

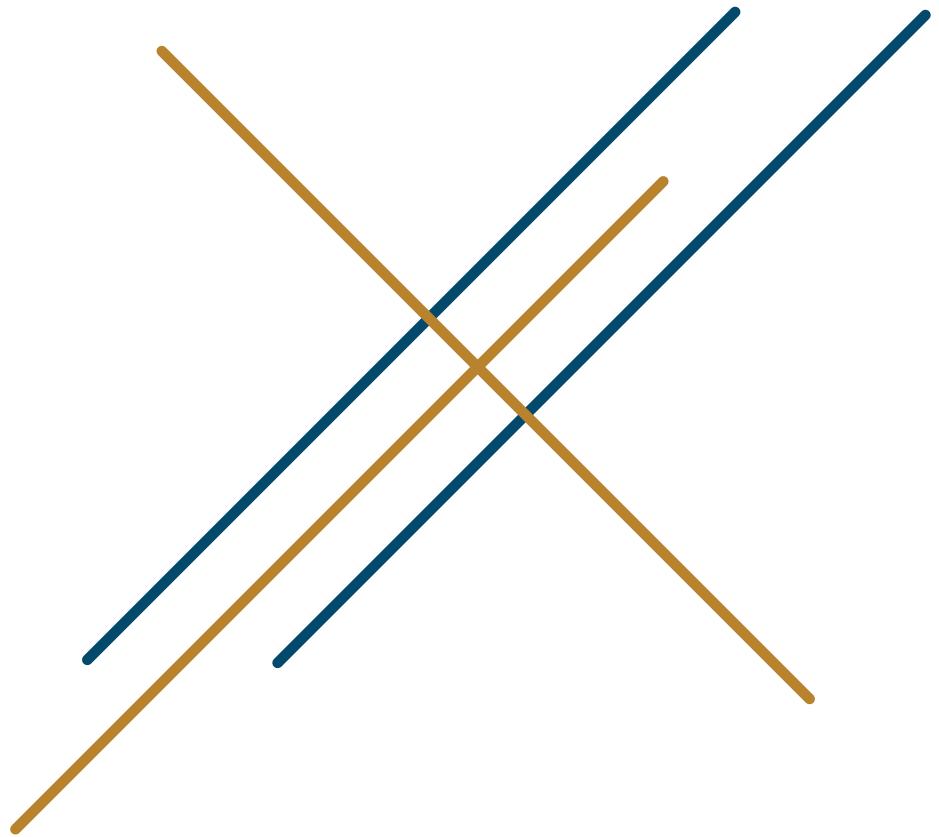


BUSINESS PLAN

2023/24 - 2027/28

BUSINESS PLAN

2023/24 - 2027/28



ABBREVIATIONS

AC	Audit Committee
ACIP	Accelerated Community Infrastructure Programme
AGSA/AG	Auditor-General South Africa
AMCOW	African Minister 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
CoGTA	Cooperative Governance and Traditional Affairs
COO	Chief Operations Officer
COVID-19	the coronal flu virus declared an international pandemic by the World Health Organisation in 2019
CoU	City of uMhlathuze 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
Minister	Minister of Human Settlements, Water and Sanitation
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
SC	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
VRIO	V-valuable R-rare I-imitate (costly to imitate) and O-organized
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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FOREWORD BY THE CHAIRPERSON OF THE BOARD

Ms THABI SHANGE

Message from the Board Chairperson

This report comes at a time when Mhlathuze Water finds itself at the cusp of an exciting era of transformation that holds promise of radically improving bulk water delivery in the province of KwaZulu-Natal. In a bid to fast track the provision of water and create forward looking entities that thrive on professionalism, sustainability and sound governance principles, the Minister of Water and Sanitation, Honourable Senzo Mchunu has issued the unequivocal edict that water boards will have to leverage on their expertise and align their boundaries more closely, thereby creating complementary rather than competing partnerships. It was with this bold vision in mind that Minister Mchunu announced the extension of the boundary of Umgeni Water to include Mhlathuze Water to form a single water board in KwaZulu-Natal.

It is this Board that will, ultimately, carry forward the aspirations of the millions of people of KwaZulu-Natal of accessing improved water and sanitation services. In its future plans, which will no doubt be taken into cognisance once the new Water Board comes into operation, Mhlathuze Water continues to be guided by the Millennium Development Goals and the National Development Plan, which both cite an improved and sustained supply of safe drinking water and basic sanitation as critical ingredients and catalysts for socio-economic development.

This is particularly true for a province like ours which is characterised by a largely rural geography KwaZulu-Natal where water infrastructure is either dilapidated or non-existent. This places into sharp focus the need for collaborative partnerships between the various levers of state charged with the delivery of water to communities; these being Water Boards and municipalities in particular. For us to achieve this noble ideal, we need to ensure that we are bonded by the

common vision of putting aside all illusions of working for personal gain or aspirations of being heralded as corporate heroes and instead focus solely on the greater societal good that comes with accessing safe drinking water.

Stakeholder involvement for improved water delivery

Our operations have always hinged on the cultivation of mutually beneficial relationships with all stakeholders in the value chain. Within the context of broadening access to water as a catalyst for socio-economic development, Mhlathuze Water intends forging closer ties with those municipalities within which it has a footprint in order to hasten its water infrastructure plans. This is a stance strongly advocated for by Honourable Minister Senzo Mchunu who in his 2023 budget speech to parliament outlined the urgent need for water boards to assist municipalities overcome their water and sanitation challenges.

Already, at the behest of Minister Mchunu, Mhlathuze Water is forging full steam ahead with assisting the UMkhanyakude District Municipality with a water infrastructure upgrade programme in that District. This R550 million project which is being implemented over a four year period has already started to bring about relief to entire communities that have for the longest time been without access to water. Throughout the implementation of this partnership, we plan to continue working closely with municipal and traditional leadership in the District in order to truly understand and respond to the concerns of our stakeholders.

Critically, and understanding the dire skills shortage within municipalities, particularly in engineering vocations, Mhlathuze Water plans to ensure that skills transfer occurs through the implementation of the uMkhanyakude water infrastructure directive. We

therefore see ourselves playing a complimentary role to our government's efforts of uplifting the previously marginalised, being Black South Africans in general and women and the youth in particular. Already, through our learnerships, bursaries and internship programmes which target exclusively youths from rural and peri-urban settings, we have begun to empower young people acquire qualifications and experience in scarce and critical such as engineering among other disciplines.

Governance and Leadership

It is an indubitable fact that our government institutions have seen a gradual decline in the adherence to ethical leadership principles. This leadership malaise has, unfortunately, resulted in an overall erosion of good governance and a rise in corruption. As could be expected, these circumstances have created an environment that is unfavourable to the development agenda, resulting in our country being increasingly characterised as one where corruption is pervasive.

Mindful of the need to address this urgent national crisis, and guided by the immortal words of the American Writer Harold Rosenberg, who poignantly remarks that: ***"The people of an era must either carry the burden of change assigned to their time or die under its weight in the wilderness,"*** the leadership of Mhlathuze Water, at both management and Board levels, has been instructed to turn the tide against the spectre maladministration in all its guises. Relying upon the King IV principles on good corporate governance as our lodestar, we have set the bar very high in terms of ensuring accountability, ethical leadership and an overall adherence to the prescripts of good governance.

In our quest to root out corruption from the organisation, we have taken immediate and stringent actions against those whose actions were surrounded by even a whiff of impropriety. The gains of this stance have either been expulsions, suspensions or resignations from those implicated. Furthermore, we also instituted civil and criminal proceedings where the outcomes of our investigations demanded such. Looking ahead, and buoyed by the pronouncements by the President of the Republic, His Excellency Cyril Ramaphosa that ***"corruption is a betrayal of our democracy and an assault on the institutions that we established together to advance***


the values of our Constitution and the interests of our people," Mhlathuze Water will continue to deploy its stringent policies and procedures as a bulwark against those intent on redirecting public funds and resources for their dishonourable goals of self-enrichment.

Progress towards a water secure KwaZulu-Natal

As the term of office of the current Board of Mhlathuze Water comes to an end, and as the province heralds a single water utility, our goal is to ensure that we leave in place systems that will make the process of delivering bulk water to communities more seamless. In this regard, we have instructed the management of Mhlathuze Water to forge full steam ahead with those projects geared towards achieving greater access to clean drinking water.

These include the multi-million rand expansion to the Nsezi plant which, once complete, will guarantee future water security for municipalities and industries; upgrades to the Tugela-Goedetrouw dam inter basin transfer scheme to double the bulk transfer capacity as well as the completion of feasibility studies for raising the Goedetrouw dam wall, the construction of an earth dam on the Nseleni River, as well as the construction of a mega coastal pipeline to transfer water from the Tugela River to Richards Bay.

In all of the cited instances, our strategic goal has been to mobilize the required financial resources, strengthen institutional capacity and, mostly importantly, ensure strong adherence to sound governance prescripts in the execution of these projects. Therefore, in handing over the baton to the soon to be established single water board for KwaZulu-Natal, and while we are under no illusions about the massive task of resolving our province's water challenges, we remain confident that under the able stewardship and support of Honourable Minister Senzo Mchunu, this undertaking is not a bridge too far.



Ms TA Shange

Chairperson: Mhlathuze Water



FOREWORD BY THE ACTING CHIEF EXECUTIVE

Mr SWASWA NTLHORO

We present this annual Business Plan as an update of Mhlathuze Water's strategic intent over the medium to long term as required of us by the Water Services Act. It serves as a guiding document that provides an outline of our priorities over the coming years, and those actions that we must necessarily take in pursuit of these stated goals. Our designation as a Schedule 3B national government business entity in terms of the Public Finance Management Act (PFMA), Act 1 of 1999, means that we are accountable to the Minister of Water and Sanitation, Honourable Senzo Mchunu as well as the Parliament of the Republic of South Africa.

Therefore, it remains the responsibility of the Board of Mhlathuze Water to ensure that, at a strategic level, it provides sufficient oversight and direction so that the operations and plans of this entity are reflective of the priorities set out by the Department of Water and Sanitation. Our country has placed strong emphasis on forward planning and the effective management and use of water resources to address past societal imbalances, including a skewed water infrastructure provision as well as the sustenance and growth of the economy.

This is a task that has to be undertaken against a backdrop of unpredictable rainfall distribution patterns as well as rapidly deteriorating infrastructure. These twin variables render the availability of water a moving target which must be closely managed. This means that, at the same time as planning for water infrastructure upgrades to meet industrial and household demands, Mhlathuze Water must remain alive to the need to explore alternate water sources. This Business Plan is thus designed to share Mhlathuze Water's vision for a water secure future, including proactively identifying alternate water resources to offset the rapidly growing demand for freshwater. To this extent, and working collaboratively with the Department of Water and Sanitation and all interested and affected

stakeholders, we have already made some progress towards implementing the recommendations of the Richards Bay Reconciliation Study.

Relying on current and future growth scenarios for the greater Richards Bay region, this study proposes a number of interventions to be undertaken until 2045 in support of sustainable development.

Investing in a water secure future

We have in earnest begun driving the implementation of catalytic projects identified in the Richards Bay Reconciliation study. A critical starting point is the development of a Bulk Water Resource Master Plan.

The Plan responds to the priorities set out in the National Development Plan (NDP), the National Water Act and the Sustainable Development Goals by approaching water provision in a holistic manner. Therefore, our goal is to deliver a bulk water model that includes the King Cetshwayo, Zululand and UMkhanyakude District Municipalities. In pursuit of this goal, the Board of Mhlathuze Water has already approved a prefeasibility study for the proposed abstraction and associated infrastructure from the UThukela River in Mandeni.

This would enable Mhlathuze Water to abstract an additional 47.3million m³/annum Water as per the conditions of its Water Use License which was awarded back in 2005. This would significantly bolster our ability to supply both industrial and municipal stakeholders with raw and potable water. Furthermore, this intervention would enable us to meet future demand by adding a second raw water source to the supply of the existing and potential new customers.

Our suite of interventions for a water secure future also include a pre-feasibility study for the desalination of sea water. Our strategic placement along the coast

of the Indian Ocean means that, provided we devote sufficient research and resources, we can augment conventional water sources with desalinated water derived from the ocean. Through this approach, sea water would be fed via a marine intake to a site close to the Alkanstrand pump station, where the proposed Desalination Plant would be situated.

Infrastructure upgrades for water security and effective waste management

Mindful of the added demands that will be placed on our operations by the anticipated growth in demand for water and related services in the foreseeable future, Mhlathuze Water has made provision for the rejuvenation and upgrade of its critical water infrastructure. These activities include the expansion of the Nsezi Water Treatment Plant from its current 205 mega litres a day to 260 mega litres. The overall approved budget for this undertaking is R457 469 939.

Accepting the unambiguous link that exists between effective water and waste water management and an improvement in economic development efforts, Mhlathuze Water has embarked on a process of upscaling its waste management capabilities. Our plans include upgrading the Alkanstrand waste water disposal pump station which is the heart of effluent disposal for both our industry and municipal waste. Improvements to this plant include upgrades to the dense effluent pipelines as well as upgrades to mechanical and electrical instrumentations to ensure maximum operations on all our pipelines.

Acting upon a directive issued to us in 2022 by the Minister of Water and Sanitation, Honourable Senzo Mchunu, to resolve the water crisis in the uMkhanyakude District, the Board of Mhlathuze Water has already approved bridge funding to start to execute this project. While some ground has already been covered in terms of resuscitating redundant water schemes into operation in the uMkhanyakude District, our future plans include submitting a Water Services Infrastructure Grant Business Plan for approval by the Department of Water and Sanitation. This will allow us to move ahead with greater speed in our efforts to revive water infrastructure and offer assistance and support to assist the uMkhanyakude District restore its operations and maintenance activities.

Environmental Sustainability for water security

Our waste water disposal operations are closely monitored by the Department of Environmental Affairs, Forestry and Fisheries to ensure compliance with environmental laws. Our commitment to the

environment has led to us developing and 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.

As the holders of a coastal discharge permit which governs our waste disposal activities, Mhlathuze Water has devised a financial penalties system to serve as a deterrent to waste contributors who do not comply with our stringent water quality requirements. Looking ahead, the organisation also launched research in the treatment of effluent in order to further reduce the impact of the effluent discharged into the ocean.

In all our actions to accelerate the delivery of water, we remain mindful of the need to maintain frugal spending, in a manner that, as outlined by His Excellency President Cyril Ramaphosa in the 2023 State of the Nation Address, will bring about a reliable supply of water and also directly contribute to economic growth and job creation.

We are doubtless that with the right policies in place, our prospects look bright and fit in securely with our government's stated objectives of accelerating growth and overcoming the prevailing economic and social inequality in our country.

As the management and employees of Mhlathuze Water, we will continue to support the Board to continually provide strategic direction to the organisation. We are doubtless that, with the right support in place, we are poised to play a central role in being enablers for investment and job creation in the province of KwaZulu-Natal.



Mr Swaswa Ntlhoro
Acting Chief Executive



OFFICIAL SIGN-OFF

It is hereby certified that this Business Plan was developed by the management of Mhlathuze Water, a Schedule 3B Public Entity in terms of the Public Finance Management Act 1 of 1999. The Business Plan takes into account all relevant policies, legislation and other mandates and accurately reflects the strategic objectives and outputs which Mhlathuze Water will endeavour to achieve during the fiscal period 2023/2024-2027/2028.

Recommended for approval by:



Strategic Development Manager
Mr S Botha



Interim Chief Financial Officer
Ms P Magagula



Acting Chief Executive
Mr S Ntlhoro

Approved by:



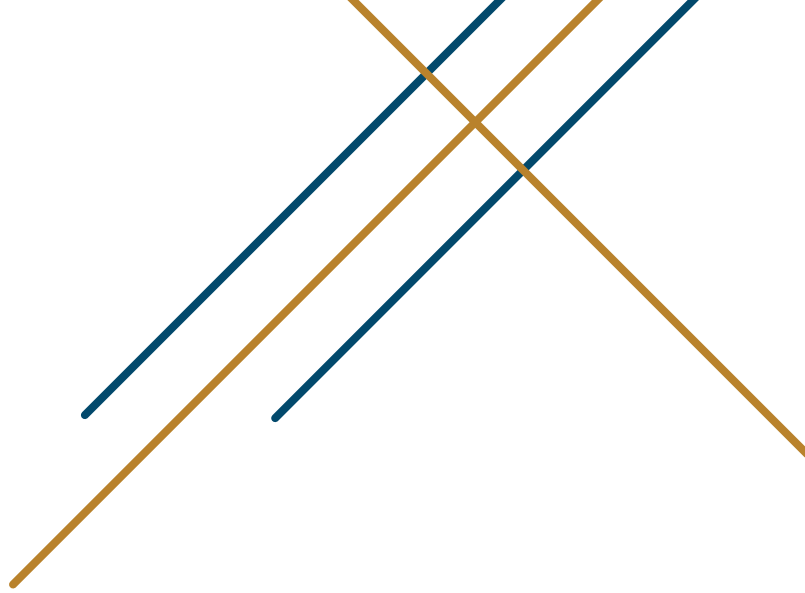
Chairperson of the Board
Ms T Shange

1. INTRODUCTION
2. VISION, MISSION, VALUES AND CRITICAL SUCCESS FACTORS
3. LEGISLATIVE AND OTHER MANDATES
4. CORPORATE GOVERNANCE

SECTION



STRATEGIC OVERVIEW



1. INTRODUCTION

The Board and entity of Mhlathuze Water is a state-owned entity established by the Minister under Chapter 6 of the Water Services Act (108 of 1997). It is further classified as a Schedule 3B National Government Business Enterprise in terms of the Public Finance Management Act (1 of 1999 as amended). It is further governed by multiple national pieces of legislation including the Companies Act.

Mhlathuze Water was established in 1981 to operate in the Province of KwaZulu Natal, and is based in Richards Bay. Due to its geographic location in Richards Bay, the entity predominantly operates in the City of uMhlathuze Local Municipality, uMkhanyakude, King Cetshwayo and Zululand District Municipalities. As part of the vision and mission statement, Mhlathuze Water strives to contribute towards economic growth in the area it operates through the provision of quality, equitable, cost effective and efficient bulk services to current and prospective industrial investors and increased residential demands and expansions.

Mhlathuze Water maximises its productivity and minimises the wastage of scarce water resources by applying operational technology in its operations to abstract, transport, produce and supply of water.

The primary purpose of Mhlathuze Water is to provide bulk water services to water service authorities as well as to other customers. The main business activities include bulk raw (untreated), clarified (partially treated) and purified water supply to industrial and domestic customers through the Mhlathuze Weir-Nsezi Transfer Scheme and the flagship Mhlathuze Nsezi Water Treatment Plant. To meet the bulk water demand, two primary raw water sources are used; namely: Mhlathuze River and Lake Nsezi.

Equally, Mhlathuze Water provides bulk marine effluent disposal services to both industrial and domestic customers. The main business activities include the collecting of effluent from contributors, transporting such via pipelines where it is diluted with seawater at the Alkantstrand Pump Station and disposed to sea via submersed ocean pipelines.

Notwithstanding the constitutional and legislative structure and responsibilities of local government vs that of the provincial and national governments and its associated entities, pressure has been mounted on the entity to play a more direct and meaningful role in the delivery of water and sanitation at community level.

To respond effectively and align to the National Development Plan the entity must place emphasis on the outcomes of a developmental state in addition to its fulfilling its core mandate. This will require the improvement in execution via policies, procedure and organisational culture to facilitate meaningful change to achieve the desired outcomes.

"The approach of the National Development Plan revolves around citizens being active in development, a capable and developmental state able to intervene to correct our historical inequities, and strong leadership throughout society working together to solve our problems. The plan addresses the need to enhance the capabilities of our people so that they can live the lives that they desire; and to develop the capabilities of the country so that we can grow faster, draw more people into work and raise living standards for all, but particularly the poor. This is a plan for South Africa, requiring action, change and sacrifice from all sectors of society." [National Development Plan]

The entity therefore provides a range of other water resource and infrastructure related support services to its customers and any government and non-government entity, such as:

- project planning and implementation;
- operation and maintenance of water and waste water bulk infrastructure, and;
- water and waste water quality sampling and testing form compliance against standards.

The table below illustrate the organisation's active footprint in its area of operation.

Table 1: Organisation's Active Footprint in its Area of Operation

AREA OF OPERATION	Bulk Raw Water supply	Bulk Clarified Water supply	Bulk Purified Water supply	Bulk Waste Water disposal	Laboratory Services	Other services
City of uMhlathuze Local Municipality	Esikhawini Via Weir	Foskor, Via Nsezi	Empangeni and R-bay via Nsezi	R-bay via Alkantstrand	R-bay and Empangeni	Project Management
King Cetshwayo District Municipality	Middeldrift indirect via TGS Operate the Tugela – Goedertrouw Transfer Scheme for the DWS	-	Nseleni indirectly via CoU	-	-	-
Umkhanyakude District Municipality	-	-	Operate and Maintain bulk at Jozini	-	-	Project management.
Zululand District Municipality	-	-	-	-	-	-
Independent agreements with Industry	Tronox RBM		Mondi	Mondi, Foskor, Tronox, MPACT Wilmar	Mondi, Foskor, Tronox, MPACT Wilmar	Project Management.

Fundamental to the sustainability of Mhlathuze Water, is fostering and maintaining good cooperative governance and inter-governmental relationships with its existing and prospective customers and stakeholders. Making a meaningful and noticeable contribution to the daily lives of the communities that live within its immediate area of operation is a passion of the organisation. This is achieved through the organisation's Corporate Social Investment and Rural Development Programmes.

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 range of human resources management and development policies.

Notwithstanding the above, the Minister of Water and Sanitation on 3 November 2022 published in the Government Gazette (No 47442) the reconfiguration of Umgeni Water and Mhlathuze Water by extending the boundary of Umgeni Water to include the operational area

of Mhlathuze Water. The due diligence process to inform the process of reconfiguration is underway. The process will cover amongst others, the following.

- Rationalisation of systems to enable better economies of scale.
- Enhance market capitalisation for infrastructure projects.
- Increase water access to un-serviced rural areas.
- Enable more leveraged cross subsidisation.
- Facilitate differential service delivery levels and tariff modelling across the province.
- Address inequality of access to water supply services in the province.

Once the reconfiguration process has been concluded, the content of this Business Plan will be reviewed and amalgamated to reflect the business of the newly established entity.

Figure 1: Mhlathuze Water Operational Area



2. VISION, MISSION, VALUES AND CRITICAL SUCCESS FACTORS

2.1. VISION, MISSION, OUTCOMES AND KEY STRATEGIC OBJECTIVES

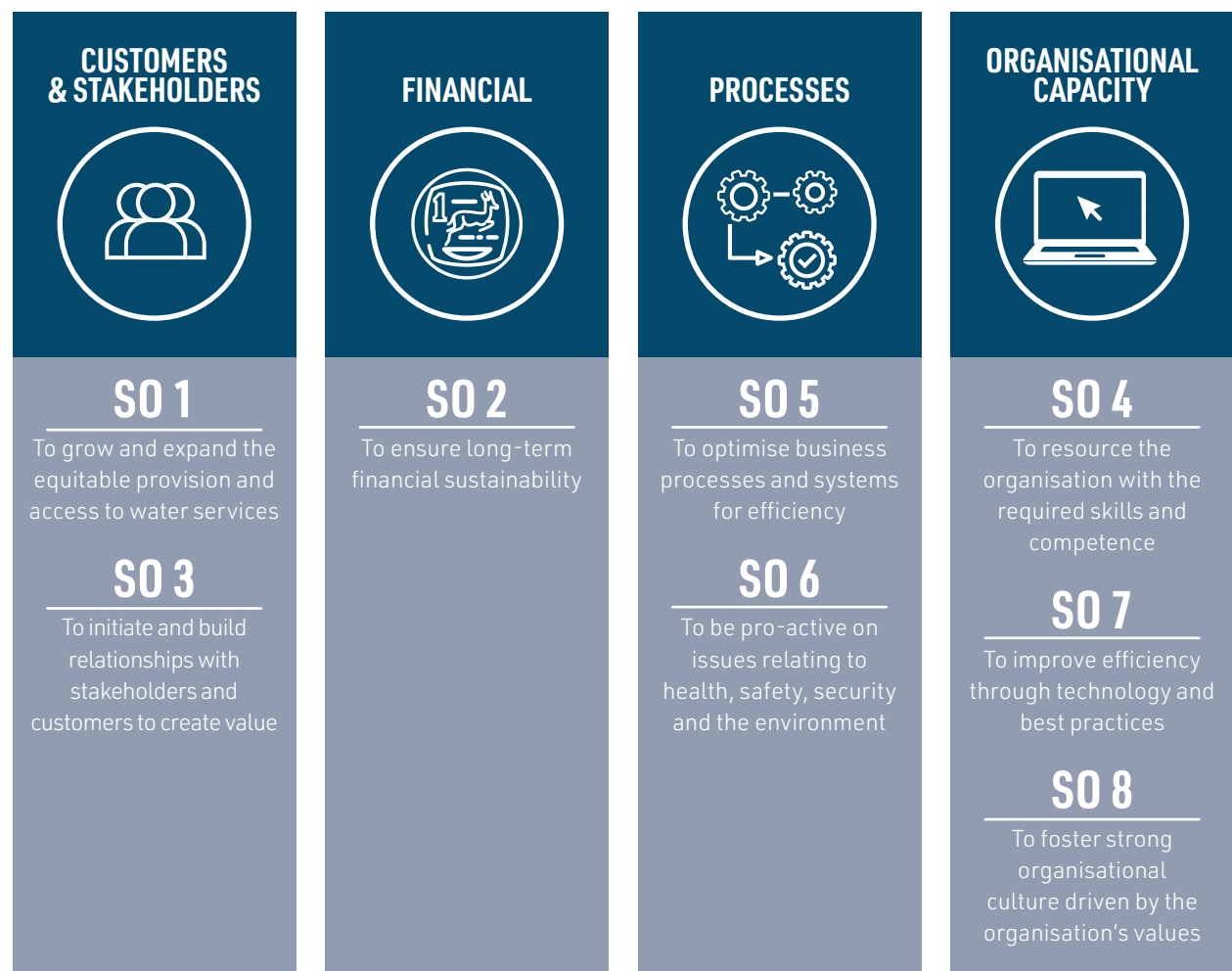
VISION

Your reliable water and waste water partner of choice.

MISSION

To provide high quality water and waste water disposal services to clients and communities that contribute to sustainable socio and economic upliftment and development.

STRATEGIC INTENT



2.2. VALUES

The values for Mhlathuze Water are set to express an ideal state of a healthy organisational culture that responds effectively to the objectives set. Value objectives are not always easily quantifiable or measured. They require composite (aggregate of a set of indicators) or even proxy (stand-in) indicators. Mhlathuze Water will continuously strive to foster and promote an organisational culture that are commensurate with its set of values expressed below.

› Ethics and Integrity

To act within high moral and professional principles in a resolute and truthful manner.

› Results orientated and performance driven

To deliver expected results within timeframes and set quality standards; and continuously improve service delivery.

› Fairness and Redress

To treat stakeholders and customers in a fair and equitable manner and immediately rectify deficiencies to harness good relationships.

› Collaboration and teamwork

To mobilise the technical and professional skills and capabilities of the organisation to achieve the set goals through strategic communication, unlocking creativity and driving positive change.

2.3. CRITICAL SUCCESS FACTORS

› Good Governance

To conduct and present the organisation 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, Competence and Wellness

To attract, develop and retain a diverse, skilled and competent workforce that function in a healthy and conducive work environment.

› Financial Viability and sustainability

To optimise available resources through sound financial and asset management and sustainable tariffs.

› Research and Development

To create and harness knowledge to advance the organisation and find innovative solutions to improve organisational performance and efficiency.

3. LEGISLATIVE AND OTHER MANDATES

3.1. LEGISLATIVE MANDATES RELEVANT TO MHLATHUZE WATER

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.

3.2. LEGISLATIVE MANDATES RELEVANT TO MHLATHUZE WATER

3.2.1. Constitution of the Republic of South Africa

The Constitution of the Republic of South Africa is the supreme law of the Republic. In Chapter 2 in the Bill of Rights, the Constitution forms the legal foundation of a democratic South Africa and sets out the rights and duties of its citizens; and defines the structure of government. Section 27 (1) (b) of the Constitution of the Republic of South Africa states that everyone has the right to have access to sufficient food and water. Section 27 (2) further indicates that the state must take reasonable legislative and other measures, within its available resources, to achieve the progressive realisation of this right.

3.2.2. Water services act, 1997

The Water Services Act, 1997 (Act No. 108 of 1997) sets out objectives to provide for the;

- › Rights of access to basic water supply and basic sanitation;
- › Setting of national standards and of norms and standards for tariffs;
- › Water services development plans;
- › Regulatory framework for water services institutions and water services intermediaries;
- › Establishment and disestablishment of water boards and water services committees and their powers and duties;

- Monitoring of water services and intervention by the Minister or by the relevant Province;
- Financial assistance to water services institutions;
- Certain general powers of the Minister;
- Gathering of information in a national information system and the distribution of that information.

3.2.3. 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.

3.2.4. Public Finance Management Act, Act 1 of 1999 (as amended) including the associated regulations and instructions issued by national treasury

Section 52 (a) & (b) of the Public Finance Management Act states that the Accounting Authority for a public entity listed in Schedule 2 or a government entity listed in Schedule 3B must submit to the Accounting Officer of a department designated by the Executive Authority responsible for that public entity and to relevant treasury, at least one month, or another period agreed with the National Treasury, before the start of its financial year:

- A projection of revenue, expenditure and borrowings for that financial year in the prescribed format; and
- A corporate plan in the prescribed format covering the affairs of that public entity or business enterprise for the following three financial years, and, if it has subsidiaries, also the affairs of the subsidiaries.

3.2.5. Disaster Management Act, Act 57 of 2002.

During 2020, Mhlathuze Water was affected by National State of Disaster declared by the President in March of that year, due to the international COVID-19 pandemic.

The National State of Disaster was followed by a plethora of health and safety, labour relations and other regulations that impacted on the operations of the organisation.

3.2.6. Other legislative imperatives include, but are not limited to:

- Companies Act, 2008 (Act 71 of 2008);
- 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.

3.3. OTHER MANDATES RELEVANT TO MHLATHUZE WATER

3.3.1. National Water and Sanitation master plan (2019)

South Africa is facing a water crisis caused by insufficient water infrastructure maintenance and investment, recurrent droughts driven by climatic variation, inequities in access to water and sanitation, deteriorating Water quality, and a lack of skilled water engineers. This crisis is already having significant impacts on economic growth and on the well-being of everyone in South Africa.

These impacts will be exacerbated if it is not addressed. In April 2017 14,1 million people still used sanitation facilities below the Reconstruction and Development Programme (RDP) standard. Only 10,3 million households (64%) have access to reliable water supply.

Approximately 56% of the over 1 150 municipal wastewater treatment works (WWTWs) and approximately 44% of the 962 water treatment works (WTWs) in the country are in a poor or critical condition and in need of urgent rehabilitation and skilled operators. Some 11% of this infrastructure is completely dysfunctional.

Between 1999 and 2011 the extent of main rivers in South Africa classified as having a poor ecological condition increased by 500%, with some rivers pushed beyond the point of recovery.

South Africa has lost over 50% of its wetlands, and of the remaining 3.2 million hectares (ha), that is, one third are already in a poor condition.

Only 5% of the water that is used in the agricultural sector is used by black farmers.

Water is severely under-priced and cost recovery is not being achieved. To achieve water security, an estimated capital funding gap of around R33 billion per annum for the next 10 years must be closed through, a combination of improved revenue generation and a significant reduction of costs.

This Call to Action of the National Water and Sanitation Master Plan (NW&SMP) is a concise summation of the top priority issues confronting the water and sanitation sector at this time and which seeks to rally all water sector stakeholders in South Africa to work together in order to ensure that the country gets ahead of the Curve in relation to both current and future challenges.

This includes ensuring that by 2030 and beyond South Africa has a sufficient reserve of supply to take it safely into the future, that accelerated progress towards meeting Constitutional imperatives is made and that service delivery commitments, such as meeting Sustainable Development Goal 6: Ensure access to water and sanitation for all is achieved.

The Master Plan also identifies how performance will be monitored. As a plan, rather than a strategy or policy, the prioritised actions with responsibilities are detailed against which relevant players in the sector can be held accountable by Cabinet, Parliament and the public.

3.3.2. United Nation's Sustainable Development Goals

Mhlathuze Water contributes to the below mentioned SDGs:

Sustainable Development Goal 6.a: Expand cooperation and capacity-building support to developing countries in water- and sanitation-related activities and programmes, including water harvesting, desalination, water efficiency, wastewater treatment, recycling and reuse technologies.

Sustainable Development Goal 6.b: Support and strengthen the participation of local communities in improving water and sanitation management.

Sustainable Development Goal 6.1: Achieve universal and equitable access to safe and affordable drinking water for all.

Sustainable Development Goal 6.2: Achieve access to adequate and equitable sanitation and hygiene for all and end defecation, paying special attention to the needs of women, girls and those in vulnerable situations.

Sustainable Development Goal 6.3: 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.

Sustainable Development Goal 6.4: Substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity.

3.3.3. National Priority Outcomes

Out of the 14 National Priority Outcomes, Mhlathuze Water contributes directly to the following outcomes:

Outcome 5: A skilled and capable workforce to support an inclusive growth path. Output 2 in relation to this outcome advocates for an increase in the number of learnerships and artisans. Mhlathuze Water recognises the importance of a technically competent workforce and contributes in building capacity within the water sector through the skills development programme. The organisation has trained participants in the learnership programme.

Outcome 6: An efficient, competitive and responsive economic infrastructure network. Mhlathuze Water is entrusted with the responsibility to coordinate regional water infrastructure investment and bulk water supply programmes that will stimulate inclusive economic growth and job creation in the region.

3.3.4. 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.

