

ANNUAL REPORT
2021-2022



YOUR RELIABLE WATER AND
WASTE WATER BUSINESS PARTNER OF CHOICE





ANNUAL REPORT 2021 - 2022

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Abbreviations

AC	Audit Committee
ACIP	Accelerated Community Infrastructure Programme
AGSA/AG	Auditor-General South Africa
AMCOW	African Ministers' Council on Water
ASB	Accounting Standards Board
AFWA	African Water Association
ASIDI	Accelerated Schools Infrastructure Development Initiative
BBBEE	Broad-Based Black Economic Empowerment
BCOM	Bachelor of Commerce
BDS	Blue Drop System
BSc	Bachelor of Science
CAPEX	Capital Expenditure
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CMA	Catchment Management Agency
CMF	Catchment Management Forum
CMMS	Computerised Maintenance Management System
COVID-19	the coronal flu virus declared an international pandemic by the World Health Organisation
COO	Chief Operations Officer
CoU	City of uMhlatuze Municipality
CSD	Central Supplier Database
CSI	Corporate Social Investment
DBSA	Development Bank of Southern Africa
DBE	Department of Basic Education
DM	District Municipality
DUT	Durban University of Technology
DWS	Department of Water and Sanitation
ECSA	Engineering Council of South Africa
EIA	Environmental Impact Assessment
EMS	Environmental Management System
EPC	Engineering Procurement and Construction
ESD	Enterprise and Supplier Development
EWSETA	Energy and Water Sector Education and Training Authority
EXCO	Executive Committee
FY	Financial Year
GDP	Gross Domestic Product
GIS	Geographic Information System
GRAP	Generally Recognised Accounting Practices
HoD	Head of Department
HR	Human Resources
IAS	International Accounting Standards

IDZ	Industrial Development Zone
IFRS	International Financial Reporting Standards
INCA	Infrastructure Finance Corporation Limited
ISA	International Standard on Auditing
ISO	International Organisation for Standardisation
KCDM	King Cetshwayo District Municipality
KZN	KwaZulu-Natal
LIMS	Laboratory Information Management System
LM	Local Municipality
m³	Cubic Metres
m³/s	Cubic Metres per second
MI	Megalitre
MI/day	Megalitres per day
MANCO	Management Committee
MBA	Master of Business Administration
MBL	Master of Business Leadership
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
MW	Mhlathuze Water
MWIG	Municipal Water Infrastructure Grant
NEMP	National Eutrophication Monitoring Programme
NMMP	National Microbial Monitoring Programme
NT	National Treasury
NQF	National Qualifications Framework
O&M	Operations & Maintenance
OHSAS	Occupational Health and Safety Assessment Series
OPEX	Operational Expenditure
PFMA	Public Finance Management Act
RBM	Richards Bay Minerals
RBIG	Regional Bulk Infrastructure Grant
SA GAAP	South African Statements of Generally Accepted Accounting Practices
SAICA	South African Institute of Chartered Accountants
SAICEE	South African Institute of Electrical Engineers
SANS	South African National Standards
SCADA	Supervisory Control and Data Acquisition
SHC	Shareholders Compact
SHEQ	Safety, Health, Environmental and Quality Management
SCM	Supply Chain Management
SLA	Service Level Agreement
SOE	State Owned Enterprise
SMME	Small Medium Micro Enterprise

TGS	Tugela-Goedertrouw Transfer Scheme
TR	Treasury Regulations
uPVC	Unplasticized Polyvinyl Chloride
UKDM	uMkhanyakude District Municipality
WfW	Work for Water
WISA	Water Institute of South Africa
WMA	Water Management Areas
WSA	Water Services Authority
WSIG	Water Services Infrastructure Grant
WRM	Water Resource Management
WUL	Water Use License
WTP	Water Treatment Plant
WTW	Water Treatment Works
WWDS	Waste Water Disposal Scheme
WWTP	Waste Water Treatment Plant
ZDM	Zululand District Municipality

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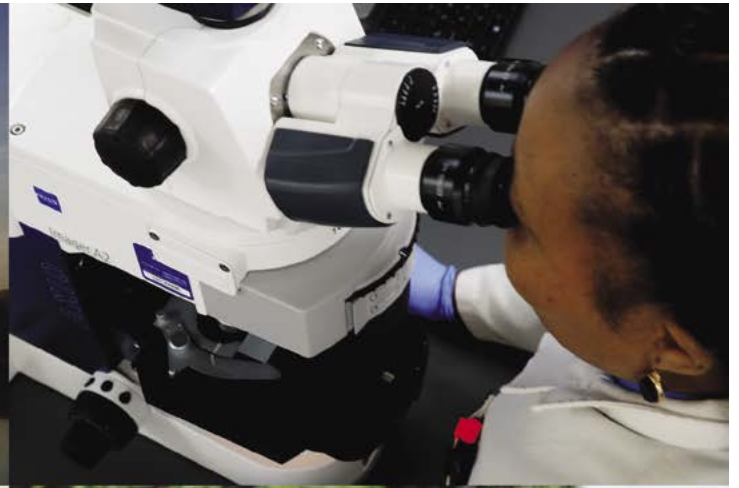
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Foreword by the Minister of Water and Sanitation

Honourable Senzo Mchunu

I welcome this report on the activities of Mhlathuze Water for the 2021/22 period as a reaffirmation of our commitment to transparent and accountable governance. Indeed, one of the prerequisites that underpin an organisation that is accountable to the public for its activities is that it must open itself and its affairs up to scrutiny and Mhlathuze Water, as an organ of the state, is no different.

Our President, His Excellency, Cyril Ramaphosa has pronounced in no uncertain terms that ethical leadership and integrity must permeate throughout all sectors of government, and that, as leaders put in positions of authority, we need to be a bulwark against corruption in all its guises.

There can be no denying that the period under review has brought with it some tectonic shifts within Mhlathuze Water, some of which resulted in the reconfiguration of the organisation at its upper echelons. In response to these changes, as the Minister responsible for Water and Sanitation, I instructed the Board of Directors that it must, at all material times, ensure that the expansion of access to water to all communities should never be compromised.

While the right to access to clean drinking water for all is an imperative enshrined in South Africa's Constitution and the United Nation's Sustainable Development Goals, our country faces the dual challenges of being water scarce as well as the spectre of apartheid spatial planning which ensured that, among the provision of other basics, water infrastructure planning was skewed along racial lines, leaving the vast majority of Black Africans in general and rural Black dwellers in particular out of the equation and to fend for themselves.

As a result, nearly three decades into the democratic breakthrough, and despite our government's determination to build a truly developmental state that caters for all its citizens' needs, we still cannot lay claim to having



achieved a country with an all-encompassing, sustained developmental orientation. Thus, the starting point in so far as water provision is concerned, is that of ensuring that we accelerate the construction of infrastructure for the equitable distribution of water in both rural and urban areas.

To this end, the Department of Water and Sanitation has set for itself the ambitious path of charting a comprehensive plan to guide water infrastructure development for sustained water provision well into the future. As part of this plan, we have placed a deliberate focus on the augmentation of the capacity of municipalities to provide household reticulation. For this plan to succeed, we deemed it necessary to reduce the gulf between Water Service Authorities and Water Boards so that we leverage on comparative advantages to improve water reticulation, particularly at household levels.

We expect Water Boards to play a more hands on role in assisting municipalities to hasten the pace of water distribution. We argue that this symbiotic approach will not only result to greater cooperation but will also assist in skills transfer, particularly as Water Boards have greater experience in the sphere of integrated water management.

In the period under review, Mhlathuze Water was given a directive that it should work hand in glove with the UMkhanyakude District Municipality to address the long standing issue of household water reticulation in that area. As part of this intervention, Mhlathuze Water is to intervene as an implementing agent in the water and sanitation challenges of that area in terms of Section 63 of the Water Services Act, 1997. This we did in a bid to reverse the unconscionable injustice of entire communities being denied access to water despite the Jozini Dam, one of the largest dams in the country, being located in the Umkhanyakude Municipal area.

The long-term outcome is for Mhlathuze Water to extend water reticulation to every household in the area and

the complete restoration of existing but dilapidated water services infrastructure. Beyond the obvious social aspects, the untenable state of a dearth of water infrastructure in the far north of KwaZulu-Natal also has a direct impact on the economic and thus job creation prospects as businesses cannot possibly invest in an area where there are water limitations.

Mindful of the cited challenges in the water delivery value-chain, and which are not unique only to KwaZulu-Natal but are prevalent in other provinces as well, the Department of Water and Sanitation has resolved to embark on a process of reconfiguring Water Boards throughout the country. The chief considerations behind the move are to:

- Improve and enhance institutional efficiencies and rationalise the number of institutions in the water sector to ensure economies of scale;
- Maintain financial viability and enhance the ability to raise capital from the market to fund infrastructure projects;
- Enable Water Boards to better support Water Services Authorities so that all geographical areas are serviced by Water Boards and,
- Ensure transformation and improved governance.

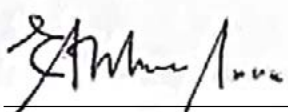
While this process has already been successfully completed in other provinces, in KwaZulu-Natal we expect that it will be completed in the first half of 2023 and culminate to the consolidation of Umgeni Water and Mhlathuze Water to form a new single entity that will

address, once and for all, the skewed water supply patterns in the province, particularly in rural areas that have for decades borne the brunt of the indignity of relying on unsafe sources of water.

At the same time and realising the strategic role that Mhlathuze Water has over the years played as a strategic provider of bulk water and related services to major industries in the Richards Bay Special Economic Zone, I do want to give the reassurance that the reconfiguration will continue to give priority to the need to cater for the demands of industrial customers as well.

As their term of office comes to an end in December 2022, I want to acknowledge with special gratitude the efforts of the Board of Directors of Mhlathuze Water for providing strategic oversight and guidance over the utility's activities over the past four years. Admittedly, while there were challenges that surfaced along the way, some of which necessitated the involvement of external agencies, credit must go to the Board for not turning a blind eye but acting with expeditious haste to identify and act against all instances of corruption, malfeasance and a miscarriage of the principles of the sound financial management.

I also wish to thank the dedicated men and women at the utility who have continued to work tirelessly to bring about discernible change in the lives of entire communities who look up to the institution as their last beacon of hope to realising the dignity that comes with accessing proper water and sanitation



Senzo Edward Mchunu, MP
Minister for Water and Sanitation

Foreword by the Chairperson of the Board

Ms Thabi Shange



The 2021/2022 financial year brought with it many challenges. The intense floods in KwaZulu-Natal caused major damages to physical infrastructure and entire livelihoods were disrupted. Water infrastructure was not spared as pipes and other critical components were either washed away or destroyed. All this served to put further strain on the supply of bulk water. Although in Mhlathuze Water's area of operation there were no major disruptions wrought by the floods, as a precautionary measure, the Department of Water and Sanitation had to open the sluice gates for the Jozini Dam in order to keep the water in the dam at the right levels.

There were also other factors such as runaway unemployment figures, especially among the youth, which led to business forum formations exerting pressure on Mhlathuze Water for opportunities. This affected our ability to implement water provision and related services.

Organisational challenges

Beyond these external factors, the organisation was also exposed to its own set of challenges which necessitated that we act with speed and determination in order to retain our organisational integrity and ensure that Mhlathuze Water continued to be financially viable and a going concern. We had to take drastic action against instances of maladministration which threatened the organisation to its knees. In some cases, we had to suspend a number of employees who were alleged to be involved in wrongdoing.

In bridging these impediments, we are pleased that Mhlathuze Water was able to display that it still abides by the strictest governance and business prescripts. Our existence within Richards Bay, the second industrial city in KwaZulu-Natal, means that we carry on our shoulders the heavy yet very noble responsibility of responding to the water and economic empowerment needs of entire communities and industries, some of whom lie in the deep rural hinterlands.

This is an undertaking that requires, in equal measure, a mixture of dedication, diligence and passion. However, for all our willingness to be a part of the solution, we are not blind to the insidious plague of corruption and a misuse of power which continues to blight public institutions. All this occurred against the backdrop of deficient water access to people living in astounding conditions of poverty and inequality in our area of supply.

Cognisant of the fact that our mandate is the long term provision of water, Mhlathuze Water has, despite the existence of these hurdles, remained equal to the task by adroitly deploying our resources in line with the urgent goal of delivering water for the benefit of all. That Mhlathuze Water has received a qualified finding from the Auditor-General is an unwelcome development and a setback. It points to an organisation that must do more to fulfil the shareholder's expectations. We can and must get up and address those areas which led to negative findings being made. The management has already been briefed by the Board to prepare an audit turnaround for the new financial year.

Strengthening oversight for continued bulk water delivery

During the financial year under review, the Board vigorously deployed its oversight responsibilities by scrutinising all instances of alleged maladministration reported through our whistle blower line. As a result, we were able to take a hard-line stance against a number of individuals through whose actions Mhlathuze Water suffered material financial loss. Measures have been put in place to both detect and deter malfeasance and the misuse of resources meant for service delivery for private gain. The Board further recommitted itself to evaluating and monitoring the organisation's activities as well as its exposure to practices that are at odds with ethical governance.

This was a stance premised on identifying and acting against practices that posed a direct threat to the ability of Mhlathuze Water to execute its task of providing bulk raw, clarified and purified water services to all our customers and partners. At the same time as providing district municipalities as water service authorities with bulk water solutions, Mhlathuze Water is also uniquely positioned to actively drive growth within the northern corridor of KwaZulu-Natal through forward planning for private sector investors. We have thus adopted an ambitious 5-year Water and Sanitation Service Master Plan that proposes a number of interventions either through upgrades or the construction of new bulk water infrastructure in the medium to long term. Critically, the Plan also serves as a lodestar on the direction and actions that Mhlathuze Water needs to necessarily take if it is to effectively meet the water demands of its areas of operation.

The National Water and Sanitation Master Plan is emphatic that the dire water distribution situation in the country warrants the need for more partnerships among all concerned stakeholders. In this regard, the Plan agitates for the formation of partnerships on the achievement of the following key outcomes:

- Prioritizing and unblocking the implementation of projects that are necessary for, amongst other aspects, ensuring water security in South Africa;
- Developing the capacity and mobilizing resources to deliver reliable access to water and sanitation and
- Ensuring that the sense and culture of urgency in the implementation of sections 29, 30 and Ministerial Directives projects” to guarantee equitable water access to our industrial customers and District Municipalities partners.

Implementation of Ministerial Directives

In pursuit of these stated outcomes, in the period under review, Honourable Minister Mchunu instructed Mhlathuze Water to partner with the uMkhanyakude District Municipality in northern KwaZulu-Natal under a Section 63 intervention. Under this directive, Mhlathuze Water was tasked with assisting the uMkhanyakude District Municipality in a collaborative approach with all aspects of water provision to the District’s population. This includes fixing, upgrading existing infrastructure, construction of new infrastructure and the improvement of administrative systems such as the maintenance, skills transfer, billing and the installation of water meters where practicable. Upon its conclusion, this phased project which we anticipate will be completed after five years, would have significantly reduced the serious backlog in water provision in uMkhanyakude.

Reconfiguration of Water Boards for better services

In the past 42 years, Mhlathuze Water has unfailingly discharged its duties of providing entire communities with quality bulk water services in northern KwaZulu-Natal. As a result, we have played a catalytic and central role in the economic growth fortunes of the Richards Bay Industrial Development Zone (RBIDZ). As the city grows we intend to be enablers for new investment by securing water to new developments. The Honourable Minister for Water and Sanitation, Senzo Mchunu, has revived the long standing plan to reconfigure the two water boards in KwaZulu-Natal. This is a move aimed at enhancing capacity, maximising on the economies of scale and ensuring a higher degree of efficiency and effectiveness in the delivery of water.

We are in full support of the move as we are doubtless that a single Water Board for KwaZulu-Natal makes sound business, particularly for access to the financial markets and investors. In December 2022, the four year term in office of the current board of Mhlathuze Water will come to an end. We wish to sincerely extend our appreciation to the successive Ministers for Water and Sanitation under whose behest we have served for according us the opportunity to be of service to the people of Northern KwaZulu Natal and the Industrial community of Richards Bay.

In particular, we single out Minister Honourable Senzo Mchunu, our current shareholder under whom we shall have served 14 months by the end of our term of office in December 2022. His support and recognition of the Board decisions during the most challenging times ever in its term of office is highly appreciated. To our corporate customers who have invested in Mhlathuze Water, we doff our hats off to you for entrusting us with your business needs. We are also grateful to our partners in the public sector, the Municipalities who are Water Services Authorities with whom we have together managed to traverse through challenges. To all our direct and indirect stakeholders in our footprint thank you for your support. We also wish to thank Amakhosi aseNdlunkulu for being vital partners and, at times, our ambassadors to the communities they lead.

Last but not least, to all our Mhlathuze Water employees; while we have had our fair share of challenges, we thank you for always soldiering on and implementing our resolutions.



Ms Thabi Shange
Chairperson

Acting Chief Executive's Overview

Mr S Ntlhoro

The period under review has been extraordinarily difficult for KwaZulu-Natal. The flood which ravaged the province in April 2022, leaving in its wake a trail of death and destruction, brought home the harsh realities that climate change is no longer a far-off threat but a materialising risk that behoves us to act decisively to mitigate against its effects. We need to necessarily alter the way we approach urban and infrastructure planning so that we adapt and minimise the effects climate change.

While Mhlathuze Water did not experience any major disturbances to its water infrastructure during the floods of 2022, our sister water board, Umgeni Water, was not as fortunate and is still recovering from the ravages of the floods to its infrastructure. And because climate change manifests itself in a variety of forms, the north of KwaZulu-Natal found itself faced with one of the severest droughts in 2015, which exposed how ill-prepared we were for the tectonic shifts in weather patterns. In both these cited instances, an important lesson for Mhlathuze Water is that as we plan for future water security, we need to remain mindful of the myriad effects of climate change which range from water scarcity to infrastructure damage.

Development of a Bulk Water and Wastewater Infrastructure Plan

Mindful of these imperatives, Mhlathuze Water has developed a Bulk Water and Wastewater Infrastructure Plan which makes provision for the long term bulk water and related services needs of industries and communities alike. Under this plan, which provides an integrated overview of all actions, initiatives and projects that we must undertake in order to effectively meet current and future bulk water and wastewater demands, we make provisions for water reserves in order to accommodate the growth forecasts of industries and communities.

The plan also gives further expression on a 2040 Reconciliation Strategy for the Richards Bay growth node, and the actions that need to be taken over the next 20 years in anticipation



of these projections. In this regard, the Board of Mhlathuze Water has approved a sum of R21-million for three feasibility studies that are critical to future water security.

Abstraction from the Tugela River (Mandeni)

The Thukela River holds massive promise for expanded water provision in the north of KwaZulu-Natal. Provided this system is adequately developed, the anticipated growth in demand for both residential and industrial water in the northern corridor of the provision will be met and surpassed. In anticipation of this boom in demand, from as far back as 2005, Mhlathuze Water secured a water use license to develop infrastructure on the Thukela River which would enable it to churn 47.3million mega litres of water per annum. Through this development, the intention would be:

- i. to supply Tronox: Fairbreeze Mine as well as the King Cetshwayo domestic demand from this supply point (i.e. raw water and potable water pipeline); and/or
- ii. to transfer the abstraction license to Tugela-Goedertrouw Transfer Scheme by increasing water being transferred to the Goedertrouw, to the Mhlathuze River. The intention of this proposal would be to enable Mhlathuze Water to meet future demand and business development initiatives by relieving pressure on the Mhlathuze Weir Supply system; and add second raw water source to the supply of the existing and potential new customers.

Desalination of Seawater

Lessons from the droughts seven years ago brought into sharper focus the need to explore alternate water sources. Our Master Plan recommends that Mhlathuze Water undertake a feasibility study into the desalination of water. Ultimately, depending on the outcomes of the study, the intention is to construct a Desalination Plant to support the current water resources in use in Richards Bay and the surrounding areas.

Infrastructure development for economic growth and job creation

Our location within one of the two special economic zones in the province means that our planning must be in tandem with that of the Richards Bay Industrial Development Zone (RBIDZ). Aware of this need, we have developed the RBIDZ Phase 1F Water Supply and Effluent Disposal to assist a mega industrial development by Nyanza Light Metals. The R5-billion development Nyanza Light Metals will require Mhlathuze Water to provide effluent disposal infrastructure to dispose approximately 872m³/hr. (20.9 MI/d) of brine containing gypsum suspended solids. Our experience of handling large volumes of effluent for industries like Foskor means that we are more than equal to this task. More importantly, this development will be a major injection into the economy of KwaZulu-Natal and result to the creation of much needed jobs in the Richards Bay region.

Equitable access to water for social transformation

Mhlathuze Water has an obligation to respond to the directive by the 2030 National Development Plan (NDP) to water institutions to act as enablers for water provision. The NDP calls for municipalities as water service authorities and water boards to ensure that the use of water is equitable; that citizens and all stakeholders are represented in issues of water governance of water is representative; and thirdly, that decent water and sanitation services are available for all South Africans. In pursuit of this objective, over the past financial year, the Minister of Water and Sanitation, Honourable Minister Senzo Mchunu issued a Section 63 to Mhlathuze Water to provide intervention and complete the restoration of water projects in the uMkhanyakude District to provide water to households.

We have already put in place advanced plans to execute this mandate within the shortest possible period. At the same time as we embark on these infrastructure upgrades, we will work closely with the uMkhanyakude District so that locals benefit from job and economic opportunities that will accrue.

Focus on future growth

Notwithstanding the challenges experienced by the utility over the past financial year, some of which ultimately led to the Board resolving to institute disciplinary proceedings against some senior staff members within the organisation, I am satisfied that Mhlathuze Water remains well on course to achieving its mandate. While our audit outcomes for the financial year under review show that we have regressed from our performance in previous financial years, as management we will strengthen our controls and ensure that we improve on those areas flagged by the AG as requiring urgent attention. We are confident that we will improve and once more steer the organisation towards a clean audit finding like we had done in prior years.

We remain a going concern with a healthy balance sheet as well as a strong assets register that enables us to meet our stakeholders' expectations. Looking ahead, we remain poised to play a central role in the growth fortunes of KwaZulu-Natal. As the Board of Mhlathuze Water prepares to bow out at the end of 2022, we would like to convey our gratefulness for its guidance of the utility over the past four years. We are also extremely grateful for the support and wise counsel that Mhlathuze Water continues to receive from the Minister of Water and Sanitation, Honourable Senzo Mchunu.

We would also like to acknowledge Mhlathuze Water staff for sparing no effort in pursuit of the utility's goal of expanding the supply of water.



Mr S Ntlhoro
Acting Chief Executive



STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY FOR THE ANNUAL REPORT

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

All information and amounts disclosed in the annual report is consistent with the annual financial statements audited by the Auditor General.

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

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

The Annual Financial Statements have been prepared in accordance with the GRAP standards applicable to the public entity.

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

The accounting authority is responsible for establishing, and implementing a system of internal control has been designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources information and the annual financial statements.

The external auditors are engaged to express an independent opinion on the annual financial statements. In our opinion, the annual report fairly reflects the operations, performance information, human resources information and financial affairs of the entity for the financial year.

Mr S Ntlhoro
Acting Chief Executive

Ms TA Shange
Chairperson of the Board

SECTION

A

PROFILE OF THE ORGANISATION



1. INTRODUCTION

Mhlathuze Water (MW) is a state-owned entity based in Richards Bay and operating in the Province of KwaZulu Natal. However, due to its geographic location in Richards Bay, the entity predominantly operates in the uMkhanyakude, King Cetshwayo and Zululand District Municipalities. Richards Bay is supplied by three dominant water sources namely: Mhlathuze River, Lake Mzingazi and Lake Nsezi. The organization’s business activities include raw (untreated), clarified (partially treated) and purified water supply; disposal of industrial and domestic waste water; and scientific services. The organisation provides these bulk water services in a sustainable and cost-effective manner. The organisation’s major clients include: Foskor, Richards Bay Minerals, City of uMhlathuze and Mondi.

Mhlathuze Water strives to achieve its role as a water board by being a responsible bulk water service provider in terms of the Water Services Act, 1997 No. 108 of 1997, and by supporting and assisting local water service authorities with planning, development, operations and maintenance of water services schemes.

Maintaining and expanding good relationships with its existing customers is a key success factor for sustainability of the organisation.

As mentioned in the mission statement, Mhlathuze Water strives to contribute towards economic growth through the provision and efficient management; and maintenance of bulk services to new industrial investors and residential demands and expansions.

Making a meaningful and noticeable contribution to the daily lives of the communities that live within its immediate area of operation is achieved through the organisation’s Corporate Social Investment and Rural Development Programmes respectively.

In providing these services to customers, Mhlathuze Water strives to protect the natural and social environmental and water resources.

Mhlathuze Water is proud to be associated with its employees. It is stated boldly in the organisation’s mission statement and in the core set of values that the organisation promotes. The organisation ensures that its most important resource; the employees, are managed, supported, developed and rewarded in a responsible, transparent and unbiased manner by implementing the human resources management and development policies.

Figure 1: Area of Operation



2. VISION, MISSION, VALUES AND CRITICAL SUCCESS FACTORS

2.1. Vision, Mission, Outcomes and Key Strategic Objectives

Vision

Your reliable water and waste water business partner of choice

Mission

By providing high quality water and waste water disposal services that contribute to sustainable development

STRATEGIC INTENT

Key Focus Areas	Customers	Financial	Processes	Organisational Capacity
Strategic Objectives	<p>SO 1</p> <p>To grow the provision of water services</p> <p>SO 3</p> <p>To initiate and build relationships with stakeholders</p> <p>SO 7</p> <p>To improve efficiency through technology and best practices</p>	<p>SO 2</p> <p>To ensure long-term financial sustainability</p>	<p>SO 5</p> <p>To optimise business processes and systems for efficiency</p> <p>SO 6</p> <p>To be pro-active on issues relating to health, safety, security and the environment</p>	<p>SO 4</p> <p>To resource the Organisation with the required skills and competence</p>

2.2 Values

Mhlathuze Water will develop a culture of trustworthiness, transparency and loyalty that responds to the needs of customers and employees with honesty and passion.

- **Ethics and Integrity**
To act within high moral and professional principles in a resolute and truthful manner.
- **Excellence and Quality**
To maximise the use of available resources so that Mhlathuze Water continues to produce work of excellent quality.
- **Fairness and Redress**
To treat customers in a fair and equitable manner and put right what was wrong harness good relationships.
- **Creativity and Innovation**
To continually strive for new, different and efficient ways of doing business, challenging the status quo, mind-sets and assumptions.
- **Enthusiasm and Passion**
To encourage employees and stakeholders to have a healthy and live interest in the business of the organisation, to build momentum and drive change.
- **Viability and Sustainability**
To provide the services in a manner that would ensure its longevity whilst maintaining such so that it is not detrimental to the environment, the economy, nor society.

2.3 Critical success factors

- **Good Governance**
To conduct and present the business in a reliable, transparent, accessible and compliant manner.
- **Customers and Communities**
To cordially consult with customers and communities on the services provided in an open, responsive and transparent manner.
- **Operations**
To deliver services to customers and communities in a safe, healthy, efficient and environmentally friendly manner.
- **Skills and Competence**
To attract, develop and retain a diverse, skilled and competent workforce
- **Financial Viability**
To optimise available resources through sound financial management, asset management and sustainable tariffs.
- **Research and Development**
To continuously strive to create and harness knowledge to advance the organisation and find innovative solutions to improve organisational performance and efficiency.

3. LEGISLATIVE AND OTHER MANDATES

The Board and Management of Mhlathuze Water have committed to discharge their duties of good corporate citizenship by ensuring compliance to all applicable laws and good corporate governance principles that are inherent in sound business practice.

These are prescribed within a specific, applicable legal and regulatory framework for public entities such as the Public Finance Management Act, 1999 (Act No.1 of 1999), the Water Services Act, 1997(Act No.108 of 1997) and the King IV Report, which are the cornerstones of these prerequisites. Changes to the accounting standards that impacted on the financial reporting have been acknowledged to ensure minimal deviations from the requirements. Mhlathuze Water realises that compliance is an ongoing process and will, therefore, continue to seek sound and innovative ways to ensure full compliance in all the reporting obligations to both its customers and stakeholders to maintain transparency, effectiveness and accuracy.

3.1 Legislative Mandates Relevant to Mhlathuze Water

3.1.1 Constitution of the Republic of South Africa

The Constitution of the Republic of South Africa, 1996 (Act 108 of 1996) states that members of Cabinet are individually and collectively accountable to exercise their powers and provide Parliament with full and regular reports on matters under their control. The Constitution specifies that institutions have a responsibility to publish administrative and performance information to account to Parliament and provincial legislatures.

3.1.2 Water Services Act, 1997

The Water Services Act, 1997 (Act No. 108 of 1997) sets out objectives to provide for amongst other matters; the rights of access to basic water supply and basic sanitation and the establishment and disestablishment of water boards and water services committees and their powers and duties.

In addition, section 30 of the Water Services Act enables Mhlathuze Water to undertake any other activities, provided that these do not impact negatively on the Entity's ability to perform its primary activities. These include:

- Supplying water directly for industrial use, accepting industrial effluent and acting as a water services provider to consumers; and
- Providing water services in joint venture with water services authorities and other stakeholders.

According to Section 29 (1) The Minister may make regulations relating to (c) the information to be supplied in the financial statements of a water board; (d) the information to be supplied in the annual report of a water board; and (e) any other matter relating to the functioning of the water board and to the exercise of its powers which the Minister may consider advisable to ensure the water board's efficiency and to promote good order. Section 44 (1) A water board must, within four months after the end of each financial year, issue a report on the activities of the water board for that financial year. (2) The report (a) must be accompanied by the audited financial statements for that financial year; (b) must be submitted to the Minister, any relevant Province and Parliament; and (c) must be accessible to the public. (3) The report must contain sufficient information to allow (a) the Minister; (b) any relevant Province; (c) any relevant water services institutions; and (d) the public, to assess the performance of the water board.

3.1.3 National Water Act, 1998 (Act 36 of 1998)

The National Water Act, 1998 (Act 36 of 1998) recognizes that water is a scarce and unevenly distributed national resource which occurs in many different forms. It further states that while water is a natural resource that belongs to all people, the discriminatory laws and practices of the past have prevented equal access to water and use of water resources. This Act acknowledges the National Government's overall responsibility for and authority over the nation's water resources and their use, including the equitable allocation for beneficial use.

3.1.4 Public Finance Management Act, Act 1 of 1999 (as amended)

The Public Finance Management Act (PFMA) (Act 1 of 1999) Section 55 (1) specifies that the Accounting Authority for a public entity (a) must keep full and proper records of the financial affairs of the public entity; (b) prepare financial statements for each financial year in accordance with generally accepted accounting practice. (2) The annual report and financial statements must (a) fairly present the state of affairs of the public entity, its business, its financial results, its performance against predetermined objectives and its financial position as at the end of the financial year concerned; (b) include particulars of (i) any material losses through criminal conduct and any irregular expenditure and fruitless and wasteful expenditure that occurred during the financial year; (ii) any criminal or disciplinary steps taken as a consequence of such losses or irregular expenditure or fruitless and wasteful expenditure; (iii) any losses recovered or written off; (iv) any financial assistance received from the state and commitments made by the state on its behalf; and (v) any other matters that may be prescribed; and (c) include the financial statements of any subsidiaries. (3) An Accounting Authority must submit the report and statements for tabling in Parliament or the provincial legislature, to the relevant Executive Authority through the Accounting Officer of a department designated by the Executive Authority.

3.1.5 Disaster Management Act, Act 57 of 2002.

According to Section 25 of the Disaster Management Act, “each national organ of state indicated in the national disaster management framework must prepare a disaster management plan” setting out “the way in which the concept and principles of disaster management are to be applied in its functional area”.

3.1.6 Other legislative imperatives include, but are not limited to:

- Companies Act, 2008 (Act 71 of 2008);
- Treasury Regulations (in terms of the PFMA Act 1 of 1999);
- South African Receiver of Revenue Act 34 of 1997;
- National Environmental Management Act 107 of 1998;
- The National Environmental Management: Integrated Coastal Management Act 24 of 2008;
- Occupational Health and Safety Act 85 of 1993;
- The Compensation for Occupational Injuries and Diseases Act Treasury Regulations 130 of 1993;
- Employment Equity Act 55 of 1998;
- Labour Relations Act 66 of 1995;
- Basic Conditions of Employment Act 75 of 1997;
- Skills Development Act 97 of 1998;
- Protection of Personal Information Act 4 of 2013; and
- Protected Disclosures Act 26 of 2000.
- Disaster Management Act 57 of 2002.
- King IV Report on Corporate Governance for South Africa

3.2 Other Mandates Relevant to Mhlathuze Water

3.2.1 United Nation’s Sustainable Development Goals

Mhlathuze Water further contributes to the SDGs by building capacity and capability in water- and sanitation-related activities and programmes, including water harvesting, desalination, water efficiency, wastewater treatment, recycling and reuse technologies.

Through these programmes, Mhlathuze Water aim to further contribute to support and strengthen the participation of local communities in improving water and sanitation management, drive towards achieving universal and equitable access to safe and affordable drinking water; and adequate and equitable sanitation and hygiene for all especially to those in vulnerable situations.

The organisation further aims to contribute to improve water quality by reducing pollution, eliminating dumping and minimising the release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally.

Mhlathuze Water committed itself to substantially increase water-use efficiency and ensure sustainable withdrawals and supply of freshwater to address water scarcity and work with Water Services Authorities to substantially reduce the number of people suffering from water scarcity.

3.2.2 National Development Plan

The National Development Plan (NDP), Vision 2030, adopted by Cabinet in 2012, is the visionary blueprint of government, with business and society as collaborative partners. This long-term plan for the country, which cuts across all sectors of society, identifies the critical challenges to be addressed by the country over the period to 2030. The NDP aims to integrate planning and ensure greater policy coherence in government, thus building a common vision of South Africa in 2030.

Seeking to eliminate poverty and sharply reduce inequality by 2030, the key elements that relate to water resources and services are the following 2030 milestones and economic infrastructure objectives.

2030 NDP Milestones:

- All South Africans will have affordable, reliable access to sufficient safe water and hygienic sanitation;
- Effective management of water and the services will support a strong economy and a healthy environment;
- Establish a national water-resources infrastructure agency to support implementation of large projects;
- The country’s development will reflect an understanding of available water resources and effective water planning that cuts across different economic sectors and spheres of government;
- All main urban and industrial centres will have a reliable water supply to meet their needs, while increasingly efficient agricultural water use will support productive rural communities; and
- Natural water sources will be protected to prevent excessive extraction and pollution.

3.2.3 National Water and Sanitation Master Plan; 2018

It is critical for Mhlathuze Water to align itself to the Department of Water and Sanitation’s National Water and Sanitation Master Plan. In summary, the Master Plan aims to:

“Reduce water demand” minimise the strain placed on the scarce water resources available in South Africa. To reduce strain, demand must be reduced by a decreasing water

requirements (improve on production efficiencies), reduction in water wastage, reduction in unmetered/ unaccounted water and reduction in uncontrolled releases from source.

“Increase supply” speak of the introduction of additional water sources into the existing mix. The dominant water source in South Africa remain surface water resources. Through efficient technologies, programmes to increasingly use ground water sources, treat and re-use effluent as well as desalination in coastal cities should be considered alternatives or augmentation to existing resources.

“Redistribution for transformation” guides water services authorities and institutions to be make provision of water services to address three areas of inequality. Firstly, ensuring that the use of water for productive purposes is equitable; secondly, making sure that the governance of water is representative; and thirdly, ensuring access to decent water and sanitation services for all South Africans.

“Raw water quality” drives the point of preserving and managing the quality of water being produces and released by natural water resource bodies such as rivers, dams, lakes, wetlands, estuaries and ground water; to prevent deterioration. Deterioration of natural raw water quality poses a threat to economic growth, social development, health and hygiene and aquatic ecological functioning. Fundamental issues that need managing is the poor quality of effluent discharge from municipal and industrial waste water treatment works as well as diffusing pollution of these resources, such as runoff affected by atmospheric deposition or land use practices.

“Protecting and restoring ecological infrastructure” relates to South Africa’s high value aquatic ecological infrastructure assets. These assets are poorly protected, and in some areas of the country they are under severe pressure, for example from intensive agriculture, mining and urban sprawl that results in loss or degradation of ecosystems. Built infrastructure and ecological infrastructure needs to be maintained, and in some cases restored, in order for its socio-economic benefits to be realised. The loss and degradation of ecological infrastructure in relation to urban growth pressures; negatively affects water system yield and increases water-related risks such as inability to release or replenish raw water sources or mitigate floods.

4. MHLATHUZE WATER'S BUSINESS

Our services:

- Bulk Water provision: raw, clarified and purified to industries and Water Services Authorities
- Bulk waste water disposal
- Section 30 Additional Activities as permitted in the Water Services Act

4.1 Section 29 Core Business

4.1.1 Bulk water provision

Mhlathuze Water provides raw, clarified and purified water to industries and water service authorities through its flagship Nsezi Water Treatment Plant which provides treated water that meets and exceeds the quality standard for drinking water as well as customer specific requirements for both domestic and industrial purposes. The production capacity is 74mil m3 per annum.

4.1.2 Bulk waste water disposal

Mhlathuze Water collects waste water from all industries and disposes off through the sea off shore pipelines in a safe environment. The disposal capacity is 120mil m3 per annum.

4.1.3 Scientific Services

The organisation is the proud owner of a state-of-the-art water and waste water testing laboratory facility. The facility is ISO 17025 accredited and offers a variety of water quality testing services in the fields of chemistry, microbiology and hydrobiology.

The laboratory uses a Laboratory Information Management System (LIMS) to support its operations in managing samples, integrating instruments, exchanging electronic data and facilitating reporting.

The services focuses on developing internal Research & Development expertise in order to deal with current innovation challenges in the sector. The initial approach will be collaborative (with external institutions) whilst building internal capacity.

4.1.4 Section 30 Project implementation and management services

Mhlathuze Water possess a wide range of experience in programme and project implementation; as well as management services in both bulk water and sanitation projects.

SECTION

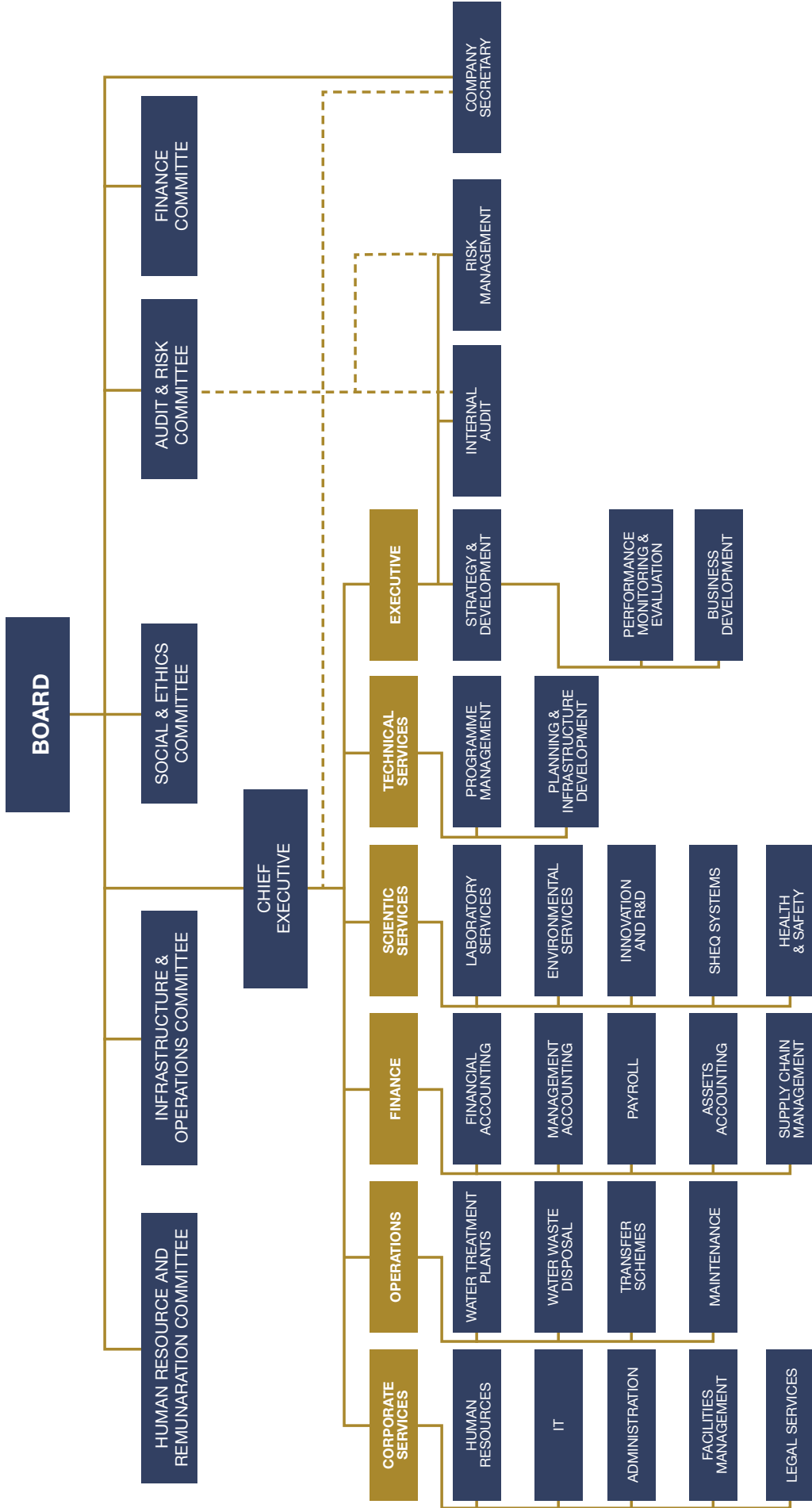
B

**CORPORATE
GOVERNANCE**



5. HIGH LEVEL ORGANISATIONAL STRUCTURE

Figure 2: Organogram



5.1 The Board of Mhlathuze Water

Board members are appointed by the Minister of Water and Sanitation (DWS) in terms of the Water Services Act, 1997 (Act 108 of 1997). The Minister appointed 11 members of the Board on 05 December 2018 for a four year term. The Primary role of the Board is to ensure that Mhlathuze Water succeeds in discharging its mandate as a water board in accordance with the Water Services Act, in a manner that complies fully with all relevant legislative requirements. The Board ensures

that Mhlathuze Water's overall governance is effective, appropriate and within the bounds of sound corporate governance practices.

Furthermore, the Board is entrusted with a responsibility to provide effective ethical leadership and control, based on a foundation of integrity, competence responsibility, accountability, fairness and transparency. This is achieved through steering the strategic direction (vision and mission), with regards to the organisation's strategy and exercising accountability to the shareholders.



Ms TA SHANGE

Age: 75 years

Gender: Female

Race: African

Period of Service in the current Board of Mhlathuze Water: 3 years, 10 months

Position held at Mhlathuze Water: Chairperson

CORE QUALIFICATIONS

- **MBA:** Public Sector Management
- **BA Hons:** Development Studies
- **BA:** Geography & History
- **Concurrent Certificate:** Education
- **UBLS Teachers' Certificate**
- **Certificate:** Directorship – Accelerated Directorship Programme

AREAS OF EXPERTISE

- She has experience and mature insight on leadership
- She has experience in Board and Audit & Risk membership having served in various Boards over 25 years. She also has served in the Public, Corporate & Social Sectors
- A former Regional Land Commissioner KwaZulu-Natal
- Former General Manager: Strategic Affairs at Richards Bay Minerals
- Good Governance, Leadership and Communications skills and well-rounded Development Practitioner

YEARS OF SERVICE & POSITIONS HELD ON OTHER BOARDS

- Forest Sector Charter Council: Deputy Chairperson & Chair of the Forest Members Outreach Committee
- Director: Ubuqotho Integrity Institute (Pty) Ltd
- Director: Accomplish Enterprise (Pty) Ltd
- Philisisizwe Development Trust: Chairperson
- King Cetshwayo Fresh Produce Market: Board Chairperson
- Rand Water Foundation: Chairperson
- uThungulu Community Foundation: Board member
- National Development Agency (NDA): Deputy Chairperson & Chairperson of Audit & Risk Committee
- Them bani International Guarantee Fund: Chairperson
- Development Innovations and Networks (International): Chairperson
- SACC Women's desk and Development Division: Chairperson
- Special Pensions Board: Deputy Chairperson
- Reconstruction and Development Programme: Committee member
- World Bank Research & Policy Framework: Advisory committee member (Land Reform: Restitution, Redistribution, Tenure)
- Khula Enterprise Finance: Board member
- KwaZulu-Natal Transport: Board member
- Washesha Bus Services: Board member
- Transformation Resource Centre (Lesotho): Board member
- Rural Transformation Association(Natal): Board member

**Mr SZ HLOPHE****Age:** 44 years**Gender:** Male**Race:** African**Period of Service in the current Board of Mhlathuze Water:** 3 years, 10 months**Position held at Mhlathuze Water:** Deputy Chair**CORE QUALIFICATIONS**

- **Masters:** Business Leadership (MBL)
- **BCom Hons:** Accounting
- **National Diploma:** Cost and Management Accounting

AREAS OF EXPERTISE

- He has vast senior management experience which cuts across Public and Private sector
- His experience across private and public sector is more focused on Finance, Compliance, Internal Audit, Taxation, Audit and Risk and Infrastructure Investment as well as general administration and management matters

YEARS OF SERVICE & POSITIONS HELD ON OTHER BOARDS

- KZN Growth Fund – Non Executive Director: 3 years
- RBIDZ – Non Executive Independent Director: 3 years
- ILembe District Municipality – Audit Committee Chair: 3 years, 5 months
- Enterprise ILembe Economic Development Agency – Audit Committee Chair: 4 years
- Harry Gwala District Municipality and Harry Gwala Development Agency – Audit Committee Chairperson: 1 year
- KZN Legislature: Audit Committee Chair

**Prof. PS REDDY****Age:** 64 years**Gender:** Male**Race:** Indian**Period of Service in the current Board of Mhlathuze Water:** 3 years, 10 months**Position held at Mhlathuze Water Board:** Board Member**CORE QUALIFICATIONS**

- **PhD:** Public Administration
- **Masters:** Public Administration
- **Hons:** Public Administration
- **Bachelor of Admin Degree**
- **Certificate:** Local government studies (UK)

AREAS OF EXPERTISE

- He is a subnational government specialist who has distinguished himself in the fields of human/ social development, service delivery, planning and human resources through teaching and learning, research, university service and community engagement.
- His research, insight and professional experience will contribute positively to Governance and Organisational Development
- He has theoretical and practical experience in Human Capital Development.
- He has supervised/ promoted several masters dissertations and doctoral theses on water governance thereby enabling him to respond positively to the challenges of basic water provision as espoused by the Constitution and pertinent legislation.

