating Activities</b>	<b>42</b>	<b>295,259</b>	<b>262,691</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of Property, Plant and Equipment	5	(309,903)	(456,660)
Proceeds from Sale of Financial Assets	7	-	257,650
<b>Net Cash Flows from Investing Activities</b>		<b>(309,903)</b>	<b>(199,010)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of Interest-Bearing Borrowings	13	(5,867)	(9,740)
Repayment of Finance Liability	14	(2,722)	(6,711)
<b>Net Cash Flows From Financing Activities</b>		<b>(8,589)</b>	<b>(16,451)</b>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>		<b>(23,233)</b>	<b>47,230</b>
Cash and Cash Equivalents At The Beginning of the Year		407,459	360,229
<b>Cash and Cash Equivalents At The End Of The Year</b>	<b>12</b>	<b>384,226</b>	<b>407,459</b>

# SIGNIFICANT ACCOUNTING POLICIES

AS AT 30 JUNE 2020

## 1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 55 (1) of the Public Finance Management Act (Act No. 1 of 1999) and Section 43 (3) of the Water Services Act (Act No. 108 of 1997).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

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

These accounting policies are consistent with the previous period.

### 1.1 Presentation Currency

These annual financial statements are presented in South African Rand, which is the functional currency of the entity.

### 1.2 Going Concern Assumption

These annual financial statements have been prepared based on the expectation that the entity will continue to operate as a going concern for at least the next 12 months.

However, attention needs to be drawn to the current cashflow crisis of the organisation, and that should the matter persist, the entity will then discontinue to be a going concern.

### 1.3 Materiality

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor.

Assessing whether an omission or misstatement could influence decisions of users, and so be material, requires consideration of the characteristics of those users. The Framework for the Preparation and Presentation of Financial Statements states that users are assumed to have a reasonable knowledge of government, its activities, accounting and a willingness to study the information with reasonable diligence. Therefore, the assessment takes into account how users with such attributes could reasonably be expected to be influenced in making and evaluating decisions.

# SIGNIFICANT ACCOUNTING POLICIES

AS AT 30 JUNE 2020 (Continued)

## 1.4 Critical Accounting Estimates and Assumptions

The preparation of annual financial statements in conformity with the GRAP requires management to make judgements, estimates and assumptions that effect the application of policies and reported amounts of assets and liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors, including making assumptions concerning future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are accounted for prospectively.

In the process of applying the accounting policies as set out below, management has made the following judgements that have a significant risk of causing material adjustment to the amounts recognised in the financial statements:

### Useful Lives and Residual Lives

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

### Provisions and Contingent Liabilities

Various estimates and assumptions have been applied by management arriving at the carrying value of provisions that are recognised in terms of the relevant accounting policy. Management further relies on the input from the entity's lawyers in assessing the probability of items of a contingent nature.

### Trade and Other Receivables

The entity follows the guidance of GRAP 104 to determine when trade and other receivables are impaired. The entity assesses its trade receivables for impairment at each reporting date. In determining whether an impairment loss should be recorded in the Statement of Financial Performance, the entity makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

### Available-For-Sale Financial Assets

The entity follows the guidance of GRAP 104 to determine when an available-for-sale financial asset is impaired. In making this judgment, the entity evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

### Allowance for Slow Moving, Damaged and Obsolete Stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the general expenses Note 39.

# SIGNIFICANT ACCOUNTING POLICIES

AS AT 30 JUNE 2020 (Continued)

## **Fair Value Estimation**

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the entity for similar financial instruments.

## **Pension and Other Benefits**

The present value of the post-retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post-retirement obligations.

The entity determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the entity considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 15.

## **Effective Interest Rate**

The entity used the prime interest rate plus 2% to discount future cash flows.

## **Selection of an Appropriate Reporting Framework By the Entity as a Public Entity**

The entity assesses whether it meets the criteria in paragraph 11 of Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities.

This assessment is performed initially when the Directive becomes effective, and subsequently changes the reporting framework only if a significant change has occurred that leads the entity to conclude that it meets, or no longer meets, the relating criteria.

In making these assessments, management applies its judgement and consider all relevant historical facts and circumstances, as well as prospective information, ensuring a holistic assessment over an extended period of time is performed, to ensure that the entity does not change its reporting framework every year.

## **1.5 Biological Assets**

Biological Assets comprises cows and bulls held for the purpose of grazing where the mowers cannot reach.

The entity recognises biological assets or agricultural produce when, and only when:

- the entity controls the asset as a result of past events;
- it is probable that future economic benefits or service potential associated with the asset will flow to the entity; and
- the fair value or cost of the asset can be measured reliably.

# SIGNIFICANT ACCOUNTING POLICIES

AS AT 30 JUNE 2020 (Continued)

Biological Assets are measured at their fair value less costs to sell.

The fair value of livestock is determined based on market prices of livestock of similar age, breed, and genetic merit.

A gain or loss arising on initial recognition of biological assets or agricultural produce at fair value less costs to sell and from a change in fair value less costs to sell of biological assets is included in surplus or deficit for the period in which it arises.

Where market determined prices or values are not available, the present value of the expected net cash inflows from the asset, discounted at a current market-determined pre-tax rate where applicable is used to determine fair value.

Where fair value cannot be measured reliably, biological assets are measured at cost less any accumulated depreciation and any accumulated impairment losses.

## 1.6 Investment Property

Investment Property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Investment Property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity, and the cost or fair value of the investment property can be measured reliably.

Investment Property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

### Fair Value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

# SIGNIFICANT ACCOUNTING POLICIES

AS AT 30 JUNE 2020 (Continued)

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

Investment Property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

## **Transfers to or from Investment Property**

Transfers to, or from, investment property should be made when there is change in use evidences in more than one of the following:

- a) commencement of owner occupation (transfer for investment property to property, plant and equipment);
- b) end of owner-occupation (transfer from owner-occupied property to investment property);
- c) commencement of an operating lease to another party (transfer from inventories to investment property);  
and
- d) end of construction or development (transfer from property, plant and equipment under construction/development to investment property).

## **Measurement of Transfer to or from Investment Property**

Transfers to, or from, investment property should be measured in accordance with the following provisions:

### **a) Transfer from Investment Property to Owner-Occupied**

Investment Property is transferred at fair value less cost for transfer on the date of the decision to transfer was implemented. The item of owner-occupied property is then subject to all provisions made in similar properties

# SIGNIFICANT ACCOUNTING POLICIES

AS AT 30 JUNE 2020 (Continued)

in accordance to the principles applied in owner-occupied property as reflected in accounting policy note for property, plant and equipment.

## **b) Transfer from Owner-Occupied to Investment Property**

Depreciation ceases on the day the decision to end owner occupied has been implemented. The property will then be subjected to all provisions for investment property as reflected in the investment property accounting policy.

## **c) Transfer from Inventories to Investment Property**

The item of inventories is transferred at fair value less cost for transfer on the date of the decision to transfer was implemented. The property will then be subjected to all provisions for investment property as reflected in the investment property accounting policy.

## **d) Transfer from Assets Under Development to Investment Property**

Upon completion of the development of the property, it is transferred at total cost incurred on the development to investment property. The property is then valued to determine whether its fair value is comparable to the total cost. The difference is recognised in surplus or deficit.

## **1.7 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.

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

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

Property, Plant and Equipment is initially measured at cost.

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.

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

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

# SIGNIFICANT ACCOUNTING POLICIES

AS AT 30 JUNE 2020 (Continued)

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.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is sold. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

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

# SIGNIFICANT ACCOUNTING POLICIES

AS AT 30 JUNE 2020 (Continued)

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation Method	Average Useful Life
Buildings	Straight line	40-80 years
Plant, Machinery and Equipment	Straight line	3-80 years
- Office Equipment and Furniture	Straight line	5-6 years
- Computer Equipment	Straight line	3 years
- Engineering and Technical Equipment	Straight line	25-80 years
- Equipment	Straight line	5-6 years
- Gymnasium Equipment	Straight line	11 years
Pipelines and Reservoirs	Straight line	63-70 years
Precipitation and Dosing	Straight line	150 years
Capital Work-in-Progress	Straight line	No depreciation
Motor Vehicles	Straight line	4-9 years

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

The entity assesses at each reporting date whether there is any indication that the entity expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the entity revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

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 asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit 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.

The entity separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see Note 5).

The entity discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see Note 5).

## 1.8 Intangible Assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or

# SIGNIFICANT ACCOUNTING POLICIES

AS AT 30 JUNE 2020 (Continued)

- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the entity; and
- the cost or fair value of the asset can be measured reliably.

The entity assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

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

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

Intangible Assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight-line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

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

Item	Depreciation Method	Average Useful Life
Computer Software	Straight line	3 years
Servitudes	Straight line	No amortisation
Project - EDMS	Straight line	No amortisation

The amortisation charge is recognised in surplus or deficit for each reporting period.

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

# SIGNIFICANT ACCOUNTING POLICIES

AS AT 30 JUNE 2020 (Continued)

The gain or loss arising from the derecognition of intangible assets is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

## 1.9 Impairment of Non-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 cost of the asset.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the entity; or
- the number of production or similar units expected to be obtained from the asset by the entity.

At each financial position date, the entity reviews the carrying amounts of tangible and finite life tangible assets to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount is estimated in order to determine the impairment loss (if any).

Where it is not possible to estimate the recoverable amount for an individual asset, the recoverable amount is determined for the cash generating unit which the asset belongs to. Intangible assets with indefinite useful life are tested for impairment annually.

If the recoverable amount of an asset (cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are immediately recognised as an expense unless the relevant asset is carried at revalued amount under another standard in which the impairment loss is treated as a revaluation decrease under that standard.

# SIGNIFICANT ACCOUNTING POLICIES

AS AT 30 JUNE 2020 (Continued)

The recoverable amount is the higher of the assets fair value less cost to sell and its value in use.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years.

A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that other standard.

## 1.10 Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

# SIGNIFICANT ACCOUNTING POLICIES

AS AT 30 JUNE 2020 (Continued)

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- contingent consideration of an acquirer in a transfer of functions between entities not under common control to which the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control (GRAP 106) applies;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or

# SIGNIFICANT ACCOUNTING POLICIES

AS AT 30 JUNE 2020 (Continued)

- on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
- non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
- financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

## Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of statement of financial position or in the notes thereto:

Class	Category
Financial Assets	Financial asset measured at amortised cost
Receivables from Exchange Transactions	Financial asset measured at amortised cost
Cash and Cash Equivalents	Financial asset measured at fair value

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Interest-Bearing Borrowings	Financial liability measured at amortised cost
Payables from Exchange Transactions	Financial liability measured at amortised cost

## Initial Recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity classifies financial instruments, or their components parts, on initial recognition as a financial asset, a financial liability or an equity instruments in accordance with the substance of the contractual arrangement. For financial instrument which are not at fair value through profit or loss, transaction costs are included in the initial measurement of the instrument.

Transaction costs on financial instruments at fair value through profit or loss are recognised in profit or loss.

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

## Subsequent Measurement of Financial Assets and Financial Liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value;
- Financial instruments at amortised cost; and
- Financial instruments at cost.

# SIGNIFICANT ACCOUNTING POLICIES

AS AT 30 JUNE 2020 (Continued)

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

## Fair Value Measurement Considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an entity calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data).

## Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

## Gains and Losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit. For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

## Impairment and Uncollectibility of Financial Assets

The entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

## Financial Assets Measured at Amortised Cost

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

# SIGNIFICANT ACCOUNTING POLICIES

AS AT 30 JUNE 2020 (Continued)

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly or by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

## Derecognition

### Financial Assets

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset has transferred control of the asset to another party and the other party has the practical ability to sell the asset 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. In this case, the entity:
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

### Financial Liabilities

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.

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).

## Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

# SIGNIFICANT ACCOUNTING POLICIES

AS AT 30 JUNE 2020 (Continued)

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

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

## Offsetting Financial Instruments

Where a legally enforceable right exist to set off amounts recognised as financial assets and liabilities and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously, which are in determinable monetary amounts, the relevant financial assets and liabilities offset. The legally enforceable right must not be contingent on future events and must be enforceable in normal course of business and in the event of default, insolvency or bankruptcy of the company or counterparty.

## 1.11 Inventories

Inventories comprises of spares, consumables in purification and maintenance as well as water purchased but not yet sold at the end of the financial period.

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the entity.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

# SIGNIFICANT ACCOUNTING POLICIES

AS AT 30 JUNE 2020 (Continued)

## 1.12 Receivables From Exchange Transactions

Receivables from Exchange Transactions are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the entity will not be able to collect all the amount due according to the original terms of the agreement. Significant financial difficulties of the debtors, probability that the debtor will enter into bankruptcy or financial re-organisation and default or delinquency in payments (to the extent there there is no payment agreement with the Water Services Authority) are considered indicators that the trade receivables are impaired.

## 1.13 VAT Receivable

Value Added Tax (VAT) is on accrual basis consistent to the accounting framework of reporting. VAT becomes receivable when the VAT Input that has already been accrued on supplier invoices exceeds the VAT Output that has been already billed to customers. A reconciliation of VAT Accrued and Billed to the VAT that has been paid and received from customers is utilised to the submission of VAT Returns to SARS.

## 1.14 Cash and Cash Equivalents

Cash and Cash Equivalents includes cash on hand, deposits held in call accounts with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown within borrowings in 4 current liabilities on the statement of financial position.

## 1.15 Interest-Bearing Borrowings

Interest-bearing borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised costs; any difference between proceeds (net of transactions costs) and redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest rate method.

These are classified as current liabilities unless the entity has an unconditional right to defer the settlement of the liability for at least 12 months after the statement of financial position date.

## 1.16 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

### Finance Leases - Lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments.

# SIGNIFICANT ACCOUNTING POLICIES

AS AT 30 JUNE 2020 (Continued)

The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

## **Operating Leases - Lessor**

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

Income for leases is disclosed under revenue in statement of financial performance.

## **1.17 Employee Benefits**

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other 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 period in which the employees render the related service.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

## **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 employees render the related service.

# SIGNIFICANT ACCOUNTING POLICIES

AS AT 30 JUNE 2020 (Continued)

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognises the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

## Long Service Awards

The entity pays its employees a long-service benefit after each five year period of continuous service. The benefit is paid in the month the employee reaches the milestone. The method of accounting and frequency valuation are similar to those under the defined benefit schemes. The actuarial valuation to determine the liability is performed annually.

## Post-Employment Benefits: Defined Contribution Plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

# SIGNIFICANT ACCOUNTING POLICIES

AS AT 30 JUNE 2020 (Continued)

When an employee has rendered service to the entity during a reporting period, the entity recognises the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

## Actuarial Assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
  - those changes were enacted before the reporting date; or
  - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

## Termination Benefits

Termination Benefits are payable when employment is terminated by entity before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The entity recognises termination benefits when it is demonstrably committed to a termination when the entity has a detailed formal plan to terminate the employment of current employees without possibility of withdrawal. In case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

# SIGNIFICANT ACCOUNTING POLICIES

AS AT 30 JUNE 2020 (Continued)

## 1.18 Payables from Exchange Transactions

Trade and Other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

## 1.19 Provisions and Contingencies

Provisions are recognised when:

- the entity has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating surplus.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in Note 44.

## 1.20 Revaluation Reserve

The surplus arising from the revaluation of property, plant and equipment is credited to a non-distributable reserve.

The revaluation surplus is realised when property, plant and equipment is sold, through a transfer from the revaluation reserve to the accumulated surplus/deficit.

On disposal, the net revaluation surplus is transferred to the accumulated surplus/deficit while gains or losses on disposal, based on revalued amounts, are credited or charged to the statement of financial performance.

## 1.21 Revenue from Exchange Transactions

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.

An exchange transaction is one in which the entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

# SIGNIFICANT ACCOUNTING POLICIES

AS AT 30 JUNE 2020 (Continued)

Revenue is recognised to the extent that it is probable that economic benefits will flow to the entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable excluding discounts, rebates, and Value Added Tax or duties.