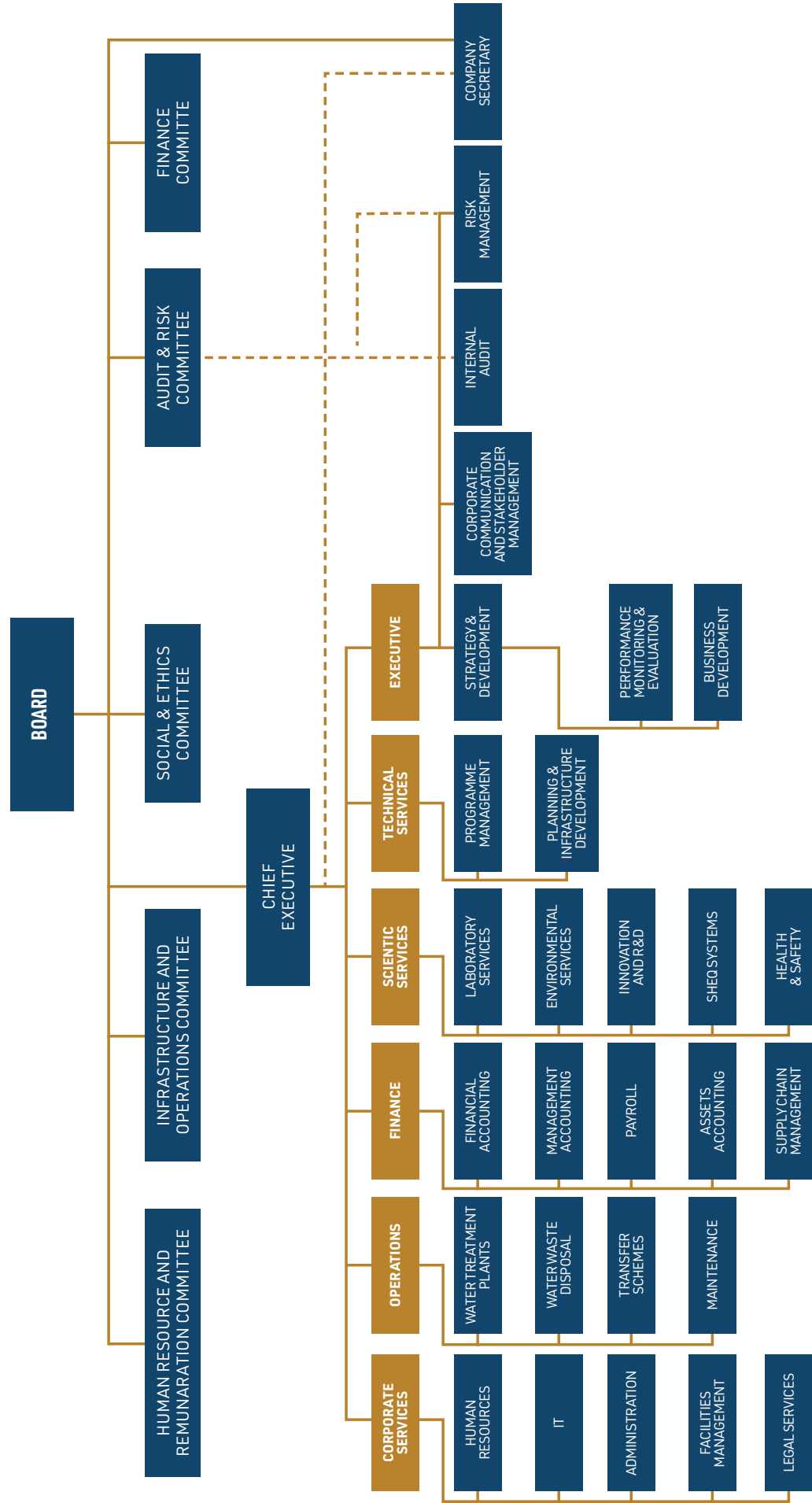
2030 NDP Milestones:

- 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

4. CORPORATE GOVERNANCE

4.1. HIGH LEVEL ORGANISATIONAL STRUCTURE

Figure 2: High level organisational structure



4.2. 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. Ten members were reappointed to the Board on 5 December 2022 until the reconfiguration of the two water boards in KZN are concluded. 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.

As part of the range of tools available, the Board developed a set of key Strategic Risks and associated tolerance levels the acts as a compass to affect course corrections when deviations are recorded. The main risk areas that are managed are: operations, finance, reputation, health and safety, environment and community, legal and project implementation and management.

THE BOARD OF MHLATHUZE WATER



Ms TA SHANGE
CHAIRPERSON



Mr SZ HLOPHE
DEPUTY CHAIR



Prof. PS REDDY
BOARD MEMBER



Mrs N GEVERS
BOARD MEMBER



Dr M MAKGAE
BOARD MEMBER



Mr MM XULU
BOARD MEMBER



Ms NN MKHIZE
BOARD MEMBER



Ms GD BIYELA
BOARD MEMBER



Mr PM ZIKALALA
BOARD MEMBER



Mrs A BADUL
BOARD MEMBER

Ms TA SHANGE

POSITION HELD AT MHLATHUZE WATER: **CHAIRPERSON**

Age: 75 years

Gender: Female

Race: African

Period of Service in the current Board of Mhlathuze Water: 4 years, 4 months

CORE QUALIFICATIONS	AREAS OF EXPERTISE	YEARS OF SERVICE & POSITIONS HELD ON OTHER BOARDS
<ul style="list-style-type: none"> ➤ MBA: Public Sector Management 	<ul style="list-style-type: none"> ➤ She has experience and mature insight on leadership 	<ul style="list-style-type: none"> ➤ Forest Sector Charter Council: Deputy Chairperson & Chair of the Forest Members Outreach Committee
<ul style="list-style-type: none"> ➤ BA Hons: Development Studies 	<ul style="list-style-type: none"> ➤ 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 	<ul style="list-style-type: none"> ➤ Director: Ubuqotho Integrity Institute (Pty) Ltd
<ul style="list-style-type: none"> ➤ BA: Geography & History 		<ul style="list-style-type: none"> ➤ Director: Accomplish Enterprise (Pty) Ltd
<ul style="list-style-type: none"> ➤ Concurrent Certificates: Education 		<ul style="list-style-type: none"> ➤ Philisisizwe Development Trust: Chairperson
<ul style="list-style-type: none"> ➤ UBLS Teachers' Certificate 	<ul style="list-style-type: none"> ➤ A former Regional Land Commissioner KwaZulu-Natal 	<ul style="list-style-type: none"> ➤ King Cetshwayo Fresh Produce Market: Board Chairperson
<ul style="list-style-type: none"> ➤ Certificate: Directorship – Accelerated Directorship Programme 	<ul style="list-style-type: none"> ➤ Former General Manager: Strategic Affairs at Richards Bay Minerals 	<ul style="list-style-type: none"> ➤ Rand Water Foundation: Chairperson
	<ul style="list-style-type: none"> ➤ Good Governance, Leadership and Communications skills and well-rounded Development Practitioner 	<ul style="list-style-type: none"> ➤ uThungulu Community Foundation: Board member
		<ul style="list-style-type: none"> ➤ National Development Agency (NDA): Deputy Chairperson & Chairperson of Audit & Risk Committee
		<ul style="list-style-type: none"> ➤ Thembani International Guarantee Fund: Chairperson
		<ul style="list-style-type: none"> ➤ Development Innovations and Networks (International): Chairperson
		<ul style="list-style-type: none"> ➤ SACC Women's desk and Development Division: Chairperson
		<ul style="list-style-type: none"> ➤ Special Pensions Board: Deputy Chairperson
		<ul style="list-style-type: none"> ➤ Reconstruction and Development Programme: Committee member
		<ul style="list-style-type: none"> ➤ World Bank Research & Policy Framework: Advisory committee member (Land Reform: Restitution, Redistribution, Tenure)
		<ul style="list-style-type: none"> ➤ Khula Enterprise Finance: Board member
		<ul style="list-style-type: none"> ➤ KwaZulu-Natal Transport: Board member
		<ul style="list-style-type: none"> ➤ Washesha Bus Services: Board member
		<ul style="list-style-type: none"> ➤ Transformation Resource Centre (Lesotho): Board member
		<ul style="list-style-type: none"> ➤ Rural Transformation Association(Natal): Board member

Mr SZ HLOPHE

POSITION HELD AT MHLATHUZE WATER: **DEPUTY CHAIR**

Age: 44 years

Gender: Male

Race: African

Period of Service in the current Board of Mhlathuze Water: 4 years, 4 months

CORE QUALIFICATIONS	AREAS OF EXPERTISE	YEARS OF SERVICE & POSITIONS HELD ON OTHER BOARDS
<ul style="list-style-type: none"> ➤ Certified Director with the Institute of Directors in South Africa 	<ul style="list-style-type: none"> ➤ He has vast senior management experience which cuts across Public and Private sector 	<ul style="list-style-type: none"> ➤ KZN Growth Fund – Non Executive Director: 3 years
<ul style="list-style-type: none"> ➤ Masters: Business Leadership (MBL) 		<ul style="list-style-type: none"> ➤ RBIDZ – Non Executive Independent Director: 3 years
<ul style="list-style-type: none"> ➤ BCom Hons: Accounting 	<ul style="list-style-type: none"> ➤ 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 	<ul style="list-style-type: none"> ➤ ILembe District Municipality – Audit Committee Chair: 3 years, 5 months
<ul style="list-style-type: none"> ➤ National Diploma: Cost and Management Accounting 		<ul style="list-style-type: none"> ➤ Enterprise ILembe Economic Development Agency – Audit Committee Chair: 4 years
		<ul style="list-style-type: none"> ➤ Harry Gwala District Municipality and Harry Gwala Development Agency – Audit Committee Chairperson: 1 year
		<ul style="list-style-type: none"> ➤ KZN Legislature: Audit Committee Chair

Prof. PS REDDY

POSITION HELD AT MHLATHUZE WATER BOARD: **BOARD MEMBER**

Age: 65 years

Gender: Male

Race: Indian

Period of Service in the current Board of Mhlathuze Water: 4 years, 4 months

CORE QUALIFICATIONS	AREAS OF EXPERTISE	YEARS OF SERVICE & POSITIONS HELD ON OTHER BOARDS
<ul style="list-style-type: none">➤ D Admin: Public Administration➤ M Admin: Public Administration➤ B Admin Honours: Public Administration➤ Bachelor of Admin➤ Certificates: Local government studies (UK)	<ul style="list-style-type: none">➤ 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.	<ul style="list-style-type: none">➤ 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 IIAS (Brussels) (2019 - 2023)➤ Vice Chairperson of the Programme and Research Committee of IIAS (Brussels) (2023 - 2025)➤ Member of the Council of Administration of IIAS (Brussels) (2019 - 2025)➤ Member of the Finance Committee of IIAS (Brussels) (2019 -2023)➤ Member of Board : Innova Housing (Housing Utility Company) (5 years)➤ 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

POSITION HELD AT MHLATHUZE WATER: **BOARD MEMBER**

Age: 49 years

Gender: Male

Race: African

Period of service at Mhlathuze Water Board: 4 years, 4 months

CORE QUALIFICATIONS	AREAS OF EXPERTISE	YEARS OF SERVICE & POSITIONS HELD ON OTHER BOARDS
<ul style="list-style-type: none">➤ Hons Degree: Accounting➤ BCom Degree➤ Management Development Programme	<ul style="list-style-type: none">➤ 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	<ul style="list-style-type: none">➤ None

Dr M MAKGAE

POSITION HELD AT MHLATHUZE WATER: **BOARD MEMBER**

Age: 47 years

Gender: Female

Race: African

Period of Service in the current Board of Mhlathuze Water: 4 years, 4 months

CORE QUALIFICATIONS

- PhD in Environmental Chemistry
- Environmental Management
- Project management
- Management Advancement Programme (MAP)

AREAS OF EXPERTISE

- She has worked for several State-Owned Entities including Council for Scientific and Industrial Research (CSIR), Pebble Bed Modular Reactor (PBM), South African Nuclear Energy Corporation (NECSA) and Council for Geoscience (CGS)
- She has now ventured into business and manages Geo-Environmental and Technical Services and Mosidi Leadership Coaching.
- She currently serves as a Board member of the Water Research Commission, Mhlathuze Water, Magalies Water and South African Nuclear Energy Corporation

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

POSITION HELD AT MHLATHUZE WATER: **BOARD MEMBER**

Age: 66 years

Gender: Female

Race: White

Period of Service in the current Board of Mhlathuze Water: 4 years, 4 months

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 - 30 June 2025
- 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 2021
- Mhlathuze Water: Member of Independent Audit & Risk Committee 01st August 2017 - November 2018
- Msunduzi Local Municipality: Independent member of Audit and Risk Committee: 01st January 2017 - 31st May 2018
Chairperson of the Audit Committee: 07th August 2013 - December 2017
- 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 2013

Ms NN MKHIZE

POSITION HELD AT MHLATHUZE WATER: **BOARD MEMBER**

Age: 31 years

Gender: Female

Race: African

Period of Service in the current Board of Mhlathuze Water: 4 years, 4 months

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 which provides a generational mixture to the the board
- She is exposed to contract documentation, design and completion and understands water systems

YEARS OF SERVICE & POSITIONS HELD ON OTHER BOARDS

- Member of the Water Engineering Division Committee for South African Institute of Civil Engineers - January 2023 to date

Ms GD BIYELA

POSITION HELD AT MHLATHUZE WATER: **BOARD MEMBER**

Age: 45 years

Gender: Female

Race: African

Period of Service in the current Board of Mhlathuze Water: 4 years, 4 months

CORE QUALIFICATIONS

- **Bachelor** of Pedagogics
- **Diploma:** Public Admin
- Secondary School Teachers' **Diploma**
- **Certificates:** 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 PM ZIKALALA

POSITION HELD AT MHLATHUZE WATER: **BOARD MEMBER**

Age: 41 years

Gender: Male

Race: African

Period of Service in the current Board of Mhlathuze Water: 4 years, 4 months

CORE QUALIFICATIONS	AREAS OF EXPERTISE	YEARS OF SERVICE & POSITIONS HELD ON OTHER BOARDS
<ul style="list-style-type: none">➤ Certified Director with the Institute of Directors in South Africa➤ MBL: Master of Business Leadership➤ BSc Hons: Technology Management➤ B.Tech: Civil Engineering➤ ND: Civil Engineering	<ul style="list-style-type: none">➤ 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	<ul style="list-style-type: none">➤ None

Mrs A BADUL

POSITION HELD AT MHLATHUZE WATER: **BOARD MEMBER**

Age: 62 years

Gender: Female

Race: Indian

Period of Service in the current Board of Mhlathuze Water: 4 years, 4 months

CORE QUALIFICATIONS	AREAS OF EXPERTISE	YEARS OF SERVICE & POSITIONS HELD ON OTHER BOARDS
<ul style="list-style-type: none">➤ Diploma: Executive Secretarial➤ Diploma: Adult Basic Education and Training➤ Diploma: Local Government Management➤ Diploma: Business Administration➤ Certificate: International Executive Leadership, Good Governance➤ Certificate: Executive Leadership Development Programme	<ul style="list-style-type: none">➤ She is a former Deputy Mayor of ILembe District Municipality➤ She has 25 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 was an EXCO Councillor of Ndwedwe Local Municipality➤ She served in various Portfolio Committees including Intergovernmental Forums, Economic Development and Planning Committee, Budget & Audit Steering Committee, Finance, Social and Ethics Committee, Audit and Risk Committee, HR and REMCO 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	<ul style="list-style-type: none">➤ Member of the Institute of Directors of Southern Africa: 2011 to present➤ Mhlathuze Water Board member: 2011 to present➤ Board member of Enterprise ILembe: 2009 – 2014➤ Board member of Stanger Provincial Hospital: 2010 – 2015➤ Member of the sub-committee of the Liquor Board – ILembe District Municipality: 2009 – 2014

4.3. BOARD COMMITTEES

4.3.1. 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.

4.3.2. 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.

4.3.3. 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.

4.3.4. 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 public companies to establish this committee.

4.3.5. 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, transformation and stakeholder relationships as stated in the King IV Report on Corporate Governance.

4.4. 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 interest 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.

4.5. Executive Committee (EXCO)

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



Mr SWASWA NTLHORO
ACTING CHIEF EXECUTIVE



Mr D ZUNGU
ACTING GENERAL MANAGER:
SCIENTIFIC SERVICES



Ms P MAGAGULA
INTERIM CHIEF FINANCIAL OFFICER



Ms MOKETENYANE MOLEKO
GENERAL MANAGER:
CORPORATE SERVICES



Mr PJ MAPONYA
GENERAL MANAGER:
OPERATIONS



Ms N SOJI
INTERIM GENERAL MANAGER:
TECHNICAL SERVICES



Ms S MBATHA
COMPANY SECRETARY

Mr S NTLHORO

ACTING CHIEF EXECUTIVE

AGE: 51 years
GENDER: Male

RACE: African
Period of service at Mhlathuze Water: 15 years, 1 months

CORE QUALIFICATIONS	AREAS OF EXPERTISE	YEARS OF SERVICE & POSITIONS HELD ON OTHER BOARDS
➤ BSc Hons: Chemistry	➤ Water & Waste Water Quality Monitoring & Compliance	➤ None
➤ BSc Hons: Water Utilisation	➤ Laboratory Accreditation	
➤ Post Graduate Diploma: Management	➤ Laboratory Management	

Mr D ZUNGU

ACTING GENERAL MANAGER: SCIENTIFIC SERVICES

AGE: 49 years
GENDER: Male

RACE: African
Period of service at Mhlathuze Water: 15 years, 2 months

CORE QUALIFICATIONS	AREAS OF EXPERTISE	YEARS OF SERVICE & POSITIONS HELD ON OTHER BOARDS
➤ National Diploma: Analytical Chemistry	➤ Water & Wastewater Quality Monitoring & Compliance	➤ None
➤ Higher Certificate in Supervision and Production	➤ Laboratory Accreditation	
➤ Degree: Bachelor of Technology in Management	➤ SHEQ management	
➤ Master of Business Administration (MBA)	➤ Health and Safety Management	
	➤ Occupational Clinic and Staff Wellness	

Ms P MAGAGULA

INTERIM CHIEF FINANCIAL OFFICER

AGE: 46 years
GENDER: Female

RACE: African
Period of service at Mhlathuze Water: 5 months

CORE QUALIFICATIONS	AREAS OF EXPERTISE	YEARS OF SERVICE & POSITIONS HELD ON OTHER BOARDS
➤ Chartered Accountant of South Africa	➤ IFRS/ GRAP Reporting public sector	➤ Board member: World Vision SA – 2001 to date
➤ Postgraduate Diploma: Integrated Reporting	➤ Finance and supply chain management	➤ Founder and Director: The Ethics Platform
➤ BCom Hons: Accounting Science: CTA	➤ International Integrated Reporting Framework and General Reporting Initiative (GRI) sustainability reporting	➤ Director: Stanley Mkoko Charity Foundation
➤ BCom. Accounting Diploma: Commerce	➤ Non – profit organisation finance and grant management	➤ Member: SAICA (SA) – 2014
➤ Certified Director: IoDSA	➤ Corporate governance	➤ South African Nursing Council: 2017 – 2018
➤ Certified Ethics Officer: The Ethics Institute	➤ Organisational strategy	➤ Integrated Reporting Committee: (IRC) – 2014 – 2015
➤ Certificate: Executive and Management Coaching	➤ Enterprise risk management	
	➤ Ethics governance and management	
	➤ Executive coaching	

Ms M MOLEKO

GENERAL MANAGER: CORPORATE SERVICES

AGE: 58

GENDER: Female

RACE: African

Period of service at Mhlathuze Water: 6 months

CORE QUALIFICATIONS

- **Postgraduate Diploma:** Business Management
- **BCom. Industrial Psychology**

AREAS OF EXPERTISE

- Human Resource Management
- General corporate Services
- Communications, ICT and marketing
- Security and facility Management
- System development
- Restructuring processes

YEARS OF SERVICE & POSITIONS HELD ON OTHER BOARDS

- Board member: World Vision SA – 2001 to date
- Founder and Director: The Ethics Platform
- Director: Stanley Mkoko Charity Foundation
- Member: SAICA (SA) – 2014
- South African Nursing Council: 2017 – 2018
- Integrated Reporting Committee: (IRC) – 2014 – 2015

Mr PJ MAPONYA

GENERAL MANAGER: OPERATIONS

AGE: 48 years

GENDER: Male

RACE: African

Period of service at Mhlathuze Water: 2 year, 4 months

CORE QUALIFICATIONS

- **ND:** Mechanical Engineering
- **Government Certificate of Competency (GCC):** Mechanical Engineer Factories (DoL)
- **Certificate:** Maintenance Management
- Currently studying Executive Development Program

AREAS OF EXPERTISE

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

POSITIONS HELD ON OTHER BOARDS

- Chairman of the board: Thuto ke Motheo NPO
- Managing Director- Quant Services South Africa Pty Ltd 2017 to 2018



Ms N SOJI

INTERIM GENERAL MANAGER: TECHNICAL SERVICES

AGE: 51 years

GENDER: Female

RACE: African

Period of service at Mhlathuze Water: 7 months

CORE QUALIFICATIONS	AREAS OF EXPERTISE	POSITIONS HELD ON OTHER BOARDS
<ul style="list-style-type: none"> ➤ Bachelor of Technology Degree: Civil Engineering 	<ul style="list-style-type: none"> ➤ Construction Project Management 	<ul style="list-style-type: none"> ➤ Member of the South African Civil Engineers, SAICE
<ul style="list-style-type: none"> ➤ Post graduate Diploma: Project Management 	<ul style="list-style-type: none"> ➤ Contract Administration and change Management 	<ul style="list-style-type: none"> ➤ Member of the Engineering Council of South Africa, ECSA
<ul style="list-style-type: none"> ➤ National Diploma: Civil Engineering 	<ul style="list-style-type: none"> ➤ Procurement and purchasing 	<ul style="list-style-type: none"> ➤ Member of the South African Council of Project Construction Management Profession
<ul style="list-style-type: none"> ➤ BCom. Degree: Marketing Management Development Programme 	<ul style="list-style-type: none"> ➤ Budgeting and cost controls 	<ul style="list-style-type: none"> ➤ Member of the Project Management of South Africa, KZN
<ul style="list-style-type: none"> ➤ Diploma: Civil Engineering 	<ul style="list-style-type: none"> ➤ Project Safety and Risk Management 	
<ul style="list-style-type: none"> ➤ Registered as a professional Technologist with ECSA (Pr. Engineering Technologist) 	<ul style="list-style-type: none"> ➤ Engineering design (water, waste water and storm water) 	
<ul style="list-style-type: none"> ➤ Registered as Professional Construction Manager (Pr.CPM) 	<ul style="list-style-type: none"> ➤ Planning and Scheduling 	
	<ul style="list-style-type: none"> ➤ Project Management 	
	<ul style="list-style-type: none"> ➤ Project lifecycle process Management 	
	<ul style="list-style-type: none"> ➤ Client relationship building 	

Ms S MBATHA

COMPANY SECRETARY

AGE: 39 years

GENDER: Female

RACE: African

Period of service at Mhlathuze Water: 3 years, 5 months

CORE QUALIFICATIONS	AREAS OF EXPERTISE	POSITIONS HELD ON OTHER BOARDS
<ul style="list-style-type: none"> ➤ LLB Degree 	<ul style="list-style-type: none"> ➤ Legal 	<ul style="list-style-type: none"> ➤ Member of The Institute of Directors in Southern Africa (IODSA)
<ul style="list-style-type: none"> ➤ Admitted as attorney of the High Court 	<ul style="list-style-type: none"> ➤ Corporate governance 	
<ul style="list-style-type: none"> ➤ Non Practising Member of the Legal Practise Council 	<ul style="list-style-type: none"> ➤ Compliance 	
<ul style="list-style-type: none"> ➤ Postgraduate: Strategic Management and Corporate Governance 		
<ul style="list-style-type: none"> ➤ Certificates: Public Sector Governance: Chartered Governance Institute of Southern Africa 		

4.6. MANAGEMENT COMMITTEE (MANCO)

This committee comprises of managers who report to the respective Executive Heads of 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.

4.7. MANAGEMENT OPERATIONAL COMMITTEES

4.7.1. 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.

4.7.2. 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.

4.7.3. 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.

4.7.4. 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 Committee meets annually in the 2nd quarter to consider applications, and reports to the Chief Executive in terms of its Terms of Reference.

4.7.5. Capital Infrastructure Investment Committee

In terms of the Section 51(1)(a)(iv) of the Public Finance Management Act, the Accounting Authority of a public entity must have and maintain a system for properly evaluating all major capital projects prior to a final decision on the project.. The Board approved the Capital Infrastructure Investment Framework in April 2022 to enable the organisation to set out the governance and management process to evaluate, prioritise and implement material capital projects that relate to expansion, refurbishment, and replacement of assets. The committee deliberates and to make recommendations on material capital projects to for approval to the Board in line with the aforementioned framework.

4.8. OTHER GOVERNANCE MATTERS

4.8.1. Disclosure of Interest

Members of the Board declare any interests and commit to non-disclosure of information that could unfairly advantage or disadvantage a party on an annual basis and at every Board and Committee meetings. Disclosure and transparency are the partners of good governance, they demonstrate the quality and reliability of information – financial and non-financial – provided by management to lenders, stakeholders and the public.

4.8.2. Code of Conduct

Mhlathuze Water has a comprehensive Code of Conduct that applies to board members, 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.

By implementing the above, the Organisation is in a position to:

- Allow individuals, where appropriate, to acquire and maintain personal interests, provided that these do not interfere with, or have the potential to interfere with, their duties to the Company, or improperly influence the judgements expected of them when acting on behalf of the Company; and
- Protect individuals from misplaced charges of any conflict of interest by providing a mechanism for the objective review and approval (including conditional approval) of appropriate personal outside interests held by individuals.

4.8.3. 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. Mhlathuze Water's internal audit programme is risk based, and covers a range of audit universe for example; operational audits (e.g. Water quality); compliance audits (eg. Legal compliance) and financial audits (e.g., financial statement review).

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

4.8.4. 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. The Delegation of Authority Policy is aligned to the framework.

4.8.5. Capital Infrastructure Investment Framework

Historically, Mhlathuze Water has made significant investment and upgrades to its bulk infrastructure and associated assets. The capital investment planning for the medium term continue is to determine the required investment in critical areas and to ensure that the organisation derive maximum benefit from such investment.

The objectives of the framework is to set out an effective process and criteria for planning and scheduling of material capital projects that has an impact on the organisation achieving its mandate. Further, it is to align the capital investment to the tangible deliverables as projected in the organisation's Business Plan, growth strategy, infrastructure plans and strategies as well as Property, Plant, Equipment and Intangible Asset Policy

4.8.6. Risk Management

The Board is ultimately accountable for risk management and the system of internal controls at Mhlathuze Water. The Board reviewed and approved the Risk Management Policy and Implementation Plan on 25 April 2019 and monitored the implementation thereof.

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 balance its opportunities and minimise threats. The purpose of the Enterprise Risk Management (ERM) framework is to provide guidance to management and employees regarding the implementation of enterprise risk management within the culture of MW.

Enterprise Risk Management approach has been rolled out at a strategic level, and across all business units for identification of strategic, operational, fraudulent and compliance risks. In order to ensure that MW achieves its objectives, the Risk Management Function will fulfil the following responsibilities:

- Facilitate organisation-wide risk and opportunity identification and analysis;
- Promote the management of risks in line with best practices at all levels of the organisation;
- Promote training in management of risks within different business units and across the organisation;
- Ensure enterprise-wide compliance with key regulatory and legal requirements;
- Ensure resilience of MW operations through Business Continuity and Disaster Management Planning;
- Provide emerging risk intelligence in respect of service delivery projects and interventions;
- Provide support and guidance to business units in managing risks; and
- Report regularly on the performance of the organisation with regards to management of risks.

Mhlathuze Water has identified and categorised the key strategic risks of delivering on objectives and mitigation approaches/responses.

The list of the key strategic risks are presented in the table below in residual format. Residual risks, refers to

the impact and likelihood, taking into consideration the current mitigation approaches/ responses.

The risk might be identified in the organisation but if no mitigation controls are put in place to prevent, detect or reduce the impact and likelihood. The business may choose to discontinue the relevant project or may opt to transfer the impact to a third party as part of the effective risk management process.

4.8.7. Whistle Blower

The Board's objective in approving whistle bower reporting is to create a positive whistle-blowing culture which is a critical element in the success of any risk management system. 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 approved 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 and relevant stakeholders 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.

4.8.8. Strategic Risk Register

Table 2: Risk Descriptions, Ratings, Mitigations Appetite and Tolerances

Risk No:	Objectives	Risk Name	Inherent Risk Exposure	Existing Controls	Residual Risk	Further Actions
1	(S06) To be proactive on issues relating to health, safety, security and the environment	Possibility of environmental damage due effluent spillage	Catastrophic	<ol style="list-style-type: none"> 1. Quarterly Effluent pipeline stakeholder meetings 2. Continuous monitoring of effluent quality 3. Environmental Contingency Plan to effectively respond to emergencies 4. Internal maintenance function 5. MW and contributors have effluent discharge agreements 6. Effluent penalty system in place for non-complying contributors 7. Environmental Management system that is ISO14001 Certification 8. Bi-ennial Environmental Legal Audits 9. Maintenance Strategy and Plan 10. Environmental affairs stakeholder meeting 11. Pipeline structural integrity Inspection 12. Escalation mechanism in the event of continuous non-compliance 13. Power Outage SOP 14. Insurance reserve 	Priority 3	<ol style="list-style-type: none"> 1. Procure, Installation and Commissioning a backup power generator (WWDS) 2. Development of strategy to increase insurance reserve. 3. Investigate risk mitigation measures to reduce the impact of spillages. 4. Review effluent tariff to incorporate rehabilitation cost. 5. Facilitate the uptake of the gypsum re-use by external companies. 6. Work with the COU on water re-use project.
2	(S01) To grow provision of water services	Inadequate infrastructure to meet customer needs and to attain business growth	Catastrophic	<ol style="list-style-type: none"> 1. Maintenance strategy and plan 2. Security services 3. Community liaison officers 4. Project management and review process (CAPEX implementation) 5. 5-year CAPEX programme 6. Capital replacement reserve 7. Borrowing limits application is done on regular basis 8. Procurement Plan for Capital Projects 9. Project Stakeholder forum 10. Price escalation clause in supplier contract 11. Capital Investment Policy 12. Project Prioritization Framework 13. Memorandum of Understanding with water service authorities in area of operation; 14. Implementation agreements with Department of Water and Sanitation 15. Marketing strategy 16. Reserve Application Policy 17. Growth Strategy and Plan 18. Project Prioritization framework 	Priority 3	<ol style="list-style-type: none"> 1. Appointment of internal resources to manage business forums. 2. Development of strategy to manage business forum demands 3. Improvement of BBBEE Rating

Risk No:	Objectives	Risk Name	Inherent Risk Exposure	Existing Controls	Residual Risk	Further Actions
3	(S04) To resource the organization with the required skills and competence to deliver the strategic intent	Inability to attract, develop and retain critical skills	Catastrophic	<ol style="list-style-type: none"> 1. Market-related salaries 2. Skills development programmes 3. Staff retention policy 4. SHE department ensuring safe working environment 5. Whistle-blower policy 6. IR specialist deals with conflicts 7. Talent Management Strategy 8. Job exit interviews 9. Code of conduct 	Priority 2	<ol style="list-style-type: none"> 1. Implementation of culture survey findings 2. Development of a Change Management Strategy. (leadership style)
4	(S05) To ensure long term financial sustainability of the Organisation	Liquidity and cash flow risk	Catastrophic	<ol style="list-style-type: none"> 1. Credit checks prior to entering in contracts 2. Customer requirements included when business plans are developed 3. Customer service agreements 4. Process to formally scan key customer financial sustainability 5. Credit Control Policy 6. Accounts Payable Policy 	Priority 4	<ol style="list-style-type: none"> 1. Implement cost curtailing measures 2. Review procurement policy to include adherence to procurement plan
5	(S05) To ensure long term financial sustainability of the Organisation	Vulnerability to fraud and corruption	Catastrophic	<ol style="list-style-type: none"> 1. Supply Chain Management Policy 2. Delegation of Authority 3. Annual declaration of interest 4. Anti-fraud and Corruption Strategy 5. Fraud Prevention Plan 6. Fraud Prevention Policy 7. Ethics awareness campaign 8. Disciplinary policy 9. Whistle-blower policy 10. Board Training Ethical Leadership 11. Board Assessment and Evaluation 12. Organization policies and procedures 13. DOA Reporting 14. Fraud Awareness Training 	Priority 2	<ol style="list-style-type: none"> 1. Implementation of Employee Vetting and Security Clearance. 2. Implementation of Random Lifestyle Audits of Employees 3. Strengthen oversight responsibility (Board and Management) 4. Implementation of Probity Assessment during recruitment of key positions
6	(S01) To grow provision of water services	Scarcity of water resources to meet demand	Catastrophic	<ol style="list-style-type: none"> 1. Monitoring pollution, interaction with, and reporting to, the Regulator 2. Interaction with and reporting to, authorities 3. Interaction with Catchment Management Forum and implement as per resolutions issued by the forum 4. Climate change strategy 5. Climate change forum 6. Environmental communication procedure 	Priority 2	<ol style="list-style-type: none"> 1. Implementation of Water Resource Management Plan
7	(S07) To improve efficiency through technology and best practices	Delayed implementation and adaptation of new technologies	Critical	<ol style="list-style-type: none"> 1. Approved IT strategy 2. Approved IT budget including Capex approval to implement new systems 3. Benchmarking with other Water Boards on new Technologies 4. Innovation plan 5. Review of existing ICT infrastructure 6. Monitoring of ICT Performance 7. Change Management Training 8. Innovation Policy 9. 4th Industrial Revolution Strategy 	Priority 3	<ol style="list-style-type: none"> 1. Prioritize filling of vacant position for IT Manager 2. Strengthening of ICT Governance Oversight Responsibility for the Board & Provision of Training.
8	(S07) To improve efficiency through technology and best practices	Unauthorised access to information and operational systems	Moderate	<ol style="list-style-type: none"> 1. Physical access control 2. Logical controls including Firewall 3. Regular cyber audits 4. Data recovery insurance 5. Domain policy in place (accounts threshold) 6. Cyber Security Framework 7. Annual cyber security assessment (vulnerability testing) 8. ICT Disaster Recovery Plan 9. Remote Working Procedure Manual 10. Induction Training 	Priority 4	<ol style="list-style-type: none"> 1. Implementation of the POPIA Manual
9	(S03) To initiate an build relationships with stakeholders to add value for all	Unfavourable Political Climate and Stakeholder Management	Critical	<ol style="list-style-type: none"> 1. Stakeholder engagements in terms of stakeholder governance 2. Whistle-blower policy 3. Fraud awareness programs 4. Antifraud Strategy 5. Fraud Prevention Plan 6. Monthly liaison meeting with unions 7. Stakeholder Engagement Plan 8. Minimum Service Agreements 	Priority 4	<ol style="list-style-type: none"> 1. Implementation of Stakeholder Engagement Plan

Risk No:	Objectives	Risk Name	Inherent Risk Exposure	Existing Controls	Residual Risk	Further Actions
10	(S03) To initiate an build relationships with stakeholders to add value for all	Negative Publicity on MW Brand, Image and Reputation	Catastrophic	<ol style="list-style-type: none"> 1. Communication and Stakeholder Management Policy 2. Stakeholder Engagement Plan 3. Marketing Strategy 4. Code of Conduct 5. Crisis Communication Procedure 6. Records Management Procedure 	Priority 2	<ol style="list-style-type: none"> 1. Implementation of public relations strategy and rebranding of the organization image.
11	(S04) To resource the organization with the required skills and competence to deliver the strategic intent	Poor Organizational Culture	Critical	<ol style="list-style-type: none"> 1. Performance Management Policy and Procedure 2. Code of conduct 3. Organizational values 4. Organizational score cards 5. Employee satisfaction survey 6. Monthly and quarterly reporting 7. Performance agreements 8. Annual disclosure forms 	Priority 3	<ol style="list-style-type: none"> 1. Implementation of organizational renewal programme (ethics, performance etc.)