YEARS OF SERVICE & POSITIONS HELD ON OTHER BOARDS

- Council of University of KwaZulu-Natal (2019 -2021)
- Staffing Committee of Council of UKZN (2019 -2021)
- Integrated Talent Forum of the Staffing Committee of University of KwaZulu -Natal (2019 -2022)
- Member of Human Capital Development Committee of the Financial and Fiscal Commission (FFC) (2018 -2020)
- Member of the Board of Management of IASIA (Belgium) (1998 -2022)
- Founding Project Director of the working Group on Subnational Governance and Development of IASIA (Brussels) (1998 -2020)
- Vice President : Programmes : IASIA (Brussels)(2017 – 2022)
- Served on an IASIA – UNDESA Taskforce for Effective Public Administration at the Local Level for the Achievement of the MDGs (3 years)
- Chairperson of Programme and Research Committee of IAS (Brussels) (2019 - 2022)
- Vice Chairperson of the Programme and Research Committee of IAS (Brussels) (2022 – 2024)
- Member of the Council of Administration of IAS (Brussels) (2019 – 2024)
- Member of the Finance Committee of IAS (Brussels)(2019 -2024)
- Member of Board : Innova Housing (Housing Utility Company)
- Full/Alternate member of the Board : Commonwealth Local Government Forum (London) (1996 – 2015)
- Member of Environmental Committee : Durban City Council : 3 years



Mr MM XULU

Age: 49 years

Gender: Male

Race: African

Period of service at Mhlathuze Water Board: 3 years, 10 months

Position held at Mhlathuze Water: Board Member

CORE QUALIFICATIONS

- **Hons Degree:** Accounting
- **BCom Degree**
- Management Development Programme

AREAS OF EXPERTISE

- He is a registered member of Associate General SA
- He has experience in the audit and risk environment through his qualification in Accounting Science
- He has experience in executive management and marketing
- He served as a member of the former Mhlathuze Water Board

YEARS OF SERVICE & POSITIONS HELD ON OTHER BOARDS

- None



Dr M MAKGAE

Age: 47 years

Gender: Female

Race: African

Period of Service in the current Board of Mhlathuze Water: 3 years, 10 months

Position held at Mhlathuze Water: Board Member

CORE QUALIFICATIONS

- **PhD:** Environmental Chemistry
- **MSc** Chemistry in Membrane Technology
- **BSc Hons:** Chemistry
- **Certificate:** Environmental Management
- Management Advancement Programme (MAP)

AREAS OF EXPERTISE

- She has spent most of her career working on Research and development in areas related to water and the environment.
- She has applied that research in the field of Nuclear, Mining and Oil.
- She has worked for several State-Owned Entities including Council for Scientific and Industrial Research (CSIR), Pebble Bed Modular Reactor (PBMR), South African Nuclear Energy Corporation (NECSA) and Council for Geoscience (CGS).
- She has supervised a number of post graduate students, published her work in peer reviewed journals and has written a chapter in a book.
- She has ventured into business.
- She has two companies: Geo-Environmental and Technical Services and Mosidi Leadership Coaching.

YEARS OF SERVICE & POSITIONS HELD ON OTHER BOARDS

- Board member, Strategic Fuel Fund, 2019 to Date
- Board member; Mhlathuze Water Board, 2018 to Date
- Board member, Water Research Commission (WRC), 2016 to date
- Board Member, Amatola Water Board, Feb 2021-April 2022
- Advisor to the Technical Committee of the National Nuclear Regulator Board, National Nuclear Regulator (NNR), 2017 to 2020
- Board member, One geology (International body of Geological Surveys), 2015 – 2017
- Interim Board member, Zenzele TDC, Subsidiary of SEDA, 2015 – 2016
- Council Member, Water Institute of Southern Africa (WISA), 2010 - 2014



Mrs N GEVERS

Age: 66 years

Gender: Female

Race: White

Period of Service in the current Board of Mhlathuze Water: 3 years, 10 months

Position held at Mhlathuze Water: Board Member

CORE QUALIFICATIONS

- **Chartered Accountant of South Africa**
- **PGDip:** Management Accounting
- **Diploma:** Accountancy
- **BCom Degree**

AREAS OF EXPERTISE

- She has extensive experience in both the private sector and the public water sector. Her experience covers corporate and project finance, risk management, corporate governance and compliance.
- She served as a member of the former Mhlathuze Water Board

YEARS OF SERVICE & POSITIONS HELD ON OTHER BOARDS

- Project preparation trust: Trustee and Finance Committee member, Chairman of the Finance Committee: June 2014
- University of KwaZulu-Natal: Independent member of the Finance Committee: 2nd December 2019
- South African nursing council: 01st April 2017 - 31st March 2020, April 2014 - 27th March 2017
- ISimangaliso Wetland Park Authority – Independent member of the Audit and Risk Committee: February 2018 - February 2020
- Mhlathuze Water: Member of Independent Audit & Risk Committee 01st August 2017 - November 2018
- Msunduzi Local Municipality: Independent member of Audit and Risk Committee: August 2013 - December 2016
- University of Zululand: Independent member of Audit and Risk Committee 30th January 2014 - January 2015
- uMngeni Local Municipality: Independent member of the Audit and Risk Committee 03rd April 2013 - November 2015



Ms NN MKHIZE

Age: 30 years

Gender: Female

Race: African

Period of Service in the current Board of Mhlathuze Water: 3 years, 10 months

Position held at Mhlathuze Water: Board Member

CORE QUALIFICATIONS

- Certified Director with the Institute of Directors in South Africa
- **Post graduate Diploma:** Project Management
- **B-Tech:** Civil Engineering (Water)
- **ND:** Civil Engineering

AREAS OF EXPERTISE

- She has experience and knowledge of Civil Engineering and Construction
- She represents female youth and that will provide a generational mixture for the board
- She is exposed to contract documentation, design and completion and understands water systems

YEARS OF SERVICE & POSITIONS HELD ON OTHER BOARDS

- None



Ms GD BIYELA

Age: 45 years

Gender: Female

Race: African

Period of Service in the current Board of Mhlathuze Water: 3 years, 10 months

Position held at Mhlathuze Water: Board Member

CORE QUALIFICATIONS

- **Bachelor** of Pedagogics
- **Diploma:** Public Admin
- Secondary School Teachers' **Diploma**
- **Certificate:** Women on Boards
- **Certificate:** Hazard Analysis & Critical Control Points

AREAS OF EXPERTISE

- She has experience and knowledge of Contracts Management and networking
- She was an Educator
- She has understanding of business inherent risks and risks mitigating strategies
- She contributes in the social and ethics committee of the Board

YEARS OF SERVICE & POSITIONS HELD ON OTHER BOARDS

- None



Mr BV MSHENGU

Age: 70 years

Gender: Male

Race: African

Period of Service in the current Board of Mhlathuze Water: 3 years, 10 months

Position held at Mhlathuze Water: Board Member

CORE QUALIFICATIONS

- **Hons Degree** Political Science
- **Bachelor of Arts**
- **Diploma:** Social Work
- **Certificate:** Labour Law
- Personnel Management Programme
- Programme for Management Development
- **Certificate:** Integrating Strategy, Budgeting and Reporting

AREAS OF EXPERTISE

- President of Pietermaritzburg Chamber of Business
- He has experience in HR and Remuneration, Audit and Risk and Finance Committee through serving on various Boards and Committees
- He served as a member of the former Mhlathuze Water Board
- As a former CEO, he is a well-rounded leader and development champion with project management capabilities

YEARS OF SERVICE & POSITIONS HELD ON OTHER BOARDS

- Durban International Convention Centre: Board member: 2020 - to date
- Pietermaritzburg Chamber of Business: President: 2018 - to date
- Mhlathuze Water: Board member: 2018 - to date
- Pre – Formed Line Bursary Fund Trustee – 2017 – to date
- Mhlathuze Water Board Member and Audit Committee: 2007 - 2017
- United Community Chest of South Africa: Chairperson: 2004 - 2005
- Pietermaritzburg Community Chest: Chairperson: 2002 - 2004
- National Medical Plan: Board member: 1996 - 2002
- Tongaat & Districts Child Welfare Society: Chairperson: 1982 - 1983
- Msunduzi Municipality: Member of the Oversight Committee: 2010 - 2011



Mr PM ZIKALALA

Age: 41 years

Gender: Male

Race: African

Period of Service in the current Board of Mhlathuze Water: 3 years, 10 months

Position held at Mhlathuze Water: Board Member

CORE QUALIFICATIONS

- **MBL:** Master of Business Leadership
- **BSc Hons:** Technology Management
- **B.Tech:** Civil Engineering

AREAS OF EXPERTISE

- He is professionally registered with Engineering Council of South Africa (ECSA) and registered with South African Council for Project and Construction Management Professions (SACPCMP)
- He has experience in Project & Programme Management, Engineering, Construction and Contract Management, Infrastructure maintenance & infrastructure investment models, water re-use and, transportation
- He is exposed to construction projects creating synergies of economic hubs
- He served as a member of the former Mhlathuze Water Board

YEARS OF SERVICE & POSITIONS HELD ON OTHER BOARDS

- None



MRS A BADUL

Age: 61 years

Gender: Female

Race: Indian

Period of Service in the current Board of Mhlathuze Water: 3 years, 10 months

Position held at Mhlathuze Water: Board Member

CORE QUALIFICATIONS

- **Diploma:** Business Admin
- **Diploma:** Local Government Management
- **Diploma:** Adult Basic Education and Training
- **Certificate:** Executive Leadership Development Programme
- **Certificate:** Executive Course on Good Governance
- **Institute of Directors Certificate:** Being a Director Part 1, 2 & 3, Finance Management, Corporate Governance

AREAS OF EXPERTISE

- She is a former Deputy Mayor of ILembe District Municipality
- She has 23 years experience in Local Government in an executive capacity
- She was instrumental in setting up ILembe District Municipality's Local Development Agency – Enterprise ILembe
- She served on various Portfolio Committees including Intergovernmental Forums, Economic Development and Planning Committee, Budget & Audit Steering Committee, Finance and Service Delivery Committee
- She has network and community driven interests to ensure that Mhlathuze Water's hydro strategy is aligned to the Local Government Development agenda
- She served as a member of the former Mhlathuze Water Board

YEARS OF SERVICE & POSITIONS HELD ON OTHER BOARDS

- Stanger Provincial Hospital – Board Member
- Liquor Board – Board Member
- Institute of Directors of Southern Africa – Board Member
- Mhlathuze Water – Board member
- Board of Enterprise ILembe – 2009 – 2012
- The Board of Stanger Provincial Hospital – 2012 – 2015
- Sub – Committee of the Liquor Board for ILembe District – 2011 – 2014

5.1.1. The Board Charter

Board Charter provides an overview of duties and responsibilities of the Mhlathuze Water Board as well as procedures and structure that will govern how the board is to function. The Charter addresses the appointment and composition of the board, matters reserved for board decision making, board induction, board evaluation and declarations of conflict of interest. As recommended in King IV, during the period under review, the Board Charter was reviewed and approved by the Board.

5.1.2 Attendance of the Board

Based on the AGSA 2020/2021 Audit Management Report, it was necessary for the board to conduct investigations on irregular expenditure. In addition to the statutory meetings it was necessary for the board hold ad-hoc meetings to discuss matters investigated during the 2021/2022 financial year.

Table 1: Attendance of the Board

Number of Quarterly Board Meetings held:	4
Number of special meetings held:	11
Attendance per member: (July 2021 to June 2022)	
Ms TA SHANGE (Chairperson)	15/15
Mr SZ HLOPHE (Deputy and ARC Chairperson)	13/15
Mr MM XULU (SET Chairperson)	14/15
Mrs N GEVERS (FINCOM Chairperson)	15/15
Mr BV MSHENGU (HR&REMCO Chairperson)	14/15
Mr MP ZIKALALA (IOC Chairperson)	15/15
Mrs A BADUL	15/15
Mrs GD BIYELA	9/15
Dr ME MAKGAE	15/15
Ms N MKHIZE	15/15
Prof PS REDDY	13/15

5.2 Board Sub-Committees

The Board has constituted five (5) committees to assist in discharging its duties. All these committees either have Terms of References or a Charter, as in the case of the Audit and Risk committee. All of which were reviewed and approved during the period under review.

5.2.1 Audit and Risk Committee

The Audit and Risk Committee serves as an objective structure that is entrusted with the responsibility of reviewing and making recommendations on issues relating to improving the effectiveness of organisational governance, manage organisational risks and internal controls.

Table 2: Attendance of the Audit and Risk Committee.

Number of quarterly meetings held:	4
Number of special meetings held:	7
Attendance per member: (July 2021 to June 2022)	
Mr SZ HLOPHE - Chairperson	10/11
Mr MM XULU	8/11
Mrs N GEVERS*	8/11
Mrs A BADUL	11/11
Ms N MKHIZE*	8/11
Mr B MSHENGU*	2/11

*On 31 January 2022 committee membership was restructured as Ms Mkhize and Mrs Gevers was replaced by Mr Mshengu.

5.2.2 Finance Committee

The Finance Committee serves as an independent oversight structure that is entrusted with the responsibility of reviewing and making recommendations on issues relating to financial budgeting, including the preparation of annual operating and revenue budgets and periodic budget reviews. This committee further ensures that the organisation maintains the required standards of financial management and reporting. It gives assurance on the availability of funds for both operational and capital budget requirements.

Table 3: Attendance of the Finance Committee

Number of quarterly meetings held:	4
Number of special meetings held:	5
Attendance per member: (July 2021 to June 2022)	
Mrs N GEVERS – Chairperson	9/9
Mr MM XULU*	3/9
Dr ME MAKGAE	9/9
Mrs GD BIYELA	3/9
Mr MP ZIKALALA	9/9

*On 31 January 2022 committee membership was restructured and Mr Xulu ceased to be a member of this committee.

5.2.3 Infrastructure and Operations Committee

This committee provides oversight on the implementation of core strategic infrastructure programmes, aimed at enhancing the provision of bulk water while developing and maintaining sustainable customer and stakeholder relationships to achieve cost effective, reliable and sustainable water and related services. The committee is also tasked with the responsibility of ensuring that water produced by Mhlathuze Water complies with water quality standards, health and safety standards and environmental risks issues.

The committee discharges its duties through recommending capital projects reports to the Board and ensures that capital projects are completed on time and cost effectively to improve service delivery on communities and fulfil the Shareholder mandate.

Table 4: Attendance of the Infrastructure and Operations Committee

Number of quarterly meetings held:	4
Number of Special meetings held	1
Attendance per member: (July 2021 to June 2022)	
Mr MP ZIKALALA - Chairperson	5/5
Mr SZ HLOPHE*	3/5
Mr BV MSHENGU*	3/5
Ms N MKHIZE	5/5
Prof PS REDDY	5/5
Ms N GEVERS*	2/5

*On 31 January 2022 committee membership was restructured as Mr Hlophe and Mr Mshengu ceased to be members of the Committee. Mrs Gevers joined the committee on 31 January 2022.

5.2.4 Human Resources and Remuneration Committee

The purpose of the Human Resource and Remuneration Committee is to establish and oversee the human resources policies and procedures, which govern the areas of recruitment, resignations, retirements and terminations, organisational planning and design, training and development and succession planning. This committee reports and recommends to the Board issues relating to human resource policies, employment equity, remuneration, the organisational structure, and compliance with labour relations matters. The Companies Act, 2008 (Act No. 71 of 2008) requires; and the King IV Code recommends to public companies to establish this committee.

Table 5: Attendance of the Human Resources and Remuneration Committee

Number of quarterly meetings held:	4
Number of Special meetings held:	1
Attendance per member: (July 2021 to June 2022)	
Mr BV MSHENGU - Chairperson	5/5
Mr SZ HLOPHE	4/5
Mr MP ZIKALALA*	3/5
Dr ME MAKGAE	3/5
Mrs GD BIYELA	4/5
Ms N MKHIZE*	2/5

*On 31 January 2022 Committee membership was restructured and Mr Zikalala ceased to be a member of the Committee and was replaced by Ms Mkhize.

5.2.5 Social and Ethics Committee

The Companies Act, 2008 (Act No. 71 of 2008) requires that the Boards of all listed public companies, state-owned enterprises (SOEs) and companies with significant public interest should have a social and ethics sub-committee. This emphasizes that companies have a significant social impact on the societies in which they operate. This committee is responsible for oversight and reporting on organisational ethics, responsible corporate citizenship, sustainable development and stakeholder relationships as stated in the King IV Report on Corporate Governance.

Table 6: Attendance of the Social and Ethics Committee

Number of quarterly meetings held:	4
Number of special meetings held:	3
Attendance per member: (July 2021 to June 2022)	
Mr MM XULU – Chairperson	6/7
Mrs N GEVERS*	5/7
Mrs A BADUL	7/7
Mr BV MSHENGU*	5/7
Prof PS REDDY	7/7
Dr M MAKGAE*	2/7

* On 31 January 2022 Committee membership was restructured and Mrs Gevers and Mr Mshengu were replaced by Dr Makgae.

During the period under review, it was necessary for certain Board committees to hold joint meetings, these were between the Finance and Audit & Risk Committees

Table 7: Attendance of joints meetings between Finance, Audit & Risk and Infrastructure and Operations Committees

Attendance per member: (July 2021 to June 2022)	
Joint Fincom and Audit & Risk	4/4
Mrs N GEVERS – FINCOM CHAIRPERSON	4/4
Mr SZ HLOPHE – ARC CHAIRPERSON	4/4
Mr MM XULU*	2/4
Dr ME MAKGAE	4/4
Mrs GD BIYELA	2/4
Mr MP ZIKALALA	4/4
Mrs A BADUL	4/4
Ms N MKHIZE*	2/4
Joint Finance and Infrastructure & Operations	1/1
Mr M ZIKALALA – IOC CHAIRPERSON	1/1
Mrs N GEVERS – FINCOM CHAIRPERSON	1/1
MR S HLOPHE	0/1
Mr B MSHENGU	1/1
Ms N MKHIZE	1/1
PROF P REDDY	1/1
Mrs GD BIYELA	0/1
Ms ME MAKGAE	1/1
Mr MM XULU	1/1

5.3 Company Secretariat

The Company Secretary is responsible for the secretariat function at a strategic level, governance advisory services, compliance management and also plays a critical role in legal advisory to the Board and Organisation in relation to King IV. The Company Secretariat attends all Board and Board sub-committee meetings.

The Board and members of the Executive Committee have access to the Company Secretary for guidance on how to perform their duties and responsibilities in the best interests of the Organisation. The Company Secretary is responsible for the ongoing training of Board members and the scheduling, preparation and administration for Board and Board sub-committee meetings.

5.4 Executive Committee (EXCO)

The Board delegates the day-to-day operation of the Organisation to the Chief Executive, who is assisted by the executives, each heading up a Unit.



Acting Chief Executive

Mr s Ntlhoro

Age: 50 years

Gender: male

Race: african

Period of Service at Mhlathuze Water: 14 Years, 3 months

CORE QUALIFICATIONS

- **BSc Hons:** Chemistry
- **Post Graduate Diploma:** Management
- Registered with SACNASP as Professional Natural Scientist

AREAS OF EXPERTISE

- Water & Waste Water Quality Monitoring & Compliance
- Laboratory Accreditation
- Laboratory Management

POSITIONS HELD ON OTHER BOARDS

- None



Interim Chief Financial Officer

Mr. T Hlongwane

Age: 40 years

Gender: Male

Race: African

Period of Service at Mhlathuze Water: 3 years, 1 month

CORE QUALIFICATIONS

- **Chartered Accountant of South Africa**
- **Postgraduate Diploma in Applied Accounting Sciences**
- **Bachelor of Accounting**

AREAS OF EXPERTISE

- Financial Accounting
- Accounts Payable
- Project Management
- Debt Collection
- Treasury Management
- Driving the profitability of the company to achieve the budgeted operating margin, EBITDA and return on assets employed.
- Identifying, prevent and detect Irregular Fruitless and Wasteful Expenditure.
- Participating in Continuous Improvement projects to identify systems that need to be improved to ensure that the company is run efficiently and there is tangible savings
- Compilation and implementation of corrective action to prevent re- occurrence of audit findings
- Identification and management of financial and other risks facing the company

POSITIONS HELD ON OTHER BOARDS

- King Dinuzulu Hospital: Board member: 2021 to 2024



Acting General Manager: Corporate Services

Mrs V Govender

Age: 46

Gender: Female

Race: Indian

Period of Service at Mhlathuze Water: 22 years, 6 months

CORE QUALIFICATIONS

- ▶ **Masters:** Business Administration Degree
- ▶ **Honours Degree:** Industrial Psychology
- ▶ **Bachelor of Administration Degree:** Industrial Psychology & Public Administration

AREAS OF EXPERTISE

- ▶ Human Resource Management
- ▶ Employee Relations
- ▶ Performance Management
- ▶ Training and Development
- ▶ HR Systems; Policy and Procedure development and implementation
- ▶ Public Sector Procurement

POSITIONS HELD ON OTHER BOARDS

- ▶ None



General Manager: Operations

Mr PJ Maponya

Age: 47 years

Gender: Male

Race: African

Period of Service at Mhlathuze Water: 1 year, 9 months

CORE QUALIFICATIONS

- ▶ **ND:** Mechanical Engineering
- ▶ **Government Certificate of Competency (GCC):** Mechanical Engineer Factories (DoL)
- ▶ **Certificate:** Maintenance Management

AREAS OF EXPERTISE

- ▶ Executive and General Management
- ▶ Project Management
- ▶ Maintenance Management
- ▶ Operations and Production Management
- ▶ Contract Management
- ▶ Mentoring and Coaching

POSITIONS HELD ON OTHER BOARDS

- ▶ Chairman of the board: Thuto ke Motheo NPO





General Manager: Technical Services

Mr P Maisiri

Age: 54 years

Gender: Male

Race: African

Period Of Service at Mhlathuze Water: 2 Year, 1 Month

CORE QUALIFICATIONS

- **Masters:** Business Leadership (MBL)
- **BSc Hons:** Civil Engineering
- **Professional Registration:** Professional Engineer (Pr. Eng.) with Engineering Council of South Africa (ECSA).

AREAS OF EXPERTISE

- Engineering experience predominantly in the water sector
- Competency areas include planning, feasibility, design and construction and contract administration of bulk water services infrastructure projects/programmes and related works
- Experience in institutional technical support including coaching and guiding young professionals

POSITIONS HELD ON OTHER BOARDS

- None



Company Secretary

Ms S Mbatha

Age: 38 Years

Gender: Female

Race: African

Period Of Service At Mhlathuze Water: 2 Years, 10 Months

CORE QUALIFICATIONS

- **LLB Degree**
- Admitted as attorney of the High Court
- **Postgraduate:** Strategic Management and Corporate Governance
- **Certificate:** Public Sector Governance: Chartered Governance Institute of South Africa

AREAS OF EXPERTISE

- Legal
- Corporate governance
- Compliance

POSITIONS HELD ON OTHER BOARDS

- Member of The Institute of Directors in Southern Africa

5.5 Management Committee (MANCO)

This committee comprises of managers who report to the respective Heads of Departments. The Committee meets on a monthly basis and presents reports on the performance of the Organisation and makes recommendations to the Executive Committee for any decision-making affecting the Organisation.

5.6 Management Operational Committees

5.6.1 Bid Committees

The purpose of these committees is to approve bid specifications and to evaluate and adjudicate tenders. The three bid committees currently functional at Mhlathuze Water are as follows:

- Bid Adjudication Committee: Consists of Executive Management and Supply Chain Manager;
- Bid Evaluation Committee: Consists of cross-functional teams with different expertise from various departments and the Contracts Specialist; and
- Bid Specification Committee: Consists of the representative from Supply Chain and specialists from the user departments.

5.6.2 Risk Management Committee

The Risk Management Committee is tasked with managing issues of risks, IT governance as well as health and safety. The Committee considers reports from IT Steering Committee, the Risk Champion Forum and Health and Safety Committee covering matters relating to substantive Risk Management, Information Technology as well as Health and Safety. The Committee reports to the Audit and Risk Committee on all the assigned matters in terms of its Terms of Reference. The table below outline the activities of the committee during the financial year.

Table 8: Meetings of the Risk Management Committee

Date	Purpose of meeting
06 July 2021	Committee meeting
07 September 2021	Committee meeting
18 November 2021	Committee meeting
04 April 2022	Committee meeting

5.6.3 Employment Equity Committee

The Employment Equity Committee was established in order to comply with Section 20 of the Employment Equity Act, 1998 (Act No. 55 of 1998). The Committee consists of employees or their nominated representatives who are from designated groups. The Committee was established for the purpose of enabling the employer to consult with the employees in terms of Section 17 of this Act and to implement affirmative action measures. The Committee meets on a quarterly basis and reports to the Chief Executive on all the assigned matters in terms of its Terms of Reference. The table below outline the activities of the committee during the financial year.

Table 9: Meetings of the Employment Equity Committee

Date	Purpose of meeting
24 August 2021	Review of the Study Assistance Policy, Nomination of people who will investigate the needs that can accommodate persons with physical and other disabilities and discuss findings with Civil & Maintenance Section, EE Report & Training Report
16 November 2021	Finding ways of improving the understanding of disabilities within the organisation, Report on BBBEE verification, status of recruitment and Training report
2 March 2022	Meet & greet new Committee Members, Review of the External Bursary Policy and the Membership to Professional Bodies Policy, EE Report and Training Report
13 June 2022	Review of Artisan Development Policy, Internship & In-service Training Policy and TOR's for Joint Employment Equity & Training Committee, EE Report and Training Report

5.6.4 Physical Assets Disposal Committee

Paragraph 16A 3.1 (b) of the Treasury Regulations states that the Accounting Officer of an institution must develop and implement an effective and efficient supply chain management system in his or her institution for the disposal and letting of state assets, including the disposal of goods no longer required. The Physical Assets Disposal Committee is responsible for making recommendations regarding the disposal of the assets that have become obsolete or that are no longer required or suitable for service delivery. The Committee meets on a quarterly basis and reports to the Supply Chain Management on all the assigned matters in terms of its Terms of Reference. The table below outline the activities of the committee during the financial year.

Table 10: Meetings of the Physical Assets Disposal Committee

Date	Purpose of the meeting
30 June 2022	Approval of Assets and Obsolete Stock to be disposed
11 May 2022	Approval of Assets and Obsolete Stock to be disposed
29 March 2022	Approval of Assets and Obsolete Stock to be disposed
16 November 2021	Approval of Assets and Obsolete Stock to be disposed

5.6.5 Bursary and Study Assistance Committee

In terms of the regulations of the Skills Development Act, 1998 (Act No.97 of 1998), the organisation is required to develop the skills of the South African workforce by improving the quality of life, prospects of work, labour mobility and productivity in the workplace. The Bursary and Study Assistance Committee is responsible for assessing and making recommendations to the Executive Management on review study applications submitted by employees in light of the available budget, applicable policies as well as current and future operational requirements of the organisation. The table below outline the activities of the committee during the financial year.

Table 11: Meetings of the Study Assistance Committee

Date	Number of people	Amount approved
14 July 2021	2	R 33 170.00
24 August 2021	3	R 46 000.00
14 January 2022	4	R 77 000.00
18 May 2022	1	R 12 000.00

6. OTHER GOVERNANCE MATTERS

6.1 Disclosure of Interest

Principle 7, Practise 25 of King IV recommends that: "Subject to legal provisions, each member of the governing body should submit to the governing body a declaration of all financial, economic and other interest held by the member and related parties at least annually or whenever there are significant changes." During the period under review, all members of the Board submitted their general declarations of all financial, economic and other interests. At every Board and Committee meetings, members are required to declare any interest, real or perceived, pertaining to agenda items of each meeting

6.2 Code of Conduct

Mhlathuze Water has a comprehensive Code of Conduct that applies to directors, management and employees in regulating conditions that constitute or could constitute a conflict.

Objectives of this Code, among others, are to:

- Promote transparency and avoid business related conflicts of interest;
- Ensure fairness in dealing with the interests of all employees, other affected individuals and the company;
- Document the process for disclosure, approval and review of activities that may amount to actual, potential or perceived conflicts of interest; and
- Provide a mechanism for the objective review of personal outside interests.

6.3 Internal Control

Internal control systems, for which the Board is accountable, are designed to provide reasonable assurance that assets are safeguarded and that liabilities and working capital of the Organisation are efficiently managed. Features of Mhlathuze Water's internal controls are:

- A system of financial planning, budgeting and reporting, which allows continuous monitoring of the Organisation's performance;
- A materiality and significance framework;
- Clearly defined delegations of authority;
- The establishment of a short-, medium and long-term funding strategy;
- An effective tariff model; and
- Established policies and procedures.

Internal audit performs an independent assessment of the internal control systems and business risks and reports to the Board through the Audit, Risk and Finance Committee.

6.4 Materiality and Significance Framework

The National Treasury Regulation Section 28.3.1 and Section 55 (2), Section 54 (2) of the Public Finance Management Act; specify that for purposes of materiality the Accounting Authority must develop and agree on a framework of acceptable levels of materiality and significance for the Public Entity with the relevant Executive Authority. The Board reviewed and approved the Materiality and Significance Framework Policy on 22 August 2019. The policy defines both the levels of significance and materiality. The purpose of the framework is to record the levels of materiality and significance for consideration by the governance structures of Mhlathuze Water and for submission to, and approval by, the Executive Authority. The framework is in line with the Mhlathuze Water Policy on Materiality and Significance Materiality.

6.5 Risk Management

The Board is ultimately accountable for risk management and the system of internal controls at Mhlathuze Water. The Board has set the tone at the Top by implementation of the Enterprise Risk Management Policy and approved the Enterprise Wide Risk Management Implementation Plan 2022/23 in order to

increase probability for achievement of strategic objectives. The Risk management plan outlines set objectives supported by various risk management programs that aimed to build a smart workforce and build risk intelligent organization.

Risk management is recognised as an integral part of responsible management and good corporate governance, hence Mhlathuze Water adopts a comprehensive approach to risk management to maximize on opportunities that are presented by threats and value of implementation of risk management within the organization. Further, Mhlathuze Water has adopted public sector risk management framework to provide guidance to management and employees regarding the implementation of enterprise wide risk management within the organization in order to inculcate a good risk management culture.

Enterprise Wide Risk Management approach has been rolled out at a strategic level, and operationally across all departments and sections. Further, risk categories has been identified in order to full mitigate business risk exposures (i.e fraudulent, business continuity and information communication technological risks exposure). All financial losses business risk exposure has been transferred into risk financing strategy through reputable service provider/insurance broker has transfer the business exposure to insurers or underwriters.

The risk exposures might be identified in the organisation but if no mitigation controls are put in place to prevent / detect or correct the impact and likelihood of risk from materializing it may defeat the purpose of implementing the risk management activities within the organization. The business may choose to discontinue the relevant project or may opt to transfer the impact to a third party as part of risk transfer strategy of which is the current effective risk management practice within the organization.

For the year under review, the strategic risk assessment identified strategic risks with mitigation actions identified. At the end of the financial year, these action items have been completed.

The list of the key strategic risks are presented in the table below in residual form. Residual risks, refers to the impact and likelihood, taking into consideration the current mitigation approaches/ responses.

Table 12: Risk Descriptions, Ratings and Mitigations

Objective	Risk No:	Risk Name	Root Causes	Residual Risk	Further Actions	Reviewed Residual Risk
To be proactive on issues relating to health, safety, security and the environment	1	Possibility of environmental damage	<ol style="list-style-type: none"> 1. Chemical spills or impacts through loss of containment 2. Customers and contributors not adhering to effluent limits 3. Processes not able to handle contaminants, 4. Ageing infrastructure 	Priority 2	<ol style="list-style-type: none"> 6.5.1 Assess the outcome of feasibility study 2. Develop a business case for effluent treatment process. 3. Procure, Installation and Commissioning a backup power generator(WWDS) 	Priority 3
To grow provision of water services	2	Scarcity of water resources to meet demand	<ol style="list-style-type: none"> 1. Climate change, such as altered weather-patterns (including droughts or floods) 2. Restriction by Government 3. Increased pollution, 4. Alien invasive plants 5. Destruction of Water Catchment areas. 	Priority 3	<ol style="list-style-type: none"> 6.5.2 Development of water master plan. 2. Feasibility studies 	Priority 2
To grow provision of water services	3	Inadequate infrastructure to meet customer needs	<ol style="list-style-type: none"> 1. Aged infrastructure 2. Social and criminal destruction of infrastructure and equipment especially in isolated areas 3. Delays in implementation of infrastructure projects 4. Unreliable power supply 	Priority 3	<ol style="list-style-type: none"> 6.5.3 Improve programme and performance management process 2. Escalation clauses in contracts for service providers 	Priority 3
To ensure long-term financial sustainability of the organization	4	Vulnerability to Fraud and Corruption	<ol style="list-style-type: none"> 1. Management overriding internal controls 2. Collusion 3. Poor segregation of duties 4. Bad tone at the top 5. Lack of ethical leadership(C9, C10, C11) 6. Poor control environment 	Priority 3	<ol style="list-style-type: none"> 6.5.4 Monitoring of remedial action from internal audit report. 2. Quarterly reporting to the board on DOA 	Priority 2
To grow provision of water services	5	Missed opportunities leading to limited business growth	<ol style="list-style-type: none"> 1. Limited funding 2. Unstable economic climate 3. Competing budget priority 4. Inadequate business growth plan 5. Inability to re-coup financial losses(i.e. non-payment of insurance claims) 	Priority 4	<ol style="list-style-type: none"> 6.5.5 Development of Mhlathuze Water growth action plan. 2. Submission of Mhlathuze Water growth plan to the Board. 3. Improvement of COVID 19 response plan. 4. Review of planning and prioritization of core services(Prioritization framework to address competing priorities) 5. Consultation with other water boards and shareholder on un-insurable risk 	Priority 3

Table 13: Risk Descriptions, Ratings and Mitigations

Residual risk exposure	Risk Appetite and Tolerance	Proposed actions	Rating	Factor	Monetary Quantification
Catastrophic	Exceeds Appetite Exceeds Tolerance	<ul style="list-style-type: none"> Take urgent action. Report to CE and Board Detailed risk analysis where possible Mandatory business continuity plans 	Priority 1	20+	Impact is catastrophic if decrease in current financial year business plan is greater than 24% (EBITDA).
Critical	Exceeds Appetite Within Tolerance	<ul style="list-style-type: none"> Take immediate action. Report to CE and Board Detailed risk analysis where possible Mandatory business continuity plans 	Priority 2	15 – 19	Impact is critical if decrease in current financial year business plan is between 16% and 24% (EBITDA).
Moderate	Exceeds Appetite Within Tolerance	<ul style="list-style-type: none"> Further analyse the risk Proactive management Report to CE. 	Priority 3	10 – 14	Impact is moderate if decrease in current financial year business plan EBITDA is greater than 10% but less than 16%.
Minor	Within Appetite Within Tolerance	<ul style="list-style-type: none"> Active management Report up to relevant GM. Mainly control and monitor 	Priority 4	5 – 9	Impact is minor if decrease in current financial year business plan EBITDA is between 5% and 10%.
Insignificant	Within Appetite Within Tolerance	<ul style="list-style-type: none"> Routine management No risk reduction – control, monitor, inform management. 	Priority 5	< 4	Impact is insignificant if decrease in current financial year business plan EBITDA is less than 5%.



6.5.1 Whistle Blower's Report

The Accounting Authority's objective in approving whistle blower policy and anonymous reporting is to create a Zero Tolerance Culture to Fraud, Theft, Corruption and Maladministration which is a critical element in good business ethos and the success of any organization. The organisation is also committed to comply with the provisions of the Protected Disclosures Act (Act No. 26 of 2000) in ensuring that whistle blowers who make disclosures are protected and are not victimized and subjected to occupational detriment for blowing the whistle on improprieties.

The Board has implemented the whistleblowing Policy aiming to eliminate the occurrence of fraud, corruption and theft at the Institution. It also strives to create a culture which will facilitate the disclosure of information by employees relating to criminal and other irregular conducts, in the workplace in a responsible manner by providing clear guidelines for the disclosure of such information and protection against reprisals as a result of such disclosure.

During the year under review, 2021/2022 financial year the organisation received 5 whistle-blower reports. They were all investigated and recommendations are being implemented. In some instances recommendations have been implemented and closed off accordingly.

The classification were as follows:

- a) Three (3) Fraud & Corruption
- b) Two (2) Irregularities

6.6 Internal and External Audit

6.6.1 Internal Audit

Internal Audit function is an independent assurance provider. The function reports administratively to the Chief Executive and functionally to the Audit and Risk Committee. The function has a specific mandate directly from the Audit, Risk Committee to independently appraise the adequacy and effectiveness of risk management, internal controls and governance of Mhlathuze Water.

Internal Audit Function adheres to a 3-year rolling Internal Audit Plan aligned to Mhlathuze Water's Corporate Strategy that seeks to achieve the following objectives:

- Effectiveness and efficiency of operations;
- Reliability of financial reporting; and
- Compliance with relevant laws and regulations.

In line with the Institute of Internal Auditors, PFMA and King IV requires internal audit to provide reasonable assurance on the adequacy and effectiveness of risk management, internal controls and governance to management and the Board via the Audit, Risk & Finance Committee.

6.6.2 External Audit

The Auditor General of South Africa (AG) is mandated to conduct an independent appraisal of Mhlathuze Water. The AG provides independent assurance on Mhlathuze Water's Annual Financial Statements including review of predetermined objectives information, risk management, internal control systems and compliance with legislation and regulations applicable to the institution.

The audit outcomes are presented as per the Public Finance Management Act (PFMA) and other regulations related to public entities. The audit report is tabled to National Parliament through the Portfolio Committee on Water and Sanitation.

SECTION
C

**OVERVIEW OF
ORGANISATIONAL
PERFORMANCE**



7. SITUATIONAL ANALYSIS

7.1 Organisational Environment

7.1.1 Appointment of the Board

Mhlathuze Water Board was appointed by the Minister of Water and Sanitation in terms of the Water Services Act, 1997 (Act 108 of 1997). The Minister appointed 11 members of the Board on 05 December 2018 for a period of 4 years.

7.1.2 Resignation, appointment of Key Personnel and other matters

The following termination have been recorded at senior management level.

Table 14: Key Resignations During the Year

Employee Terminated	Section	Position	Reason for Termination	Date
Ms S Madlala	Corporate Services	IT Manager	Resignation	12 April 2022

At senior management level, the Organisation appointed the following individuals.

Table 15: Key Appointments During the Year

Employee	Dept.	Job title	Date of engagement
Dr B T Mncube	Scientific Services	Research and Development Innovation Manager	01 November 2021
Mr S Ngubane	Technical Services	Programme Manager: Planning	09 May 2022
Mrs M Mthembu	Scientific Services	Environmental Specialist	02 September 2021
Mr S Ntlhoro	Executive	Acting Chief Executive	08 December 2021
Mr T Hlongwane	Finance	Interim Chief Financial Officer	07 December 2021
Mr S Botha	Executive	Acting General Manager: Technical Services	01 June 2022
Mr S Malinga	Finance	Acting Finance Manager	01 April 2022
Mr K Govender	Finance	Acting IT Manager	13 June 2022

7.2 Key Policy Developments

Mhlathuze Water has 146 policies, procedures, strategies and plans that apply to the working environment. Throughout the year, new documents were developed, most of the existing documents were reviewed and some will be due for revision in the year to follow.

Key documents developed and introduced into the work space to strengthen the control environment include:

Table 16: New Procedures Introduced

Procedure Description	Department
Ideas 4 Innovation (I4I) Procedure	Corporate Services
Standard Operating Procedure for Capital Infrastructure Investment Framework	Technical Services
SOP for Maintenance and Management of servitudes	Corporate Services
SOP for Nsezi water treatment plant	Operations
SOP for power supply interruptions at waste water disposal system	Operations
SOP Technical Services Project Planning Execution	Technical Services

7.3 Amendments of Planned Targets During the Year Under Review

Amended Targets

None

Table 17: Amendments to Technical Indicator Descriptions

Performance indicator	Target	Reason for amendment
Percentage of Shareholder Compact targets achieved	80%	Include only SC targets due for reporting during the relevant reporting period
Percentage of staff remuneration of total operating expenditure	30%	Calculation based on operating costs excluding finance costs.

8. PERFORMANCE INFORMATION BY BUSINESS UNITS

8.1 Chief Executive Unit

8.1.1 Mandate of the Chief Executive Unit

The principal mandate of the Chief Executive Unit is to provide executive and administrative support to the Chief Executive and the Board. It performs overall oversight in ensuring the implementation of Mhlathuze Water strategic objectives through Strategy and Development, Risk Management, Internal Audit, Company Secretary, and Corporate Communications.

8.1.2 Functions within the Chief Executive Unit

Office of the Chief Executive

The office of the Chief Executive provides administrative support to the CE and manages the implementation of Corporate Social Investment and Rural Development initiatives as well as ensures that the organisation fulfils its social responsibility mandate. The office is also responsible for managing stakeholder relations, which are aimed at positioning the organisation as the reliable regional water and wastewater business partner of choice.

Company Secretary

This function provides corporate governance and legal services support to the organisation. It is responsible for ensuring that the Board operates effectively and in accordance with the principles of Corporate Governance as provided in the King IV Report on Corporate Governance for South Africa 2016. It is also responsible for statutory compliance with amongst other, the Water Services Act, 1997(Act No. 108 of 1997); the Public Finance Management Act, 1999(Act No. 1 of 1999) and the Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000).

Strategy and Development

The Strategy and Development function is entrusted with the responsibility of facilitating and coordinating the organisational strategic planning, monitoring and reporting.

The function translates key priorities into actionable plans with clear activities, performance measurements and resource commitments. The function is also responsible for compiling and submitting statutory documents such as the organisation's five-year business plan, shareholders compact, annual operational plan, quarterly performance reports and annual reports.

Risk Management

The purpose of the risk management function is to identify potential challenges that the organisation might face and implement appropriate mitigating measures before they occur. This is done so that risk-handling activities may be planned and invoked as needed across the life of the business to mitigate adverse impacts on achieving objectives.

Corporate Communications

The Corporate Communications function manages the corporate image and identity of Mhlathuze Water. It is also in charge of all media relations, events management, community relations and corporate publications (newsletters, annual reports). Amongst other things; the function is responsible for procuring and producing all marketing collateral e.g. company logos, branding, corporate clothing; and style of written communication. The function is responsible for website, intranet uploading; and all related activities. Marketing activities such as billboards advertising, editorials and exhibitions fall under this wing. The function also executes the strategic objectives by building and maintaining relationships with internal and external stakeholders.

Internal Audit

Internal Audit is an independent and objective function responsible for planning, executing and reporting on operational, financial, non-financial, regulatory and compliance related internal audits. This function also recommends corrective actions so as to improve operations, enhance internal controls and reduce costs where possible. The function is also responsible for identification and evaluation of financial and non-financial risks, together with procedures to avoid or minimise their impact.

8.1.3 Key Performance Highlights

Organisational sustainability

A significant performance highlight is the sustainability of the organisation during the continued COVID-19 period. The bulk water supply and effluent disposal Mhlathuze Water's major customers were still on-going during the period and was not affected negatively.

Mhlathuze Water operates on contracted volumes with associated cost reflective tariffs. A significant portion of revenue is therefore fixed. None of the key customers have indicated intent to decrease contracted volumes substantially.

Stakeholder Engagements

As part of its commitment to consistent service excellence, Mhlathuze Water held a number of engagement sessions with various stakeholders from both the public and private sectors. These included industrial clients, government as well as amakhosi. These engagements occurred for the 2022/2023 financial year, Mhlathuze Water held monthly and quarterly engagements with Mondi, Foskor, amakhosi within the King Cetshwayo District as well as municipal actors.

Mhlathuze Water also attended a number of sessions between the Minister for Water and Sanitation and various stakeholders to discuss plans to implement a section 63 intervention within the uMkhanyakude District.

From these engagements, a number of outcomes were achieved including:

- Resolution of community concerns around the implementation of the Tugela-Goedetrouw Transfer Scheme
- Progress update on the implementation of infrastructure project for future water security and reuse for industries and municipalities.
- Preparation of an infrastructure implementation plan for the Umkhanyakude District Municipality.

Corporate Social Investment

During the period under review, the following CSI initiatives were undertaken by the organisation:

Table 18: Corporate Social Investment Initiatives Undertaken

No.	Project Name	Brief Description of Support
1.	Sport and Recreation Support –Sport kit	Soccer sports kits including jerseys, socks, balls and boots were donated to the Young Birds' football club, located at Esikhawini (Gobandlovu).
2.	Sport and Recreation Support –Sport kit	Soccer sports kits including jerseys, socks, balls and boots were donated to Young Star Football Club located at Hluhluwe.
3.	Ocilwane Primary School	Sports kits for netball and soccer including jerseys, skirts, socks, balls and boots were donated to the school.
4.	Mr & Miss uMhlathuze Beauty Pageant	MW supported a Beauty Pageant that was hosted by the King Cetshwayo District Municipality in an effort to uplift and recognize young people within the district. This prestigious event took place in June 2022. MW supported with prizes for the winners and all other participants.
5.	King Cetshwayo Flood Victims Donation	The CSI through KCDM donated food hampers and blankets to the households that were affected by floods that affected parts of KZN in April 2022. These households were identified by the municipality.
6.	Supply, delivery, installation and construction of concrete stand of 2X500L JOJO tanks with taps at Tribal office (Inkosi Maphumulo) of Mdubezulu Area	2x 5000L water tanks were donated to Inkosi Maphumulo for the benefit of the community and tribal leaders which are located in deep rural area.