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the entity has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

## **Water Sales and Fixed Contribution**

Water Sales comprise primarily the net invoice value of water sales per kilolitre, exclusive of Value Added Tax, as approved by the Department of Water and Sanitation.

## **Service Delivery Claims and Sewerage Income**

This income is derived from sale of water to customers and derived from sewerage treatment services and is received from Water Services Authorities in the North West Region for services rendered in terms of Section 30 (2)(d) of Water Services, 1997. The Water Board acts as Water Services Provider and receives this income for services rendered.

The income is recognised at the net invoiced value, exclusive of value added tax and at actual amounts as agreed by the Water Services Authorities.

## **Interest Received on Outstanding Debtors Balances**

Interest Income is derived from the outstanding debtors balances that remain unpaid at the date of reporting as per the legislation.

## **Project Income**

Project Income is derived from the administration of projects on behalf of external stakeholders. A pre-determined rate and/or percentage is used to calculate the project income based on the amounts that are recoverable from the other party into the contract.

## **Other Income**

Other income earned by the entity is recognised net of discounts and value added tax. Other income comprises of the following:

### **a) Administration Fee Income**

Administration Fee income is derived from administration of activities on behalf of external stakeholders. A pre-determined rate of recovery is used to calculate the administration fee based on the contractual agreement.

# SIGNIFICANT ACCOUNTING POLICIES

AS AT 30 JUNE 2020 (Continued)

## **b) Rental Income**

Rental Income is derived from rental of houses owned by the entity to its employees and other tenants. This income is recognised on accrual basis based on the individually agreed upon rates as per the contractual agreement.

## **c) Purification Income**

The purification income is derived from the recovery of purification costs recovered from the services provided by the entity.

## **d) Bad Debts Recovered**

This is income derived from bad debts that were previously written off but have since been rehabilitated and were able to settle a portion of their outstanding debt.

## **e) Income from Cafeteria**

This is income derived from the sales in the Cafeteria that is provided for employees.

## **Other Income**

### **f) Miscellaneous Income**

This income is derived from daily business practice as a result of carrying on trade. It comprises of the following:

- i) Connection and Re-Connection Fees
- ii) Personal Sales : Telephone and Stores
- iii) Sale of Scrap and Electricity
- iv) Insurance Claims
- v) Sale of Tender Documents
- vi) Sanitation and Refuse Removal
- vii) Fuel and Stock Sales
- viii) Bursaries and Training Income
- ix) Bus Services and Sectional Title
- x) Sundry Income
- xi) Commission

## **Interest Received on Investments**

Interest received on Investment comprises interest received or receivable on funds invested. Interest is recorded in the surplus or deficit as income when it is probable that economic benefits associated with the transaction will flow into the entity, using the effective interest rate method over the period of maturity.

## **1.22 Revenue from Non-Exchange Transactions**

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

# SIGNIFICANT ACCOUNTING POLICIES

AS AT 30 JUNE 2020 (Continued)

## Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

## Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the entity. When, as a result of a non-exchange transaction, the entity recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

## Transfers (Realisation of Deferred Income)

The entity recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

## 1.23 Cost of Sales

The cost of raw purchases, contribution to the water research fund, direct labour costs, electricity purchases and purification costs are considered to be cost of sales.

## 1.24 Borrowing Costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

## 1.25 Cash Flow Statement

The cash flow statement of the entity has been prepared on the direct method.

## 1.26 Comparative Figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

# SIGNIFICANT ACCOUNTING POLICIES

AS AT 30 JUNE 2020 (Continued)

## 1.27 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

## 1.28 Fruitless and Wasteful Expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

## 1.29 Irregular Expenditure

Irregular expenditure as defined in Section 1 of the PFMA is expenditure other than unauthorised expenditure, that is incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

Where expenditure has been incurred that does not comply with any law or regulation, the entity recognises that expenditure as irregular expenditure. Irregular expenditure is recognised when it is confirmed and to the extent that the expenditure is recognised in accordance with GRAP.

Irregular expenditure is derecognised when it is either:

- (a) condoned by the relevant authority if no official was found to be liable in law;
- (b) recovered from an official liable in law;
- (c) written-off if it is irrecoverable from an official liable in law; or
- (d) written-off if it is not condoned and not recoverable.

# SIGNIFICANT ACCOUNTING POLICIES

AS AT 30 JUNE 2020 (Continued)

## 1.30 Related Parties

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

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the entity, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions.

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 entity.

The entity is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the entity to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the entity is exempt from the disclosures in accordance with the above, the entity discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its annual financial statements.

## 1.31 Events After Reporting Date

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

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

# SIGNIFICANT ACCOUNTING POLICIES

AS AT 30 JUNE 2020 (Continued)

The entity will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The entity will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

## 1.32 Accounting by Principals and Agents

### Identification

An agent is an entity that has been directed by another entity (a principal), through a binding arrangement, to undertake transactions with third parties on behalf of the principal and for the benefit of the principal.

A principal is an entity that directs another entity (an agent), through a binding arrangement, to undertake transactions with third parties on its behalf and for its own benefit.

A principal-agent arrangement results from a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal).

### Identifying Whether an Entity is a Principal or an Agent

When the entity is party to a principal-agent arrangement, it assesses whether it is the principal or the agent in accounting for revenue, expenses, assets and/or liabilities that result from transactions with third parties undertaken in terms of the arrangement.

The assessment of whether an entity is a principal or an agent requires the entity to assess whether the transactions it undertakes with third parties are for the benefit of another entity or for its own benefit.

### Binding Arrangement

The entity assesses whether it is an agent or a principal by assessing the rights and obligations of the various parties established in the binding arrangement.

Where the terms of a binding arrangement are modified, the parties to the arrangement re-assess whether they act as a principal or an agent.

### Assessing Which Entity Benefits from the Transactions with Third Parties

When the entity in a principal-agent arrangement concludes that it undertakes transactions with third parties for the benefit of another entity, then it is the agent. If the entity concludes that it is not the agent, then it is the principal in the transactions.

# SIGNIFICANT ACCOUNTING POLICIES

AS AT 30 JUNE 2020 (Continued)

The entity is an agent when, in relation to transactions with third parties, all three of the following criteria are present:

- It does not have the power to determine the significant terms and conditions of the transaction;
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit; and
- It is not exposed to variability in the results of the transaction.

Where the entity has been granted specific powers in terms of legislation to direct the terms and conditions of particular transactions, it is not required to consider the criteria of whether it does not have the power to determine the significant terms and conditions of the transaction, to conclude that it is an agent. The entity applies judgement in determining whether such powers exist and whether they are relevant in assessing whether the entity is an agent.

## Recognition

The entity, as a principal, recognises revenue and expenses that arise from transactions with third parties in a principal-agent arrangement in accordance with the requirements of the relevant Standards of GRAP.

The entity, as an agent, recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal in accordance with the requirements of the relevant Standards of GRAP.

The entity recognises assets and liabilities arising from principal-agent arrangements in accordance with the requirements of the relevant Standards of GRAP.

# NOTES TO THE FINANCIAL STATEMENTS

AS AT 30 JUNE 2020

## 2. NEW STANDARDS AND INTERPRETATIONS

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

In the current year, the entity has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard / Interpretation:	Effective Date: Years Beginning on or After	Expected Impact
GRAP 20: Related Parties	01 April 2019	Impact not material
GRAP 109: Accounting by Principals and Agents	01 April 2019	Impact not material

### 2.2 Standards and interpretations early adopted

The entity has chosen to early adopt the following standards and interpretations:

Standard / Interpretation:	Effective Date: Years Beginning on or After	Expected Impact
GRAP 104 (amended): Financial Instruments	01 April 2019	Impact not material
Guideline: Guideline on the Application of Materiality to Financial Statements	01 April 2019	Impact not material
IGRAP 20: Accounting for Adjustments to Revenue	01 April 2020	Impact not material
GRAP 1 (amended): Presentation of Financial Statements	01 April 2020	Impact not material

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

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 01 July 2020 or later periods:

Standard / Interpretation:	Effective Date: Years Beginning on or After	Expected Impact
Directive 7 (revised): The Application of Deemed Cost	01 April 2020	Unlikely there will be a material impact

# NOTES TO THE FINANCIAL STATEMENTS

AS AT 30 JUNE 2020 (Continued)

## 3. BIOLOGICAL ASSETS

	2020			2019		
	Cost/ Valuation R'000	Accumulated Depreciation R'000	Carrying Value R'000	Cost/ Valuation R'000	Accumulated Depreciation R'000	Carrying Value R'000
Cattle	563	-	563	534	-	534
	<b>563</b>	<b>-</b>	<b>563</b>	<b>534</b>	<b>-</b>	<b>534</b>

### RECONCILIATION OF BIOLOGICAL ASSETS - 30 JUNE 2020

	Opening Balance R'000	Decreases Due to Theft R'000	Fair Value Adjustments R'000	Closing Balance R'000
Cattle	534	(185)	214	563
<b>Total</b>	<b>534</b>	<b>(185)</b>	<b>214</b>	<b>563</b>

### RECONCILIATION OF BIOLOGICAL ASSETS - 30 JUNE 2019

	Opening Balance R'000	Fair Value Adjustments R'000	Closing Balance R'000
Cattle	579	(45)	534
<b>Total</b>	<b>579</b>	<b>(45)</b>	<b>534</b>

## Non-Financial information

Quantities of each biological asset

Description	2020	2019
Bulls	8	7
Cows	28	50
Oxen	14	16
Calves and Heifers	30	15
<b>Total</b>	<b>80</b>	<b>88</b>

Biological assets are measured at fair value less the estimated cost to sell. The fair value of the livestock is determined based on the market price of livestock of a similar age, breed and genetic merit.

### Theft of Cows

During the year, 19 cows were stolen from the entity. The case has been reported to the The South African Police Services (SAPS) and is under investigation.

# NOTES TO THE FINANCIAL STATEMENTS

AS AT 30 JUNE 2020 (Continued)

The loss on theft has been included under Receivables from Non-exchange Transactions: Other and will be regarded as an expense only when the case has been finalised.

## Pledged as Security

The entity has no items of biological assets that have been pledged as security for any liabilities.

## Details of Valuation

The valuation of the biological assets was conducted by a local farmer Mr. W.A. Badenhorst of Willie Badenhorst Trust with address as P.O. Box 32, Bothaville, 9660.

## 4. INVESTMENT PROPERTY

	2020			2019		
	Cost/ Valuation R'000	Accumulated Depreciation and Accumulated Impairment R'000	Carrying Value R'000	Cost/ Valuation R'000	Accumulated Depreciation and Accumulated Impairment R'000	Carrying Value R'000
Investment Property	10,460	-	10,460	8,850	-	8,850
	<b>10,460</b>	<b>-</b>	<b>10,460</b>	<b>8,850</b>	<b>-</b>	<b>8,850</b>

### Reconciliation of Investment Property as at 30 June 2020

	Opening Balance R'000	Fair Value Adjustments R'000	Total R'000
Investment Property	8,850	1,610	10,460
	<b>8,850</b>	<b>1,610</b>	<b>10,460</b>

### Reconciliation of Investment Property as at 30 June 2019

	Opening Balance R'000	Fair Value Adjustments R'000	Total R'000
Investment Property	9,050	(200)	8,850
	<b>9,050</b>	<b>(200)</b>	<b>8,850</b>
Fair Value of Investment Properties		<b>10,460</b>	<b>8,850</b>

# NOTES TO THE FINANCIAL STATEMENTS

AS AT 30 JUNE 2020 (Continued)

## Pledged as Security

The entity has no items of investment property that have been pledged as security for liabilities.

## Details of Valuation

The effective date of the revaluations was 30 June 2020. Revaluations were performed by an independent valuer, Ms. Yvette Muller (Professional Valuer) of DDP Valuation and Advisory Services (Pty) Ltd as subcontracted by SMEC with business address Voltex House, First Floor, South Block, 3 River Road, Bedfordview, Germiston 2007. SMEC and DDP Valuation and Advisory are not connected to the entity and have recent experience in location and category of the investment property being valued.

The valuation was based on open market value for existing use.

## Amounts Recognised in Surplus or Deficit

Rental Income from Investment Property	3,235	3,063
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## 5. PROPERTY, PLANT AND EQUIPMENT

	2020			2019		
	Cost / Valuation R'000	Accumulated Depreciation and Accumulated Impairment R'000	Carrying Value R'000	Cost / Valuation R'000	Accumulated Depreciation and Accumulated Impairment R'000	Carrying Value R'000
Land, Buildings and Improvements	185,527	(23,708)	161,819	185,511	(17,755)	167,756
Plant, Machinery and Equipment	100,165	(41,336)	58,829	97,327	(30,588)	66,739
Motor Vehicles	82,463	(78,178)	4,285	82,365	(57,739)	24,626
Precipitation and Dosing	73,083	(4,337)	68,746	73,083	(3,253)	69,830
Pipelines and Reservoirs	2,546,894	(505,132)	2,041,762	2,546,399	(377,616)	2,168,783
Capital Work-in-Progress	1,678,132	-	1,678,132	1,371,618	-	1,371,618
<b>Total</b>	<b>4,666,264</b>	<b>(652,691)</b>	<b>4,013,573</b>	<b>4,356,303</b>	<b>(486,951)</b>	<b>3,869,352</b>

# NOTES TO THE FINANCIAL STATEMENTS

AS AT 30 JUNE 2020 (Continued)

## Reconciliation of Property, Plant and Equipment as at 30 June 2020

	Opening Balance	Additions	Additions at Deemed Cost	Depreciation	Closing Balance
	R'000	R'000	R'000	R'000	R'000
Land, Buildings and Improvements	167.756	16	-	(5.953)	161.819
Plant, Machinery and Equipment	66.739	2.820	19	(10.749)	58.829
Motor Vehicles	24.626	58	40	(20.439)	4.285
Precipitation and Dosing	69.830	-	-	(1.084)	68.746
Pipelines and Reservoirs	2,168,783	495	-	(127.516)	2,041,762
Capital Work-in-Progress	1,371,618	306.514	-	-	1,678,132
<b>Total</b>	<b>3,869,352</b>	<b>309.903</b>	<b>59</b>	<b>(165.741)</b>	<b>4,013,573</b>

## Reconciliation of Property, Plant and Equipment as at 30 June 2019

	Restated Opening Balance	Restated Additions	Restated Write Off	Restated Additions at Deemed Cost	Restated Depreciation	Restated Closing Balance
	R'000	R'000	R'000	R'000	R'000	R'000
Land, Buildings and Improvements	174.148	18	(569)	-	(5.841)	167.756
Plant, Machinery and Equipment	75.867	2.177	(773)	664	(11.196)	66.739
Motor Vehicles	45.204	-	-	12	(20.590)	24.626
Precipitation and Dosing	70.914	-	-	-	(1.084)	69.830
Pipelines and Reservoirs	2,296,548	-	-	-	(127.765)	2,168,783
Capital Work-in-Progress	917.153	454.465	-	-	-	1,371,618
<b>Total</b>	<b>3,579,834</b>	<b>456.660</b>	<b>(1.342)</b>	<b>676</b>	<b>(166.476)</b>	<b>3,869,352</b>

## Reconciliation of Restated Figures

Below is a reconciliation of property, plant and equipment classes from amounts previously reported to the restated amounts to reflect the total adjustment per class:

Land, Buildings and Improvements	-	(5,140)
Plant, Machinery and Equipment	-	13,844
Motor Vehicles	-	22,620
Precipitation and Dosing	-	24
Pipelines and Reservoirs	-	338,923
Capital Work-in-Progress	-	106,780
<b>Total Restatement</b>	<b>-</b>	<b>477,051</b>

# NOTES TO THE FINANCIAL STATEMENTS

AS AT 30 JUNE 2020 (Continued)

The detail of the restatements per movement per class is as follows:

	Opening Balance	Additions	Write Off	Additions at Deemed Cost	Depreciation	Closing Balance
	R'000	R'000	R'000	R'000	R'000	R'000
<b>LAND, BUILDINGS AND IMPROVEMENTS</b>						
Previously Reported	174,147	4,778	-	-	(6,029)	172,896
<b>Total Amounts Previously Reported</b>	<b>174,147</b>	<b>4,778</b>	<b>-</b>	<b>-</b>	<b>(6,029)</b>	<b>172,896</b>
Adjustments	1	(4,760)	(569)	-	188	(5,140)
<b>Restated Amounts</b>	<b>174,148</b>	<b>18</b>	<b>(569)</b>	<b>-</b>	<b>(5,841)</b>	<b>167,756</b>

## PLANT, MACHINERY AND IMPROVEMENTS

Previously Reported	60,327	2,225	(189)	868	(10,336)	52,895
<b>Total Amounts Previously Reported</b>	<b>60,327</b>	<b>2,225</b>	<b>(189)</b>	<b>868</b>	<b>(10,336)</b>	<b>52,895</b>
Adjustments	15,540	(48)	(584)	(204)	(860)	13,844
<b>Restated Amounts</b>	<b>75,867</b>	<b>2,177</b>	<b>(773)</b>	<b>664</b>	<b>(11,196)</b>	<b>66,739</b>

## MOTOR VEHICLES

Previously Reported	9,656	-	-	12	(7,662)	2,006
<b>Total Amounts Previously Reported</b>	<b>9,656</b>	<b>-</b>	<b>-</b>	<b>12</b>	<b>(7,662)</b>	<b>2,006</b>
Adjustments	35,548	-	-	-	(12,928)	22,620
<b>Restated Amounts</b>	<b>45,204</b>	<b>-</b>	<b>-</b>	<b>12</b>	<b>(20,590)</b>	<b>24,626</b>

## PRECIPITATION AND DOSING

Previously Reported	70,890	-	-	-	(1,084)	69,806
<b>Total Amounts Previously Reported</b>	<b>70,890</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,084)</b>	<b>69,806</b>
Adjustments	24	-	-	-	-	24
<b>Restated Amounts</b>	<b>70,914</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,084)</b>	<b>69,830</b>

## PIPELINES AND RESERVOIRS

Previously Reported	1,954,336	-	-	-	(124,476)	1,829,860
<b>Total Amounts Previously Reported</b>	<b>1,954,336</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(124,476)</b>	<b>1,829,860</b>
Adjustments	342,212	-	-	-	(3,289)	338,923
<b>Restated Amounts</b>	<b>2,296,548</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(127,765)</b>	<b>2,168,783</b>

# NOTES TO THE FINANCIAL STATEMENTS

AS AT 30 JUNE 2020 (Continued)

The detail of the restatements per movement per class is as follows (continued):

	Opening Balance	Additions	Write Off	Additions at Deemed Cost	Depreciation	Closing Balance
	R'000	R'000	R'000	R'000	R'000	R'000
<b>CAPITAL WORK-IN-PROGRESS</b>						
Previously Reported	860,274	404,564	-	-	-	1,264,838
<b>Total Amounts Previously Reported</b>	<b>860,274</b>	<b>404,564</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,264,838</b>
Adjustments	56,879	49,901	-	-	-	106,780
<b>Restated Amounts</b>	<b>917,153</b>	<b>454,465</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,371,618</b>

## Pledged as Security

There were no items of property, plant and equipment that have been pledged as security with the exception of vehicles that are leased and are held as security for the lease.

## Compensation Received for Losses Included in Operating Profit

Property, Plant and Equipment	97	778
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## Revaluations

The effective date of the revaluations was 30 June 2016. Revaluations were performed by independent valuers of SMEC. SMEC is not connected to the entity.

Land and buildings are revalued independently every 5 years.

These assumptions were based on current market conditions.

# NOTES TO THE FINANCIAL STATEMENTS

AS AT 30 JUNE 2020 (Continued)

The detail of the restatements per movement per class is as follows (continued):

	2020 R'000	2019 R'000
<b>Property, plant and equipment in the process of being constructed or developed</b>		
<b>Cumulative expenditure recognised in the carrying value of property, plant and equipment</b>		
Pipelines	1,678,132	1,371,618
<b>Carrying value of capital work-in-progress that is taking a significantly longer period of time to complete than expected</b>		
Namakwa Project	277,444	218,901
Vaal Gamagara Pipeline	1,194,215	958,403
Monyakeng	81,845	70,710
Other	103,072	102,048
The above projects are slower to complete due to the prevailing cash flow crisis		
	<b>1,656,576</b>	<b>1,350,062</b>
<b>Carrying value of property, plant and equipment where construction or development has been halted either during the current or previous reporting period(s)</b>		
Buisfontein	21,556	21,556
	<b>21,556</b>	<b>21,556</b>

## Reconciliation of Capital Work-in-Progress as at 30 June 2020

	Construction of Pipelines R'000	Total R'000
Opening Balance	1,371,618	1,371,618
Additions Capital Expenditure	306,514	306,514
	<b>1,678,132</b>	<b>1,678,132</b>

## Reconciliation of Capital Work-in-Progress as at 30 June 2019

	Construction of Pipelines R'000	Total R'000
Opening Balance as Reported	860,274	860,274
Additions Capital Expenditure	61,899	61,899
Prior Period Error to Opening Balance	404,564	404,564
Adjustments to Additions	44,881	44,881
	<b>1,371,618</b>	<b>1,371,618</b>

# NOTES TO THE FINANCIAL STATEMENTS

AS AT 30 JUNE 2020 (Continued)

## Reconciliation of Capital Work-in-Progress per project as at 30 June 2020

Name of Project	Namakwa R'000	Vaal Gamagara R'000	Buisfontein R'000	Monyakeng R'000	Other Projects R'000	Total R'000
Opening Balance	218,901	958,403	21,556	70,710	102,048	1,371,618
Additions For The Year	58,543	235,812	-	11,135	1,024	306,514
	<b>277,444</b>	<b>1,194,215</b>	<b>21,556</b>	<b>81,845</b>	<b>103,072</b>	<b>1,678,132</b>

## Reconciliation of Capital Work-in-Progress per project as at 30 June 2019

Name of Project	Namakwa R'000	Vaal Gamagara R'000	Buisfontein R'000	Monyakeng R'000	Other Projects R'000	Total R'000
Opening Balance as Reported	137,300	284,306	20,522	46,029	372,117	860,274
Prior Period Error Adjustment	49,431	277,518	-	-	(265,050)	61,899
Subtotal	186,731	561,824	20,522	46,029	107,067	922,173
Additions as Reported	7,221	376,647	1,034	24,681	(5,019)	404,564
Adjustments to Additions	24,949	19,932	-	-	-	44,881
	<b>218,901</b>	<b>958,403</b>	<b>21,556</b>	<b>70,710</b>	<b>102,048</b>	<b>1,371,618</b>

## Expenditure Incurred to Repair and Maintain Property, Plant and Equipment

### Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance

Buildings	4,923	1,923
Plants Maintenance	1,283	1,331
Motor Vehicles	4,672	7,031
Piping Systems Maintenance	6,608	7,784
Furniture	87	289
Machinery	982	959
Equipment	3,507	4,547
	<b>22,062</b>	<b>23,864</b>

### Deemed Cost

Aggregate of items valued using deemed cost	59	880
Aggregate adjustment to the carrying amounts previously reported	-	(204)

# NOTES TO THE FINANCIAL STATEMENTS

AS AT 30 JUNE 2020 (Continued)

## 6. INTANGIBLE ASSETS

	2020			2019		
	Cost / Valuation	Accumulated Amortisation and Accumulated Impairment	Carrying Value	Cost / Valuation	Accumulated Amortisation and Accumulated Impairment	Carrying Value
	R'000	R'000	R'000	R'000	R'000	R'000
Computer Software	4,787	(4,696)	91	4,787	(3,301)	1,486
Project - EDMS	4,722	-	4,722	4,722	-	4,722
Servitudes	1,088	-	1,088	1,088	-	1,088
<b>Total</b>	<b>10,597</b>	<b>(4,696)</b>	<b>5,901</b>	<b>10,597</b>	<b>(3,301)</b>	<b>7,296</b>

### Reconciliation of Intangible Assets as at 30 June 2020

	Opening Balance	Amortisation	Total
	R'000	R'000	R'000
Computer Software	1,486	(1,395)	91
Project - EDMS	4,722	-	4,722
Servitudes	1,088	-	1,088
<b>Total</b>	<b>(7,296)</b>	<b>(1,395)</b>	<b>5,901</b>

### Reconciliation of Intangible Assets as at 30 June 2019

	Opening Balance	Amortisation	Total
	R'000	R'000	R'000
Computer Software	3,020	(1,534)	1,486
Project - EDMS	4,722	-	4,722
Servitudes	1,088	-	1,088
<b>Total</b>	<b>8,830</b>	<b>(1,534)</b>	<b>7,296</b>

### Reconciliation of Prior Period Balances:

Below is a reconciliation of intangible assets classes from amounts previously reported to the restated amounts to reflect the total adjustments made:

Computer Software	Opening Balance	Amortisation	Total
	R'000	R'000	R'000
Previously Reported	1,573	(1,273)	300
<b>Total Amount Previously Reported</b>	<b>1,573</b>	<b>(1,273)</b>	<b>300</b>
Restatement	1,447	(261)	1,186
<b>Restated Amounts</b>	<b>3,020</b>	<b>(1,534)</b>	<b>1,486</b>

# NOTES TO THE FINANCIAL STATEMENTS

AS AT 30 JUNE 2020 (Continued)

## Pledged as Security

No items of intangible assets have been pledged as security over liabilities.

## 7. FINANCIAL ASSETS

### At Amortised Cost

Financial Assets

-	-
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The long-term financial assets (coupons) are held by Sanlam South Africa and Investec. Both financial institutions' credit rating by FITCH is AA.

### Non-Current Assets

At amortised cost

-	-
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### 30 June 2020

The entity did not have any long term financial assets as these were withdrawn in the previous year and were transferred to Cash and Cash Equivalents.

### 30 June 2019

	Other Financial Assets R'000	Sinking Fund R'000	Insurance Fund R'000	Personnel Investment R'000	Total R'000
<b>Opening Balances</b>	40,760	206,831	7,790	2,269	257,650
Transfer to Cash and Cash Equivalents	(40,760)	(206,831)	(7,790)	(2,269)	(257,650)
	-	-	-	-	-

# NOTES TO THE FINANCIAL STATEMENTS

AS AT 30 JUNE 2020 (Continued)

	2020	2019
	R'000	R'000
<b>8. INVENTORIES</b>		
Consumables Stores	13,144	14,592
Water Inventory	2,289	2,210
Chemical Inventory	2,895	4,499
<b>Gross Inventory</b>	<b>18,328</b>	<b>21,301</b>
Write Down of Inventory	(1,547)	(1,572)
<b>Net Inventory</b>	<b>16,781</b>	<b>19,729</b>
Inventories recognised as an expense during the period	493,273	469,178

## Inventory Pledged as Security

The entity did not have any items of inventory that have been pledged as security for liabilities.

## 9. RECEIVABLES FROM EXCHANGE TRANSACTIONS

### Gross Balance

Water Debtors	4,980,198	4,120,527
Operations and Maintenance	1,039,127	777,703
Other Debtors	37,409	26,727
Rental Debtors	3,739	3,424
Project Debtors	84,124	139,539
Capital Raising Levy	84,193	-
Deposits	8,973	8,973
Accrued Income	502	9,991
	<b>6,238,265</b>	<b>5,086,884</b>

### Less: Allowance for Impairment

Water Debtors	(858,910)	(713,489)
Operations and Maintenance	(179,277)	(129,620)
Other Debtors	(2,060)	(2,669)
Rental Debtors	(631)	(545)
Project Debtors	(1,883)	(3,639)
Capital Raising Levy	(3,729)	-
Deposits	-	-
Accrued Income	-	-
	<b>(1,046,490)</b>	<b>(849,962)</b>

# NOTES TO THE FINANCIAL STATEMENTS

AS AT 30 JUNE 2020 (Continued)

	2020 R'000	2019 R'000
<b>Net Balance</b>		
Water Debtors	4,121,288	3,407,038
Operations and Maintenance	859,850	648,083
Other Debtors	35,349	24,058
Rental Debtors	3,108	2,879
Project Debtors	82,241	135,900
Capital Raising Levy	80,464	-
Deposits	8,973	8,973
Accrued Income	502	9,991
	<b>5,191,775</b>	<b>4,236,922</b>
<b>Water Debtors</b>		
Current (0 - 30 days)	196,712	121,814
31 - 60 days	95,633	92,586
61 - 90 days	82,696	80,083
91 - 120 days	84,751	81,641
Over 120 days	4,520,406	3,744,403
<b>Gross Balance</b>	<b>4,980,198</b>	<b>4,120,527</b>
Less: Allowance for Impairment	(858,910)	(713,489)
<b>Net Balance</b>	<b>4,121,288</b>	<b>3,407,038</b>
<b>Operations and Maintenance</b>		
Current (0 - 30 days)	45,186	22,244
31 - 60 days	8,101	33,307
61 - 90 days	28,449	29,946
91 - 120 days	25,940	35,661
Over 120 days	931,451	656,545
<b>Gross Balance</b>	<b>1,039,127</b>	<b>777,703</b>
Less: Allowance for Impairment	(179,277)	(129,620)
<b>Net Balance</b>	<b>859,850</b>	<b>648,083</b>
<b>Other</b>		
Current (0 - 30 days)	822	329
31 - 60 days	14,871	(5,936)
61 - 90 days	386	378
91 - 120 days	263	9,484
Over 120 days	21,067	22,472
<b>Gross Balance</b>	<b>37,409</b>	<b>26,727</b>
Less: Allowance for Impairment	(2,060)	(2,669)
<b>Net Balance</b>	<b>35,349</b>	<b>24,058</b>

# NOTES TO THE FINANCIAL STATEMENTS

AS AT 30 JUNE 2020 (Continued)

	2020 R'000	2019 R'000
<b>Rentals</b>		
Current (0 - 30 days)	204	191
31 - 60 days	200	186
61 - 90 days	24	24
91 - 120 days	24	24
Over 120 days	3,287	2,999
<b>Gross Balance</b>	<b>3,739</b>	<b>3,424</b>
Less: Allowance for Impairment	(631)	(546)
<b>Net Balance</b>	<b>3,108</b>	<b>2,878</b>
<b>Project Debtors</b>		
Current (0 - 30 days)	11,748	4,580
31 - 60 days	2,235	4,926
61 - 90 days	2,874	51
91 - 120 days	11,906	71
Over 120 days	55,361	129,911
<b>Gross Balance</b>	<b>84,124</b>	<b>139,539</b>
Less: Allowance for Impairment	(1,883)	(3,639)
<b>Net Balance</b>	<b>82,241</b>	<b>135,900</b>
<b>Capital Raising Levy</b>		
Current (0 - 30 days)	14,823	-
31 - 60 days	10,204	-
61 - 90 days	3,744	-
91 - 120 days	10,614	-
Over 120 days	44,808	-
<b>Gross Balance</b>	<b>84,193</b>	-
Less: Allowance for Impairment	(3,729)	-
<b>Net Balance</b>	<b>80,464</b>	-
<b>Deposits</b>		
Current (0 - 30 days)	-	-
31 - 60 days	-	-
61 - 90 days	-	-
91 - 120 days	-	-
Over 120 days	8,973	8,973
<b>Net Balance</b>	<b>8,973</b>	<b>8,973</b>

# NOTES TO THE FINANCIAL STATEMENTS

AS AT 30 JUNE 2020 (Continued)

	<b>2020</b>	<b>2019</b>
	<b>R'000</b>	<b>R'000</b>
<b>Accrued Income</b>		
Current (0 - 30 days)	502	9,991
31 - 60 days	-	-
61 - 90 days	-	-
91 - 120 days	-	-
Over 120 days	-	-
<b>Net Balance</b>	<b>502</b>	<b>9,991</b>

## Summary of Receivables by Customer Classification

<b>Gross Balances</b>		
Commercial	181,014	103,377
Government	5,974,794	4,916,999
Residential	82,457	66,508
	<b>6,238,265</b>	<b>5,086,884</b>