Table 3: Narration of the Residual Rating

Description	Risk Acceptability	Proposed Action	Rating	Factor
Catastrophic	Unacceptable Significantly exceed threshold	<ul style="list-style-type: none"> Take urgent action Report to CEO and Board attention Detailed risk analysis, qualitative and quantitative Mandatory business continuity plans 	Priority 1	20<25
Critical	Unacceptable Exceed threshold	<ul style="list-style-type: none"> Take immediate action Report to CE and Board attention Detailed risk analysis, qualitative and quantitative where possible Mandatory business continuity plans 	Priority 2	15<19
Moderate	Unacceptable	<ul style="list-style-type: none"> Proactive Management Report up to CE 	Priority 3	10<14
Minor	Acceptable	<ul style="list-style-type: none"> Active management Report up to CE Mainly control and monitor 	Priority 4	5<9
Insignificant	Acceptable	<ul style="list-style-type: none"> Routine management No risk reduction-control, monitor and inform management 	Priority 5	<4



Table 4: Risk tolerance and Appetite

Rating	Operations	Financial	Reputation	Health and Safety	Environment and Community	Legal	Projects
Catastrophic	5	Complete Interruption of >3 days leading to collapse of business.	Impact is catastrophic if decrease in is greater than 24% (EBITDA).	Prolonged negative media exposure and public outcry.	>1 fatality or serious irreversible health effects to people. Catastrophic impacts on employee morale.	Environmental disaster with irreversible damage and impact on communities. Catastrophic contamination of inputs or outputs.	Non-compliance with laws, policies and procedures that results in catastrophic reputational and financial impact and/or legal action. (i.e. permanent loss of operation licences). Capital variance >30% (R 30 Million) of base Capex estimate. Delay of more than 12 months on expansion projects or more than 6 months business sustenance projects. >20% Scope deviation on expansion projects or >10% on business sustenance projects.
Critical	4	Interruption of 1-3 days with prolonged negative impact and extensive consequences.	Impact is critical if decrease in is between 16% (MOS) and 24% (EBITDA).	Significant adverse media exposure and public outcry.	1 fatality or serious irreversible health effects to people (DFIR >0.46). Significant widespread impacts on employee morale.	Environmental disaster with major environmental impact and impact on communities. Major contamination of inputs or outputs.	Non-compliance with laws, policies and procedures that results in critical reputational and financial impact and/or Legal action. (Temporary/partial loss of licences and fines imposed). Capital variance ≤ 20% (R 20 Million) of base Capex estimate. Delay of 6-12 months on expansion projects or 1 months on business sustenance projects. 15-20% Scope deviation on expansion projects or ≤ 10% on business sustenance projects.
Moderate	3	Interruption of 12hrs - 24hrs requiring additional resources and management effort.	Impact is moderate if decrease in EBITDA is greater than 10% but less than 16%.	Adverse attention from media exposure, interest groups and public attention.	Temporary disabling injuries (DFIR ≤0.46). Widespread impacts on employee morale.	Environmental disaster with environmental impact and impact on communities. Moderate contamination of inputs or outputs.	Non-compliance with laws, policies and procedures that results in moderate reputational damage and preliminary legal action. Capital variance 5-15 % (R 15 Million) of base Capex estimate. Delay of 3-6 months on expansion projects or 1 months on business sustenance projects. 10-15% Scope deviation
Minor	2	Partial interruption of 3hrs-12 hrs which can be managed under normal operating conditions.	Impact is minor if decrease in EBITDA is between 5% and 10%.	Minor media public attention and complaints.	Medical treatment / Minor injuries. Minor to moderate impacts on employee morale.	Environmental pollution with minimal environmental impact and impact on communities. Minor, treatable contamination of inputs or outputs.	Non-compliance with laws, policies and procedures that results minor reputational damage and legal action. Capital variance <5 % (R 5 Million) of base Capex estimate. Delay of 1-3 month on expansion projects or <1 month on business sustenance projects. <10% Scope deviation.
Insignificant	1	Minor interruption that can be readily absorbed under normal operating conditions.	Impact is insignificant if decrease in EBITDA is less than 5%.	Public concern restricted to community complaints.	Minor first aid injuries. Localized employee morale problems.	Environmental pollution with no environmental impact and impact on communities. No detectable contamination of inputs or outputs.	Non-compliance with laws, policies and procedures that does not result in financial penalties or legal action, which can be remedied by management. Insignificant variance of base Capex estimate. Insignificant delay on business sustenance or expansion project. Little or no scope deviation.

4.9. INTERNAL AND EXTERNAL AUDIT

4.9.1. Internal Audit

Internal Audit (IA) function is an independent assurance provider. The IA function reports administratively to the Chief Executive (CE) and functionally to the Audit and Risk Committee. The function has a specific mandate directly from the Audit and 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 and Risk Committee.

4.9.2. External Audit

The Auditor General (AG) South Africa 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.



- 5. THE STRATEGIC PLANNING PROCESS
- 6. CHIEF EXECUTIVE UNIT
- 7. CORPORATE SERVICES UNIT
- 8. OPERATIONS UNIT
- 9. SCIENTIFIC SERVICES
- 10. TECHNICAL SERVICES UNIT
- 11. FINANCE UNIT

SECTION



STRATEGIC OBJECTIVES



5. THE STRATEGIC PLANNING PROCESS

The development of a sound strategic planning document requires a thorough understanding of the organisation's situational analysis, anticipated changes and realities within the business environment. As part of the strategic planning process, a detailed internal and external situational analysis was conducted. Mhlathuze Water strategic objectives are aligned to King IV principles which promote sound corporate governance as an essential element of good corporate citizenship. The projections and Key Performance Indicators (KPIs) outlined in the business plan and shareholders compact.

These performance areas have been specifically aligned against the 6 capitals that form the architecture of integrated thinking/reporting that was developed to guide the organisation to place its existence in the context of being a responsible corporate citizen.

The benefits of integrated thinking/reporting as endorsed by the Integrated Reporting Council of South Africa in the international Framework on integrated reporting is to:

- Improve the quality of information.
- Promote a more cohesive and efficient approach to corporate reporting.

- Enhance accountability and stewardship and promote understanding of their interdependencies.
- Support integrated thinking, decision-making and actions that focus on the creation of material value over the short, medium and long term.

Integrated thinking takes into account the connectivity and interdependencies between the range of factors that affect an organization's ability to create value over time, including:

- The capitals that the organization uses or affects, and the critical interdependencies, including trade-offs, between them.
- The capacity of the organization to respond to key stakeholders legitimate needs and interests.
- How the organization tailors its business model and strategy to respond to its external environment and the risks and opportunities it faces.
- The organization's activities, performance and outcomes in terms of the capitals – past, present and future.

Table 5: High Level Summary of the Six Capitals

High level summary of the Six Capitals	
Financial capital	The pool of funds that is available to an organization for use in the production of goods or the provision of services.
Manufactured capital	Manufactured physical objects (assets) that are available to an organization for use in the production of goods or the provision of services.
Intellectual capital	Organizational, knowledge-based intangibles, including intellectual property, such as patents, copyrights, software, rights and licences.
Human capital	People's competencies, capabilities and experience, and their motivations to innovate, including their alignment with and support for an organization's governance framework, risk management approach, and ethical values.
Social and relationship capital	The institutions and the relationships within and between communities, groups of stakeholders and other networks, and the ability to share information to enhance individual and collective well-being.
Natural capital	All renewable and non-renewable environmental resources and processes that provide goods or services that support the past, current or future prosperity of an organization.

The Business Plan spans a five-year period from the date of the Boards approval, and is reviewed annually to maintain a 5 year planning horizon. The Business Plan is presented in the format prescribed in the Water Services Act, 1997 (Act No. 108 of 1997) and Public Finance Management Act, 1999 (as amended).

The statutory key performance indicators to be attained by Mhlathuze Water in the implementing year are contained in the shareholders compact. This is agreed into between the Board and the Minister of Water and Sanitation. The Board undertakes to oversee the implementation of the agreement as attached as an annexure to this document.

In the event that it is envisaged that Mhlathuze Water will not be able to fully execute the plans, the Board will promptly inform the Minister accordingly and seek approval to makes changes. The strategic objectives are provided in relation to specific outputs documented in the section below. Statutory KPAs incorporated in the shareholders compact are marked with 'CS and number' and additional Mhlathuze Water's strategic KPAs are marked with 'MW and number'.

The approach to align to the King IV integrated thinking/reporting is a new approach the organisation adopted and remains work in progress over the next 3 to 5 years.

5.1. STRATEGIC OBJECTIVES AND PROJECTED OUTPUTS

Further to the shareholders compact and mandatory targets, the Board has also aligned its legislative mandate and strategic objectives to that of the UN's Sustainable Development Goals, the National Development Plan and the Department's Water and Sanitation Master Plan. Furthermore, the Board committed itself to measure its success in this context, having set these 5-years performance measures in addition to the applicable mandatory performance measures.

The table below summarises the key aspects of developmental state as mentioned in the National Development Plan, and where Mhlathuze Water's business model must be resilient so to direct and concentrate its efforts to achieve the NDP 2030 developmental milestone "of all South Africans having affordable, reliable access to sufficient safe water and hygienic sanitation"

Table 6: National Developments Plan

National Development Plan on the developmental state	Role of Mhlathuze Water	Impact on Mhlathuze Water
A developmental state builds the capabilities of people to improve their own lives, while intervening to correct historical inequalities.	Support Provincial Government in the role of building capacity of Water Services Authorities to discharge its integrated water services management.	Relevant staff, skills and capabilities to play the support role. Improved collaboration with relevant Provincial Government Departments on building capacity.
A developmental state intervene to correct historical inequalities to build the capabilities of our people so that they can live the lives that they desire; and to develop the capabilities of the country so that we can grow faster, draw more people into work and raise living standards for all, but particularly the poor.	Understand the needs and demand of communities in Water Services Authorities and have effective mechanisms to respond to these. ➤ Integrated Infrastructure and Resource Master Planning ➤ Agency Support agreements with WSAs ➤ Interventionist rather than no reaction or reactive response	Coordinated planning and build close relationships Access to budgets and funds Access to equipment and material
A developmental state tackles the root causes of poverty and inequality.		
It requires leadership, sound policies, skilled managers and workers, clear lines of accountability, appropriate systems, and consistent and fair application of rules.	All roleplayers (staff, management and Board) must have a coherent and cohesive view of this developmental mandate and what it requires.	Effective Leadership and Mentorship programmes Change management to achieve set objectives
It revolves around citizens being active in development and strong leadership throughout society working together to solve our problems.	Stakeholder engagement and value survey and customer satisfaction	Effective and transparent stakeholder engagement platform and customer satisfaction measures and redress mechanisms
The public sector is the largest employer and lies at the heart of service delivery. Its labour regime has to be conducive to service-delivery and developmental objectives.	To promote a healthy and responsive work force with clear leadership goals.	Change Management, Employee satisfaction and Performance/ Incentive practices
This is a plan for South Africa, requiring action, change and sacrifice from all sectors of society."		

Further to the NDP, the table below summarises the objectives of the national Water and Sanitation Master Plan and where it's applicable to Mhlathuze Water.

"Reduce water demand" refer to the strain placed on the scarce water resources available in South Africa. To reduce strain, demand must be reduced. To therefore reduce demand, there must be an effective and sustainable cost recovery structure in place. In addition, water demand will be managed by a reduction in water requirements (improve on production efficiencies), reduction in water wastage, reduction in unmetered/ unaccounted water and reduction in uncontrolled releases from source. With the strain on the resource, the secondary impacts of improper land use practices, pollution and climate change is further recognised.

"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. Like built infrastructure, 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.

Table 7: National Water and Sanitation Master Plan

National Water and Sanitation Master Plan		
Objectives	Drivers	Relevance To Mhlathuze Water
Reduce water demand and increase supply	Reconciliation studies, feasibility studies, bankable projects, resource catchment studies, water resource development Non-revenue water and water losses across all sectors, water use efficiency Resource infrastructure, Ground/ Desalination as additional water resources	Encourage customers to efficiently use water Remain within allocations and restrictions Minimise water losses at abstraction and production points Functional metering of water consumption and sustainable tariffs Participate in water resource and demand management programmes Explore and package viable water resource augmentation projects
Redistribution for transformation (equity)	Equitable identification and allocation of water Local/ community based projects	Medium to long term infrastructure planning and implementation to meet domestic and economic needs equitably. Sustainable and equitable water costing and tariffs
Raw water quality	Waste water treatment turnaround times, prosecute polluters, quality monitoring of resources	Effluent treatment and/or re-use Catchment water quality monitoring and reporting
Protecting and restoring ecological infrastructure	Water ecosystems must be protected, diffuse pollution, regulate land use	Environmental awareness on resource management

5.2. SITUATIONAL ANALYSIS

5.2.1. Mhlathuze Water’s Business

5.2.1.1. Section 29 Core: Bulk water provision

Mhlathuze Water provides raw, clarified and purified water to industries and water service authorities through its flagship Nsezi Water Treatment Plant. The plant 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 current production capacity is 205million m3 per day. The project to augment the plant with 55million m3 per day to a 260million m3 per day is underway and will complete in 2024.

5.2.1.2. Section 29 Core: 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 with seawater dilution for the buoyant line (A-line) is 200million m3 per day, and the dense line (B-C line) is 160million m3 per day.

5.2.1.3. Section 29 Core: Scientific Services

The organisation is the 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 approach it to collaborate with external institutions, whilst also building internal capacity.

5.2.1.4. Section 30 Additional: 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.

5.2.1.5. High level stakeholder and customer demand analysis

The table below demonstrate a high level customer and stakeholder demand analysis. The analysis will in future be supplemented by customer and stakeholder assessments and surveys. The purpose of this is to reflect on the various types of core products or services the organisation produce to add value to its customers and stakeholders. The criteria

applied is whether the product or service is available at a reasonable price, required quality and expected quantity. Lastly, it is assessed if the customer or stakeholder has the ability to pay for these expected services.

Table 8: High Level Stakeholder and Customer Demand Analysis

Product/ Services	Customers/ Stakeholder	Price	Quality	Quantity	Customer Buying Power
Bulk Raw Water	Industry	Reasonable	Supply in untreated form from source for industrial processes.	Reliable daily supply on demand as per contracted volume	Good
	Water Services Authorities	Reasonable	Supply in untreated form from source for industrial processes.	Reliable daily supply on demand as per contracted volume	Reasonable
Bulk Clarified Water	Industry	Reasonable	Partially treated raw water that is within reasonable quality parameters for industrial processes. Reasonable appetite for deviations	Uninterrupted daily supply as per contracted volume	Good
Bulk Purified Water	Industry	Reasonable	Treated Water with strict quality parameters for industrial product manufacturing. Low appetite for deviations	Uninterrupted daily supply as per contracted volume	Good
	Water Services Authorities	Reasonable	Treated Water with strict quality parameters for human consumption. Low appetite for deviations	Uninterrupted daily supply as per contracted volume	Reasonable
Bulk Waste Water Disposal	Industry	Reasonable	Dispose as is from source.	Uninterrupted daily disposal as per contracted volume	Good
	Water Services Authorities	Reasonable	Dispose as is from source.	Uninterrupted daily disposal as per contracted volume	Reasonable
	Regulatory Authorities	N/A	Strict quality parameters for compliance with disposal permit.	Quantity limits for compliance with disposal permit	N/A
Laboratory Services Water and Waste Water testing	Industry	Reasonable	Reliability of product Independently certified and accredited results	As stipulated by customer contracts	Good
	Water Services Authorities	Reasonable	Reliability of product Independently certified and accredited results	As stipulated by customer contracts	Reasonable
Project Management and Implementation and Operations and Maintenance	Shareholder	Reasonable	Facilitate and accelerate adequate and reliable access to basic water and sanitation	As stipulated by customer contracts	Good
	Water Services Authorities	Reasonable	Facilitate and accelerate adequate and reliable access to basic water and sanitation	As stipulated by customer contracts	Good
How the Criteria are Performance Managed					
Price		Measured through tariff consultation and approval processes			
Quality		Measured through set standards and parameters in customer contracts			
Quantity		Measured through set standards and parameters in customer contracts			
Customer buying power		Measured through debtor days			

5.2.2. Mhlathuze Water EXTERNAL and INTERNAL environment scan

In order to evaluate the state of the business, identify the threats and look for opportunities for sustained growth; an environmental scan was performed.

The process identified the range of external factors that could possibly impact on the organisation, and what threats of opportunities these present and how the organisation must respond to it. The factors considered are based on the PESTEL model that assess or prompt issues around the political, economic, social, technological, environment and legal aspects.

Interlinked with the external factors, the internal organisational environment was reflected on and highlighting the possible weaknesses or strengths the organisation has in aspects such as its vision, mission, values and culture, policies, finances and assets, human resources

and customer relations.

Even though the organisation holds the dominant market share and competitive advantage, with respect to its core services, the services are not absolute securities for sustainability.

This is reflected in both the external and internal environments that reflect a particular challenge around changing the organisation to be responsive to and drive implementation of the developmental mandate. To effectively deal with these, the organisation must renew itself to both deal with its current situation as well as responding to the demands presented to it in implementing the developmental mandate.

Table 9: PESTEL External Environment Assessment

The table below presents the PESTEL External Environment Assessment

External Impacts On The Organisation		Ranking		Options To Address	
	Issue	Opportunity	Threat	Threat	Opportunity
Political	Increase in receiving ministerial, municipal, Board directives to assist water services authorities in distress, and pressure to expedite delivery	H	H	secure agreements and budgets/ funding	Invest in Human Resources/ Restructure to respond more effectively to municipal water/ sanitation projects The plan and strategy must be properly resources, both human (skills) and start-up funding. Organisational budget reform to commit to transformation and developmental agenda
	Vandalizing of Mhlathuze Water's Infrastructure and delay of capital project implementation due to local business/labour demands		H	Organization to include stakeholder management position in the company organogram. Engage with relevant stakeholders from planning stage.	
	Unsustainable planning due to short term Board appointments	L	H	Legislation restrict to 4 years, but Minister can reappoint no exceeding 3 terms (12 years)	
	Rationalization of KZN Water Boards	H	H	allow Boards to remain functional whilst process unfolds (pre-mature moratoriums are unsustainable) allow/ encourage KZN Boards to cooperate with one another in the interim in sharing of resources continuous engagement with stakeholders on reconfiguration process and impact on the local economy	Can improve the response and efficiency to delivery when access to more resources
	Economic hardship negatively affecting viability of customers Pandemics after effects Risk of increasing debt and impact on financial viability	L	H	Project to be completed on time.	
	Expanding capacity on Nsezi plant to create opportunities for expansion	H			
	Capacity/ Capability to consistently achieve high priority targets (CAPEX and OPEX) project planning and execution	H	H	Project management unit and framework	Project management unit and framework

External Impacts On The Organisation		Ranking		Options To Address	
	Issue	Opportunity	Threat	Threat	Opportunity
Social	Access to limited socio, economic and educational opportunities from local communities aggravated by high unemployment, poverty and inequality. Unsustainable/ Low impact CSI	H	M	focus on both aid and long term sustainable/ impact projects	focus on both aid and long term sustainable/ impact projects Training and development, Community engagements
	Tarnished reputation by continuous negative publicity on irregularities within the entity	L	H	Structured/ Planned efforts are made to publicly repair the reputation Preventative measures to avoid the same from occurring	
Technology	Limited research/ collaborations on innovative ways to generating raw/bulk water alternatives Explore Recycling and desalination technologies.	H	H		Improved organizational structure to combine efforts allocate funding resources to research or structure appropriately to deliver as expected
	Lack of Technology advancement in both IT and OT	H	M		Improve reliability of IT systems Proper implementation of ICT projects Enhance systems to prevent Cyber and Security attacks Improve reliability of disaster recovery system
	Proactive use of technological tools to market Mhlathuze Water and promote two-way engagement with customers and stakeholders	H			Improve digital marketing by reviewing the Marketing Strategy and develop practical responses to the market
Environment	Continued effluent discharge to ocean and associated non-compliance with environmental regulations	L	H	Inadequate operating budget or reserves to respond to effluent spills	Reduce by re-use or beneficiation Treatment options/ Technology
	Water resource pollution by natural and human activity, resulting in deteriorating water quality		H	Finalize Effluent disposal agreement with Tongaat Hullet. Engage CoU regarding compliance of discharges from Waste Water Works Approach DWS regarding pollution in the catchment	
	Vulnerability to Climate Change (drought & floods) and associated impacts on quality and quantity of raw water resources.		H	Review and implement Climate change strategy Finalize and implement master plan	

Notwithstanding the pressure to drive the developmental agenda, the organisation must carefully manoeuvre through the identified threats and risks to effectively make any inroads into it. A concerted effort to deal with barriers and challenges will have to be made.

It is imperative that the organisation, in collaboration with its stakeholders; explore the opportunities presented. Not only from a financial viability point of view, but also to ensure equitable access and long term water security.

5.3. FINANCIAL VIABILITY AND SUSTAINABILITY

Mhlathuze Water is a Water Board established under Chapter 6 of the Water Service Act and classified as a Schedule B3 Government Enterprise in terms of the Public Finance Management Act. Being classified as a Government Enterprise and not receiving any financial aid

from National Government, the aim of the organisation is to be financially viable and sustainable.

Mhlathuze Water predominantly relies on tariff charges for bulk water and bulk effluent volumes sold to both domestic and industrial customers. This is done to recover cost of sales, expenses and maintain a positive net surplus. The tariff charged is informed by a number of assumptions as outlined in the financial section of this business plan.

The medium term economic forecasting climate, predominantly influenced by the impact of COVID-19 pandemic and rising inflation; compelled the organisation to adjust its financial operations to ensure business continuity and enhanced efficiencies.

The operational budget process was restructured to minimise the impact of the deteriorating economic

climate. A conscious decision was taken not to amend the capital expansion programme so not to compromise the core service delivery mandate of the organisation.

As mitigation against this emerging financial viability threat, Mhlathuze Water adopted a number of short and medium interventions.

- Operational efficiencies are of critical importance. Firstly, general expenses are to be reviewed and controlled where appropriate. Management to implement austerity measures and review budget preparation and management reforms to implement a zero-based operational budgeting process.
- The review of major operational cost drivers in the cost of sales are subject to research and the

implementation of efficiencies are required. This also will involve researching and implementing technological advances to reduce cost or improve efficiencies or just simply do without.

- Development and implementation of a Capital Infrastructure Investment Framework in order to assess, prioritise and schedule material capital expansion, upgrade and refurbishment projects.
- Even though under restrained economic growth climate, the objective remains to increase revenue by sustainable tariff increases, the sale of bulk volumes under primary activities in order to increase revenue and any other revenue generating activities as permitted under Section 30 of the Water Services Act.

Table 10: Financial Viability Indicators

The following table outline the scheduling of these interventions:

Intervention	Performance Measure	2024	2025	2026	2027	2028
OPEX: Review and control general expenses, including a 0-based budgeting process to maintain net profit margin targets	NETT PROFIT MARGIN	15%	15%	15%	15%	15%
OPEX: Implement R&D initiatives to reduce cost of sales	REDUCTION IN COST OF SALES BY R&D	1%	1.5%	2.5%	3.5%	5%
CAPEX: Implement and strict adherence to CAPEX Infrastructure Framework	CAPEX PROGRAMME COMPLIANT WITH CAPEX FRAMEWORK	100%	100%	100%	100%	100%
Revenue growth: All related growth such as tariff increases, volumes, S30, Lab Services etc	GROWTH IN REVENUE	7.0%	7.0%	7.0%	7.0%	7.0%

5.4. GROWTH AND PREDICTED WATER DEMAND

5.4.1. Bulk Raw Water Security

The organisation constantly review the availability of natural resources in context of its position regarding current and future demands. Based on the moderate planning scenarios, the current industrial and residential water demand are predicted to steadily increase over the next 30 years. The increase in purified water for residential demand appears to be the major influencing factor, coupled with clarified water for moderate growth in the economic/ industrial sector.

The Mhlathuze System Catchment's current and future yield would be sufficient without any augmentation. However, based on the predicted growth path for the Richards Bay and neighbouring district areas, it is still considered to be in the future interest of the area to continue with the originally proposed system augmentation interventions.

A number of strategic interventions have been identified in collaboration with the Department of Water and Sanitation through the Richards Bay Reconciliation Study. Mhlathuze Water was requested to drive the implementation for certain these strategic projects. In

summary, there are targeted feasibility studies to augment natural storage capacity of water by investigating the suitability of the Nseleni River as well as future plans for bulk desalination. The demands for raw water abstraction is within the limits placed on the organisation to abstract water from the Mhlathuze River (weir). Compared to actual metered consumption usage data, raw water abstraction will remain within the limits for some time in the future Mhlathuze Water, in anticipation of contractual demand for bulk services increasing, will embark on collaborative programmes to augment bulk water resources by investigating a mix of options that could include raw natural water, waste water re-use and/ or large scale desalination.

5.4.2. Infrastructure Master Plan and Business Growth

Mhlathuze Water developed An Infrastructure Master Plan (IMP) to outline the interventions that are to be implemented to secure adequate water to sustain the current and acquire new clients and business opportunities in a sustainable manner. The implementation of these interventions are expressed in more detail in the Technical Services section below.

5.4.2.1. Future Raw Water Requirements

The capability to expand the access to water is influenced by compliance with the National Water Act (Act 36 of 1998), more specifically, Chapter 4. The chapter governs

the “use of water” and the compliance with its water use licenses issued by the Department of Water and Sanitation. In terms of the Act, Mhlathuze Water holds two Water Use Licenses (WUL) as per the table below:

Table 11: Water Use Licenses

Point of abstraction	Date of issue	Duration	Volume
Mhlathuze River	10/11/2020	40 years	258.68 ML/day
Mhlathuze Water Weir		10/11/2060 (38 years remaining)*	
Tugela River	1/4/2005	40 years	129.50 ML/day
Mandeni		1/4/2045 (23 years remaining)	
TOTAL			388.18 ML/day

To allow for expansion, there must be capacity in the WUL volumes to absorb such. The current total contracted volume for customers in 2021/2022 is sitting at 286ML/day. Based on the customer demand, a steady increase from 286ML/day to 345ML/day is projected.

From the raw water balance exercise documented in the IMP it is affirmed that a reliable and assured supply of raw water is the critical constraint and risk that may impact on the sustainable future operations and expansion of Mhlathuze Water.

Based on the projections for future raw water consumption in the Mhlathuze River catchment made in the IMP, a raw water shortfall is projected from approximately 2033. Addressing the raw water shortfall that is projected to occur in 2033 can be achieved in many different ways.

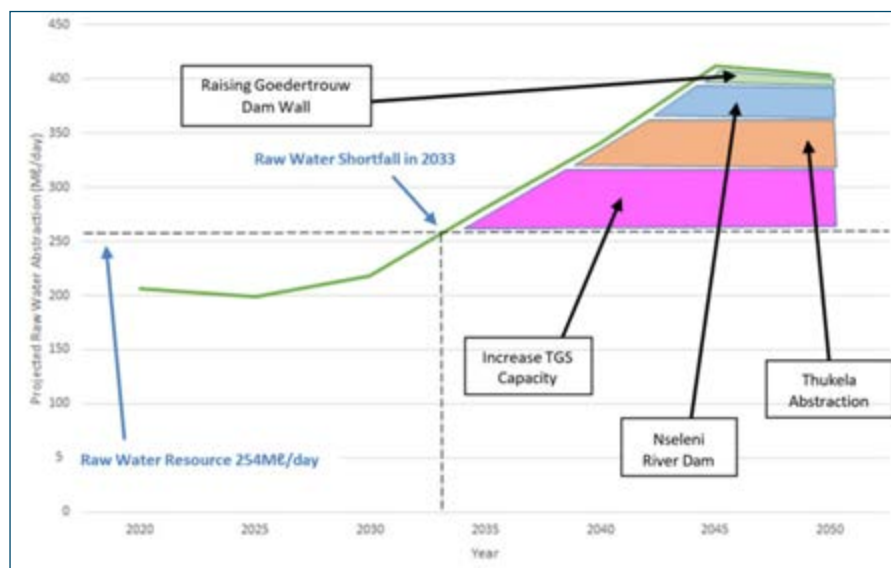
One possible raw water bulk augmentation plan is illustrated in the figure below. This option comprises the following appropriate options that were identified during the preparation of the IMP.

Table 12: Raw Water Augmentation

Item	Increase in Yield (Mℓ/day)	Estimated date of commissioning
Increase TGS Capacity	129.13	2033
Thukela Abstraction	54.6	2039
Nseleni River Dam	32.76	2042
Raising Goedertrouw Dam Wall	15.83	2045

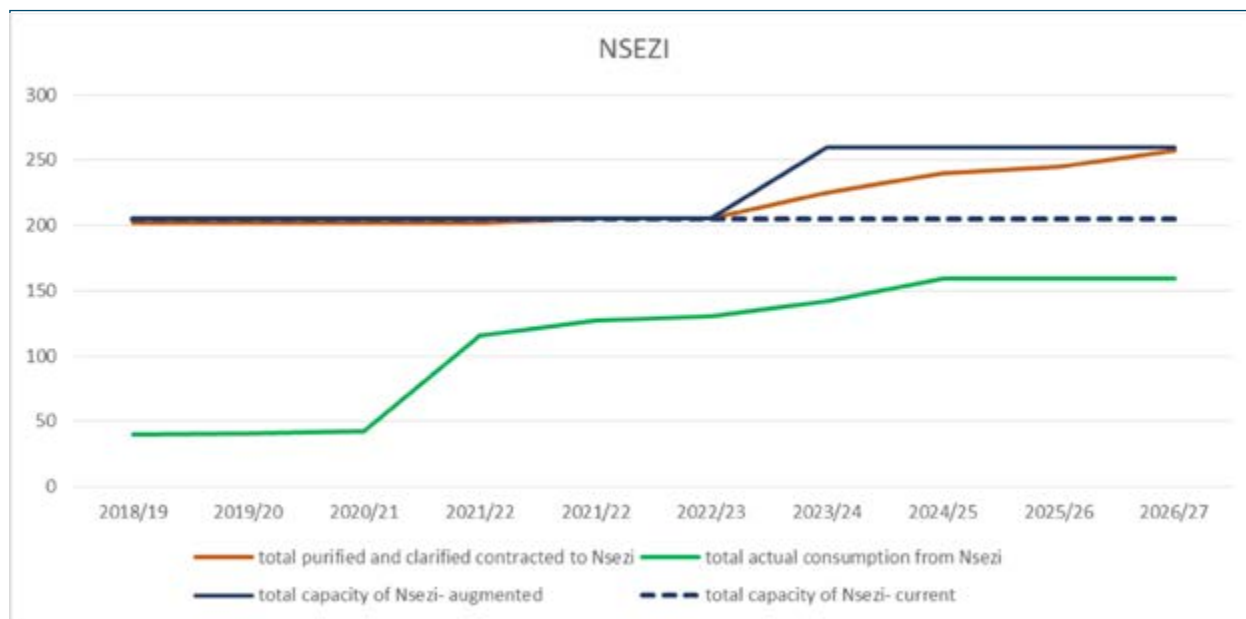
The above interventions and scheduling are visually presented in the figure below.

Figure 3: Raw Water Augmentation



5.4.2.2. Bulk water production capability

Figure 4: Nsezi Water Works vs Contracted/ Consumption volumes



Two types of water is produces at Nsezi Water Treatment Works, clarified and purified/ potable (drinking) water.

Clarified Water is water that undergoes most of the same treatment processes as potable water, with the exception of filtration and chlorination. Clarified water is used by industries as process water. The current assumption is that the 260Mℓ/day total treatment capacity at the Nsezi Water Treatment Works, comprises 44Mℓ/day of clarified water capacity and 216 Mℓ/day of potable water treatment capacity. This is an estimate based on current and medium term clarified water demand.

It is estimated at that this total treatment capacity should be sufficient in the short to medium term. In theory, there is no limit to the amount of treatment capacity (either potable and/or clarified) that can be developed at Nsezi, subject to a reliable supply of raw/natural water.

The Nsezi Water Treatment Works is currently being upgraded to a total capacity of 260Mℓ/day. When

considered along with the other municipal treatment works in the immediate Mhlathuze River catchment supply area, a total current potable water treatment capacity of 414Mℓ/day is estimated. At the projected consumption rates, the current potable water treatment capacity in the Mhlathuze Water core supply area should be sufficient until approximately 2037

The table below indicate that beyond 2037, any shortfalls in treated water capacity can be addressed by increasing and upgrading the capacity at the Nsezi Water Treatment Works. However it can also be indirectly addressed by reducing water demand through water conservation and demand management (WCDM) initiatives implemented by customers, especially water services authorities. This is undoubtedly a preferable, initial solution as it avoids expensive investment in additional infrastructure and also assists with conserving scarce water resources. Another possible source of additional potable water comes from the effluent reuse initiatives that are currently being developed.

Table 13: Bulk Water Augmentation

Item	Increase in Yield (Mℓ/day)	Estimated date of commissioning
WCDM	TBC (Depends on measures)	2040
Effluent Reuse	TBC	2043
Expand treatment capacity of Nsezi WTW	TBC (Depends on expansion design)	2045

The above interventions and scheduling are visually presented in the figure below.

Figure 5: Bulk Water Augmentation

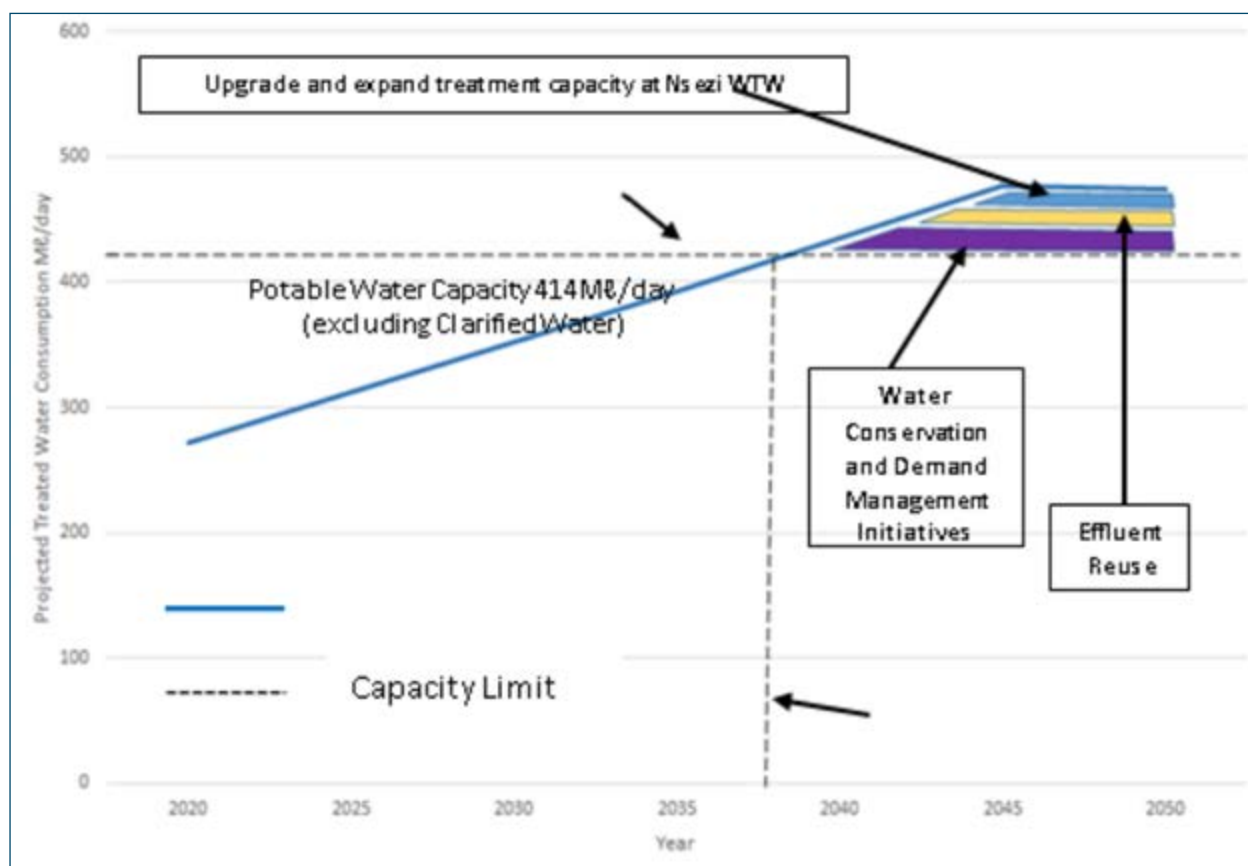


Table 14: Water Demand Projections

The predicted volumes inform the organisation's plans with regards to planning for infrastructure upgrades.