8.1.4 Chief Executive Unit 2021/2022 Predetermined Objectives

Table 19: Chief Executive Unit 2021/2022 Predetermined Objectives

SC/ MW	Strategic Objective	Outputs	Performance Indicator	Annual target	Actual Achievement	Deviation from Planned Target to Actual Achievement	Comment on Deviation
SC 10	SO3: To initiate and build relationships with stakeholders	Bulk supply agreements concluded with municipalities/ other customers	Number of bulk supply service level agreements in place	7	7.00	0.00	N/A
SC 12		Rural Development support in line with organization's mandate	Number of projects implemented in municipalities	2	0.25	(1.75)	Delays in project implementation
SC 20		Corporate Social Investment (CSI) initiatives in line with the organization's mandate	Number of CSI initiatives undertaken	4	6.00	2.00	Additional CSI initiatives conducted
SC 17	SO5: To optimise business processes and systems for efficiency	Board effectiveness	Percentage of attendance of Board members at Board meetings	80%	90.91%	10.91%	All Board meetings scheduled had a quorum.
SC 13		Meeting statutory submission deadlines	Number of approved business plans submitted as per compliance requirements	1	1.00	0.00	N/A
SC 13		Meeting statutory submission deadlines	Number of approved shareholders compact submitted as per compliance requirements	1	1.00	0.00	N/A
SC 13		Meeting statutory submission deadlines	Number of approved annual reports submitted as per compliance requirements	1	1.00	0.00	N/A
SC 13		Meeting statutory submission deadlines	Number of approved quarterly reports submitted as per compliance requirements	4	4.00	0.00	N/A

SC/ MW	Strategic Objective	Outputs	Performance Indicator	Annual target	Actual Achievement	Deviation from Planned Target to Actual Achievement	Comment on Deviation
SC 4	SO5: To optimise business processes and systems for efficiency	Effective governance, compliance with financial legislation and financial sustainability	Number of unqualified external audit reports	1	1.00 (2020/2021 Unqualified audit opinion)	0.00	N/A
SC 18		Corrective measures for internal audit findings	Number of unresolved internal audit findings	0	5.00	(5.00)	Findings identified during audits could not be timeously resolved by management, but management is working on closing the unresolved findings.
SC 18	SO5: To optimise business processes and systems for efficiency	Corrective measures for internal audit findings	Number of repeat internal audit findings	0	0.00	0.00	N/A
SC 9	SO2: To ensure long – term financial sustainability	Engagement in secondary activities	Percentage of growth in turnover secondary activities	0.5%	(33.74%)	(33.24%)	Less secondary activities contracts secured by Mhlathuze Water than anticipated. This includes less implementing agency new contracts; and operations and maintenance contracts.
SC 19		Good governance	Number of breaches of materiality and significant framework	0	0.00 (2020/2021 breaches of materiality and significant framework)	0.00	N/A

SC/ MW	Strategic Objective	Outputs	Performance Indicator	Annual target	Actual Achievement	Deviation from Planned Target to Actual Achievement	Comment on Deviation
MW 1	SO3: To initiate and build relationships with stakeholders	Board Performance Assessment	Number of Board Performance Assessment session held	1	0.00	(1.00)	Delays in commencement of the assessment.
MW 2		Meeting statutory obligations	Percentage of Shareholder Compact targets achieved	80%	79.41%	(0.59%)	Seven Shareholder Compact target were not achieved
MW 3		MW positioned as the preferred water service provider	Number of stakeholders engagement sessions held	8	13.00	5.00	Additional stakeholder engagement sessions held
MW 4		MW positioned as customer focused organisation	Number of Stakeholder indaba held	1	1.00	0.00	N/A
MW 5		MW positioned as a brand through Marketing initiatives	Number of marketing initiatives conducted	4	14.00	10.00	Additional marketing initiatives conducted
MW 6	SO3: To initiate and build relationships with stakeholders	External stakeholders informed on MW programmes, projects and services through media engagements	Number of media initiatives conducted	16	41.00	25.00	Additional media initiatives conducted
MW 7	SO5: To optimise business processes and systems for efficiency	Effective internal controls	Number of three- year strategic rolling internal audit plan	1	1.00	0.00	N/A
MW 8		Effective risk controls and management	Percentage of implementation of strategic risk further action plans	100%	87.50%	(12.50%)	Three action plans were not completed during the reporting period.
MW 9		Effective risk controls and management	Percentage of implementation of fraud risk further action plans	100%	90.00%	(10.00%)	One action plan was not completed during the reporting period.

8.1.5 Corrective Measures to address areas of underperformance

Table 20: Chief Executive Unit Corrective Measures

Key performance indicators	Core reason for under-achievement	Recovery strategy for 2022/2023
Number of projects implemented in municipalities	Delays in project implementation	Terms of reference to be finalised by the end of the 2022/2023 1 st quarter. Procurement process is prioritised to commence in 2022/2023 2 nd quarter.
Number of unresolved internal audit findings	Findings identified during audits could not be timeously resolved by management, but management is working on closing the unresolved findings.	Weekly monitoring of unresolved findings is performed and management identifies actions to assist in resolving findings.
Percentage of growth in turnover secondary activities	Less secondary activities contracts secured by Mhlathuze Water than anticipated. This includes less implementing agency new contracts and; operations and maintenance contracts.	Mhlathuze Water will continue to engage prospective customers on possible new business opportunities. Mhlathuze Water to consult DWS with regards to providing guidance on operating TG scheme.
Number of Board Performance Assessment session held	Delays in commencement of the assessment	The report will be finalised in the next financial year
Percentage of Shareholder Compact targets achieved	Seven Shareholder Compact target were not achieved	Recovery actions to be implemented in the next financial year.
Percentage of implementation of strategic risk further action plans	Three action plans were not completed during the reporting period.	The action items have been transferred to 2022/2023 risk register for continuous implementation purposes. The risk monitoring and reporting process has been automated in order to improve timeous closure of action plans.
Percentage of implementation of fraud risk further action plans	One action plan was not completed during the reporting period.	The action items have been transferred to 2022/2023 risk register for continuous implementation purposes. The risk monitoring and reporting process has been automated in order to improve timeous closure of action plans.



8.2 Corporate Services Unit

8.2.1 Mandate of Corporate Services Unit

The Corporate Services Unit provides a range of corporate services functions at strategic and operational levels. The Unit manages Information Technology, Human Resources operations, Training and Development, Employee Relations, Employee Wellness, Fleet Management, Document Management, Legal Services and the individual Employee Performance Management System. The Unit's strategic intent is driven mainly by Strategic Objective 2: to ensure long-term financial sustainability; Strategic Objective 4: to resource the organisation with the required skills and competence; and Strategic Objective 5: to optimise business processes and systems for efficiency.

8.2.2 Functions within the Corporate Services Unit

Human Resources Development

Human resources development has always been a priority of Mhlathuze Water for many years and it is still a priority to date. Specific initiatives have included training and development programmes for line managers, technical and administrative staff, general staff as well as learners from the communities within Mhlathuze Water's area of operation. Major focus is on capacity building through bursary schemes, graduate training, artisan training, process controller learnership, in-service training and internship programmes.

Human Resource Management

Human Resources intends to be a strategic partner that helps Mhlathuze Water to:

- Provide a professional service through accurate, consistent and best employment practices in all its activities, which are aimed at supporting the achievement of the organisation's strategic objectives;
- Attract and retain employees who share the same organisational vision and values;
- Set and manage standards of performance; and
- Promote an environment of personal growth and career advancement for all employees so that they can reach their potential and therefore contribute fully to the achievement of the strategic objectives and instil a culture of service excellence.

Information Technology

The Information technology (IT) function is responsible for the delivery of services that support the Organisation's strategic plan and individual department's objectives successfully through the effective use of information technology. Its purpose is to ensure that the Organisation achieves optimum use of its IT resources. In addition, the function is tasked with the responsibility of providing cutting-edge information technology solutions including enabling communication tools that will optimise business systems in a reliable and secure manner. This includes the implementation of effective and efficient business systems that meet users' needs, the provision of a reliable IT infrastructure and environment, and creating

capacity for proper information management and business intelligence. The function seeks to implement a single source integrated system as the key business system tool within the organisation.

Records and Document Management

Mhlathuze Water retains and manages official records to support its business operations, as well as to fulfil legal and administrative obligations. These records are managed from date of creation of documents to date of disposal thereof, in terms of the National Archives and Records Service Act 43 of 1996, as amended. The Document Management function, therefore, ensures that institutional records of historical, fiscal and legal value are identified and preserved; and that non-essential records are discarded in a timely manner according to established guidelines and legislation.

Fleet Management

The Fleet Management section administers and manages all aspects of the Mhlathuze Water owned and leased vehicles. The current fleet size and shape is adequate for the purposes of service delivery. Mhlathuze Water operates a fleet of seventy five (60) vehicles which comprises a combination of small vans to heavy vehicles. Fifty – three (53) of the vehicles are owned by Mhlathuze Water while seven (7) are held under lease agreements.

Legal Services

The Legal Services function is responsible for providing effective and efficient legal services to the organisation to ensure that the interests of the organisation are protected against any legal claims and risks. The section provides effective and legally sound contracts in order to ensure that the interests of the organisation are protected against contract disputes and legal risks. It is also responsible for drafting and vetting legally sound contracts and further handles and manages litigation matters affecting the organisation.

Organisational response to COVID-19

The World Health Organization (WHO) declared a global pandemic on 12 March 2020 over a new coronavirus which causes an illness known as COVID-19 that has spread around the world.

With South Africa remaining in a state of lockdown for part of the reporting period, the number of positive COVID-19 cases at Mhlathuze Water is 75 as at 30 June 2022. No fatalities have been recorded.

As an essential service, Mhlathuze Water has the responsibility to ensure that its employees and operations are protected against the impact of this disease.

In line with government's directive and regulated guidelines for South African businesses, Mhlathuze Water implemented its COVID-19 response plan and procedure to manage the impact of the disease on business continuity.

A COVID19 Response Team was responsible for the management of the risk based plan for the organisation. This plan provided guidance on how to respond to the changing environment in context of government's response in the form of the regulations issued under the Disaster Management Act. The implementation of the plan involved a range of services that was provided to prevent and manage the transmission of COVID-19 in their workplace.

8.2.3 Key Performance Highlights

Areas of improved performance during the financial year included:

The filling of key and critical positions including but not limited to the IT Manager, Project Managers, Research Development and Innovation Manager, Automation Technician, Junior Mechanical Technician, Junior Electrical Technician, Maintenance Planner and Internal Auditor. This has resulted in a decrease in the organisation's vacancy rate to 5%.

Of the 29 positions filled, 15 were filled by males and 14 were filled by females. Organisationally, the gender profile is closely reflective of the economically active population in KZN v.i.z. 56% Male and 44% Female.

The Staff turnover was 2.25% against the projected target of 8%. The ability to retain employees was achieved due to a lower number of unplanned exits from the organisation with no instances of death during the period under review. The organisation continued to function optimally during the peak periods of the COVID-19 pandemic as well as during lockdown through the implementation of employee rotation and alternate work arrangements.

The on-site Occupational Health Clinic has been fully functional and assisted the organisation in first line screening for COVID-19 infections as well as other employee health and wellness issues. Various employee communication and awareness sessions were held throughout the year at Head Office and all the plants and installations. This has gone a long way in ensuring the limited number of positive COVID-19 infections from exposure at work.

Skills Development Programme

In the areas of skills development, the organisation has increased its commitment to the development of youth by appointing an additional eight students to the Internship Programme as well as increasing the duration of the programme as from the next intake of students. This will enable the beneficiaries of this programme to acquire more work experience so as to fill positions that may arise internally and externally.

Youth Development Programs			
Skills Development Programmes	No of People	2021/2022 Budget	2021/2022 Actual
Graduate Development	5	R 1 179 744.00	R 1 014 969.00
Internships	16	R 1 220 256.00	R 1 093 635.00
Leaderships	5	R 500 173.00	R 253 543.00
Artisans	2	R 455 000.00	R 285 520.00
Bursaries-External/ Amanzi	3	R 300 000.00	R 226 662.00
Total	13	R 3 655 173.00	R 2 874 329.00

Employee Development Program			
Skills Development Program	No of People	2021/2022 Budget	2021/2022 Actual
Bursaries-Internal/Study Assistance	9	R 150 000.00	R 209 493.00
Organisational Development	11	R 100 000.00	R 32 500.00
Training Course fees	441	R 1 150 000.00	R 806 082.00
Travel and Subs	45	R 36 064.00	R 176 900.00
Total	506	R 1 436 064.00	R 1 224 975.00

Ethics Awareness Campaign

A one day campaign attended by fifty seven (57) employees aimed at encouraging ethical behaviour within the organisation

Medium Voltage (MV) Switching

The five-day course/workshop is aimed at equipping learners with in-depth knowledge of selection, applications and maintenance of transformers, switchgears and circuit breakers. Attended by eight people with the aim to obtain a certificate.

Professionalism in the Workplace

Attended by all MW Interns. Interns were equipped with skills on effective communication, time management, assertiveness, and CV writing skills. The training also provided guidelines on dress code and code of ethics. They also gained tips on how to answer questions during interview and the professional manner expected in the work place and also when attending interviews.

GRAP Training and IFRIS Updates for 2021/2022

Attended by thirteen Finance staff members. They advanced their skills of reviewing financial statement in line with GRAP standards; and to better understand GRAP Accounting reporting standards.

Integrated King IV Training

Attended by eight employees, they were taught how to move beyond compliance to crafting actions that are appropriate to the organisation's context and also realising the benefits of corporate governance.

Safe Handling of Chlorine and Hazardous Chemical substances

This is also a compliance training attended by fifty staff members. They learnt safe ways of handling chemicals and to manage the delivery of chemicals in a safe manner.

Root Cause Analysis

Employees learnt the process of discovering the root cause of problems in order to identify appropriate solutions, it was attended by 12 employees from various departments.

Evacuation Officer's Training

It was attended by 13 MW Evacuation Officers, the course is aimed at enabling learners to distinguish between an emergency and an incident as well as understanding different types of emergencies that may take place in the workplace.

Safety, Health (SHE) representative course

Attended by 10 employees from various departments. They were taught basic health, safety and environmental principles to enable them to understand the objectives and statutory requirements pertaining to health and safety in the workplace.

First Aid level one course

This is a compliance training attended by six employees. The training is aimed at teaching learners to examine a casualty, use a defibrillator, and familiarise themselves with basic life support and learnt how to control bleeding and trauma.

Mentorship and Coaching training

Attended by ten employees to learn a one-on-one relationship within the organisation. It allows people to learn from one another, providing a path for skills transfer and knowledge.

Fire fighting course

Attended by five employees and they were taught the basics of dealing with fire in case there is fire in the building/workplace. They also learned the processes and procedures involved with attempting to extinguish fire or perform any other related emergency procedures.

Artisan Development Programme

The Artisan Development Programme is conducted in compliance with the Skills development Act No. 97 of 1988. The primary objective of the programme is to build internal capacity in relevant trades as well as to contribute towards the National Skills Development Strategy.

There are two unemployed youth who are participating in this programme on Instrumentation Trade to capacitate the Maintenance Section. The Apprenticeship training programme under Instrumentation covers field instruments, basic PLC programming and basic SCADA programming for a person to be a qualified Instrument Mechanic. This would assist Mhlathuze Water with the current shortage of instrumentation staff if students can qualify because they can be utilized in daily plant maintenance activities and further SCADA development to suite ever changing operational requirements. One employee achieved a Boiler-Maker Trade Test through attending training programmes.

Graduate Development Program

The purpose of this programme is to equip graduates with skills and experience in order to become professionals and be able to register with ECSA. Five graduate trainees are currently participating in the programme. Two are registered with ECSA as Candidates Engineering Technicians and three are registered as Candidate Engineering professional. Two of the Graduate Trainees have completed their training programme and are currently in the process of making registration applications to ECSA. The graduate trainees submit quarterly reports and professionally registered mentors has been appointed to monitor their progress towards meeting ECSA requirements.

The following are the graduate trainees participating in the programme:

Table 21: Graduate Trainees

Name & Surname	Field of Study	Start Date	End Date
Kwanele Mtshali (Ms)	National Diploma: Mechanical Engineering	1 June 2022	31 May 2023
Sandile Mkhabela (Mr)	BSc. Civil: Engineering	1 August 2019	31 July 2022
Thulani Mafuleka	National Diploma: Civil Engineering	01 November 2021	31 October 2024
Samukelisiwe Zungu	BSc. Chemical Engineering	02 April 2022	31 March 2025
Kwanele Nxumalo	BSc. Electrical Engineering	02 April 2022	31 March 2025

Bursary Programmes

Internal Bursaries

As part of Mhlathuze Water's long term skills development strategy, the Bursary and Study Assistance Committee approved applications for the two employees who have completed their studies on time. They were both doing a Post-Graduate Diploma in Risk Management.

Table 22: Completed Internal Bursaries

Position	Gender	Race	Section	Institution	Qualification	Duration
Secretary: Corporate Services	Female	African	Corporate Services	MANCOSA	Post-Graduate Diploma in Risk Management	1 year
Office Manager: Office of the CE	Female	African	Executive	MANCOSA	Post-Graduate Diploma in Risk Management	1 year

Further, the employees below are currently furthering their studies through the Study Assistance Scheme.

Table 23: Current Internal Bursaries

No.	Name & Surname	Gender	Department	Institution	Course
1.	Nontokozo Phoswa	Female	Corporate Services	University of KwaZulu Natal	Postgrad Diploma in Records Management and Archives
2.	Nozipho Mafuleka	Female	Executive	Chartered Governance Institute of Southern Africa	Chartered Secretarial course
3.	Zakhona Mthethwa	Female	Operations	All Connections	National Certificate in Water & Waste Water Treatment NQF Level 3
4.	Thandeka Hlabisa	Female	Operations	All Connections	National Certificate in Water & Waste Water Treatment NQF Level 2
5.	Ashleigh McClure	Female	Corporate Services	UNISA	Diploma in Marketing Management
6.	Zandile Mhlongo	Female	SCM	CIPS	Diploma in Procurement and Supply
7.	Nomzamo Noyakaza	Female	Corporate Services	UNISA	Masters in Information Science
8.	Zekhethelo Dlamini	Female	SCM	CIPS	Diploma in Procurement and Supply

External Bursaries

There are currently three students from needy communities participating in the Amanzi Bursary Programme:

Table 24: External Bursaries

No.	Name & Surname	Institution	Field of Study	Year of Study
1.	Zulu Siyanqoba	UKZN	BSC Civil Engineering	2 nd
2.	Mahlangu Sibusisiwe	University of Pretoria	SSC Computer Science	1 st
3.	Mlondo Sifiso	Wits	BCOM Accounting	1 st

Learnership programme

Furthermore, in order for Mhlathuze Water to provide clean water of high quality at all times, a need to up skill water employees was identified. Therefore, a Learnership Programme on Water and Waste Water Treatment was implemented. Learners received a national qualification accredited by the EWSETA. This programme further equips internal employees to build their capacity for advancement opportunities in the organisation by assisting them to obtain up to NQF level 4 qualification. The learners mentioned in the table below have completed their Learnership training in June 2022 and are awaiting the certificates from the EWSETA.

Table 25: Learners that Completed the Learnership Programme

No.	Name & Surname	Gender	Race	Department
1.	Mthokozisi Zulu	Male	African	Operations
2.	Nozipho Mathaba	Female	African	Operations
3.	Slungile Msomi	Female	African	Operations
4.	Nokuthula Khanyile	Female	African	Operations
5.	Mfanafuthi Nqoko	Male	African	Operations

The table below provides learners who commenced participating in the learnership programme (NQF Level 3) in July 2022 and expected to complete the programme in June 2024.

Table 26: Current Learners

Full Name & Surname	Race	Gender	Department
Nondumiso Mbatha	African	Female	Operations
Asanda Simamane	African	Male	Operations
Sakhile Msweli	African	Male	Operations
Thandokuhle Thwala	African	Male	Operations
Nomusa Massinga (awaiting MIE)	African	Female	Operations

Compliance Training

Table 27: Compliance Training conducted

No	Training Name	Date	Attendees	Training Costs
1	Train the Trainer course	08-09 July 2021	2	R 6 240.00
2	Hazardous Chemicals handling	07 – 08 February 2022	14	R 14 400.00
3	Evacuation Officers training	9 – 10 February 2022	13	R 18 750.00
4	Fire Fighting course	08 & 15 February 2022	5	R 8 400.00
5	SHE Representatives training	16 February 2022 – 03 March 2022	10	R 18 600.00
7	Safe Handling of Chlorine	8 – 10 March 2022	50	R 0.00
8	First Aid Level 1 course	14-15 March 2022	6	R 6 420.00
9	ISO14001, 9001 and 45001 Implementation and Auditing of Integrated Management System	09-13 May 2022	2	R 17 150.00
			102	R 89 960.00

As per Ubuntu Policy that was approved by the Board, with an objective to provide Mhlathuze Water's support to employees and Board members who become parents, undergo hospitalisation, are booked for at least ten days sick leave by a Medical Practitioner (extended sick leave) or suffer bereavement, a total of 20 tokens of support (i.e. goodie baskets, blankets and flowers) were distributed to employees in the year under review.

Various information sharing sessions related to HIV/AIDS, COVID 19 and Chronic Diseases were held in Head Office and all plants.

Long Service Recognition Programme

The long service recognition programme intends to recognise employees for their contribution in the organisation in the form of a long service incentive at five years intervals. The following number of employees qualified in the period under review.

Table 28: Long Service Recognition

Years	2021/2022 Number of Employees
5	6
10	2
15	7
20	1
25	2
30	1
35	2

Employment Changes

Employment Report

Table 29: Number of employees disaggregated by gender and race

Employment group	Baseline (at start of the financial year)	Total (end of the quarter)	Reasons for variances
African	200	210	Appointments
Indian	6	6	N/A
Coloured	3	3	N/A
White	6	7	Appointments

Filled Positions

A total of 29 positions were filled during the financial year 2021/2022 as follows:

Table 30: Filled vacancies disaggregated by gender and race

Race	Gender	Total	
		Number	Percentages
African	Male	15	52%
	Female	14	48%
Indian	Male	0	0%
	Female	0	0%
Coloured	Male	0	0%
	Female	0	0%
White	Male	0	0%
	Female	0	0%
Total		29	100%

Staff Retention

The projected annual staff turnover rate of 2.25% was achieved, which is within the projected rate of 8% as shown in the table below:

Table 31: Staff Retention

	2021/2022	2020/2021
Unplanned separations	5	14
Average complement for the period	222	218
Staff Turnover rate	2.25%	6.42%
Projected annual staff turnover rate	8%	8%

Workforce Profile

Figure 3: Economically Active Population of South Africa

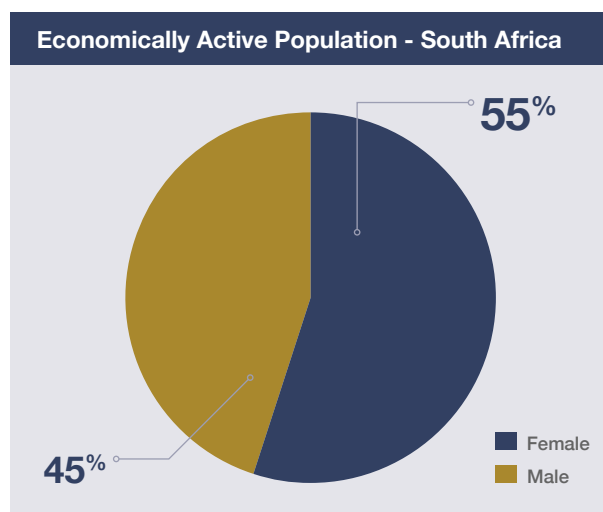
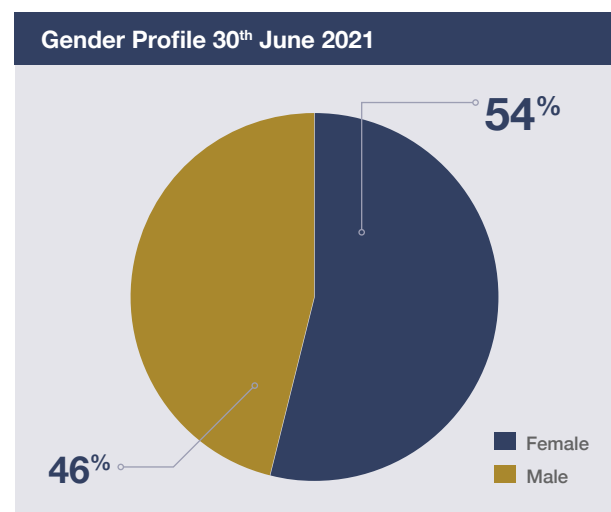


Figure 4: Gender Profile of Mhlathuze Water Employees



Source: Commission for Employment Equity 2019/2020 Report

Mhlathuze Water as at the 30 June 2022 exceeded the gender target when compared to the Economically Active Population for South Africa.

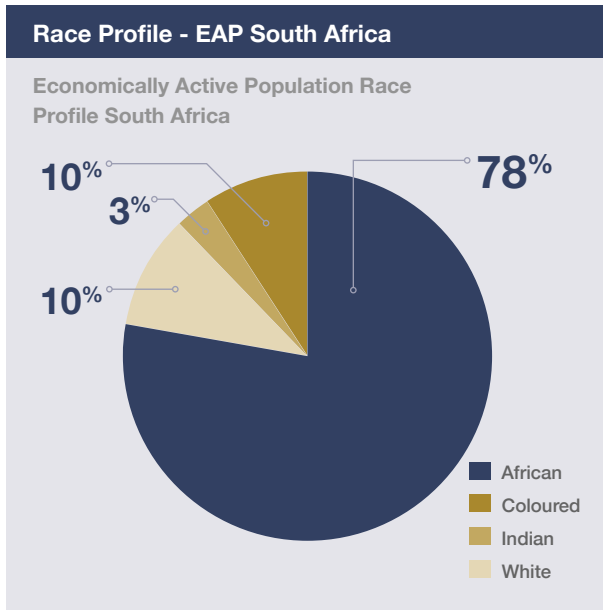
Workforce Profile

The table below reflects the workforce profile as at 30 June 2022. The total staff complement was 226 employees.

Table 32: Workforce profile of Mhlathuze Water employees

Workforce Profile as at 30 th June 2021											
Occupational Levels	Male				Female				Foreign Nationals		Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	Male	Female	
Top Management	1	0	0	0	0	0	0	0	0	0	1
Senior Management	2	0	0	0	1	0	0	0	1	0	5
Professionals	18	0	1	1	16	0	2	2	0	0	40
Skilled Technical & Academically Qualified Workers	36	0	0	2	45	1	2	1	0	0	87
Semi Skilled	46	1	1	0	22	1	0	1	0	0	72
Unskilled & Defined Decision Making	13	0	0	0	9	0	0	0	0	0	22
Totals	116	1	2	3	93	2	4	4	1	0	226
Percentage	51%	0.5%	1%	1%	41%	1%	2%	2%	0.5%	0%	100%
Total Percentage	53.5%				46%				0.5%		100%

Figure 5: Race Profile - EAP South Africa

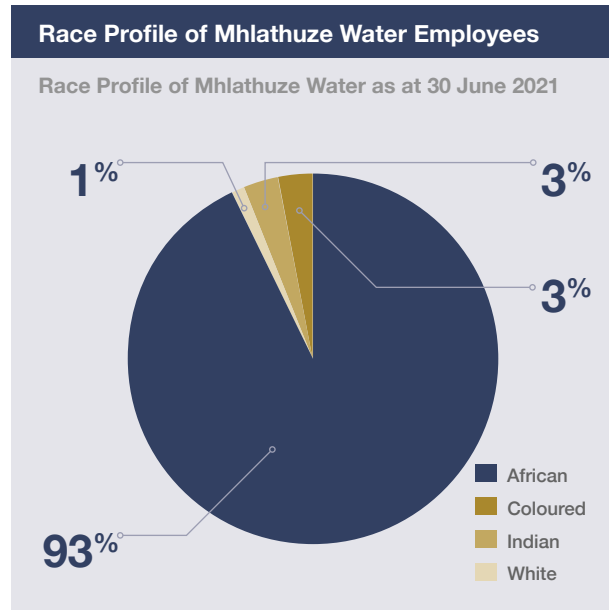


Source: Commission for Employment Equity 2020/2021 Report

While there was a 85% achievement in terms of Employment Equity as per Race Groups, more effort should be geared towards recruiting Coloureds and Whites.

The overall annual target for persons with disabilities was 1% and the target was not achieved since there were 2 employees who declared disabilities, which represented 0.88% of the staff complement.

Figure 6: Race Profile of Mhlathuze Water Employees



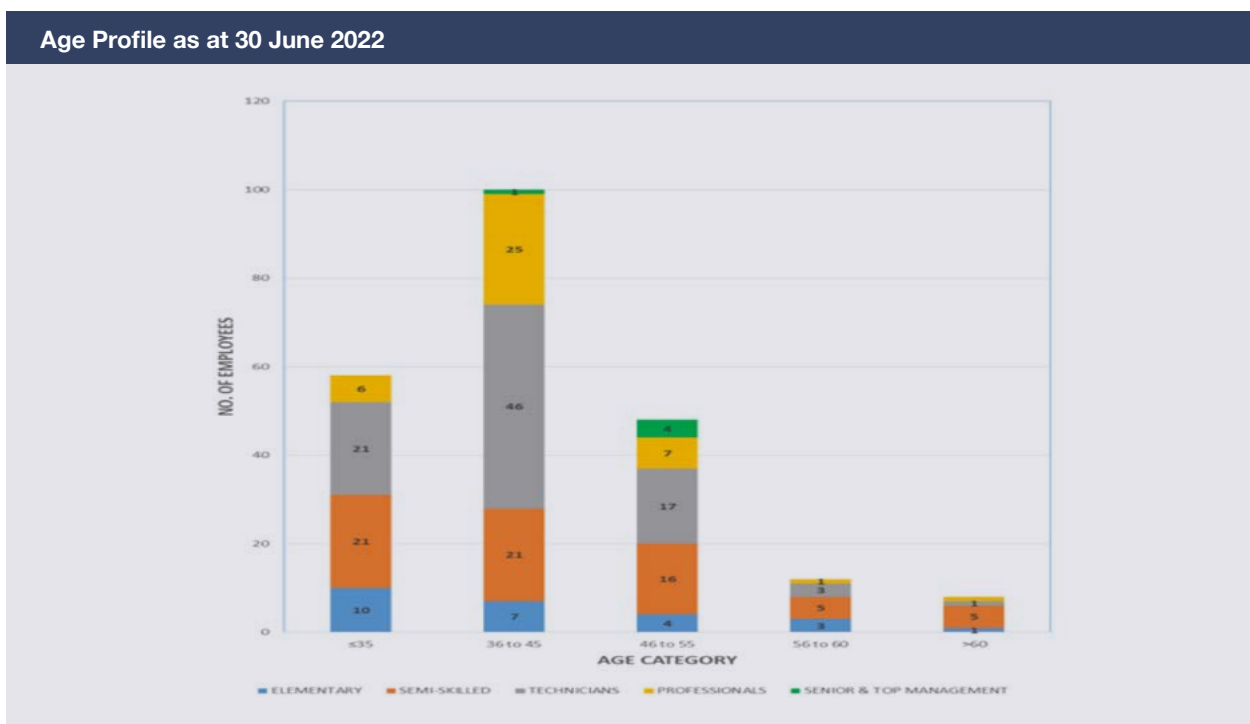
The Age Profile of Mhlathuze Water Employees

The highest concentration of employees are in the age bracket 36 - 45 years in the Technicians Occupational Group, mainly due to the number of Interns and In-service Trainees.

No of employees;

- ≤ 35 years = 58 employees
- 36 – 45 years = 100 employees
- 46 – 55 years = 48 employees
- 56 – 60 years = 12 employees
- >60 years = 08 employees

Figure 7: Age Profile of Mhlathuze Water employees



Industrial Relations

Formal disciplinary hearings were convened as per table below:

Table 33: Disciplinary Hearings

Total Disciplinary Hearings	Verbal Warnings	Written Warnings	Final Written Warnings	Dismissals
7	1	4	2	0

There were no CCMA referrals during the financial period 2021/2022.

The salary negotiations for the year 2021/2022 under the auspices of the Amanzi Bargaining Council was concluded and parties agreed on 5.5% increase on the basic salary of staff and also to those water utilities on a cost to company package should effect a 5.5% on 80% of the total cost to company package.

Mhlathuze Water's Industrial Relations climate was stable during the period under review. Monthly meetings and special consultative meetings were held regularly with labour unions where issues were amicably resolved.

Information Technology

ICT Governance Framework

Adoption of IT Strategy

Mhlathuze Water has developed an IT Strategy with the participation of all departments, to ensure that technology installed at Mhlathuze Water will support and improve the business processes. This strategy was developed with the purpose to align Mhlathuze Water IT planning, investment decisions and management, with current and future business requirements in mind. Driven by the Business Strategy, the IT Strategy seeks to address the enhancements of current systems and identify new systems required to rapidly deploy new services and products.

Cybersecurity Framework

The Cybersecurity Framework was developed and approved. The key elements to be adopted is for the effective management of information and technology, to ensure that corporate information and ICT systems are secure, protected, controlled, and maintained in line with corporate objectives and resilience in responding to emerging Cyber-attacks and risks.

Legal

Bulk Supply Agreements

Mhlathuze Water has seven bulk supplier agreements in place with the customers listed as follows:

Table 34: Bulk water supply agreements

Nr	Organisation Name	Volumes m ³ /day	Volumes m ³ / Annum	Volumes m ³ / Consumption
1	City of uMhlathuze Municipality for Richards Bay	48 000	17 520 000	600 107 00
2	City of uMhlathuze Municipality for Empangeni (NTLC)	37 000	13 505 000	10 623 166
3	City of uMhlathuze Municipality for Esikhawini (RB TLC)	15 000	5 475 000	0
4	City of uMhlathuze Municipality for Foskor	20 000	7 300 000	5 082 309
5	Tronox	24 420	8 913 300	9 811 65
6	Richards Bay Minerals	45 000	16 425 000	2 987 387
7	Mondi	100 000	36 500 000	18 211 984

Table 35: Bulk waste water agreements

Nr	Organisation Name	Waste requirement	Volumes m ³ /day	Volumes m ³ /Annum	Vumes m ³ /Consumption
1	Mondi	Buoyant	110 000	40 150 000	40 150 000
2	Mpact	Buoyant	8000	2 920 000	2 920 000
3	City of uMhlatuze macerators	Buoyant	20 000	7 300 000	7 300 000
4	South 32	Buoyant	7750	2 828 750	2 828 750
5	Foskor	Dense	44 272	16 159 280	16 159 280
6	Foskor	Buoyant	5000	1 825 000	1 825 000
7	Tronox	Buoyant	2400	876 000	876 000
8	Isizinda	Buoyant	333	121 545	121 545

Default judgements

Mhlathuze Water should not have any default judgements made against it to retain its financial viability. There are no default judgements that were made against Mhlathuze Water in the period under review.

8.2.4 Corporate Services Unit 2021/2022 Predetermined Objectives

Table 36: Corporate Services Unit 2021/2022 Predetermined Objectives

SC/ MW	Strategic Objective	Outputs	Performance Indicator	Annual target	Actual Achievement	Deviation from Planned Target to Actual Achievement	Comment on Deviation
SC 14	SO4: To resource the organisation with the required skills and competence	Optimal Staff Retention	Percentage of Staff Turnover	8%	2.25%	5.75%	Five resignations since the beginning of the financial year.
SC 15		Learners trained and equipped with skills	Number of learners trained and equipped with skills	5	5.00	0.00	None
SC 15		MW employees trained and equipped with skills	Number of new internal bursaries awarded to MW employees	3	6.00	3.00	Received additional bursary applications
SC 15		Graduate trainees participating in the graduate training programme	Number of graduate trainees participating in the graduate training programme	4	6.00	2.00	Additional graduates were appointed in April 2022
SC 5	SO2: To ensure long-term financial sustainability	Effective and efficient mechanisms to ensure financial sustainability and viability	Percentage of staff remuneration of total operating expenditure	30%	34.40%	(4.40%)	Expenditure increase on employee costs higher than budgeted for
MW 10	SO4: To resource the organisation with the required skills and competence	MW internship programme that equips the youth with the required skills that will assist them to be professionals	Number of graduates appointed in the MW internship programme	16	18.00	2.00	Additional graduates appointed in the MW internship programme to replace interns that resigned.
MW 11		Approved vacant positions filled within turnaround time on recruitment	Percentage of approved vacant positions filled within average 90 days	100%	0.00%	(100%)	Delays in advertising, shortlisting, recruitment processes.

SC/ MW	Strategic Objective	Outputs	Performance Indicator	Annual target	Actual Achievement	Deviation from Planned Target to Actual Achievement	Comment on Deviation
MW 12	SO4: To resource the organisation with the required skills and competence	Ensure management of business continuity	Number of employees participating in the mentorship programme	8	8.00	0.00	N/A
MW 13	SO2: To ensure long-term financial sustainability	Effective and Efficient Mechanisms to Ensure Financial Sustainability and Viability	Percentage of skills development budget spent	90%	49.38%	(40.62%)	Delays in procurement processes.
MW 14	SO5: To optimise business processes and systems for efficiency	Business Continuity and reliable IT Operations	Percentage of server availability based on operating hours	95%	99.88%	4.88%	Completeness could not be tested on submitted evidence.
MW 15		Efficiency of ERP System	Percentage of ERP user requirements implemented	95%	0.00%	(95.00%)	Actual could not be determined because satisfaction levels could not be measured. The project is work in progress.
MW 16	SO5: To optimise business processes and systems for efficiency	Zero default judgments	Number of default judgments against the organisation	0	0.00	0.00	N/A
MW 17		Service level agreements concluded with service providers	Percentage of service level agreements finalised within 30 days after appointment of service provider	100%	0.00%	(100%)	Delays in signing service level agreements
MW 18		Compliance with financial disclosure	Percentage of compliance with financial disclosure	100%	100.00%	0.00%	N/A
MW 19		Compliance with facility management standards	Percentage of compliance with MW facility management standards	95%	100.00%	5.00%	Fully complied with MW facility management standards
MW 20		Ensure management of business continuity	Percentage implementation of knowledge & information management	95%	91.66%	(3.34%)	One standard is in a process of being developed and approved.

8.2.5 Corrective Measures to address areas of underperformance

Table 37: Corporate Services Unit Corrective Measures

Key performance indicators	Core reason for under-achievement	Recovery strategy for 2022/2023
Percentage of staff remuneration of total operating expenditure	Expenditure increase on employee costs higher than budgeted for	Critical expenses spent as budgeted for.
Percentage of approved vacant positions filled within average 90 days	Delays in advertising, shortlisting, recruitment process	Recruitment has been prioritised for key and critical positions through advertisements in the print and social media. Mhlathuze Water has introduced web based applications, and the use of recruitment agencies.
Percentage of skills development budget spent	Delays in procurement processes.	Mhlathuze Water will develop a procedure on exception of training programmes from normal SCM procurement processes
Percentage of server availability based on operating hours	Completeness could not be tested on submitted evidence.	Evidence to be provided will be enhanced to test completeness in the next financial year
Percentage of ERP user requirements implemented	Actual could not be determined because satisfaction levels could not be measured. The project is work in progress.	Surveys will be done per module to assess user satisfaction for modules after implementation and commissioning of the system.
Percentage of service level agreements finalised within 30 days after appointment of service provider	Delays in signing service level agreements	Follow-up with service providers on submission of service level agreements
Percentage implementation of knowledge & information management	One standard is in a process of being developed and approved.	The outstanding standard was tabled at MANCO, EXCO and ARC meetings. The standard aims to address challenges on SharePoint. A decision to procure a new system was taken and the process is underway.

8.3 Operations Unit

8.3.1. Mandate of the Operations Unit

The Operations Unit is driven by the mandate of ensuring effective and uninterrupted water supply and waste water disposal systems to meet the needs of customers and minimise the impact on the environment.

To meet this, the Unit continuously assesses, develops and actions preventative and troubleshooting plans for maintenance and capital improvements to the organisation's assets over the short, medium and long term. The unit continuously evaluates all civil, electrical instrumentation and mechanical maintenance and commissioning programmes in order to ensure that work is executed and performed to acceptable standards.

8.3.2 Functions within the Operations Unit

Operations

Operations function is responsible for all operational activities in transfer pumps stations, water treatment plants and waste water systems in order to meet contractual requirements and legislative requirements. This function has the responsibility of ensuring that the organisation meets all customer requirements when delivering services. The function is also responsible for the operations of water and wastewater infrastructure for Water Services Authorities and industries under the Operations and Maintenance contracts.

Maintenance

The overall objective of the maintenance function is to ensure that all plant and machinery is maintained and in good working order so that the organisation can supply clients with water and waste water services as per contract agreements. The Maintenance function has implemented Information Technology to improve on the maintenance processes. This technology assists in computerised monitoring of plant operations to inform the organisations strategy on reliable maintenance and management related programmes.

The unit is responsible for maintaining Mhlathuze Water assets to ensure uninterrupted operation of infrastructure in order to service the bulk agreements with customers as outlined below.

8.3.3 Key Performance Highlights

The effects of the devastating drought experienced in prior years resulted in a number of stakeholder interventions being initiated. Mhlathuze Water played a pivotal role in ensuring the continued engagements to realising successful implementation of drought alleviation and water conservation initiatives. The realization of these initiatives was through the collaboration with other stakeholders as follows:-

- Continued Consultation with stakeholders regarding water use reduction:**
 Mhlathuze Water continues to be an active participant in the Mhlathuze Catchment Joint Operating Committee

(JOC). The role of the committee was to develop strategies to mitigate the impact of the drought including water conservation and demand management activities.

- **Continued Support to DWS in the upgrade of the Thukela-Goedertrouw Transfer Scheme:**

The TGS upgrade is managed and funded by DWS. Construction activities for the pipeline, pump stations, abstraction works which includes, excavation, pipeline delivery and laying, foundation casting were underway however the project came to a halt during the year.

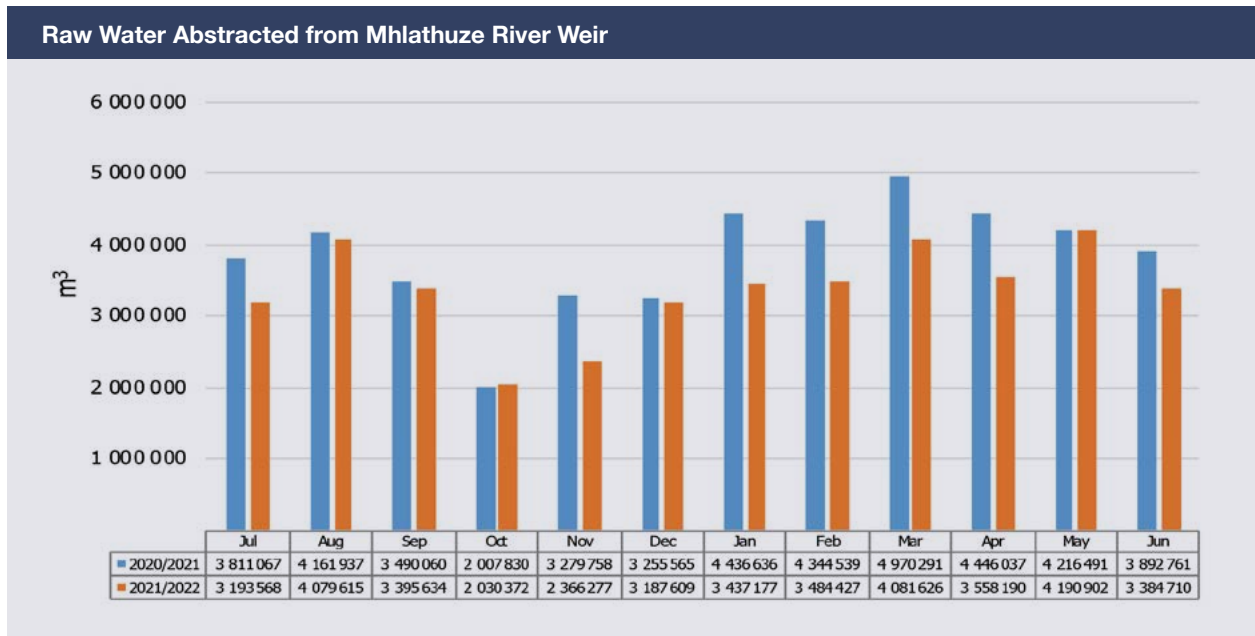
Mhlathuze Water: Weir to Nsezi Transfer Scheme

Mhlathuze Water continues to abstract water from the Mhlathuze River which is fed by the Goedertrouw Dam that is augmented by the Tugela Goedertrouw Scheme (TGS).

The raw water abstraction takes place at the Weir Pump Station, which is approximately 70km from the discharge of Goedertrouw Dam. The primary beneficiaries from this scheme are Mhlathuze Water (Nsezi Water Treatment Plant and Lake Nsezi), CoU (Esikhaleni Water Treatment Works), Tronox (Fairbreeze Mine) and Richards Bay Minerals (via Lake Nsezi).

A total volume of 40 390 107 m³ of raw water was pumped from the scheme this financial year, which is 12.79% lower than the volume supplied in the previous financial year, with 97% being supplied to Nsezi WTP, none supplied to the CoU (Esikhaleni) and 3% to Tronox. No raw water was supplied to Lake Nsezi during the financial year since the lake was full. Tronox was supplied as when requested, albeit at reduced rates.

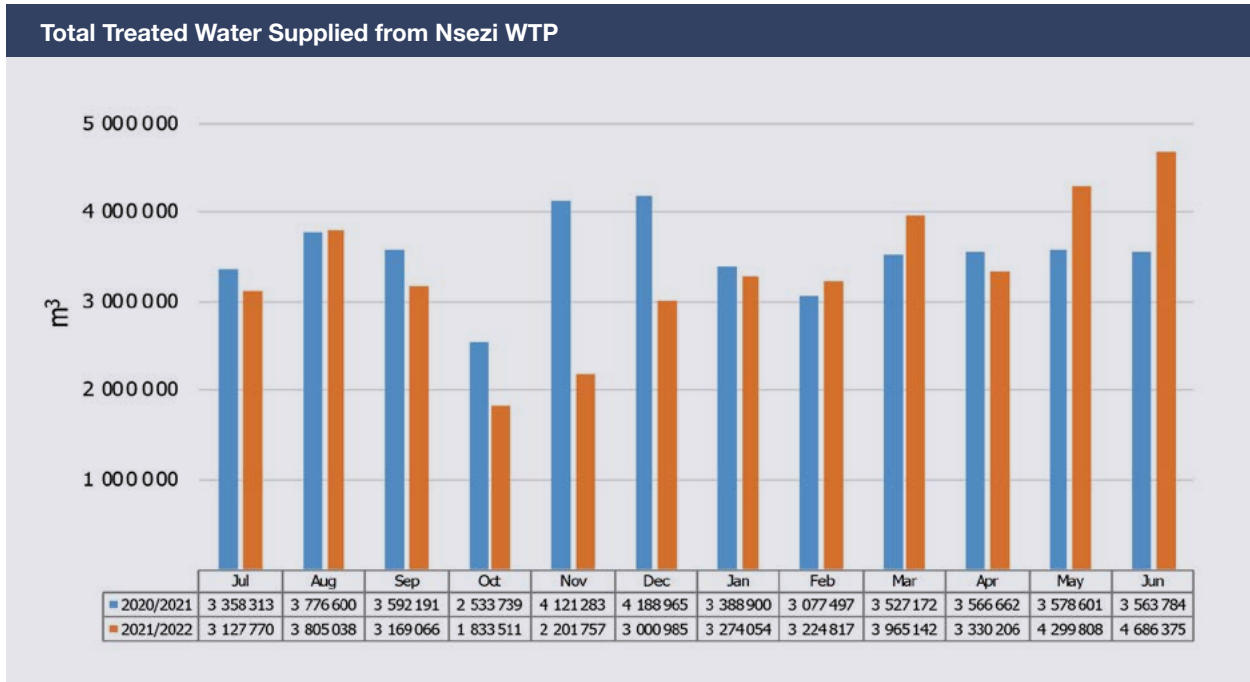
Figure 8: Raw Water Abstracted from Mhlathuze River Weir



Mhlathuze Water: Nsezi Water Treatment Plant

A total of 39 418 529 m³ of water was treated at Nsezi Water Treatment Plant, with 100% of this volume from Mhlathuze River and none from Lake Nsezi. This is was due to good rains in our catchment area. The total volume supplied by Nsezi WTP to customers during the financial year under review decreased year-on-year mainly less demand by the CoU (Richards Bay) and CoU (Empangeni) as well as Mondi Annual Shutdown. The customers were supplied as per demand within contracted volumes. Unaccounted water loss during the financial year was 2.56%, though within the target of 5%, was higher year or year due to heavy rains which increased siltation in our abstraction and treatment plant.