## Less: Allowance for Impairment

Commercial	(6,696)	(3,518)
Government	(1,023,412)	(833,698)
Residential	(16,382)	(12,746)
	<b>(1,046,490)</b>	<b>(849,962)</b>

## Net Balances

Commercial	174,318	99,859
Government	4,951,382	4,083,301
Residential	66,075	53,762
	<b>5,191,775</b>	<b>4,236,922</b>

## Ageing per Customer Classification

<b>Commercial</b>		
Current (0 - 30 days)	47,212	42,064
31 - 60 days	20,991	2,269
61 - 90 days	5,941	1,304
91 - 120 days	15,080	9,855
Over 120 days	91,790	47,885
<b>Gross Balance</b>	<b>181,014</b>	<b>103,377</b>
Less: Allowance for Impairment	(6,696)	(3,518)
<b>Net Balance</b>	<b>174,318</b>	<b>99,859</b>

# NOTES TO THE FINANCIAL STATEMENTS

AS AT 30 JUNE 2020 (Continued)

	2020 R'000	2019 R'000
<b>Government</b>		
Current (0 - 30 days)	222,520	115,744
31 - 60 days	108,592	121,268
61 - 90 days	111,038	106,728
91 - 120 days	117,388	115,906
Over 120 days	5,415,256	4,457,353
<b>Gross Balance</b>	<b>5,974,794</b>	<b>4,916,999</b>
Less: Allowance for Impairment	(1,023,412)	(833,698)
<b>Net Balance</b>	<b>4,951,382</b>	<b>4,083,301</b>
<b>Residential</b>		
Current (0 - 30 days)	265	1,341
31 - 60 days	1,661	1,532
61 - 90 days	1,193	2,450
91 - 120 days	1,030	1,121
Over 120 days	78,308	60,064
<b>Gross Balance</b>	<b>82,457</b>	<b>66,508</b>
Less: Allowance for Impairment	(15,982)	(12,746)
<b>Net Balance</b>	<b>66,475</b>	<b>53,762</b>
<b>Total Aging for Receivables from Exchange</b>		
Current (0 - 30 days)	269,997	159,149
31 - 60 days	131,244	125,068
61 - 90 days	118,172	110,482
91 - 120 days	133,498	126,881
Over 120 days	5,585,354	4,565,304
<b>Gross Balance</b>	<b>6,238,265</b>	<b>5,086,884</b>
Less: Allowance for Impairment	(1,046,490)	(849,962)
<b>Net Balance</b>	<b>5,191,775</b>	<b>4,236,922</b>

## Debtor's with Credit Balances

Included in Receivables from Exchange Transactions are debtor's with credit balances amounting to R 1 885.

## Trade and Other Receivables Pledged as Security

The entity did not have any items of receivables from exchange transactions that had been pledged as security for liabilities.

# NOTES TO THE FINANCIAL STATEMENTS

AS AT 30 JUNE 2020 (Continued)

## Trade and Other Receivables Past Due but Not Impaired

Trade and other receivables which were less than 3 months past due were not considered to be impaired. At 30 June 2020, R 519,413 (2019: R 394,699) were past due but not impaired.

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

1 month past due	269,997	159,149
2 months past due	131,244	125,068
3 months past due	118,172	110,482

## Trade and Other Receivables Impaired

As of 30 June 2020, trade and other receivables of R 5,718,852 (2019: R 4,692,185) were impaired and provided for.

The amount of the provision was R (1,046,490) as of 30 June 2020 (2019: R 849,962).

The contributing factor to the increase of provision for impairment is the COVID-19 pandemic that has affected the payment patterns of our customers.

The ageing of these loans is as follows:

3 to 6 months	133,498	126,881
Over 6 months	5,585,354	4,565,304

## Reconciliation of Provision for Impairment of Trade and Other Receivables

<b>Opening Balance</b>	<b>849,962</b>	<b>830,312</b>
Clearing of Long Outstanding Amounts	-	(116)
Adjustment as a Result of GRAP 104 Alignment	-	(180,008)
<b>Restated Opening Balance</b>	<b>849,962</b>	<b>650,188</b>
Movement in Provision for Impairment	196,528	199,774
<b>Closing Balance</b>	<b>1,046,490</b>	<b>849,962</b>

## Movement per Service

Water Debtors	145,421	153,260
Operations and Maintenance	49,657	47,014
Other	(609)	1,302
Rentals	85	48
Project Debtors	(1,755)	(1,850)
Capital Raising Levy	3,729	-
<b>Net Balance</b>	<b>196,528</b>	<b>199,774</b>

# NOTES TO THE FINANCIAL STATEMENTS

AS AT 30 JUNE 2020 (Continued)

## Movement per Category

Commercial	3,178	1,214
Government	189,714	196,226
Residential	3,636	2,334
<b>Net Balance</b>	<b>196,528</b>	<b>199,774</b>

## 10. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Unresolved Cases	185	-
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### Receivables from Non-Exchange Transactions Pledged as Security

No receivables from non-exchange transactions have been pledged as security for any loan.

### Receivables from Non-Exchange Transactions Impaired

There were no items of receivables from non-exchange transactions were impaired.

## 11. VAT RECEIVABLE

VAT Receivable from SARS	124,024	173,590
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## 12. CASH AND CASH EQUIVALENTS

	2020	2019
	R'000	R'000
<b>Cash and Cash Equivalents consist of:</b>		
Cash on Hand	73	73
Bank Balances	281,194	310,397
Short-Term Deposits	102,959	96,989
	<b>384,226</b>	<b>407,459</b>

# NOTES TO THE FINANCIAL STATEMENTS

AS AT 30 JUNE 2020 (Continued)

The entity had the following bank accounts:

Account Number / Description	Bank Statement Balances			Cash Book Balances		
	30 June 2020	30 June 2019	30 June 2018	30 June 2020	30 June 2019	30 June 2018
	R'000	R'000	R'000	R'000	R'000	R'000
Cash on Hand	-	-	-	73	73	73
ABSA: 7-9060-0622 Cheque	126,005	12,783	10,887	126,005	12,783	10,887
Standard Bank-248471058-025	2,177	75,503	84,088	2,177	75,503	84,088
Fixed Deposit						
ABSA: 40-7864-1438 Cheque	3,537	4,956	2,461	3,537	4,956	2,461
ABSA: 7-9015-0279 Cheque	104	52	49	104	52	49
ABSA: 7-9014-4163 Cheque	193	227	181	193	227	181
ABSA: 7-9015-7680 Cheque	2,814	1,790	1,077	2,807	1,784	1,077
Standard Bank (09-842)	29	403	5	29	403	5
ABSA: 40-6885-0253 Cheque	21,069	10,872	12,287	21,069	10,872	12,287
ABSA: 40-7817-4867 Cheque	418	943	857	418	943	857
ABSA: 40-8544-0726 Cheque	388	6,974	2,945	388	6,974	2,945
ABSA: 40-8544-0823 Current	10,086	5,850	930	10,086	5,850	930
Account						
ABSA: 40-9410-6551: PUBSECFS	10	190,026	1,236	10	190,026	1,236
ABSA: 40-9410-1747: PUBSECFS	1	1	18,450	1	1	18,450
ABSA: 40-9410-6315: PUBSECFS	25	23	139,234	25	23	139,234
ABSA: 40-9839-7544 Current	556	-	-	556	-	-
ABSA: 40-9747-9672 Current	112,191	-	-	112,191	-	-
ABSA: 40-9839-4423 Current	1,599	-	-	1,599	-	-
ABSA: 40-9410-6551 Cheque	-	-	1	-	-	1
ABSA: 40-9410-6315 Cheque	-	-	1	-	-	1
ABSA: 40-941-1747 Cheque	-	-	1	-	-	1
Standard Bank: 24-8471058-025						
Call Deposit	-	-	24,303	-	-	24,303
Standard Bank: 23-8633608-403						
Cheque	-	-	4	-	-	4
Standard Bank: 030-884-543						
Cheque	-	-	19	-	-	19
ABSA: 20-5879-4067	31	29	-	31	29	-
Amortisation Investment						
ABSA: 40-4942-5950 Insurance	9,849	9,028	-	9,849	9,028	-
Fund						
ABSA: 20-6182-2300 Fixed	87	83	61,140	87	83	61,140
Deposit						
Sanlam Gensec Bond 1056	92,991	87,849	-	92,991	87,849	-
<b>Total</b>	<b>384,160</b>	<b>407,392</b>	<b>360,156</b>	<b>384,226</b>	<b>407,459</b>	<b>360,229</b>

The Sanlam Investment amounting to R 92 991 is not available for use by the entity.

# NOTES TO THE FINANCIAL STATEMENTS

AS AT 30 JUNE 2020 (Continued)

## 13 INTEREST-BEARING BORROWINGS

	2020 R'000	2019 R'000
<b>At Amortised Cost</b>		
Sishen Iron Ore	31,428	37,295

The loans bears interest at prime minus 2.50% and is repayable in monthly installments over a period of 10 years commencing on 31/01/2015 with the last payment on 31/12/2024. The loan is not secured by any assets of the entity.

There was no arrangement for contingent payments to be made by the entity for the loan.

The split of the loan between long-term and short-term based the amortisation schedule is as follows:

<b>Non-Current Liabilities</b>		
At Amortised Cost	24,945	31,429
<b>Current Liabilities</b>		
At Amortised Cost	6,483	5,866
<b>Minimum Loan Payments Due</b>		
- within one year	6,483	5,866
- in second to fifth year inclusive	24,945	27,579
- later than five years	-	3,850
	<b>31,428</b>	<b>37,295</b>

## 14. FINANCE LEASE LIABILITIES

ABSA	3,438	6,179
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The split of the finance lease liability between long-term and short-term is as follows:

Non-Current Liabilities	603	3,122
Current Liabilities	2,854	3,057
	<b>3,457</b>	<b>6,179</b>

It is the entity's policy to lease certain motor vehicles and equipment under finance leases.

Interest rates are fixed at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

The entity's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer to Note 5.

# NOTES TO THE FINANCIAL STATEMENTS

AS AT 30 JUNE 2020 (Continued)

## 15. RETIREMENT BENEFIT OBLIGATIONS

	2020	2019
	R'000	R'000

The Board has made a provision for pension and provident schemes relating to retirement benefit obligations covering all employees substantially. The funds are governed by the Pension Funds Act (Act No. 24 Of 1956).

### Provident Plan

The provident fund is regulated by the Pension Fund Act of 1956. All employees are compulsory members of the fund. Contributions are paid by employer at a rate of 8.5% of pensionable remuneration of all members plus cost of administration

### Pension Fund

The pension fund is regulated by the Pension Fund Act of 1956. All permanent employees are compulsory members of the fund. Employees make 8.5% of the contribution. The employer covers the cost assured benefits, as well as fees for basic administration, consultation and actuarial services.

The plans are funded and an interim actuarial valuations are performed regularly with statutory valuations conducted every three (3) years.

Employees and continuation and widowers ('CAWMs') of Sedibeng participate in the Community Medical Aid Scheme ('Commed'), Discovery Health Medical Scheme ('Discovery') or Hosmed Medical Scheme ('Hosmed').

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

### Reconciliation of Present Value of Retirement Obligation Liability

Opening Balance	96,420	94,725
Net Expense Recognised for the Year	6,842	7,015
Actuarial Gain	(14,735)	(5,320)
<b>Present Value</b>	<b>88,527</b>	<b>96,420</b>

### Net Expense Recognised in the Statement of Financial Performance:

Current Service Cost	1,937	2,058
Interest Cost	9,419	9,165
Contributions by Employer	(4,514)	(4,208)
	<b>6,842</b>	<b>7,015</b>

### Calculation of Actuarial Gains is as follows:

Carrying Value of Retirement Benefit Obligation	(103,262)	(101,740)
Fair Value of Retirement Benefit Obligation	88,527	96,420
	<b>(14,735)</b>	<b>(5,320)</b>

# NOTES TO THE FINANCIAL STATEMENTS

AS AT 30 JUNE 2020 (Continued)

## 15. RETIREMENT BENEFIT OBLIGATION (CONTINUED)

	2020 R'000	2019 R'000
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### Key Assumptions Used

Assumptions used at the reporting date:

Real Discount Rate	3.32 %	1.89 %
Discount Rate	12.37 %	10.02 %
Consumer Price Index	7.26 %	6.48 %
Real Yield	4.76 %	3.32 %
Health Care Cost Inflation	8.76 %	7.98 %
Expected Increase in Salaries	8.26 %	7.48 %

### Mortality Assumption

The longevity members in retirement is an important assumption, dictating the expected length of time over which benefits are paid. The effect of using heavier or lighter mortality assumptions post-employment is shown below:

### Mortality

Variations	Change in Past Service Contractual Liability	Change in Service Cost Plus Interest Cost
PA (90)	-3.4%	-3.5%
PA (90) -2	+3.5%	+3.5%

They have assumed that the income bands will increase annually with CPI and that an employee's salary will increase by the salary inflation assumption. The employee's salary at retirement will be used to determine the income band in retirement. Pensioners will remain in the same income band going forward.

Age	Males	Females
Pre-Retirement	SA85-90 (Light)	SA85-90 (Light) with a three year age reduction
Post Retirement	PA(90) -1 (Males)	PA(90) -1 (Females)

The above rates imply that the expected lifetime at NRA of a male is 15.3 years and 19.2 years for a female. This will remain the same in the future.

# NOTES TO THE FINANCIAL STATEMENTS

AS AT 30 JUNE 2020 (Continued)

## Sensitivity Analysis for Health Care Cost Inflation

The effect of a 1% increase and decrease in the health care cost inflation assumption on the past-service contractual liability and the annual expense is shown in the table below.

Variations	Change in Past Service Contractual Liability	Change in Service Cost Plus Interest Cost
+1% with a Health Care Cost Inflation Rate of 9.76%	+11.1%	+12.0%
-1% with a Health Care Cost Inflation Rate of 7.76%	-9.6%	-10.3%

## Present Value Over The Years

Amounts for the current and previous five years are as follows:

	30 June 2020 R'000	30 June 2019 R'000	30 June 2018 R'000	30 June 2017 R'000	30 June 2016 R'000
Fair / Carrying Value of Retirement Obligation	103,262	101,740	102,520	89,832	90,790
Actuarial (Gain) Loss	(14,735)	(5,320)	(7,795)	(4,888)	613
	<b>88,527</b>	<b>96,420</b>	<b>94,725</b>	<b>94,720</b>	<b>91,403</b>

## 16. DEFERRED INCOME

	2020 R'000	2019 R'000
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### Deferred Income Consist of:

Namakwa and Vaal Gamagara Pipeline Project	168,227	99,574
Capital Raising Levy	198,864	-
Drought Relief Projects	20,518	-
	<b>387,609</b>	<b>99,574</b>

### Movement During The Period:

Balance At The Beginning Of The Year	99,574	75,138
Additions During The Period	629,111	456,088
Income Recognition During The Year	(341,076)	(431,652)
	<b>387,609</b>	<b>99,574</b>

# NOTES TO THE FINANCIAL STATEMENTS

AS AT 30 JUNE 2020 (Continued)

The payments were received from Department of Water and Sanitation for the construction of pipelines in the Northern Cape and Namakwa Region. The construction of the respective assets has not been completed. The spending of the money as received has been allocated to Work-in-Progress.

The payments were received in advance from customers for the replenishment of the capital infrastructure.

Refer to Note 29 for Realisation of Deferred Income.

These amounts are invested in a ring-fenced investment until utilised.