Demand Projections ('000m ³ /Day)	2021	2022	2023	2024	2025	2026	2027
PURIFIED							
CoU: Richards bay	0	0	0	12	12	12	12
CoU: Esikhaleni	0	0	0	20	20	20	20
	0	0	0	32	32	32	32
CLARIFIED							
IDZ 1F potable	0	0	0	0	0	20	20
IDZ 1F clarified	0	0	0	0	15	15	15
Reserve capacity	0	10	10	10	10	10	10
	0	10	10	10	25	45	45
TOTAL	0	20	20	52	57	77	77

Discussions are continuing between Mhlathuze Water and the Richards Bay Industrial Development Zone on the future requirements of the Phase 1F zone. The RBIDZ will revert once they have completed with the planning phase of the development that requires estimate of 15 000 m³ of clarified water and 20 000m³ of purified water per day in 2025/2026.

There is currently no potable water supply from Mhlathuze Water to Esikhaleni (City of uMhlathuze). The water demand from this system far outweighs the available water supply (the plant capacity cannot meet the demand) such that restrictions have to be implemented as part of normal system operation. The process of conducting the feasibility study to augment the Forrest Hill reservoirs (Esikhaleni/

Vulindlela system) with potable water from Nsezi WTP to Esikhaleni bulk reservoirs (i.e. Forest reservoirs) have been concluded by the CoU. The projection is to supply the Forrest Hill reservoirs with 20 000 m³ of potable water per day in 2022. However, the implementation of the 15ML/day package plant by the CoU as an interim measure has moved the implementation of the potable pipeline forward by 2 years.

5.4.3. Bulk Waste Water Disposal Capability

The capability to expand the bulk waste water segment of Mhlathuze Water, is influenced by compliance with the Coastal Waters Discharge Permit issued to Mhlathuze Water under the Environmental Management: Integrated Coastal Management Act (Act 24 of 2008) as outlined in the table below.

Table 15: Coastal Water Discharge Permit

Point of discharge	Date of issue	Type	Volume
Indian Ocean: Alkantstrand Pump Station	2017 Last amendment: 0	Buoyant effluent A-line	200ML/day diluted
Indian Ocean: Alkantstrand Pump Station	2017 Last amendment: 23/7/2021	Dense effluent B-line (land) C-line (ocean)	160ML/day diluted
TOTAL			360 ML/day

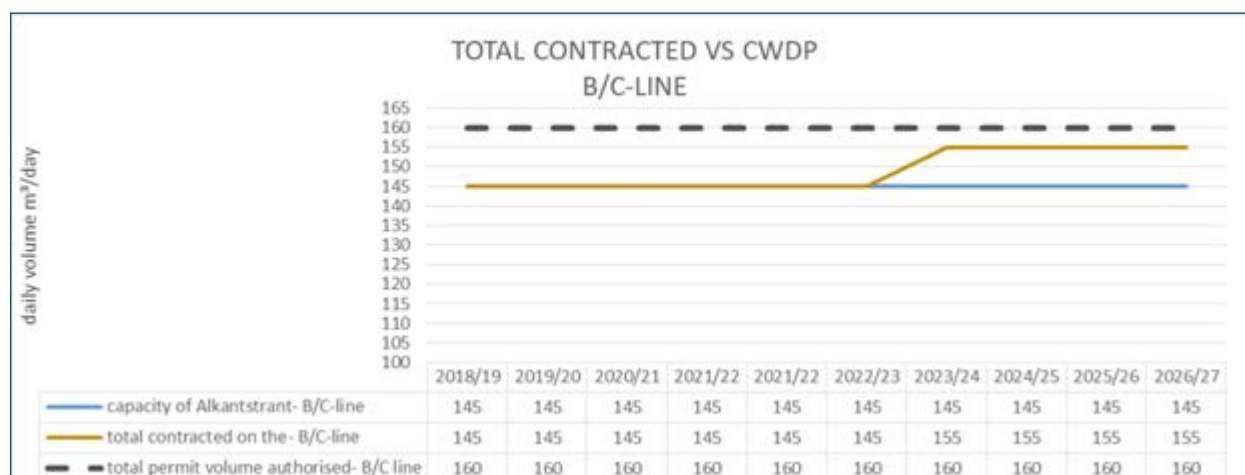
Further to the CWDP imperatives, the infrastructure capability to actually dispose of the contracted volumes is a critical point. Mhlathuze Water operate two dedicated land and ocean pipelines (A-Line and B/C line) and a pump station situated at Alkantstrand

Figure 6: CWDP Limits vs Contracted Volume- A-Line



The above graph illustrate that the A-line is within its capacity and do not need any augmentation to accommodate future growth. The difference depicted on the graph is to accommodate the seawater dilution of effluent prior to discharge.

Figure 7: CWDP Limit vs Contracted Volume- B/C- Line



The above graph illustrate that the B/C-line will remain within its authorised discharge limits as per the CWDP. Notwithstanding the latter, the expansion of the bulk effluent network into especially the IDZ-Zones is to be considered as the demand to connect to the system for discharge appear to be on the rise.

Any upgrades to the system must be viewed in context of the drive to reduce the environmental impact of ocean discharge, and initiate projects that can effectively re-use and treat effluent to produce quality water for industrial use.

Table 16: Strategic Objectives and Projected Outputs

Alignment to Sustainable Development Goals	2030 NDP Milestones	National Water and Sanitation Master Plan	Strategic Objective	King IV Corporate Citizen	Projected 5 year Performance Outputs	June 2018 Baseline	Source of baseline	5 year Performance Targets
6.4, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity	All main urban and industrial centres will have a reliable water supply to meet their needs	Improve raw water quality	S01 To grow and expand the equitable provision and access to water services	Natural Capital	Invest effectively in bulk water storage	240 million m³/a water secured or stored	DWS Reconciliation Study	280 million m³/a water secured or stored
				Manufacturing Capital	Invest effectively in bulk water production	74 million m³/a plant capacity	Annual Report	90 million m³/a plant capacity
				Social and Relationship Capital	Play an active role in access to water in communities	UKDM/DWS-Jozini	Annual Report	Agency Support agreements with WSAs
			S02 To ensure long-term financial sustainability of the organisation	Financial Capital	Maintain a sustained net profit margin	16%	Annual Report	15% net profit margin maintained
				Financial Capital	Diversify/ Expand the business footprint	R394.3m revenue (s29) R136.6m revenue (s30)	Annual Financial Statements in Annual Report	Increase in volumes of water/ waste water to new/ existing customers
				Financial Capital		R394.3m revenue (s29) R136.6m revenue (s30)	Annual Financial Statements in Annual Report	increase in Section 29 and 30 customers
				Financial Capital Manufacturing Capital	Revenue generation from investment in assets	Return on assets 6,24%	Annual Report	Maintain/ increase return on assets to 8%

6.1, achieve universal and equitable access to safe and affordable drinking water for all	All South Africans will have affordable, reliable access to sufficient safe water and hygienic sanitation;	Reduce water demand and increase supply Equitable redistribution for transformation (equity)	S03	To initiate and build relationships with stakeholders and customers to create value	Social and Relationship Capital	Maintain quality service to existing customers	Mondi purified: 88.4% Foskor clarified: 100% All other purified: 100%	Customer Standards and Lab test results	95% of customer water quality standards achieved
					Social and Relationship Capital	Increase in the Local/ Regional economic spend	7% of bids >R500k spent in District	Contract register	20% of procurement budget spend within the area of operation
					Human Capital Social and Relationship Capital	Reinforce the transformation agenda	BBBEE level 8	BBBEE certificate Annual Report	Achieve and maintain a BBBEE level 1 rating
					Social and Relationship Capital	Local community to benefit from the presence of MW	24% spend on regional CSI and municipal rural development budget in line with the mandate	Annual Report (CSI and municipal budget vs actual spend)	90% budget spend on local and regional CSI and municipal rural development in line with the mandate
			S04	To resource the Organisation with the required skills and competence to deliver the strategic intent	Manufacturing Capital	Increase Leadership and Operational competence	97.1% plant availability	Maximo reports	95% plant availability
					Manufacturing Capital Social and Relationship Capital		0 instances of unplanned supply interruptions exceeding 24 hours	Maximo reports	3 instances of unplanned supply interruptions exceeding 24 hours
					Intellectual Capital	Maintain business continuity through knowledge management and mentorship	New	HR reports on business continuity	80% of identified staff participating in relevant programmes
			S05	To optimise business processes and systems to be compliant	Social and Relationship Capital	Unqualified Audit	Qualified	External Audit Report	Unqualified Audit opinion
			S08	To foster strong organisational culture driven by the organisation's values	Social and Relationship Capital	Strong organisational culture	New	Independent compliance testing reports	Meet 80% of organisational culture results/ survey
6.3, improve water quality by reducing pollution, eliminating dumping and minimizing re-release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally	Natural water sources will be protected to prevent excessive extraction and pollution	Protecting and restoring ecological infrastructure	S06	To be pro-active on issues relating to health, safety, security and environmental compliance and stewardship	Human Capital	Safe and Secure working environment	1 disabling incident	DFIR report	0.45 disabling incidences
					Social and Relationship Capital	Meet quality and compliance standards	99.9% compliance with SANS	Independent compliance testing reports	97% compliance with set standards
					Social and Relationship Capital		91.8% compliance with disposal permit	Independent compliance testing reports	90% compliance with set standards
					Natural Capital Intellectual Capital	Complete feasibility studies to reduce waste water discharge into the ocean	64.8 million m ³ /a	Annual Report	Feasibility to re-use the waste or dispose of waste water in an environmentally friendly manner
	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	Reduce water demand and increase supply	S07	To improve efficiency through technology and best practices	Financial Capital	Implement technology to reduce cost of sales	43% (cost of sales as part of gross revenue)	Annual Financial Statements in Annual Report	5% reduction in costs of sales due to technological advances implemented
					Natural Capital	Reduce water wastage from abstraction	2.72% of water loss from abstraction	Annual Report	2.5% of unaccounted water loss from abstraction
					Intellectual Capital	Research and Development that informs operational efficiency	New	None	Conduct research on 5 initiatives and implement 4

Table 17: Strategic Objectives and Projected Targets

Projected 5 Year Performance Outputs	Operational Performance Activities	Year 2020/2021 Actual	Year 2021/2022 Actual	Year 2022/2023 Estimate	Year 1 2023/2024	Year 2 2024/2025	Year 3 2025/2026	Year 4 2026/2027	Year 5 2027/2028
Invest effectively in bulk water storage	Prepare and implement Bulk Infrastructure Master Plan	RB RECON 2018/19 for Mhlathuze Catchment DWS commenced with KZN Northern Catchments (Pongola, Mkuze, Hluhluwe and Mfolozi) (Sept 2021 - 2023/2024)	RB RECON 2018/19 Northern Catchments (Pongola) CMA established and Board Nominations submitted Jan '23 Eastern Catchments (Mhlathuze) CMA in process of being established	Participate in Catchment Management Agency activities	Participate in Catchment Management Agency activities	Participate in Catchment Management Agency activities	Participate in Catchment Management Agency activities	Participate in Catchment Management Agency activities	Participate in Catchment Management Agency activities
Invest effectively in bulk water production	Implement Bulk Infrastructure Master Plan	MW Master Plan - June 18	Infrastructure Master Plan under review	Bulk Infrastructure Master Plan review complete	-	-	Review of Infrastructure Master Plan	-	-
	16.8.3: Desalination	-	-	Finalise pre-feasibility	Finalise pre-feasibility	Finalise feasibility: CAPEX review	Concept and design if viable	Concept and design if viable	Implement if viable
	16.8.4: Nseleni Dam	-	-	-	Finalise pre-feasibility	Finalise feasibility	Finalise feasibility	Finalise feasibility: CAPEX review	Concept and design if viable
	16.8.7: Mandini abstraction from Tugela	-	-	Finalise pre-feasibility	Finalise pre-feasibility	Finalise pre-feasibility	Finalise feasibility: CAPEX review	Concept and design if viable	Implement if viable
	16.8.7: raising of lake Nsezi	-	-	-	-	Finalise pre-feasibility	Finalise feasibility: CAPEX review	Concept and design if viable	Implement if viable
	16.8.9: WCDM	-	-	-	Partnerships with WSAs	Finalise feasibility: CAPEX review	Implement if viable	Implement if viable	Implement if viable
	16.8.10: waste water effluent re-use/ recycle	Partnership negotiations	Partnership negotiations	Finalise transactional advisory services via GTAC	Finalise transactional advisory services via GTAC and NT approval	Implement if viable	Implement if viable	Implement if viable	Implement if viable
	16.8.11: augment TGS	-	-	Construction at 11%	Complete construction	Operate and Maintain	Operate and Maintain	Operate and Maintain	Operate and Maintain
	CAPEX programme implemented to increase Nsezi plant production capacity	NWTP pipeline material R90.4m NWTP pipeline construction R0m (not awarded) NWTP plant upgrade material R278.1m	Pipeline material delivered 100% Pipeline construction 0% complete (EIA received late) Plant augmentation 27.6% complete	Pipeline construction 0% complete (EIA received late) Plant augmentation 65% complete	Pipeline construction 75% complete (EIA received late) Plant augmentation 100% complete	Pipeline construction 100% complete	-	-	

Projected 5 Year Performance Outputs	Operational Performance Activities	Year 2020/2021 Actual	Year 2021/ 2022 Actual	Year 2022/2023 Estimate	Year 1 2023/2024	Year 2 2024/2025	Year 3 2025/2026	Year 4 2026/2027	Year 5 2027/2028
Play an active role in access to water in communities	Agency Support Agreements signed and implemented	UKDM: Jozini	UKDM partnership agreement (Feb '22)	UKDM partnership agreement	UKDM partnership agreement	UKDM partnership agreement	UKDM partnership agreement	UKDM partnership agreement	UKDM partnership agreement
		-	-	-	-	CoU partnership with under new reconfigured KZN Water Board	CoU partnership with under new reconfigured KZN Water Board	CoU partnership with under new reconfigured KZN Water Board	CoU partnership with under new reconfigured KZN Water Board
		-	-	-	KCDM partnership with under new reconfigured KZN Water Board	KCDM partnership with under new reconfigured KZN Water Board	KCDM partnership with under new reconfigured KZN Water Board	KCDM partnership with under new reconfigured KZN Water Board	KCDM partnership with under new reconfigured KZN Water Board
		-	-	-	-	ZDM partnership under new reconfigured KZN Water Board	ZDM partnership under new reconfigured KZN Water Board	ZDM partnership under new reconfigured KZN Water Board	ZDM partnership under new reconfigured KZN Water Board
Maintain a sustained net profit margin	Maintain net profit margin >15%	18.45%	26.68%	25.53%	15.05%	16.41%	16.75%	18.81%	19.08%
Diversify/ Expand the business footprint	Increase in volumes of water/ waste water to new/ existing customers								
	Purified water	202 000	202 000	212 000	224 000	224 000	224 000	224 000	224 000
	Raw water	108 840	108 840	108 840	108 840	108 840	108 840	108 840	108 840
	Waste water	188 983	188 983	187 483	187 483	187 483	187 483	187 483	187 483
	Increase Section 30 business with regional Water Services Authorities or other	DWS directive issued on TGS upgrade CoU directive on Esikhawini intervention	1 new S30 agreement DWS directive on Umkhanyakude District Municipality received	1 new S30 agreement Pending directive on Lavumisa Transfer Scheme by DWS	1 new S30 agreement	1 new S30 agreement	1 new S30 agreement	1 new S30 agreement	1 new S30 agreement
Revenue generation from investment in assets	Increase in the return on assets	11.08%	8.36%	5.00 %	7.04%	8.12%	7.34%	8.44%	9.07%
Maintain quality service to existing customers	Meet customer water requirements	Mondi purified: 95.75% Foskor clarified: 100% All other purified: 100%	Mondi purified: 99.2% Foskor clarified: 100% All other purified: 100%	Mondi purified: 99.65% Foskor clarified: 100% All other purified: 100%	95%	95%	95%	95%	95%
Increase in the Local/ Regional economic spend	Emerging and Local Supplier Development	31%	30%	30%	30%	30%	30%	30%	30%
Reinforce the transformation agenda	Skills Development Plan and implementation	83%	49.38% of budget spent	19.63% of budget spent	90% of budget spent	90% of budget spent	90% of budget spent	90% of budget spent	90% of budget spent

Projected 5 Year Performance Outputs	Operational Performance Activities	Year 2020/2021 Actual	Year 2021/ 2022 Actual	Year 2022/2023 Estimate	Year 1 2023/2024	Year 2 2024/2025	Year 3 2025/2026	Year 4 2026/2027	Year 5 2027/2028
Local community to benefit from the presence of MW	procurement budget spent on BBBEE level 1 companies	84.58%	67.49% budget spent	92.75% budget spent	80% budget spent	80% budget spent	80% budget spent	80% budget spent	80% budget spent
	Successful Emerging Suppliers Developed by MW	0	1	1	3	3	4	4	5
	Targeted initiatives implemented according to policy and mandate	CSI = 60%	CSI = 46%	CSI = 60%	90% spent	90% spent	90% spent	90% spent	90% spent
		Rural Dev: 117%	Rural Dev: 89%	Rural Dev: 50%	3 RD projects	4 RD projects	5 RD projects	5 RD projects	5 RD projects
Increase Leadership and Operational competence	Reduce down time of plant or critical plant assets								
	Reduce down time of plant or critical plant assets	1	0	1	3	3	3	3	3
Maintain business continuity through knowledge management and mentorship	Initiate and maintain mentorship and coaching programmes at core levels	14 positions identified	50% of identified staff participate in identified programmes	50%	60%	70%	80%	80%	80%
Unqualified Audit	Unqualified audit opinion	Unqualified audit opinion with findings	Qualified audit opinion	Unqualified audit opinion	Unqualified audit opinion	Unqualified audit opinion	Unqualified audit opinion	Unqualified audit opinion	Unqualified audit opinion
Strong organisational culture	Conduct organisational culture survey and implement corrective action	Not yet measured	Not yet measured	Not yet measured	baseline	10% improvement	10% improvement	10% improvement	10% improvement
Safe and Secure working environment	Compliance with OHSA requirements	0.32	0.31	0.31	0.45	0.45	0.45	0.45	0.45
Meet quality and compliance standards	97% compliance with drinking water standards	99.56%	99.89%	99.90%	97%	97%	97%	97%	97%
	90% compliance with waste water disposal standards	87.75%	88.27%	90%	100%	100%	100%	100%	100%
Complete feasibility studies to reduce waste water discharge into the ocean	Feasibility Studies to re-use waste produced from industry	Feasibility study conducted by CoU. MW partnership defined	Option analysis by CoU. Approached GTAC (National Treasury for Transactional Advisory Services on options presented	Finalise transactional advisory services via GTAC	Implement if viable	Implement if viable	Implement if viable	Implement if viable	Implement if viable
Implement technology to reduce cost of sales	Implement efficiency research initiatives	Not yet measured	Not yet measured	1% decrease	2% decrease	2% decrease	2% decrease	2% decrease	2% decrease
Reduce water wastage from abstraction	Planned and Preventative maintenance programme	2.94%	2.50%	3%	3%	3%	3%	3%	3%
Research and Development that informs operational efficiency	Conduct research to improve organisational efficiency and growth	1	1 research and development initiatives concluded	1 research and development initiatives implemented	1 research and development initiatives implemented	1 research and development initiatives implemented	1 research and development initiatives implemented	1 research and development initiatives implemented	1 research and development initiatives implemented

6. CHIEF EXECUTIVE UNIT

6.1. 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.

6.2. 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 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 activities may be planned and invoked as needed across the life of the business to mitigate adverse impacts on achieving objectives. Effective risk management includes early and diagnostic risk identification through the collaboration and involvement of relevant stakeholders on a continuous basis.

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.

Corporate Social Investment to Mhlathuze Water Foundation

Mhlathuze Water is passionate about community and youth development within its area of operation. The CSI projects are external to the business and undertaken for the purpose of uplifting communities and have strong developmental approach.

The focus areas of the CSI strategy are as follows:

- Education;
 - Mhlathuze Water supports interventions that address effective delivery of quality education or/and improvement of resources.
- Supply of potable water and sanitation facilities;
 - Mhlathuze Water provides water tanks to communities and schools, build boreholes and fast track the process of ensuring availability of water in rural areas.
- Economic development;
 - Mhlathuze Water partners with stakeholders in its area of operation to create opportunities to train women and youth to be economically independent
- Sports development
 - Mhlathuze Water provides support by addressing sport development and youth development
- Public health and community development
 - Mhlathuze Water may decide to provide public health and community development support where necessary depending on the needs of the community.

Migrating towards the establishment of a Mhlathuze Water Foundation (MWF) is in the realisation that the objectives as articulated above are critical for the overall wellbeing of Mhlathuze Water (MW), the MWF shareholder, as a responsible corporate citizen.

The Foundation shall exist to carry out the social responsibility role of Mhlathuze Water and to support such other activities as may be deemed necessary by Mhlathuze Water and relevant partners for the support and promotion of improved water related community development, disasters and services. This shall be a paradigm shift in terms of prioritisation and alignment of CSI and community initiatives business to the core business of Mhlathuze Water as the shareholder, as well as responding to the DWS ministerial call for alignment of developmental activities in order to enhance fulfilment of the developmental role of the State and Mhlathuze Water.

It will be established for the purposes of coordinating, administering and managing Mhlathuze Water Corporate Social Investment resources by undertaking community development projects in partnership with various donors and relevant stakeholders. As much as the Foundation is established as a Provincial player, services rendered shall prioritise programmes and projects within the Mhlathuze Water footprint.

Despite this vision of establishing a Mhlathuze Water Foundation, the process of preparing a business case and a financial viability assessment will unfold and inform the way forward.

Institutionalisation of the Planning, Monitoring and Reporting System

Mhlathuze Water introduced a planning, monitoring and reporting system that assists the organisation in monitoring its performance and initiatives which contribute to service delivery outcomes. The planning, monitoring and reporting system was developed in compliance with the Framework for Managing Programme Performance Information, 2007 and applicable National Treasury regulations. The reporting system involves collecting, analysing, and assessing the validity and accuracy of performance information; and reporting on performance information. The Planning, Monitoring and Reporting Policy was approved by the Accounting Authority in August 2018; and the Monthly, Quarterly and Annual Reporting Procedures was approved by EXCO in August 2018.

6.3. CHIEF EXECUTIVE UNIT PRE-DETERMINED OBJECTIVES AND TARGETS

Table 18: Pre-determined Objectives and Targets

Shareholders Compact target	Strategic Objective	To ensure long term financial sustainability										
	Output	Performance Indicator	Baseline				5 year target	Estimated performance				
			Audited actual performance			Unaudited actual as at 2022/2023 2 nd quarter October 2022		2023/2024 Target	2024/2025 Target	2025/2026 Target	2026/2027 Target	2027/2028 Target
			2019/2020	2020/2021	2021/2022							
SC10	Ensure financial sustainability and viability	Percentage of growth in revenue	-	-	-	-	35.00%	7.00%	7.00%	7.00%	7.00%	7.00%
Shareholder Compact Targets and MW Targets	Strategic Objective	To foster strong organisational culture driven by the organisation’s values										
	Outputs	Performance Indicator	Baseline				5 year target	Estimated performance				
			Audited actual performance			Audited actual as at 2022/2023 2 nd quarter		2023/2024 Target	2024/2025 Target	2025/2026 Target	2026/2027 Target	2027/2028 Target
			2019/2020	2020/2021	2021/2022							
MW1	Understanding customer relations and implement corrective actions	Percentage of customer satisfaction levels	0	0	0	0	50%	10%	20%	30%	40%	50%
MW2	Percentage of employees' satisfaction levels	Percentage of employees' satisfaction levels	0	0	0	0	50%	10%	20%	30%	40%	50%
MW3	To foster high moral and professional principles in a resolute	Percentage milestones achieved in terms of Ethics Programme	-	-	-		100%	100%	100%	100%	100%	100%

MW Target	Strategic Objective	To grow and expand the equitable provision and access to water services										
	Outputs	Performance Indicator	Baseline				5 year target	Estimated performance				
			Audited actual performance					2023/ 2024 Target	2024/ 2025 Target	2025/ 2026 Target	2026/ 2027 Target	2027/ 2028 Target
			2019/ 2020	2020/ 2021	2021/ 2022	Audited actual as at 2022/2023 2 nd quarter						
MW4	Agency Support Agreements signed and implemented	Number of Agency Support Agreements signed and implemented	1 (CoU)	1 (UKDM)	1 (UKDM)	1 (UKDM)	4	2	4	4	4	4
Shareholder Compact Targets	Strategic Objective	To initiate and build relationships with stakeholders and customers to create value										
	Outputs	Performance Indicator	Baseline				5 year target	Estimated performance				
			Audited actual performance					2023/ 2024 Target	2024/ 2025 Target	2025/ 2026 Target	2026/ 2027 Target	2027/ 2028 Target
			2019/ 2020	2020/ 2021	2021/ 2022	Audited actual as at 2022/2023 2 nd quarter						
SC11	Bulk supply agreements concluded with municipalities/ other customers	Number of bulk supply service level agreements in place	7.00	7.00	7.00	7.00	8	7	8	8	8	8
SC13	Rural development support in line with the organisation's mandate	Number of projects implemented in municipalities	0.00	0.00	2.00	1.00	22	3	4	5	5	5
SC21	Corporate Social Investment (CSI) initiatives in line with the organisation's mandate	Number of CSI initiatives undertaken	4.00	5.00	4.00	5.00	44	6	8	10	10	10
Shareholder Compact Targets and MW Targets	Strategic Objective	To optimise business processes and systems for efficiency										
	Outputs	Performance Indicator	Baseline				5 year target	Estimated performance				
			Audited actual performance					2023/ 2024 Target	2024/ 2025 Target	2025/ 2026 Target	2026/ 2027 Target	2027/ 2028 Target
			2019/ 2020	2020/ 2021	2021/ 2022	Unaudited actual as at 2022/2023 2 nd quarter October 2022						
SC5	Effective governance, compliance with legislation and financial sustainability	Number of unqualified external audit reports received	1.00 (2018/ 2019 unqualified audit opinion with matters of emphasis)	1.00 (2019/ 2020 clean audit opinion)	1.00 (2020/ 2021 unqualified audit opinion)	Not due	1	1	1	1	1	1
SC14	Meeting statutory submission deadlines	Number of approved statutory reports submitted on time	7.00	7.00	7.00	2.00	35	7	7	7	7	7
SC18	Board effectiveness	Percentage of attendance of Board members at Board meetings	84.27%	97.73%	90.91%	81.82%	80%	80%	80%	80%	80%	80%
MW5	Effective internal controls	Percentage of internal audits executed as per internal audits plan	0	0	0	41%	100%	100%	100%	100%	100%	100%

SC19	Corrective measures for internal audit findings	Number of repeat internal audit findings	8.00	0.00	0.00	2.00	1	1	1	1	1	1
SC19	Corrective measures for internal audit findings	Number of unresolved internal audit findings	2.00	0.00	5.00	3.00	1	1	1	1	1	1
MW6	Effective risk controls and management	Percentage of strategic risks maintained at residual risk level of moderate	-	-	-	64%	100%	100%	100%	100%	100%	100%
MW7		Percentage of fraud risk maintained at residual risk level of moderate	-	-	-	-	100%	100%	100%	100%	100%	100%
MW8		Percentage of operational risks maintained at residual risk level of moderate	-	-	-	-	100%	100%	100%	100%	100%	100%
Shareholder Compact Targets and MW Targets	Strategic Objective	To ensure long term financial sustainability										
	Outputs	Performance Indicator	Baseline				5 year target	Estimated performance				
			Audited actual performance					2023/ 2024 Target	2024/ 2025 Target	2025/ 2026 Target	2026/ 2027 Target	2027/ 2028 Target
			2019/ 2020	2020/ 2021	2021/ 2022	Unaudited actual as at 2022/2023 2 nd quarter October 2022						
SC20	Good Governance	Number of breaches of materiality and significant framework	0.00	0.00	0.00 (2020/ 2021) 7.00 (2021/ 2022)	Not due	0.00	0.00	0.00	0.00	0.00	0.00



7. CORPORATE SERVICES UNIT

7.1. 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.

7.2. 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;
- Set and manage standards of performance; and
- Promote a personal and career development environment 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 keeps 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.

Facilities and Fleet Management

Facilities and Fleet Management is assigned to the Corporate Services Department and the HOD oversees all aspects of this function while the Facilities Manager performs the various activities related thereto. Facilities management comprise all security, grounds and cleaning-hygiene related services. The management of the fleet also resides with this function. The current fleet size and shape is adequate for the purposes of service delivery. Mhlathuze Water operates a fleet of fifty four (54) vehicles which comprises a combination of small vans to heavy vehicles. Thirty nine (39) of the vehicles are owned by Mhlathuze Water while fifteen (15) are held under lease agreements.

7.3. LEGAL SERVICES

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

7.4. EMPLOYMENT PROFILE

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

Table 19: Workforce Profile

Workforce Profile as at 30 June 2022											
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	4
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	54%				46%				0.5%		100%

7.5. GENDER PROFILE

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

Figure 8: Gender Profile

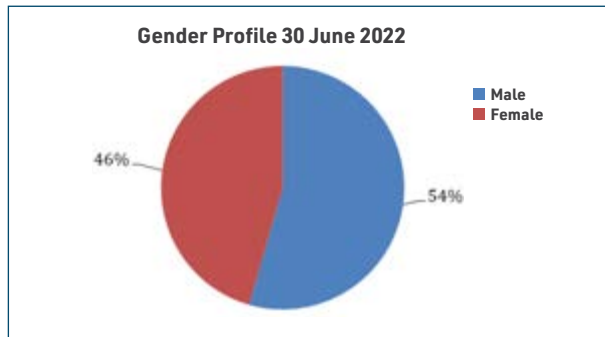
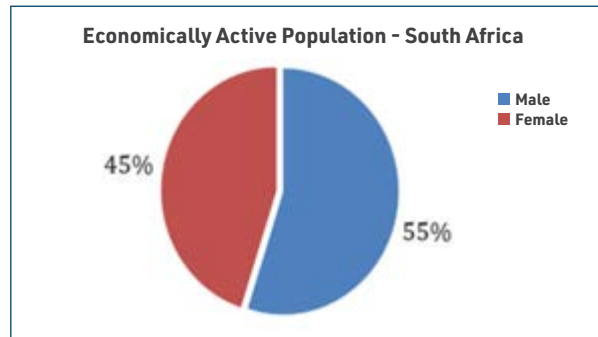


Figure 9: Economically Active Population



7.6. RACE PROFILE

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 structure.

Figure 10: Race Profile

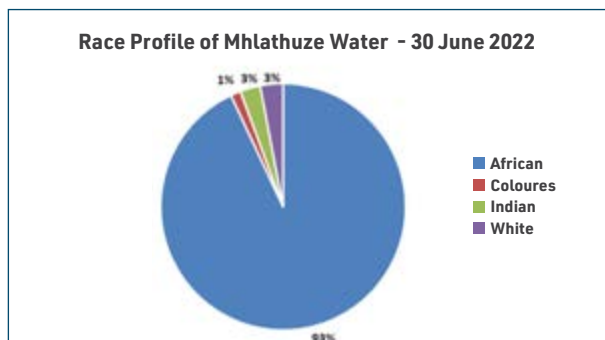
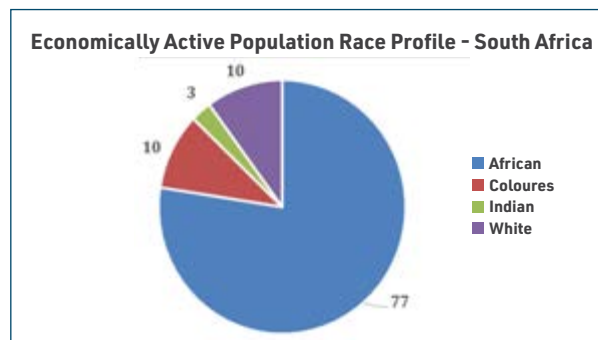


Figure 11: Economically Active Population Race Profile



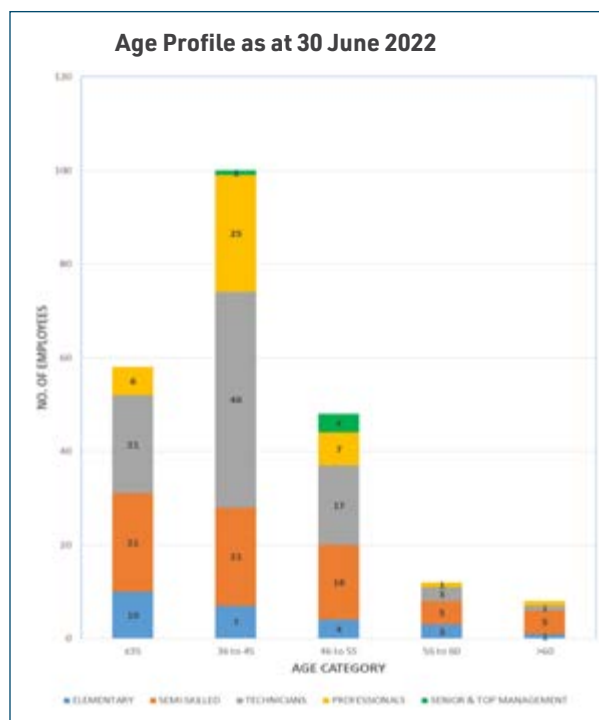
7.7. AGE PROFILE

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 12: Age Profile



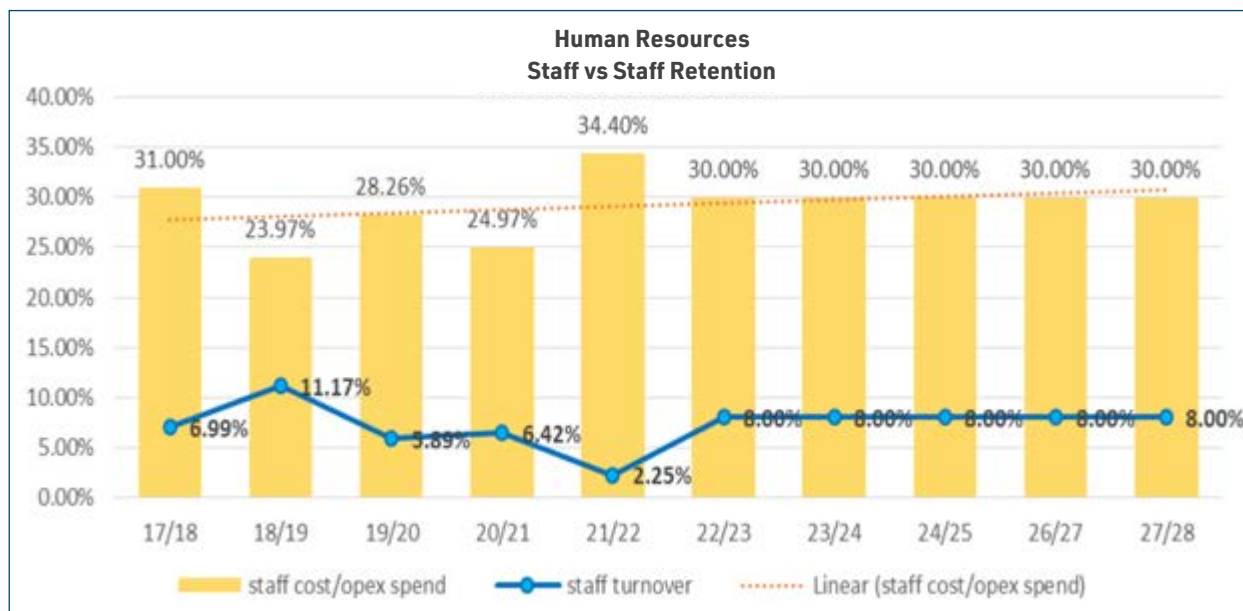
7.8. DISABILITY EMPLOYMENT

The overall annual target for persons with disabilities was 2% and the target was not achieved since there were 3 employees who declared disabilities, which represented 1.4% of the staff structure.