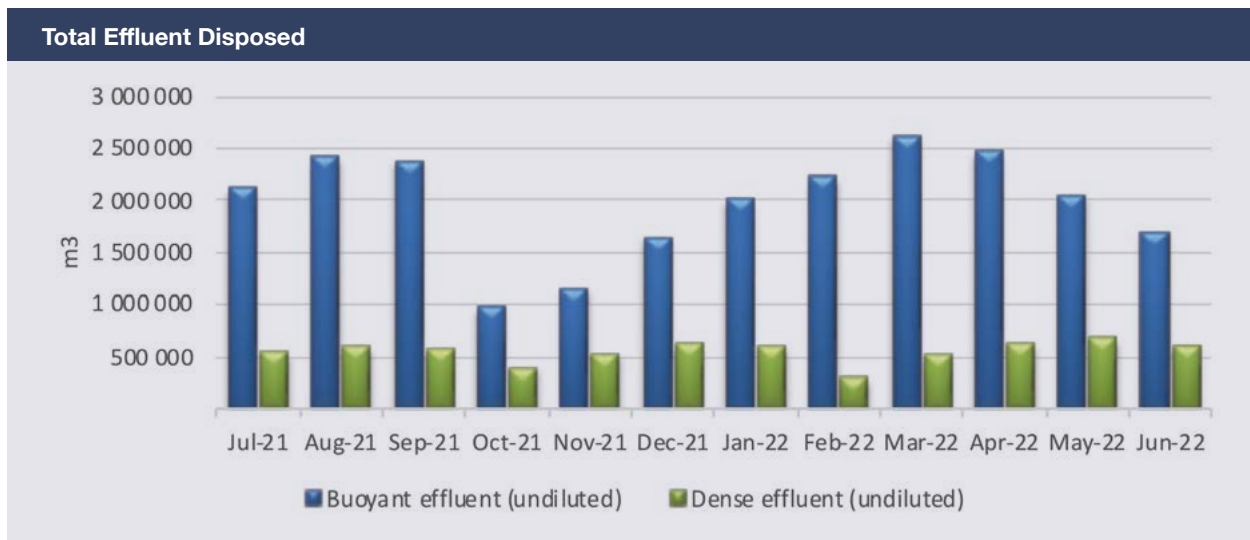
Figure 9: Total Treated Water Supplied from Nsezi WTP



Mhlathuze Water: Alkantstrand Effluent Disposal Scheme

A total of 30 250 065 m³ was disposed off-shore through the Waste Water Disposal System. 23 722 369 m³ of this volume was discharged through the buoyant line and 6 527 697 m³ through the dense line which contributed to a 3.43% decrease from the previous financial year.

Figure 10: Total effluent disposed

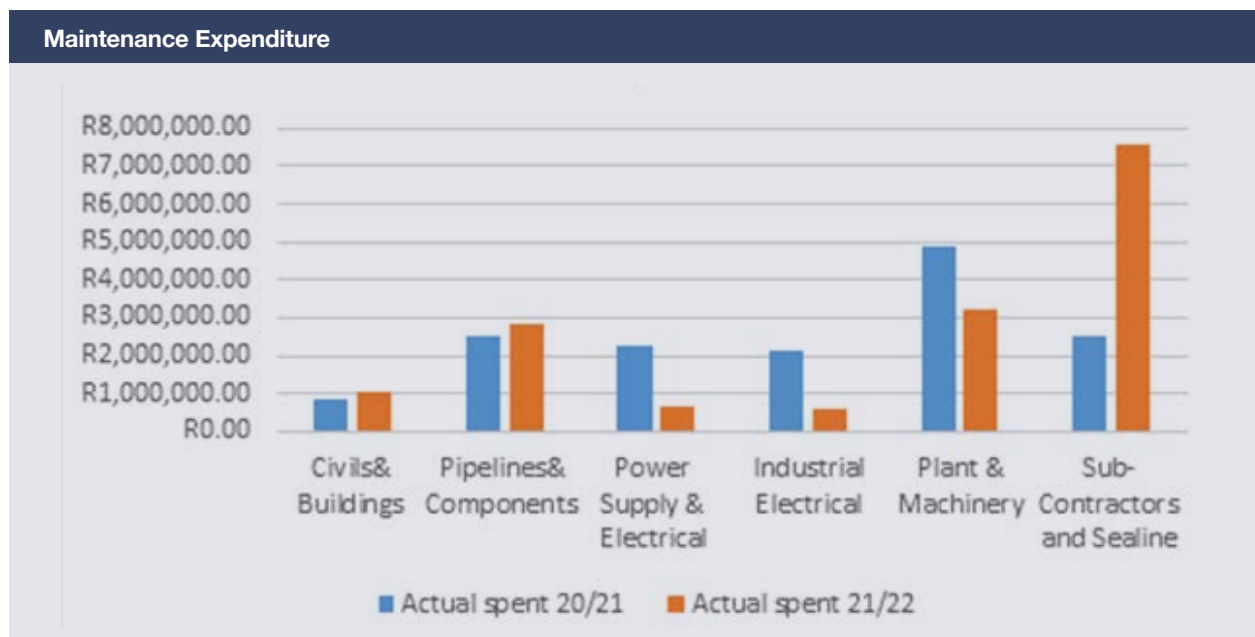


Maintenance, Plant Efficiency and Availability

Maintenance Strategy was enhanced as well as Maintenance Plan implemented to ensure the high plant availability and minimise water supply interruptions. Staff turnover was stabilised within the department at all levels that affected primary planning and implementation of the maintenance plan. However expenditure in the maintenance section was still low as compared to the annual target of 3.50% by 1.00%. During the 2021/2022 financial year, a total of R15 045 446 was spent on mechanical, electrical, instrumentation; and civil maintenance and repairs work on all Mhlathuze Water owned plants and operations, as shown in figure 12 underneath. In the previous financial year, a total of R 27 918 000 was spent on mechanical, electrical, instrumentation; and civil maintenance and repairs work, which is 2.79% against the target of 3.5%.

Notwithstanding above, Mhlathuze Water maintained its world class plant availability of 98.57% against a target of 95%, without any water supply interruptions exceeding 24 hours. Lesson learnt from previous financial years with two incidents were implemented and ensured a non-repeat as the plant availability was 98.36% against a target of 95%.

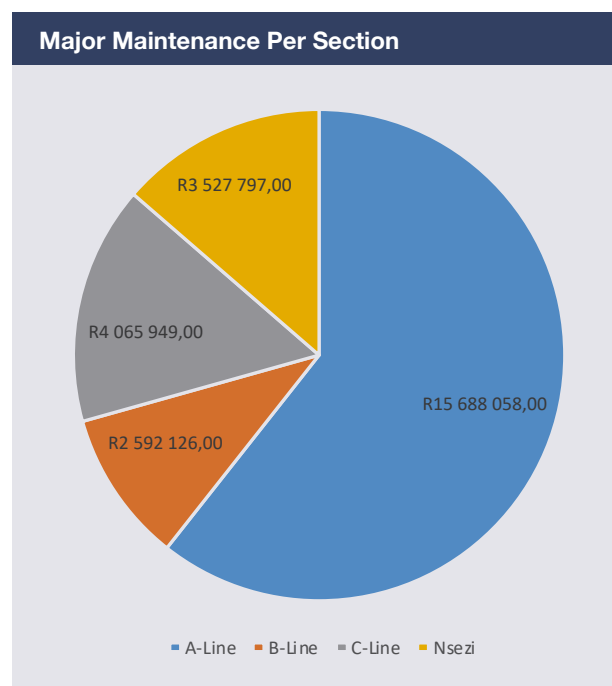
Figure 11: Maintenance Expenditure Per Component



In order to ensure plant integrity and maintainability as well as take care of the environment, an annual integrity and bathymetric inspections were conducted all dense and buoyant discharge pipelines. This is in line with requirements of Coastal Waters Discharge Permit on the marine. This then informed the maintenance plan performed on this offshore pipe line which inter alia included repairs were then made to certain diffusers, anodes, dredging of pipelines as well as unblocking thereof. A capex plan from this has now developed so as to ensure long term sustainability of the pipelines.

Routine and preventative mechanical maintenance was furthermore carried out on pumps and bearings at Nsezi, The Weir Pump Station, saw further 2 weir abstraction pumps refurbished which then improve plant reliability and ensure operability. See figure opposite.

Figure 12: Major Maintenance per section



External Operations and Maintenance Projects

As part of its growth strategy, the organisation is involved in a number of external operation and maintenance projects within its area of operation.

Thukela-Goedertrouw Transfer Scheme

Mhlathuze Water is responsible for the operation and maintenance of the Thukela-Goedertrouw Transfer Scheme, with a capacity of 1.2m³/s, on behalf of the DWS. This scheme is critical for providing water to the region, particularly during the drought. For the reporting period, the scheme was available at 50% of the time though due to good rains the dam is at 100% and no pumping is required. It is envisioned that the scheme will be 100% available in the first quarter of the next fiscal year after going extensive refurbishment and maintenance.

Jozini Regional Water Treatment Plant and bulk reticulation network.

Mhlathuze Water in 2017 completed the 40MI/day Jozini Water Works and regional bulk distribution system. Mhlathuze Water, since the completion of the construction

of the Jozini bulk system on behalf of the Umkhanyakude District Municipality, has operated and maintained the system, serving 134 000 households.

The scheme include a 40MI/day water works, 19 reservoirs and numerous pump stations over a bulk reticulation network spanning over 120 kilometres. For the reporting period, a total of 10.57 m³ of purified water was produced by the scheme and distributed via the bulk network. This is a significant jump from last period where 7.68 million m³. The utilisation factor has also increased which points to an upgrade needed soon to augment demand.

Richards Bay Minerals (Rio Tinto)

Mhlathuze water is responsible for operations of RBM

- mining office ponds (Water and water treatment plants)
- Final product and waste water treatment plants

During the reporting period Mhlathuze Water managed to operate this plant even under severe conditions when there were riots at the customer which led to force majeure being declared. This points good managed contract which the customer appreciated.

8.3.4 Operations and Maintenance Unit 2021/2022 Predetermined Objectives

Table 38: Operations and Maintenance Unit 2021/2022 Predetermined Objectives

SC/MW	Strategic Objective	Outputs	Performance Indicator	Annual target	Actual Achievement	Deviation from Planned Target to Actual Achievement	Comment on Deviation
SC 2	SO7: To improve efficiency through technology and best practice	Manage avoidable water losses	Percentage of avoidable water losses on water abstracted	5%	2.56%	2.44%	Continuous monitoring and effective plant operations efficiency results in low water loss.
SC 3	SO1: To grow the provision of water services	Reliability of water supply	Number of instances of unplanned supply interruptions exceeding 24hours	3	0.00	3.00	Built in redundancy of plant and skilled personnel are implementing planned and preventive maintenance according to plan
SC 5	SO2: To ensure long-term financial sustainability	Effective and efficient mechanisms to ensure financial sustainability and viability	Percentage of repairs and maintenance of PPE	3.5%	2.50%	(1.00%)	Under - spending on maintenance due to slow progress on repairs and maintenance work as a results of inadequate procurement support.
MW 21	SO1: To grow the provision of water services	Existing infrastructure maintained to ensure plant availability	Percentage of plant availability based on operating hours	95%	98.57%	3.57%	Built in redundancy of plant and skilled personnel are implementing adequate planned and preventive maintenance according to plan
MW 22	SO1: To grow the provision of water services	Availability of the Thukela Goedetrouw (TG) Scheme	Percentage of scheme availability based on production volumes	75%	3.19%	(71.81%)	Equipment and systems were not adequately maintained for a period of time which resulted in high failure rate.

8.3.5 Corrective Measures to address areas of underperformance

Table 39: Operations Unit corrective measures

Key performance indicators	Core reason for under-achievement	Recovery strategy for 2022/2023
Percentage of repairs and maintenance of PPE	Under - spending on maintenance due to slow progress on repairs and maintenance work as a results of inadequate procurement support.	A maintenance and operation turnaround strategy has been developed and implemented. Planned repairs and maintenance of Mhlathuze Water's assets and routine maintenance expected to improve the performance indicator next financial year. Weekly meetings to track progress with SCM has been implemented. Additional Technical Buyer has been employed to assist with maintenance procurement.
Percentage of scheme availability based on production volumes	Equipment and systems were not adequately maintained for a period of time which resulted in high failure rate.	Equipment and systems were refurbished, repaired and installed. The commissioning of the scheme will be completed by the first quarter of the next financial year. Mhlathuze Water to consult DWS with regards to providing guidance on operating TG scheme. Currently the Dam level is above 100% and we are only required to pump the dam under 75%. Currently the scheme is running at 50% capacity.

8.4 Scientific services

8.4.1 Mandate of the Scientific Services Unit

The mandate of the Unit is primarily to ensure the provision of reliable and authentic laboratory, quality and environmental management services to Mhlathuze Water and external stakeholders. It also carries the overall responsibility for the organisation's compliance with a range of industry related SHEQ Systems and standards applied to water quality; waste water discharge permits; quality assurance; health and safety; environmental compliance; and energy efficiency.

The section is also the hub for innovation, research, and development. These functions are absolutely necessary for the organisation to grow and provide alternative solutions to the growing regional water challenges.

8.4.2 Functions of the Scientific Services Unit

Laboratory Services

The state-of-the-art laboratory facility provides water quality sampling and testing services to the organisation, its clients and external clients. The facility is ISO 17025 accredited, and offers a variety of water quality testing services in the fields of chemistry, microbiology and hydrobiology. Previously, the laboratory used manual techniques but over the last few years has transitioned to using modern automated technology. The techniques in use include amongst others:

- ICP – Mass Spectrometry
- Gas Chromatography – Mass spectrometry
- Ion chromatography; and
- Microscopy and defined substrate technology.

These enable the laboratory to offer an all-inclusive suite of services to test water for an extensive set of quality parameters. The laboratory uses a software-based Laboratory

Information Management System (LIMS) to support its operations. The functionality of the LIMS system allows for sample management, instrument integration, electronic data exchange, and reporting.

SHEQ Systems

The aim is to integrate all management systems of the business into one coherent system to enable the organisation to achieve its mission. In order to ensure compliance with best practices and international standards, the section ensures that the organisation has certified management systems for Safety, Health, Environment and Quality. The specific areas of application are:

- OHSAS 45001: Health and safety management within the organisation to protect the health and safety of the workers;
- ISO 14001: Environmental management to limit adverse effects on the environment that may result from Mhlathuze Water's activities;
- ISO 9001: Quality management to ensure customer satisfaction. The focus is on compliance with customer needs and requirements; and
- ISO 17025: specifies the general requirements for the competence laboratory to carry out tests and/or calibrations, including sampling. It covers testing and calibration performed using standard methods, non-standard methods, and laboratory-developed methods.

The section is also in the process of obtaining certification for the following system:

- ISO 50001: An energy management system which specifies requirements for establishing, implementing, maintaining and improving an energy management system. The main purpose is to enable the organisation to follow a systematic approach in achieving continual improvement of energy performance, including energy efficiency, energy use and consumption.

Certification is a voluntary process but it demonstrates the organisation's commitment to transparency and accountability. Through compliance with ISO standards Mhlathuze Water has committed:

- To comply with all legislative requirements, and best practices to reduce liability;
- To improve environmental performance, and prevent pollution;
- Prevent product/service defects and meet customer requirements; and
- A structured approach in managing OH&S risks, and reduce costs associated with the COID Act.

Environmental Services

The organisation recognises that there are activities that the business is involved in which have a negative impact on the environment. The section focuses on aligning the business activities towards environmental sustainability and promoting a shift towards the state of green economy through the implementation of the carbon footprint reduction initiatives. The core function of Environmental Services is to ensure that the organisation complies with applicable environmental legislation, regulations and other international best practices to ensure that the business avoids and / or minimises the environmental impacts of its activities. This includes the responsibility of ensuring that the organisation's waste management practices remain in line with provincial and national legislation and requirements. Water quality status reports for rivers and lakes/dams in the Mhlathuze River system are prepared on a regular basis.

The organisation is committed to the sustainable use of resources, thus contributing broadly speaking, towards the Millennium Development Goal of "ensuring environmental sustainability". The organisation has developed and is currently implementing an environmental sustainability policy which is aimed at achieving the following:

- Foster a culture of sustainability and reducing Mhlathuze Water's ecological footprint;
- Incorporate principles and understanding of sustainability into all activities, services, operations and stakeholder engagements; and
- Incorporate sustainability performance alongside other key performance indicators of the organisation.

The organisation is also committed to protecting, conserving and efficiently using the natural resources in a sound sustainable manner through the implementation of sustainability priorities i.e. water, energy, waste, biodiversity conservation.

Support to the Technical Unit is also provided by ensuring that the business obtains necessary environmental permits for relevant projects and other business operations e.g. Environmental Impacts Assessments (EIAs), Effluent Discharge Permit, etc. Other initiatives spearheaded are environmental awareness campaigns on the importance of conserving natural resources, as well as the commemoration of special environmental days.

Innovation, Research & Development

The envisaged functions of the section are:

- Lead, facilitate and promote research and development within Mhlathuze Water;
- Develop a research agenda for the organisation;
- Facilitate collaborative research with external organizations;
- Develop programmes and initiatives to build internal R&D capacity;
- Strengthen networks and relationships with other stakeholders; and
- Review and update MW's R&D strategy.

Occupational Health and Safety

Mhlathuze Water is committed to ensuring the health, safety and welfare of its employees and any other people who may be affected by the organisation's operations. In securing workplace health and safety, the organisation promises to pursue best practice to fulfil its statutory duties and obligations in this regard at all times.

The organisation further seeks to promote a proactive health and safety management system based on effective communication and consultation, and the systematic identification, assessment and control of hazards, and the encouragement of innovation.

The organisation complies with general approach in handling and managing health and safety. This is ensured by following Occupational Health and Safety Act regulations as promulgated in the recent Act.

8.4.3 Key Performance Highlights

Commemoration of environmental days, general awareness and education

The organisation conducts awareness and education campaigns on environmental protection as well as water and energy conservation. These initiatives focus on communities in MW's areas of operation, and employees also participate in most of these initiatives.

The table below outlines activities undertaken internally and externally during the reporting period.

Table 40: Environmental awareness campaigns and events

Events/ Initiative	Period	Activities
Climate Change	July	<ul style="list-style-type: none"> Poster on Climate Change put up on designated areas around MW to introduce MW's revised Climate Change Strategy.
Carbon Footprint	August	<ul style="list-style-type: none"> An article on Carbon Footprint and Climate Change was published on Newsplash, an internal publication.
Arbor Month International Coastal Clean-up	September	<ul style="list-style-type: none"> Video posted on social media platform to celebrate Arbor month. Collaboration with Industry, EDTEA, local Schools, Wildlife Trust for Alkandstrand Richards Bay beach clean-up.
Weed buster Month	October	<ul style="list-style-type: none"> Ntolwane Primary School School in Nkandla (Nkosi Nxamalala tribal area) visited in collaboration with EDTEA. The aim was to educate learners on negative impacts caused by alien invader plants on the natural water sources and the need for their eradication. Fruit trees were planted during the visits.
External Environmental Audit	November	<ul style="list-style-type: none"> An external environmental audit was conducted and four minor non-conformances were raised. These have been cleared.
Wetland's Month	February	<ul style="list-style-type: none"> Posters posted social media platforms.
Water Month	March	<ul style="list-style-type: none"> River clean-up at Mevamhlophe in collaboration with COU and DWS.
Water quality compliance publication	April	<ul style="list-style-type: none"> MW's potable water compliance published on Website.
Oceans and Environmental Day	June	<ul style="list-style-type: none"> Maghwakazi Primary School visited in June in collaboration with EDTEA and DARD to celebrate World Environmental Day. A poster to celebrate World Ocean's day was posted on social media platforms.

Water Quality

Mhlathuze Water is committed to providing its customers with water that is suitable for lifetime consumption and to discharge effluent in a manner that does not have a deleterious impact on the environment or downstream users. Rigorous and system-wide water quality management programmes, auditing, compliance testing and reporting, water quality assessments and water safety plans are implemented.

A risk-based water quality monitoring programme is reviewed annually to ensure that it meets legislative requirements, bulk customer supply agreements and water treatment process requirements, as well as, to take into account new risks that have been identified in the system.

An Incident Management Protocol, which is aligned to the requirements of South African National Standard (SANS241:2015) is in place. The protocol provides a framework for responding to water quality incidents in a structured manner and also includes stakeholder communication during such incidents.

Potable Water Quality Performance

Water quality at Nsezi Water Treatment Plant complies with SANS 241, which requires water quality to be evaluated and reported against six risk categories:

- (1) Acute Health: Microbiological;
- (2) Acute Health: Chemical;
- (3) Chronic Health;
- (4) Aesthetic;
- (5) Operational;

The current monitoring exceeds the minimum requirements so as to cater for other operational requirements and contractual obligations with certain industrial consumers. Performance is detailed below:

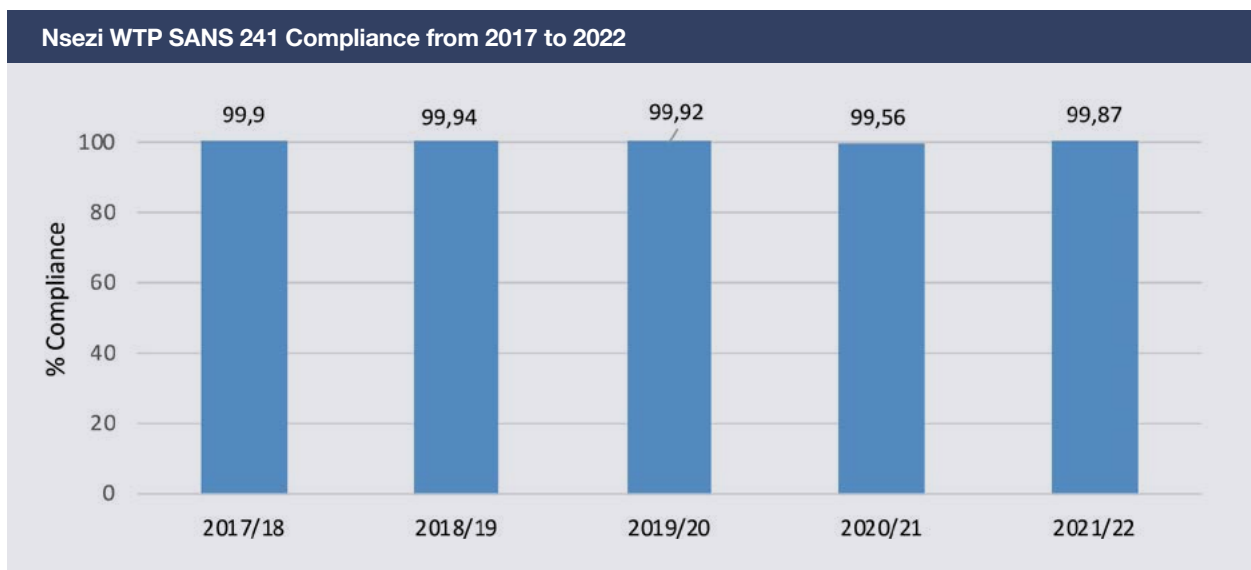
Table 41: SANS 241 Compliance for Nsezi Water Treatment Plant

Risk Category	Performance	SANS Target (for excellent water quality for population > 100 000)	Comment
Aesthetic	99.6%	≥ 95	Target exceeded
Acute Chemical Health	100%	≥ 99	Target exceeded
Chronic Chemical Health	99.6%	≥ 97	Target exceeded
Acute Microbiological Health	99.7%	≥ 95	Target exceeded
Operational	99.3%	≥ 95	Target exceeded

Overall compliance of 99.87% was achieved for the reporting period. The overall compliance target was 97%.

Catchment Water Quality Monitoring Programme

Figure 13: Water Quality Compliance at Nsezi Water Works over a 5-year Period



A water quality monitoring programme is in place to monitor rivers and dams in the catchment area on an ongoing basis. The quality of the water resources in the Mhlathuze Water catchment area is shown temporally and spatially with the aid of Water Quality Index (map). Various water quality parameters were identified and these are weighted and scored to give the overall index which is related to the water quality in the area.

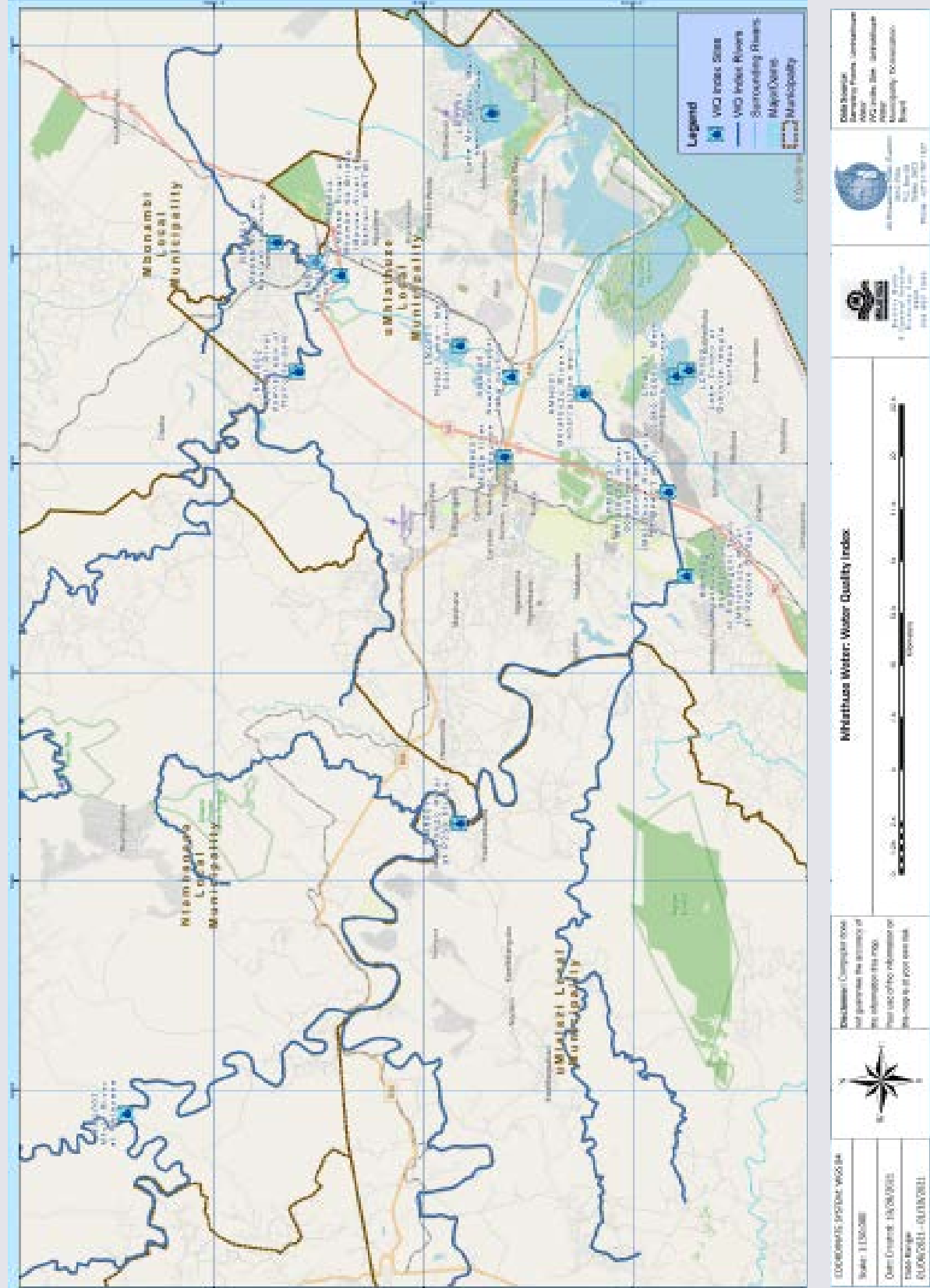
Catchment quality monitoring indicators used are as follows:

- Very good >85
- Good 71-85
- Fair 55-70
- Poor <55



WATER QUALITY INDEX

Figure 14: Water Quality Index



The overall water quality status of the Mhlathuze catchment area is also monitored on a monthly basis through a set of water quality variables. These variables are required for minimum monitoring for prescribed risk indicators.

As at the end of the reporting period, the overall water quality in most locations was good except for Mposa and Nseleni Rivers, where it has deteriorated due to illegal waste dumping. Zooming into the key areas of operation; water quality at Goedertrouw Dam and Nsezi Lake was “excellent” while at Mhlathuze River Weir water quality was classified as “good”.

Waste Water Disposal Compliance

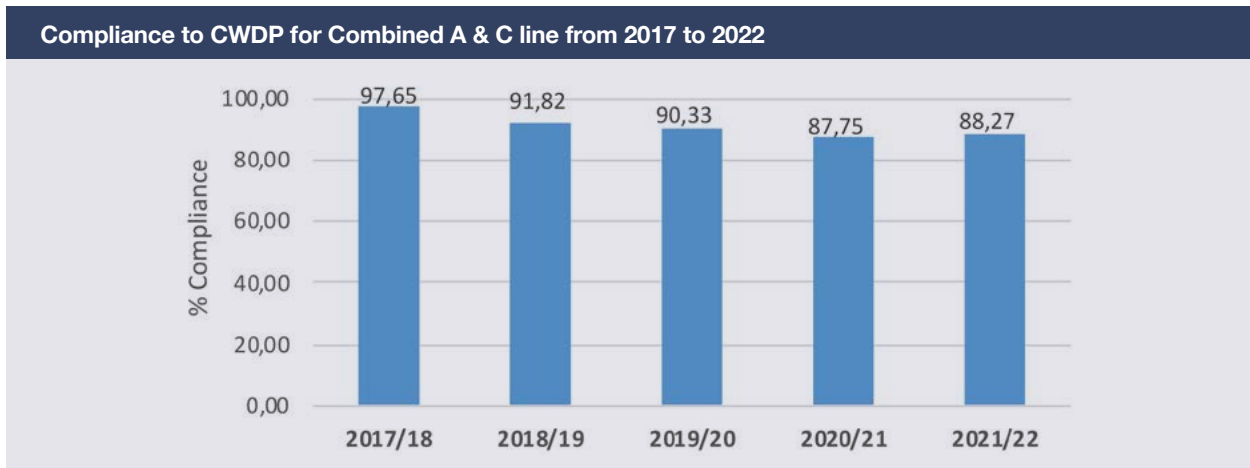
Mhlathuze Water owns and operates one of the largest offshore wastewater disposal system in South Africa. The system comprises of two pipelines; the A-line which discharges industrial wastewater, sludge from Nsezi Water Treatment Plant and macerated sewage from the City of uMhlathuze, and the C-Line which discharges gypsum effluent from Foskor. The organisation has a permit (which was issued

in 2017) to dispose wastewater to sea in terms of Section 69 of the National Environmental Management: Integrated Coastal Management Act, 2008 (Act No. 24 of 2008).

Overall compliance for the period was 88.27% (against a set target of 100%), with low pH and high TSS being the main contributing factors. In order to find long-term solutions to compliance problems, a feasibility study was conducted to investigate treatment options available to improve the quality of the discharged effluent. A number of options were evaluated and proposed, with the use of lime to increase pH being the most feasible. The costs are however still significant. A decision has been taken to await the implementation of the two effluent re-use projects before a determination is done with regards to treating the effluent.

Combined effluent (A & C line) for the period July 2021 and June 2022 is 88.27%. Overall compliance over the past five years is as follows:

Figure 15: Compliance to CWDP



Environmental Forums

Mhlathuze Water participates in number of environmental forums such as the Catchment Management Forum (CMF) and the Effluent Pipeline Forum (EPF). The CMF’s main objective is to facilitate stakeholder engagements on water and related matters. The EPF was established in line with the requirements of the Coastal Waters Discharge Permit (effluent disposal permit). The forum serves as a communication tool for customers and interested and affected parties. It is also a platform to transparently deliberate on permit compliance matters with the general public. EPF meetings were held as follows:

Table 42: Environmental Forums

Meetings	Dates
1	21 September 2021
2	14 December 2021
3	15 February 2022
4	24 May 2022

Environmental Incidents

An incident is an unplanned or undesired event that adversely affects the organisation’s operations. Environmental incidents include property damage, water contamination, effluent and chemical spillages, or near miss events that could have resulted in any of these.

Incident management systems with protocols are in place to ensure proper and timeous response to all incidents. Mhlathuze Water continually strives to be environmentally sustainable in all its operations.

A huge decrease in the number of reportable environmental incidents is visible during the current report period, when compared to the previous one. Only one incident was reported of which was related to the effluent pipeline. The incident was attended to and the site was properly rehabilitated. Reporting protocols in Section 30 of the National Environmental Management Act, 1998 were followed. Details of the incidents are as follows:

Figure 16: Reportable Environmental Incidents

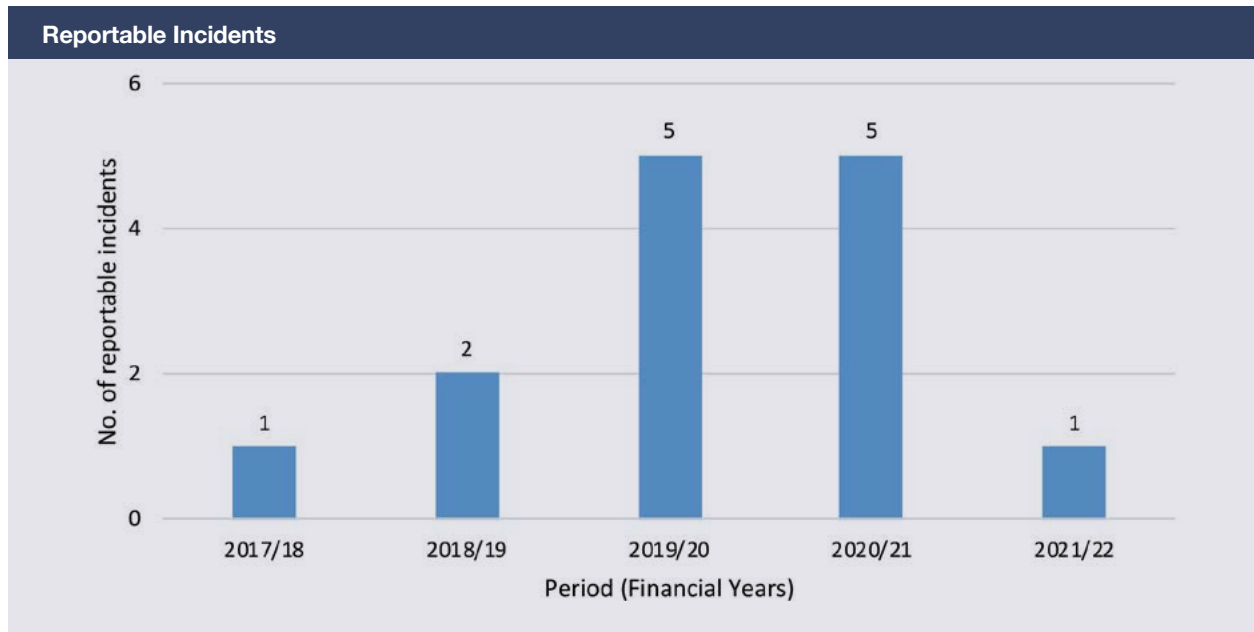


Table 43: Reportable environmental incidents

Date	Incident Details	Root Cause	Risk to the Business	Mitigation / Action Plans
6 July 2021	A leak occurred on the DN500 flange adaptor of the polypropylene pipe which runs from Foskor Pump Station to the Surge Tower No. 1. The leak occurred on the previous weld on the adaptor.	Pipeline leak was as a result of polypropylene previous weld on the flange adaptor.	Potential reputational risk and contamination of the environment.	<p>A super sucker was used to remove effluent from the exposed pipeline trench for disposal at the Collecting Chamber. Lime and river sand were used to neutralise the contaminated soil in the surrounding area.</p> <p>The Pipeline section was exposed and a 2m HDPE pipe was installed using a flange adaptor and a DN 500 cascade clamp.</p> <p>A Section 30 Report was prepared and submitted.</p>



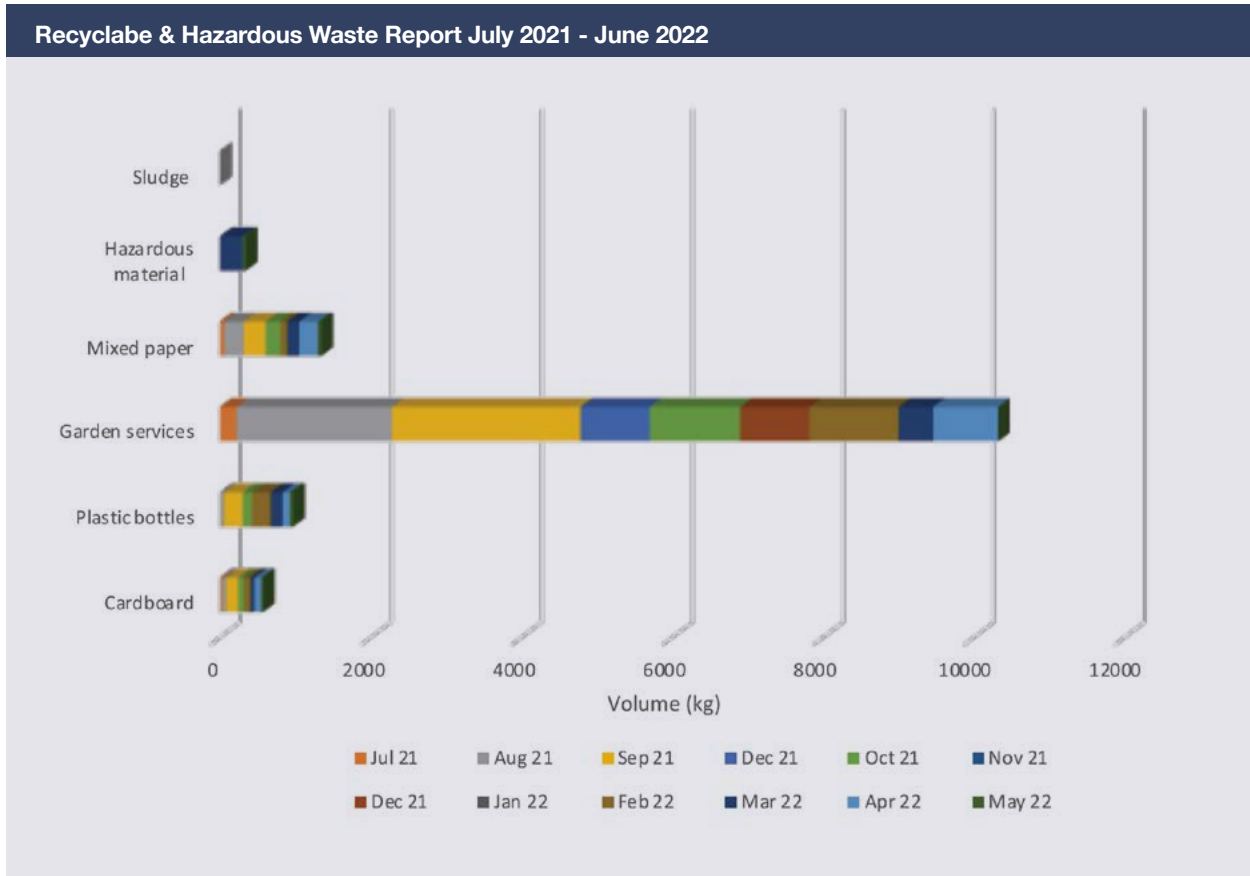
Waste Management

Mhlathuze Water has developed a Waste Management Plan which is aimed at reducing waste in line with waste management principles, viz. recycle, recover, reuse and / or avoid on all sites of operation. The following principles are followed:

- Waste separation at source
- Recycling of paper, metals, used toner cartridges, glass bottles, wooden pallets

The graph below shows the amount of waste recycled during the reporting period.

Figure 17: Recyclable and Hazardous Waste (KG)



Water Conservation

In response to climate change, Mhlathuze Water is currently exploring measures to improve water use efficiency. The following has been undertaken thus far:

- General awareness to all staff through induction, toolbox talks and internal magazine.
- Conducting water audits to assist in establishing new ways to conserve water in the installations.
- Water leaks are timeously repaired.

Awareness campaigns promoting water conservation are continuously done amongst Mhlathuze water's employees. These are also conducted to sensitise the community members of uMhlathuze Local Municipality, through roadshows and school visits.

Environmental Authorisations

Environmental Impact Assessments are conducted for all construction projects to ensure that environmental impacts are managed. Where environmental impacts are identified, Environmental Management Plans are developed to mitigate the risk. Projects involving a change of land use, construction or upgrading of infrastructure and storage/handling of hazardous substances are amongst a number of listed activities that are required to follow the Environmental Impacts Assessment process. The service is outsourced to external service providers but the organisation monitors and audits these to ensure compliance with the Environmental Management Plans during project implementation. Below are environmental applications that were dealt with during the period under review:

Table 44: Environmental Application

DN 1500 Pipeline from Shooting Range to Nsezi WTP	Current status/ progress to date
EIA (Basic Assessment)	The final Basic Assessment Report was issued by DFFE in May 2022.
General Authorisation (WULA)	A General Authorisation application has been submitted to DWS for review and approval. Transnet is being engaged to issue the way leave required to issue the authorisation.

Safety, Health, Environment and Quality Management Systems

ISO 17025:2005: Laboratory System Accreditation

The organisation maintained its ISO 17025 accreditation for the water testing laboratory. An assessment was conducted by the accreditation body (SANAS) in February 2022. A total of seven non-conformances were raised and these were successfully cleared.

The current certificate of accreditation is valid until 30 April 2027.

Safety, Health, Environmental and Quality Management Systems (SHEQ)

In order to ensure compliance with best practices and international standards, the organisation has certified management systems for Safety, Health, Environment and Quality. The system (SHEQ) is certified externally to the requirements of ISO 14001, 9001 and 45001. The certification body (SACAS) conducted an assessment on 24-26 November 2021. A total of 7 non-conformances were raised and these were successfully cleared.

Occupational Injuries

On the 13th of June 2022, a Maintenance intern was unbolting an actuator at Nsezi WTP. The actuator suddenly turned and hit him on his right side of his head. He suffered a zygomaticus minor fracture. He was hospitalized for a few days and eventually made full recovery. The DIFR as at the end of June 2022 was 0.31. This was within the set internal target of 0.45.

Figure 18: DIFR trend up to 30 June 2022



First Aid Cases

One case requiring first aid treatment was recorded:

- In June 2022, an employee (Kitchen Attendant) sustained minor burns on her left hand from boiling water.

Health & Safety Training

The Occupational Health and Safety Act of 1993 requires staff members to be appointed as health and safety representatives to inspect the workplace. The employer is required to provide health and safety training in order for employees to perform their duties. Furthermore, relevant staff members were trained to ensure that they are competent to execute their duties and responsibilities. The compliance trainings conducted are specified in the corporate services section above.

Occupational Health

The organisation has established an internal Clinic to cater for the occupational health needs of employees. The clinic provides amongst others, the following services:

- Medical Examination
- Wellness Assessments
- IOD Management
- Wellness Counselling
- Disability Management
- Primary Health Care Consultation
- Chronic Disease Management.

The clinic operates Monday to Thursday from 07H00 to 16H00 and Friday from 07H00 to 13H00. The facility is staffed by a fulltime Nurse. A contracted Occupational Health Medical Practitioner (OHMP) comes to site weekly or as and when required.

The table below provides a summary of the activities undertaken by the Clinic for the period under review:

Table 45: Occupational Health Clinic Activities

Category	Details	Number of Staff
General Consultation	New chronic conditions identified and treatment prescribed	17
	Conditions referred to specialised multidisciplinary medical team	134
	Cases referred to the OHMP	37
	Consultation visits attended to by the Nurse	875
Periodic Medicals	Annual periodic medicals for employees	30
Pre – employment Medicals	Medicals for employees joining the organisation	51
Exit Medicals	Medicals for employees leaving the organisation	13

Research, Development and Innovation

Resourcing the RDI Unit

The RDI Manager was appointed in October 2021 as part of creating internal capacity and expediting the implementation of the Strategy that had been developed.

Review of the RDI Policy

This policy was initially developed in 2019 to provide a framework for the management, support and development of RDI at Mhlathuze Water. It was reviewed to address the development of employees, promotion of research and innovation culture within MW and to improve the organisation's intellectual capacity.

RDI Strategy

The Strategy identified 10 projects for implementation over the next 5 years. These will be implemented using internal resources and in collaboration with external partners.

4th Industrial Revolution (4IR) Strategy

The Strategy was developed to provide a workable framework for introducing 4IR technologies at Mhlathuze Water. The Strategy identified 10 projects for implementation over the next 5 years.

Presentation at Conferences

RDI Manager presented a paper at the International Conference on Sustainable Development on the 7 - 9 December 2021.

RDI Manager presented a paper at the 7th Collaboration Symposium hosted by the University of Zululand in November 2021.

Effluent Treatment Options Study

Mhlathuze Water conducted a prefeasibility study to look at the various options that are available to treat effluent from both the A- and C-Lines in order to ensure that the final effluent being discharged offshore complies with the set discharge limits of the Coastal Waters Discharge Permit. Amongst a number of recommendations, pH adjustment of the both effluent streams before offshore discharge was the most feasible. This intervention has the biggest impact by increasing the pH of the effluent and reducing fluoride. A final decision is pending the following planned projects as these will potentially affect effluent quality:

- The City of uMhlathuze has approached Mhlathuze Water (MW) for a partnership in their effluent waste re-use project. The successful implementation of this project will allow for a reduction in volumes discharged offshore and also change the composition of the effluent.