## 17. LONG SERVICE AWARDS LIABILITY

	2020	2019
	R'000	R'000

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

### Reconciliation of Present Value of Long Service Awards Liability

Opening Balance	30,815	28,215
Net Expense Recognised For The Year	(314)	886
Actuarial Loss	194	1,714
<b>Present Value</b>	<b>30,695</b>	<b>30,815</b>

### Net Expense Recognised in the Statement of Financial Performance:

Current Service Cost	3,542	3,455
Interest Cost	2,171	2,246
Contributions By Employer	(6,027)	(4,815)
	<b>(314)</b>	<b>886</b>

### Calculation of Actuarial Loss is as follows:

Carrying Value of Long Service Awards Liability	(30,501)	(29,101)
Fair Value of Long Service Awards Liability	30,695	30,815
	<b>194</b>	<b>1,714</b>

# NOTES TO THE FINANCIAL STATEMENTS

AS AT 30 JUNE 2020 (Continued)

## 17. LONG SERVICE AWARDS LIABILITY (CONTINUED)

### Basis of Valuation

The long service awards are payable to employees of Sedibeng Water in accordance to the policy as follows:

Long Service Award	Long Service Leave	Additional Cash or Gift Awards
5 years	Applicable per grade	No cash award
10 years	Applicable per grade	Cash payment limited to R5,000
15 years	Applicable per grade	Cash payment limited to R7,500
20 years	Applicable per grade	Cash payment limited to R10,000
25 years	Applicable per grade	Cash payment limited to R12,500
30 years	Applicable per grade	Cash payment limited to R15,000
35 years	Applicable per grade	Cash payment limited to R20,000 and weekend vacation valued at R5,000
At Retirement	Applicable per grade	Cash payment limited to R4,500 and gift valued at R500

The normal retirement age ('NRA') for Sedibeng's employees is 65 years.

The long service leave award is granted on a once-off basis to employees after every five years of service based on their job level. The additional leave days granted every five years, per job level, are shown in the table below.

### Long Service Leave Award per Job Level

Grade	Long Service Leave Days
Executives	30
Grade 6 to 9	25
Grade 10 to 18	20

The above table implies that when an executive employee, for example, reaches a long service milestone, they will be granted a once-off leave credit of 30 days.

The liability was based in respect of the long service leave award on an employee's current salary and job level, allowing for salary inflation in each future year.

### Valuation Assumption and Methodology

The long service awards were valued using the Project Unit Credit discounted cashflow method. This method was used to determine the past-service liabilities at the valuation date and projected annual expense in the following the valuation date.

# NOTES TO THE FINANCIAL STATEMENTS

AS AT 30 JUNE 2020 (Continued)

## Key Assumptions Used

Assumptions used at the reporting date:

	30 June 2020	30 June 2019	30 June 2018	30 June 2017	30 June 2016
	R'000	R'000	R'000	R'000	R'000
Consumer Price Index (CPI)	3.24%	4.75%	5.85%	7.85%	7.81%
Salary Inflation	4.24%	5.75%	6.85%	7.85%	7.81%
Discount Rate	7.70%	7.91%	8.73%	8.66%	8.63%
Real Discount Rate	3.32%	2.04%	1.76%	-	-

The discounted mean term of Sedibeng Water's liability was approximately 5.6 years as at 30 June 2018. The discount rate and CPI have therefore been based on the 5.6-year yield from the South African zero coupon government bond yield curve as at 1 July 2019, as published by the Bond Exchange of South Africa.

The table below shows the nominal and real yields at a 5.6-year term:

Rate	30 June 2020
Nominal Yield	7.70%
Real Yield	4.32%
<b>Implied CPI</b>	<b>3.24%</b>

The discount rate was set equal to the nominal yield.

The CPI assumption was derived by taking the difference between the nominal yield and real yield.

Salary inflation was set at 1% above CPI.

For the purpose of this valuation, the real discount rate is either the discount rate (7.70% per annum) or the discount rate net of salary inflation (3.32% per annum), depending on the type of award. These two variables have the greatest effect on the liability as even relatively small changes to these assumptions have a relatively large impact on the liabilities.

The market values of the bond yields are available via subscription.

The mortality assumptions as well as the assumed resignation and retirement rates used for the purpose of this valuation are shown in the tables below. As employees are entitled to an award at retirement, we have allowed for the possibility of early retirement in calculating the liability.

	Males	Females
Mortality	SA85-90 (Light)	SA85-90 (Light) with a three year age reduction

# NOTES TO THE FINANCIAL STATEMENTS

AS AT 30 JUNE 2020 (Continued)

## 18. PAYABLES FROM EXCHANGE TRANSACTIONS

	2020 R'000	2019 R'000
Trade Payables	3,835,736	3,145,049
Other Payables	353,406	410,047
TSWASA Account	9,235	7,550
Accrued Leave Pay	35,519	28,307
Accrued Bonus	8,965	7,730
Inter-Companies	-	-
	<b>4,242,861</b>	<b>3,598,683</b>

The Board consider that the carrying amount of trade and other payables approximates to their fair value.

## 19. REVALUATION RESERVE

Opening Balance	2,267,869	2,267,869
Changes During The Year	-	-
	<b>2,267,869</b>	<b>2,267,869</b>

Revaluation Reserve is realised through sale. There were no disposals that occurred during the year.

The surplus is a non-distributable reserve.

### Revaluation Reserve Relating to Property, Plant and Equipment

Revaluation Reserve Beginning of Period	2,267,869	2,267,869
Movements For The Year	-	-
	<b>2,267,869</b>	<b>2,267,869</b>

## 20. ACCUMULATED SURPLUS

The carrying value accumulated surplus is as follows:

Opening Balance	2,586,897	1,386,668
Prior Period Adjustments	-	1,044,068
Surplus For The Year	108,145	57,852
Adjustments of Revenue and Expenses	-	98,309
	<b>2,695,042</b>	<b>2,586,897</b>

The accumulated surplus is not ring-fenced against any item in the entity and it is a non-distributable reserve.

# NOTES TO THE FINANCIAL STATEMENTS

AS AT 30 JUNE 2020 (Continued)

## 21. WATER SALES

	2020 R'000	2019 R'000
Water Sales - Variable Component	906,551	833,226
Water Sales - Fixed Contribution	443,078	399,413
	<b>1,349,629</b>	<b>1,232,639</b>

The entity sells water at both variable and fixed contribution based on the tariff's approved by the Board and the volume quantities consumed by its customers within a billing period.

## 22. SERVICE DELIVERY FEES

Sewerage Income	32,738	30,377
Service Delivery Fees	164,914	154,999
Operation and Recovery Maintenance	64,230	60,045
Contract Management Services	68,305	88,462
	<b>330,187</b>	<b>333,883</b>

The service delivery fees are costs recovered from municipalities for services provided on their behalf.

## 23. INTEREST RECEIVED ON OUTSTANDING DEBTORS

Interest on Outstanding Debtors	<b>1,982</b>	<b>1,003</b>
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The entity charges interest on outstanding debtors that are above 30 days at prime rate + 2% per annum.

## 24. PROJECT INCOME

Project Management Fees	<b>16,558</b>	<b>7,973</b>
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The entity charges a fee based on completion of a project for the administration of that respective project. The fee is a predetermined based on the contract signed with the counterparty.

## 25. OTHER INCOME

Administration Fee Income	16,793	15,813
Rental Income	3,235	3,063
Purification Income	6,925	9,042
Bad Debts Recovered	-	19
Income from Cafeteria	1,695	1,886
Insurance	97	778
Miscellaneous Income	5,035	4,463
	<b>33,780</b>	<b>35,064</b>

# NOTES TO THE FINANCIAL STATEMENTS

AS AT 30 JUNE 2020 (Continued)

Administration Fee Income is the administration fee charged by the entity for the service provided.

Rental Income relates to the amounts charged to tenants for the provision of housing that is done by the entity.

Purification Income is the purification costs recovered from the services provided relating to the purification provided by the entity on behalf of external parties.

Bad Debts Recovered relates to the debts that were previously written off as bad, but are subsequently recovered due to the rehabilitation of the debtor and/or the entity's stringent interventions to recover the monies due to the entity.

Income from Cafeteria refers to the income from sales of the cafeteria as a service provided by the entity to its employees.

Insurance refers to compensation from insurance for loss or damage of assets.

Miscellaneous Income relates to various income such as tender documents, connection fees, fuel stock sales, sanitation and refuse removal, sale of scrap, bursaries and bus services. These streams of income are as a result of the entity's nature of operations.

## 26. INTEREST RECEIVED FROM INVESTMENTS

	2020 R'000	2019 R'000
<b>Interest Revenue</b>		
Bank	12,597	31,375

Investment Income relates to interest received on financial assets held at amortised cost. The interest is calculated based on the rate obtained from the financial institution based on the product service that was quoted at inception of the contract.

## 27. FAIR VALUE ADJUSTMENTS

Biological Assets	(214)	44
Investment Properties	(1,610)	200
	<b>(1,824)</b>	<b>244</b>

Fair Value adjustment of:

- Biological Assets refer to the changes in the fair value of Biological Assets as determined by an Independent Farmer. Refer to Note 3; and
- Investment Properties refers to the change in the fair value of Investment Properties as assessed by the professional valuers. Refer to Note 4.

# NOTES TO THE FINANCIAL STATEMENTS

AS AT 30 JUNE 2020 (Continued)

## 28. ACTUARIAL GAIN

	2020 R'000	2019 R'000
<b>Actuarial Gain (Loss) comprises of:</b>		
Retirement Benefit Obligation. Refer to Note 15.	14,735	5,320
Long Service Liability. Refer to Note 17.	(194)	(1,714)
	<b>14,541</b>	<b>3,606</b>

Actuarial Gain (Loss) is as a result of remeasurement of retirement benefit obligation. Refer to Note 15 and long service awards liability (Note 17).

## 29. REALISATION OF DEFERRED INCOME

### Capital Projects

Department of Water and Sanitation	330,722	431,652
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### Department of Water and Sanitation

Opening Balance at the Beginning of the Period	99,574	(75,137)
Additional Cash Receipts	399,375	606,363
Realised as Income	(330,722)	(431,652)
	<b>168,227</b>	<b>99,574</b>

Any monies received where not yet spent on the project remains a liability. Refer to Note 16.

The payments were received from Department of Water and Sanitation for the construction of pipelines in the Northern Cape and Namakwa Region. The construction of the respective assets has not been completed. The spending of the money as received has been allocated to Work-in-Progress.

## 30. REVENUE

Water Sales	1,349,629	1,232,639
Service Delivery Fees	330,187	333,883
Interest on Outstanding Debtors	1,982	1,003
Project Income	16,558	7,973
Other Income	33,780	35,064
Interest Received on Investments	12,597	31,375
Fair Value Adjustments	1,824	-
Actuarial Gain	14,541	3,606
Realisation of Deferred Income	330,722	431,652
	<b>2,091,820</b>	<b>2,077,195</b>

# NOTES TO THE FINANCIAL STATEMENTS

AS AT 30 JUNE 2020 (Continued)

## 30. REVENUE (CONTINUED)

	2020 R'000	2019 R'000
<b>The amounts included in revenue arising from exchanges of goods or services are as follows:</b>		
Water Sales	1,349,629	1,232,639
Service Delivery Fees	330,187	333,883
Interest on Outstanding Debtors	1,982	1,003
Project Income	16,558	7,973
Other Income	33,780	35,064
Interest Received on Investments	12,597	31,375
	<b>1,744,733</b>	<b>1,641,937</b>

**The amount included in revenue arising from non-exchange transactions is as follows:**

Far Value Adjustments	1,824	-
Actuarial Gain	14,541	3,606
Realisation of Deferred Income	330,722	431,652
	<b>347,087</b>	<b>435,258</b>

## 31. EMPLOYEE RELATED COSTS

Basic	125,668	116,464
Acting Allowances	2,195	1,474
Incentive Bonuses	133	76
Medical Aid - Company Contributions	4,260	4,048
UIF	345	330
Board Member Claims and Stipends	6,121	5,118
SDL	1,001	985
Long Service Awards	965	682
Leave Pay Provision Charge	8,318	3,566
Amanzi Statutory	7	8
Standby Allowance	461	359
Overtime Payments	3,164	4,420
Cellphone Allowances	35	34
Defined Benefit Plan Expense	(5,062)	(3,510)
	<b>147,611</b>	<b>134,054</b>

# NOTES TO THE FINANCIAL STATEMENTS

AS AT 30 JUNE 2020 (Continued)

## 32. REPAIRS AND MAINTENANCE

	2020 R'000	2019 R'000
Buildings	4,923	1,923
Plants Maintenance	1,283	1,331
Motor Vehicles	4,672	7,031
Piping Systems Maintenance	6,608	7,784
Furniture	87	289
Machinery	982	959
Equipment	3,507	4,547
Operations	35,553	30,648
Other Maintenance	316	753
Grounds	335	463
Maintenance Contractor	1,671	2,633
Small Tools and Equipment	877	1,502
Pump Overhauls	-	62
Meter Installations	607	832
	<b>61,421</b>	<b>60,757</b>

## 33. DEPRECIATION AND AMORTISATION

Property, Plant and Equipment	165,741	166,476
Intangible Assets	1,395	1,534
	<b>167,136</b>	<b>168,010</b>

### Depreciation Per Class:

Land, Buildings and Improvements	5,953	5,841
Plant, Machinery and Equipment	10,749	11,196
Motor Vehicles	20,439	20,590
Precipitation and Dosing	1,084	1,084
Pipelines and Reservoirs	127,516	127,765

### Total Depreciation Charged on Property, Plant and Equipment

**165,741**      **166,476**

### Amortisation Per Class:

Computer Software	1,395	1,534
<b>Total Depreciation and Amortisation</b>	<b>167,136</b>	<b>168,010</b>

## 34. FINANCE COST

Non-Current Borrowings	3,214	3,908
Late Payment of Suppliers	248,642	219,087
GRAP 25 Valuations - Interest Costs	11,590	11,411
	<b>263,446</b>	<b>234,406</b>

# NOTES TO THE FINANCIAL STATEMENTS

AS AT 30 JUNE 2020 (Continued)

Total interest expense, calculated using the effective interest rate, on financial instruments not at fair value through surplus or deficit amounted to R 263,446 (2019: R 234,406).

Interest on Non-current Borrowings and Finance Lease Liability is based on the contractual agreement for the borrowings. Refer to Notes 13 and 14.

Interest on Late Payment of Suppliers is based on interest charged by suppliers on the ageing of the entity's amounts that are due but are not paid on time. Refer to Note 18 for the carrying amount of the entity's short-term obligations.

Interest Cost on GRAP 25 are based on the valuation performed by an expert on the Retirement Benefit Obligation. Refer to Note 15 and Long Service Award Liability (Note 17).

## 35. LEASE RENTALS ON OPERATING LEASE

	2020 R'000	2019 R'000
<b>Premises</b>		
Contractual Amounts	761	753
<b>Plant and Equipment</b>		
Contractual Amounts	5,118	1,853
	<b>5,879</b>	<b>2,606</b>

Lease Rentals on Operating Leases is based on actual amounts paid to suppliers as per the entity's contractual obligation or arrangement for the right of use of the items under the contract.

## 36. DEBT IMPAIRMENT

Movement in the Provision for Impairment	<b>196,528</b>	<b>199,774</b>
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Debt impairment is determined using the debt impairment methodology adopted by the entity based on its expectation of the recoverability of the monies payable to the entity, based on the cluster of customers that the entity has. Refer to Note 9.

The contributing factor to the increase of provision for impairment is the COVID-19 pandemic that has affected the payment patterns of our customers.

## 37. CONTRACTED SERVICES

Administrative and Support Staff	3,572	4,335
Security Services	48,267	44,732
Business and Advisory	5,784	4,313
Legal Cost	7,621	14,110
	<b>65,244</b>	<b>67,490</b>

# NOTES TO THE FINANCIAL STATEMENTS

AS AT 30 JUNE 2020 (Continued)

Contracted Services are services obtained by the from external service providers for the continuance of the entity's main operations.

## 38. COST OF SALES

	2020 R'000	2019 R'000
Water Purchases	440,139	422,279
Labour Costs	282,288	254,033
Electricity	203,642	216,335
Purification Costs	47,653	41,967
	<b>973,722</b>	<b>934,614</b>

Cost of Sales are the cost directly attributable to the production of water for the supply. These costs are both fixed and variable in nature.

Water Purchases are variable direct costs that relates to the raw water purchases.

Labour Costs are fixed direct costs that relate to the employee related costs element of the employees that work in the production of the water supply.