7.9. STAFF RETENTION/ ATTRITION

The staff retention of the organization over the past 5 years was on average 6.54% against a target of 8% indicating a strength in the ability of the organization retaining its staff. The only year the ratio exceeded the target was in 2018/2019. The main reason for the high turnover was as a result of the processes that dealt with irregular expenditure identified in 2016/2017.

Figure 13: Staff vs Staff Retention

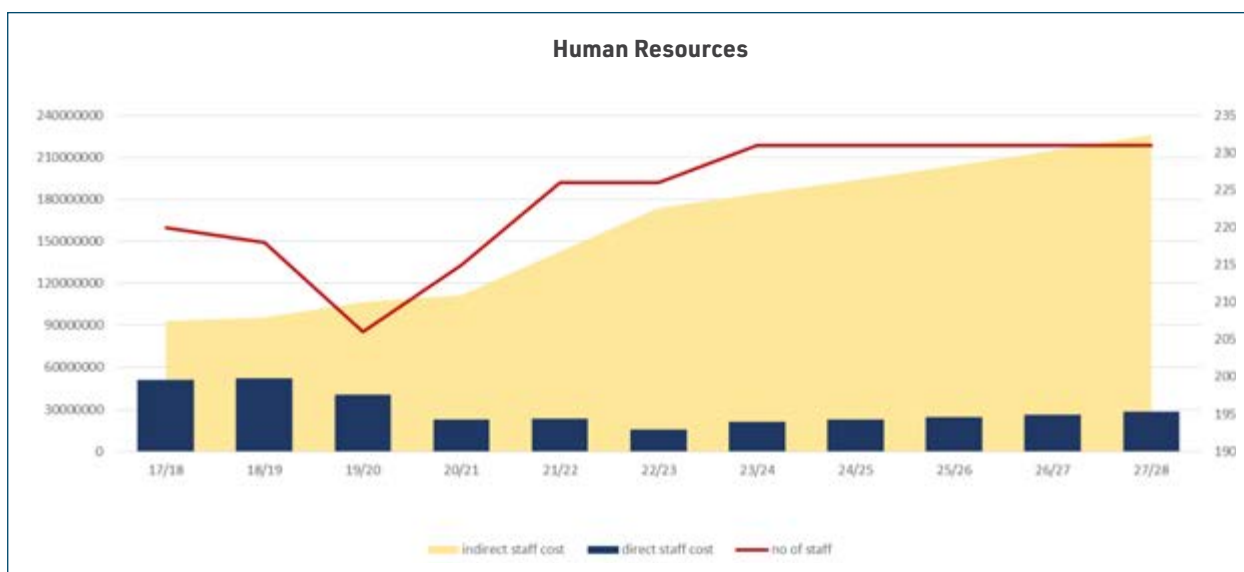


Projecting forward to 2028, the target of 8% is maintained and a staff cost of 30% to total operating expense.

7.10. STAFF COST AGAINST OPERATING EXPENDITURE

Even though the average percentage of staff cost against overall operating expenditure over the term is 28.52%. It is on the rising trend. It is of more concern when the direct staff compliment (core operation staff) reduced and the indirect staff compliment (support staff) increased.

Figure 14: Staff Cost Against Expenditure



7.11. STAFF AGAINST REVENUE

Revenue generated per staff member reflect a stagnation and future decline in the organization up to 2022 and an upward projection to 2028. Notwithstanding, more effective and efficient ways must be found, such as Information Technology and Operational Technology to do business smarter.

Figure 15: Staff Against Revenue



However, it is not just the benefit staff have to generate the revenue of the organisation (internal focus, but the value that employees contribute to the external focus of the organization and realising the developmental mandate. This would mean that in future the human capacity of the organization be redirected to respond to key stakeholders' legitimate needs and interests, and tailoring the organization's business model and strategy to respond to its external environment and the risks and opportunities it faces.

7.12. ARTISAN DEVELOPMENT PROGRAMME

The Artisan Development Programme is conducted in compliance with the Skills Development Act, 1988 (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.

7.13. GRADUATE DEVELOPMENT PROGRAM

The purpose of this programme is to equip graduates with skills and experience in order for graduates to become professionals and are able to register with ECSA. The three year programme requires graduates to work at Mhlathuze Water for a period equivalent to the training period to ensure Mhlathuze Water derives value from its contribution.

Three graduate trainees are currently participating in the programme. Two graduate trainees are sponsored and registered with UNISA to study Bachelor of Technology in Mechanical Engineering as per ECSA requirements for professional registration as a Professional Technologist (Pr. Tech.). The graduate trainees submit quarterly reports which are used to monitor progress towards meeting ECSA requirements. The third trainee enrolled for BTech studies in January 2020.

7.14. INTERNAL EXTERNAL BURSARY PROGRAMME

A range of internal and external students are in various stages of completing their studies in Mechanical Engineering Diploma and Civil Engineering Degree. .

7.15. INTERNSHIP PROGRAMME

Interns are recruited in the financial year and complete the one year internship programme. This programme aims to provide work experience to the newly qualified graduates in order to become employable.

7.16. LEARNERSHIP PROGRAMME

Furthermore, in order for Mhlathuze Water to continue to provide clean water of acceptable standard at all times, a need to up skill employees was identified. Therefore, the Learnership Programme on Water and Waste Water

Treatment was implemented. Learners receive 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.

7.17. COMPLIANCE TRAINING PROGRAMME

Various compliance training courses were conducted in the areas of chlorine handling, asbestos handling, isolation and permit, First Aid, Health and Safety ISO 14001 environmental management, ISO 9001 Quality, ISO 45001 Health and Safety.

7.18. EMPLOYEE WELLNESS

The initiatives undertaken to promote the employees' Health and Wellness in 2018/2019 financial included:

- Wellness day in partnership with CareWorks and Old Mutual.
- Informative presentations and discussions were held on various topics such as Financial Wellness, Voluntary Medical Male Circumcision (VMMC), TB and Sexually Transmitted Infections (STIs).
- Employees undertook voluntary wellness screenings and testing on HIV Counselling and Testing, Cholesterol, Blood Pressure (BP) and Diabetics on the day.
- Voluntarily undertook wellness screenings
- Employees undertook voluntarily wellness screenings in onsite Occupational Health and Wellness clinic.

7.19. 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.

7.20. ICT REPORTING FRAMEWORKS

Due to the critical nature of IT, and the intellectual and other information resources that are exposed through technology and communication channels, IT governance now represents an essential component in ensuring the efficient and secure operation of the business.

Mhlathuze Water takes guidance on its Information, Communication and Technology operations and reporting on Governance and aligns its reporting with the King IV principles on IT governance.

The Cyber Security 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.

7.21. HUMAN RESOURCE FUTURE PLANS

7.21.1. Projected employee structure

The table below provides the projected employee structure over the next five years.

Table 20: Projected Employee Structure over the Next Five Years¹

Category	Actual 2020/2021	Actual 2021/2022	Projected 2022/2023	Projected 2023/2024	Projected 2024/2025	Projected 2025/2026	Projected 2026/2027	Projected 2026/2027	Projected 2027/2028
Management	6	6	6	6	6	6	6	6	6
Other	218	218	218	218	223	223	223	223	223
Total	224	224	224	224	229	229	229	229	229

Five additional positions are proposed to the organisational structure from 2024 onward. These are 4 artisan assistants and one Stakeholder Management Specialist.

The reason for adding the artisan assistants is driven from a health and safety point of view as artisans travel far distances in outlying areas, and work long shifts during odd hours. By providing this assistant is reducing driving stress and fatigue as well as efficiencies to ensure proper technical and labour assistance to the artisan in performing the work.

The Stakeholder Management Specialist was added due to shift in focus in the organisation's mandate to be developmentally focussed in supporting water services authorities. This is informed by experiences in the past 12 months relating to community and stakeholder disturbances in project implementation. This coupled with the forward looking vision and promoting a proactive and predictive approach in stakeholder and community relations.

These additions are subject to the process of reconfiguring the two water boards as explained in the introduction of this plan being completed.

7.21.2. Professional Registration

Efforts are being made to improve the level of engineering capacity within Mhlathuze Water as projected. There are currently seven employees who are registered with the Engineering Council of South Africa (ECSA), two of which are in possession of a Government Certificate of Competency (GCC) and one is a Candidate Engineer, as shown in the below table.

Table 21: Professional Registration

Category	Actual 2020/2021	Actual 2021/2022	Projected 2022/2023	Projected 2023/2024	Projected 2024/2025	Projected 2025/2026	Projected 2026/2027	Projected 2027/2028
Pr. Eng.	1	2	2	2	2	2	2	2
Pr. Tech.	4	4	4	4	4	4	4	4
Candidate Engineer	3	3	3	3	3	3	3	3
Chartered Accountants (CA)	4	3	3	3	3	3	3	3
Institute of Internal Auditors (IIASA)	2	3	3	3	3	3	3	3

7.21.3. Employment Equity Targets

Mhlathuze Water has adopted a five-year Employment Equity Plan based on national population demographics, estimated retirement data, existing representation of designated groups and the prospects for hiring members of designated groups in specified occupational groups where they were underrepresented. Categories that need special attention are the representation of Coloured and White persons and People with Disabilities.

The current target for Persons with Disabilities is 2% of the total structure against an actual achievement of 1.4%. Recruitment efforts are being made to improve the representation in these respective categories. The table below shows the numerical goals for employment equity.

¹The reporting on the staff structure of the organisation will be amended to reflect the total number of approved positions on the structure, total filled, total vacant and total supernumerary. This is to be reconciled with the payroll and tariff calculation in the Finance Section

Table 22: Numerical Goals for Employment Equity

Occupational Levels	Male				Female				Foreign Nationals		Total
	A	C	I	W	A	C	I	W	Male	Female	
Top management	1										1
Senior management	3				2						5
Professionally qualified and experienced specialists and mid-management	12	2	1	2	11	3	1	2			34
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	26	2	1	5	32	3	3	3			75
Semi-skilled and discretionary decision making	41	3	1	3	17	2	0	2			69
Unskilled and defined decision making	13	1	0	0	18	0	0	0			32
TOTAL PERMANENT	96	8	3	10	80	8	4	7			216
Temporary employees	0	0	0	0	0	0	0	0			0
GRAND TOTAL	96	8	3	10	80	8	4	7			216

Mhlathuze Water has continually and systematically reviewed all HR policies to identify barriers to members of designated groups and to ensure that designated group members have access to professional development opportunities. Some of the objectives of the new Employment Equity Plan will, among other things, consider and review positive incentives to encourage the implementation and achievement of equity goals and to incorporate equity and diversity training as a standard part of supervisory training for all those holding supervisory positions.

A major challenge is the recruitment and employment is in the area of people that live with disabilities. Mhlathuze Water is as committed employer of PWD, and will take the necessary steps to improve its employment equity in this regard by fostering meaningful relationships and interactions with relevant social and community institutions and organisations that support PWD.

Table 23: Numerical Targets for People with Disabilities ONLY

Occupational Levels	Male				Female				Foreign Nationals		Total
	A	C	I	W	A	C	I	W	Male	Female	
Top management											
Senior management											
Professionally qualified and experienced specialists and mid-management											
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	1							1			2
Semi-skilled and discretionary decision making					1	1		1			3
Unskilled and defined decision making				1							1
TOTAL PERMANENT	1			1	1	1		2			6
Temporary employees											
GRAND TOTAL	1			1	1	1		2			6

7.21.4. Five Year Skills Development Plan

The Skills Development Plan is a high-level plan aimed at the entire organisation. It prescribes the skills development framework for the upcoming years. Reviewing the skills development plan every year to coordinate and direct the implementation of the skills development interventions, is of utmost importance for our organisation. Tables hereunder is our skills development plan which provides a planned and structured approach to the type and amount of skills development for the five-year period based on the skills needs of Mhlathuze Water.

Table 24: Skills Development Plan

Skills Development Programmes	Projected 2023/2024	Projected 2024/2025	Projected 2025/2026	Projected 2026/2027	Projected 2027/2028
Learnerships	5 learners enrolled as water and waste water process controllers	5 learners enrolled as water and waste water process controllers	5 Learners enrolled as water and waste water process controllers	5 Learners enrolled as water and waste water process controllers	5 Learners enrolled as water and waste water process controllers
Graduate Development	4 graduates in the graduate training programme	4 graduates in the graduate training programme	4 graduates in the graduate training programme	4 graduates in the graduate training programme	4 graduates in the graduate training programme
External Bursaries	4 continuation students enrolled in Engineering or other fields	4 continuation of students enrolled in Engineering or other fields	4 continuation of students enrolled in Engineering or other required fields	4 continuation of students enrolled in Engineering or other required fields	4 continuation of students enrolled in Engineering or other required fields
Training Courses	40 training courses	40 training courses	40 training courses	40 training courses	40 training courses
Study Assistance	3 internal bursaries to be awarded	3 internal bursaries to be awarded	3 internal bursaries to be awarded	3 internal bursaries to be awarded	3 internal bursaries to be awarded
Internships	16 interns	16 interns	16 interns	16 interns	16 interns
In-service Trainees	4 trainees	4 trainees	4 trainees	4 trainees	4 trainees

7.21.5. Annual Workplace Skills Plan

The workplace skills plan is developed and submitted to the Energy and Water SETA annually. The workplace skills plan is made of core, functional and behavioural competencies and is informed by the training needs analysis conducted annually to identify gaps in employees' skill levels. This also helps to adapt training to suit the Organisation's needs and continuously build the organisations capacity and capability to perform its mandate. In addition, a competency framework has been developed for Mhlathuze Water, the outcome of which has resulted in information for talent management, recruitment and selection, succession planning and employee development, among other things.

7.21.6. Information Technology

Mhlathuze Water committed to a substantial investment in its information technology systems and infrastructure to build a "smarter" business. Enterprise Resource Planning aims to integrate the organisation's financials, supply chain, operations, business, reporting, and human resource activities in order to improve decision making, access to information and improve overall efficiencies in the organisation. Further, it is to assist the organisation in creating and maintaining value in its intellectual and capital and by so sustaining an enabling environment for efficient business operation, transacting and continuity.

7.21.7. Records and Knowledge Management

Document and knowledge management is central to building intellectual capital. The organisation plans to implement the ISO standards that relate and guide this aspect of the organisation. The backbone to the business continuity is the implementation and

maintenance of a knowledge hub. This hub aims to retain all operational information ranging from detail standing operating procedures, drawings and designs as well as the supporting information that resulted in infrastructure upgrades or expansions.

7.21.8. Leadership and Mentoring Programme

Coaching and Mentoring

Coaching and Mentoring will be key tools used to continuously improve job-related tasks and behaviours and to unlock the potential of employees to exhibit the behaviours and to achieve the results expected by Mhlathuze Water. Line managers will be equipped with coaching and mentoring tools and skills to enable them to coach and mentor their subordinates.

Senior Management Development Programme

This programme aims to equip senior managers with the necessary knowledge, leadership and change management skills to function effectively within a corporate environment. This is an opportunity to develop the competencies required to tackle management challenges with confidence and to start building a career as a future executive.

Executive Development Programme

The programme equips executives and senior managers with integrated strategic management and leadership skills. The assumption is that executives and senior managers already understand their strengths and weaknesses and have acquired the necessary management skills. The programme focuses on strategy, value-based leadership, change and innovative thinking.

7.22. CORPORATE SERVICES PRE-DETERMINED AND TARGETS

Table 25: Corporate Services Pre-determined Objectives and Targets

MW Target	Strategic Objective	To foster strong organisational culture driven by the organisation's values										
	Outputs	Performance Indicator	Baseline				5 year target	Estimated performance				
			Audited actual performance					2023/2024 Target	2024/2025 Target	2025/2026 Target	2026/2027 Target	2027/2028 Target
			2019/2020	2020/2021	2021/2022	Audited actual as at 2022/2023 2 nd quarter						
MW9	Ensure management of business continuity	Percentage of identified employees who completed the Leadership Programmes	-	-	-	50%	80%	60%	70%	80%	80%	80%
Shareholders Compact targets and MW targets	Strategic Objective	To resource the organisation with the required skills and competence										
	Outputs	Performance Indicator	Baseline				5 year target	Estimated performance				
			Audited actual performance			Unaudited actual as at 2022/2023 2 nd quarter October 2022		2023/2024 Target	2024/2025 Target	2025/2026 Target	2026/2027 Target	2027/2028 Target
			2019/2020	2020/2021	2021/2022							
SC15	Optimal Staff Retention	Percentage of staff Turnover	5.89%	6.42%	2.25%	1.70%	8%	8%	8%	8%	8%	8%
SC16	Learners trained and equipped with skills	Number of learners trained and equipped with skills	5.00	5.00	5.00	4.00	25	5	5	5	5	5
	MW employees trained and equipped with skills	Number of new internal bursaries awarded to MW employees	3.00	9.00	6.00	8.00	15	3	3	3	3	3
	Graduate trainees participating in the graduate training programme	Number of graduate trainees participating in the graduate training programme	4.00	4.00	4.00	5.00	4	4	4	4	4	4
SC17	Permanent and contract jobs created by Mhlathuze Water	Number of permanent and contract jobs created by MW	224	224	224	224	229	229	229	229	229	229
MW10	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	8.00	14.00	18.00	18.00	32	16	16	16	16	16
MW11	Employment of people living with disabilities	Percentage of people living with disabilities employed	-	-	1.4%	1.25%	2%	1.50%	1.75%	2%	2%	2%

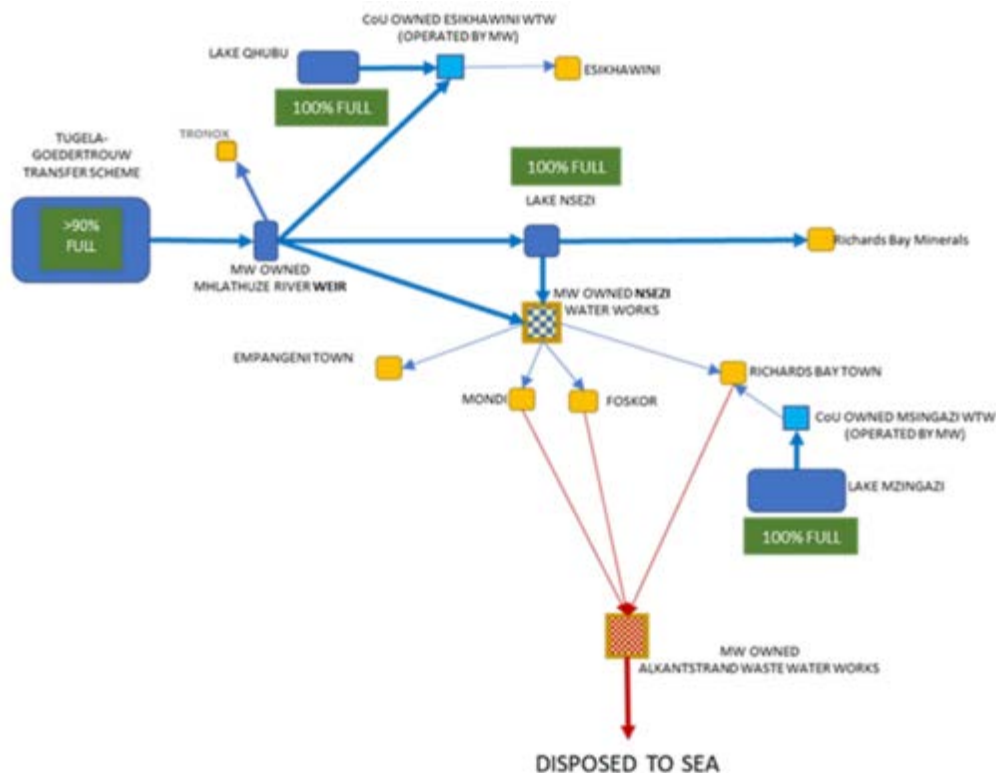
Shareholders Compact Target and MW Target	Strategic Objective	To ensure long –term financial sustainability										
	Outputs	Performance Indicator	Baseline				5 year target	Estimated performance				
			Audited actual performance			Unaudited actual as at 2022/2023 2 nd quarter October 2022		2023/ 2024 Target	2024/ 2025 Target	2025/ 2026 Target	2026/ 2027 Target	2027/ 2028 Target
			2019/ 2020	2020/ 2021	2021/ 2022							
SC6	Effective and Efficient Mechanisms to Ensure Financial Viability	Percentage of staff remuneration of total operating expenditure	28.26%	24.97%	34.40%	34.88%	30%	30%	30%	30%	30%	30%
MW12	Effective and Efficient Mechanisms to Ensure Financial Viability	Percentage of skills development budget spent	-	-	49.38%	19.63%	90%	90%	90%	90%	90%	90%
MW targets	Strategic Objective	To optimise business processes and systems for efficiency										
	Outputs	Performance Indicator	Baseline				5 year target	Estimated performance				
			Audited actual performance			Unaudited actual as at 2022/2023 2 nd quarter October 2022		2023/ 2024 Target	2024/ 2025 Target	2025/ 2026 Target	2026/ 2027 Target	2027/ 2028 Target
			2019/ 2020	2020/ 2021	2021 / 2022							
MW13	Business continuity and reliable IT operations	Percentage of server availability based on operating hours	-	-	99.88%	99.79%	95%	95%	95%	95%	95%	95%
MW14	Business continuity and reliable IT operations	Percentage of implementation of enterprise resource planning (ERP) system	-	-	-	-	100%	75%	100%	-	-	-
MW15	Decrease/ reduce impact of vandalism on supply security	Percentage Decrease in incidences of vandalism on core supply infrastructure	-	-	-	-	10%	10%	10%	10%	10%	10%

8. OPERATIONS UNIT

8.1. 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 and mechanical maintenance and commissioning programmes in order to ensure that work is executed and performed to acceptable standards.

Figure 16: Operational Schematic



8.2 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 and maintenance of water and wastewater infrastructure for Water Services Authorities and industries.

Maintenance

The overall objective of the maintenance function is to ensure that the organisation's assets, primarily 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.

Occupational Health and Safety

Occupational health and safety provides an effective and efficient support to the organisation through the provision of safety and security management services. This implies providing a working environment that is:

- conducive and accommodating to all,
- free from any form of threat or risk to the occupational health of employees,
- free from any form of threat to the organisation's property; and
- ensuring compliance with Occupational Health and Safety Legislative requirements and other requirements.

Mhlathuze Water has a risk based medical surveillance programme that was implemented as a preventative measure to protect employees against all sorts of workplace health hazards. All employees are placed under a medical

surveillance programme. Employees who are occupationally exposed undergo periodic medical examinations annually. Employees working at head office and related services undergo medical examination every three years. In addition to the above, other medical examinations and vaccinations were conducted at Mhlathuze Water.

Disaster management

A particular focus area for Mhlathuze Water would be to improve on disaster management as per the Disaster Management Act. The Operations Unit have conducted a disaster risk assessment for Mhlathuze Water's functional area; identify map risks and areas that are vulnerable to physical and human threats. A disaster management plan was prepared in order to co-ordinate and align the implementation of its plan with those of other organs of state and institutional role-players; provide measures and indicate how it will invest in disaster risk reduction and climate change adaptation, including ecosystem and community-based adaptation approaches. Furthermore, the unit is to develop early warning mechanisms and procedures for risks reduction and response as identified in its functional area.

8.3. SITUATIONAL ANALYSIS

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 was 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.

➤ Working together with the CoU on the investigation into effluent reuse

Mhlathuze Water is working together with the CoU in investigating the feasibility of re-using waste water and associated by-products. The project is advancing well with investigating industrial/ domestic effluent re-use options as a potential Public Private Partnership (PPP). The project aims at treating industrial and domestic effluent for reuse as water supply to industries. The proposed re-use plant is rated 75 ML/d to be situated between Empangeni and Richards Bay. The CoU commenced with land negotiations with the land owner and has also made significance progress on concluding the terms of contract with targeted off-takers. Mhlathuze Water is a partner to the CoU in that effluent currently being discharged to sea is planned to be supplied to this planned facility.

8.4. MHLATHUZE WATER: WEIR TO NSEZI TRANSFER SCHEME

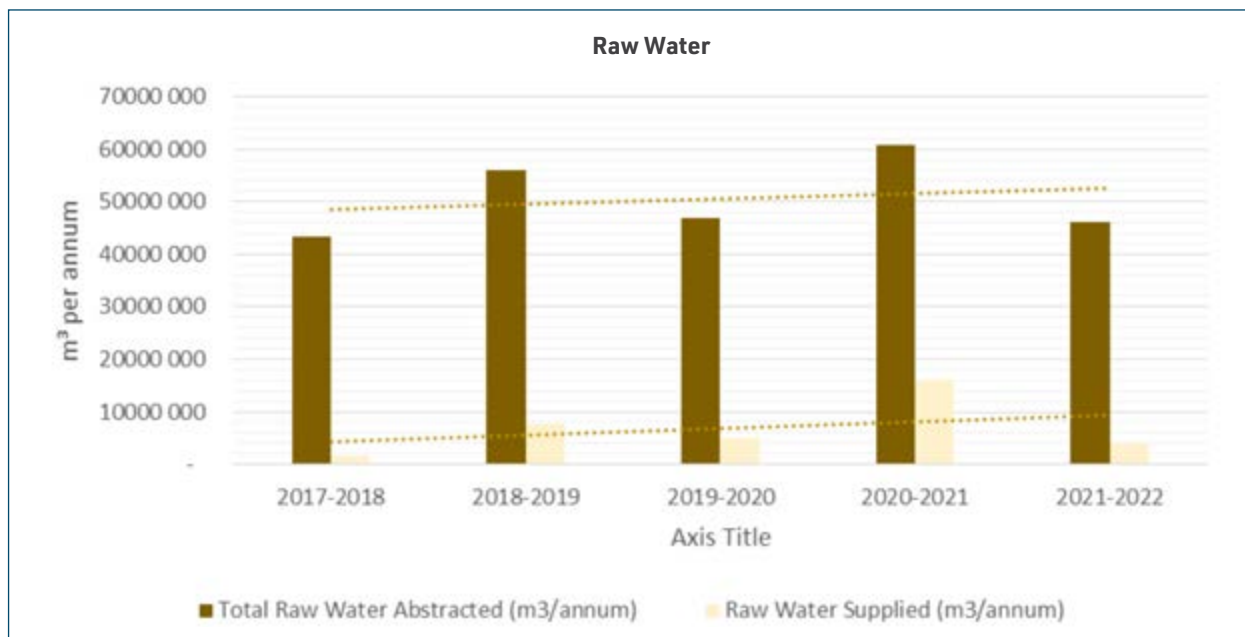
Mhlathuze Water continues to abstract water from the Mhlathuze River which is fed by the Goedertrouw Dam that is augmented by the TGS. The raw water abstraction takes place at the Weir Pump Station, which is about 70km from the discharge of Goedertrouw Dam. The primary beneficiaries from this Pump Station 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). The design capacity of the Weir Transfer Scheme is 290 000m³ per day.

A total volume of 46 087 722 m³ of raw water was pumped from the scheme this financial year, which is 24% lower than the volume supplied in the previous financial year, with 95% being supplied to Nsezi WTP and the remainder to Tronox. No raw water was supplied to Lake Nsezi during the financial year since the lake was full. No raw water was supplied to the CoU for Esikhaleni owing to Lake Cubhu being full for the entire financial year.

To ensure continuous and reliable supply to customers, Mhlathuze Water has embarked on the following initiatives:

- Supplementing the existing weir with a new weir structure.
- Installation of 1500mm Ø Raw Water Pipeline from the Mhlathuze River Weir to the Shooting Range.

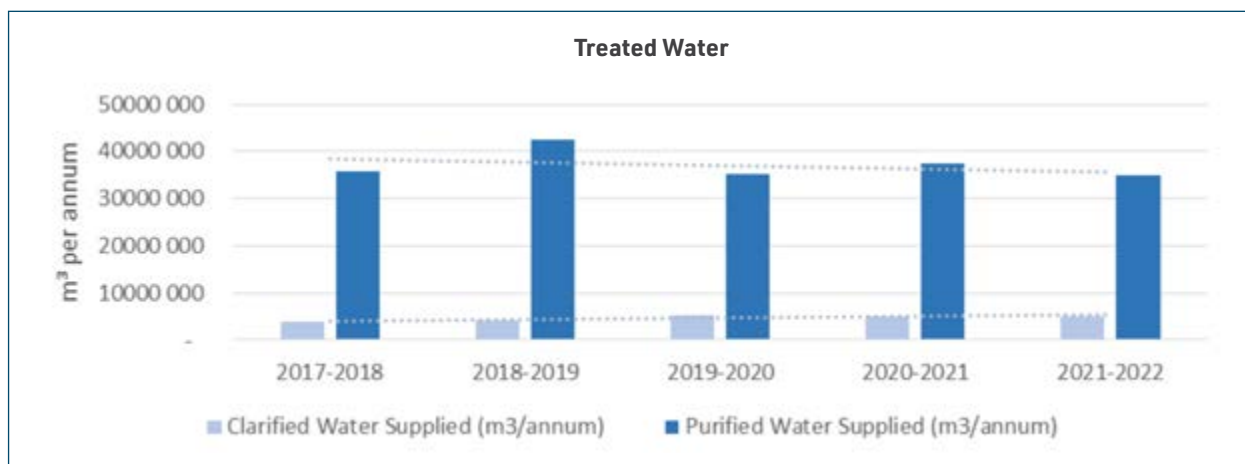
Figure 17: Total Raw Water Abstracted and Supplied from Mhlathuze River Weir



8.5. MHLATHUZE WATER: NSEZI WATER TREATMENT PLANT

A total of 44 664 055 m³ of raw water was supplied to Nsezi Water Treatment Plant, with 89% of this volume from Mhlathuze River and the remainder from Lake Nsezi. The total volume supplied by Nsezi WTP to customers during the financial year under review increased by 5% year-on-year mainly due to more water supplied to the CoU (Richards Bay) and CoU (Empangeni). The customers were supplied as per demand within contracted volumes. Unaccounted water loss during the financial year was 1.53%, and was within the target of 5%.

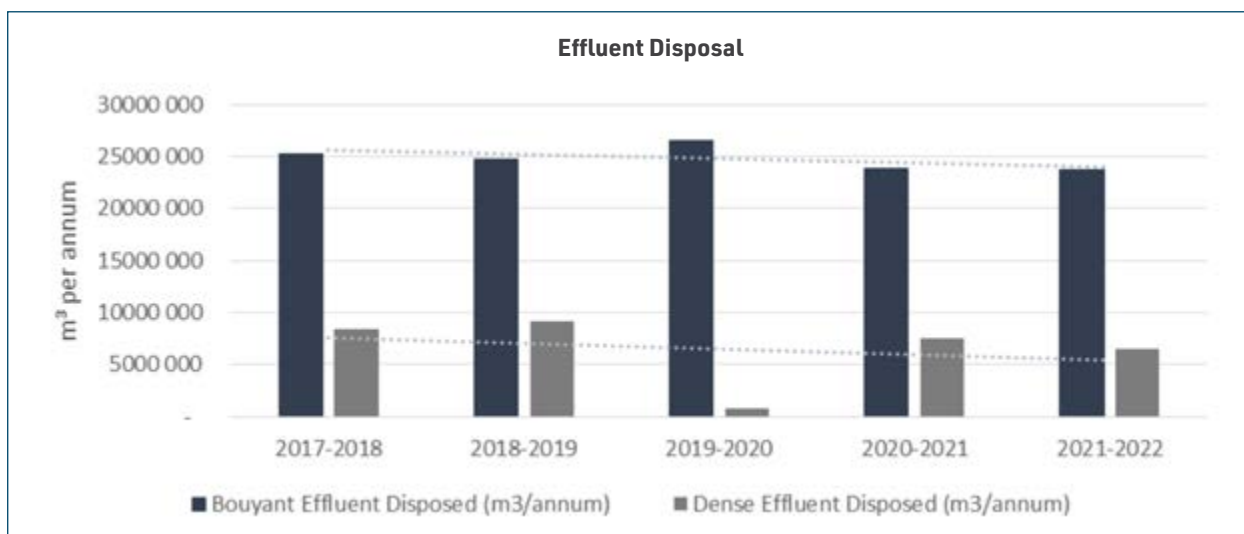
Figure 18: Total Treated Water Supplied from Nsezi WTP



8.6. MHLATHUZE WATER: ALKANTSTRAND EFFLUENT DISPOSAL SCHEME

A total of 31 324 659 m³ was disposed off-shore through the Waste Water Disposal System. 76% of this volume was discharged through the buoyant line and 24% through the dense line which contributed to a 10% decrease from the previous financial year.

Figure 19: Total Effluent Disposed



8.7. MAINTENANCE, PLANT EFFICIENCY AND AVAILABILITY

Maintenance Strategy was enhance as well as Maintenance Plan implemented to ensure the high plant availability and minimise water supply interruptions. Staff turnover was stabilised within the Organisation at all levels that affected primary planning and implementation of the maintenance plan.