- Two companies have an interest in benefiting the effluent (gypsum) from the dense line. The volume of the effluent will therefore potentially change if this project is implemented.

Collaboration and Capacity Building Programmes

Engagements were held with the different stakeholders to find ways of collaborating on projects of mutual interest. These included the University of Zululand, Technology Innovation Agency, Water Research Commission, EWSETA, Durban University of Technology and University of KwaZulu-Natal.

8.4.4 Scientific Services Unit 2021/2022 Predetermined Objectives

Table 46: Scientific Services Unit 2021/2022 Predetermined Objectives

SC/ MW	Strategic Objective	Outputs	Performance Indicator	Annual target	Actual Achievement	Deviation from Planned Target to Actual Achievement	Comment on Deviation
SC 1	SO6: To be pro-active on issues relating to health, safety, security and the environment	Compliance with SANS 241:2015 water quality standard for potable water	Percentage compliance to water quality standard	97%	99.87%	2.87%	N/A
SC 21		Health and safety of employees	Disabling injury frequency rate (DIFR)	0.45	0.31	0.14	N/A
MW 23		Compliance with Coastal Water's Discharge Permit (CWDP)	Percentage of quality compliance with CWDP	100%	88.27%	(11.73%)	pH and TSS exceeded limits for both A and C line. Effluent at PS1 is not treated, but rely on contributor to comply
MW 24	SO7: To improve efficiency through technology and best practice	ISO 9001, 14001, OHSAS 18001 standard certification	Number of compliance certifications maintained	3	3.00	0.00	N/A
MW 25		ISO 50001 standard certification	Number of compliance certifications obtained	1	0.00	(1.00)	Work suspended due to Nsezi Augmentation Project. Therefore will not be able to determine baseline.
MW 26		ISO 17025 laboratory management system standard accreditation maintained	Number of accreditations retained on laboratory management system	1	1.00	0.00	N/A
MW 27		Annual Marine Impact Assessment conducted as per the CWDP	Number of annual marine impact assessments conducted	1	1.00	0.00	N/A
MW 28		Annual Marine Impact Assessment conducted as per the CWDP	Percentage of recommendations implemented in accordance with the marine impact assessment conducted	100%	100.00%	0.00%	N/A
MW 29		Improve Knowledge Hub, evidence and innovation through research and development	Number of research and development initiatives conducted	1	1.00	0.00	N/A
MW 31	Improve Knowledge Hub, evidence and innovation through research and development	Number of research papers finalised	1	1.00	0.00	N/A	
MW 33	SO1: To grow the provision of water services	Engagement in secondary activities (section 30 activities)	Percentage of growth in Laboratory Revenue (Real growth excluding annual price increases)	5%	(9.59%)	(4.59%)	Less contracts secured by Mhlathuze Water than anticipated

8.4.5 Corrective Measures to address areas of underperformance

Table 47: Scientific Services Unit Corrective Measure

Key performance indicators	Core reason for under-achievement	Recovery strategy for 2021/2022
Percentage of quality compliance with CWDP	pH and TSS exceeded limits for both A and C line. Effluent at PS1 is not treated, but rely on contributor to comply	Feasibility study for effluent treatment options prior to marine disposal was conducted
Number of compliance certifications obtained	Work suspended due to Nsezi Augmentation Project. Therefore will not be able to determine baseline.	Target to be implemented during the 2023/2024 financial year.
Percentage of growth in Laboratory Revenue (Real growth excluding annual price increases)	Less contracts secured by Mhlathuze Water than anticipated	Service Level Agreement between Mhlathuze Water and City of Umhlathuze (CoU) was signed in April 2022. This actual will improve once the work has been done and transactions are done.

8.5 Technical services Unit

8.5.1 Mandate of the Technical Services Unit

The key mandate of the Technical Services Unit is to design, optimise, install, and extend the required infrastructure to provide sustainable water and waste water services that meet the requirements of customers.

One of the key areas of focus of the unit is the conceptualising, planning and managing the construction of expansion related infrastructure for water and waste water related services. This involves the determination of requirements for water services through requests by customers, or as decided by regional consultation with Water Services Authorities and Regional Water Service Providers.

8.5.2 Functions within the Technical Services Unit

Planning and Project Management

The Planning section is responsible for the identification and packaging of projects from the feasibility-study stage in-line with the organizations business development model (concept & viability), design and procurement documentation. The professional services are either sourced from external service providers or conducted in-house depending on the nature of the required service.

The Planning section is also tasked with driving business case studies for the exploration and solution option/s analysis of alternative water sources together with waste water re-use projects.

Project Management

The section is responsible for infrastructure project management and delivery of internal and external funded projects. Projects are categorised in terms of the Water Service Act, with internal funded projects referred to as Section 29 and the external funded projects referred to as Section 30. External funded projects are managed through

Implementing Agent Services agreements, which Mhlathuze Water enters into with relevant Stakeholders. Internal projects are implemented in line with the Organization's CAPEX budget allocations per the Financial Year(s) as per the Water and Wastewater Master Plan and CAPEX. The periodic infrastructure conditional assessment together with increase in water related services demands from existing and new customers are key drivers for infrastructure refurbishment and upgrade, which are then implemented as CAPEX projects.

8.5.3 Key Performance Highlights

Bulk Water and Wastewater Infrastructure Master Plan

The Master Plan provides an integrated overview of all actions, initiatives and projects that Mhlathuze Water must undertake in order to effectively meet current and future bulk water and wastewater demands for its customers. The Bulk Water and Wastewater Infrastructure Master Plan also makes provision for reserves in order to accommodate for future demand resulting from growth and development within Richards Bay and surrounding areas. The Bulk Water and Wastewater Infrastructure Master Plan was last reviewed in 2018 and is reviewed every five years or as and when required. Mhlathuze Water successfully developed the terms of reference to review the existing Master Plan in 2020/2021 Financial Year.

The Objectives of the Water and Wastewater Master Plan report is to provide an integrated overview of all actions (short, medium and long term) that Mhlathuze Water needs to take in order to be able to meet current and future bulk water supply and bulk wastewater needs of all its current and potential customers. A Service Provider for the Water and Wastewater Master Plan was appointed in February 2022. First draft was submitted on 28th of June 2022.

Bulk Water and Wastewater Infrastructure Future Plans

1. The Reconciliation Strategy for Richards Bay and surrounding areas which was completed in 2015 and revised in 2021, identified a number of infrastructure development interventions that needs to be investigated in further detail in order to ensure the potential future water requirements in Richards Bay and surrounding towns are met up to 2040. Mhlathuze Water Board approved a budget of 21million for the following pre-feasibility studies:

- a) Abstraction from the Tugela River (Mandini)
MW will conduct a Pre-Feasibility Study of the proposed abstraction works on the Tugela River and associated infrastructure. This is to commission Mhlathuze Water's 47.3million m³/annum Water Use License (WUL) issued in 2005. The intention would be:
 - i. to supply Tronox: Fairbreeze Mine as well as the King Cetshwayo domestic demand from this supply point (i.e. raw water and potable water pipeline); and/or
 - ii. to transfer the abstraction license to Tugela-Goedertrouw Transfer Scheme by increasing water being transferred to the Goedertrouw, to the Mhlathuze River. The intention of this proposal would be to enable Mhlathuze Water to meet future demand and business development initiatives by relieving pressure on the Mhlathuze Weir Supply system; and add second raw water source to the supply of the existing and potential new customers.
- b) Desalination of Seawater
MW will undertake a pre-feasibility study for the Desalination of Seawater
 - i. The purpose of the Desalination Plant is to support the current water resources in use that plays a vital role in supplying water to Richards Bay and the surrounding areas. Seawater will be fed by an intake in the Richards Bay harbour or a marine intake to a site close to the Alkantstraand pump station, where the Desalination Plant will be situated. Potable water will be pumped to the Mzingazi WTW for blending and distribution.
- c) RBIDZ Phase 1F Water Supply and Effluent Disposal for Nyanza Metals
Nyanza Light Metals (herein referred to as Nyanza) has commenced with the construction of the flagship R5 billion titanium dioxide (TiO₂) pigment and chemicals manufacturing facility. The chemicals manufacturing facility is being built in the Richards Bay Industrial Development Zone (RBIDZ) Phase 1F precinct with the first phase of the construction complete. Nyanza requires the following infrastructure from Mhlathuze Water:

- i. an effluent disposal infrastructure to dispose approximately 872m³/hr. (≈ 20.9 MI/d) of brine containing gypsum suspended solids
- ii. clarified water approximately 30MI/day (≈9.2 million m³ per annum).

Primary Infrastructure Development Activities (Section 29)

In 2021/2022 financial year, Mhlathuze Water, as part of its core business, made a budget available for the implementation of key multi-year water infrastructure project upgrades and expansions. In ensuring continuous and reliable supply to customers, Mhlathuze Water then embarked on implementation of following projects:

• Augmentation of Nsezi Water Treatment Works

- Project scope: The augmentation of the Plant shall increase the water treatment capacity from 205ML/day to 260ML/day. This includes the upgrade of the raw water pipeline from the Shooting Range to Nsezi Water Treatment Works through construction of an additional 1 500mm Ø pipeline. The Upgrade of the Water Treatment Works through construction of additional treatment units which are to include:
 - 2 Units of additional Clarifiers
 - 4 Units of additional Dissolved Air Flotation
 - 4 Units of additional of Filters
 - 3 Mega litre Chlorine Contact Tank
 - 2 Mega litre Recovery Tank
 - Sand Trap
 - Upgrade of the Inlet Tower

The Augmentation project scope was apportioned into three different contracts, for pipe material supply, pipeline construction and WTP upgrade works. The pipe material supply works has been completed, with the WTP upgrade works underway. The pipeline construction project could not be implemented in financial year 2021/22 due to environmental objection. New route had to be decided on for the raw water pipeline from shooting range to Nsezi WTP.

- Expenditure as at 30 June 2022: R 123,902,054.00
- Progress as at 30 June 2022: 27.26%
- Contract 1 of the Augmentation of Nsezi Water Treatment Works, has a 57% weighted average towards the overall Augmentation project.
- Contract 2 of the Augmentation of Nsezi Water Treatment Works has a 17% weighted average towards the overall Augmentation project
- Contract 3 of the Augmentation of Nsezi Water Treatment Works has a 26% weighted average towards the overall Augmentation project.

Table 48: Construction – Augmentation of Nsezi Water Treatment Works

Contract	Project Description	Progress %
1	Construction – Augmentation of Nsezi Water Treatment Works	18
2	Supply; Deliver, Protect Raw Water Pipes, Shooting Range to the Nsezi Water Treatment Works	100
3	Construction - Augmentation of Nsezi Raw Water Supply; Shooting Range to Nsezi WTP	Nil
Augmentation of Nsezi Water Treatment Works Total Progress %		27.26

- Overall project implementation progress of Augmentation of Nsezi Water Treatment Works is provided on the above and below tables

Table 49: Contract 1 Progress Breakdown as at 30 June 2022

Construction Works Milestones	Progress %
Interconnecting Pipework and Chambers	52
Loading Bay	42
Backwash Recovery	38
3ml Chlorine Contact Tank	3
Clari-Flocculator	3
Head Of Works	1
Dissolved Air Flotation (DAF)	1
Filters	2
Electrical Works and Instrumentation	18
Mechanical Works	7

- Contract 1 overall construction works progress was at 18% as at 30 June 2022
 - Planned completion date:** 10 January 2024
 - Impact:** The increased capacity will accommodate current and future water demands and reliable supply to Mhlathuze Water customers. The project shall further enhance operational efficiency of the Plant; through refined treatment processes and improve final water quality.
 - Challenges:** Contract 3 implementation was delayed due to the pipeline route encroaching on the off-set land of the City of uMhlathuze. Environmental Authorisation for the new route has been granted, with wayleave applications and engagements underway with relevant authorities (Eskom and Transnet).
- Other Capital Projects implemented by MW Technical Services**

There were six (6) Capital projects which were due for completion in the 2021/2022 Financial Year. Out of the six (6), only three were completed successfully, namely;

 - Nsezi WTP High Security Anti Climb Fence
 - Construction Of Weir Change Rooms And Kitchen Facility
 - Supply, Delivery, protect and construct pipe yard for raw water pipeline from Shooting Range to Nsezi WTP

Three other projects were delayed due to under-performance and cash-flows issues by the appointed contractors, with one affected by theft which caused delays, namely;

- AC Interference Mitigation System
- Polymer Tank Bundle Wall at Nsezi WTW
- Nsezi WTW Control Room and Plant Laboratory Refurbishment

Secondary Infrastructure Development Activities (Section 30)

Construction of a 15m³/Day Package Water Treatment Plant & Pump station for the Augmentation of the Forest Reservoirs Supply

- Project scope:** Design, supply and construction of a new 15Ml/day water treatment package plant in 3 x 5Ml modules working in parallel to augment the supply of water to Esikhaleni community. Upgrading of the pumps at the Esikhaleni WTW.
 - 2021/2022 Contract amount:** N/A
 - Expenditure as at 30 June 2022:** R15 163 268.94
 - Progress as at 30 June 2022:** Contractor was appointed in October 2021, establishment commenced in January 2022, package plant designs and procurement commenced
 - Planned completion date:** June 2023
 - Impact:** To augment the supply of water to the

Forest Reservoirs by 15Ml/day to meet the demand of Esikhaleni community, alleviate water shortfall challenges at Esikhaleni

- **Challenges:** The project experienced contractual delays at the initial stages of the project, as a result the project completion date has been delayed

Secondary Infrastructure Development Activities (Section 41)

Ministerial Directives

Ministerial Directives are issued by the Minister in terms of the National Water Service Act, 1998 (ACT No. 36 of 1998) and Section 41 (1) (ii) 1997, (ACT No. 108 of 1997) respectively as and when required. These are multi-year projects that can only be implemented once DWS has confirmed the budget allocation for the financial year. The table below summarises the projects which are implemented by MW as part of Ministerial Directives in the 2021/22 financial year.

COMPLETE THE UPGRADE OF THE – THUKELA-GOEDERTROUW TRANSFER SCHEME (issued in to MW on the 09th July 2021)

- **Project scope:** Complete the upgrade of the Thukela-Goedertrouw transfer scheme to supply raw water from the uThukela River to the Mvuzane Stream, a tributary of the Mhlathuze River at the upstream of the Goedertrouw Dam.
 - **2021/2022 contract amount:** R386 100 000.00
 - **Expenditure as at 30 June 2022:** R0
 - **Progress as at 30 June 2022:** Contractor was appointed in May 2022 and work permit application had commenced
 - **Planned completion date:** August 2023
 - **Impact:** To augment the supply to the Goedertrouw Dam from the uThukela River.

Refurbishment of the existing mechanical & electrical infrastructure at the existing Madungela and Mkhazazi pump stations to improve pumping efficiency. Community Hall and training center facilities to accommodate 300 people, pedestrian bridges and cattle troughs construction will uplift community activities.

- **Challenges:** None

DIRECTIVE TO MHLATHUZE WATER TO UNDERTAKE MANAGEMENT, OPERATIONS AND MAINTENANCE OF WATER AND WASTEWATER INFRASTRUCTURE AT UMKHANYAKUDE DISTRICT MUNICIPALITY (issued in to MW on the 03rd February 2022)

- **Project scope:** to undertake management, operations and maintenance of water and Wastewater infrastructure at UMkhanyakude District Municipality (UKDM). The Directive is dated 03 February 2022.
- **Expenditure as at 30 June 2022:** R0
- **Progress as at 30 June 2022:** In February 2022, the Board approved bridge funding to the maximum of R2 500 000 for the appointment of a Programme Director and ancillary support functions. Mhlathuze Water commenced with the development of a Master Business Plan for the Jozini and Shemula water supply areas and provided cash flow projections to the Department of Water and Sanitation. Further, concerted efforts were made to build political and administrative stakeholder relations and trust by convening multiple engagement platforms where the directive and its benefits/ value was debated and agreed upon.
- **Future Plans:** Prepare and submit Water Services Infrastructure Grant Business Plans for project implementation to the Department. Coordinate and direct capacity building initiatives by various government agencies and department to drive project implementation. Continued support and assistance to the UKDM to restore operations and maintenance activities.



8.5.4 Technical Services Unit 2021/2022 Predetermined Objectives

Table 50: Technical Services Unit 2021/2022 Predetermined Objectives

SC/ MW	Strategic Objective	Outputs	Performance Indicator	Annual target	Actual Achievement	Deviation from Planned Target to Actual Achievement	Comment on Deviation
SC 8	SO1: To grow the provision of water services	Capital expenditure programme	Percentage of CAPEX spend against budget	90%	60.03%	(29.97%)	Plant Augmentation Budget Allocation 2021/2022 weighted 90% of the overall CAPEX Budget. Delays in the commencement of the implementation of Contract 1 and 3 resulted in under expenditure. The Contractor only commenced with works on site in November 2021 for Contract 1. Environmental Authorisation application had to be made anew, with new pipe route for Contract 3. The remainder of the project budget allocation carried less weight when compared to Plant Augmentation allocation.
		Capital Expenditure Programme in line with infrastructure master plan	Percentage of capital projects completed within targeted dates	100%	74.21%	(25.79%)	There were seven (including Contract 2: Nsezi Plant Augmentation) Capital projects which were due for completion in the current Financial Year. Out of the seven, only four were completed. Two projects were delayed due to under-performance and cash-flows issues, with one affected by theft which caused delays.
SC 11		Implementation of Ministerial directives	Percentage of Ministerial directives implemented against allocated budget	Nil	2.00	2.00	Additional Ministerial directives received.
SC 16		Temporary jobs created	Number of temporary jobs created through MW programme	40	172.00	132.00	Additional indirect jobs created.
MW 34		MW Infrastructure Master plan entailing emerging infrastructure requirements	Number of approved MW bulk infrastructure master plans developed	1	0.00	(1.00)	Draft Master Plan was reviewed and comments were submitted to the PSP, followed by a meeting with the PSP.
MW 35	SO1: To grow the provision of water services	Bulk resource master plan entailing emerging infrastructure requirements	Number of approved MW bulk resource master plans developed	1	0.00	(1.00)	Delays in the appointment of the Professional Service Provider; and then decided to conduct the assessment study internally. Progress report will be submitted quarterly until the study is completed.

8.5.5 Corrective Measures to address areas of underperformance

Table 51: Technical Services Unit Corrective Measures

Key performance indicators	Core reason for under-achievement	Recovery strategy for 2021/2022
Percentage of CAPEX spend against budget	Plant Augmentation Budget Allocation 2021/2022 weighted 90% of the overall CAPEX Budget. Delays in the commencement of the implementation of Contract 1 and 3 resulted in under expenditure. The Contractor only commenced with works on site in November 2021 for Contract 1. Environmental Authorisation application had to be made anew, with new pipe route for Contract 3. The remainder of the project budget allocation carried less weight when compared to Plant Augmentation allocation.	Revise program and cash flow for Contract 1 has been received which shall ensure expenditure is met as per the allocation of Budget for FY 2022/23. Contract 3, appointment shall be made in the second quarter of FY 2022/23 to expense the remainder allocation for Nsezi Plant Augmentation.
Percentage of capital projects completed within targeted dates	There were seven (including Contract 2: Nsezi Plant Augmentation) Capital projects which were due for completion in the current Financial Year. Out of the seven, only four were completed. Two projects were delayed due to under-performance and cash-flows issues, with one affected by theft which caused delays.	Contractors that have not completed their project scope of works have been put on terms, failure shall result in the utilisation of retention to complete the works through another service provider. Funds shall be sourced to appointment where the need arises.
Number of approved MW bulk infrastructure master plans developed	Draft Master plan was reviewed and comments were submitted to the PSP, followed by a meeting with the PSP to clarify the comments as well as paving way forward.	The Master Plan will be finalized by end of February 2023.
Number of approved MW bulk resource master plans developed	Delays in the appointment of the Professional Service Provider. It was then decided to conduct the assessment study internally.	Progress report will be submitted quarterly. The catchment study will be finalized by 30 June 2023.



8.6 Finance Unit

8.6.1 Mandate of Finance Unit

The Finance Unit provides efficient and effective financial resources; financial planning and budgeting; financial structures; asset management; financial services; procurement & contract management; and financial risk management in line with the requirements of the Public Finance Management Act of South Africa. The Units core business is ensuring financial viability and sustainability of the organisation, thereby contributing to delivery on the organisation's mandate.

8.6.2 Functions within the Finance Unit

Financial Management

The function is responsible for maintaining accurate financial records that comply with relevant accounting standards (i.e. GRAP, Treasury Regulations). It is also responsible for the presentation of complete, valid and accurate financial data to allow better decision making for management. The function ensures accurate billing and collection of debts, timeous payment of creditors and efficient employee related remuneration. Financial management also monitors investments, treasury and cash management of the entity to ensure healthy liquidity, solvency and financial viability.

Projects and Management Accounting

The function is responsible for providing accurate budget and financial forecasts, determining relevant cost-effective tariffs, providing management and financial information, monitoring and reporting on variances, analysing financial feasibility and meeting financial obligations to generate accurate and relevant information and mobilising resources to achieve accurately informed and supported decision makers and a financially resourced organisation in order to contribute to the sustainable delivery of the mandate.

Asset Management

This function monitors and maintains tangible (property, plant and equipment) and intangible assets (software) for the organisation. It is also responsible for a systematic process of acquisition, maintenance, and disposal of assets in a cost-effective manner. It maintains the Asset

Register in compliance with GRAP 17 and all relevant organisational policies. It also reviews the use of assets to ensure a greater return on investment and ensures that assets are adequately insured.

Supply Chain Management & Contract Management

The Supply Chain Management unit is responsible for procurement activities, BEE spending, CPG monitoring, contract management, monitoring of non-conformances, deviations, irregular expenditure, bid committees, as well as inventory management. It is responsible for all other supply chain operational activities, including ensuring that the procurement of goods, services, and construction work is done in a fair, competitive, cost-effective, transparent and an equitable manner, as required in terms of the PFMA and applicable Treasury regulations.

The Enterprise and Supplier Development function is responsible for driving business transformation, as part of supporting establishments and participation of black players in the economy in line with BBBEE Act, in order to stimulate economic growth and creation of jobs in communities. It is also responsible for the implementation and monitoring of the five pillars of enterprise and supplier development strategy as approved by the board. The five pillars are as follows:

- Strengthening institutional arrangement – partnering with companies that are operating within SMME space;
- Incubation support system;
- Investigating establishment of ESD Development Fund;
- Structured joint venture; and
- Targeted payment system.

8.6.3. Key Performance Highlights

The overall financial performance indicates a healthy financial year for the period up to 30th June 2022. Although the entity achieved less revenue compared to prior years, with the cost controls implemented, Mhlathuze Water (MW) managed to decrease its expenses and maintain financial viability.



8.6.4 Accounting framework, legal and legislative requirements

Consistent with prior years, the Annual Financial Statements for the financial year ended 30th June 2022 were prepared and presented in accordance with Generally Recognised Accounting Practice, the Public Finance Management Act, Act No. 1 of 1999 as amended, and reflect the reporting requirements of the Water Services Act, Act No. 108 of 1997.

MW's financial transactions and reporting are guided by the following:

- The Water Services Act, Act No. 108 of 1997;
- The Public Finance Management Act, Act No. 1 of 1999, as amended;
- The Preferential Procurement Policy Framework Act;
- The Supply Chain Management Framework; and
- Other related prescripts such as National Treasury Regulations.

8.6.5 Financial analysis overview

Mhlathuze Water's overall financial performance indicates a growing and a healthy financial year ended 30 June 2022.

A steady revenue generated and reduction in operational expenditure incurred in comparison to prior year assured that the overall surplus realised reflects an increase overall. The cost controls implemented by Mhlathuze Water managed to decrease expenses to maintain financial viability and contribution to a healthy balance sheet that a growing capital asset base and reduction in long term financial obligations.

8.6.6 Accounting framework, legal and legislative requirements

The Annual Financial Statements for the financial year ended 30 June 2022 were prepared and presented in accordance with Generally Recognised Accounting Practice, the Public Finance Management Act, Act No. 1 of 1999 as amended, and reflect the reporting requirements of the Water Services Act, Act No. 108 of 1997.

8.6.7 Operating performance

The following table depicts MW's financial performance in comparison to past five years and against the approved budget as per five year Business Plan:

Table 52: Summary Financial Highlights

Key Financial Ratios	Previous Financial Years					Target	Actual 2022
	2016/17	2017/18	2018/19	2019/20	2020/21	2020/21	2020/21
Gross profit percentage	54.580%	52.40%	56.50%	64.31%	60.95%	60.00%	65.00%
Debtors collection days	60.00	43.36	44.77	38.29	40.89	45.00	41.55
Net profit margin: Primary activities	20.37%	22.33%	20.00%	23.95%	18.45%	12.00%	24.92%
Current ratio	2.35	2.78	2.50	3.12	3.04	2.00	2.39
Acid Test Ratio	2.24	2.66	2.29	2.93	2.89	1.50	2.32
Debt equity ratio	0.26	0.16	0.12	0.09	0.07	0.19	0.05
Return on assets	3.76	6.42	7.79	10.40	8.36	5.00	10.42%
Asset turnover ratio	0.47	0.39	0.48	0.42	0.53	0.42	0.49
Interest turnover ratio	5.32	15.62	20.01	16.56	15.69	8.40	25.23
EBIT margin	20.61%	23.08%	24.28%	27.47%	25.14%	8.64%	30.39%

The above financial ratios reflect an increased performance in comparison to the prior years, but also an increase in achievements of the key performance indicators when compared to the performance to budget targets as per approved Business Plan.



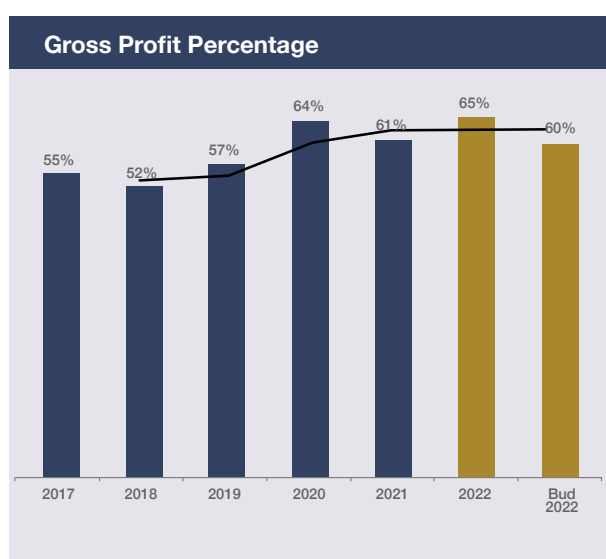
Table 53: Five Year Statement of Financial Performance

	2018	2019	2020	2021	2022	%
	kl'000	kl'000	kl'000	kl'000	kl'000	Change
Volumes	123,578	123,578	115,214	125,777	111,548	(11%)
	R'000	R'000	R'000	R'000	R'000	R'000
Sale of goods and services	538,996	712,643	664,048	643,514	643,089	(0%)
Cost of Sales	232,441	309,410	240,762	250,898	227,747	(9%)
Raw water purchases	44,378	63,069	58,538	76,514	56,631	(26%)
Electricity and water	81,239	129,147	70,951	79,449	76,393	(4%)
Chemicals	17,551	18,969	21,296	18,365	20,119	10%
Employee related costs	50,804	51,935	40,561	22,816	23,563	3%
Depreciation and amortisation	38,469	46,290	49,416	53,754	51,041	(5%)
Gross Profit	306,555	403,233	423,285	392,616	415,342	6%
Other income	17,400	19,969	18,009	18,761	27,335	46%
Expenditure						
Employee related costs	93,107	95,588	106,740	111,610	142,685	28%
Remuneration of board members	620	3,274	4,700	4,342	5,733	32%
Depreciation and amortisation	7,851	9,490	5,984	6,301	6,955	10%
Impairment of assets	-	295	3,267	4,260	17,864	319%
Finance costs	6,021	9,770	7,670	6,465	5,447	(16%)
Lease rentals on operating lease	2,805	2,797	4,201	3,504	2,300	(34%)
Bad debts written off	-	20	1	104	101	(3%)
Repairs and maintenance	48,088	81,055	74,008	50,672	29,272	(42%)
Electricity and water	1,914	2,076	2,181	3,854	2,512	(35%)
Chemicals	796	829	847	92	171	86%
Other expenses	74,745	110,004	92,715	101,337	66,627	(34%)
Total expenditure	235,947	315,198	302,314	292,541	279,667	(4%)
Operating surplus	88,008	108,005	138,981	118,836	163,010	37%
Gain (loss) on disposal of assets	(6,058)	(4,014)	(2,547)	(3,871)	(6,030)	56%
Surplus for the year	81,950	103,991	136,434	114,965	156,980	37%

Table 2 above depicts an increase in the operating surplus compare to the past financial years, a 37% sharp increase against 2020/21 financial year indicates a healthy growth in financial performance.

8.6.8 Key performance indicators

Figure 19: Gross Profit Percentage



The Gross Profit Percentage has generally been maintained above 52% since FY2016/17, indicating MW's ability to maintain the cost of production.

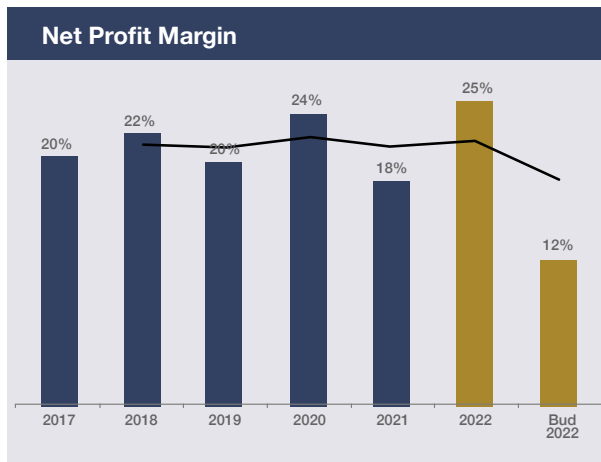
The financial year's Gross Profit Percentage is 65%, resulting to a positive variance of 5% against budget of 60% due to less cost of production realised mainly due to the following:

- Depreciation and Amortisation incurred were less than budgeted due to delays in the capitalisation of infrastructure projects, thus less depreciation charged during the period. The projects that were commissioned later than targeted are the Weir Project and the Pipeline to the Shooting Range Project;
- Chemicals this is due to fewer volumes sold than budgeted for. There is also a decrease in usage of chemicals due to better turbidity of raw water during this period.

- Employee Related Costs reflects an under-spending due to vacant positions on employees directly involved in production; and
- Electricity and Water reflected lower spend as which is mainly due to not pumping at 100% at TG scheme. This is due to less volumes pumped at Weir.

Overall, in comparison to previous financial years, the Gross Profit Percentage is a median, which consistently demonstrated profitability and financial health of MW.

Figure 20: Net Profit Margin



The Net Profit Margin has been increasing over the five year period. The current year ratio is 25% against the projected 12%. This is due to material cost savings and under-expenditure in various line items, as follows:

- Repairs and Maintenance reflects an under-spending due to maintenance work not executed in accordance to the maintenance plan
- Other Expenses reflects a positive variance of R64.7 million, due to expenditure incurred on different categories being less than what was budgeted for, some of the main contributors of the variance such as legal expenses, insurance and consultancy fees.

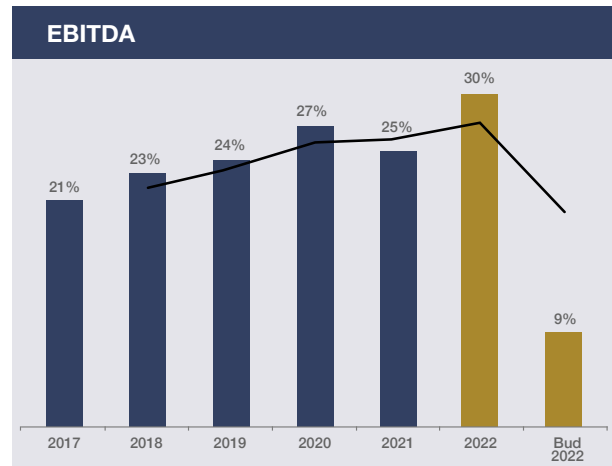
Figure 21: Interest Turnover Ratio



The current year Interest Turnover Ratio is 25.23 times compared to a target of 8.40 times due to the decline in Long-term Loans as no new loans were obtained and current loans have reduced over the years. MW's ratio is well-within the current loan covenant requirements.

Earnings before Interest, Taxation, Depreciation and Amortisation (EBITDA)

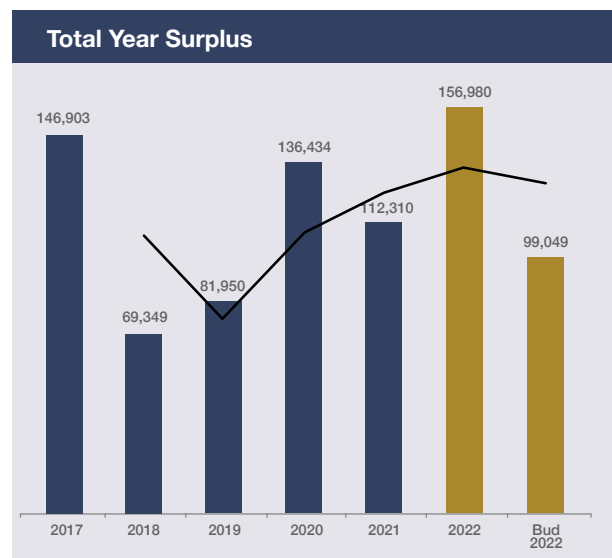
Figure 22: EBITDA



The past five financial year trend indicates good financial health for MW; margin has always been above 20% with the current year's margin being 30% reflecting a financially viable entity.

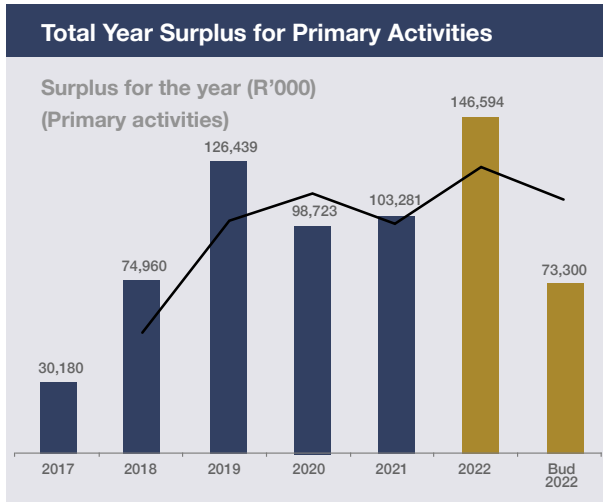
8.6.9 Profitability analysis

Figure 23: Total Year Surplus



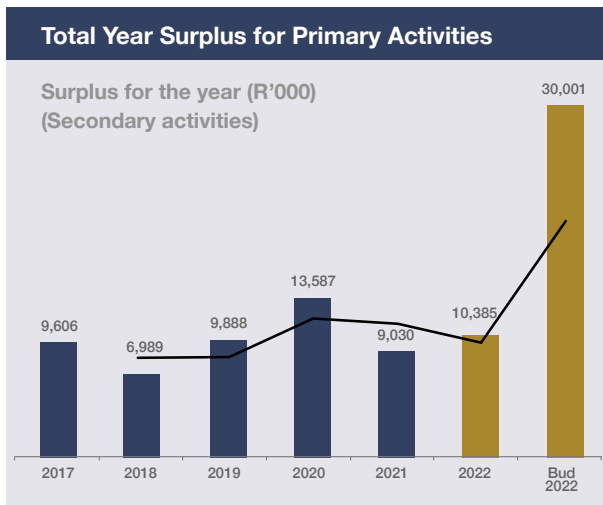
The current year surplus is R156.9 million against a budgeted surplus of R99.0 million resulting to a positive variance of R57.9 million. This indicates good financial health and an increasing performance growth over the years through a drive to better manage operational costs.

Figure 24: Total Year Surplus for Primary Activities



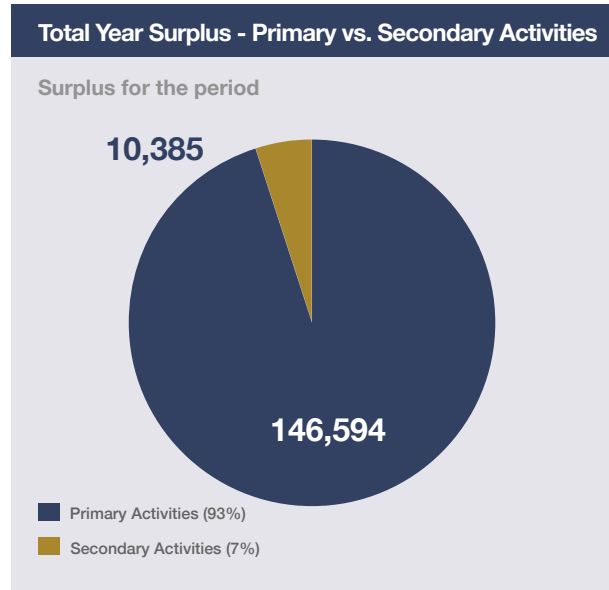
The Primary Activities Surplus for the current financial year is R146.6 million against a budgeted surplus of R73.3 million, resulting in a positive variance of R73.3 million, this is due to material cost savings and under-spending on some expenditure items such as chemicals, electricity and water, and repairs and maintenance.

Figure 25: Total Year Surplus for Secondary Activities



The Secondary Activities Surplus is R10.4 million against a budgeted surplus of R30.0 million for the current financial year, resulting to a negative variance of R19.6 million. The negative variance is due to less revenue generated from O&M during the financial year 2021/22 due a reduction in external projects executed.

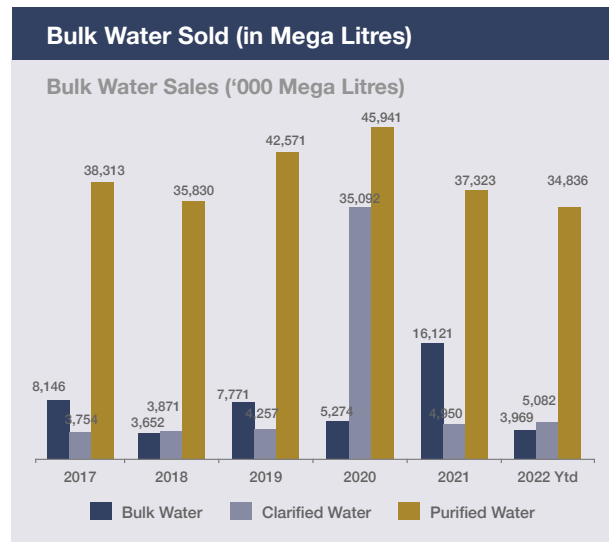
Figure 26: Total Year Surplus - Primary vs. Secondary Activities



MW achieved a 93/7 percentage split between Primary and Secondary Activities Surplus in the current period against a budgeted split of 90/10 which is in accordance with the business plan. The reason why the majority of MWs surplus is from Primary Activities is due to a decline in the number of O&M contracts that MW has, and the significant decline in implementing agency contracts.

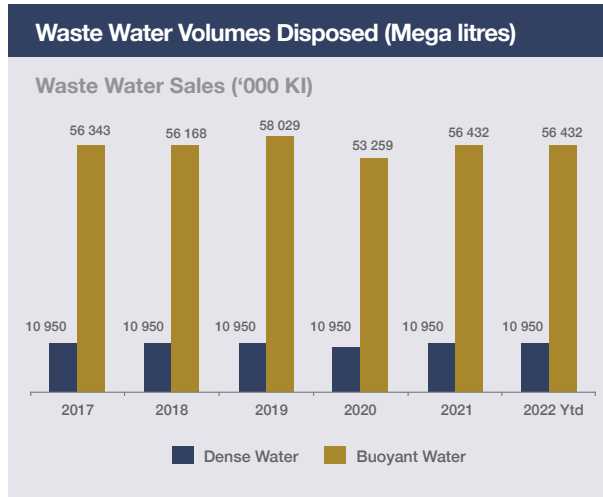
8.6.10 Volume analysis

Figure 27: Bulk Water Sold (in Mega litres)



Bulk water sales reduced during the financial year due to customers utilising less potable and clarified water than contracted for. One of key customers went through a longer shut during the financial year resulting to less water abstracted. The total sales for the previous year were 58'394 mega litres.

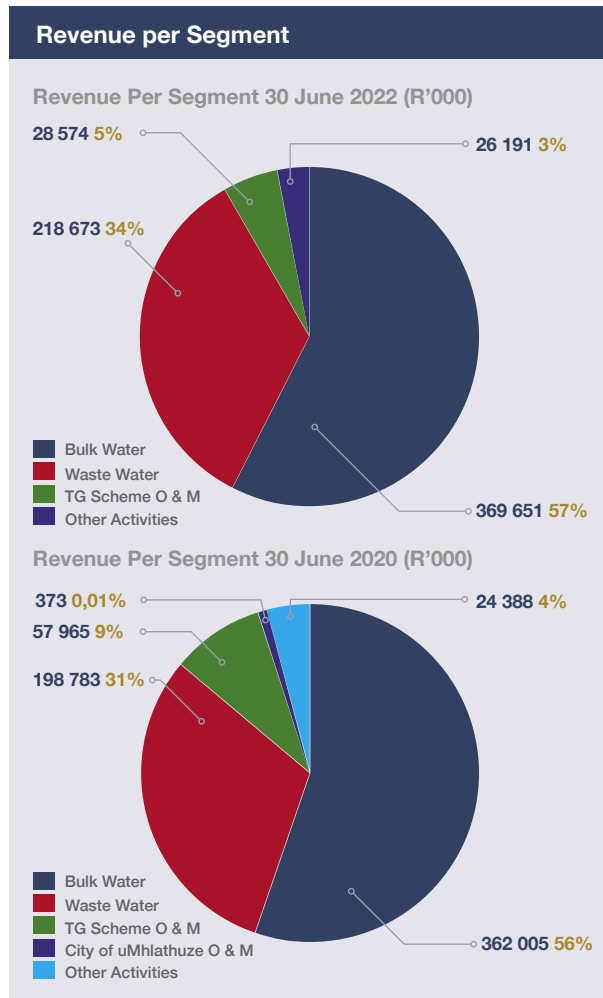
Figure 28: Waste Water Volumes Disposed (Mega litres)



The total Waste Water Sales at year-end were 67'382 mega litres. Mhlathuze Water maintained the same number of waste water customers during the financial year and there were no changes in contracted amounts.

8.6.11 Revenue management

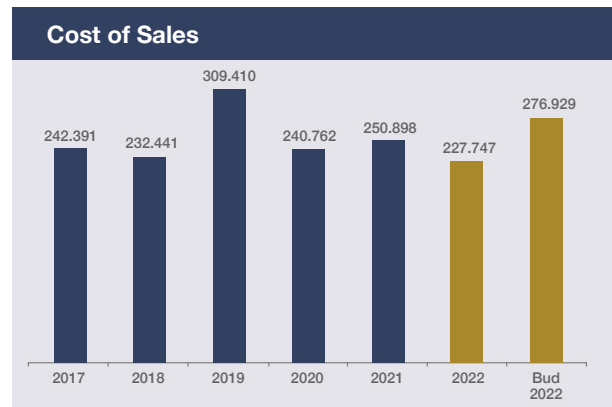
Figure 29: Pie Chart 1: Revenue Per Segment



Revenue recognised during the financial year remained stagnant in comparison to the prior year due to less volumes sold than budgeted for. Bulk water sales increased by a percent while waste water sales increased by three percent. The net reduction on secondary activities is as a result of TG scheme. TG scheme revenue decreased due to the Operations & Maintenance charges recovered from TG Scheme, this is driven by costs incurred in the project for the period ended 30 June 2022 being less than budgeted for.

8.6.12 Expenditure management

Figure 30: Cost of Sales

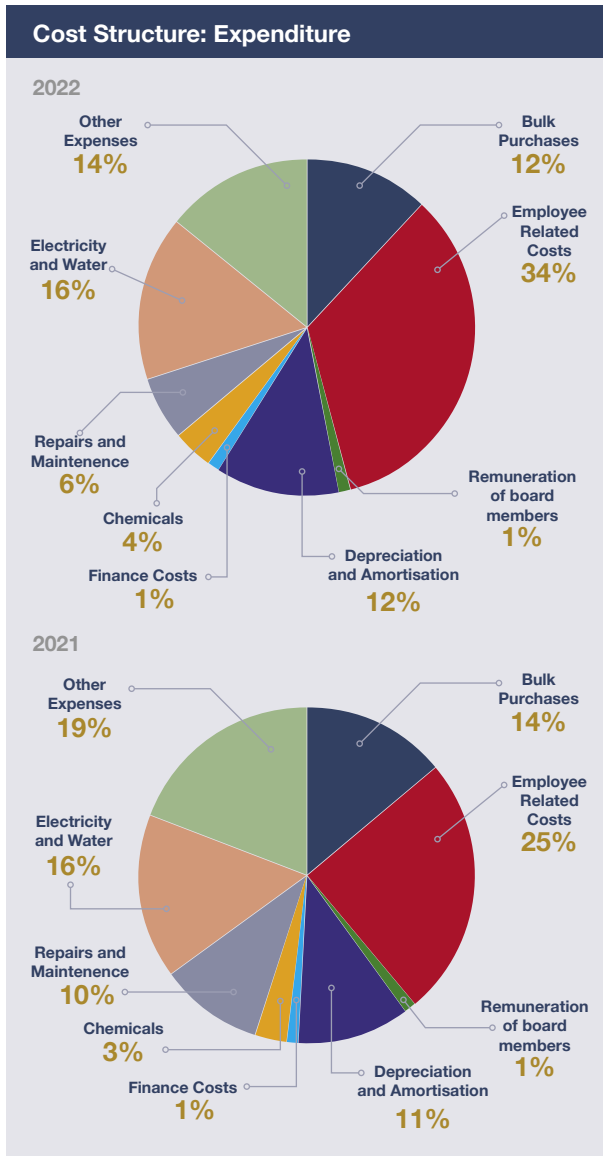


The decrease in the Cost of Sales is due to the following: Chemicals and raw water purchases

- The reduction in comparison to prior year is due to less volumes sold than budgeted for, as well as a decrease in usage of chemicals due to better turbidity of raw water and lower consumption by purified and clarified water customers.