Electricity is the direct variable costs for the portion that is used in the production and distribution of water supply.

Purification Costs are direct variable costs for the chemicals purchased for the cleansing of the raw water.

# NOTES TO THE FINANCIAL STATEMENTS

AS AT 30 JUNE 2020 (Continued)

## 39. GENERAL EXPENSES

	2020 R'000	2019 R'000
Administration Costs	-	-
Advertising	925	577
Auditors Remuneration	6,161	5,622
Bank Charges	726	566
Cleaning	2,686	2,597
Community Focus	441	242
Computer Expenses	1,532	1,727
Consumables	5,481	4,932
Environmental Management	239	119
Fines and Penalties	-	1
Fuel and Oil	20,591	22,986
Gifts and Sponsorships	2,610	1,962
Hiring of Vehicles	572	451
Insurance	5,655	5,484
Inventory and Expense Adjustments	(109)	6,666
Laboratory Analysis Expenses	6,001	7,191
Medical Expenses	116	206
Motor Vehicle Expenses	526	650
Municipal Accounts	2,769	517
Other Expenses	1,095	4,710
Postage and Courier	221	147
Printing and Stationery	2,899	4,598
Promotions	4,083	4,878
Protective Clothing	1,196	1,129
Research and Development Costs	9	80
Staff Welfare	5,031	5,506
Subscriptions and Membership Fees	313	176
TV Licenses	44	41
Telephone and Fax	5,155	5,114
Training	2,978	3,899
Transport and Freight	251	402
Travel - Local	19,579	23,190
Workers Compensation Act	2,894	2,047
Yard Connection	18	666
	<b>102,688</b>	<b>119,079</b>

# NOTES TO THE FINANCIAL STATEMENTS

AS AT 30 JUNE 2020 (Continued)

## 40. TAXATION

In terms of Section 10(1)(t)(x), read with Section 1 on water services provider definition of the Income Tax Act (Act No. 58 of 1962), Sedibeng Water is exempt from income tax.

## 41. CONSOLIDATED PROFIT

	2020 R'000	2019 R'000
Free State	126,558	210,740
North West	30,644	18,918
Northern Cape	(7,537)	(10,731)
Namakwa	6,983	(5,082)
Mahikeng	(48,371)	(57,458)
Cafeteria	(132)	(226)
	<b>108,145</b>	<b>156,161</b>

Actual Adjustments	Free State	North West	Northern Cape	Namakwa	Mafikeng	Cafeteria	Total
<b>Consolidated Profit per Annual Report</b>	<b>34,034</b>	<b>70,141</b>	<b>347</b>	<b>1,141</b>	<b>(33,310)</b>	<b>(126)</b>	<b>72,227</b>
Adjustments that were not reported on the Annual Report	2,850	(16,301)	(1)	-	(923)	-	(14,375)
<b>Consolidated Profit per Statement of Financial Performance as Reported</b>	<b>36,884</b>	<b>53,840</b>	<b>346</b>	<b>1,141</b>	<b>(34,233)</b>	<b>(126)</b>	<b>57,852</b>
Service Delivery Fees	-	(5,939)	-	-	902	-	(5,037)
Other Income	(517)	(952)	(23)	(15)	(14)	(100)	(1,621)
Actuarial Gain	(1,714)	-	-	-	-	-	(1,714)
Realisation of Deferred Income	431,652	-	-	-	-	-	431,652
Employee Related Costs	(6,975)	-	-	-	-	-	(6,975)
Repairs and Maintenance	(4)	-	-	-	-	-	(4)
Depreciation and Amortisation	(5,210)	(5,211)	(4,888)	(49)	(1,618)	-	(16,976)
Finance Costs	(170,658)	-	(5,484)	(1,174)	(34,024)	-	(211,340)
Debt Impairment	(65,314)	(22,800)	560	(3,690)	11,587	-	(79,657)
Lease Rental on Operating Leases	(193)	-	-	-	-	-	(193)
Contracted Services	(44)	-	-	-	-	-	(44)
Cost of Sales	(1,869)	-	(1,132)	(977)	(10)	-	(3,988)
General Expenses	(5,298)	(20)	(110)	(318)	(48)	-	(5,794)
<b>Restated Consolidated Profit</b>	<b>210,740</b>	<b>18,918</b>	<b>(10,731)</b>	<b>(5,082)</b>	<b>(57,458)</b>	<b>(226)</b>	<b>156,161</b>

# NOTES TO THE FINANCIAL STATEMENTS

AS AT 30 JUNE 2020 (Continued)

## 42. CASH GENERATED FROM OPERATIONS

	2020 R'000	2019 R'000
(Deficit) Surplus	108,145	156,161
<b>Adjustments for:</b>		
Depreciation and Amortisation	167,136	168,010
Fair Value Adjustments	(1,824)	244
Finance Costs - Accrual	246,387	211,340
Debt Impairment	196,528	199,774
Realisation of Deferred Income	(330,722)	(431,652)
Movements in Retirement Benefit Obligation	(120)	1,695
Movements in Long Service Awards Liability	(7,893)	2,600
Write Off of Assets	-	1,342
Assets at Deemed Costs	(59)	(676)
Project Income for Drought Relief	(10,354)	-
<b>Changes in Working Capital:</b>		
Inventories	2,948	2,625
Receivables From Exchange Transactions	(1,151,377)	(981,674)
Payables From Exchange Transactions	397,786	351,723
VAT Receivable	49,567	(25,185)
Deferred Income	629,111	606,364
	<b>295,259</b>	<b>262,691</b>

## 43. FINANCIAL INSTRUMENTS

### Categories of Financial Instruments

30 June 2020

#### Financial Assets

	At Fair Value	At Amortised Cost	Non- Financial Instrument	Total
Biological Assets	-	-	563	563
Investment Property	-	-	10,460	10,460
Property, Plant and Equipment	-	-	4,013,573	4,013,573
Intangible Assets	-	-	5,901	5,901
Financial Assets	-	-	-	-
Inventories	-	-	16,781	16,781
Receivables from Exchange Transactions	-	5,191,775	-	5,191,775
VAT Receivable	124,024	-	-	124,024
Cash and Cash Equivalents	384,226	-	-	384,226
	<b>508,250</b>	<b>5,191,775</b>	<b>4,047,278</b>	<b>9,747,303</b>

# NOTES TO THE FINANCIAL STATEMENTS

AS AT 30 JUNE 2020 (Continued)

## Financial Liabilities

	At Amortised Cost	Non-Financial Instrument	Total
Interest-Bearing Borrowings	31,428	-	31,428
Finance Lease Liability	3,457	-	3,457
Retirement Benefit Obligation	-	88,527	88,527
Deferred Income	-	387,609	387,609
Long Service Awards Liability	-	30,695	30,695
Payables from Exchange Transactions	4,242,861	-	4,242,861
	<b>4,277,746</b>	<b>506,831</b>	<b>4,784,577</b>

## Residual Interest

	Non-Financial Instrument	Total
Revaluation Reserve	2,267,869	2,267,869
Accumulated Surplus	2,695,042	2,695,042
	<b>4,962,911</b>	<b>4,962,911</b>

## 30 June 2019

### Financial Assets

	At Fair Value	At Amortised Cost	Non-Financial Instrument	Total
Biological Assets	-	-	534	534
Investment Property	-	-	8,850	8,850
Property, Plant and Equipment	-	-	3,869,352	3,869,352
Intangible Assets	-	-	7,296	7,296
Financial Assets	-	-	-	-
Inventories	-	-	19,729	19,729
Receivables from Exchange Transactions	-	4,236,922	-	4,236,922
VAT Receivable	173,590	-	-	173,590
Cash and Cash Equivalents	407,459	-	-	407,459
	<b>581,049</b>	<b>4,236,922</b>	<b>3,905,761</b>	<b>8,723,732</b>

# NOTES TO THE FINANCIAL STATEMENTS

AS AT 30 JUNE 2020 (Continued)

## Financial Liabilities

	At Amortised Cost	Non-Financial Instrument	Total
Interest-Bearing Borrowings	37,295	-	37,295
Finance Lease Liability	6,179	-	6,179
Retirement Benefit Obligation	-	96,420	96,420
Deferred Income	-	99,574	99,574
Long Service Awards Liability	-	30,815	30,815
Payables from Exchange Transactions	3,598,683	-	3,598,683
	<b>3,642,157</b>	<b>226,809</b>	<b>3,868,966</b>

## Residual Interest

	Non-Financial Instrument	Total
Revaluation Reserve	2,267,869	2,267,869
Accumulated Surplus	2,586,897	2,586,897
	<b>4,854,766</b>	<b>4,854,766</b>

## 44. CONTINGENCIES

Case Details	Attorney Remarks	2020 R'000	2019 R'000
<b>BOTSHELO WATER / EDDIE VAN DER HEIDEN HIGH COURT MAHIKENG CASE NO: 119/14</b>	Civil Claim against Botshelo Water for Incentive Bonus estimated at +/- R 1 800 000. The attorneys stated that the matter is still pending. Matter set down for trial on 19 and 20 August 2019. The entity has made an offer of settlement of R350 000.00 but this was not accepted.	1,800	1,800
<b>SEDIBENG WATER / BIG SKY TRADING 223 CC (GOPANE GROUND WATER PROJECT)</b>	Outstanding Contractual Payments Litigation pending between the parties. Parties met on 30/05/2019. Further investigation is to be conducted as the matter was reported to SAPS. The estimated amount for 30 June 2019 was ±R 14 362 780.07, while the amount on 30 June 2020 was ±R14 533 473.00.	14,533	14,363
<b>SEDIBENG WATER / NANDIPHA PROJECTS HIGH COURT BLOEMFONTEIN CASE NO: 3344/2018</b>	Outstanding Contractual Payment Litigation pending intention to pay outstanding monies awaiting a verification process.	15,000	15,000

# NOTES TO THE FINANCIAL STATEMENTS

AS AT 30 JUNE 2020 (Continued)

Case Details	Attorney Remarks	2020 R'000	2019 R'000
SEDIBENG WATER / NALA LOCAL MUNICIPALITY HIGH COURT BLOEMFONTEIN CASE NO: 6073/2018 - Interdict CASE NO: 240/2019 - Review Application	Dispute regarding water restriction and monies owed by Nala Municipality - litigation withdrawn on review application. Application for Interdict withdrawn - each party to pay its own costs.	600	600
SEDIBENG WATER / MANANYANI SECURITY SERVICE CC: CASE NO: 2870/2018	Termination of Contract Urgent Application: Struck with costs from roll for lack of urgency - litigation pending.	1,500	1,500
SEDIBENG WATER / MANANYANI SECURITY SERVICES CC MAGISTRATE'S COURT BOTHAVILLE CASE NO: 480/2019	Outstanding Contractual Payments for Payment Certificate Number 8 - pending retaxed costs in High Court matter.	200	-
		<b>33,633</b>	<b>33,263</b>

## 45. IRREGULAR EXPENDITURE

Opening Balance as Previously Reported	417,710	229,673
Correction of Prior Period Error	-	(2,175)
<b>Opening Balance as Restated</b>	<b>417,710</b>	<b>227,498</b>
Add: Irregular Expenditure - Current	779,978	158,659
Add: Irregular Expenditure - Restatement	-	31,553
<b>Closing Balance</b>	<b>1,197,688</b>	<b>417,710</b>

### Cases Under Investigation

All instances of irregular expenditure are under investigation.

## 46. FRUITLESS AND WASTEFUL EXPENDITURE

Opening Balance as Previously Reported	582,529	1,160
Correction of Prior Period Error	-	362,282
<b>Opening Balance as Restated</b>	<b>582,529</b>	<b>363,442</b>
Add: Expenditure Identified - Current	248,642	7,747
Add: Expenditure Identified - Restatement	-	211,340
<b>Closing Balance</b>	<b>831,171</b>	<b>582,529</b>

# NOTES TO THE FINANCIAL STATEMENTS

AS AT 30 JUNE 2020 (Continued)

The expenditure had its origins due to late payment of certain suppliers. The expenditure is under investigation.

## 47. COMMITMENTS

	2020	2019
	R'000	R'000
<b>Authorised Capital Expenditure</b>		
<b>Already Contracted for but not provided for</b>		
Property, Plant and Equipment	972,888	1,184,795
<b>Total Capital Commitments</b>		
Already contracted for but not provided for	972,888	1,184,795

The committed expenditure is related to property, plant and equipment and will be financed by internally generated funds and monies obtained from the Department of Water and Sanitation.

## 48. GOING CONCERN

We draw attention to the fact that at 30 June 2020, the entity had an accumulated surplus of R 2,695,042 and that the entity's total assets exceed its liabilities by R 4,962,911.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern.

However, attention is drawn to the current cash flow crisis of the organisation, and that should the matter persist, the entity will then discontinue to be a going concern.

## 49. EVENTS AFTER REPORTING DATE

### Non-Adjusting Event

The following events have occurred after year end:

a) Ms. K. Sekonyela (Management Accountant: Assets and Investments) was the Acting Chief Financial Officer during the 2019/2020 financial year. She resigned from both her acting and official roles (last working day on 10 July 2020). As a result, Ms. M. Shasha (Acting Chief Executive) resumed her role as Sedibeng Water's Chief Financial Officer, whereafter Mr. S. Dzengwa (a member of the Board) was appointed as Acting Chief Executive on 17 July 2020 (commencement 03 August 2020).

b) Ms. M. Shasha (Chief Financial Officer) resigned from the organisation on 07 September 2020 and as a result, Mrs. T. Busakwe was appointed as Acting Chief Financial Officer on 09 September 2020. Due to limited resources in the Finance Department, Ms. K. Sekonyela was appointed as a Finance Consultant on 17 July 2020 to assist with finance-related matters.

# NOTES TO THE FINANCIAL STATEMENTS

AS AT 30 JUNE 2020 (Continued)

c) Mr. M. Mokubung was the Acting Chief Operations Officer and resigned from the organisation with his last working day being on 29 September 2020.

d) Ms. T. Chotelo and Ms. M. Bogatsu were appointed as members of the Board on 31 July 2020 and commenced their duties accordingly.

## 50. RELATED PARTIES

	2020	2019
	R'000	R'000
Relationships:		National Department of Water and Sanitation (DWS)
Controlling Entity:		Rand Water
Controlling Entity under Common Control:		Board Members
Members of Key Management:		Executive Management

Sedibeng Water as an entity is 100% controlled by the government of South Africa represented by the Department of Water and Sanitation. Sedibeng Water purchases raw water from the Department and performs the administration of projects on its behalf.

Rand Water (like Sedibeng Water) is 100% controlled by the government of South Africa represented by the Department of Water and Sanitation.