However expenditure in the maintenance section was still 1% lower than compared to the annual target of 3.50%, this despite plans being in place and due to the internal processes on supply chain that delays the expenditure of budgets and maintenance of assets. 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 below.

Figure 20: Major Maintenance Per Component

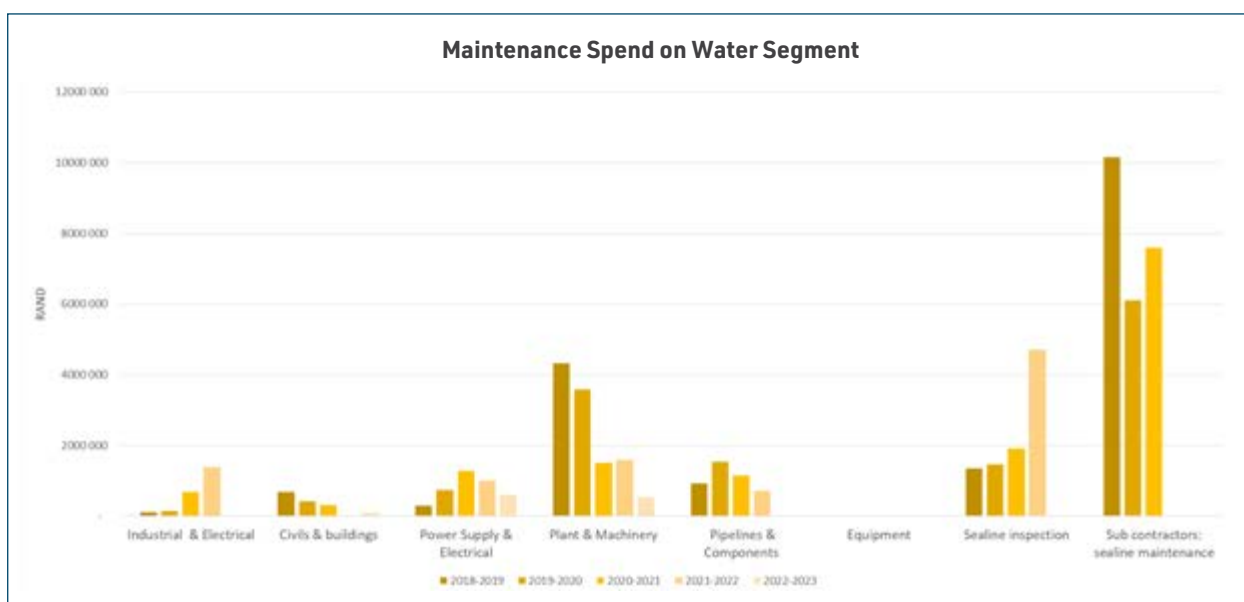
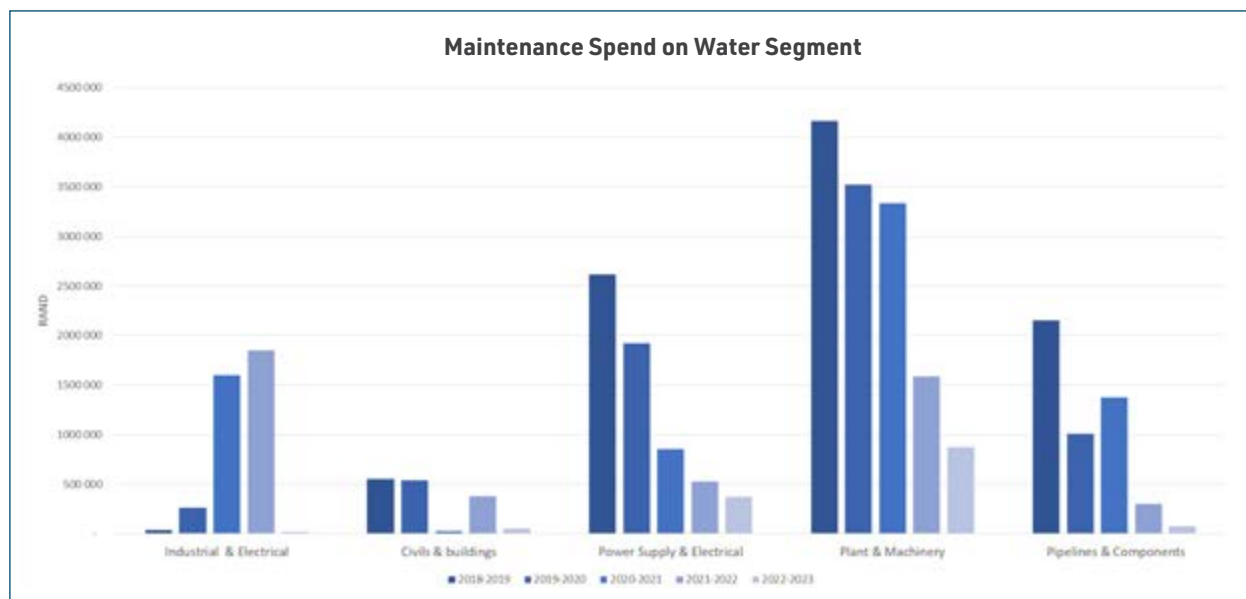


Figure 21: Major Maintenance Spend Per Component



8.8. 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. These are discussed below.

➤ Richards Bay Minerals

Mhlathuze Water continues with the operation and quality monitoring of the five Water and Waste Water Package Plants at the mining ponds. The contract have been extended for a further 3 years to 2023.

Furthermore, Mhlathuze Water continues to operate the Water and the Waste Water Treatment Works at the Smelter for the next 3 years to 2023.

➤ City of uMhlathuze

Mhlathuze Water continued to manage, operate and maintain the CoU's Water and Waste Water Treatment Plants and associated bulk distribution infrastructure up until 31 January 2020 when the CoU took over the management, operation and maintenance of their installations. However, Mhlathuze Water continued providing certain support services as agreed with the CoU.

The Organisation kept focus on the primary function of bulk water supply and waste water disposal to its contracted CoU customers, both domestic and

industrial. The integrated infrastructure between CoU and MW is critical in securing water services in the area. The direct domestic supply to Empangeni town, and Richards Bay was maintained as well as the emergency raw water supply system to Esikhawini.

➤ 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, a total of 4.388million m³ of raw water was abstracted by the scheme, and transferred to the Goedertrouw dam.

A key mitigation to the threat of raw water security to the Richards Bay area is the operation and maintenance of the DWS owned Tugela-Goedertrouw-Transfer Scheme. The graph below indicate Mhlathuze Water's historic performance. Despite maintenance expenditure on the scheme, it was unable transfer at 100% capacity when the dam level is below 75% (DWS operating requirements) that is a strategic risk exposure the organisation face in terms of mitigation gains climate change (drought).

Figure 22: Tugela-Goedertrouw Transfer Scheme Performance



➤ Jozini Regional Water Treatment Plant and bulk reticulation network.

Mhlathuze Water in 2017 completed the 40ml/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 40ml/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 7.68million m³ of purified water was produced by the scheme and distributed via the bulk network.

8.9. FUTURE PLANS

8.9.1. Water Supply

Nsezi Water Treatment plant is undergoing a extensive upgrade from 205 M/L to 260M/L a day.

In line with above and to ensure seamless operatability as well as ensuring plant sustainability Operations unit is also going to be implementing the following projects:

- Replace sodium hypochlorite dosing system - this will modernise the system and improve efficiency
- Air Compressor system replacement - with automation a need for high quality dry air is a necessity and this will address this need.
- SCADA and PLC upgrade - this upgrade as essential in ensure plant operations as well as address obsolesce issues.

8.9.2. Waste Water Supply

Alkanstrand waste water disposal pump station is the heart of effluent disposal for both our industry and domestic, to ensure this plant sustainability, Operations unit is embarking on :

B-Line Dense effluent, Mechanical, Electrical and Instrumentation for the B-Line Marine Outfall System Pump sets Upgrade- This will ensure a 100% redundancy and assist with maintainability of both dense effluent line ie B and C lines.

- Dense Effluent C line VSD replacement due to obsolesce
- Dense Effluent C line offshore pipeline replacement - due to wear and tear a section of this line will be replaced as identified through the preventive maintenance regime.

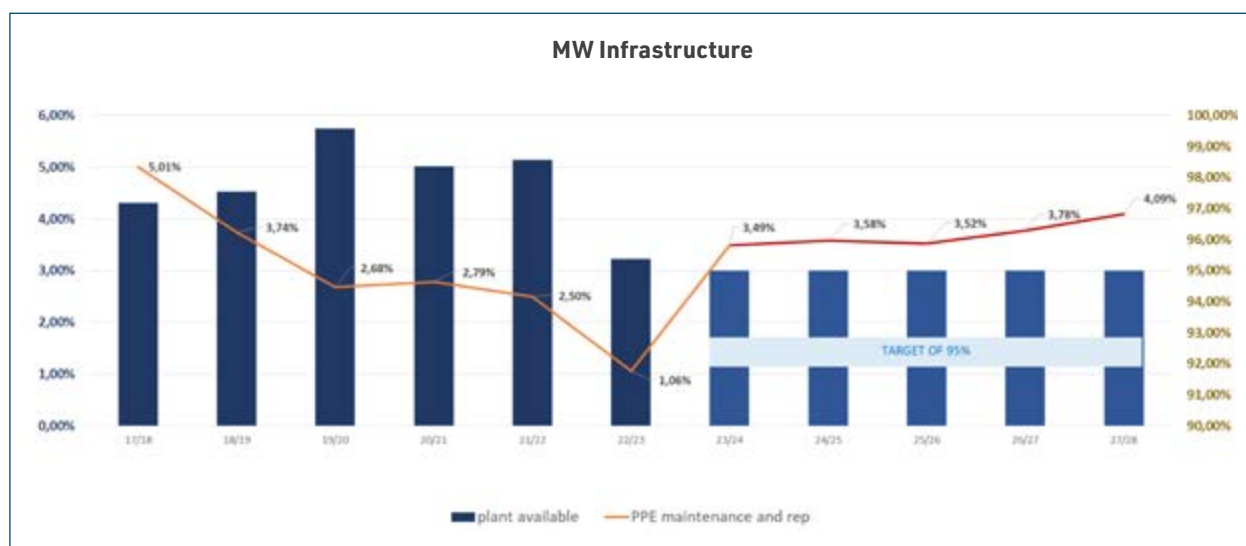
8.9.3. Operational Technology

To enhance the organisations value in intellectual and manufacturing capital, the investment into operational technology to enhance data collection, storage and analysis on order to improve operational efficiency must be made. This require both SCADA and GIS capabilities.

8.9.4. Maintenance Strategy and forward planning

Mhlathuze Water maintained its plant availability of 98.57% against a target of 95% over the past 5 years. Over the past 5 years, only 1 incident was logged of an unplanned interruption that exceeded 24 hours (Mondi valve failure). There is a correlation between maintenance spend and plant availability, and the organisation must implement measures to ensure its targets in this regard are met.

Figure 23: Plant Availability and Maintenance



Going forward from 2023/2024, the organisation target a plant availability of 95% with planned maintenance (as % of asset value) as indicated on the graph and tables below to achieve and maintain such.

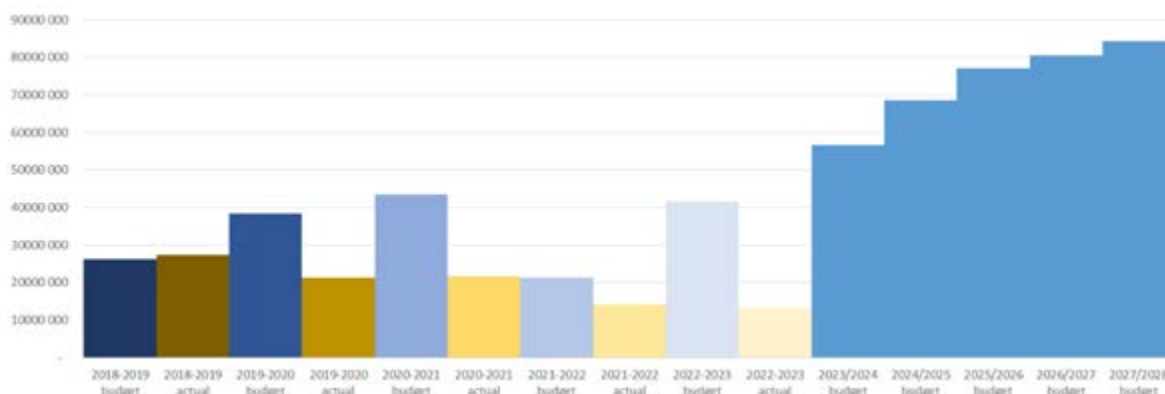
The organisation has a Maintenance Strategy and annual maintenance plans in place to ensure that planned and preventative maintenance takes place on its assets. Of importance to note is that the Maintenance Strategy drives asset maintenance at a desired performance level 4, meaning “asset stewardship”.

The criteria for “asset stewardship” as contained in the Maintenance Strategy are:

Table 26: Maintenance Forward Planning

Asset Stewardship	Business Plan Implications
Assets has a maintenance condition index of between 5%-10%	Normally asset conditional assessments are done by Finance for asset register compliance purposes, in collaboration with Maintenance. The process going forward is that this assessment is to inform the maintenance strategy. This will be completed 1st Q of 2023/2024.
Maintenance budget of 3.5% to 4% of total asset value	<p>Maintenance and Repairs for 2023/2024 is projected at 3.49% that is within the strategic target. Forecasted percentages are within the 3.5% - 4% range. This will be reviewed pending strategic maintenance plan and evaluating the impact of the significant augmentation and refurbishment works being done at the Nsezi Water Treatment Plant (to be completed in 2024) and other capital infrastructure on maintenance activities in future.</p> <p>Adequate provision, based on expenditure trends, have been made as per the graph below. Any risk that may exist, is mitigated by the cash backed Maintenance Reserve that is available to respond to any unforeseen events that cannot be managed within the set operating budget.</p>

Total Maintenance Budget and Actual



Maintenance is done in an organised and planned manner with strategic direction	Once maintenance condition indices have been developed, it will inform a 3 year rolling maintenance plan to provide strategic direction. Once this plan is in place, the future predicted maintenance operational and capital budgets target will be adjusted accordingly.
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8.10. OPERATIONS AND MAINTENANCE PRE-DETERMINED OBJECTIVES AND TARGETS

Table 27: Operations Unit Pre-determined Objectives and Targets

Shareholders Compact Target and MW Target	Strategic Objective	To improve efficiency through technology and best practices										
	Output	Performance Indicator	Baseline				5 year target	Estimated performance				
			Audited actual performance			Unaudited actual as at 2022/2023 2 nd quarter October 2022		2023/ 2024 Target	2024/ 2025 Target	2025/ 2026 Target	2026/ 2027 Target	2027/ 2028 Target
			2019/ 2020	2020/ 2021	2021/ 2022							
SC2	Manage avoidable water losses	Percentage of avoidable water losses on water abstracted	1.52%	2.94%	2.56%	2.12%	3%	3%	3%	3%	3%	3%
MW16	ISO50001 standard certification on Energy Management System (ENMS)	Number of ENMS developed	-	-	-	-	1	1 ENMS developed	ENMS feasibility studies implemented	ENMS project implementation	ENMS project implementation	ENMS certification
Shareholders Compact Targets and MW Targets	Strategic Objective	To grow and expand the equitable provision and access to water services										
	Output	Performance Indicator	Baseline				5 year target	Estimated performance				
			Audited actual performance			Unaudited actual as at 2022/2023 2 nd quarter October 2022		2023/ 2024 Target	2024/ 2025 Target	2025/ 2026 Target	2026/ 2027 Target	2027/ 2028 Target
			2019 2020	2020/ 2021	2021/ 2022							
SC3	Reliability of water supply	Number of instances of unplanned supply interruptions exceeding 24 hours	0	1.00	0.00	1.00	0	3	3	3	3	3
MW17	Reliability of supply infrastructure/ asset maintenance	Number of 3 year rolling maintenance plan developed	-	-	-	-	1	1	1 plan implemented and reviewed	1 plan implemented and reviewed	1 plan implemented and reviewed	1 plan implemented and reviewed
MW18	Reliability of waste disposal infrastructure	Number of instances of unplanned supply interruptions exceeding 24 hours	0	1.00	0.00	1.00	0	3	3	3	3	3
MW19	Existing infrastructure maintained to ensure plant availability	Percentage of plant availability based on operating hours	99.58%	98.36%	98.57%	95.38%	95%	95%	95%	95%	95%	95%
MW20	Existing infrastructure maintained to ensure plant availability	Percentage of scheme availability based on production volumes	-	-	3.19%	0.00%	75%	75%	75%	75%	75%	75%

Shareholders Compact Target	Strategic Objective	To ensure Long-term financial sustainability											
	Outputs	Performance Indicator	Baseline				5 year target	Estimated performance					
			Audited actual performance			Unaudited actual as at 2022/2023 2 nd quarter October 2022		2023/ 2024 Target	2024/ 2025 Target	2025/ 2026 Target	2026/ 2027 Target	2027/ 2028 Target	
			2019/ 2020	2020/ 2021	2021/ 2022								
SC6	Effective and efficient mechanisms to ensure financial sustainability and viability	Percentage of repairs and maintenance of PPE	2.68%	2.79%	2.50%	1.06%	4.09%	3.49%	3.58%	3.52%	3.78%	4.09%	
MW Target	Strategic Objective	To be pro-active on issues relating to health, safety, security and the environment											
	Outputs	Performance Indicator	Baseline				5 year target	Estimated performance					
			Audited actual performance			Unaudited actual as at 2022/2023 2 nd quarter October 2022		2023/ 2024 Target	2024/ 2025 Target	2025/ 2026 Target	2026/ 2027 Target	2027/ 2028 Target	
			2019/ 2020	2020/ 2021	2021/ 2022								
MW21	Health and Safety of employees	Percentage reduction of health and safety non-compliance hazards	-	-	-	-	100%	100%	100%	100%	100%	100%	

9. SCIENTIFIC SERVICES

9.1. 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.

9.2. 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 18001: 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.

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.

Research, Development & Innovation (RDI)

The organisation has established an RDI section. The functions of the section are:

1. Lead, facilitate and promote RDI within Mhlathuze Water;
2. Develop a research agenda for the organisation;

3. Facilitate collaborative research with external organizations;
4. Develop programmes and initiatives to build internal RDI capacity;
5. Strengthen networks and relationships with other stakeholders; and
6. Review, update and implement MW's RDI strategy.

9.3. SITUATIONAL ANALYSIS

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. The employees of Mhlathuze Water participate in most of these initiatives.

Water Quality Management

Mhlathuze Water is committed to providing its customers with a sustainable supply of potable water and to ensure that wastewater discharges do not have deleterious effects to the environment or downstream users. This is achieved through implementing rigorous and system-wide water quality management programmes, auditing, compliance reporting, water quality assessments and the implementation of water safety plans.

Each year, water quality monitoring programmes are reviewed for all operational sites to ensure they continue to provide sufficient information that meets legislative requirements, customer bulk supply agreements and water treatment process requirements, as well as, to take into account the risks that have previously 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 during is detailed below.

Table 28: Compliance report – SANS 241:2015 for Nsezi Water Treatment Plant

Risk Category	Performance 2019	Performance 2020	Performance 2021	SANS Target (for excellent water quality for population > 100 000)	Comment
Aesthetic	100%	100%	99.6%	≥ 95	Target exceeded
Acute Chemical Health	100%	100%	100%	≥ 99	Target exceeded
Chronic Chemical Health	99.88%	99.9%	99.6%	≥ 97	Target exceeded
Acute Microbiological Health	99.73%	99.7%	99.7%	≥ 95	Target exceeded
Operational	99.87%	99.9%	99.3%	≥ 95	Target exceeded

Figure 24: Water Quality Performance

The average SANS241 results over the past 5 years reflect a constant performance of above 99% against a set target of 97%.



Water Quality Monitoring Programme

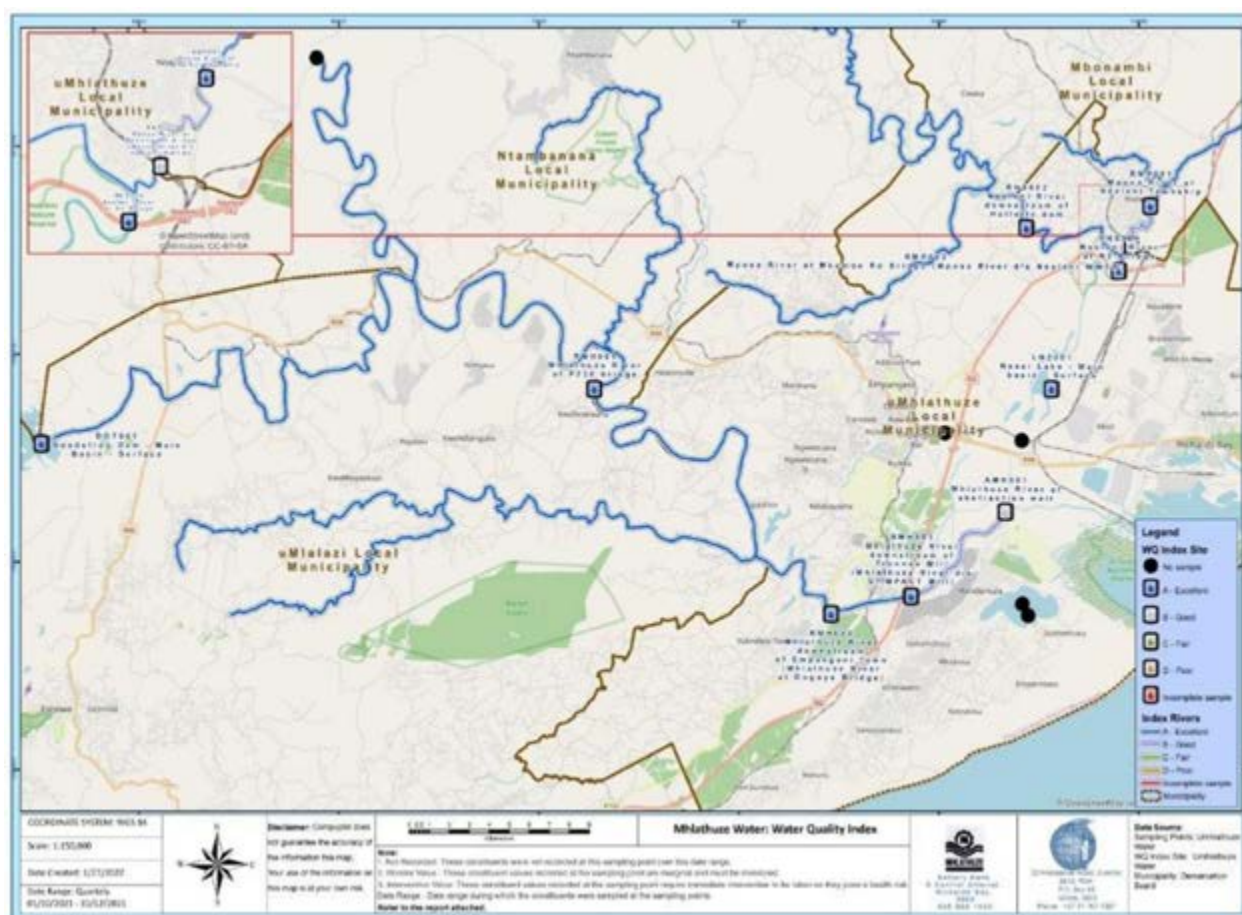
A water quality monitoring programme is in place to monitor rivers and dams in the catchment area on an ongoing basis. The quality of the water resources in the Mhlathuze Water catchment area is shown temporally and spatially with the aid of Water Quality Index (map). Various water quality parameters 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



Figure 25: Water Quality Monitoring Programme



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 Mposha 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 Quality Monitoring

Mhlathuze Water owns and operates one of the largest offshore wastewater disposal system in South Africa. The system comprises of two pipelines (buoyant A-line and dense C-line). These pipes extend about four kilometers out to sea, discharging industrial wastewater from neighbouring industries in Richards Bay as well as surrounding areas, sludge from Nsezi Water Treatment Plant and macerated sewage from the City of uMhlathuze. The organisation has a permit to discharge wastewater offshore 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 contributors. The average results against the Coastal Waters Discharge Permit (CWDP) over the past 5 years reflect a constant non-compliance and regression in compliance.

Figure 26: Waste Water Performance



The regression is not necessarily due to the effluent composition changing, but rather due to the more stringent permit requirements imposed by the authorities year on year. Mhlathuze Water is working with the major contributors on reducing waste and re-using effluent in order to address the non-compliance but more so, reduce the impact on the environment.

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 effluent re-use projects before a determination is done with regards to treating the effluent.

The organisation is 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.

All environmental incidents are internally reported and properly investigated to ensure necessary mitigation measures are put in place to prevent their reoccurrence. Additionally, some incidents (reportable) must be reported to the relevant authorities (DEA, DWS, Municipalities, etc.).

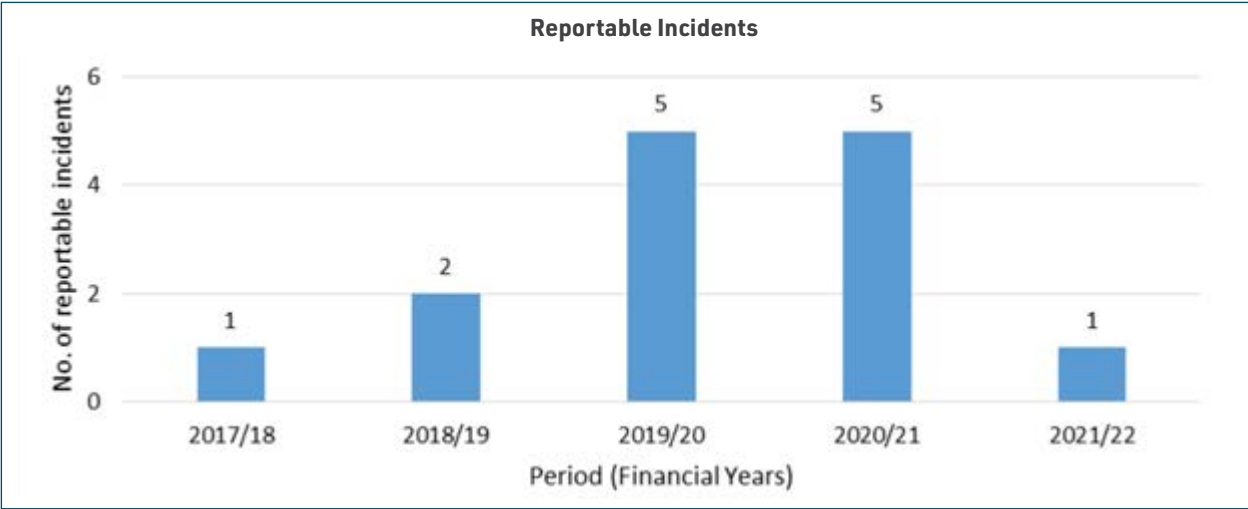
A reportable incident is any type of incident that has a legal reporting requirement to the Environmental Authorities in terms of the National Environmental Management Act (NEMA) (section 30) and/ or National Water Act (NWA) (section 20).

Environmental Management

Mhlathuze Water 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.

Figure 27: Reportable environmental incidents



To ensure incidents are dealt with correctly and thoroughly, several critical steps must be followed in term of set procedures. These help to mitigate environmental damage and other related potential side effects of the incidents.

Incident management systems with protocols in place ensures proper and timeous response to all incidents. Mhlathuze Water continually strives to be environmentally sustainable in all its operations. There has been an increase in the number of reportable environmental incidents for the reporting period 2018/19 and 2019/20 from 2 to 4 incidents and all related to effluent pipeline.

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. A baseline study was undertaken in order to determine how much waste is being generated and recycled in order to reduce waste disposed as much as possible.

Carbon Footprint and Emissions Reduction Initiatives

The organisation has determined its Carbon Footprint and developed a Carbon Management Plan. The exercise provided an improved understanding of the organisation's Carbon Footprint with a view to transition to a more environmentally sustainable entity in the face of global climate change risk. Mhlathuze Water's direct carbon emissions (scope 1) arise from fuel usage for vehicles and generators, while indirect carbon emissions (scope 2) are primarily due to electricity usage, and to a minor extent flights.

Electricity consumption per area/ installation

Monitoring of carbon footprint is undertaken on a monthly basis and data is recorded with the following focus areas: electricity usage, vehicle (fuel usage) as well as water usage at the pump stations/ plants.

Environmental Authorisation and Compliance Monitoring

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.

Water Conservation

To respond to the global issue of climate change and the life threatening impact it has, the organisation developed and approved a Climate Change Strategy in 2021. The principal aim of the Mhlathuze Water Climate Change Strategy is to manage the business risk associated with climate change and also to contribute in adding value in to the natural capital. It is in place so that the organisation is better informed of future potential changes in the supply, availability and quality of our primary water resources. The strategy is concerned with building resilience by understanding how climate change will affect the ability of Mhlathuze Water to meet customer requirements in the future.

This strategy provides a framework for long term transition to a climate resilient, lower carbon water organisation, and is intended to enable the following:

- Manage climate change impacts effectively through implementing interventions that reduce the organisation's vulnerability and build its resilience and adaptive capacity to the impacts of climate change;
- Provide an integrated response to climate change and its impacts in all relevant aspects of the water value chain; and

- Contribute fairly to the global efforts to reduce greenhouse gas emissions to a level that avoids anthropogenic interference with the climate system and enables sustainable development.

This then requires incorporation of climate change adaptation and mitigation measures and interventions in the following areas of the water value chain:

- Protection of water resources at catchment level;
- Planning and design of water infrastructure;
- MW's operations which include:
 - Operation and maintenance of weir, pumpstations, and pipeline infrastructure for storage, abstraction and conveyance of water;
 - Water resources monitoring;
 - Operation and maintenance of water treatment and wastewater disposal infrastructure; and
 - Distribution of bulk water to customers.

Environmental Forums

Mhlathuze Water participates in number of relevant environmental forums such as Catchment Management Forum (CMF). The forum's main objectives is to have engagements on water related matters as well as other associated topics of interest.

The organisation established an Effluent Pipeline Forum 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. Meetings were held quarterly.

Systems Management

ISO 17025:2005: Laboratory System Accreditation

Mhlathuze Water maintained its ISO 17025 accreditation for the Scientific Services Laboratory. The current certificate of accreditation is valid until 30 April 2022. Key objectives of the laboratory in support of Mhlathuze Water's primary business are:

- To provide assurance that water produced is suitable for drinking thereby assuring that public health is protected. Furthermore, the service gives assurance that the effluent disposed complies with permit requirements.
- To produce scientific data for the development and optimisation of infrastructure, and
- To assess the status of water resources in the catchment area.

There were no audits that were required to be conducted during the reporting period.

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. SHEQ systems aim to integrate all components of the business into a coherent system to enable the organisation to achieve its mission.

The specific areas of application are:

- OHSAS 18001: 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; and
- ISO 9001: Quality management to ensure customer satisfaction. The focus is on compliance with customer needs and requirements.

All three certifications are maintained and are valid until November 2021. There were no audits that were required to be conducted during the reporting period.

9.4. FUTURE PLANS

Commercialisation of Laboratory Services

While it's appreciated that the laboratory was established to support Mhlathuze Water's core business of providing water services, and notwithstanding that this is still the primary mandate, the organisation will go on a new drive to commercialise the services offered by the laboratory. This will assist in offsetting some of the costs of running the facility by generating additional revenue and also make use of the spare capacity that is available.

A substantial capital investment has been made over the last several years to ensure that the laboratory is adequately resourced to cover a significant scope of analyses required. This included ensuring that the required redundancy is available to provide for uninterrupted services. Due to the location of Richards Bay, it is not possible to get immediate backup during breakdowns, hence sufficient backup equipment is critical to meet customer expectation on a continuous basis.

Research, Development & Innovation (RDI)

An RDI Policy has been developed and approved by the Board with the objective of aligning the organisation with international norms and standards, containing costs of doing business and increase efficiencies. To give effect to the policy, a Research, Development and Innovation Strategy was adopted in 2020. The Strategy gives direction to the organisation's approach to RDI, in as far as it applies to its primary business of bulk water services provision and waste water disposal. Ten (10) RDI projects or initiatives have been identified for implementation starting during 2019/20 and continuing through to the outer years. The main strategic focus areas are:

- Optimising and enhance Assets and Technology
- Efficiency of operational processes and systems
- Collection and analysis of operational data to make informed decisions
- Existing and future technology to minimise the impact on water resources and the environment

It is of critical importance that the organisation implement the RDI Policy and Strategy in order to contribute add value to its intellectual and natural capital.

Improve Compliance with the Coastal Water's Discharge Permit

A new Permit was issued to Mhlathuze Water in August 2017 by the Department of Environmental Affairs. Key issues with regards to the Permit and compliance are:

- Progressively stricter quality limits were applied over a 3-4-year period. Ultimate limits came into force from January 2020;

- Overall compliance for 2018/2019 was 91.87%;
- Overall compliance for 2019/2020 was 90.33%.
- Regular engagements will continue to be held with contributors to improve compliance.
- The organisation will continue to implement financial penalties for contributors to the system who do not comply with water quality requirements. Financial penalties must drive contributor to the expected output, which is to discharge compliant effluent into the system and not a means to escape accountability and ease the corporate conscience.
- Further to the above, the future initiative with the CoU to re-use buoyant effluent as well as plans to find alternative uses for the dense (gypsum) effluent will impact positively on the non-compliance matters.
- The organisation also launched research in the treatment of effluent in order to further reduce the impact of the effluent discharged to sea.

9.5. SCIENTIFIC SERVICES PRE-DETERMINED OBJECTIVES AND TARGETS

Table 29: Scientific Services Pre-determined Objectives and Targets

Shareholders Compact targets and MW Targets	Strategic Objective	To be pro-active on issues relating to health, safety, security and the environment										
	Outputs	Performance Indicator	Baseline				5 year target	Estimated performance				
			Audited actual performance			Unaudited actual as at 2022/2023 2 nd quarter October 2022		2023/2024 Target	2024/2025 Target	2025/2026 Target	2026/2027 Target	2027/2028 Target
			2019/2020	2020/2021	2021/2022							
SC1	Compliance with SANS 241:2015 water quality standard for potable water	Percentage compliance to water quality standard	99.92%	99.56%	99.87%	99.90%	97%	97%	97%	97%	97%	97%
MW22	Compliance with Coastal Water's Discharge Permit (CWDP)	Percentage of quality compliance with CWDP	90.08%	87.75%	88.27%	90.94%	100%	100%	100%	100%	100%	100%
MW23	ISO 9001, 45001 & ISO 45001, 17025 standard certification	Number of compliance certifications maintained	4.00	4.00	4.00	ISO 9001, 14001 & OHSAS 45001, 17025 Internal audit report	4	4	4	4	4	5
MW24	Health & safety of employees	Disabling injury frequency rate (DIFR)	0.00	0.33	0.31	0.63	0.45	0.45	0.45	0.45	0.45	0.45

MW Targets	Strategic Objective	To improve efficiency through technology and best practices										
	Outputs	Performance Indicator	Baseline				5 year target	Estimated performance				
			Audited actual performance					2023/ 2024 Target	2024/ 2025 Target	2025/ 2026 Target	2026/ 2027 Target	2027/ 2028 Target
			2019/ 2020	2020/ 2021	2021/ 2022	Unaudited actual as at 2022/2023 2 nd quarter October 2022						
MW25	Improve Knowledge Hub, evidence and innovation through	Percentage of R&D Strategy/ programme milestones achieved	0	0	0	0	100%	75%	80%	80%	90%	100%
MW26	research and development	Percentage of Research and Development initiative recommendations implemented	-	-	-	-	75%	75%	75%	75%	75%	75%
MW27		Percentage reduction in cost of sales as a result of R&D initiatives	-	-	-	-	5%	1%	1.5%	2.5%	3.5%	5%

10. TECHNICAL SERVICES UNIT

10.1. 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.