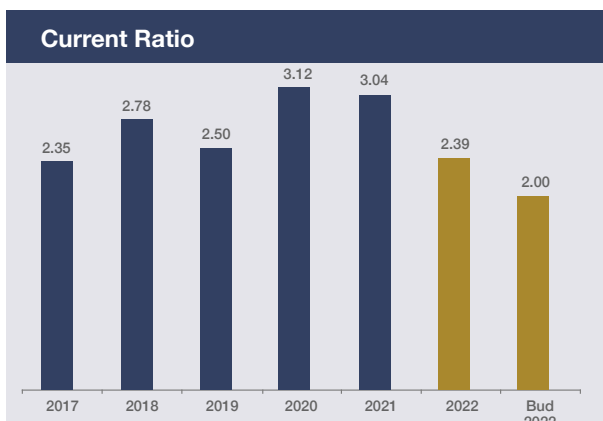
Figure 31: Pie chart 2: Cost Structure: Expenditure 2022



The chart above depicts expenditure per categories. In totality, expenditure incurred reduced in comparison to previous financial year.

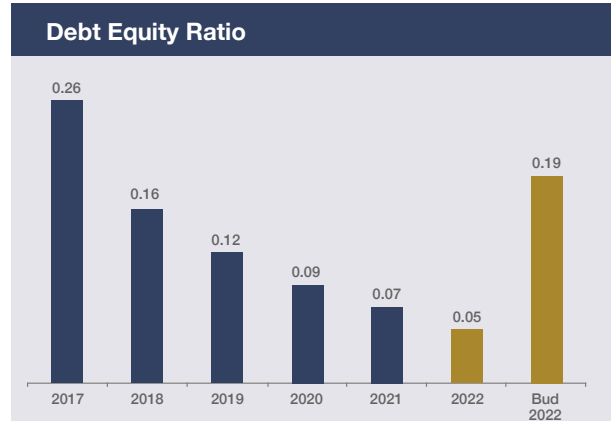
8.6.13 Asset and liability management

Figure 32: Current Ratio



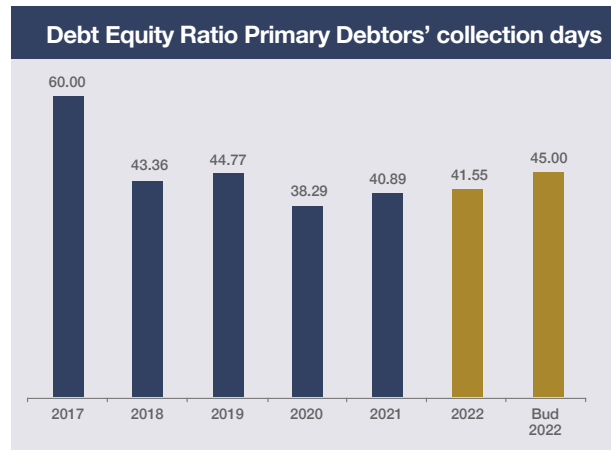
Mhlathuze Water remained financial viable during the financial year, the current financial year ratio is 2.39, compared to a target of 2.00, resulting in a variance of 0.39. Mhlathuze Water is able to honour all its current liabilities from its current assets, due to an increase in cash and cash equivalents and accounts receivables.

Figure 33: Debt Equity Ratio



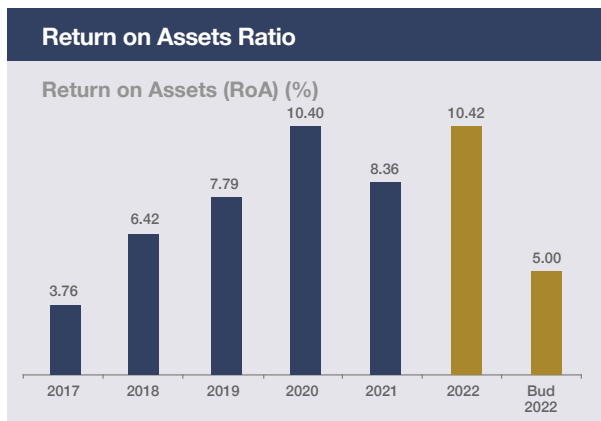
The debt-to-equity ratio achieved is 0.05 the financial year compared to the target of 0.19. This is due to interest-bearing borrowings that have decreased due to the repayment of loans and no new funding being sought.

Figure 34: Primary Debtors' collection days



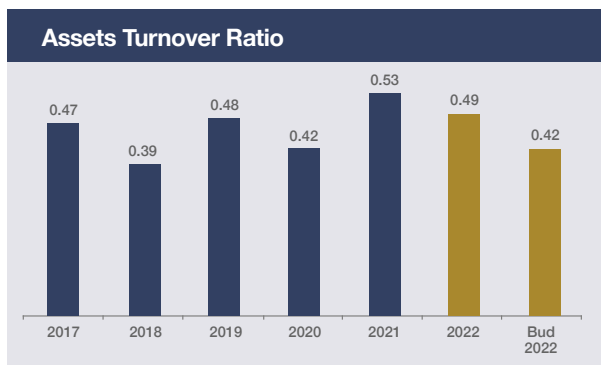
The current year Debtors' Collection Days is 41.55 days against targeted days of 45. The target was achieved. The Primary Debtors' Collection Days have been maintained around 45 days over the five year period except for 2016/17, this is due to an employment of enhanced credit controls and debt collection processes.

Figure 35: Return on Assets Ratio



The current year Return on Assets is 10.42% with the target of 5%, due to overall savings on expenditure which contributed positively on the net income for the financial year.

Figure 36: Asset Turnover Ratio



The achieved ratio is 0.49, the Asset Turnover Ratio above reflects MW's ability to utilise its income-generating assets to generate revenue.

8.6.14 Treasury management

Funding requirements

No new funding was sought in the current financial year due to a delay in the implementation of the capital programme.

Mhlathuze Water utilised internally generated funds to implement current year capital projects.

The cash and cash equivalents balance increased by 35.02% from the prior year, closing at R714,5 million. The increase is due to the savings on operating expenditure and delays in project implementation.

Borrowing limit

The Borrowing Limit for FY2021/22 to FY2023/2024 were approved by the Minister of Finance in concurrence with the Minister of Human Settlement, Water and Sanitation, and thereafter published in the Government Gazette no. 46288 on 29 April 2022 as follows:

Table 54: Borrowing Limits

Financial Year	Approved Limit
	R'000
2021/22	136,610
2022/23	216,265
2023/24	265,920

The outstanding interest-bearing debt of R36.5 million (2021: R47.0 million) remained below the authorised limit of R136 million for the period ending 30 June 2022.

The Gearing Limit of 2.28% (2021: 3.36%) remained below the threshold of 50% as prescribed in the Borrowing Limit Approval. The Cash Interest Cover Ratio of 79,99 times (2021: 31.30) does not only meet the threshold of 3 times as prescribed in the Borrowing Limit Approval but also in compliance with the current Long Term Borrowings contract's Financial Covenants of 1.5 times.

The Debt Service Cover Ratio of 34,86 times (2021: 11.1) met the requirement of at least 1 times as prescribed in the Borrowing Limits Approval.

8.6.15 Capital expenditure management

Five infrastructure projects were completed and capitalised during the financial year, which are:

- Nsezi Security Fence
- Weir Change room & Kitchen Facility
- Design and Construction of Car Wash
- Supply, installation and commissioning of electric actuators for A and C line.
- Supply, installation and commissioning of Variable Speed Drives at Alkanstrand Pump Station

Phase one of the Nsezi Plant Augmentation project commenced in FY2020/21 and is expected to be completed in FY2022/23. The second phase of the project will commence in FY2023/24 and be completed in FY2024/25. This project will be mostly funded by new long term borrowings.

Upon completion thereof, a massive decrease in capital expenditure is expected from FY2025/26.

8.6.16 Reflections

The analysis above highlights successes, low lights and areas of improvements for the current year results of the 2022 financial year end. Plans to grow both Primary and Secondary Activities are underway in line with the MW Strategic Objectives, to ensure future sustainability of the business. The main focus being better management of working capital and maintenance of profitability, whilst achieving organisational performance targets, improving our customer base and relationship with suppliers.

8.6.17 BBBEE Compliance Performance Information

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

Table 55: BBBEE Compliance Performance Information

Has the Department / Public Entity applied any relevant Code of Good Practice (B-BBEE Certificate Levels 1 – 8) with regards to the following:		
Criteria	Response Yes / No	Discussion (include a discussion on your response and indicate what measures have been taken to comply)
Determining qualification criteria for the issuing of licences, concessions or other authorisations in respect of economic activity in terms of any law?	No	No issuing of licences, concessions or other authorisations in respect of economic activity in terms of any law.
Developing and implementing a preferential procurement policy?	Yes	MW has developed the SCM Policy and Acquisition Management Procedure which is in line with the Preferential Procurement Regulation 2017.
Determining qualification criteria for the sale of state-owned enterprises?	No	No sale of state-owned enterprise has been done by MW
Developing criteria for entering into partnerships with the private sector?	No	MW has not entered in partnerships with the private sector
Determining criteria for the awarding of incentives, grants and investment schemes in support of Broad Based Black Economic Empowerment?	Yes	MW has given donation in a form of a bus to a Skills Centre for the disabled which is a Non-Profit Organization.

8.6.18 Finance Unit 2021/2022 Predetermined Objectives

Table 56: Finance Unit 2021/2022 Predetermined Objectives

SC/ MW	Strategic Objective	Outputs	Performance Indicator	Annual target	Actual Achievement	Deviation from Planned Target to Actual Achievement	Comment on Deviation
SC 5	SO2: To ensure long-term financial sustainability	Effective and efficient mechanisms to ensure financial sustainability and viability	Current ratio	2	2.39	0.39	The deviation is due to long term loans were not sought due to delays in the implementation of projects
			Percentage of primary gross profit margin	60%	65.00%	5.00%	The deviation is due to material cost savings in different cost drivers such as depreciation, employee costs, chemicals, electricity and water purchases
			Percentage of primary net profit margin	12%	24.92%	12.92%	The deviation is due to material cost savings in different cost drivers such as depreciation, employee costs, chemicals electricity and water, raw water purchases, other expenses and repairs and maintenance.
			Debt equity ratio	0.19	0.05	0.14	Interest bearing borrowing have decreased due to the repayment of loans & no new loans being taken.
			Percentage of return on assets	5%	10.42%	5.42%	Overall savings on expenditure which contributed positively on the net income for the period
			Number of days to collect primary activities debts	Primary activities debts collected within 45 days	41.55	3.45	The deviation is due to improved payments received from customers

SC/ MW	Strategic Objective	Outputs	Performance Indicator	Annual target	Actual Achievement	Deviation from Planned Target to Actual Achievement	Comment on Deviation
SC 6	SO3: To initiate and build relationships with stakeholders	Increase BBBEE expenditure relative to operational projects	Percentage of total procurement spent on BBBEE services providers	55%	67.49%	12.49%	More orders were placed with black owned companies.
SC 7	SO2: To ensure long-term financial sustainability	Manage cost within approved budget	Percentage expenditure over approved operational budget	0%	0%	0%	N/A
MW 36	SO2: To ensure long-term financial sustainability	Effective and efficient mechanisms to ensure financial sustainability and viability	Number of days to collect secondary activities debts	Secondary activities debts collected within 90 days	256.17	(166.17)	The deviation is due to long outstanding debts from secondary activities customers.
MW 37		Approved tariff increase	Approved tariffs by the Minister	15 March 2022	15 March 2022	None	N/A
MW 38	SO3: To initiate and build relationships with stakeholders	SMMEs paid within turnaround time	Percentage of SMME invoices paid within 14 days of receipt	100%	100%	0%	N/A
MW 39		Invoices paid within 30 days of receipt	Percentage of invoices paid within 30 days of receipts	100%	100%	0%	N/A
MW 40		Emerging suppliers developed through the incubation programme	Number of new emerging suppliers developed through the incubation programme	1.00	3.00	2.00	Additional SMMEs supported through training and average 15 hours support per month.

8.6.19 Corrective Measures to address areas of underperformance

Table 57: Finance Unit corrective measures

Key performance indicators	Core reason for under-achievement	Recovery strategy for 2021/2022
Number of days to collect secondary activities debts	The deviation is due to long outstanding debts from our secondary activities customers.	Mhlathuze Water will continue to engage customers to ensure the payment is recovered.

ACCOUNTING AUTHORITY RESPONSIBILITIES AND APPROVAL

The Accounting Authority of Mhlathuze Water hereby presents the report of the entity for the year ended 30 June 2022.

1. REVIEW OF ACTIVITIES

Main business and operations

Mhlathuze Water's primary activity is provision of bulk water services in accordance with section 29 of the Water Services Act No. 108 of 1997. Mhlathuze Water also disposes of domestic and industrial water effluent as provided for in Section 30 of the Water Services Act, and also engages in other services that complement bulk water service delivery such as water quality monitoring and environmental management, laboratory services and acting as an implementing agent for government entities as well as private industries on water related services. The operating results and state of affairs of the entity are fully set out in the attached Annual Financial Statements. During the period under review, Mhlathuze Water continued to be a self-sustainable and financially viable entity, and was able to meet all its obligations for the financial year.

2. GOING CONCERN

The financial statements were prepared based on the expectation that the Accounting Authority of Mhlathuze Water has reasonable grounds to believe that the business has adequate resources to continue as a going concern in operational existence for the foreseeable future. Refer to note 1.2 for more detail on the Going Concern.

3. SUBSEQUENT EVENTS

An arbitration award was made on the 14th of September 2022 against Mhlathuze Water to settle housing allowance to employees.

4. SHARE CAPITAL AND DIRECTOR'S INTERESTS

Mhlathuze Water has no share capital and therefore no member has any equity interest in the organisation.

5. BORROWING LIMITS

The borrowing limits for the period up to June 2022 were approved by the Minister as follows:

Financial year	Amount
2021/22	R136,610 million
2022/23	R216,265 million
2023/24	R265.920 million

The borrowing limit is based on Mhlathuze Water's borrowing requirements and the funding needed to ensure that infrastructure requirements are aligned to meet the demands from consumers.

6. CORPORATE GOVERNANCE AND RISK MANAGEMENT

General

Good governance is implemented through the best practice governance framework that aligns to the principles of the King IV Report on Corporate Governance™ for South Africa, 2016 (King IV). During the period under review, the Board put into practice the principles of ethical leadership by ensuring that action necessary to correct alleged maladministration and malfeasance were taken and the Board's stance was known.

In keeping with King's recommendations, the Board indeed served as a focal point and custodian of corporate governance by steering the entity and approving its strategic direction, approving policy and planning that gave effect to the direction provided. Through quarterly reporting, the Board was able to effectively oversee and monitor implementation and execution of the set targets by management.

The Board held its annual Strategic Risk workshop which culminated in the review and approval of the Risk Appetite and Risk Tolerance Statements and the revised Delegations of Authority Policy of the entity. Further details have been given under Risk Management reporting in 'Other Governance Matters'.

Mhlathuze Water's Internal Audit is risk-based, and the Board's responsibility for risk management is emphasized as one of the important components of their duty, without which it becomes difficult to diligently play our oversight role and ultimately prepare the going concern statement.

During the period under review, the Audit and Risk committee reported fully to the board on its discussions arising from the Internal Audit reviews, Risk Management, Organisational Performance and IT reports, and it is on this basis that improvement towards the implementation and adherence to the Combined Assurance Model is noted.

7. BANKERS

First National Bank was appointed 1 January 2021 for a 3 year term to render banking services.

8. AUDITORS

The Internal Audit function is capacitated by a co-sourced resource, namely Nexia SAB& T and the in-house resources comprising of the Internal Audit Manager, two Internal Auditors, Internal Audit Administrator and Internal Audit Intern. External audit is performed by the Auditor-General SA on an annual basis in accordance with Public Audit Act, No. 25 of 2004.

9. COMPLIANCE WITH LEGISLATION

The Annual Financial Statements are prepared in accordance with Generally Recognised Accounting Practices (GRAP) and the following relevant pieces of legislation:

- Water Services Act, 1997(Act No: 108 of 1997); and
- Public Finance Management Act, 1999(Act No: 1 of 1999).

10. TARIFF POLICY

Mhlathuze Water charges a tariff for services rendered, which ensures that it remains viable and sustainable over the long

term. To achieve this, Mhlathuze Water applies a Scheme-Specific Tariff for Bulk Services and/or time & material type charges for other services. The policy takes into account the stipulations contained in section 10 of the Water Services Act. The annual tariff review process is in terms of the requirements of Section 42 of the Municipal Finance Management Act and Circular 23 issued by National Treasury.

The table below depicts the approved 2021/22 bulk water and waste water tariff increases:

	FY2020/2021 % Increase	FY2020/2021 Tariff	FY2021/2022 % Increase	FY2021/2022 Tariff
	%	R	%	R
Raw Water: City	0%	2.16	9.24%	2.35
Potable Water: City	0%	5.08	9.00%	5.54
Buoyant Effluent	0%	1.79	8.19%	2.16
Dense Effluent	0%	6.18	10.12%	7.61

11. CAPITAL EXPENDITURE AND COMMITMENTS

Commitments for the acquisition of property, plant and equipment were financed from internal resources. Mhlathuze Water intends to source funding from the market to finance shortfall. The capital expenditure commitments are set out in Note 29 and 30 of the financial statements.

12. ADDRESSES

Business Address Corner of Battery Bank and South Central Arterial, Alton Industrial Area, Richards Bay 3900 Postal Address Private Bag x1047 Richards Bay 3900

13. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure incurred in the current year amounts to R20,578,000. Mhlathuze Water. Mhlathuze Water incurred R6,899 million fruitless and wasteful expenditure in respect of employees that were dismissed by Water Board. Both matters were heard in the Labour court and CCMA and subsequently awarded in favor of the employees. The review application was dismissed and MW was ordered to reinstate the former employee and with full back pay while in the second case the matter was concluded at arbitration and settlement. Further fruitless and wasteful expenditure of R13,679 million has been declared relating to goods and services that were incurred, approved for payment, and paid without being confirmed to be have been rendered or delivered. Further investigation has found that there was no-value derived from some of these payments.

14. IRREGULAR EXPENDITURE

A total amount of new irregular expenditure reported in the 2021/22 financial year is R26,615,410.00 of which R23,544,296.00 was incurred in the current financial year and R3,071,114.00 was incurred in previous years due to non-compliance with section 51(1)(a)(iii) of the PFMA.

15. UNAUTHORISED EXPENDITURE

There were no incidents and reports of unauthorised expenditure during the current financial year as well as the prior year.

16. FINANCIAL MISCONDUCT

There were incidents and reports of financial misconduct during the current financial year. Allegations of Fraud and corruption; collusion by external and internal sources were amongst challenges the organization encountered during the year. The Board received a number of whistle-blower reports on these matters and sanctioned forensic investigations. The outcome of these investigations resulted in 07 officials suspended; disciplinary processes were initiated, criminal and civil cases were opened with law enforcement agencies. In addition, one other official resigned before formal charges were levelled against her.

17. DISCLOSURE IN TERMS OF DIRECTIVE 12 OF THE ACCOUNTING STANDARDS BOARD

There were no directives received during the current financial year. Information required by the Public Finance Management Act No 1 of 1999, as amended in assessing the materiality framework policy, the following is taken into account: In terms of section 28.3.1 of the regulations of the PFMA, for the purposes of materiality and significance, the Accounting Authority has developed and agreed on a framework of acceptable levels of materiality and significance established at 1% of gross revenue which equates to R6 424.000. Management also applies a qualitative aspect to all errors found.



Ms TA Shange
Chairperson of the Board

ACCOUNTING AUTHORITY RESPONSIBILITIES AND APPROVAL

31 OCTOBER 2022

The Accounting Authority is required by the Public Finance Management Act (Act 1 of 1999), to maintain adequate accounting records and is 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 Chief Executive to ensure that the annual financial statements fairly present the state of affairs of the entity as at the end of the financial year and the results of its operations and cash flows for the year ended 30 June 2022.

The Auditor General is 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 Generally Recognised Accounting Practices (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board and the requirements of the Public Finance Management Act (PFMA). The Annual Financial Statements are based on appropriate accounting policies which are consistently applied and supported by reasonable and prudent judgements and estimates. The Accounting Authority is also responsible for the system of internal financial control established by the entity and places considerable importance on maintaining a strong control environment.

To enable the Board to meet these responsibilities. The Chief Executive sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The accounting 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 Accounting Authority is 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 Accounting Authority has reviewed the entity's cash flow forecast for the year ending 30 June 2022 and, in the light of this review and the current financial position, the Accounting Authority is satisfied that the entity has access to adequate resources to continue in operational existence for the foreseeable future.

The Annual Financial Statements set out from page 111 which have been prepared on the going concern basis, were approved by the Accounting Authority on 31 October 2022 and were signed on its behalf by:



Ms TA Shange
Chairperson of the Board

MHLATHUZE WATER AUDIT AND RISK COMMITTEE REPORT FOR THE YEAR ENDED 30 JUNE 2021

OBJECTIVE

The audit and risk committee serves as an independent body to assist the Board with its responsibility for safeguarding assets, maintaining effective and efficient internal controls, risk management, IT governance, performance information, reviewing the financial information and overseeing the preparation of the financial statements.

AUDIT AND RISK COMMITTEE RESPONSIBILITIES

The Audit and Risk Committee reports that it has complied with its responsibilities arising from Section 51 (1)(a) of the PFMA, Treasury Regulations 3.1.13, and principles of King IV Report on Corporate Governance. The Audit and Risk Committee also reports that it has adopted formal terms of reference as its audit and risk committee charter and has regulated its affairs in compliance with this charter.

The Audit and Risk Committee has reviewed its charter during the year and has made amendments which were subsequently approved by the Board.

AUDIT AND RISK COMMITTEE COMPOSITION AND ATTENDANCE

The composition of audit committee as per Section 77 of the Public Finance Management Act, No. 1 of 1999 (PFMA) prescribes that, "An audit committee must consist of at least three persons". Audit and Risk Committee comprised of five independent members. This requirement was accordingly complied with.

The Audit and Risk Committee held fifteen meetings during the 2021/2022 financial year and the member's attendance was as follows:

Number of quarterly meetings held:	4
Number of special meetings held:	7
Attendance per member: (July 2021 to June 2022)	
Mr SZ HLOPHE - Chairperson	10/11
Mr MM XULU	9/11
Mrs N GEVERS*	10/11
Mrs A BADUL	11/11
Ms N MKHIZE*	8/11
Mr B MSHENGU*	2/11

*On 31 January 2022 committee membership was restructured as Ms Mkhize and Mrs Gevers was replaced by Mr B Mshengu.

During the period under review, it was necessary for certain Board committees to hold joint meetings, these were between the Finance and Audit & Risk Committees:

Attendance per member: (July 2021 to June 2022)	
Joint Fincom and Audit & Risk	4/4
Mrs N GEVERS – FINCOM Chairperson	4/4
Mr MM XULU*	2/4
Dr ME MAKGAE	4/4
Mrs GD BIYELA	2/4
Mr MP ZIKALALA	4/4
Mr SZ HLOPHE – ARC Chairperson	3/4
Mrs A BADUL	4/4
Ms N MKHIZE*	2/4

As per table above the meetings attendance was satisfactory from all members of the committee, the committee was able to discharge its duties and responsibilities. The high number of meetings are due to the Committee discharging its oversight responsibilities as a result of the audit outcomes from the prior year as well as whistle blower reports and associated responsibilities.

In the conduct of its duties, the Audit and Risk Committee has been complying with its Audit and Risk Committee Charter and has discharged its responsibilities therein. The Committee is satisfied that it complied with legal, regulatory and other responsibilities.

1. EXTERNAL AUDITORS APPOINTMENT AND INDEPENDENCE

Auditor General of South Africa (AGSA) in terms of Section 4 (3) (a) of the Public Auditors Act, No 25 of 2004, is the external auditor of Mhlathuze Water. The Board in consultation with Management accepted the terms and conditions of the engagement letter and the audit strategy for the year under review.

The report of the Auditor-General on the Annual Financial Statements for 2021/22 reflects that the entity received qualified audit opinion.

2. EFFICIENCY AND EFFECTIVENESS OF INTERNAL CONTROLS

The system of internal control implemented by the entity to financial and risk management is partially effective, efficient and transparent in line with the PFMA and the recommendations from the King IV Report on Corporate Governance requirements. This is achieved through the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes.

From the various reports of Internal Audit, the Audit Report on the annual financial statements and the management report of the Auditor-General South Africa (AGSA), it was noted that certain matters were reported indicating deficiencies in the system of internal control. It is of crucial importance that the issues reported should receive ongoing attention and focus by management to effect qualitative administration and financial management within the entity. Management has committed to implement corrective action and this will be closely monitored by the Audit and Risk Committee. Among other things done in this financial year, audit of Supply Chain Management and Irregular Expenditure Review was performed. This was done to closely monitor irregular appointments in acquisition processes which resulted in irregular expenditure identified by AG.

Audit and Risk Committee further commissioned the appointment of Investigators to perform investigation into Irregular Expenditure that was identified by Auditor General in the prior year audit.

Mhlathuze Water has anti-corruption measures that curb the frequency and magnitude of fraud and corruption. The Audit and Risk Committee notes that preventative measures on Fraud and Corruption should be enhanced. A rise in the whistleblower reports was noted in the year under review. Fraud and other irregular activities are reported through the whistle blower hotline that is monitored by an independent service provider and Social and Ethics Committee exercise oversight. Refer to the report submitted by the Social and Ethics Committee.

In response to the whistle blower reports and allegations of fraud, corruption and maladministration, the Audit and Risk Committee conducted the necessary investigations. Control deficiencies were addressed and consequence management implemented. Notwithstanding these efforts, the Committee acknowledge that its oversight must improve on new and emerging risk areas that presented itself as well as strengthening the control environment associated with these. The Committee will ensure that management develop an action plan addressing issues raised by Auditor General and we will monitor progress of implementation in this regard.

3. INTERNAL AUDIT

The Audit and Risk Committee considered and approved the Internal Audit Charter. The Internal Audit Function's Annual Audit Plan and Three Year Rolling Strategic Plan were also approved by the Committee. It is envisaged that Internal Audit should be performed fully by internal staff in a years' time. The Audit and Risk Committee also reports that out of the planned audits and activities of the Internal Audit, all the audits were concluded, with the exception of 1 audit that will only be presented to the Audit and Risk Committee in 2022/23 financial year. This audit is SCADA (Supervisory Control and Data Acquisition) Review. The contract of the co sourced partner expired in June 2022. The Internal Audit Function's co source resourcing will be concluded in July 2023.

4. REVIEW OF ANNUAL FINANCIAL STATEMENTS

Mhlathuze Water Annual Financial Statements are prepared in accordance with standards of Generally Recognized Accounting Practice (GRAP). The Committee evaluated AFS of Mhlathuze Water for the year ended 30 June 2022 and based on information provided, the Committee considers that AFS comply with requirements of Public Finance Management Act, Water Services Act and GRAP standards. The Committee recommended the approval of the AFS by the Board.

The Audit and Risk Committee is concerned with the matters raised in the management letter on irregular expenditure, and some compliance issues that could not be detected and prevented by the system of internal controls within Mhlathuze Water.

Other areas of concern in the management report are regression on response times and limitation of scope. The Committee will ensure that management develop an action plan addressing issues raised by Auditor General and we will monitor progress of implementation in this regard.

Notwithstanding the efforts by Internal Audit and additional external resources deployed by the Audit and Risk Committee to review the Annual Financial Statements, material misstatements were identified by Auditor General. The Audit and Risk Committee notes the findings raised by AG. Going forward there will be quality checks during preparation of Annual Financial Statements to avoid material misstatements.

The Audit and Risk Committee concurs that the adoption of the going concern premise in the preparation of the Annual Financial Statements is appropriate. The Audit and Risk Committee will continue to monitor the quality of the financial information and make recommendations to ensure full compliance with legislation and delivery of quality financial information in a timely basis.

Among other responsibilities allocated to the Audit and Risk Committee, the committee performed the review of Interim Financial Statements. The quarterly financial reporting is reported at the Finance Committee. Where the Audit and Risk Committee and Finance Committee deem fit, the joint Finance Committee and Audit and Risk Committee meetings were held.


5. RISK MANAGEMENT

The Audit and Risk Committee has been delegated responsibility by the Board to provide an independent assurance on effectiveness of risk management within the organization. The Committee considered, approved and provided oversight on the implementation of the Enterprise Risk Management Implementation Plan and Business Continuity Management Systems that is aimed at increasing the probability for achievement of the strategic objectives and entity mandate.

The following are some of the projects that have been completed in this reporting period: Enterprise Wide Risk Management Framework, Enterprise Risk Management Policy; Risk Appetite and Tolerance Framework, Insurance Policy. These projects are aimed to minimize business surprises, the Board and Management Team conducted risk assessment workshops during the year addressing both strategic and operational risks. Included in the operational risk register are Information Technology related risks. Management also developed a fraud risk register which was considered by the Audit and Risk Committee.

The outcome of the risk assessment also forms the basis for the 3 year risk based audit plan in providing the assurance of internal controls including financial reporting and hence the Audit and Risk Committee is also responsible for overseeing management's risk policies and discussing the key risk exposures with management as per its charter.

The Audit and Risk Committee considered and recommended approval of risk registers by the Board.



Signed on behalf of Mr SZ Hlophe
(Chairperson of the Audit & Risk Committee)

REPORT OF THE SOCIAL AND ETHICS COMMITTEE TO THE ANNUAL REPORT

INTRODUCTION

Businesses in South Africa and globally are to some extent exposed to bribery, fraud, corruption and other unethical behaviour, and Mhlathuze Water is no exception.

As such, we ensure that we conduct our business according to the strictest ethical code and do our utmost to create a strong ethical culture, a safe, transparent working environment and maintain good corporate governance structures. The Mhlathuze Water Social and Ethics Committee (“the Committee”) facilitates Mhlathuze Water’s approach in this regard and offers a structured forum for the monitoring, measuring and reporting on ethics and certain other non-financial aspects of Mhlathuze Water’s business.

The Mhlathuze Water Board, together with the Chief Executive, is responsible for the ethical culture of the organisation, with support and oversight provided by the Committee.

The Committee works within the required framework set out in Public Finance Management Act, 1999 (Act No. 1999) as amended, Regulation 43 of the Companies Act No 71 of 2008, as amended, (“Companies Act”) and the King Report IV Report on Corporate Governance for South Africa 2016 (“King IV”).

COMPOSITION AND TERMS OF ENGAGEMENT

A full description of the Committee’s composition and a summary of its roles and responsibilities have been highlighted on page 35 of this Annual Report.

In accordance with the requirements of the Companies Act, PFMA, the Committee is the duly appointed social and ethics committee for Mhlathuze Water.

The Committee meets quarterly and during the year under review, the Committee had four quarterly meetings and two special meetings. These special meetings were for the purposes of discussing whistle-blower issues.

Number of quarterly meetings held:	4
Number of special meetings held:	3
Attendance per member: (July 2021 to June 2022)	
Mr MM XULU – Chairperson	6/7
Mrs N GEVERS*	5/7
Mrs A BADUL	7/7
Mr BV MSHENGU*	5/7
Prof PS REDDY	7/7
Dr M MAKGAE*	2/7

* On 31 January 2022 Committee membership was restructured and Mrs Gevers and Mr Mshengu were replaced by Dr Makgae.

For the period under review, the Committee remained focused on and monitored Mhlathuze Water’s activities in respect of a number of matters including, inter alia: B-BBEE, human rights and labour, the workplace environment, environmental safety and protection, sustainability, the social environment including the Mhlathuze Water’s involvement in Corporate Social Investment and charitable givings, various legislation and codes of good practice, as well as ethics.

During the year Mhlathuze Water continued to implement and roll-out ethics awareness campaigns and ethics training programmes. These initiatives included training on the Mhlathuze Water’ Ethics policies such as the Fraud Awareness event attended by the staff of MW in April. Mhlathuze Water’s business and its employees are guided

by the Mhlathuze Water Code of Ethics and Corporate Code of Conduct. An abridged version of these is included in all suppliers’ contracts and terms of conditions and service providers are expected to abide by the same level of ethics that we uphold in our own operations.

Ongoing communication featuring Mhlathuze Water’s ethics-related policies, statistics on the consequences of misconduct and maintaining awareness around the fact that unreasonable profit pressure may result in employees acting unethically, is also being used to maintain ethical awareness in Mhlathuze Water. Mhlathuze Water’s zero tolerance policy towards crime and all forms of unethical conduct is clearly communicated. In addition to the above, the Board attended a ‘Governance of Ethics’ training hosted by the IODSA.

WHISTLE-BLOWER REPORTS AND INVESTIGATIONS

The Social and Ethics Committee provided oversight in the organization's approach to anti-fraud and corruption, based on the three principles of zero tolerance, prevention and detection, including through an 'early alert' facility (Whistleblower line and Tip Offs) introduced into its Anti-Corruption and Fraud prevention approach.

All five (5) whistleblower reports received, were investigated within six (6) months, disciplinary processes initiated and reporting to authorities of any suspected unlawful conduct was executed, together with the monitoring processes in place and the policies and procedures applied to combat these issues, including:

1. Anti-Corruption and Fraud Prevention Strategy and Policy
2. Fraud Prevention Plan
3. Whistle – blower's Policy
4. Business ethics and integrity code
5. Disciplinary code.

The Whistleblower Policy expressly prohibits acts of retaliation against Mhlathuze Water employees and relevant stakeholders that report allegations of prohibited practices or co-operate with investigations and authorities or other inquiries. The Policy further establishes the measures Mhlathuze Water will take to prevent retaliation against employees and relevant stakeholders that blow the whistle.

LABOUR AND HUMAN RIGHTS

All Mhlathuze Water employees have the freedom to belong to recognised bargaining councils, in accordance with the Labour Relations Act No. 66 of 1995, as amended, and the UNGC Principles. Mhlathuze Water is confident that human rights upheld in all dealings within the organisation. The Committee will continue to monitor this aspect during the next financial year.

TRANSFORMATION

The Committee continued to address Broad-Based Black Economic Empowerment during the year under review. There remains room for improvement in the overall performance to achieve the desired rating. Mhlathuze Water has maintained its level 8 rating from the 2020/21 audit verification. This is despite efforts towards moving to the desired level with the assistance of a specialist in the field. Mhlathuze Water has also analysed its operations in reference to its Sector Code requirements, and have prioritised organisation spend and resource allocation to ensure that organisation retains or improves its required certifications. With the recommendations of the B-BBEE specialist, the organisation is optimistic that improvement will be achieved in the following financial year.

Transformation, across all occupational levels, has shown meaningful improvement during the year. In line with this initiative, as positions become available within the organisation, Mhlathuze Water sources and promotes talented candidates in line with MW equity plan.

SKILLS

The pre-existing shortage of technical skills within the water sector in which Mhlathuze Water operates as well as the retention of current skilled employees remains a concern shared across the organisation. While this has in the past been addressed to a degree through internship, learnerships and bursary programmes, the results have relatively improved. During the year ahead, Mhlathuze Water will continue to invest more on skills improvement, learnerships, bursary programmes and youth development programmes, to actively target specific skills and educational initiatives in order to grow and maintain talent pipelines.

HEALTH & SAFETY

Only one disabling injury was experienced during the period under review which resulted in breaching of the Board's risk appetite. No other major safety, health and environmental ("SHE") impacts on communities, employees and/or customers, in terms of Mhlathuze Water's operations, activities and services were experienced. Mhlathuze Water continues to take all reasonable steps to guard against injuries on duty on an ongoing basis.

ENVIRONMENT

The organisation continues to provide water that exceeds the requirements of SANS 241 standard for drinking water, and the water provided is suitable for lifetime consumption. In order to minimise environmental impacts of its effluent disposal business, the organisation is also exploring initiatives to improve the quality of the effluent discharged by reducing the volume or load of effluent. Such initiatives include amongst others wastewater reuse.

Environmental reviews are conducted across the organisation, and significant environmental impacts relating to the organisation's activities are mitigated accordingly. During the period under review, the Committee noted a marked improvement in the number of incidents with significant environmental impacts.

The organisation continues to monitor its carbon footprint and key contributors thereof. Due to the nature of MW's business, the biggest contributor is electricity, which is an indirect contributor to the organisation's footprint. Going forward, plans are underway to achieve ISO 50001 certification which will ensure that there are strategies and structured plans to manage electricity use.

CUSTOMER AND STAKEHOLDER MANAGEMENT

For the period under review, various sessions were held with stakeholders in an attempt to solidify and strengthen our relations with our strategic partners across the value chain. These interactions were also aimed at broadening our footprint and reaching out to existing and prospective clients with a view to further expanding our unique value offerings.

Our stakeholders are classified according to our identified organisational outcomes, and include, among others: political formations, municipalities and governmental organisations and private sector representatives as well as traditional leaders.

A separate list of these stakeholders was developed, which served as the basis for stakeholder engagement sessions. Each stakeholder, its role and impact is therefore evaluated on its unique needs and in line with our business improvement strategy and plan.

For the period under review, Mhlathuze Water had ongoing engagements with its key industrial clients as well as municipalities and traditional leaders. These engagements occurred on a quarterly basis and culminated in a stakeholder indaba where the board and management of Mhlathuze Water gave an overall account of the state of affairs within the utility.

CORPORATE SOCIAL INVESTMENT

Although a number of initiatives were presented to the committee, Mhlathuze Water's CSI approach can still be improved upon for a greater impact within our area of operation.

In partnership with the King Cetshwayo District Municipality, Mhlathuze Water assisted about 250 families that were affected by the KZN floods with food parcels and blankets.

Mhlathuze Water, mindful of the need to empower the vulnerable sections of society, also made a donation of a bus which had previously served as part of its fleet to the Zamani Disabled People's Organisation which is located in Esikhaleni.

Additionally, a number of CSI donations were also approved to assist various youth sporting bodies based in Mhlathuze Water's area of operation with sporting kits.

The Committee is satisfied that, in accordance with Mhlathuze Water's best practices, no political donations (whether direct or indirect) were made during the year under review.

CONCLUSION

As chairperson of the Committee I am satisfied that following the review by the Committee for the year ended 30 June 2022/23, that in all material respects, the committee has achieved its objectives for the financial year ended 30 June 2021/22.



Musa Xulu

Chairperson: Social and Ethics Committee

Report of the auditor-general to Parliament on the Mhlathuze Water Board

Report on the audit of the financial statements

Qualified opinion

1. I have audited the financial statements of the Mhlathuze Water Board set out on pages 111 to 158, which comprise the statement of financial position as at 30 June 2022, the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, except for the effects and possible 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 the Mhlathuze Water Board as at 30 June 2022, and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice (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 work-in-progress of R11 568 038, as the public entity did not maintain accurate and complete records to substantiate payments made under provisional sums in the contract. I could not confirm the amounts by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to work-in-progress to the value of R176 195 000 in note 5 to the financial statements.

Irregular expenditure

4. The public entity did not account for irregular expenditure in the notes to the financial statements, as required by section 55 (2)(b)(i) of the PFMA. It did not implement adequate internal control systems to identify and record all instances of irregular expenditure, resulting in the irregular expenditure disclosure being understated. The full extent of the misstatement identified could not be quantified and I was unable to confirm the amount of irregular expenditure as it was impracticable to do so. Consequently, I was unable to determine whether any adjustments were necessary to irregular expenditure, stated at R276 232 000 in note 28 to the financial statements.

Context for the opinion

5. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of my report.
6. I am independent of the public entity in accordance with the International Ethics Standards Board for Accountants' International code of ethics for professional accountants (including International Independence Standards) (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
7. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Emphasis of matter

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

Material impairment – intangible assets

9. As disclosed in note 6 to the financial statements, material losses of R8 961 000 was incurred as a result of an impairment of an enterprise resource program in work-in-progress.

Responsibilities of the accounting authority for the financial statements

10. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with the GRAP and the requirements of the PFMA, and for such internal control as the accounting authority determines if necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.
11. In preparing the financial statements, the accounting authority is responsible for assessing the public entity's ability to continue as a going concern, disclosing matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the public entity or to cease operations, or has no realistic alternative but to do so.

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

12. 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.
13. 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

14. 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 performance perspective presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.
15. My procedures address the usefulness and reliability of the reported performance information, which must be based on the public entity's approved performance planning documents. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures do not examine whether the actions taken by the public entity enabled service delivery. My procedures do not extend to any disclosures or assertions relating to the extent of achievements in the current year or planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
16. 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 performance perspective presented in the public entity's annual performance report for the year ended 30 June 2022:

Programmes	Pages in the annual performance report
Performance perspective 1 – organisational efficiency and effectiveness	68,79

17. 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.

18. The material findings on the usefulness and reliability of the performance information for the selected performance perspective are as follows:

Performance perspective 1 – organisational efficiency and effectiveness

Percentage of avoidable water losses on water abstracted

19. I was unable to obtain sufficient appropriate audit evidence for the achievement of 2,56% reported against the target of 5% in the annual performance report, due to the lack of accurate and complete records. I was unable to confirm the reported achievement by alternative means. Consequently, I was unable to determine whether any adjustments were required.

Other matter

20. I draw attention to the matter below:

Achievement of planned targets

21. Refer to the annual performance report on pages 49 - 51, 62 - 63, 68,79 and 84 for information on the achievement of planned targets for the year. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraph 22 of this report.

Report on the audit of compliance with legislation

Introduction and scope

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

Annual financial statements and annual report management

24. 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.
25. Material misstatements of disclosure items identified by the auditors in the submitted financial statements were corrected and the supporting records were provided subsequently, but the uncorrected material misstatements and supporting records that could not be provided resulted in the financial statements receiving a qualified opinion.

Consequence management

26. 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. This was due to proper and complete records not being maintained as evidence to support the investigations into irregular expenditure.

Procurement and contract management

27. I was unable to obtain sufficient appropriate audit evidence in some instances that goods, works and services were procured through a procurement process that is fair, equitable, transparent and competitive, as required by section 51(1)(a)(iii) of the PFMA.
28. Some bid documentation for procurement of commodities designated for local content and production did not stipulate the minimum threshold for local production and content, as required by the 2017 preferential procurement regulation 8(2). This non-compliance was identified in the procurement processes for the Augmentation of Nsezi Water Treatment Plant

29. Some commodities designated for local content and production were procured from suppliers who did not submit a declaration on local production and content in accordance with paragraph 3.4 of National Treasury Instruction Note 4 of 2015/2016. This non-compliance was identified in the procurement processes for the design and construction of Wilmar effluent disposal.
30. Some commodities designated for local content and production were procured from suppliers who did not meet the prescribed minimum threshold for local production and content, as required by the 2017 preferential procurement regulation 8(5).

Expenditure management

31. 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, the value disclosed in note 28.1 to the financial statements does not reflect the full extent of the irregular expenditure incurred. The majority of the irregular expenditure disclosed in the financial statements was caused by non-compliance with section 51(1)(a)(iii) of the PFMA. Irregular expenditure of R22 621 772 was incurred on the Augmentation of Nsezi Water Treatment Plant.
32. Effective steps were not taken to prevent fruitless and wasteful expenditure of R20 578 000 disclosed in note 28.7 to the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA. The majority of the fruitless and wasteful expenditure was caused by goods and services incurred, approved for payment, and paid without being confirmed to have been rendered or delivered.
33. Resources of the public entity were not used economically, as required by section 57(b) of the PFMA. The non-compliance resulted from impairment of work-in-progress, as disclosed in notes 5 and 6 to the financial statements. The impairments were the result of inflated costs in projects.

Other information

34. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report, which includes the chief executives' report and the audit committee's report. The other information does not include the financial statements, the auditor's report and those selected programme objectives presented in the annual performance report that have been specifically reported in this auditor's report.
35. 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.
36. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected objectives presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement in this other information, I am required to report that fact.
37. I have nothing to report in this regard.
38. 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 qualified opinion, the findings on the predetermined objectives and the findings on compliance with legislation included in this report.
39. A deficiency in the reconciliation of the underlying documentation supporting disclosure notes resulted in a material misstatement to the financial statements submitted for audit purposes.
40. Management did not adequately review supporting documentation prior to making payments to suppliers in certain instances, resulting in the modification of the audit outcome.
41. Compliance monitoring controls were not always effective as the public entity's status of compliance regressed over the financial year. This was due to a deficiency in monitoring changes in legislative requirements applicable to the public entity.
42. Management did not perform adequate monitoring of the effective use of financial resources, resulting in the financial losses disclosed in the financial statements.

43. The accounting authority did not implement adequate consequence management processes for transgressions against applicable policies, laws and regulations.
44. Management did not adequately implement review and monitoring controls to prevent non-compliance with applicable laws and regulations relating to supply chain management.
45. I draw attention to the following engagements conducted by various parties which had, or could have, an impact on the matters reported in the public 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.
46. A forensic investigation was conducted by an external service provider to investigate allegations of financial misconduct and fraud within the legal panel and in implementing an enterprise resource program, as identified from a whistle-blower's report. The investigation was concluded and recommended for further criminal investigation, which was not completed by the year end.
47. A forensic investigation was conducted by an external service provider to investigate allegations of financial misconduct and fraud within a construction project, as identified from a whistle-blower's report. The investigation was concluded and recommended for further criminal investigation, which was not completed by the year end.
48. A forensic investigation was conducted by an external service provider to investigate allegations of financial misconduct and fraud pertaining to catering services paid for and not delivered, as identified from a whistle-blower's report. As at financial year end, the investigation had not yet concluded.
49. An investigation was conducted by an external service provider to investigate findings raised by the auditor-general during the prior year audit. These proceedings were finalised in the financial year under audit.

Auditor - General

Pretoria

1 November 2022



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure – Auditor-general’s responsibility for the audit

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements and the procedures performed on reported performance information for selected objectives and on the public entity’s compliance with respect to the selected subject matters.

Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in this auditor’s report, I also:
 - identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control
 - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the public entity’s internal control
 - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the members of the board, which constitutes 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 the Mhlathuze Water Board to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor’s report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor’s report. However, future events or conditions may cause a public entity to cease operating as a going concern
 - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance

3. I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also provide the accounting authority with a statement that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

SECTION
D

**ANNUAL FINANCIAL
STATEMENTS**



MHLATHUZE WATER BOARD
ANNUAL FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022

	Note	30 Jun 2022 R'000	Restated 30 Jun 21 R'000
ASSETS			
Current assets			
Inventories	2	25 596	31 960
Receivables from exchange transactions	3	121 932	106 768
Cash and cash equivalents	4	714 478	529 131
		862 006	667 859
Non-current assets			
Property, plant and equipment	5	1 154 201	1 049 848
Intangible assets	6	17 322	26 001
		1 171 523	1 075 849
Total assets		2 033 529	1 743 708
LIABILITIES			
Current liabilities			
Short term interest bearing borrowings	7	10 658	10 748
Payables from exchange transactions	8	319 351	182 133
VAT payable	9	1 735	1 717
Employee benefit liability	10	21 552	17 965
Income received in advance	11	5 120	6 828
Short term finance lease liability	12	1 956	-
		360 372	219 391
Non-current liabilities			
Long term interest bearing borrowings	7	25 863	36 207
Income received in advance	11	38 541	43 656
Long term finance lease liability	12	7 318	-
		71 722	79 863
Total liabilities		432 094	299 254
Net assets			
Reserves			
Capital replacement reserve		260 179	254 356
Business development reserve		26 809	23 825
Self insurance reserve		6 402	6 108
Maintenance reserve		11 891	11 347
Environmental rehabilitation reserve		3 395	2 503
Pension obligation reserve		8 612	8 217
Accumulated surplus		1 284 147	1 138 099
Total net assets		1 601 435	1 444 454
Total net assets and liabilities		2 033 529	1 743 708

MHLATHUZE WATER BOARD
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2022

	Note	30 Jun 2022 R'000	Restated 30 Jun 21 R'000
Revenue from exchange transactions			
Sale of goods and services	13	643 089	643 514
Cost of Sales	14	(227 747)	(250 898)
Gross Profit		415 342	392 616
Other income	16	27 335	18 761
Expenditure		(279 667)	(292 571)
Employee related costs	17	(142 685)	(111 610)
Remuneration of board members	18.1	(5 733)	(4 342)
Depreciation and amortisation	5-6	(6 956)	(6 331)
Impairment of assets	5-6	(17 864)	(4 260)
Finance costs	19	(5 447)	(6 465)
Lease rentals on operating lease	23	(2 300)	(3 504)
Bad debts written off	26	(101)	(104)
Repairs and maintenance	21	(29 272)	(50 672)
Electricity and water		(2 512)	(3 854)
Chemicals		(171)	(92)
Other expenses	22	(66 626)	(101 337)
Operating surplus	23	163 010	118 805
Profit/(Loss) on disposal of assets	24	(6 030)	(3 871)
Net Surplus		156 980	114 934

MHLATHUZE WATER BOARD
STATEMENT OF CHANGES IN NET ASSETS AS AT 30 JUNE 2022

	Capital replacement Reserve	Business development Reserve	Self Insurance Reserve	Maintenance Reserve	Environmental Rehabilitation Reserve	Loan Obligation Reserve	Total Reserves	Accumulated Surplus	Total Net Assets
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Opening Balance as at 01 July 2020	249 675	21 775	5 855	10 875	1 952	7 959	298 091	1 031 352	1 329 442
Transfers to reserves	4 681	2 050	253	472	551	258	8 265	(8 265)	-
Surplus for the period 1 July 2020 to 30 June 2021								112 270	112 270
Balance as at 30 June 2021, as reported	254 356	23 825	6 108	11 347	2 503	8 217	306 356	1 135 356	1 441 712
Adjustments to prior period balance								2 744	2 744
Balance as at 30 June 2021, restated	254 356	23 825	6 108	11 347	2 503	8 217	306 356	1 138 099	1 444 456
Surplus for the period 1 July 2021 to 30 June 2022								156 980	156 980
Transfers to reserves	5 823	2 984	294	544	892	395	10 932	(10 932)	-
Balance as at 30 June 2022	260 179	26 809	6 402	11 891	3 395	8 612	317 288	1 284 147	1 601 436

In accordance with GRAP 1, transfers to the reserves are made from Accumulated Surplus in the Statements of Changes in Net Assets, and not via the statement of Financial Performance.

Capital Replacement Reserve

This Non-Distributable Reserve was created to fund upgrades and refurbishments of replacement of the ageing infrastructure and plant modernisation. The balance of the Capital Replacement Reserve at 30 June 2022 was R260.2 million.

Business Development Reserve

This Non-Distributable Reserve was created to fund and enable the creation of proactive business relationships with other entities. The balance of the Business Development Reserve at 30 June 2022 was R26.8 million.

Self Insurance Reserve

This Non-Distributable Reserve was created to fund large deductibles for insurance claims. The balance of the Self Insurance Reserve at 30 June 2022 was R6.4 million.

Maintenance Reserve

This Non-Distributable Reserve was created to fund future significant unexpected maintenance costs. The balance of the Maintenance Reserve at 30 June 2022 was R11.9 million.

Environmental Rehabilitation Reserve

This Non-Distributable Reserve was created to fund expenses incurred to prevent environmental damage that could be caused as a result of factors relating to Mhlathuze Water's operations. The balance of the Environmental Rehabilitation Reserve at 30 June 2022 is R3.4 million.

Loan Obligation Reserve

This Non-Distributable Reserve was created to fund future unexpected loan obligations defaults that may be due to factors outside Mhlathuze Water's control. The balance of the Loan Obligation Reserve at 30 June 2022 was R8.6 million.

**MHLATHUZE WATER BOARD
CASH FLOW STATEMENT AS AT 30 JUNE 2022**

	Note	30 Jun 2022 R'000	Restated 30 Jun 21 R'000
Cash flows from operating activities			
Receipts			
Sale of goods and services		621 314	651 025
Interest received	16.2	25 016	17 309
		646 330	668 334
Payments			
Cash paid to employees	17	(166 248)	(134 425)
Cash paid to suppliers		(110 911)	(288 204)
Finance costs	19	(5 447)	(6 465)
		(282 606)	(429 094)
Net cash flows from operating activities	25	363 724	239 240
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(177 445)	(46 932)
Proceeds from sale of property, plant and equipment	24	715	21
Purchase of intangible assets	6	(487)	(25 171)
Net cash flows from investing activities		(177 217)	(72 082)
Cash flows from financing activities			
Repayment of financial liabilities	7	(10 434)	(10 434)
Movement on finance lease liability	12	9 274	-
Net cash flows from financing activities		(1 160)	(10 434)
Net increase/(decrease) in cash and cash equivalents		185 347	156 724
Cash and cash equivalents at beginning of year		529 131	372 407
Cash and cash equivalents at end of year		714 478	529 131

1. Presentation of Financial Statements

The 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 91(1) of the Public Finance Management Act (Act 1 of 1999).

These 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. In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5. Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

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

These accounting policies are consistent with the previous period.

1.1 Presentation currency

These Financial Statements are presented in South African Rand, which is the functional currency of the entity. All information presented has been rounded to the nearest thousand rand.

1.2 Going concern assumption

These financial statements have been prepared based on the expectation that the Accounting Authority of Mhlathuze Water has reasonable grounds to believe that the business has adequate resources to continue as a going concern in operational existence for the foreseeable future. Refer to note 36 Going concern for more detail.

1.3 Significant judgment and sources of estimation uncertainty

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

Significant judgments include: provision for doubtful debts, bonus provision, leave provision, determination of useful lives, useful lives re-assessments and depreciation methods and asset impairment. Notes relating to the subject are included under the affected areas of the financial statements.

Trade receivables

The entity assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the entity makes judgments as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables is assessed on significant debtors first, then on portfolio basis, for all trade receivables that are not already impaired as part of the significant trade receivable impairment assessment.

1.4 Cash and cash equivalents

Cash and cash equivalents comprise cash balances, short term cash investments and call deposits. Bank overdrafts that are payable on demand and form an integral part of the entity's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Accounting Policies (continued)

1.5 Property, plant and equipment

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

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 are initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bringing the assets to its 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.

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.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequent to acquisition, improvement and refurbishment. 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.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and refurbished equipment are recognised when they meet the definition of property, plant and equipment.

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

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

1.5 Property, plant and equipment (continued)

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Buildings	20-45 years
Plant and machinery	2-20 years
Furniture and fixtures	5-10 years
Motor vehicles	5-10 years
Equipment	5-10 years
Library	5 years
Industrial Electronics	5-10 years
Electrical supply	10-20 years
Radio and Communication equipment	5 years
Pipelines	5-40 years
Tools and loose gear	2-5 years
Lab Equipment	4-10 years

Land is not depreciated.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another 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.

Borrowing costs directly attributable to the acquisition or construction of qualifying assets are capitalised on qualifying assets in accordance with the requirements of GRAP 5 Borrowing Costs.

Capital work in progress

Capital work in progress is non-current assets under construction and is stated at cost less accumulated impairment losses

Depreciation is not provided on capital work in progress.

1.6 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
- 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.

Accounting Policies (continued)

1.6 Intangible assets (continued)

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.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

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

Item	Useful life
Computer software	5-10 years

1.7 Financial instruments

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 recognises financial assets on the date of origination.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus in the case of a financial asset or a financial liability not subsequently measured at fair value, 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 at amortised cost, which includes receivables from exchange transactions, cash and cash equivalents, income received in advance, long term liabilities and payables from exchange transactions.

All financial assets measured at amortised cost, or cost, are subject to an impairment review except for cash and cash equivalents.

De-recognition of financial instruments

The entity derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the entity is recognised as a separate asset or liability.

The entity derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

1.7 Financial instruments (continued)

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the entity currently has a legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Section 30 financial assets and liabilities

All financial assets and liabilities relating to section 30 activities are measured in accordance with the relevant financial instrument account policies listed above. Additional detail on section 30 activities are set out in note 25.

1.8 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.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit.

The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

Finance leases - lessee

Leases where the entity assumes substantially all the benefits and risks of ownership, are classified as finance leases.

Finance leases are capitalised as property, plant and equipment at the lower of fair value or the present value of the minimum lease payments at the inception of the lease with an equivalent amount being stated as a finance lease liability.

The capitalised amount is depreciated over the asset's useful life. Lease payments are allocated between capital repayments and finance expenses using the effective interest rate method.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Any contingent or incidental rents are expensed in the period in which they are incurred.

1.9 Inventories

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.

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 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.

Inventories held by the entity comprise of strategic stock, rotatable stock, water, maintenance spares, consumables and chemicals.

Accounting Policies (continued)

1.10 Impairment

Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

Objective evidence that financial assets are impaired can include: default or delinquency by a debtor, restructuring of an amount due to the entity on terms that the entity would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, the disappearance of an active market for a security.

The entity considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics. In assessing collective impairment the entity uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Losses are recognised in the statement of financial performance and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. "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 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."

Non-financial assets

The carrying amounts of the entity's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the assets' recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in the statement of financial performance.

For impairment of a cash generating unit (CGU), GRAP 26 states that "The impairment loss shall be allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit".

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generate cash inflows from continuing use and are largely independent of the cash flows of other assets or groups of assets (the "cash generating unit").

1.10 Impairment (continued)**Non Financial Assets (continued)**

The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs to sell.

In assessing value in use, the estimated future cash flows are discounted to their present value using a risk free discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation if no impairment loss been recognised.

1.11 Payables from exchange transactions

Payables from exchange transactions are not interest bearing and are stated at their nominal value.

1.12 Employee benefits**Short-term employee benefits**

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

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 expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in the statement of financial performance when they are due.

Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

Contributions to a defined contribution plan that are due more than 12 months after the end of the period in which the employees render the service are discounted to their present value.

Post retirement benefits

Post-retirement healthcare benefits are provided to certain of the entity's retiree.

The fair value of the post retirement plan is arrived at after considering key assumptions and market rates and life expectancy.

The retirement benefit obligation recognised in the statement of financial position represents the present value of the defined benefit obligation.

1.13 Employee benefit liability

Employee benefit liability 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 an Employee benefit liability is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

1.14 Provisions

A provision is recognised if, as a result of a past event, the entity has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate.

1.15 Expenditure

Expenditure is recognised when Mhlathuze Water is deemed to have been supplied with the service or has control of the goods supplied.

Finance costs are recognised in the statement of financial performance as an expense except for capitalised borrowing costs.

Finance cost comprises interest on borrowings, interest on finance lease liability, net interest on creditors and other.

Accounting Policies (continued)

1.16 Accrued expenses

The accrual basis recognises expenses in the accounting period in which those transactions, events or circumstances occur (goods or services are received) and become measurable.

1.17 Reserves

Reserves are portions of Mhlathuze Water's profits set aside to strengthen the business's financial position. They are also known as retained earnings.

1.18 Revenue from exchange transactions

An exchange transaction is one in which the Mhlathuze Water 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.

Measurement

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

Sale of goods and services

Revenue from the sale of goods and services 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.

In respect of the sale of water, these conditions are met when water is consumed by the end user. For practical purposes revenue is recognised upon billing as there is no significant delay between consumption and billing.

Revenue comprises primarily the net invoiced value of water sales, exclusive of VAT, at declared tariffs arising from normal trading activities.

Interest income

Revenue arising from the use by others of entity assets yielding interest is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the entity, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in the statement of financial performance, using the effective interest rate method unless stated otherwise.

Management services

Management services is recognised in the period in which the services are rendered in terms of the agreements with external water services entities.

Laboratory services

Laboratory services are recognised in the period in which the services are rendered in terms of the agreements signed with external stakeholders.

Implementing agency revenue

Implementing agency revenue is recognised by reference to the stage of completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total service to be provided.

Operation and maintenance services (O & M)

Operation and maintenance services are recognised in the period in which the services are rendered. O & M revenue relates to bulk water and bulk waste water services operated on behalf of Water Service Authorities.

1.19 Cost of Sales

Cost of sales includes the costs of raw water and all other direct operating costs associated with the production processes. The costs directly attributable to sales as defined in Section 30 of the Water Services Act (Act 108 of 1997), are disclosed as cost of sales.

1.20 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds. Qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale where a substantial period of time would usually be in excess of twelve months. These assets comprise items of plant and equipment which the entity would utilize to facilitate the provision of water and other related services.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset when it is probable that they will result in future economic benefits or service potential to the entity, and the costs can be measured reliably. The entity applies this consistently to all borrowing costs that are directly attributable to the acquisition, construction, or production of all qualifying assets of the entity. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any investment income on the temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the entity on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when all the following conditions have been met:

- expenditures for the asset have been incurred;
- borrowing costs have been incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are undertaken.

When the carrying amount or the expected ultimate cost of the qualifying asset exceeds its recoverable amount or recoverable service amount or net realisable value or replacement cost, the carrying amount is written down or written off in accordance with the accounting policy on Impairment of Assets and Inventories as per accounting policy number 1.10. In certain circumstances, the amount of the write-down or write-off is written back in accordance with the same accounting policy.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

1.21 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 other revenue in the statement of financial performance.

1.22 Segment Reporting

A segment is a distinguishable component of the entity that is engaged either in providing related products or services (business segment), which is subject to risks and returns that are different from those of other segments. Segment information is presented in respect of the entity's business segments. The business segments are determined based on the entity's management and internal reporting structure.

Segment results that are reported to the entity's Chief Executive (the chief operating decision-maker) include assets and liabilities and items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment.

Accounting Policies (continued)

1.23 Related parties

The entity operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

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.

All departments and departmental entities under the national sphere are our related parties, although only the controlling entity and entities under its ministry are disclosed as related parties.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the entity. Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.24 Bulk purchases

This represents the cost of raw water purchased from the Thukela/Goedertrouw/Mhlathuze River System scheme.

1.25 Income received in advance

The entity measures income received in advance as a financial liability in the statement of financial position. The income received in advance comprise of funds received for which the related goods or services have not been provided at the period end. Thus the entity has an obligation to deliver the related goods or services in the future. Once the goods or services have been delivered, the entity will recognize this revenue in accordance with the manner which most accurately reflects the transfer of risks and rewards.

1.26 Events after balance sheet

Events may occur between the end of the reporting period and the date when the annual financial statements are authorised for issue which may present information that should be considered in the preparation of financial statements.

Only events that provide further evidence about conditions that existed at the end of reporting period are adjusted for in the annual financial statements. Non-adjusting events are disclosed in the annual financial statements accordingly.

1.27 Standard and interpretations issued but not yet effective

GRAP 104 (amended) - Financial Instruments

The ASB approved revisions to GRAP 104 on Financial Instruments in March 2019. The revisions were made to align with IFRS 9 on Financial Instruments. The Board both departed from the principles in IFRS 9, and also provided more guidance on its application, to respond to the needs of the local public sector environment. The revised standard further provides the basis of departure.

The objective of this Standard is to establish principles for recognising, measuring, presenting and disclosing Financial Instruments.

This Standard supersedes the previous Standard of GRAP on Financial Instruments issued in October 2009.

Effective Date

An entity shall apply this Standard of GRAP for annual financial statements covering periods beginning on or after a date to be determined by the Minister of Finance in a regulation to be published in accordance with section 91(1)(b) of the Public Finance Management Act, Act No. 1 of 1999, as amended.

The effective date of the amendment implementation is 1 April 2025.

The amendment will not result to a major impact as Mhlathuze Water's financial instruments are already in compliance with the current applicable GRAP standard and they are not complex.

GRAP 25 (amended) – Employee Benefits

The ASB has approved changes on GRAP 25 on Employee Benefits. The changes mainly includes the following:

- Removal of guidance on Composite Social Security Programmes;
- Amendments to existing definitions and addition of new definitions relating to changes to accounting for Post-employment Defined Benefit Plans;
- Minor changes on Post-employment Benefits;
- Additional guidance added on Termination Benefits; and
- iGRAP 7 was also amended for changes made to IFRIC 14 pertaining Long-term Defined Benefit Plans.

The effective date of the amendment implementation is not yet set by the Minister of Finance.

IGRAP 21 on The Effect of Past Decisions on Materiality

Mhlathuze Water's materiality has been consistently applied over the past period, there were not significant changes noted over the period due any decision that were effected on materiality.

The effective date of the amendment implementation is 1 April 2023.

Accounting Policies (continued)

1.28 Irregular Expenditure

Irregular expenditure as defined in section 1 of the Public Finance Management Act (PFMA), 1999 as expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including –

- (a) This Act; or
- (b) The State Tender Entity Act, 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.

Initial and Subsequent Recognition of Irregular Expenditure

Irregular expenditure is initially recognised when resulting transaction is recognized in the financial records of an entity in accordance with GRAP on accrual basis of accounting.

Initially irregular expenditure is measured at cost.

Subsequently, irregular expenditure is measured at cost less amount condoned, or recovered or written off by relevant authority.

Where irregular expenditure was incurred in the previous financial years and is only condoned in the current financial year, the register and the disclosure note to the financial statements is updated with the amount condoned

1.29 Commitments

Items are classified as commitments when an entity commits itself to future transactions that will normally result in the outflow of resources for capital and lease expenses. Mhlathuze Water recognises and discloses capital commitments and lease commitments as required by GRAP.

Capital commitments

Capital commitments are not recognised in the statement of financial position as a liability, but are included in the disclosure notes where required by GRAP 17: property, plant and equipment and GRAP 31: intangible assets.

A contractual amount for each class of capital expenditure committed is disclosed in the financial statements for the acquisition of property, plant and equipment or intangible asset less expenditure recognised in the statement of financial position and financial performance.

Lease commitments

Committed future minimum lease payments under non-cancellable operating leases are disclosed in accordance with GRAP 13: Leases.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	30 Jun 2022	Restated 30 Jun 2021
	R'000	R'000
2. Inventories		
2.1 Stores		
Chemicals	7 338	7 088
Consumables and maintenance spares	7 539	6 914
Strategic stock	10 377	13 928
Rotable Spares	967	4 683
Less: Obsolete stock provision	(936)	(1 006)
	25 285	31 607
Inventory amount of R0 (2021: R407,284.50) was written off. This amount has been recognised as an expense in the Statement of Financial Performance.		
2.2 Water Inventory		
Water inventory	311	352
	25 596	31 960
3 Receivables from Exchange Transactions		
Trade receivables - primary activities	115 907	100 152
Trade receivables - secondary activities	3 620	3 620
Sundry receivables - primary activities	1 780	1 780
Prepayments - primary activities	2 135	3 756
Refundable Deposits - primary activities	451	439
Staff receivables - primary activities	89	82
Less: Provision for doubtful debts	(2 048)	(3 061)
	121 932	106 768
4 Cash and Cash Equivalents		
Cash and cash equivalents comprises of cash on hand and short-term investments that are held with registered banking institutions with maturities of less than twelve months that are subject to insignificant interest rate risk. The carrying amount of these assets approximates their fair values:		
Cash on hand	5	5
Bank balances	2 192	2 311
Short-term deposits	664 065	513 693
Call account - Secondary activities	48 216	13 122
	714 478	529 131
Bank Accounts - Secondary Activities		
The Department of Water and Sanitation, Department of Education, Department of Environmental Affairs, Department of Basic Education and Department of Co-operative Governance and Traditional Affairs approves projects per annum. Mhlathuze Water is allowed to incur expenses for the externally funded projects as well as the working amounts to Mhlathuze Water and reimburse them as and when cash is utilised on these projects.		
The unutilised advances are listed below:-		
Advances received from the Department of Water and Sanitation <i>All projects are completed. Advances payable will be paid back once a directive from the Principal has been received and all retention funds are paid.</i>	3 642	4 655
Advances received from the Department of Education/Department of Basic Education <i>All projects are completed. Advances payable will be paid back once a directive from the Principal has been received and all retention funds are paid.</i>	594	572
Advances received from the Department of Environmental Affairs <i>One project is currently being managed.</i>	3 316	3 339
Advances received from the Department of Co-operative Governance and Traditional Affairs <i>One project is currently being managed.</i>	3 160	3 659
Advances received from Department of Labour <i>One project was managed by Mhlathuze Water and it has been terminated.</i>	941	897
Advances received from City of uMhlathuze municipality <i>One project is currently being managed.</i>	36 563	0
	48 216	13 122

Cash is invested in separate investment accounts as per Government institution listed above. These funds are restricted for use on the respective projects. Funds are included in cash balances of Mhlathuze Water and recognised as payables from exchange transactions.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

5 Property, Plant and Equipment

Land
Buildings/Civil works
Plant and Machinery
Furniture and fixtures
Motor vehicles
Equipment
Library
Electrical supply
Industrial Electronics
Leased assets
Work in progress
Pipelines
Tools and loose gear

Total

Reconciliation of property, plant and equipment 30 June 2022

	30 Jun 2022			Restated 30 Jun 2021		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
	R'000	R'000	R'000	R'000	R'000	R'000
Land	1 780	-	1 780	1 780	-	1 780
Buildings/Civil works	483 845	(137 768)	316 077	448 759	(126 233)	322 526
Plant and Machinery	200 873	(81 405)	109 468	206 209	(85 465)	120 744
Furniture and fixtures	3 876	(2 778)	1 100	3 845	(2 337)	1 508
Motor vehicles	20 875	(12 079)	8 796	14 789	(13 359)	1 430
Equipment	36 265	(25 346)	10 919	36 438	(23 163)	13 295
Library	2	(5)	1	6	(4)	2
Electrical supply	94 307	(36 294)	58 103	94 351	(31 525)	62 826
Industrial Electronics	59 463	(27 108)	32 356	55 731	(26 083)	29 648
Leased assets	9 858	(1 168)	8 690	-	-	-
Work in progress	176 195	-	176 195	50 000	-	50 000
Pipelines	635 762	(205 196)	430 566	634 459	(188 574)	445 884
Tools and loose gear	1 281	(1 131)	149	1 290	(1 085)	206
Total	1 694 477	(540 277)	1 154 201	1 547 657	(497 809)	1 049 848

Opening balance	Additions	Disposal	Cost transfers	Borrowing cost capitalised	Impairment loss/reversal	Depreciation*	Other adjustments	Closing balance
R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Land	1 780	-	-	-	-	-	-	1 780
Buildings/Civil works	322 526	407	(451)	6 073	-	(12 471)	-	316 077
Plant and Machinery	120 744	7 654	(5 556)	64	-	(13 438)	-	109 468
Furniture and fixtures	1 508	34	(1)	14	-	(455)	-	1 100
Motor vehicles	1 430	8 769	(152)	-	-	(1 241)	-	8 796
Equipment	13 295	327	(59)	36	-	(3 023)	-	10 919
Library	2	-	-	-	-	(1)	-	1
Electrical supply	62 826	46	-	-	-	(4 769)	-	58 103
Industrial Electronics	29 648	95	(513)	7 676	-	(4 550)	-	32 356
Leased assets	-	9 858	-	-	-	(1 168)	-	8 690
Work in progress	50 000	148 952	-	(13 663)	-	(8 894)	-	176 195
Pipelines	445 884	1 303	-	-	-	(16 622)	-	430 566
Tools and loose gear	206	-	(7)	-	-	(54)	-	149
Total	1 019 818	177 448	(6 744)	-	-	(8 530)	-	1 154 201

NOTES TO THE MONTHLY FINANCIAL STATEMENTS (continued)
Reconciliation of property, plant and equipment 30 June 2022

	Opening balance	Additions	Disposal	Cost Transfers	Borrowing cost capitalised	Impairment loss	Depreciation*	Other Adjustments	Closing balance
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Land	1 780	-	-	-	-	-	-	-	1 780
Buildings/Civil works	334 094	505	(37)	406	-	-	(12 442)	-	322 526
Plant and Machinery	135 434	3 614	(3 482)	21	-	-	(14 843)	-	120 744
Furniture and fixtures	1 947	41	(9)	-	-	-	(471)	-	1 508
Motor vehicles	2 573	-	-	-	-	-	(1 144)	-	1 430
Equipment	19 372	1 112	(296)	54	-	(2 720)	(4 226)	-	13 295
Library	2	-	-	-	-	-	-	-	2
Electrical Supply	66 316	73	(40)	1 418	-	-	(4 941)	-	62 826
Industrial Electronics	35 195	479	(26)	-	-	(1 339)	(4 657)	-	29 648
Work in progress	11 290	46 746	-	(2 036)	-	-	-	-	59 000
Pipelines	461 934	-	-	137	-	-	(16 547)	-	445 524
Tools and loose gear	324	6	(1)	-	-	-	(124)	-	205
	1 070 261	46 932	(3 892)	-	-	(4 099)	(39 394)	-	1 049 848

1 Work-In-Progress: Property, Plant and Equipment

Project/Description	Asset Category	Total	Within 1 Year	Between 1 to 5 Years	Beyond 5 Years
AC Mitigation System for Empangeni Pipeline	Electrical	8 043	8 872	2 220	-
Nsezi Plant Augmentation	Plant and Machinery	151 663	115 799	35 864	-
B-Line upgrade	Plant and Machinery	925	120	806	-
Small Items	Equipment	83	52	31	-
Small Items	Civil Works	136	136	-	-
Small Items	Plant and Machinery	2 525	2 525	-	-
Bund Wall	Civil Works	2 066	696	2 270	-
BRP System	Equipment	1 420	(791)	2 211	-
Executive and SCM Stores	Civil Works	310	-	310	-
Small Items	Furniture and Fittings	464	484	-	-
Nsezi control room and lab refurbishment	Building	374	374	-	-
Backup & Recovery Hardware & Servers	Equipment	707	707	-	-
Masterplan	Civil Works	1 282	1 282	-	-
CCTV	Equipment	5 277	5 277	-	-
Total		178 195	132 493	43 702	-

There was impairment identified for capital work in progress based on assessment that was done as at the end of 30 June 2022.

Included in other adjustments are the following:

* Portion of depreciation is recognised as Cost of Sales (refer to note 14)

Depreciation***

Depreciation	57 793	59 394
Amortisation	206	692
Total depreciation and amortisation	57 999	60 086
Cost of sales	51 043	53 754
Depreciation and amortisation IS	6 957	6 332
Total	57 999	60 086

Note	30 Jun 2022	Restated
	R'000	30 Jun 2021 R'000
5	57 793	59 394
6	206	692
	57 999	60 086
13	51 043	53 754
	6 957	6 332
	57 999	60 086

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

6 Intangible Assets

	30 June 2022			Restated 30 Jun 2021		
	Cost	Accumulated amortisation and accumulated impairment	Carrying value	Cost	Accumulated amortisation and accumulated impairment	Carrying value
	R'000	R'000	R'000	R'000	R'000	R'000
Computer software	15 703	(15 077)	626	15 706	(14 876)	830
Work in progress	16 697	-	16 697	25 171	-	25 171
Total	32 400	(15 077)	17 322	40 877	(14 876)	26 001

Reconciliation of Intangible assets 30 June 2022

Computer software
Work in progress

Opening balance	Additions	Disposal	Transfer	Impairment	Reassessment of useful life of intangible assets	Amortisation	Closing balance
R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
830	-	-	-	-	-	(205)	625
25 171	487	-	-	(8 961)	-	-	16 697
26 001	487	-	-	(8 961)	-	(205)	17 322

Reconciliation of intangible assets 30 June 2021

Computer software
Work in progress
Total

Opening balance	Additions	Disposal	Transfer	Impairment	Reassessment of useful life of intangible assets	Amortisation	Closing balance
R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
1 723	-	-	-	(201)	-	(692)	830
-	25 171	-	-	-	-	-	25 171
1 723	25 171	-	-	(201)	-	(692)	26 001

6.1 Work-In -Progress: Intangible Assets

Project/Description	Asset Category	Total	Within 1 Year	Between 1 to 5 years	Beyond 5 Years	Beyond 5 Years
ERP System	Software	16 697	(8 474)	25 171	-	-
Total		16 697	(8 474)	25 171	-	-

ERP System was halted pending the conclusion of legal proceedings, refer to Note 37 for additional details.

There was Impairment identified for capital work in progress: ERP system based on assessment that was done as at the end of 30 June 2022 in line with the investigation. The carrying amount of the halted ERP project is still considered as an asset that meets the definition and recognition criteria in terms of GRAP 31. Mhlathuze Water has rights and obligations towards the ERP system in progress. Mhlathuze Water cannot access the system currently due to an on-going legal case as disclosed in Note 37. As it was for half of the financial year, Mhlathuze Water enjoyed economic benefits of the ERP System as it was being implemented. Once the court case has been concluded, license has been renewed and implementation has resumed, Mhlathuze Water believes that as at 30 June 2022, there is a probability of expected future economic benefits of the ERP system.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

	30 Jun 2022 R'000	Restated 30 Jun 2021 R'000
7 Interest Bearing Borrowings		
At amortised cost		
Rand Merchant Bank	36 521	46 955
Total interest bearing borrowings	36 521	46 955
Debt consists of unsecured interest-bearing liabilities held at amortised cost.		
The fixed term loan from Rand Merchant Bank is repayable in bi-annual capital repayments, with a fixed interest rate of 10.54%, that commenced on 30 November 2011 and matures on 28 November 2025.		
Mhlathuze Water's interest bearing borrowings are within the approved borrowing limits and compliant to the requirements.		
Non-Current Liabilities		
At amortised cost	25 863	36 207
Current Liabilities		
At amortised cost	10 658	10 748
Total interest bearing borrowings	36 521	46 955
8 Payables from Exchange Transactions		
Trade payables- primary activities	52 078	39 941
Trade payables - secondary activities	840	0
Retention - primary activities	9 386	2 584
Retention - secondary activities	6 428	3 221
Accruals - primary activities	185 472	118 612
Accruals - secondary activities	9 822	3 169
SARS - PAYE, UIF and SDL	4 612	61
Sundry creditors- primary activities	2 498	1 421
Accrued interest - secondary activities	6 556	5 363
Advances - secondary activities	41 660	7 759
	319 351	182 133
9 VAT Payable		
VAT Payable	1 735	1 717
	1 735	1 717

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

10 Employee Benefit Liability

Reconciliation of employee benefit - 30 June 2022

Provision of staff incentive bonus
Provision of staff leave

Opening balance	Movement	Utilised during the year	Closing balance
R'000	R'000	R'000	R'000
9 265	9 217	(7 668)	10 814
8 699	5 324	(3 285)	10 738
17 964	14 541	(10 953)	21 552
54	-	(54)	-
7 504	3 343	(1 582)	9 265
8 185	4 291	(3 777)	8 699
15 743	7 634	(5 413)	17 965

Reconciliation of employee benefit - 30 June 2021

Provision of post retirement medical aid
Provision of staff bonuses
Provision of staff leave

	30 Jun 2022	Restated 30 Jun 2021
	R'000	R'000
Non-current liabilities	-	-
Current liabilities	21 552	17 965
	21 552	17 965

Provision for Staff Bonus

The provision for Bonus is raised to recognise the performance of employees, and is payable at the Board's discretion in line with the Performance Management Policy.

Provision for Leave Pay

The provision for leave pay is based on the number of days leave due to employees at the financial year end and their cost to company per day.

Mhlathuze Water Provident Fund - defined contribution plan

The provident fund is in the nature of a defined contribution plan. The Risk benefits are registered as Group Income Insurance and Group Life Insurance schemes. Funeral benefits are covered through a separate funeral policy. Retirement benefits are determined with reference to the contributions to the fund. Mhlathuze Water has no commitment to meet unfunded benefits of the provident fund. The assets from the Mhlathuze Water Provident Fund were transferred to the Sanlam Umbrella Fund in December 2016. MW is in the process of transferring the fund to the new service provider.

11 Income Received in Advance

- Short-term portion of advances
- Long-term portion of advances

Total income received in advance

	30 Jun 2022	30 Jun 2021
	R'000	R'000
	5 120	6 828
	38 541	43 656
	43 660	50 484

Income received in advance from Foskor relates to the construction of the B-Line Diffuser Replacement Project, which was commissioned at the end of September 2008. The entity received the total amount upfront. The income is recognised over the period of the agreement based on the usage of the waste water disposal line by Foskor. This balance is measured and recognised in terms of the accounting policy relating to income received in advance.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

	30 Jun 2022 R'000	Audited 30 Jun 2021 R'000
12 Finance lease liabilities		
Current Liabilities		
At amortised cost	1 956	-
Non-Current Liabilities		
At amortised cost	7 318	-
Total	9 274	-

Finance leases summary**Laptops, desktop and IT equipment lease contract and Servers lease contract**

Mhlathuze Water leases laptops, desktops, servers and other IT equipment. The lease for laptops, equipment and desktops is for 3 years (36 months), while the lease for servers and related equipment is for 5 years (60 months).

Lease payments are payable on a monthly basis based on agreed lease payments which include capital repayment and interest costs.

Reconciliation

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

Finance lease reconciliation	Lease Payments R'000	Finance Charges R'000	Present Value of Lease Payments R'000
Finance lease commitments disclosure			
30 June 2022			
Not later than one year	3 480	(1 483)	1 997
Later than one year and not later than five years	9 641	(2 364)	7 277
Later than five years	-	-	-
	13 121	(3 847)	9 274
30 June 2021			
Not later than one year	-	-	-
Later than one year and not later than five years	-	-	-
Later than five years	-	-	-
	0	0	0

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

	Note(s)	30 Jun 2022 R'000	Restated 30 Jun 2021 R'000
13 Revenue - Sale of Goods and Services			
Sale of Goods and Services			
An analysis of tariff income is as follows:			
Primary Activities (Section 29)			
Bulk water		369 651	362 005
Waste water		211 849	191 958
Total Primary Activities		581 500	553 964
Operating lease income			
An analysis of operating lease income is as follows:			
Lease income - waste water		6 824	6 824
		6 824	6 824
Secondary Activities (Section 30)			
Operations and Maintenance Agreements			
Thukela Goedertrouw Scheme		28 574	57 965
City of uMhlatuze		-	373
Total Operations and Maintenance Agreements		28 574	58 338
Other Activities			
Management fee		18 796	17 638
Laboratory services		5 403	5 502
Implementing Agency Fees		1 993	1 247
Total Other Activities		26 191	24 388
Total Revenue		643 088	643 514
14 Cost of Sales			
Raw water purchases		56 631	76 514
Electricity and water		76 393	79 449
Chemicals		20 119	18 365
Employee related costs	17	23 563	22 816
Depreciation and amortisation	5	51 041	53 754
Total Cost of Sales		227 747	250 898

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

	30 Jun 2022 R'000	Restated 30 Jun 2021 R'000
15 Secondary Activities		
Mhlathuze Water, apart from its primary activities implements projects (Secondary Activities) on behalf of other entities such as Department of Water and Sanitation, Department of Education, Department of Environmental Affairs, Department of Labour, City of uMhlathuze and the Department of Governance and Traditional Affairs.		
Total expenditure for these projects is fully recovered from these departments.		
These amounts are not reflected in the Statement of Financial Performance as Mhlathuze Water is deemed to be an agent in these transactions.		
Accordingly, the implementing agency fees have been recognised as revenue in the Statement of Financial Performance.		
The following project activities took place during the year:		
- Department of Co-operative Governance and Traditional Affairs - Sikhemelele Water Project	438	2 420
- City of uMhlathuze - Esikhawini Packaged Plant project.	54 897	-
	55 335	2 420
16 Other Income		
Included in other income:		
16.1 Sundry Income		
Handling fees	0	1
Impairment reversal: PPE	343	-
Rent received	7	7
Proceeds on Insurance claim	121	237
Impairment reversal: Debtors	1 013	-
General	834	1 208
	2 318	1 453
16.2 Interest Income		
Bank account	217	109
Interest charged on trade and other receivables	2	-
Interest earned on outstanding debtors	1 049	1 158
Call accounts/investments	23 748	16 041
	25 016	17 309
Total Other Income	27 335	18 761

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

		30 Jun 2022 R'000	Audited 30 Jun 2021 R'000
17 Employee Related Costs			
Basic		133 627	113 114
Bonus		10 012	4 865
Internship		1 094	640
Learner ship		120	105
Shift allowance		812	469
Standby allowance		4 191	2 166
Responsibility allowance		1 366	399
Cell phone allowance		1 340	1 126
Relocation allowance		2	145
Transport allowance		75	185
Tool allowance		202	121
Secondment allowance		46	31
Leave		5 324	4 291
Overtime		3 449	3 211
Overtime - normal shift		1 520	1 410
UIF - company contributions		471	392
WCA - company contributions		1 061	847
Statutory levies - SDL		1 530	902
Statutory levies - AMC		7	7
		166 248	134 426
Direct employee related costs	14	23 563	22 816
Indirect employee related costs		142 685	111 610
Total Employee Related Costs		166 248	134 426

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

18 Board members emoluments and Executive managements' emoluments

18.1 Board members emoluments

The Board of Mhlathuze Water was appointed by the Minister of Water and Sanitation on the 5th of December 2018.

Board members of Mhlathuze Water

	Appointment Date
TA Shange (Chairperson)	5th December 2018
SZ Hlophe (Deputy Chairperson)	5th December 2018
A Badul	5th December 2018
GD Bityela	5th December 2018
N Gevers	5th December 2018
M Makgae	5th December 2018
N Mkhize	5th December 2018
B Mshengu	5th December 2018
PS Reddy	5th December 2018
MM Xulu	5th December 2018
M Zikalala	5th December 2018

	Package earnings	Travel and Subsistence Allowance	Other allowances	Total
	R'000	R'000	R'000	R'000
Non-executive board members				
TA Shange (Chairperson)	238	59	592	889
S Hlophe (Deputy Chairperson)	198	39	346	583
A Badul	173	97	260	530
GD Bityela	173	1	140	314
N Gevers	173	68	348	589
M Makgae	173	26	259	458
N Mkhize	173	45	271	489
B Mshengu	173	99	283	555
PS Reddy	173	51	217	441
MM Xulu	173	17	241	431
M Zikalala	86	48	320	454
Total Non executive board members	1 906	550	3 277	5 733

18.2 Executives' Emoluments

	Position	Package earnings	Bonus (Services and/or Performance)	Post Employment Benefit	Travel and Subsistence Allowance	Other Allowances	Total 2022
		R'000	R'000	R'000	R'000	R'000	R'000
Executive staff members							
MP Duze ****	Chief Executive	3 110	-	-	37	593	3 740
M Myeni*	GM: Corporate Services	877	-	-	2	350	1 229
B Mnyandu ****	Chief Financial Officer	2 131	-	-	-	62	2 193
P Melsiri ****	GM: Technical Services	2 214	-	-	35	64	2 311
BS Nthoro**	GM: Scientific Services	1 786	-	-	8	322	2 116
T Hlongwane***	Interim Chief Financial Officer	775	-	-	-	227	1 002
P Mponya	GM: Operations and Maintenance	1 943	-	-	1	59	2 003
Total executive staff members		12 836	-	-	81	1 677	14 594

*M Myeni retired on the 31st of December 2021

**BS Nthoro acted as a Chief Executive since December 2021

***T Hlongwane acted as a Chief Financial Officer since December 2021.

**** Executive members on special leave/suspension

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

18 Board members emoluments and Executive managements' emoluments

18.1 Board members emoluments

Non-executive board members	Package earnings	Travel and Subsistence Allowance	Other allowances	Total
	R'000	R'000	R'000	R'000
TA Shange (Chairperson)	238	38	394	670
S Hophe (Deputy Chairperson)	198	13	183	394
A Badul	173	57	191	421
GD Bityela	173	3	105	281
N Gevers	173	22	226	421
M Nalagae	178	3	162	343
N Mkhize	173	23	158	354
B Mchengu	173	37	208	418
PS Reddy	173	4	151	328
MM Xulu	173	12	201	386
M Zikalala	86	17	223	326
Total Non executive board members and Independent Audit and Risk Committee	1 911	229	2 202	4 342

18.2 Executives' Emoluments

Executive staff members	Position	Package earnings	Bonus (Services and/or Performance)	Post Employment Benefit	Travel and Subsistence Allowance	Other Allowances	Total 2021
		R'000	R'000	R'000	R'000	R'000	R'000
MP Duze	Chief Executive	3 034	253	-	171	595	4 053
GF Allison*	Former Chief Executive	-	-	63	-	-	63
M Myeni	GM: Corporate Services	1 473	119	-	7	215	1 814
B Mnyandu	Chief Financial Officer	2 173	173	-	-	144	2 490
P Masisi**	GM: Technical Services	1 620	-	-	11	227	1 858
A Luthuli***	Acting GM: Technical Services	51	-	-	-	9	60
CG Cele****	GM: Operations and Maintenance	7	-	-	-	7	14
BS lithoro	GM: Scientific Services	1 423	-	-	3	186	1 612
P Maponya*****	GM: Operations and Maintenance	819	-	-	-	26	845
Total executive staff members		10 600	545	63	192	1 409	12 809

* GF Allison Former Chief Executive post medical aid benefit. See Note 10

** P Masisi was appointed as GM: Technical Services on the 1st of October 2020

*** A Luthuli was appointed Acting GM: Technical Services on the 1st of August 2019 until 30 April 2020, the amount relates to a salary back pay.

**** CG Cele resigned on the 31st of July 2019, the amount relates to a salary back pay.

***** P Maponya was appointed GM: Operations and Maintenance on the 18th January 2021

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

	30 Jun 2022 R'000	Restated 30 Jun 2021 R'000
19 Finance Costs		
Interest expense: Interest-bearing borrowings	4 547	5 671
Interest expense: Trade creditors	-	794
Interest expense: Finance lease	900	-
	5 447	6 465
20 Operating Lease		
20.1 Operating Lease - Income		
Arrangements with the customers that contained deemed leases and qualify as operating leases are recognised in terms of GRAP 13. The following indicates the future lease rentals receivables:		
Within 1 year	5 235	6 828
Between 1 to 5 years	17 437	17 437
Beyond 5 years	20 988	26 219
Total Operating Lease Receivable in Future	43 660	50 484
Mhlathuze Water leases equipment and a pipeline to various institutions for periods ranging from 1 to 20 years. These leases will conclude at the end of the contracted agreement signed with the relevant stakeholders.		
20.2 Operating Lease Expenditure		
At the statement of Financial Position date Mhlathuze Water had outstanding commitments under non-cancellable operating leases, which fall due as follows:		
Within 1 year	2 572	3 197
Between 1 to 5 years	4 527	6 170
Beyond 5 years	-	-
Total Operating Lease Commitments	7 099	9 367
Mhlathuze Water leases ICT equipment (faxes, copiers, computers), land and a pipeline from various institutions for periods ranging from 1 to 20 years. These leases will conclude at the end of the contracted agreement signed with the relevant stakeholders.		
21 Repairs and Maintenance		
- Building	1 178	1 794
- Plant and Machinery	16 482	34 464
- Electrical Supply	3 230	3 556
- Industrial Electronics	3 119	2 138
- Motor vehicles	1 440	1 449
- Equipment, Furniture and Fixtures	1 305	1 029
- Pipelines	2 490	6 215
- Tools and loose gear	29	26
	29 272	50 672

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

	30 Jun 2022	Restated 30 Jun 2021
	R'000	R'000
22 Other Expenses		
Advertising	0	65
Assessment rates & municipal charges	619	762
Auditors fees - external	2 481	2 943
Auditors fees - internal	1 667	1 022
Bank charges	157	158
Bio monitoring	1 013	1 513
Board members - general expenses	789	790
Bursaries	1 439	1 074
Chemicals Laboratory	1 190	1 060
Cleaning	5 419	5 824
Community development and training	417	9 475
Conferences and seminars	6	131
Consulting and professional fees	93	469
Consumables	876	621
Corporate social investment	576	371
Debt impairment	-	1 171
Donations	-	39
Fees - special investigation	1 383	14 974
Fines and penalties	79	75
Fuel and oil	3 254	2 335
General	3 322	4 156
Ground contractors	3 466	3 490
Insurance	3 877	3 248
IT expenses	6 119	7 508
Learnership	159	122
Legal expenses	3 501	4 782
Magazines, books and periodicals	-	13
Strategic Support	423	1 388
Motor vehicle expenses	150	125
Obsolete stock	(69)	1 284
Pest control	5	95
Placement fees	486	1 508
Postage and courier	3	8
Printing and stationary	575	751
Protective clothing	732	985
Public relations	1 786	3 257
Regional bulk studies	1 579	4 057
Security	10 395	9 900
Staff assessments/grading	50	23
Staff Welfare	2 726	2 804
Stock Write-Off	-	407
Subscriptions and membership fees	333	275
Telephone and fax	659	527
Training	1 182	1 827
Transport and freight	18	32
Travel - local	1 077	1 409
Travel - overseas	-	11
Uniforms	214	217
Vehicle Hire	2 289	2 189
Water analysis	108	67
	66 626	101 337

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

		30 Jun 2022 R'000	Restated 30 Jun 2021 R'000
23 Operating Surplus			
Operating surplus for the year is stated after accounting for the following:			
Operating Lease Charges			
<u>Equipment</u>			
Contractual amounts		482	1 655
<i>Printers, copiers, faxes, IT equipment and computers</i>			
 <u>Pipelines</u>			
Contractual amounts		1 818	1 849
<i>Lease for pipeline</i>			
		2 300	3 504
Amortisation on intangible assets	6	205	692
Depreciation on property, plant and equipment	5	57 793	59 394
Employee costs and board remuneration	17,18.1	171 980	138 768
24 Profit/Loss on Disposal of Assets			
Proceeds on sale of assets		715	21
Loss on sale of assets		(6 744)	(3 892)
		(6 030)	(3 871)
25 Cash Generated from Operations			
Surplus		156 980	114 934
Adjusted for non-cash items:			
Depreciation	5	57 793	59 394
Amortisation	6	205	692
Loss/(Profit) on sale of assets	24	6 030	3 871
Net asset impairment	5	17 519	4 260
Net debt impairment movement	26	(1 013)	1 171
Bad debts written off	26	101	104
Inventory written off/up	22	(69)	407
Movement in employee benefit liabilities	10	3 587	2 222
Movement in income received in advance	11	(6 824)	(6 824)
Changes in Working Capital:			
(Increase)/Decrease in inventories		6 433	(288)
(Increase)/Decrease in receivables from exchange transactions		(14 253)	10 526
Increase/(Decrease) in payables from exchange transactions		137 218	51 874
Movements in VAT balance		18	(3 101)
		363 724	239 240

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)**26 Financial Risk Management**

The Board has overall responsibility for the establishment and oversight of the entity's risk management framework. Risk management policies are established to identify and analyse the risks that are faced by Mhlathuze Water, to set appropriate risk limits and controls, and to monitor risks and adherence to these limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the entity's activities.