### Related Party Balances

#### Amounts Included in Trade Receivable (Trade Payable) Regarding Related Parties

DWS: Period-end Trade Payable	(3,585,622)	(2,303,325)
DWS: Period-end Trade Receivable	65,648	107,251

### Related Party Transactions

#### Interest Paid/Incurred to (Received from) Related Parties

Department of Water and Sanitation	246,389	211,340
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#### Purchases from (Sales to) Related Parties

Purchases of Raw Water from DWS	387,323	359,342
Lab Analysis Services Received from Rand Water	160	394

#### Income Generated (Other Expenses Paid)

Project Income from DWS	16,558	7,973
Realisation of Grants from DWS	330,722	431,652

# NOTES TO THE FINANCIAL STATEMENTS

AS AT 30 JUNE 2020 (Continued)

## Key Management Information

Class	Description	Number
Executive Management	Executive Directors Departmental Heads and Regional Heads	14
Board Members	Non-Executive Directors Independent Members	16

## Remuneration of Management

### Management Class: Executive Management

#### Total Remuneration as at 30 June 2020

	Emoluments	13th Cheque	Expense Claims	Other*	Total
	R'000	R'000	R'000	R'000	R'000
<b>Name:</b>					
M. Shasha	1,998	132	272	818	3,220
M. Mokubung	1,848	-	271	554	2,673
I.M. Hasenjager	1,470	-	337	437	2,244
T.N. Moloby	1,329	108	260	690	2,387
O.M. Masia	1,116	93	309	424	1,942
N.E. Ratshitanga	1,198	100	93	598	1,989
T. Nteo	1,158	97	175	490	1,920
D.F. Traut	1,274	106	221	375	1,976
G.M. Dippenaar	1,282	107	169	443	2,001
T.J. Busakwe	1,087	91	72	347	1,597
N.A. Theys	1,161	96	182	647	2,086
D. Khumalo	1,266	106	12	416	1,800
N. Mpetsheni	426	-	-	168	594
<b>Total</b>	<b>16,613</b>	<b>1,036</b>	<b>2,373</b>	<b>6,407</b>	<b>26,429</b>

# NOTES TO THE FINANCIAL STATEMENTS

AS AT 30 JUNE 2020 (Continued)

## Total Remuneration as at 30 June 2019

	Emoluments	13th	Performance	Expense	Other*	Total
	R'000	Cheque	Payments	Claims	R'000	R'000
	R'000	R'000	R'000	R'000	R'000	R'000
<b>Name:</b>						
M. Shasha	1,713	132	641	222	867	3,575
M. Mokubung	1,867	-	567	215	587	3,236
I.M. Hasenjager	1,588	-	582	430	440	3,040
T.N. Moloby	1,294	101	552	288	672	2,907
O.M. Masia	1,283	93	505	374	617	2,872
N.E. Ratshitanga	1,198	100	533	268	731	2,830
T. Nteo	1,158	97	541	249	682	2,727
D.F. Traut	1,279	98	567	176	460	2,580
G.M. Dippenaar	1,282	107	504	172	445	2,510
T.J. Busakwe	1,118	91	399	74	587	2,269
N.A. Theys	1,148	96	514	187	610	2,555
D. Khumalo	1,266	105	310	-	420	2,101
M.M. Lebitso	(63)	49	-	-	1,399	1,385
R.T. Takalani	(94)	(8)	-	-	1,446	1,344
<b>Total</b>	<b>16,307</b>	<b>1,061</b>	<b>6,215</b>	<b>2,655</b>	<b>9,963</b>	<b>35,931</b>

\*Other remuneration refers to Medical Aid, Pension Fund and Other Benefits for the managers as per their employment contract.

# NOTES TO THE FINANCIAL STATEMENTS

AS AT 30 JUNE 2020 (Continued)

## Management Class: Board Members

### Total Remuneration as at 30 June 2020

	Remuneration	Expense	Total
	R'000	Claims R'000	R'000
<b>Name:</b>			
M. Dikoko*	1,442	165	1,607
E. Gaborone*	387	76	463
C. Mboweni*	376	72	448
M. Mthombeni*	613	97	710
K. Sereko*	444	80	524
A. Mpahlele*	419	105	524
M. Eisterhuzen*	271	6	277
S. Dzengwa**	452	32	484
I. Motala*	328	12	340
M. Dlamini**	399	33	432
S. Mkhize**	46	9	55
B. Mahuma**	48	5	53
H. Matseke**	66	7	73
T. Mhlophe**	42	4	46
S. Siyengo**	23	-	23
K. Siyila**	50	5	55
<b>Total</b>	<b>5,406</b>	<b>708</b>	<b>6,114</b>

\* The Board member's services were terminated on 28 May 2020.

\*\* The Board member's services commenced on 29 May 2020.

### Total Remuneration as at 30 June 2019

<b>Name:</b>			
M. Dikoko	1,924	204	2,128
E. Gaborone	430	114	544
C. Mboweni	499	115	614
M. Mthombeni	675	116	791
P. Molokwane	575	44	619
K. Sereko	491	115	606
M. Dlamini	40	6	46
S. Dzengwa	40	4	44
M. Esterhuizen	40	6	46
M. Motala	27	1	28
M. Mpahlele	40	8	48
<b>Total</b>	<b>4,781</b>	<b>733</b>	<b>5,514</b>

# NOTES TO THE FINANCIAL STATEMENTS

AS AT 30 JUNE 2020 (Continued)

## 51. PRIOR PERIOD ERROR ADJUSTMENTS

The annual financial statements provide comparative information in respect of the previous period.

### 51.1: Overall Restatements to the Statements

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior year adjustments.

#### A: Statement of Financial Position

##### A1: Reconciliation of Balances as at 30 June 2018

Presented below are those changes made in opening accumulated surplus that was previously reported as R1 386 668 in the Statement of Financial Position:

\*\* A negative ( ) on an asset item represents a decrease while a positive + represents an increase.  
A negative ( ) on an liability item represents an increase while a positive + represents a decrease in the line item.

		Audited Financial Statements	Prior Period Adjustments Directly to Accumulated Surplus	Restated Financial Statements
Biological Assets	3	579	-	579
Investment Property	4	9,050	-	9,050
Property, Plant and Equipment	5	3,129,630	450,204	3,579,834
Intangible Assets	6	7,383	1,447	8,830
Financial Assets	7	257,650	-	257,650
Inventories	8	22,353	-	22,353
Trade and Other Receivables	9	3,276,705	178,318	3,455,023
VAT Receivable	11	144,989	3,417	148,406
Cash and Cash Equivalents	12	360,229	-	360,229
Interest-Bearing Borrowings (long-term)	13	(34,264)	-	(34,264)
Finance Lease Liabilities (long-term)	14	(5,547)	-	(5,547)
Retirement Benefit Obligation	15	(94,725)	-	(94,725)
Deferred Income	16	(724,119)	799,257	75,138
Long Service Award Liability	17	(28,215)	-	(28,215)
Interest-Bearing Borrowings (short-term)	13	(12,771)	-	(12,771)
Finance Lease Liabilities (short-term)	14	(7,343)	-	(7,343)
Payables from Exchange Transactions	18	(2,610,859)	(424,763)	(3,035,622)
Revaluation Reserve	19	(2,304,057)	36,188	(2,267,869)
<b>Accumulated Surplus</b>	<b>20</b>	<b>1,386,668</b>	<b>1,044,068</b>	<b>2,430,736</b>

# NOTES TO THE FINANCIAL STATEMENTS

AS AT 30 JUNE 2020 (Continued)

## 51. PRIOR PERIOD ERROR ADJUSTMENTS (CONTINUED)

### A2: Reconciliation of Accumulated Surplus as at 30 June 2019

		Audited Financial Statements	Prior Period Adjustments Put through the Statement of Financial Performance	Prior Period Adjustments Directly to Accumulated Surplus	Restated Financial Statements
Biological Assets	3	534	-	-	534
Investment Property	4	8,850	-	-	8,850
Property, Plant and Equipment	5	3,392,301	26,848	450,204	3,869,353
Intangible Assets	6	6,110	(261)	1,447	7,296
Inventories	8	19,730	(1)	-	19,729
Trade and Other Receivables	9	4,143,429	(84,825)	178,318	4,236,922
VAT Receivable	11	164,956	5,217	3,417	173,590
Cash and Cash Equivalents	12	407,459	-	-	407,459
Interest-Bearing Borrowings (long-term)	13	(31,637)	208	-	(31,429)
Finance Lease Liabilities (long-term)	14	(3,122)	-	-	(3,122)
Retirement Benefit Obligation	15	(96,420)	-	-	(96,420)
Deferred Income	16	(1,330,483)	431,652	799,257	(99,574)
Long Service Award Liability	17	(30,815)	-	-	(30,815)
Interest-Bearing Borrowings (short-term)	13	(5,658)	(208)	-	(5,866)
Finance Lease Liabilities (short-term)	14	(3,057)	-	-	(3,057)
Payables from Exchange Transactions	18	(2,893,599)	(280,322)	(424,763)	(3,598,684)
Revaluation Reserve	19	(2,304,057)	-	36,188	(2,267,869)
<b>Accumulated Surplus</b>	<b>20</b>	<b>1,444,521</b>	<b>98,309</b>	<b>1,044,068</b>	<b>2,586,897</b>

# NOTES TO THE FINANCIAL STATEMENTS

AS AT 30 JUNE 2020 (Continued)

## 51. PRIOR PERIOD ERROR ADJUSTMENTS (CONTINUED)

### B: Statement of Financial Performance

\*\* A negative ( ) on an income represents a decrease while a positive + represents an increase.

A negative ( ) on an expense represents an increase while a positive + represents a decrease in the line item.

### B1: Reconciliation of Adjustments Made in Revenue and Expenses as at 30 June 2019

		Audited Financial Statements R'000	Reclassifications R'000	Remapping Due to Prior Year Inconsistencies R'000	Prior Period Adjustments** R'000	Restated Financial Statements R'000
Water Sales	21	1,232,639	-	-	-	1,232,639
Service Delivery Fees	22	338,920	-	-	(5,037)	333,883
Interest Received on Outstanding Debtors	23	1,003	-	-	-	1,003
Project Income	24	7,973	-	-	-	7,973
Administrative Income	25	201	(201)	-	-	-
Other Income	25	36,484	201	-	(1,621)	35,064
Interest Received on Investments	26	31,375	-	-	-	31,375
Actuarial Gains	28	-	5,320	-	(1,714)	3,606
Actuarial Loss	28	(1,193)	(5,320)	6,513	-	-
Realisation of Deferred Income	29	-	-	-	431,652	431,652
Employee Related Costs	31	(159,434)	11,411	20,944	(6,975)	(134,054)
Repairs and Maintenance	32	-	(60,437)	(316)	(4)	(60,757)
Depreciation and Amortisation	33	(151,034)	-	-	(16,976)	(168,010)
Finance Costs	34	(3,530)	(11,411)	(8,125)	(211,340)	(234,406)
Lease Rentals on Operating Leases	35	(2,409)	-	(4)	(193)	(2,606)
Debt Impairment	36	(120,117)	-	-	(79,657)	(199,774)
Contracted Services	37	-	(67,446)	-	(44)	(67,490)
Fair Value Adjustments	27	(244)	-	-	-	(244)
Cost of Sales	38	(905,075)	-	(25,551)	(3,988)	(934,614)
General Expenses	39	(247,707)	127,883	6,539	(5,794)	(119,079)
Taxation	40	-	-	-	-	-
<b>Surplus For The Year</b>	<b>41</b>	<b>57,852</b>	<b>-</b>	<b>-</b>	<b>98,309</b>	<b>156,161</b>

# NOTES TO THE FINANCIAL STATEMENTS

AS AT 30 JUNE 2020 (Continued)

## 51. PRIOR PERIOD ERROR ADJUSTMENTS (CONTINUED)

### C: Statement of Cash Flows

#### C1: Effect of the Prior Year Adjustments as at 30 June 2019

	Audited Financial Statements R'000	Reclassifications R'000	Remapping due to Prior Year Inconsistencies R'000	Prior Period Adjustments** R'000	Restated Financial Statements R'000
<b>Cash Flow From Operating Activities</b>					
Sale of Good and Services	609,408	1,003	-	(6,708)	603,703
Advance Payments for Projects	606,364	-	-	-	606,364
Interest Received on Investments	31,375	-	-	-	31,375
Other Interest	1,003	(1,003)	-	-	-
Employee Costs	(156,336)	-	27,458	(8,686)	(137,564)
Suppliers	(870,686)	-	(19,333)	60,487	(829,532)
Finance Costs	(3,530)	-	(8,125)	-	(11,655)
	<b>217,598</b>	<b>-</b>	<b>-</b>	<b>45,093</b>	<b>262,691</b>
<b>Cash Flow From Investing Activities</b>					
Purchases of Property, Plant and Equipment	(411,567)	-	-	(45,093)	(456,660)
Proceeds from Sale of Financial Assets	257,650	-	-	-	257,650
	<b>(153,917)</b>	<b>-</b>	<b>-</b>	<b>(45,093)</b>	<b>(199,010)</b>
<b>Cash Flow From Financing Activities</b>					
Repayment of Interest-Bearing Borrowings	(9,740)	-	-	-	(9,740)
Repayment of Financial Lease Liability	(6,711)	-	-	-	(6,711)
	<b>(16,451)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(16,451)</b>

# NOTES TO THE FINANCIAL STATEMENTS

AS AT 30 JUNE 2020 (Continued)

## 51. PRIOR PERIOD ERROR ADJUSTMENTS (CONTINUED)

### 51.2: Prior Year Restatements (Actual Adjustments)

The following prior period errors adjustments occurred:

#### Adjustment 1: Property, Plant and Equipment Inconsistencies

##### A: Incorrect Depreciation and Amortisation Calculation

During the prior year audit, it was discovered that depreciation and amortisation was incorrectly calculated. The error resulted into an understatement of depreciation and amortisation and overstatement of property, plant and equipment and intangible assets. This was not in line with GRAP17: Property, Plant and Equipment. Based on the assessment of materiality, it was discovered that the error is material in amount as it compromises the value of the entity's assets.

The entity applied a retrospective approach in correcting the error by recomputing the depreciation and amortisation and corrected the error effectively by affecting the earliest comparative period .

The effect of the error was corrected as below:

	2020	2019
	R'000	R'000
<b>Effect on the Statement of Financial Position</b>		
Increase / (Decrease) in Intangible Assets	(16,888)	63,950
Increase / (Decrease) in Intangible Assets	(261)	1,447
<b>Net Effect on Accumulated Surplus</b>	<b>(17,149)</b>	<b>65,397</b>
<b>Effect on Statement of Financial Performance</b>		
Increase in Depreciation and Amortisation	(16,976)	-
Increase in General Expenses	(173)	-
<b>Net Effect on Surplus For The Year</b>	<b>(17,149)</b>	<b>-</b>

##### B: Deferred Income Not Realised

During the prior year audit, it was discovered that the deferred revenue was not realised when a payment was made for the construction of pipelines, which was not in line with GRAP 23: Revenue from Non-Exchange Transactions. This resulted in overstatement of deferred revenue and various line items affected by the error. The error is material as it results in material misstatement.

# NOTES TO THE FINANCIAL STATEMENTS

AS AT 30 JUNE 2020 (Continued)

## 51. PRIOR PERIOD ERROR ADJUSTMENTS (CONTINUED)

The entity applied a retrospective application by restating the affected components as follows:

	2020	2019
	R'000	R'000
<b>Effect on Statement of Financial Position</b>		
Increase in Property, Plant and Equipment	43,736	386,254
Increase in VAT Receivables	4,985	3,417
Decrease in Inventory	(1)	-
Decrease in Deferred Income	431,652	799,257
Increase Payables from Exchange	(67,209)	(59,578)
Decrease in Revaluation Surplus	-	36,188
<b>Net Effect on Accumulated Surplus</b>	<b>413,163</b>	<b>1,165,538</b>

### Effect on Statement of Financial Performance

Decrease in Other Income	1,521	-
Increase in Realisation of Deferred Income	(431,652)	-
Increase in Employee Related Costs	8,689	-
Increase in Contracted Services	4	-
Increase in Repairs and Maintenance	44	-
Increase in Lease on Operating Leases	193	-
Increase in Cost of Sales	2,417	-
Increase in General Expenses	5,621	-
<b>Net Effect on Surplus For The Year</b>	<b>(413,163)</b>	<b>-</b>

### Adjustment 2: Incorrect Computation Split Between Long-Term and Short-Term Portion

During the previous year, the amortisation of the Kolomela Loan was not aligned with the statement received from Kolomela. This was purely due to not updating the amortisation schedule appropriately with the dates and when interest rate changes occur. The error resulted in overstatement of the long-term portion and understatement of the short-term portion.

The error was corrected by updating the amortisation schedule and ensured that it agrees with the statements received from Kolomela. This then consequently resulted in re-computation of the split between long and short-term.

The impact of the correction of the split is as follows:

### Effect on Statement of Financial Position

Decrease In Interest-Bearing Borrowings - Long-Term	208	-
Increase In Interest-Bearing Borrowings - Short-Term	(208)	-
<b>Net Effect on Accumulated Surplus</b>	<b>-</b>	<b>-</b>

# NOTES TO THE FINANCIAL STATEMENTS

AS AT 30 JUNE 2020 (Continued)

## 51. PRIOR PERIOD ERROR ADJUSTMENTS (CONTINUED)

### Effect on Statement of Financial Performance

There was no effect on the statement of financial performance.