10.2. 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.

10.3. SITUATIONAL ANALYSIS

Bulk Water and Sanitation 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.

10.4. PRIMARY INFRASTRUCTURE DEVELOPMENT ACTIVITIES

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.

- Overall budget: R457 469 939 (as per the approved 2021/2022 - 2025/2026 business plan)
- 2021/2022 budget: R 236 901 000 (as per the approved 2021/2022 - 2025/2026 business plan)
- 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 30: 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 was at 27.86% as at 30 June 2022.

Table 31: 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 way leave applications and engagements underway with relevant authorities (Eskom and Transnet).

Secondary Infrastructure Development Activities (Section 30)

- **Construction of a 15Mℓ/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.
 - Overall budget: R142 560 747.21
 - 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.

10.5. 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.
- Overall budget: R646 000 000.00
- 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 centre 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.
- Overall budget: R 2 500 000.00 (allocated by the Board)
- 2021/2022 budget: R2 500 000. 00
- 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.

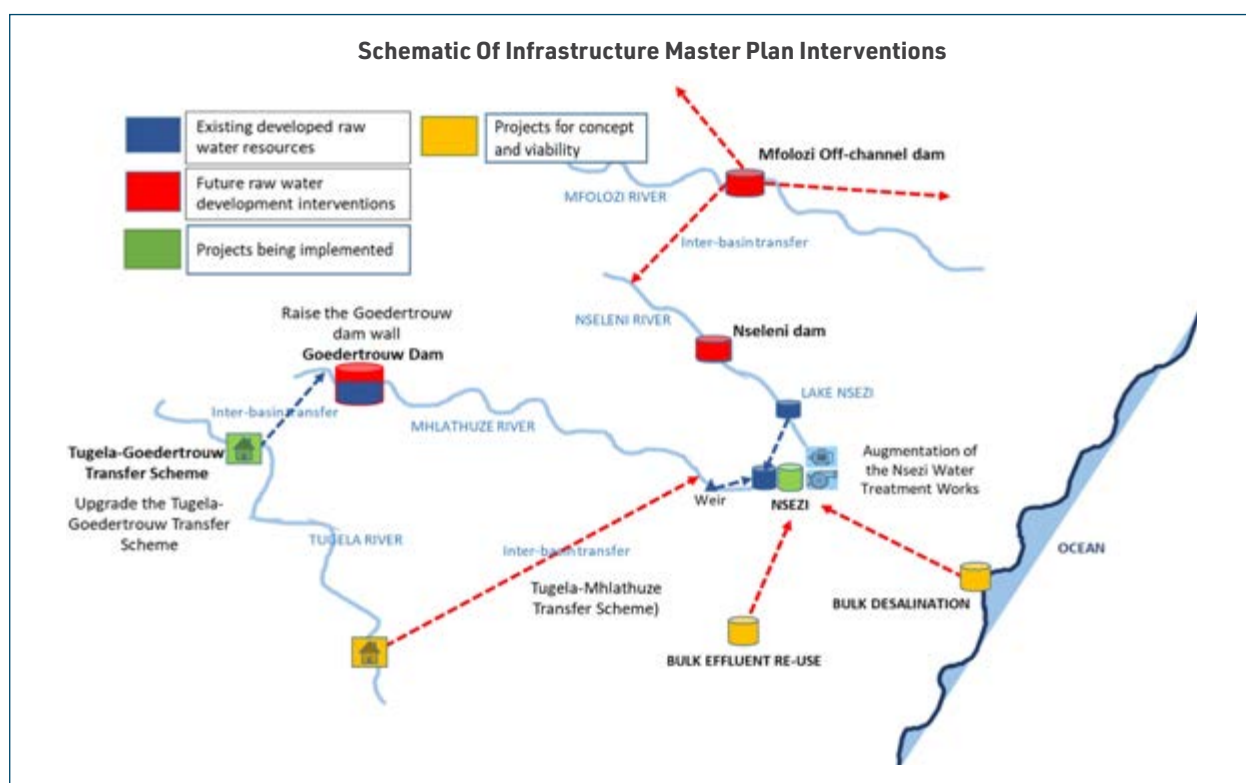
The purpose and aim of this plan would be to consolidate the future demand versus future supply of not just the immediate area of Richards bay (City of uMhlathuze Local Municipality), but the region as a whole, that include King Cetshwayo, Umkhanyakude, Zululand and Amajuba District Municipalities.

A number of strategic interventions have been identified in the Richards Bay Reconciliation Study conducted by the Department. These are illustrated in the schematic below and summarised in the table that follow. The budgets and scheduled timeframes for these projects have been set by the Department.

10.6. FUTURE PLANS

In order to effectively play the role of business partner of choice for water services authorities in the region, Mhlathuze Water in partnership with the Department of Water and Sanitation will prepare, resource and implement a Bulk Water Resource Master Plan.

Figure 28: Infrastructure Master Plan Interventions



Mhlathuze Water Board approved a budget 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:

- 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
- 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

- 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 Mℓ/d) of brine containing gypsum suspended solids
- ii. clarified water approximately 30Mℓ/day (≈ 9.2 million m³ per annum).

Waste water re-use

In partnership with the City of uMhlathuze, Mhlathuze Water is working together with the City of uMhlathuze (CoU) in investigating the feasibility of re-using waste water and associated by-products. The project is advancing well with investigating industrial/domestic effluent re-use options as a potential Public Private Partnership (PPP). The project aims at treating industrial and domestic effluent for reuse as water supply to industries. The proposed reuse plant is rated 75 Mℓ/d to be situated between Empangeni and Richards Bay.

Table 32: Schedule of Infrastructure Master Plan Interventions

Type	Infrastructure Master Plan Key Interventions	Description	Yield	Target Commissioning Date	Stage And Schedule				
					Pre-Feasibility	Feasibility	Concept Design, Funding Application And Procure	Construction Period 3-5 Years	Commission
RAW WATER	Desalination	Bulk desalination of sea water	21.9 million m ³ /a	2039	1 year: 2023	2-3 years: 2024-2026	0	0	0
RAW WATER	Nseleni Dam	Earth dam on Nseleni river, NO abstraction options (release and run off into lake Nsezi)	12.0 million m ³ /a	2042	1 year: 2024	2-3 years: 2025-2027	2 year: 2028-2029	3-5 years: 2030-2034	2036
RAW WATER	Mfolozi off-channel dam	Weir in Mfolozi, transfer infrastructure and dam as well as transfer to Mposa river	36.90 million m ³ /a	2045	MW TO ENGAGE DWS AND DETERMINE PROGRAMME				
RAW WATER	Kwesibomvu on channel dam	Discounted as an option to augment Mhlathuze System, hence the Tugela Transfer Scheme. Can be relooked at if off-channel storage on Mfolozi is in place.	66.6 million m ³ /a	2045	MW TO ENGAGE DWS AND DETERMINE PROGRAMME				
RAW WATER	Mandini abstraction from Tugela	Abstract and transfer to CoU LM via pipeline: raw water via Tronox pipeline	40 million m ³ /a	2039	1 year: 2023	2-3 years: 2024-2026	2 year: 2027-2028	3 years: 2028-2030	2033
RAW WATER	Raising/ Strengthening of lake Nsezi wall	Wall seepage/ leaking, improve retention of natural reservoir. Should consider strengthening/ improving the existing wall	not mentioned	2042	1 year: 2024	0	0	0	0
RAW WATER	Water Conservation and Demand Management	Overall water loss = 30Mℓ/day wasted. Target to reduce by 10- 20%	5.8 million m ³ /a @20% target	2040	2 year: 2024	0	0	0	reduce with 10-20% by 2033
RAW WATER	Augment Tugela Goedertrouw Transfer Scheme	Augment the existing TGS by doubling the transfer capacity (URV inlc a tunnel) actual construct exclude the tunnel	37.8 million m ³ /a	2033	0	0	0	1 year: 2023	2023
RAW WATER	Raise Goedertrouw dam wall	Raising wall by 2.8m	35 million m ³ /a	2045	MW TO ENGAGE DWS AND DETERMINE PROGRAMME				

Type	Infrastructure Master Plan Key Interventions	Description	Yield	Target Commissioning Date	Stage And Schedule				
					Pre-Feasibility	Feasibility	Concept Design, Funding Application And Procure	Construction Period 3-5 Years	Commission
TREATED WATER	Waste water effluent re-use/ recycle	Re-use/ recycle effluent. MW engage GTAC for transactional advisory (TA) services on options proposed by CoU	27.37 million m³/a	2043	TA to advise: 2023	0	0	0	2030
TREATED WATER	Upgrade to Nsezi water treatment works	from a 205ML/day plant to a 260ML/d plant		2045 (refer to WCDM)				2 years: 2023-2024	2024
Type	Customer Specific Interventions	Description	Yield	Target Commissioning Date	Stage And Schedule				
					Pre-Feasibility	Feasibility	Concept Design, Funding Application And Procure	Construction Period 3-5 Years	Commission
CUSTOMER	RBIDZ: Nyanza Metals	Disposal of dense effluent	15ML/day	2026	6mths: 2023	6months: 2024	6months: 2024	1 year: 2025	2026
CUSTOMER	RBIDZ: Nyanza Metals	Supply of clarified water	20ML/day	2026	6mths: 2023	6months: 2024	6months: 2024	1 year: 2025	2026

10.7. TECHNICAL SERVICES PRE-DETERMINED OBJECTIVES AND TARGETS

Table 33: Technical Services Pre-determined Objectives and Targets

Shareholders Compact targets and MW Targets	Strategic Objective	To grow and expand the equitable provision and access to water services										
	Output	Performance Indicator	Baseline				5 year target	Estimated performance				
			Audited actual performance			Unaudited actual as at 2022/2023 2 nd quarter October 2022		2023/ 2024 Target	2024/ 2025 Target	2025/ 2026 Target	2026/ 2027 Target	2027/ 2028 Target
			2019/ 2020	2020/ 2021	2021/ 2022							
MW28	Improve project planning , budget estimates and implementation scheduling	Percentage of 5 year CAPEX programme compliant with CAPEX Framework	0	0	0	0	100%	100%	100%	100%	100%	100%
MW29	Capital expenditure programme	Percentage compliance with 90 day CAPEX cash flow forecast	-	-	-	-	100%	100%	100%	100%	100%	100%
SC9	Capital expenditure programme	Percentage of CAPEX spend against budget	36.28%	26.65%	60.03%	13.85%	100%	100%	100%	100%	100%	100%
SC9	Capital Expenditure Programme in line with infrastructure master plan	Percentage of capital projects completed within targeted dates	66.66%	65.29%	74.21%	63.75%	100%	100%	100%	100%	100%	100%
SC4	Increased access to Services	Percentage CAPEX spend on expansion related projects (initiatives by the Minister)	Nil	Nil	Nil	-	100%	100%	100%	100%	100%	100%
SC12	Implementation of Ministerial directives	Percentage of Ministerial directives' implemented against milestones	-	-	100%	60.81%	100%	100%	100%	100%	100%	100%
SC17	Temporary jobs created	Number of temporary jobs created through MW programmes	224.00	53.00	172.00	147	280	50	50	60	60	60
MW30	Implementation of Infrastructure Master Plan (IMP) interventions	Number of intervention projects in the IMP implemented as per set timelines, budget and quality	0	0	0	-	8	5	8	8	8	8
MW31	Agency Support Agreements implemented	Percentage of projects in Agency Support Agreements implemented as per set timelines, budget and quality	-	-	-	5	100%	100%	100%	100%	100%	100%

¹Ministerial Directives are issued by the Minister 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.

11. FINANCE UNIT

11.1. MANDATE OF FINANCE UNIT

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

11.2. FUNCTIONS WITHIN THE FINANCE UNIT

Financial Accounting

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 presentation of complete, valid and accurate financial data to allow better decision making for management. The function ensures accurate billing and collection of debts, timely payment of creditors and efficient employee-related remuneration.

Management Accounting

The function is responsible for providing an accurate budget and financial forecasts, determine relevant cost effective tariffs, provide management and financial information, monitor and report on variances, analyse financial feasibility and meet financial obligations to generate accurate and relevant information and mobilise resources to achieve accurately informed and supported decision makers and a financially resourced organisation in order to contribute to the sustainable delivery on 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

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 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 establishment 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 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.

11.3. KEY PERFORMANCE HIGHLIGHTS

The current ratio trends a slight decrease from FY2021/20 due to increase in Capital investments and is projected to increase in line with the decrease in capital expenditure projection and the proceeds from long-term loans. This shows that Mhlathuze Water will be able to pay its debtors as they become due within the Business Planning period. With the quality of customers, MW debtors day have been good and is projected to continue in the same trend.

Although Gross Profit Margin is reflecting a forecast and budget decline, this is due to employee direct cost reallocations correction implemented in the current year. The erratic net profit margin trends as a result of erratic spending is projected at 16% in FY2023/24 and then stabilize as MW strengthens procurement and aligns spending to budget and expected revenue increases.

The debt-equity ratios has been decreasing from FY2021/20 to FY2021/22 due to loan repayment and is projected to increase in FY2024/25, in line with projected loan acquisitions, and from FY2025/26 will decrease in line with the long term loan repayments and the projected increase in retained earnings.

Table 34: Financial Ratios

Financial Ratios	Audited			Budget	Forecast	Budget	Projections			
	2019/20	2020/21	2021/22	2022/23	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Operating										
Gross margin	64.31%	60.95%	65.00%	61.87%	57.67%	53.36%	53.62%	53.39%	53.85%	53.32%
Debtors collection period	38.29	40.89	41.55	45	45.00	45.00	45.00	45.00	45.00	45.00
% of staff remuneration	28.26%	24.97%	24.92%	24.46%	32.34%	29.98%	27.93%	28.32%	28.75%	29.04%
Net profit margin	23.95%	18.45%	26.68%	16.10%	24.41%	16.21%	16.94%	17.26%	18.98%	19.24%
% of repairs and maintenance	2.68%	2.79%	2.39%	4.28%	1.73%	3.49%	3.58%	3.52%	3.78%	4.09%
Current ratio	3.12	3.04	2.39	2.69	5.00	3.52	3.57	4.02	5.08	6.12
Debt-equity ratio	0.09	0.07	0.05	0.23	0.10	0.19	0.26	0.38	0.33	0.29

11.4. FUTURE PLANS AND FIVE YEAR PROJECTIONS

Introduction

The 2023/24-2027/28 Business Plan seeks to ensure that Mhlathuze Water remains financially viable in the medium to long term (Strategic Objective 2) while continuing to grow the provision of water services (Strategic Objective 1). In order to achieve both these objectives, the organisation needs to ensure that sound capital investments are made to ensure that the current business is maintained while increasing capacity and growing and diversifying the client base. Sound budgeting and expenditure controls need to also be put in place to contain increasing staff and other operational costs whilst also exploring technological innovations to improve efficiencies. These actions will lead to a sustainable and affordable tariff in the long term.

11.5. VOLUMES

Bulk Raw Water

Over the years Mhlathuze Water has built and maintained good relationship and added value to our stakeholders. Volumes are projected to remain constant in raw water consumption throughout the business planning period. The table below provides details of our key customers contracted for Bulk Raw Water and projected consumption.

Table 35: Raw Water

MHLATHUZE WATER										
CONTRACTED DEMANDS AND CONSUMPTION VOLUMES CONSUMPTION VOLUMES										
Figures m3/Day										
Mhlathuze Transfer Scheme - Contracted Demands										
Raw Water										
	Audited			Budget	Forecast	Budget	Projection			
Maximum Demand	2019/20	2020/21	2021/22	2022/23	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
RBM - North	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000
Tronox	45,000	48,840	48,840	48,840	48,840	48,840	48,840	48,840	48,840	48,840
CoU - Esikhaleni	15 000	15 000	15 000	15 000	15 000	15 000	15 000	15 000	15 000	15 000
Mhlathuze Transfer Scheme - Consumption Volumes										
Raw Water										
	Audited			Budget	Forecast	Budget	Projection			
Consumption	2019/20	2020/21	2021/22	2022/23	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
RBM - North	4,775	10,023	8,185	27,462	27,462	27,462	27,462	27,462	27,462	27,462
Tronox	800	2,168	2,688	5,940	5,940	5,940	5,940	5,940	5,940	5,940
CoU - Esikhaleni	-	3,930	-	10,766	10,766	10,766	10,766	10,766	10,766	10,766
TOTAL	5,575	16,121	10,873	44,168	44,168	44,168	44,168	44,168	44,168	44,168

Clarified Water

The table below provides details of our key customers contracted for clarified water and projected consumption. Projected spending on infrastructure supporting customers is projected to provide a slight increase in volumes in the outer years of the mid-term period.

Table 36: Clarified Water

MHLATHUZE WATER										
CONTRACTED DEMANDS AND CONSUMPTION VOLUMES										
Figures m3/day										
Mhlathuze Transfer Scheme - Contracted Demands										
Clarified Water										
	Unaudited			Budget	Forecast	Budget	Projection			
Maximum Demand	2019/20	2020/21	2021/22	2022/23	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Foskor	17,000	17,000	17,000	17,000	17,000	20,000	20,000	20,000	20,000	20,000
IDZ Inyanza metals	-	-	-	-	-	-	-	7,000	7,000	7,000
TOTAL	17,000	17,000	17,000	17,000	17,000	20,000	20,000	27,000	27,000	27,000
Mhlathuze Transfer Scheme - Consumption Volumes										
Clarified Water										
	Unaudited			Budget	Forecast	Budget	Projection			
Consumption	2019/20	2020/21	2021/22	2022/23	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Foskor	5,274	4,950	13,924	12,196	15,196	15,196	15,196	15,196	15,196	15,196
IDZ Inyanza metals	-	-	-	-	-	-	-	5,000	5,000	5,000
TOTAL	5,575	4,950	13,924	12,196	15,196	15,196	15,196	20,196	20,196	20,196

Potable Water

An increase in revenue in FY2023/24 is expected due to the tariff increase. Furthermore, customers have projected an increase in consumption volumes, the increase is within the contracted volumes. The table below provides details of our key customers contracted for bulk potable water and projected consumption.

Table 37: Potable Water

The table below provides details of our key customers contracted for Bulk Waste Water.

MHLATHUZE WATER										
CONTRACTED DEMANDS AND CONSUMPTION VOLUMES										
Figures m3/day										
Mhlathuze Water Treatment Plant - Contracted Volumes										
Nsezi - Potable Water										
	Audited			Budget	Forecast	Budget	Projection			
Maximum Demand	2019/20	2020/21	2021/22	2022/23	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Mondi	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
CoU - Richards bay	48,000	48,000	48,000	48,000	48,000	60,000	60,000	60,000	60,000	60,000
CoU -Empangeni	37,000	37,000	37,000	37,000	37,000	37,000	37,000	37,000	37,000	37,000
CoU - Esikhaleni	-	-	-	-	-	-	20,000	20,000	20,000	20,000
TOTAL	185,000	185,000	185,000	185,000	185,000	197,000	217,000	217,000	217,000	217,000
Mhlathuze Transfer Scheme - Consumption Volumes										
	Audited			Budget	Forecast	Budget	Projection			
Consumption	2019/20	2020/21	2021/22	2022/23	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Mondi	23,687	21,944	49,896	56,272	56,272	56,272	56,272	56,272	56,272	56,272
CoU- Richards bay	2,501	5,075	16,441	30,714	30,714	30,714	30,714	30,714	30,714	30,714
CoU- Empangeni	8,904	10,305	29,105	28,232	31,242	31,242	31,242	31,242	31,242	31,242
CoU- Esikhaleni	-	-	-	-	-	-	17,000	17,000	17,000	17,000
TOTAL	35,092	37,324	95,442	115,218	118,228	118,228	135,228	135,228	135,228	135,228

Effluent disposal

Effluent is projected to stabilize in line with contracted volumes into the forecast period.

Table 38: Effluent Disposal: Buoyant

MHLATHUZE WATER CONTRACTED DEMANDS AND CONSUMPTION VOLUMES Figures m3/day							Permits			
							A Line	158,984		
							B Line	30,000		
Mhlathuze Transfer Scheme - Contracted Demands										
BUOYANT										
	Audited			Budget	Forecast	Budget	Projection			
Maximum Demand	2019/20	2020/21	2021/22	2022/23	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Mondi	110,000	110,000	110,000	110,000	110,000	110,000	110,000	110,000	110,000	110,000
CoU - Richards Bay	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000
South 32 - Bayside	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500
South 32 - Hillside	6,250	6,250	6,250	6,250	6,250	6,250	6,250	6,250	6,250	6,250
Mpact*	8,000	8,000	8,000	8,000	6,000	6,000	6,000	6,000	6,000	6,000
Foskor	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Tronox	2,400	2,400	2,400	2,400	2,400	2,400	2,400	2,400	2,400	2,400
Isizinda Aluminum	333	333	333	333	333	333	333	333	333	333
John Ross Interchange	-	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500
Wilmar Processing	-	-	-	500	500	500	500	500	500	500
TOTAL	153,483	158,983	158,983	159,483	157,483	157,483	157,483	157,483	157,483	157,483

*A decrease in contracted dense effluent disposal is due to MPACT (PTY) LTD reducing their volumes from 8000 M3/day to 6000 M3/day.

Table 39: Effluent Disposal: Dense

DENSE										
	Audited			Budget	Forecast	Budget	Projection			
Consumption	2019/20	2020/21	2021/22	2022/23	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Foskor	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000
IDZ Inyanza metals	-	-	-	-	-	-	-	3,836	3,836	3,836
IDZ Inyanza metals	-	-	-	-	-	-	-	4,384	4,384	4,384
TOTAL	30,000	30,000	30,000	30,000	30,000	30,000	30,000	38,219	38,219	38,219



11.6. TARIFFS

MFMA (56 of 2003) Section 42 and Circular 23 provide guidance on process to be followed on preparation of tariffs. Mhlathuze Water consulted with the Water Service Authority in its area of operation as required by the aforementioned requirements.

Tariffs Financial Assumptions

In preparation of the proposed tariff increase the following assumptions are considered to ensure Mhlathuze Water financial viability:

Table 40: Planning Financial Assumptions

Year ending 30 June	Audited			Existing	Forecast				
	2020	2021	2022	2023	2024	2025	2026	2027	2028
Consumer Price Index (CPI)*	5.30%	3.41%	3.41%	4.06%	5.60%	4.80%	4.80%	4.70%	4.70%
Producer Price Inflation (PPI)*	2.30%	2.70%	8.10%	16.60%	17.00%	18.00%	18.00%	18.00%	18.00%
Tariff growth - Raw Water: City®	12.99%	0.00%	9.24%	8.01%	2.67%	2.98%	2.62%	2.85%	3.06%
Tariff growth - Raw Water: Other®	15.10%	3.86%	6.24%	7.98%	2.85%	2.94%	3.09%	3.35%	3.57%
Tariff growth - Clarified Water®	14.06%	5.07%	7.49%	9.64%	5.04%	3.01%	2.92%	1.22%	3.48%
Tariff growth - Potable Water: City®	12.86%	0.00%	9.00%	9.94%	6.89%	4.46%	4.11%	2.13%	4.83%
Tariff growth - Potable Water: Other®	13.95%	8.07%	9.19%	10.04%	7.14%	4.49%	4.36%	2.31%	5.08%
Tariff growth - A Line Effluent®	12.23%	11.49%	8.19%	8.18%	5.68%	4.54%	4.61%	5.19%	5.36%
Tariff growth - B Line Effluent®	14.77%	11.82%	10.12%	9.95%	6.84%	3.68%	4.53%	5.46%	5.64%
Raw Water Charges^	14.14%	13.68%	4.39%	8.06%	0.48%	0.52%	0.09%	0.10%	0.10%
Average Loan Pool Rate~	10.64%	9.75%	10.60%	10.54%	10.54%	10.54%	10.54%	10.54%	10.54%
Expected Rates - New Funding~	10.25%	10.75%	11.60%	8.54%	13.25%	13.25%	13.25%	13.25%	13.25%
Electrical Power - Eskom®	5.00%	8.76%	5.00%	15.06%	32.00%	5.50%	9.05%	8.00%	8.00%
Electrical Power - Municipality and High then 4% above Eskom	9.00%	12.76%	9.00%	19.06%	36.00%	9.50%	13.05%	12.00%	12.00%
Chemicals - Based on PPI`	9.50%	11.38%	11.38%	11.38%	17.43%	14.70%	13.25%	13.63%	14.08%
Emoluments Increases - Amanzi Bargaining Council ⁵	7.50%	8.00%	4.50%	6.00%	6.60%	5.80%	5.80%	5.70%	5.79%
Emoluments Increases - non Bargaining ⁵	7.50%	8.00%	4.50%	6.00%	6.60%	5.80%	5.80%	5.70%	5.79%
Staff Complement									
Staff**	218	218	218	218	223	223	223	223	223
Management **	6	6	6	6	6	6	6	6	6
Total**	224	224	224	224	229	229	229	229	229

* CPI and PPI are obtained from statistical release P0141; <https://www.statssa.gov.za/> refer to Annexure D for Stats report and other sources.

PPI are obtained from statistical release P0141 <https://www.statssa.gov.za/>

@ Increase tariffs is obtained from expected expenditure increase per factor.

^ Raw Water Charges are obtained from DWS and are based on the proposed tariff increases

~ Average Loan Pool is based on existing long term loans and expected Loan Rates based on estimated cost should Mhlathuze Water obtain new loans from the market;

& Electricity - based on the proposed Eskom increase, which however has not yet been approved by NERSA and admin cost charged by the Municipality, the cost is too high and is then moderate on budget;

` Chemicals - based on PPI, current contracts and future projected procurement, which may further be impacted by foreign currency exchanges depending on the inputs to each chemical required.

` Chemicals are also affected by Foreign Exchange Rates - ZAR/\$ - Historic average annual rates were obtain from https://www.nedbank.co.za/content/dam/nedbank/site-assets/AboutUs/Economics_Unit/Forecast_and_data/Daily_Rates/Annual_Average_Exchange_Rates.pdf and forecast rates were obtained from <https://longforecast.com/dollar-to-rand-forecast-2017-2018-2019-2020-2021-usd-to-zar>

\$ Staff cost - based on CPI plus 1%;

**Staff compliment - based on the approved organisational structure;

Tariff composition

Mhlathuze Water collects raw water charges and government levies on behalf of DWS (TRWP). Upon collection, these are transferred to DWS. These charges and levies are implemented as gazetted.

Mhlathuze Water tariffs consist of the following elements:

- A-Factor – fixed cost
- C-Factor – capital cost
- Tc-Factor – variable cost
- TRWP – government levies and raw water charges

Tariffs process

MW tariffs are regulated by MFMA Circular 23. The circular requires Water Boards to consult comprehensively with all Water Service Authorities within their area of supply on proposed tariff increases by no later than 30 November of each year. The tariffs are calculated to ensure sustainability of the organization. Large volumes of bulk water supply bring economies of scale, thus making bulk water more affordable for customers.

The following chart depicts the step by step processes of MFMA Circular 23 which Water Boards follow and MW's progress:



Proposed Tariff Increases

To ensure that Mhlathuze Water remains financially viable, reasonable tariff increases were proposed which take into account the current and projected economic conditions. The financial increases for FY2022/23 are indicated in tables 5 to 9.

Table 41: Raw Water Tariffs

MHLAUZE WATER	Audited			Audited	Current	Projection				
TRANSFER SCHEME - WEIR		2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Proposed Tariff increases	Municipality	13,77%	0,00%	6,39%	8,01%	2,71%	2,99%	2,71%	2,95%	3,19%
	Industries	14,48%	6,36%	6,24%	7,98%	2,89%	3,03%	3,19%	3,46%	3,72%
		R/m³	R/m³	R/m³	R/m³	R/m³	R/m³	R/m³	R/m³	R/m³
Capital Charges	Municipality	0,1228	0,1228	0,1449	0,1464	0,1493	0,1523	0,1554	0,1613	0,1676
	Industries	0,1491	0,1719	0,1788	0,1806	0,1842	0,1879	0,1916	0,1989	0,2067
Fixed Operation and maintenance	Municipality	0,5013	0,5013	0,6116	0,6705	0,7158	0,7730	0,8313	0,8945	0,9651
	Industries	0,5817	0,6398	0,7264	0,7264	0,8352	0,8973	0,9650	10,383	11,202
Variable Cost Electricity & Chemicals	Municipality	0,0755	0,0755	0,0845	0,0845	0,1023	0,1098	0,1181	0,1271	0,1371
	Industries	0,0818	0,0873	0,0930	0,0930	0,1082	0,1163	0,1250	0,1345	0,1451
Tariff Excluding Government Charges & Levies	Municipality	0,6996	0,6996	0,8410	0,9078	0,9674	10,352	11,048	11,829	12,698
	Industries	0,8126	0,8990	0,9982	10,592	11,276	12,014	12,816	13,717	14,721
Government Charges		14,560	14,560	14,544	15,716	15,716	17,036	18,433	20,015	21,813
Raw Water Resource Management		0,0740	0,0740	0,0701	0,0733	0,0733	0,0767	0,0767	0,0767	0,0767
Raw Infrastructure Water Charges		0,0290	0,0290	0,0312	0,0322	0,0322	0,0333	0,0345	0,0359	0,0373
Water use		13,530	13,530	13,531	14,661	14,661	15,935	17,320	18,889	20,673
Total Tariff	Municipality	21,556	21,556	22,954	24,794	25,390	27,388	29,481	31,844	34,511
	Industries	22,686	23,550	24,526	26,308	26,992	29,050	31,249	33,732	36,534

Table 42: Clarified Water Tariffs

MHLAUZE WATER	Audited			Unaudited	Current	Projection				
NSEZI WATER TREATMENT WORKS - CLARIFIED WATER		2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Proposed Tariff increases		14,57%	5,24%	7,49%	7,49%	5,09%	3,06%	2,92%	0,67%	3,47%
		R/m³	R/m³	R/m³	R/m³	R/m³	R/m³	R/m³	R/m³	R/m³
Capital Charges		0,4293	0,4841	0,5340	0,5890	0,6008	0,6128	0,6359	0,6600	0,6861
Fixed Operation and maintenance		0,3699	0,405	0,4550	0,5001	0,5389	0,5789	0,6021	0,5452	0,5774
Variable Cost Electricity & Chemicals		0,2966	0,3357	0,3726	0,4268	0,5258	0,5647	0,6073	0,6535	0,7050
Tariff Excluding Government Charges & Levies		1,0958	1,2248	1,3616	1,5158	1,6654	1,7564	1,8453	1,8587	1,9686
Government Charges		1,4560	1,4560	1,4544	1,5716	1,5716	1,7036	1,8433	2,0015	2,1813
Raw Water Resource Management		0,0740	0,0740	0,0701	0,0733	0,0733	0,0767	0,0767	0,0767	0,0767
Raw Infrastructure Water Charges		0,0290	0,0290	0,0312	0,0322	0,0322	0,0333	0,0345	0,0359	0,0373
Water use		1,3530	1,3530	1,3531	1,4661	1,4661	1,5935	1,7320	1,8889	2,0673
Total Tariff		2,5518	2,6808	2,8160	3,0874	3,2370	3,4600	3,6886	3,8602	4,1499

Table 43: Potable Water Tariffs

MHLAUZE WATER	Audited			Unaudited	Current	Projection				
NSEZI WATER TREATMENT WORKKS - POTABLE WATER										
		2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Proposed Tariff increases	Municipality		0,00%	9,00%	9,94%	6,98%	4,52%	4,15%	1,53%	4,87%
	Industries	9,61%	9,19%	10,04%	7,23%	4,58%	4,39%	1,69%	5,12%	3,72%
		R/m³	R/m³	R/m³	R/m³	R/m³	R/m³	R/m³	R/m³	R/m³
Capital Charges	Municipality	11,235	11,235	12,125	13,374	13,642	13,915	14,439	14,988	15,579
	Industries	12,265	13,832	15,257	16,828	17,165	17,508	18,168	18,858	19,602
Fixed Operation and maintenance	Municipality	0,9931	0,9931	10,873	11,951	12,877	13,835	14,388	13,029	13,799
	Industries	10,570	11,572	13,000	14,289	15,396	16,541	17,202	15,577	16,499
Variable Cost Electricity & Chemicals	Municipality	0,8095	0,8095	0,8780	10,056	12,391	13,308	14,311	15,399	16,613
	Industries	0,8474	0,9591	10,646	12,193	15,023	16,135	17,352	18,671	20,144
Tariff Excluding Government Charges & Levies	Municipality	29,261	29,261	31,779	35,382	38,910	41,057	43,138	43,415	45,992
	Industries	31,309	34,995	38,903	43,310	47,584	50,184	52,722	53,106	56,245
Government Charges		14,560	14,560	14,544	15,716	15,716	17,036	18,433	20,015	21,813
Raw Water Resource Management		0,0740	0,0740	0,0701	0,0733	0,0733	0,0767	0,0767	0,0767	0,0767
Raw Infrastructure Water Charges		0,0290	0,0290	0,0312	0,0322	0,0322	0,0333	0,0345	0,0359	0,0373
Water use		13,530	13,530	13,531	14,661	14,661	15,935	17,320	18,889	20,673
Total Tariff	Municipality	43,821	43,821	46,323	51,098	54,626	58,093	61,571	63,430	67,805
	Industries	45,869	49,555	53,447	59,026	63,300	67,220	71,155	73,121	78,057

Table 44: Buoyant Effluent Tariffs

MHLAUZE WATER	Audited		Unaudited	Current	Projection				
EFFLUENT SCHEME – BOUYANT									
	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Proposed Tariff increases	12,23%	11,49%	8,19%	8,18%	5,92%	4,48%	4,56%	5,14%	5,35%
	R/m³	R/m³	R/m³	R/m³	R/m³	R/m³	R/m³	R/m³	R/m³
Capital Charges	0,6278	0,7291	0,7364	0,7438	0,7586	0,7738	0,7893	0,8193	0,8516
Fixed Operation and maintenance	0,9648	1,2635	1,4194	1,5885	1,7116	1,8072	1,9094	2,0182	2,1377
Total Tariff	1,5926	1,9926	2,1558	2,3323	2,4702	2,5810	2,6987	2,8375	2,9893

Table 45: Dense Effluent Tariffs

MHLAUZE WATER	Audited		Unaudited	Current	Projection				
EFFLUENT SCHEME- DENSE									
	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Proposed Tariff increases	14,77%	11,82%	10,12%	9,95%	7,22%	3,69%	4,54%	5,41%	5,62%
	R/m³	R/m³	R/m³	R/m³	R/m³	R/m³	R/m³	R/m³	R/m³
Capital Charges	1,1554	1,2284	1,3681	1,3818	1,4095	1,4377	1,4664	1,5221	1,5822
Fixed Operation and maintenance	4,2314	4,9537	6,2441	6,9879	7,5644	7,8670	8,2603	8,7311	9,2478
Total Tariff	5,3868	6,1821	7,6122	8,3697	8,9738	9,3046	9,7267	10,2533	10,8300

11.7. PROJECTED REVENUE

Projected revenue from bulk water presented in the table below is projected revenue from the projected volumes using the tariffs projected above. These projected revenues sufficiently cover the financial needs of the entity.