Presently all risks identified are attended to at departmental level and by a risk management committee. Reports are presented to the Finance Committee, Audit and Risk Committee, the Boards delegated structure tasked with the responsibility of reviewing the risk management process.

The Board reviews its enterprise wide risk profile to ensure that critical risks are addressed adequately and to identify and capitalise on opportunities that may be created from these risks. This provides the Board with the opportunity to re-assess the entity's strengths and weaknesses to determine a strategic alignment to the objectives.

The entity has exposure to the following risks from its use of financial instruments:

- Liquidity risk
- Credit risk
- Market risk

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.

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

This note presents information about Mhlathuze Water's exposure to each of the above risks, objectives, policies and processes for measuring and managing risk. The methods used to measure risk have been consistently applied in the years presented, unless otherwise stated.

Further quantitative disclosures are included throughout the Financial Statements.

Liquidity Risk

Liquidity risk is the risk that Mhlathuze Water will not be able to meet its financial obligations as they fall due. Mhlathuze Water is a self-funding entity and does not receive funding in the form of government subsidies. All funding of income generating and operational assets are obtained by way of loan agreements.

The entity's approach to managing liquidity is to ensure as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the reputation of Mhlathuze Water by managing the monthly cash flow throughout the year.

Mhlathuze Water operates a consolidated loan pool and utilises the positive inflows to redeem external borrowings.

Finance charges are recovered via tariffs levied against consumers. For the purpose of treasury management all long term loans relating to the core business activities are pooled and an average rate of interest calculated and applied to the schemes for tariff purposes. This achieves better control and ensures a fair and flexible recovery of finance charges, which assist in planning the cash flow requirements. Based on assessment, no negative impact have been realised by Mhlathuze Water on liquidity risk as a result of Covid-19

Bank Short-Term Funding

Mhlathuze Water's main credit facility is with First National Bank and includes the following:

Type of Facility

- Credit Card facility

The overdraft facility is only in place for emergency.

Exposure to Liquidity Risk**At 30 June 2022**

	Carrying amount R'000	Contractual amount R'000	< 1 year R'000	2-5 years R'000	> 5 years R'000
Interest bearing borrowings	(36 521)	(43 845)	(13 890)	(29 955)	-
Payables from exchange transactions	(319 351)	(319 351)	(319 351)	-	-
Finance Lease Liability	(9 274)	(9 274)	(1 997)	(7 277)	-
Total	(365 146)	(372 470)	(335 238)	(37 232)	-

At 30 June 2021

Interest bearing borrowings	(46 955)	(58 826)	(14 981)	(43 845)	-
Payables from exchange transactions	(182 133)	(182 133)	(182 133)	-	-
Total	(229 089)	(240 960)	(197 115)	(43 845)	-

Amount R'000
100
100

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

26 Financial Instruments (continued)

Fair Values

The carrying values of financial assets and liabilities are presented by class in the tables below, and approximate fair values.

30 Jun 2022

Financial Assets

Receivables from exchange transactions
Bank and cash: implementing agent projects
Bank and cash: Mhlathuze Water

Financial Liabilities

Interest-bearing borrowing
Payables from exchange transactions

	Financial instruments at amortised cost	Total
	R'000	R'000
	121 932	121 932
	48 216	48 216
	666 262	666 262
	(36 521)	(36 521)
	(319 351)	(319 351)
	480 538	480 538

30 June 2021

Financial Assets

Receivables from exchange transactions
Bank and cash implementing agent projects
Bank and cash

Financial Liabilities

Interest-bearing borrowing
Payables from exchange transactions

	106 768	106 768
	13 122	13 122
	516 009	516 009
	(46 956)	(46 956)
	(182 133)	(182 133)
	406 809	406 809

Credit Risk

Credit risk consists mainly of cash deposits, cash equivalents, and trade debtors. The entity only deposits cash with major banks with high quality credit standing approved through the Department of Water and Sanitation by National Treasury.

Receivables from Exchange Transactions

The entity's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Board has established a credit policy under which each new customer is analysed individually for creditworthiness before the entity's facilities are offered.

Consideration is given to the external credit ratings, tax clearance certificates and the latest Audited Annual Financial Statements of entities not listed on the Johannesburg Stock Exchange. Credit limits are established for non-contractual customer and these limits are reviewed bi-annually.

The average credit period allowed is 30 days from invoice date. Interest is charged at prime rate +2.5% p.a. on overdue debt from primary activities.

Mhlathuze Water reviews outstanding balances on trade and other receivables on a monthly basis, via a debtors age analysis

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

26 Financial Risk Management (continued)

Receivables from Exchange Transactions (continued)

A provision is raised for debtors outstanding more than 90 days accounts. The provisions raised are tabled together with the Financial Statements to the Audit and Risk Committee and the Accounting Authority. As a part of financial year assessment of doubtful debts and write-off, the impact of the pandemic Covid-19 was taken into account. Even though none of our customers have indicated major issues regarding their going concern and inability to outstanding debts, there was those experiencing financial cash flow issues. In our detail assessment, all customers with outstanding balances were assessed in facts regarding Covid-19 and its impact on businesses and government entities trading with MW. The impact of the recent unrest and riots affecting our customers have also been taken into account.

Partnership/Water schemes with external parties

External parties are required to submit guarantees to Mhlathuze Water for all expenses incurred on their behalf. Any amounts outstanding after a period of 30 days will attract interest at the current interest rate as announced by the Minister of Finance.

Exposure to credit risk

Financial assets exposed to credit risk at year end were as follows:

	30 Jun 2022 R'000	Restated 30 Jun 2021 R'000
Financial Instrument		
Receivables from exchange transactions	121 932	106 768
Cash and cash equivalents	714 478	529 131
The maximum exposure to credit risk for receivables from exchange transactions per business segment at reporting date was:		
Water supply	36 835	29 489
Waste water disposal	30 137	24 128
Thukela Transfer Scheme	9 380	21 411
Projects and secondary activities	45 580	42 316
	121 932	117 345

	Amount 30 Jun 2022 R'000	Impairment 30 Jun 2022 R'000	Amount 30 Jun 2021 R'000	Impairment 30 Jun 2021 R'000
Provision for Impairment				
Not past due	62 893	-	75 953	-
Past due 0-30 days	7 482	-	9 759	-
Past due 30-60 days	3 156	-	1 432	-
Past due 60-90 days	3 274	-	2 322	-
Past due >90 days	45 127	(2 048)	17 302	(3 061)
	121 932	(2 048)	106 768	(3 061)

The current debt for all categories on the age analysis comprises of balances of contracted billing which is recovered timeously as per contracts entered with consumers.

	30 Jun 2022 R'000	30 Jun 2021 R'000
Provision for Impairment		
Opening balance	(3 061)	(1 890)
Movement	1 013	(1 171)
Closing balance	(2 048)	(3 061)

In assessing the provision for impairment, Mhlathuze Water considered the likelihood of receiving payments from its debtors irrespective of the length of time the debt was outstanding.

	30 Jun 2022 R'000	30 Jun 2021 R'000
Bad debts written off		
Bad debts written off	101	104
Total	101	104

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)**26 Financial Risk Management (continued)****Market Risk**

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 risks comprises three types of risk: currency risk, interest rate risk and other price risk. The objective is to manage and control market risk within acceptable parameters, while optimising the return on risk.

The entity does not have any exposure to currency risk (that fluctuation in foreign exchange currency) or any equity price risk, and Mhlathuze Water does not hold any equity investments.

Interest Rate Risk

Mhlathuze Water adopted a policy of limiting exposure to interest rate fluctuations by arranging borrowings on a fixed rate basis.

Cash and short-term investments are invested at variable and fixed interest rates with registered banking institutions.

Mhlathuze Water does not have any exposure to currency risk or any other price risk as a result of borrowings, as the entity does not hold any equity investments and foreign exchange currency borrowings.

At the reporting date, the interest rate profile for Mhlathuze' s interest-bearing financial instruments was not evidently affected negatively by Covid-19, it was as follows:

	30 Jun 2022 R'000	Restated 30 Jun 2021 R'000
Rate Instruments		
Receivables from exchange transactions - variable interest rate	121 932	106 768
Bank and cash - variable interest rate	569 365	205 229
Bank and cash - fixed interest rate	145 113	323 902
	836 410	635 899
Financial Liabilities		
Interest bearing borrowing - fixed interest rate	(36 521)	(46 956)
	(36 521)	(46 956)

27 Segment Information**General Information****Identification of Segments**

Information reported about the segments is used by management as a basis for evaluating the segments' performances and for making decisions about the allocation of resources. The disclosure for information about these segments is also considered appropriate for external reporting purposes.

Mhlathuze Water has two reportable segments:

(i) The primary activities segment as defined by section 29 of the Water Services Act No. 108 of 1997 which are made up of:

(a) Bulk Water

This activity covers the bulk supply of raw, clarified and treated water to domestic and industrial customers.

Revenue generated based on volumes sold/supplied has been reflected under this segment.

(b) Waste Water

(i) This activity covers buoyant and dense effluent disposal under contract to industries and the Municipality in the Richards Bay area from plants owned by Mhlathuze Water.

(ii) The other segment activities as defined by section 30 of the Water Services Act No. 108 of 1997. This business segment consists of non-regulated activities which are mainly defined as services that complement bulk water service provision such as water quality monitoring, environmental management, laboratory services and where Mhlathuze Water acts as an implementing agent for projects related to water service delivery.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

27 Segment Information (continued)

Segment Surplus or Deficit, Assets and Liabilities

	Primary Activities		Secondary Activities			TOTAL
	Bulk Water	Waste Water	TG Scheme O & M	City of uMhlatuze O & M	Other Activities	
Volumes ('000 m³)	43 887	67 661				111 548
Raw water	3 969					3 969
Clarified water	5 082					5 082
Purified water	34 836					34 836
Dense waste water		10 950				10 950
Buoyant waste water		56 711				56 711
The Segmental report is as follows	R'000	R'000	R'000	R'000	R'000	R'000
Revenue from exchange transactions						
Sale of goods and services	369 651	218 673	28 574	-	26 191	643 089
Cost of Sales	(162 266)	(43 634)	(16 129)	(0)	(5 718)	(227 747)
Bulk purchases	(56 631)	-	-	-	-	(56 631)
Electricity and water	(37 479)	(25 745)	(13 169)	-	-	(76 393)
Chemicals	(19 471)	-	(0)	(0)	(649)	(20 119)
Employee related costs	(11 635)	(3 898)	(2 960)	-	(5 069)	(23 563)
Depreciation	(37 050)	(13 991)	-	-	-	(51 041)
Gross Profit	207 385	175 039	12 444	0	20 475	415 342
Other income	10 721	16 607	7	-	-	27 335
Expenditure	(153 496)	(103 632)	(12 452)	(0)	(10 089)	(279 667)
Employee related costs	(90 048)	(52 637)	-	-	-	(142 685)
Remuneration of board members	(3 617)	(2 116)	-	-	-	(5 733)
Depreciation and amortisation	(4 190)	(2 766)	-	-	-	(6 956)
Impairment of Assets	(11 246)	(6 618)	-	-	-	(17 864)
Finance costs	(3 354)	(2 093)	-	-	-	(5 447)
Lease rentals on operating lease	(307)	(1 993)	-	-	-	(2 300)
Debt impairment	(63)	(37)	-	-	-	(101)
Repairs and maintenance	(6 654)	(13 569)	(5 733)	(0)	(3 316)	(29 272)
Electricity and water	(1 583)	(929)	-	-	-	(2 512)
Chemicals	(91)	(80)	-	-	-	(171)
Other expenses	(32 343)	(20 791)	(6 719)	-	(6 774)	(66 626)
Operating surplus	64 610	88 014	-	(0)	10 385	163 010
Profit or Loss on disposal of assets	(5 835)	(194)	-	-	-	(6 030)
Surplus for the year	58 774	87 820	-	(0)	10 385	156 980
Assets						
Segment assets	908 828	238 330	-	-	51 836	1 198 993
Centralised services						834 536
Total assets as per statement of financial position						2 033 529
Liabilities						
Segment liabilities	92 241	5 347	-	-	23 646	121 233
Centralised services						310 861
Total liabilities as per statement of financial position						432 094
Other information						
Capital expenditure	133 051	5 639	-	-	-	138 690
Centralised services						39 242
						177 932

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

27 Segment information (continued)

	Primary Activities		Secondary Activities			TOTAL
	Bulk Water	Waste Water	TG Scheme O & M	City of uMhlathuze O & M	Other Activities	
Volumes ('000 m ³)	58 394	67 382				125 776
Raw water	16 121					16 121
Clarified water	4 950					4 950
Purified water	37 323					37 323
Dense waste water		10 950				10 950
Buoyant waste water		56 432				56 432
The Segmental report is as follows	R'000	R'000	R'000	R'000	R'000	R'000
Revenue from Exchange Transactions						
Sale of goods and services	362 005	198 783	57 965	373	24 388	643 514
Cost of Sales	(176 158)	(41 492)	(28 463)	(77)	(4 707)	(250 898)
Bulk purchases	(76 514)	-	-	-	-	(76 514)
Electricity and water	(30 838)	(23 169)	(25 443)	-	-	(79 449)
Chemicals	(17 827)	-	(12)	(77)	(449)	(18 365)
Employee related costs	(12 172)	(3 377)	(3 009)	-	(4 258)	(22 816)
Depreciation	(38 807)	(14 946)	-	-	-	(53 754)
Gross Profit	185 847	157 291	29 502	295	19 681	392 616
Other income	3 828	14 925	7	-	-	18 761
Expenditure	(148 761)	(103 352)	(29 510)	(241)	(10 709)	(292 571)
Employee related costs	(70 975)	(40 635)	-	-	-	(111 610)
Remuneration of board members	(2 847)	(1 495)	-	-	-	(4 342)
Depreciation and amortisation	(3 814)	(2 517)	-	-	-	(6 331)
Impairment of Assets	(775)	(3 484)	-	-	-	(4 260)
Finance costs	(3 975)	(2 490)	-	-	-	(6 465)
Lease rentals on operating lease	(896)	(2 608)	-	-	-	(3 504)
Debt impairment	(66)	(39)	-	-	-	(104)
Repairs and maintenance	(9 043)	(15 412)	(22 706)	(165)	(3 347)	(50 672)
Electricity and water	(2 431)	(1 423)	-	-	-	(3 854)
Chemicals	(51)	(41)	-	-	-	(92)
Other expenses	(53 888)	(33 207)	(6 804)	(76)	(7 362)	(101 337)
Operating surplus	40 913	68 862	-	54	8 973	118 804
Profit/(loss) on disposal of assets	(3 655)	(216)	-	-	-	(3 870)
Surplus for the year	37 258	68 646	-	54	8 973	114 935
Assets						
Segment assets	807 689	244 860	-	-	16 743	1 069 293
Centralised services						674 416
Total Assets as per Statement of Financial Position						1 743 709
Liabilities						
Segment liabilities	93 844	47 913	-	-	11 753	153 510
Centralised services						145 745
Total Liabilities as per Statement of Financial Position						299 255
Other Information						
Capital expenditure	21 310	2 952	-	-	-	24 262
Centralised services						46 660
						70 922

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

		30 Jun 2022	Audited 30 Jun 2021
		R'000	R'000
28 Statutory Information in terms of the Public Finance Management Act No. 1 of 1999 as amended			
28.1 Irregular Expenditure			
Opening balance		249 618	234 877
Add: Irregular expenditure emanating from Prior Years	28.2	3 071	25 860
Add: New irregular expenditure	28.3	23 543	23 597
Less: Amounts removed	28.4	-	(31 805)
Less: Amounts condoned	28.5	-	(2 911)
Closing balance		276 232	249 618
An application to the value of R37.4 million has been submitted to National Treasury for condonation. A response is still pending.			
28.2 Details of Irregular Expenditure emanating from prior years			
Incidents			
Irregular expenditure as a result of not adhering to the Delegation of Authority Policy, SCM Policy and/or Preferential Procurement Regulations-2017		-	2 468
Irregular expenditure occurred as a result of expenditure non-compliance with section 51(1)(a)(iii), which relates to the five pillars of procurement.		3 071	23 392
		3 071	25 860
28.3 Details of New Irregular Expenditure			
Incidents			
Irregular expenditure as a result of not adhering to the Delegation of Authority Policy, SCM Policy and/or Preferential Procurement Regulations-2017		99	5 198
Irregular expenditure relates to expired contract that was not extended as per SCM policy.		56	
Irregular expenditure relates to advanced payments that were made to suppliers, not in accordance with Section 31.1.2 (c) of National Treasury Regulations issued in terms of PFMA.		11 362	
Irregular expenditure occurred as a result of expenditure non-compliance with section 51(1)(a)(iii), which relates to the five pillars of procurement.		-	17 246
Irregular Expenditure relates to transactions where SCM Process did not adhere to Prevention and Combating of Corrupt Activities Act 12 of 2004.		12 026	
Irregular expenditure as a result of not adhering to National Treasury Instruction Note 3 of 2016/17		-	1 153
		23 543	23 597

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

	30 Jun 2022	Audited 30 Jun 2021
	R'000	R'000
28.4 Details of Irregular Expenditure Removed Incident		
Irregular Expenditure relating to non-compliance to SCM prescripts subsequently been removed.	-	31 805
Removed by : Board	-	31 805
28.5 Details of Irregular Expenditure Condoned Incident		
Irregular Expenditure relating to bids not advertised for the prescribed period of twenty-one (21) days and variation order not approved and has subsequently been condoned by National Treasury.	-	2 911
Condoned by : National Treasury	-	2 911

**28.6 Information required by the Public Finance Management Act
Matters under assessment and determination**

Various matters from prior years and current year are under assessment and determination processes. These irregular expenditure matters include the following:

- non-compliance to SCM prescripts;
- various non-compliance with section 51(1)(a)(iii) of PFMA and related Acts;
- non-compliance with national treasury regulations;
- non-adhering to the Delegation of Authority Policy, SCM Policy and/or Preferential Procurement Regulations-2017; and others

Relevant disclosure will be made in a subsequent financial year should any losses or expenditure incurred prove to be fruitless and wasteful or due to criminal conduct. These amounts are included in the irregular note.

Matters under investigation

Various matters from prior years and current year are under internal and external investigations. The investigations are being conducted into alleged fraud by current, former and suspended employees as well as external parties such as suppliers. Matters under investigation are at various progress stages in terms of investigation, these amounts are included in the irregular expenditure note.

Criminal conduct and cases

Accounting Authority has instituted investigations on reported irregular expenditure for prior years and current year. This process has not been fully concluded on various matters, litigation cases have been opened with the SAPS & the Hawks for the cases where there were apparent criminal intents.

Material losses caused by criminal conduct and any disciplinary, civil or criminal actions are being recovered where possible.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

28.7 Fruitless and Wasteful Expenditure

	30 Jun 2022 R'000	Audited 30 Jun 2021 R'000
Opening balance	28 596	27 476
Add: Fruitless and Wasteful expenditure - current year	28.7 20 578	1 187
Less: Amounts written off	-	-
Less: Amount recovered	28.8 (17)	(67)
	<u>49 157</u>	<u>28 596</u>

28.8 Details Fruitless and Wasteful expenditure

Incident

Fruitless and wasteful expenditure of a payment made to a supplier as per High Court's judgment to award the supplier the claimed principal amount and the interest thereof for the time value of money. The invoice was disputed by Department of Water and Sanitation and therefore Mhlathuze Water as an agent who contracted the supplier was then held liable. This invoice relates to prior financial years, (2015) and it was disclosed as a contingent liability in the prior years' Annual Financial Statements.	-	794
Fruitless and wasteful expenditure occurred as a result of a payment made to an incorrect party. The payment is under investigation for possible recovery of the amount paid.	-	22
Fruitless and wasteful expenditure of a payment made to a supplier as per Arbitrator's judgment to award the supplier the claimed principal amount and the interest thereof for the time value of money. The invoice was disputed by Department of Water and Sanitation in 2018 and therefore Mhlathuze Water as an agent who contracted the supplier was then held liable.	-	347
Fruitless and wasteful expenditure relating to an equipment that was purchased in prior financial years and was never used for its intended use until it was discovered in the financial year ended 30 June 2021. The equipment is not technological compatible with the current lab system of MW which will render it not useful and then deem it as its historic cost to acquire wasteful.	-	24
Former employees were dismissed by MW. The matters were referred to Labour court and CCMA. Both matters were awarded in favour of the employees. The court dismissed the review application and ordered that the former employee be remunerated with full back pay while in the second case the CCMA concluded the matter with arbitration and settlement. Fruitless expenditure relates to an accrual for salary back pay.	6 899	-
Fruitless and Wasteful expenditure identified during financial year relating to goods and services were incurred, approved for payment, and paid without being confirmed to be have been rendered or delivered. Further investigation has found that there was no-value derived from some of these payments. The amount is under investigation for further determination and conclusion and then recovery process.	13 679	-
	<u>20 578</u>	<u>1 187</u>
28.9 Fruitless and Wasteful Expenditure recoveries		
Fruitless and wasteful expenditure recovered	(17)	(67)
	<u>(17)</u>	<u>(67)</u>

28.10 Fruitless and Wasteful Expenditure recoveries

Information required by the Public Finance Management Act: Fruitless & Wasteful expenditure

Matters under assessment and determination

Four matters from prior years and current year are under assessment and determination processes. These fruitless and wasteful expenditure incidents have been confirmed as fruitless and wasteful expenditure, further determination to identify facts of transactions identifies.

A total of R20,578 million relates to current year transactions for settlement of court cases with former employees and payments made to suppliers without value of goods and services being confirmed to have been rendered or delivered, refer to Note 28.8 above for details.

A total of R1,464 million relates to prior year transactions of interest on late payments as a results of court cases concluded

Relevant disclosure will be made in a subsequent financial year should any losses or expenditure incurred prove to be fruitless and wasteful or due to criminal conduct. These amounts are included in the fruitless and wasteful expenditure note above.

Matters under investigation

Four matters from prior years and current year are under internal and external investigations. The investigations are being conducted into alleged fraud by current, former and suspended employees as well as external parties such as suppliers. Matters under investigation are at various progress stages in terms of investigation, these amounts are included in the irregular, fruitless and wasteful expenditure notes.

A total of R2,181 million fruitless and wasteful expenditure was incurred in the prior years and it relates to expenditure that was incurred in vein for projects costs that were outside scope of work approved and poor quality.

Concluded Investigation

Twenty-two matters from prior years and current year have been investigated and recommended for recovery.

A total of R24,900 million fruitless and wasteful expenditure was incurred in the prior years and it relates to expenditure that was incurred in vein for following incidents:

- Interest on late payments,
- Expenditure that was incurred in vein for projects costs that were outside scope of work approved,
- Payments made for no work done.

Twenty-one of the investigated matters were recommended for recovery and disciplinary processes.

Criminal conduct and cases

Accounting Authority has instituted investigations on reported fruitless and wasteful expenditure for prior years and current year. This process has not been fully concluded on many matters, litigation cases have been opened with the SAPS & the Hawks for the cases where there were apparent criminal intents. Material losses caused by criminal conduct and any disciplinary, civil or criminal actions are being recovered where possible.

The total amount that has been referred to criminal proceedings is R16,603 millions from three matters.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

	30 Jun 2022 R'000	Restated 30 Jun 2021 R'000
29 Adjustments from prior period errors and changes in accounting policies and estimates		
29.1 Account receivable: Adjustment of revenue accrual		
Prior year adjustment of account receivables and revenue from an under billing of one of Bulk Water customer.		
Accounts Receivables - Primary Activities		1 091
2020/21 Audited Financial Statement	-	99 061
Trade receivables - Primary activities	-	99 061
2020/21 Restated Financial Statement, refer to Note 3	-	100 152
29.2 Accruals: Adjustment of expenditure accruals		
Prior year adjustment of accruals and provisions made based on estimates but actuals were different.		
Accruals - Primary Activities		432
2020/21 Audited Financial Statement	-	119 044
2020/21 Restated Financial Statement, refer to Note 7	-	118 612
29.3 Property, plant and equipment: Electrical Supply & Plant and Machinery		
An asset was procured and available for use in FY2022/21, however it was incorrectly expensed during 2021/2022 financial year, resulting in prior period error.		
An asset was purchased, installed and incorrectly expensed during 2020/2021 financial year, resulting in prior period error during the current financial year.		
Plant and Machinery		1 171
2020/21 Audited Financial Statement	-	119 573
2020/21 Restated Financial Statement, refer to Note 5	-	120 744
Retained Earnings	-	10
Accumulated Depreciation	-	10
Electrical Supply		50
2020/21 Audited Financial Statement	-	62 776
2020/21 Restated Financial Statement, refer to Note 5	-	62 826
Retained Earnings	-	30
Accumulated Depreciation	-	30
Total PPE adjustment		1 221
Total Adjustments to prior period through accumulated surplus	-	2 744
29.4 Cash Flow Statement		
The impact of prior period errors/adjustments is summarised below and the details are as follows:		
Increase/ (Decrease) in assets	-	2 312
(Increase) /Decrease in liabilities	-	432
Increase/(Decrease) in accumulated surplus:	-	2 744
(Increase)/Decrease in revenue	-	(1 091)
Increase/(Decrease) in expense	-	(1 573)
Total Adjustments to retained earnings	-	-
29.5 Change in estimate: Property, Plant and Equipment and Intangible assets		
Useful lives of assets were re-assessed during the financial year-ended 30 June 2022, the changes in the accounting estimates resulted to the following impact on depreciation for the current year and for the future periods:		
Decrease in depreciation and amortisation - current year	(1 201)	
Decrease in depreciation and amortisation - periods after current year	1 201	
29.6 Capital Commitments		
Prior year adjustment for an error on capital commitments. During the FY2020/21 the capital commitments were understated.		12 423
2020/21 Audited Capital commitments		99 063
2020/21 Restated Capital commitments		111 486

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

	30 Jun 2022 R'000	Restated 30 Jun 2021 R'000
30 Commitments		
Authorised Capital Expenditure		
Already contracted for but not provided for		
- Buildings and civils	963	3 050
- Plant and Machinery	199 256	11 712
- Industrial Electronics	2 586	-
- Pipelines	2 078	66 075
- Motor vehicles	204	4 443
- Electrical Supply	507	6 332
- Computer software	18 486	19 874
	224 080	111 486
This committed expenditure relates to Capital Expenditure and will be financed by available bank facilities, retained surpluses and existing cash resources.		
Total Commitments		
Authorised capital expenditure	224 080	111 486
	224 080	111 486
31 Contingent Assets		
Penalties on Construction Contracts*		
- Reservoir no. 2	-	1 071
Provident Fund Claim **	1 620	1 540
Mhlathuze Water/L.B Mjadu ***	29	29
Water Purification Chemical & Plant CC (WPCP) ****	-	3 192
Steffannuti stocks*****	4 123	-
Various suppliers and certain officials *****	61 954	-
	67 726	5 832

* Penalties due to MW on construction contracts.

**Mhlathuze Water is involved in litigation against employees who are no longer in the employ of the organisation.

An interdict against the release of the said employees provident fund was successfully granted by the High Court.

*** Mhlathuze Water was involved in a case in which a ruling was against the Applicant who was ordered to pay legal cost in favour of Mhlathuze Water. An execution order relating to assets to be attached is underway,

the matter has been referred to legal representative of MW for further action.

**** Mhlathuze Water has filed a Notice of Intention to Enter into Principal Case and Demand for Security for Cost paid for the claim against it as per the disclosure for contingent liabilities. MW entered defense and defending papers were filed at the court on the 23 December 2020, without steps taken in prosecution and defense, the matter closed due to the initial provisional sentence.

***** Mhlathuze Water claim against the defendants for payment of a sum R2 200 000.00 as well as R1 923 489.92 as result of monies defrauded from Mhlathuze Water. The last recorded activity is where Defendant is in a process of filing its plea to the Summons. The other Defendants have not entered the fray.

***** Mhlathuze Water has filed cases against various companies and/or certain officials in pursuit of recovery of irregular, fruitless and wasteful expenditure that has been investigated. Summons has issued by the Sheriff of the High Court.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

32 Related Party Transactions

Relationships: Controlling entity and related water boards

Controlling Entity	- Department of Water and Sanitation
Water Boards	- Umgeni Water

Amounts included in Receivables from Exchange Transactions

Department of Water and Sanitation - Water Services (TG Scheme)	9 380	9 249
Department of Water and Sanitation - External and implementing	5 567	5 364
Total	14 947	14 613

Amounts included in Payables from Exchange Transactions

Department of Water and Sanitation - Water Services (TG Scheme)	9 380	9 249
Department of Water and Sanitation - External/implementing/laboratory services	173 562	110 899
Umgeni Water - Water analysis	1	13
Total	182 943	120 161

	30 Jun 2022 R'000	Audited 30 Jun 2021 R'000
Amounts included in Receivables from Exchange Transactions		
Department of Water and Sanitation - Water Services (TG Scheme)	9 380	9 249
Department of Water and Sanitation - External and implementing	5 567	5 364
Total	14 947	14 613
Amounts included in Payables from Exchange Transactions		
Department of Water and Sanitation - Water Services (TG Scheme)	9 380	9 249
Department of Water and Sanitation - External/implementing/laboratory services	173 562	110 899
Umgeni Water - Water analysis	1	13
Total	182 943	120 161

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

32 Related Party Transactions (continued)

	30 Jun 2022 R'000	Audited 30 Jun 2021 R'000
Sales of goods/services to related parties		
Department of Water and Sanitation - Operations and Maintenance (TG Scheme)	28 574	57 965
Department of Water and Sanitation - External and implementing	19	124
Total	28 593	58 089
Purchases from related parties		
Department of Water and Sanitation - Implementing/laboratory services	62 662	83 279
Department of Water and Sanitation - TG Scheme expenses	28 574	57 965
Umgeni Water - Water analysis	88	104
Total	91 324	141 348

Remuneration of Management and Board

Refer to note 18 "Board members and executives' emoluments"

Account receivables from related parties have been assessed for doubtful debts, refer to Note 26.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

33 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE YEAR ENDED 30 JUNE 2022

	Note(s)	Actual Mhlathuze Water R'000	Budget Mhlathuze Water R'000	Difference between budget and actual R'000
Statement of Financial Performance				
Volumes ('000 m3)		111 548	125 498	(13 950)
Revenue from exchange transactions				
Sale of goods and services	33.1	643 089	734 245	(91 156)
Cost of Sales				
Bulk purchases	33.3	(227 747)	(276 929)	49 182
Electricity and water	33.4	(56 631)	(62 584)	5 953
Chemicals		(76 393)	(103 000)	26 607
Employee related costs	33.5	(20 119)	(19 850)	(269)
Depreciation and amortisation		(23 563)	(37 969)	14 406
		(51 041)	(53 526)	2 485
Gross Profit				
		415 341	457 317	(41 976)
Other income	33.2	27 335	12 103	15 232
Expenditure				
Employee related costs	33.6	(279 667)	(370 369)	90 702
Remuneration of board members		(142 685)	(129 998)	(12 687)
Depreciation and amortisation		(5 733)	(7 547)	1 814
Impairment of assets	33.7	(6 956)	(7 141)	185
Finance costs		(17 864)	-	(17 864)
Lease rentals on operating lease		(5 447)	(4 636)	(811)
Debt impairment		(2 300)	(3 245)	945
Repairs and maintenance	33.8	(101)	-	(101)
Electricity and water		(29 272)	(84 157)	54 885
Chemicals		(2 512)	(1 423)	(1 089)
Other Expenses	33.9	(171)	(847)	676
Operating surplus		163 010	99 049	63 961
Profit on disposal of assets		(6 030)	-	(6 030)
Surplus for the year		156 979	99 049	57 930
Statement of Financial Position				
Assets				
Current assets				
Total current assets	33.10	862 006	291 199	570 807
Non-current assets				
Total non-current assets	33.11	1 171 523	1 475 989	(304 466)
Total assets		2 033 529	1 767 188	266 341
Liabilities				
Current liabilities				
Total current liabilities	33.12	360 372	131 457	(228 915)
Non-current liabilities				
Total non-current liabilities	33.13	71 722	164 183	92 461
Total liabilities		432 095	295 640	(136 455)
Net assets	33.14	1 601 435	1 471 548	129 887
Total net assets and liabilities		2 033 529	1 767 188	266 341
Statement of Cash Flows				
Net cash flows from operating activities	33.15	363 724	181 075	182 649
Net cash flows from investing activities	33.16	(177 217)	(365 063)	187 846
Net cash flows from financing activities	33.17	(1 160)	89 655	(90 815)
Net inflow or (outflow) in cash and cash equivalents		185 348	(94 333)	279 680

NOTES TO THE JUNE FINANCIAL STATEMENTS (continued)
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE YEAR ENDED 30 JUNE 2022 (continued)

Notes

- 33.1 **Sale of goods and services** has a negative variance of R91.2 million due to that a significant portion of the tariff is based on contracted volumes rather than consumption, thus having less impact from lower consumption. The negative variance from secondary activities is due to the operations & maintenance charges recovered from TG Scheme, this is driven by cost incurred in the project for the year ended 30 June 2022 less than budgeted for. Work on current section 30 projects is lower than budgeted due to delays in implementation of projects. One of our key customers took a major 70 days shut during the financial year, which negatively affected revenue.
- 33.2 **Other income** has a positive variance of R15.2 million this is due to more interest received from investments and deposits than budgeted as a result of planned project implementation delays, thus resulting in more cash available to invest.
- 33.3 **Bulk purchases** have a positive variance of R6.0 million, due to lower bulk volumes abstracted being less than budgeted for as one of our major customer went through a major 70 days shut and while other customer abstracted their raw water volumes from the Lake Mzingazi not Mhlathuze Water.
- 33.4 **Electricity and water (COS)** has a positive variance of R26.6 million due to less volumes abstracted, processed and sold than budgeted for and due to less pumping at the TG scheme as the plant was going through major repairs and maintenance at the beginning of the financial year.
- 33.5 **Employee related costs (COS)** have a positive variance of R14.4 million, due to vacant positions that were not filled during the financial year for employees in direct cost centers.
- 33.6 **Employee related costs** reflects a negative variance of R12.7 million, over-spending is due to implementation of Amanzi Bargaining Council's agreement on salary increases including standby allowance and shift allowance percentages that were higher than budget. Furthermore, contributing to variance is due to the settlement of former staff as a result of labour relations matters.
- 33.7 **Impairment of assets** have a negative variance of R17.9 million, impairment of assets under work-in-progress as a result of the assessment conducted at year-end. The assessment is linked to investigations conducted on cost capitalised to work-in progress which identified fruitless and wasteful expenditure. Refer to Note 28 for irregular and fruitless and wasteful expenditure for more details.
- 33.8 **Repairs and maintenance** has a positive variance of R54.9 million, due to maintenance work not executed in accordance with the maintenance plan and due to disruption caused by ERP system and by PR 2017 regulation changes that affected procurement processes.
- 33.9 **Other expenses** have a positive variance of R64.8 million due to an increase in expenditure incurred in various line items such as:
 - The insurance claims were less than budgeted due to fewer cases relating to incidents that require claims;
 - The ICT expenses incurred by Mhlathuze Water were less than expected due to projects that were put on hold and licenses that were not renewed;
 - Consulting fees – General: There were less consulting done this current financial year; and
 - The Legal expenses incurred by Mhlathuze Water were less than expected due to the termination of the legal panel.
- 33.10 **Current assets** have a positive variance of R570.8 million above budget, due to more cash and cash equivalents in the bank than what it was projected due to delays in spending for capital related expenditure. Furthermore, this is due to the increase in trade receivables under the secondary activities.
- 33.11 **Non-current assets** have a negative variance of R304.5 million below budget, this is due to delays in implementation and completion of some major capital projects. These projects includes Plant Augmentation project, Nsezi Security fence, AC mitigation, ERP system project and Pump station Generator project which has which has not yet been implemented.
- 33.12 **Current liabilities** have a negative variance of R228.8 million against budget due to an increase in accruals and payables as a result of with held payments for key suppliers of Mhlathuze Water for raw water.
- 33.13 **Non-Current liabilities** have a positive variance of R92.5 million below budget due to the repayment of interest bearing borrowings, furthermore there was no new loan agreements entered to by Mhlathuze Water as was projected.
- 33.14 **Net assets** have a positive variance of R130.0 million against budget due to positive surpluses made as well as capital projects that are budgeted for but not yet completed and capitalised.
- 33.15 **Net cash flow from operating activities** have a positive variance of R182.6 million due to less revenue realised than budgeted for as a result of decline in secondary activities contracts.
- 33.16 **Net cash flows from investing activities** have a positive variance of R187.8 million due to capital projects that were budgeted for but could not materialised due to delays in implementation of some major capital projects. These projects includes Plant Augmentation project, Nsezi Security fence, AC mitigation, ERP system project and Pump station Generator project which has which has not yet been implemented.
- 33.17 **Net cash flows from financing activities** have a negative variance of R90.8 million due to the fact that an interest bearing borrowing that was budgeted for was not acquired. The net outflow is due to current loans that were paid during the financial year.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)**34 Events After the Reporting Date**

An arbitration award was made on the 14th of September 2022 against Mhlathuze Water to settle housing allowance to employees. This is an adjusting event and details of the liability have been disclosed under Note 37.9 for Contingent Liabilities.

35 Taxation

Mhlathuze Water is exempt from taxation in terms of section 10(1)(t) (ix) read with the definition of Water Services Provider in Section 1 of the Income Tax Act, 1962 (Act No. 58 of 1962).

36 Going concern

The Department of Water and Sanitation has embarked on a programme with the aim of improving the institutional landscape in the sector and building stable and performing institutions. These institutions will assist with expanding access to not serviced areas and overall improving service delivery efficiencies and effectiveness. The intention is to enhance the functional capabilities, operational strength and readiness of the institutions to handle the challenges of the water sector service delivery.

In line with the powers vested in him in terms of the Water Services Act, the Minister of Water and Sanitation announced his intention to disestablish Mhlathuze Water Board and to establish a single Water Board in Kwazulu-Natal by incorporating it with Umgeni Water Board in the near future (2022/23 financial year). Stakeholder consultations are currently under-way.

Mhlathuze Water shall remain a legal entity and going concern up until the date of formal disestablishment by notice in the Government Gazette.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. The Board have considered and have satisfied themselves that Mhlathuze Water has adequate financial resources to continue operating for the foreseeable future and it is therefore appropriate to adopt the going concern basis in preparing the annual financial statements.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

37 Contingent Liabilities

	30 Jun 2022 R'000	Audited 30 Jun 2021 R'000
37.1 ENDECON UBUNTU/THUTSE CIVELS JOINT VENTURE		
Ref: MW/000232 On 5 February 2019 Mhlathuze Water was served with summons where Endecon Ubuntu is claiming the payment of R1.5 million together with interest calculated from 22 September 2015. This was as a result of an unpaid invoice for professional services on the Dukuduku resettlement project in terms of the agreement entered into on 18 November 2013. Mhlathuze Water appointed attorneys to defend this matter. The notice to defend was filed on 12 February 2019. The applicant filed the summary judgement application which was subsequently dismissed with costs. The matter will proceed with normal proceedings. The notice of set down is still awaited. The matter has now been partly settled, awaiting the master of court to determine the judgement on costs.	500	500
37.2 CCMA REFERRAL CASE - FINANCE		
The employee was dismissed for misconduct on 31 July 2018. The matter was referred to the CCMA on 16 August 2018 and was set down for conciliation on 04 September 2018. The parties did not reach a settlement and the matter was referred to arbitration. The matter was last heard on 28 May 2019 and 29 May 2019. The matter was awarded in favour of the employee. The employer proceeded to the Labour Court for review. The matter was heard, oral submissions were made, the presiding officer requested written submissions which were filed by both parties. The court dismissed the review application and ordered that the former employee be remunerated with full back pay. The employer lodged an application for appeal on 01 April 2021 and the employee is opposing the application and parties have to submit heads of arguments. The matter was settled out of court.	-	3 729
37.3 TACTICAL SERVICES SECURITY (TSS)		
Tactical Services Security had claimed an amount above the contracted for amount due to PSIRA increases in 2017. TSS was contracted to provide Mhlathuze Water with security services and the contract ended in 2020. Matter has been finalised and settled.	-	127
37.4 CCMA REFERRAL CASE - HEALTH AND SAFETY		
The employee was dismissed for gross financial misconduct on 4 February 2020. The matter was referred to the CCMA and the matter was set down on 02 November 2020, the parties exchanged documents and more documents were requested by employee's legal representatives. Mhlathuze Water attended to the request of the employee. The matter was set down for 05 July 2021 for the commencement of the arbitration hearing, however the matter could not proceed to allow the respondent to reply to an application for a further particulars. The respondent was directed to file its reply to the application by 08 July 2021. The matter has been finalised and settled.	-	1 364
37.5 CCMA REFERRAL CASE - OPERATIONS		
The employee was dismissed in May 2021 for misconduct. The matter was referred to the CCMA on 24 May 2021 and the matter was set down for conciliation on 01 July 2021. The parties failed to reach a settlement and the matter has to proceed to arbitration. At arbitration, the matter has been finalised and settled.	-	27
37.6 REMBU CONSTRUCTION CC (PAYMENT DISPUTE - OPERATIONS)		
Pursuant to the investigation being undertaken on possible irregularities identified in the contract agreement between Rembu and MW. MW stopped paying current and due invoices pending the investigation. Rembu has served MW with the Notice of Intention to Institute legal proceedings. The notice (demand) was served on MW in terms of section 3 of the Institution Of Legal Proceedings Against Certain Organs Of State, Act 40 Of 2002.	4 224	
37.7 CCG JV : CONTRACT PAYMENT DISPUTE		
Pursuant to the investigation being undertaken on irregularities identified in the contract agreement between CCG JV and MW, CCG JV filed an urgent application in the Maritzburg High Court with the view to stop MW from procuring the services from another entity of circumventing the contract and to stop MW circumventing / undermining the performance of the contract. MW stopped paying current and due invoices pending the investigation. CCG further asked the Court to order that MW pays all the invoices that have not been paid to date. The Court ordered that both urgent applications be adjourned / postponed indefinitely and that MW initiated the Arbitration proceedings as set out in the Contract but CCG has not yet responded thereto. The Urgent Application is set down for the 23 February 2022.	10 365	-
37.8 MHLANGA INCORPORATED (LEGAL SERVICES)		
MJ has served MW with the Notice of Intention to Institute legal proceedings (demand) over claim of unpaid invoices. The notice was served on MW in terms of section 3 of the Institution Of Legal Proceedings Against Certain Organs Of State, Act 40 Of 2002. The investigation being undertaken on possible irregularities or allegations identified in the contract agreement between Rembu and MW.	2 270	-
37.9 HOUSING ALLOWANCE ARBITRATION		
SANWU lodged a dispute on the matter of Mhlathuze Water not implementing the housing allowance as per the ASC 2021/2022 salary settlement agreement. As at 30 June 2022, there was an on-going arbitration between Mhlathuze Water and SANWU on the behalf of employees of Mhlathuze Water. Mhlathuze Water did not implement the payment of housing allowances based on its salary structure being all inclusive of company contributions and benefits. The matter went for arbitration which was to be held on 14th September 2022.	2 434	-
	19 793	5 747

38 Broad Based Black Economic Empowerment Performance (B-BBEE)

Information on compliance with the B-BBEE Act is included in the annual report under the section titled B-BBEE Compliance Performance Information.

39 Reporting Of Expansions And Variations Of Contracts

In compliance with the SCM Instruction Note 3 of 2021/2022 "Enhancing Compliance, Transparency and Accountability in SCM, the transaction below was a variation approved which exceeded the 15% of the original contract value.

No	Project Description	Name of Supplier	Contract Number	Reason for expansion or variation of contract	Original contract value	Value of contract expansion or variation of contract	Value of previous contract expansion or variation of contract	Award Date	Contract start date	Contract expiry
1	Provision of General Cleaning Services	Zilobe Cleaning Services	35535-1	Bid process was not finalized, the existing contract had to be extended	R372,037.74	R124,012.58	0	31 May 22	01 Jun 22	30 Jun 22



Broad-Based Black Economic Empowerment Certificate

Issued to:

Mhlathuze Water Board


LEVEL 8 CONTRIBUTOR

Measured Entity:

Trade Name Mhlathuze Water
 Address Corner of South Central , Arterial & Battery Bank, Alton, Richards Bay, 3900
 Registration Number N/A
 Vat Number 4230103352
 Certificate Number 5S9552-R1-180822

Issued in accordance with the DTI Generic Code - Gazette Number 38766- Date 6 May 2015

Element	Actual Score	Target Score	BBBEE Status	
Ownership			Procurement Recognition Level	10.00%
Management Control	15.04	20	Black Ownership	0.00%
Skills Development	17.38	25	Black Female Ownership	0.00%
Enterprise and Supplier Development	30.57	50	Applicable Scorecard	Generic
Socio-Economic Development	5.00	5	Issued Date	30 June 2022
Total	67.99	100	Re- Issue Date	18 August 2022
			Expiry Date	29 June 2023
Modified Flow Through applied	No		Measurement Period – Start date	01 July 2020
Exclusion principle used	No		Measurement Period – End date	30 June 2021
Black Designated Group Ownership		0.00%	Level Prior to Discounting	Level 7
Black Youth percentage		0.00%	Discounting applied	Yes
Black Disabled percentage		0.00%	Level After Discounting	Level 8
Black Unemployed percentage		0.00%	YES Initiative Implemented	No
Black People living in Rural areas percentage		0.00%	Achieve Y.E.S Target and 2.5% Absorption	No
Black Military Veterans percentage		0.00%	Achieve 1.5 x Y.E.S Target and 5% Absorption	No
Black New Entrant		0.00%	Achieve Double Y.E.S Target and 5% Absorption	No
Unmodified Black Ownership		0.00%	Final BEE Level	Level 8


 Technical Signatory
 Linda Sewnarain



BVA 187

5 Star BEE Compliance
 Reg: 2015/190734/07
 Tel: 0827743090, Fax: 086 618 6811
 Managing Director: Linda Sewnarain
 Email: lindase@telkomsa.net



Corner South Central Arterial and Battery Bank
Alton Industrial Area
Richards Bay
Tel: +27 (0) 35 902 1000
Fax: +27 (0) 35 902 1111

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MHLATHUZE WATER ANNUAL REPORT 2017/2018

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