### Adjustment 3: Incorrect Accounting on Receivables from Exchange Transactions

#### A: Disclosure Note

Based on the review that was done, it was found that receivables from exchange transactions was not fully reflecting the services provided by the entity. Therefore, the necessary disclosures required were impractical to do.

The entity then initiated a process whereby the debtors are split per service for correct presentation and to fairly present where the greater amount of the debtors is prevalent for decision-making.

The disclosure was corrected as follows:

	2020	2019
	R'000	R'000
<b>Effect on Disclosure Note</b>		
Water Debtors	4,120,527	3,294,422
Operations and Maintenance	777,703	541,355
Other Receivables	26,727	14,510
Rental Debtors	3,424	3,252
Project Debtors	139,539	235,379
Deposits	8,973	8,973
Accrued Income	9,991	9,126
Provision for Doubtful Debts	(849,962)	(830,312)
	<b>4,236,922</b>	<b>3,276,705</b>

#### B: Differences between Micro-Mega Age Analysis and Trial Balance

During the previous year, the Micro-Mega age analysis did not agree with the control account for the age with a difference of R130 000. This difference is material in nature because it was arising from receipts that were reflected in the age analysis but were not noted in the general ledger.

Based on the detailed review that was done, it was discovered that these receipts were incorrectly allocated to a suspense account (03-705) which was mapped in payables from exchange transactions. This error was then overstating both receivables and payables from exchange transactions.

# NOTES TO THE FINANCIAL STATEMENTS

AS AT 30 JUNE 2020 (Continued)

## 51. PRIOR PERIOD ERROR ADJUSTMENTS (CONTINUED)

The error was corrected by reallocating the receipts from payables from exchange to receivables and the effect of the correction is as follows:

	2020 R'000	2019 R'000
<b>Effect in the Statement of Financial Position</b>		
Decrease in Payables from Exchange Transactions	130	-
Decreased in Receivables from Exchange Transactions	(130)	-
<b>Net Effect on Accumulated Surplus</b>	<b>-</b>	<b>-</b>

### Effect on Statement of Financial Performance

There is no effect on the statement of financial performance.

## C: Revenue from Operations and Maintenance Inconsistencies

In the prior year, it was noted that Income for Section 30 activities is billed in arrears on a monthly basis. The accrual adjustment in the prior year was made in the Mahikeng Region in error as for this region, Section 30 activities are billed on actual. This correction of the error is reversing the accrual that was done in Mahikeng. The error resulted in an overstatement of receivables and revenue and was corrected by restating the comparative.

The effect of the correction of the error is as follows:

<b>Effect in the Statement of Financial Position</b>		
Decrease in Receivables from Exchange Transactions	(5,939)	-
Increase / (Decrease) in Receivables from Exchange Transactions	902	(1,774)
<b>Net Effect on Accumulated Surplus</b>	<b>(5,037)</b>	<b>(1,774)</b>

### Effect in Statement of Financial Performance

Decrease in Service Delivery Fees	(5,939)	-
Increase in Service Delivery Fees	902	-
<b>Net Effect on Accumulated Surplus</b>	<b>(5,037)</b>	<b>-</b>

## D: Provision for Impairment

During the prior-year audit, it was noted that the entity did not correctly account for the provision for debt impairment. This was not in accordance with GRAP104: Financial Instruments, and resulted in material misstatement of the provision.

Furthermore, the entity was using IFRS in the financial year ending 30 June 2018 and did not appropriately transition to GRAP and thus, the prior-year restatement note was inappropriate. The entity has assessed the items that were based on management estimate in both the frameworks to identify differences in application.

# NOTES TO THE FINANCIAL STATEMENTS

AS AT 30 JUNE 2020 (Continued)

## 51. PRIOR PERIOD ERROR ADJUSTMENTS (CONTINUED)

It was then discovered that the provision for bad debt on 30 June 2018 is required to be aligned to GRAP 104 as it was based on IFRS. The entity then restated the impairment to align it to GRAP requirements.

The effect of the correction of the error is as follows:

	2020 R'000	2019 R'000
<b>Effect in Statement of Financial Position</b>		
Decrease in Receivables from Exchange Transactions	(79,657)	180,124
<b>Effect in Statement of Financial Performance</b>		
Increase in Debt Impairment	(79,657)	-

### E: Clearing of Long Outstanding Balances

The entity has long outstanding balances under debtors which were over 3 years. These were written off to the accumulated surplus.

The effect of the correction is as follows:

<b>Effect in Statement of Financial Position</b>		
Decrease in Receivables from Exchange Transactions	-	(32)
<b>Effect on Statement of Financial Performance</b>		

There is no effect on the statement of financial performance.

### Adjustment 4: Material Misstatements on Payables from Exchange Transactions

#### A: Interest on DWS Unaccounted

During the prior year audit, it was noted that interest for DWS was not accounted for. This resulted in an understatement of payables and finance cost. The error was corrected by restating prior-year to reflect the interest element:

The effect of the correction of the error is as follows:

<b>Effect in Statement of Financial Position</b>		
Increase in Payables From Exchange Transactions	211,340	362,282
<b>Effect of Statement of Financial Performance</b>		
Increase in Finance Cost	211,340	-

# NOTES TO THE FINANCIAL STATEMENTS

AS AT 30 JUNE 2020 (Continued)

## 51. PRIOR PERIOD ERROR ADJUSTMENTS (CONTINUED)

### B: Intercompany Imbalances

The prior year financial statements intercompany balances did not agree to RNIL as they had an imbalance of R 100 000. This was due to overstatement of Income. The error was corrected by restating the comparative.

The effect of the correction of the error is as follows:

	2020 R'000	2019 R'000
<b>Effect in Statement of Financial Position</b>		
Decrease in Payables from Exchange Transactions	100	-
<b>Effect in Statement Financial Performance</b>		
Decrease in Other Income	(100)	-

### C: DWS Statement Inconsistencies

In the prior year, it was noted that DWS Statement did not agree with the payable account according to the entity's books. On further investigation, it was noted that this was due to items that were in the statement but not in the entity's records and vice versa. The error was corrected by restating the comparative.

The effect of the correction of the error is as follows:

<b>Effect in Statement of Financial Position</b>		
Increase in Payable from Exchange Transactions	(1,803)	2,903
Increase in Vat Receivable	232	-
<b>Net Effect on Accumulated Surplus</b>	<b>(1,571)</b>	<b>2,903</b>
<b>Effect in Statement of Financial Performance</b>		
Increase in Cost of Sales	(1,571)	-

### Adjustment 5: Actuarial Gain Understatement

During the prior year, it was noted that the actuarial gain was included in the financial statements as actuarial loss. This was due to an account number 01-458 which was mapped under actuarial loss but had employee costs transactions which were overstating the account. The error resulted in misstatement of actuarial loss and is not in line with GRAP 25: Employee Benefits.

# NOTES TO THE FINANCIAL STATEMENTS

AS AT 30 JUNE 2020 (Continued)

## 51. PRIOR PERIOD ERROR ADJUSTMENTS (CONTINUED)

The error was corrected retrospectively as follows:

	2020	2019
	R'000	R'000

### Effect on Statement of Financial Position

This error has no effect in the statement of financial position.

### Effect on Statement of Financial Performance

Increase in Actuarial Gain	1,714	-
Decrease in Employee Related Costs	(1,714)	-
	<u>-</u>	<u>-</u>

### 51.3 Effect on the Disclosure Notes:

The effect of the errors corrected on the disclosure notes is as follows:

### Fruitless and Wasteful Expenditure

Reported Balance	-	3,103
DWS Interest	-	573,622
Mapping Inconsistencies	-	5,805
<b>Restating Opening Balances</b>	<b>-</b>	<b>582,530</b>

### 51.4. Changes Made in Accounting Policies

The following change in accounting policies occurred:

#### A: GRAP 16 - Investment Property

On review of the prior year accounting policies, it was noted that the measurement of transfers to and from investment property was omitted in the financial statements. This resulted in incomplete accounting policies and is not in accordance with the prescriptions of the quoted GRAP standards.

This omission is material as it results into non-compliance with the reporting framework. It since been corrected through an amendment of the policy by including the measurement provisions for transfers to and from investment property.

The amendment was as follows as included in Accounting Policy Note 1.6:

#### Measurement of Transfer to or from Investment Property

Transfers to, or from, investment property should be measured in accordance with the following provisions:

##### a) Transfer from Investment Property to Owner-Occupied

Investment Property is transferred at fair value less cost for transfer on the date of the decision to transfer was

# NOTES TO THE FINANCIAL STATEMENTS

AS AT 30 JUNE 2020 (Continued)

implemented. The item of owner-occupied property is then subject to all provisions made in similar properties in accordance to the principles applied in owner-occupied property as reflected in accounting policy note for property, plant and equipment.

## **b) Transfer from Owner-Occupied to Investment Property**

Depreciation ceases on the day the decision to end owner-occupied has been implemented. The property will then be subjected to all provisions for investment property as reflected in the investment property accounting policy.

## **c) Transfer from Inventories to Investment Property**

The item of inventories is transferred at fair value less cost for transfer on the date of the decision to transfer was implemented. The property will then be subjected to all provisions for investment property as reflected in the investment property accounting policy.

## **d) Transfer from Assets under Development to Investment Property**

Upon completion of the development of the property, it is transferred at total cost incurred on the development to investment property. The property is then revalued to determine whether its fair value is comparable to the total cost. The difference is recognised in surplus or deficit.

The above amendment did not result in any adjustment in the prior-year audited financial statements as no transfers had occurred. This amendment was only ensuring that the accounting policy is aligned with the reporting framework.

## **B: GRAP 17 - Property, Plant and Equipment**

On review of the accounting policy, it was noted that revaluation surplus was incorrectly stated in that it had been realised through use instead of through sale. The asset management policy stated that the revaluation surplus is realised through sale. The contradiction between these policies was the error. It was found that through entity's practise, revaluation surplus is realised through sale. Therefore, the contradiction was corrected on the Accounting Policy Note 1.7 as it has been corrected to:

"The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised."

The above amendment did not result in any adjustment in the prior year audited financial statements as no disposals had occurred. This amendment was only ensuring that the accounting policy is aligned with the reporting framework and the internal policy.

## **52. RISK MANAGEMENT**

### **Financial Risk Management**

#### **Liquidity Risk**

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

# NOTES TO THE FINANCIAL STATEMENTS

AS AT 30 JUNE 2020 (Continued)

## 52. RISK MANAGEMENT (CONTINUED)

### Credit Risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The entity only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Financial assets exposed to credit risk at year end were as follows:

	2020 R'000	2019 R'000
Cash and Cash Equivalents	384,226	407,459

## 53. ACCOUNTING BY PRINCIPAL AND AGENT

The entity is a party to a principal-agent arrangement.

### Details of the arrangement is as follows:

The entity is the agent, whereby it makes provision of water on behalf of some municipalities.

The purpose of these arrangement is to promote service delivery for the benefit of citizens. There were no significant changes that occurred during the reporting period.

### Entity as Agent

#### Resources held on behalf of the principal, but recognised in the entity's own financial statements

Micro-Mega customers are included in the entity's financial statements.

### Revenue Recognised

The aggregate amount of revenue that the entity recognised as compensation for the transactions carried out on behalf of the principal is R21,585 (2019: R23,402).

# NOTES TO THE FINANCIAL STATEMENTS

AS AT 30 JUNE 2020 (Continued)

## 53. ACCOUNTING BY PRINCIPAL AND AGENT (CONTINUED)

### Additional Information

Revenue and expenses that relate to transactions with third parties undertaken in terms of the principal-agent arrangement

Category of revenue billed on behalf of the principal is:

Category	Additional Details
Water Sales (Micro-Mega)	Agent of municipalities for the provision of water to customers belonging to the municipality directly.

Amount of revenue billed on behalf of the principal during the reporting period:

	2020 R'000	2019 R'000
Water Sales (Micro-Mega)	21,585	23,402

Amount of expenses accrued on behalf of the principal during the reporting period:

Debt Impairment	3,532	2,414
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Receivables recognised based on the rights and obligations established in the binding arrangement:  
Reconciliation of the carrying amount of receivables

### Water Sales (Micro-Mega) - Gross

Opening Balance	72,404	56,733
Revenue that Principal is Entitled to	21,585	23,402
Cash Received on Behalf of the Principal	(5,979)	(7,731)
	<b>88,010</b>	<b>72,404</b>

Impairment consideration for Micro-Mega customers amounted to R16,710 (2019: R13,178). The disclosure on the financial statements was then provided at net basis.









#### HEAD OFFICE

Protea Street, Balkfontein, Bothaville, 9660  
Private Bag X5, Bothaville, 9660, South Africa  
Tel: +27 56 515 0200 / Fax: +27 56 515 0369  
GPS Co-ordinates: S27° 24.103' E26° 30.299'

#### REGIONAL & DISTRICT OFFICES

##### VIRGINIA (FREE STATE REGION)

P.O. Box 518, Virginia, 9430 / GPS Co-ordinates: S28° 05.561' E26° 50.804'  
Tel: +27 74 142 0073, +27 74 159 6091 or +27 57 237 2300 / Fax: +27 57 237 2340

##### HARTSWATER (NORTH WEST REGION)

Private Bag X2, Hartswater, 8570 / GPS Co-ordinates: S27° 45.412' E24° 47.522'  
Tel: +27 53 474 0103/0142 / Fax: +27 53 474 0334

##### MOTHIBISTAD (NORTH WEST REGION)

P.O. Box 386, Mothibistad, 8474 / GPS Co-ordinates: S27° 24.552' E23° 28.960'  
Tel: +27 53 773 1009 / Fax: +27 53 773 1221

##### TAUNG (NORTH WEST REGION)

P.O. Box 2073, Taung Station, 8580 / GPS Co-ordinates: S27° 24.771' E24° 42.698'  
Taung Cash point: Tel: +27 53 994 1582 / Fax: +27 53 994 2538  
Taung District office: +27 87 285 4540  
Pampierstad Cashier Office: 053 996 2707

##### MMABATHO (NORTH WEST REGION)

P.O. Box 4500, Mmabatho, 2735 / GPS Co-ordinates: S25° 50.161' E25° 36.556'  
Tel: +27 18 392 3941/3 or +27 18 392 2047/50 / Fax: +27 18 392 2827

##### GANYESA (NORTH WEST REGION)

Private Bag X523, Ganyesa, 8613 / GPS Co-ordinates: S26° 36.043' E24° 11.336'  
Tel: +27 87 285 5238 / Fax: +27 87 285 5238

##### LEHURUTSHE (NORTH WEST REGION)

P.O. Box 58, Mahikeng, 2745 / GPS Co-ordinates: S25° 29.996' E25° 59.366'  
Tel: +27 18 363 3342 or +27 18 363 4102/ Fax: +27 18 363 3338

##### MONTSHIOA (NORTH WEST REGION)

P.O. Box 58, Montshioa, Mahikeng, 2745 / GPS Co-ordinates: S25° 50.966' E25° 37.761'  
Tel: +27 18 384 2951/3 or +27 18 384 5612 / Fax: +27 18 392 2827

##### VAAL GAMAGARA (NORTHERN CAPE REGION)

Private Bag X1, Delpportshoop, 8377 / GPS Co-ordinates: S28° 24.404' E24° 16.078'  
Tel: +27 53 562 9300 / Fax: +27 53 562 9330

##### NAMAKWA - SPRINGBOK (NORTHERN CAPE REGION)

Private Bag X39, Springbok, 8240 / GPS Co-ordinates: S29° 35.579' E17° 53.196'  
Tel: +27 27 744 1210 +27 27 744 1716, +27 27 744 1546 or +27 27 744 1564 /  
Fax: +27 27 744 1541, Operations: +27 72 499 9497

##### NAMAKWA - PELLADRIFT (NORTHERN CAPE REGION)

Private Bag X39, Springbok, 8240 / GPS Co-ordinates: S28° 58' 11.0" E19° 08' 56.6"  
Tel: +27 87 808 0842, Operations: +27 76 981 7416 / Fax: +27 27 744 1541

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