Table 46: Bulk Water Revenue Breakdown

	Audited			Budget	Forecast	Budget	Projections			
Maximum Demand	2019/20	2020/21	2022/23	2022/23	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Raw Water	85,666	85,229	103,067	193,550	119,199	198,858	255,620	275,693	277,885	281,585
Potable Water	218,102	277,640	226,930	212,181	255,207	265,037	310,669	320,247	336,141	354,741
Clarified Water	12,062	11,263	15,589	11,167	18,029	15,090	23,426	24,309	24,851	26,795
Effluent Disposal - Buoyant	115,832	108,151	138,772	162,051	160,493	141,782	148,103	152,871	162,441	171,147
Effluent Disposal - Dense	71,074	66,362	92,671	112,612	107,176	98,011	101,057	105,058	128,655	134,965
Connection fees	9,353	9,353	9,353	11,367	9,353	9,353	9,353	9,353	9,353	9,353
Total	512,088	557,998	586,383	702,928	669,457	728,131	848,228	887,531	939,326	978,586

11.8. FINANCIAL PERFORMANCE SEGMENT REPORTING

The report below summarises projected financial performance segmented to its primary activities (Section 29: bulk and waste water) and secondary activities (Section 30: Other revenue generating activities). The projected spending is further detailed in the following annexures.

Table 47: Segment Reporting

	Primary Activities		Secondary Activities		
	Bulk Water	Waste Water	TG Scheme O & M	Other Activities	TOTAL
Volumes (m³)	54 598	70 900			125 498
The Segmental report is as follows	R'000	R'000	R'000	R'000	R'000
Revenue from exchange transactions					
Sale of goods and services	488,649	239,482	134,488	40,554	903,173
Cost of Sales	272,159	67,475	98,513	9,489	447,637
Bulk purchases	81,574		-	-	81,574
Electricity and water	53,071	27,365	91,757	-	172,193
Chemicals	33,485		28	1,881	35,394
Employee related costs	66,537	22,285	6,728	7,608	103,158
Depreciation	37,492	17,826	-	-	55,318
Gross Profit	216,490	172,006	35,974	31,065	455,536
Other income	19,453	13,755	-	-	33,208

	Primary Activities		Secondary Activities		TOTAL
	Bulk Water	Waste Water	TG Scheme O & M	Other Activities	
Expenditure	197,039	114,411	35,975	22,642	370,068
Employee related costs	67,291	39,098	-	-	106,390
Remuneration of board members	3,410	1,981	-	-	5,392
Depreciation and amortisation	7,034	4,087	-	-	11,121
Impairment of Assets	561	252	-	-	813
Finance costs	3,817	2,218	-	-	6,035
Lease rentals on operating lease	1,552	902	-	-	2,454
Repairs and maintenance	35,823	20,814	24,610	5,113	86,361
Other expenses	75,758	44,017	11,365	17,529	148,669
Electricity and water	1,640	953	-	-	2,593
Chemicals	152	89	-	-	241
Operating surplus	38,904	71,350	-	8,423	118,676
Loss on disposal of assets	520	130	-	-	650
Surplus for the year	38,383	71,220	-	8,423	118,026
Assets					
Segment assets	1,671,874	519,012	-	20,789	2,211,676
Centralised services					25,827
Total assets as per statement of financial position					2,237,503
Liabilities					
Segment liabilities	43,586	76,273	-	20,616	140,475
Centralized services					211,903
Total liabilities as per statement of financial position					352,377
Other information					
Capital expenditure	214,902	105,570	-	-	320,472
Centralized services					45,970
					366,442



11.9. STATEMENT OF CAPITAL EXPENDITURE BUDGET

To ensure that Mhlathuze Water meets its strategic objectives [SO:1 and SO:7] to grow the provision of water services and improve efficiency through technology and best practice, Mhlathuze Water plans to invest in capital projects to meet the desired outcomes.

A total of R366 million is budgeted for capital expenditure in the current. Major expenditure is expected to be incurred from 2022 to 2026 on expansion, augmentation & upgrade projects. Upon completion of the major projects, a massive decrease in capital expenditure is expected. This is as MW considers reports of the many prefeasibility studies currently underway on which future projects to embark on. The planned capital projects will be adequately funded from internal operating income as per the capital tariff allocations and long term borrowings made within the allowed National Treasury borrowing limits. Other funding consideration will be made in line with funding

recommendations contained in the feasibility studies concluded for each specific projects. This will include capital costs recovery i.e. advance payments from customer specific required bulk infrastructure.

The following major projects can be highlighted in the current year budget:

- The Nsezi Augmentation – R178 million for FY2023/24;
- Vehicle Replacement – R37.3 million for FY2023/24;
- Dense Effluent Diffuser Replacement – R20 million in FY2023/24 and R10 million in FY2024/25; and
- B-line upgrade – R51 million in FY2023/24.
- Server and SAN Area Network Upgrade – R5 million from FY2023/24 to FY2025/26;

The table below provides a summary of planned projects for the next 5 years per category - detailed projects are reported on the CAPEX 2023/24 to 2027/28 paper.

Table 48: Forecast of Capital Expenditure

Projected Statement of Capital Expenditure		Actual	Actual	Actual	Budget	Forecast	Budget	Budget	Budget	Budget	Budget	Total
Year ending 30 June	Project	2020	2021	2022	2023	2023	2024	2025	2026	2027	2028	2024-28
	Type	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
BULK WATER SCHEME												
Nsezi Plant Augmentation (Independent 170 M/D Plant)	Expansion		25,521	123,902	225,050	157,892	178,217	-				178,217
Nsezi Pilot Plant	Expansion				2,000	300	2,700					2,700
SCADA Intelligence (Alarm Management & Report Suite)	Refurbishment				2,500	-	2,500	-				2,500
Variable Speed Drive	Replacement			2,085	-	-	10,000					
Control Room SCADA Upgrade	Expansion						5,000					5,000
Replacement of Nsezi Intake Screens	Replacement						3,000	9,000				12,000
Civil & Buildings Refurbishments	Refurbishment	283	86		350	350	350	1,140	585			2,075
Weir Pump Refurbishment	Refurbishment				870	870	890	900				1,790
Replacement of Flow meters	Replacement				500	500	-					-
Permanent bottling plant structure	Expansion				500	500	-	12,000				12,000
Resurfacing of Nsezi Access Road	Refurbishment				500	250	1,750	3,000				4,750
Replacement of Floatation Scraper System	Replacement				750	750	750	750				1,500
Replacement of DN1000 Empangeni Pump Station Suction Manifold	Replacement				1,000	1,000	-					-
Motor Vehicle - 4 X 4 Bakkie	Motor Vehicles						600					600
Alternative Back Up Feed to Domestic Tank	Expansion						600					600
Intake Conveyor Belt	Replacement						1,000					1,000

Projected Statement of Capital Expenditure		Actual	Actual	Actual	Budget	Forecast	Budget	Budget	Budget	Budget	Budget	Total
Year ending 30 June	Project	2020	2021	2022	2023	2023	2024	2025	2026	2027	2028	2024-28
	Type	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Replacement of Sodium Hypo Tanks & Piping	Replacement						600					600
DAF Jar Tester	Replacement						800					800
Mondi ByPass	Refurbishment						-	11,000				11,000
Nsezi Erosion protection	Refurbishment						-	6,000				6,000
RBIDZ Clarified Water Project	Expansion						-	78,400	116,600			195,000
Weir PumpStation Upgrade	Refurbishment						-	30,000				30,000
CoU Soft Starters	Replacement						-	8,000				8,000
Empangeni Pipeline Chamber Construction	Refurbishment						750					750
Nsezi - Tanks, Compressors and Offloading Pumps	Replacement						4,000					4,000
Small Items - Equipment	Other Equipment	1,748	907	7,370			1,395					1,395
AC Mitigation System for Empangeni Pipeline	Refurbishment	65	2,025				-					
New Weir Changeroom & Kitchen facility	Expansion			889			-					
Nsezi Security Fence	Refurbishment		3,468	1,139			-					
Polymer Tank Bund Wall at Nsezi WTW	Refurbishment		2,270	696			-					
Nsezi WTW Control Room and Plant Laboratory Refurbishment	Refurbishment			375			-					
Replacement of Mondi Reservoir Bend with DN1200 T	Refurbishment			995			-					
Mondi Valves DN800	Refurbishment			2,375			-					
Pipeline from Weir to Shooting range	Refurbishment	76,485					-					
New Mhlathuze Weir Structure	Refurbishment	13,907					-					
Total		92,488	34,277	139,826	234,020	162,412	214,902	160,190	117,185	-	-	492,277
FY2021-2022 Business Plan					232,500	-	62,251	207,688	585			564,690
Difference between the two Business Plan					1,520	162,412	152,651	-47,498	116,600			-72,413
WASTE WATER SCHEME												
Generator	Expansion	630			70,204	-	1,000					1,000
Dense Effluent Diffusser Replacement	Replacement						20,000	10,000				30,000
Variable Speed Drives	Replacement				5,000	-	5,000					5,000
PLC and HMI	Replacement				5,000	-	5,000					5,000
SCADA Replacement	Replacement				5,000	-	5,000					5,000
A-Line PLC Installation	Replacement				5,000		5,000					5,000
Booster Pump station	Expansion				2,500	2,500	-					-
Replacement of Rotary Screens	Replacement		463		1,500	-	-					-
Extraction and Fresh Air Ventilation System	Replacement						1,600					1,600

Projected Statement of Capital Expenditure		Actual	Actual	Actual	Budget	Forecast	Budget	Budget	Budget	Budget	Budget	Total
Year ending 30 June	Project	2020	2021	2022	2023	2023	2024	2025	2026	2027	2028	2024-28
	Type	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Motor Vehicles - 2 X (4X4) Double Cab Bakkies	Motor Vehicles						1,200					1,200
Refurbishment of WWDS Changerooms	Refurbishment						300					300
Parking Space - Carport	Expansion						600					600
Refurbishment of Pumps	Refurbishment				700	700	800	800	900			2,500
Landline Pipeline Refurbishment	Refurbishment				500	500	180	250	340			770
Replacement of a 900mm Valve on the Bypass Interlink	Replacement						650					650
Replacement of 2 X 900mm Valves on A Line Raw Inlet	Replacement						900					900
Civil & Building Refurbishments (552)	Refurbishment	76			340	340	160	300	180			640
Refurbishment of Offshore Pipeline	Refurbishment				2,000	-	3,500					3,500
Replacement of Pressure Pumping System	Replacement						-		350			350
Replacement of C line Screen Valves and Gearbox	Replacement				1,600	-	1,600					1,600
Replacement of C line Pedestals	Replacement				350	350	350	400	400			1,150
Replacement of C line Bearing Houses	Replacement				350	350	350	400	400			1,150
VSD Room Industrial Ventilation System	Replacement						800					800
RBIDZ Effluent Pipe Project	Expansion						-	134,100	200,400			334,500
B - Line Upgrade	Refurbishment						51,450					51,450
Small Items - Equipment	Other Equipment	1,036	2,276	6,290			130					130
Total		1,742	2,739	6,290	100,044	4,740	105,570	146,250	202,970	-	-	454,791
FY2021-2022 Business Plan					40,252		24,340	12,150	2,570			103,652
Difference between the two Business Plan					59,792	4,740	81,230	134,100	200,400	-	-	337,492
CENTRALISED SERVICES												
Server and Storage Area Network Upgrade	Information Technology Communication		78		8,500	8,500	5,000	5,000	5,000			15,000
Strategic Stock	Contingency		1,282	5,331	5,000	5,000	5,000	5,000	5,000	5,000		20,000
Motor Vehicles	Motor Vehicles		2,415	6,674	7,777	7,777	13,930	5,000	10,000	7,000		35,930
CCTV Camera	Other Equipment		170	5,296	4,889	4,889	-					-
Office Expansion and SCM Building	Expansion	24			18,440	9,150	9,290	15,000	-	-	-	24,290
Document Management System	Information Technology Communication				3,500	200	-					-
Acquire, Enhance, Upgrade and Integrate Core Financial and Related Business Systems	Information Technology Communication		26,560	1,060	4,044	-	-					-

Projected Statement of Capital Expenditure		Actual	Actual	Actual	Budget	Forecast	Budget	Budget	Budget	Budget	Budget	Total
Year ending 30 June	Project	2020	2021	2022	2023	2023	2024	2025	2026	2027	2028	2024-28
	Type	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Digital Signature	Information Technology Communication				1,000	1,000	-					-
Telephone Lines	Information Technology Communication				2,250	2,250	-					-
Microscope	Other Equipment						-	700				700
MW Access security upgrade	Refurbishment						-	7,000				7,000
MW Building Compliance to Fire Risk	Refurbishment						-	10,000				10,000
Head Office Palisade Fence	Replacement							950				950
Head Office Refurbishments	Refurbishment							2,500				2,500
IT Matters Pending Configuration	Information Technology Communication				-		6,000	2,400				8,400
Head Office Heating, Ventilation and Airconditioner System Upgrade	Refurbishment						3,000					3,000
Small Items - Equipment	Other Equipment	3,196	2,873	495	4,814	4,814	3,750	4,040	2,950	35		10,775
Mhlathuze Catchment Study & MW Master Plan Review	Expansion			1,282			-					-
Backup and Recovery Hardware and Servers	Other Equipment			1,872			-					
Design & Construction of an In-House Car Wash	Expansion		118	315			-					
TOTAL CENTRALISED SERVICES		3,220	33,496	22,325	60,214	43,580	45,970	57,590	22,950	12,035	-	138,545
FY2021-2022 Business Plan					60,214		12,970	14,040	12,950	5,035		118,179
Difference between the two Business Plan					-	43,580	33,000	43,550	10,000	7,000	-	143,840
TOTAL CAPITAL EXPENDITURE		97,450	70,512	168,441	394,278	210,732	366,442	364,030	343,105	12,035		1,085,612



Table 49: Summary of CAPEX per Categories

	Actual	Actual	Actual	Budget	Forecast	Budget	Budget	Budget	Budget	Budget	Total
	Actual	Actual	Actual	2023	2023	2024	2025	2026	2027	2028	2024-28
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Refurbishment	359	25,521	123,902	7,760	3,010	64,880	72,890	2,005	-	-	140,525
Contingency	-	1,282	-	5,000	5,000	5,000	5,000	5,000	5,000		20,000
Replacement	989	86	-	26,050	2,950	66,400	29,500	1,150	-	-	97,050
Expansion	-	25,691	123,902	318,694	170,342	199,157	239,500	317,000	-	-	753,907
Other Equipment	2,588	460	-	9,703	9,703	5,275	4,740	2,950	35	-	13,000
Information Technology Communication	-	26,638	-	19,294	19,294	10,000	7,400	5,000	-	-	23,400
Motor Vehicles				7,777	7,777	15,730	5,000	10,000	7,000	-	37,730
Total Capital before Interest	3,936	79,678	247,804	394,278	210,732	366,442	364,030	343,105	12,035	-	1,085,612
Capitalised Interest						23,000					23,000
Total Capital after Interest				394,278	210,732	389,442	364,030	343,105	12,035	-	1,108,611

Table 50: Summary of CAPEX per CAPITAL INVESTMENT POLICY that was Approved on 28 February 2022 Categories

	Actual	Actual	Actual	Budget	Forecast	Budget	Budget	Budget	Budget	Budget	Total
	Actual	Actual	Actual	2023	2023	2024	2025	2026	2027	2028	2024-28
	R'000	R'000	R'000	R'002	R'002	R'001	R'000	R'000	R'000	R'000	R'000
Refurbishment	359	25,521	123,902	7,760	3,010	64,880	72,890	2,005	-	-	140,525
Contingency	-	1,282	-	5,000	5,000	5,000	5,000	5,000	5,000	-	20,000
Replacement	3,577	27,184	-	62,824	32,380	97,405	46,640	19,100	7,035	-	171,180
Expansion	-	25,691	123,902	318,694	170,342	199,157	239,500	317,000	-	-	753,907
Total Capital before Interest	3,936	79,678	247,804	394,278	210,732	366,442	364,030	343,105	12,035	-	1,085,612
Capitalised Interest						23,000	-				23,000
Total Capital after Interest	3,936	79,678	247,804	394,278	210,732	389,442	364,030	343,105	12,035	-	1,108,611

11.10. PROJECTED STATEMENT OF FINANCIAL POSITION

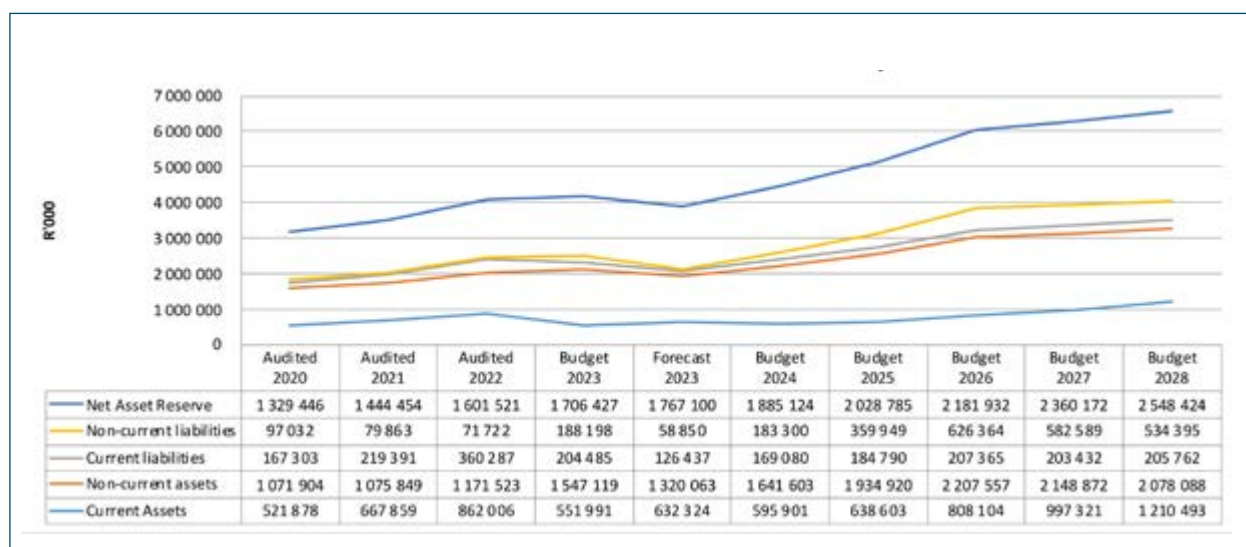
The Non-Current Assets of Mhlathuze Water have constantly increased in the past years and are projected to continue growing in line with the planned capital projects. The cash and cash equivalent is projected to remain constant as a result of planned long term borrowings to be utilised for the plant augmentation project.

Table 51: Statement of Financial Position

FIVE YEAR PROJECTIONS - STATEMENT OF FINANCIAL POSITION (R'000)										
Projected Statement of Financial	Audited	Audited	Audited	Budget	Forecast	Budget	Budget	Budget	Budget	Budget
Position for Year ending 30 June	2020	2021	2022	2023	2023	2024	2025	2026	2027	2028
	R'000	R'000	R'000	R'000		R'000	R'000	R'000	R'000	R'000
ASSETS										
Current Assets										
Inventories	32,080	31,960	25,596	27,460	28,575	29,731	31,395	32,904	34,480	36,099
Receivables from exchange transactions	117,391	106,768	121,932	107,739	83,634	89,770	104,576	109,422	115,807	120,648
VAT receivable	-	-	-	2,369	-	-	-	-	-	-
Cash and cash equivalents - Primary activities	372,407	529,131	714,478	414,423	520,115	476,401	502,632	665,779	847,034	1,053,746
	521,878	667,859	862,006	551,991	632,324	595,901	638,603	808,104	997,321	1,210,493

FIVE YEAR PROJECTIONS - STATEMENT OF FINANCIAL POSITION (R'000)										
Projected Statement of Financial	Audited	Audited	Audited	Budget	Forecast	Budget	Budget	Budget	Budget	Budget
Position for Year ending 30 June	2020	2021	2022	2023	2023	2024	2025	2026	2027	2028
	R'000	R'000	R'000	R'000		R'000	R'000	R'000	R'000	R'000
Non-current assets										
Property, plant and equipment	1,070,181	1,049,848	1,154,201	1,479,868	1,302,946	1,624,685	1,918,202	2,191,038	2,132,552	2,061,968
Intangible assets	1,723	26,001	17,322	67,251	17,118	16,918	16,718	16,519	16,319	16,120
	1,071,904	1,075,849	1,171,523	1,547,119	1,320,063	1,641,603	1,934,920	2,207,557	2,148,872	2,078,088
Total assets	1,593,782	1,743,708	2,033,529	2,099,110	1,952,387	2,237,504	2,573,523	3,015,661	3,146,193	3,288,581
LIABILITIES										
Current liabilities										
Short term interest bearing borrowings	10,838	10,748	10,658	25,345	10,345	28,145	28,145	22,972	17,800	17,800
Short term Finance Lease	-	-	1,956	2,418	2,418	1,889	2,071	1,169	-	-
Payables from exchange transactions	129,075	182,133	319,267	156,251	90,023	111,657	127,180	128,655	130,134	131,977
VAT Payable	4,819	1,717	1,735	-	4,876	5,729	4,881	5,144	5,561	5,768
Employee benefit liability	15,743	17,965	21,552	15,503	13,806	16,001	16,881	17,809	18,790	19,822
Income received in advance	6,828	6,828	5,120	4,968	4,968	5,659	5,632	31,616	31,147	30,394
	167,303	219,391	360,287	204,485	126,437	169,080	184,790	207,365	203,432	205,762
Non-current liabilities										
Long term interest bearing borrowings	46,552	36,207	25,863	151,009	15,831	147,887	119,742	101,942	89,314	71,514
Long term Finance Lease	-	-	7,318	4,328	4,328	3,244	1,169	-	-	-
Income received in advance	50,480	43,656	38,541	32,861	38,692	32,170	239,038	524,422	493,275	462,881
	97,032	79,863	71,722	188,198	58,850	183,300	359,949	626,364	582,589	534,395
Total liabilities	264,335	299,254	432,009	392,683	185,287	352,380	544,739	833,729	786,021	740,157
Net assets										
Reserves										
Capital replacement reserve	249,676	254,355	260,181	256,806	271,697	286,655	304,660	325,986	325,985	348,804
Business development reserve	21,775	23,825	26,809	21,325	28,235	32,485	35,964	39,475	43,130	47,155
Self insurance reserve	5,855	6,108	6,402	6,108	6,747	7,299	7,810	8,357	8,942	9,567
Maintenance reserve	10,875	11,347	11,891	11,347	12,671	13,706	14,665	15,691	16,789	17,964
Loan Obligation reserve	7,959	8,217	8,612	8,217	9,021	17,603	18,835	20,153	21,563	23,072
Environmental reserve	1,952	2,503	3,395	2,503	3,570	8,128	9,242	10,490	11,885	13,444
Accumulated surplus	1,031,355	1,138,099	1,284,231	1,400,121	1,435,159	1,519,248	1,637,609	1,761,780	1,931,878	2,088,418
	1,329,446	1,444,454	1,601,521	1,706,427	1,767,100	1,885,124	2,028,785	2,181,932	2,360,172	2,548,424
Total net assets and liabilities	1,593,782	1,743,708	2,033,529	2,099,110	1,952,387	2,237,504	2,573,523	3,015,661	3,146,193	3,288,581

Figure 29: Statement of Financial Position Summary



The figure above reflect an upward trajectory for all financial position account balances reflecting an on-going strengthening entity:

- Non-Current Assets are projected to increase over the years in line with projected capital expenditure that is adding to the bulk infrastructure supporting revenue generation projects.
- The current assets are projected to decrease in line with cash spending demands in implemented capital projects and increase in the outer years in line with decrease in planned capital projects.

- The liability is expected to increase in FY2023/24 and 2024/25 in line with the planned borrowing, thereafter decreasing as the existing loan matures.
- The current liabilities are projected to constantly increase in FY2024 due to increase in short term loan portion, trade payable and employee benefits in comparison to FY2023 budget.
- The Net Assets Reserves are projected to constantly increase as a result of expected surplus.

11.11. PROJECTED STATEMENT OF FINANCIAL PERFORMANCE

The increase in sales is mainly due to tariff increases and an increase in potable water volumes. The operating expenditure is projected to increase as per Financial Assumptions.

Table 52: Statement of Financial Performance

FIVE YEAR PROJECTIONS										
STATEMENT OF FINANCIAL PERFORMANCE (R'000)										
Projected Statement of Financial Performance	Audited	Audited	Audited	Budget	Forecast	Budget	Budget	Budget	Budget	Budget
for the year ended 30 June	2020	2021	2022	2023	2,023	2024	2025	2026	2027	2028
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Revenue from exchange transactions										
Sale of goods and services	512,596	560,788	588,324	702,927	678,365	728,131	848,228	887,531	939,326	978,586
Cost of Sales	(182,881)	(217,651)	(205,900)	(267,999)	(287,176)	(339,634)	(393,426)	(413,682)	(433,459)	(456,846)
Bulk purchases	(58,538)	(76,514)	(56,631)	(77,857)	(80,026)	(81,574)	(112,748)	(113,376)	(114,054)	(114,785)
Electricity and water	(46,508)	(54,007)	(63,224)	(68,998)	(61,928)	(80,436)	(87,435)	(96,694)	(105,116)	(115,212)
Chemicals	(13,770)	(17,827)	(19,471)	(27,082)	(29,769)	(33,485)	(35,159)	(36,917)	(38,763)	(40,701)
Employee related costs	(14,650)	(15,549)	(15,533)	(20,770)	(65,555)	(88,822)	(95,395)	(102,454)	(110,036)	(118,178)
Depreciation	(49,416)	(53,755)	(51,041)	(73,292)	(49,897)	(55,317)	(62,689)	(64,240)	(65,490)	(67,968)

FIVE YEAR PROJECTIONS										
STATEMENT OF FINANCIAL PERFORMANCE (R'000)										
Projected Statement of Financial Performance	Audited	Audited	Audited	Budget	Forecast	Budget	Budget	Budget	Budget	Budget
for the year ended 30 June	2020	2021	2022	2023	2,023	2024	2025	2026	2027	2028
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Gross Profit	329,714	343,137	382,424	434,928	391,190	388,496	454,802	473,849	505,867	521,740
Total Secondary activities	13,586	9,035	10,385	22,159	22,159	8,423	4,500	4,500	1,575	1,575
Sale of goods and services - Secondary activities	151,459	82,742	54,779	170,954	170,954	175,042	139,673	147,585	149,910	158,597
Expenditure - Secondary activities	(137,873)	(73,707)	(44,394)	(148,795)	(148,795)	(166,619)	(135,173)	(143,085)	(148,335)	(157,022)
Other income	18,002	18,753	27,328	12,242	37,720	33,208	29,074	29,074	35,552	41,615
Sundry income	998	-	2,314	8	8	0	0	0	0	0
Interest received - investment	17,003	18,753	25,014	12,234	37,712	33,208	29,074	29,074	35,552	41,615
Expenditure										
Employee related costs	(106,692)	(111,610)	(142,685)	(131,927)	(119,335)	(106,390)	(110,554)	(114,821)	(119,190)	(123,655)
Remuneration of board members	(4,700)	(4,342)	(5,733)	(6,398)	(4,953)	(5,392)	(5,688)	(6,001)	(6,331)	(6,679)
Depreciation and amortisation	(6,040)	(6,331)	(6,955)	(8,750)	(11,121)	(11,121)	(9,749)	(8,198)	(6,948)	(4,470)
Impairment of Assets	(3,267)	(4,260)	(17,864)	-	(652)	(813)	(958)	(1,095)	(1,065)	(1,030)
Finance cost	(7,670)	(6,465)	(5,447)	(3,546)	(10,509)	(6,035)	(24,520)	(19,250)	(15,988)	(14,736)
Lease rentals on operating lease	(4,201)	(3,504)	(2,300)	(487)	(2,243)	(2,454)	(2,589)	(2,732)	(2,882)	(3,040)
Debt impairment	-	(104)	(101)	-	-	-	-	-	-	-
Repairs and maintenance	(25,560)	(24,455)	(20,223)	(47,617)	(22,527)	(56,638)	(68,645)	(77,082)	(80,625)	(84,254)
Chemicals	(847)	(92)	(171)	(1,074)	(69)	(241)	(253)	(266)	(279)	(293)
Electricity and water	(2,181)	(3,854)	(2,512)	(2,849)	(2,849)	(2,593)	(2,784)	(2,990)	(3,212)	(3,449)
General expenses	(61,169)	(87,103)	(53,134)	(153,506)	(110,340)	(119,775)	(118,209)	(120,965)	(127,379)	(134,248)
Total expenditure	(222,328)	(252,119)	(257,125)	(356,154)	(284,598)	(311,451)	(343,949)	(353,400)	(363,899)	(375,855)
Operating surplus	138,974	118,805	163,012	113,175	166,471	118,677	144,427	154,023	179,094	189,076
Gain/(loss) on disposal of assets	(2,547)	(3,870)	(6,030)	-	(892)	(650)	(767)	(876)	(852)	(824)
Surplus for the year	136,427	114,935	156,982	113,175	165,578	118,026	143,661	153,147	178,242	188,252



11.12. PROJECTED STATEMENT OF CASH FLOW

The table below provides an overview of the projected Statement of Cash Flow for the business planning period. Mhlathuze Water intends to utilise internal funding for capital projects and subsidise the shortfall with long term loans for the plant augmentation project.

Table 53: Statement of Cash Flow

Cash flows from operating activities	Audited	Audited	Audited	Budget	Forecast	Budget	Budget	Budget	Budget	Budget
Year ending 30 June	2020	2021	2022	2023	2023	2024	2025	2026	2027	2028
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Cash flow from operating activities										
Receipts										
Sale of goods and services	683,587	649,934	621,314	847,729	882,657	891,379	967,462	998,654	1,051,702	1,101,948
Interest received	17,003	17,309	25,016	12,234	37,712	33,208	29,074	29,074	35,552	41,615
	700,591	667,243	646,330	859,963	920,370	924,587	996,536	1,027,728	1,087,254	1,143,563
Payments										
Cash paid to employees	(147,301)	(134,425)	(166,248)	(152,697)	(184,890)	(195,212)	(205,948)	(217,276)	(229,226)	(241,833)
Cash paid to suppliers	(316,244)	(288,294)	(110,910)	(585,300)	(696,185)	(525,840)	(558,352)	(578,070)	(631,211)	(662,743)
Finance costs	(7,670)	(6,465)	(5,447)	(3,546)	(10,509)	(6,035)	(24,520)	(19,250)	(15,988)	(14,736)
Finance costs capitalised	-	-	-	-	-	(23,000)	-	-	-	-
	(471,215)	(429,184)	(282,605)	(741,543)	(891,585)	(750,086)	(788,820)	(814,595)	(876,425)	(919,312)
Net cash flows from operating activities	229,375	238,059	363,725	118,420	28,785	174,501	207,716	213,132	210,829	224,253
Net cash flows from investing activities										
Purchase of property, plant and equipment	(97,950)	(45,751)	(177,445)	(367,485)	(210,732)	(366,442)	(364,030)	(343,105)	(12,035)	-
Proceeds from sale of property, plant and equipment	94	21	715		348	261	261	261	261	261
Purchase of intangible assets		(25,171)	(487)	(26,794)	-	-	-	-	-	-
Net cash flows from investing activities	(97,856)	(70,901)	(177,217)	(394,279)	(210,384)	(366,181)	(363,769)	(342,844)	(11,774)	261
Cash flows from financing activities										
(Repayment) of Long term borrowings	(22,199)	(10,434)	(10,434)	(10,345)	(10,345)	(28,145)	(28,145)	(22,972)	(17,800)	(17,800)
Proceeds of Long term borrowings				150,000	-	178,000				
Proceeds other							212,500	317,000		
Movement on finance lease liability			9,274		(2,418)	(1,889)	(2,071)	(1,169)	-	-
Net cash flows from financing activities	(22,199)	(10,434)	(1,160)	139,655	(12,763)	147,966	182,284	292,859	(17,800)	(17,800)
Net increase/(decrease in cash and cash equivalents)	109,320	156,724	185,347	(136,204)	(194,362)	(43,715)	26,231	163,147	181,255	206,713
Cash and cash equivalents at beginning of year	263,087	372,407	529,131	550,627	714,478	520,116	476,401	502,633	665,780	847,034
Cash and cash equivalents at end of year	372,407	529,131	714,478	414,423	520,116	476,401	502,633	665,780	847,034	1,053,748

11.13. PROJECTED BORROWINGS

MW obtains long term borrowing to fund capital projects as and when required. This is always done within the approved borrowing limits as approved by National Treasury.

Long-term Borrowings: Terms and Conditions

MW currently has unsecured long-term borrowings from Rand Merchant Bank, Interest and Capital payments are paid bi-annually, and MW has complied with all contractual terms as per the loan agreement. The projected payments are in line to November 2025

Information on Proposed Domestic Borrowings

New borrowings, as outlined in table 16 below, will be sourced from the local finance market in the form of loans with fixed interest rates in FY2024.

Table 54: Maturity Profile of the Debt

	Audited			Forecast					
	2020	2021	2022	2023	2024	2025	2026	2027	2028
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Opening Long Term Borrowings	(79,589)	(57,390)	(46,955)	(36,521)	(26, 176)	(176,031)	(147,886)	(124, 914)	(107, 114)
New Borrowings	-	-	-	-	(178,000)	-	-	-	-
Scheduled Repayments	22,199	10,435	10,434	10,345	28,145	28, 145	22,972	17, 800	17, 800
Closing Loan Pool	(57,390)	(46,955)	(36,521)	(26,176)	(176,031)	(147,886)	(124, 914)	(107, 114)	(89, 314)

Table 55: Amortisation of Proposed Long Term Loan

Proposed Long Term Borrowing	Proposed Year of Borrowing	Proposed Term of Borrowing	Projected Interest Rate	Estimated Capital Repayment Over the Term	Estimated Interest Payment over the Term	Estimated Total Repayment over the Term
R'000			%	R'000	R'000	R'000
178,000	2024	10 Years	13.25	178,000	123,870	301,870

Information on Proposed Foreign Borrowings

No foreign borrowings are envisaged during this period. Appropriate approvals will be sought should foreign financing be required.

Debt Guarantees by the Government

The government has not guaranteed any of Mhlathuze Water's borrowings and it is not anticipated that any guarantees will be required for future borrowings.

Confirmation of Compliance with Loan Covenants

Mhlathuze has never defaulted on any interest payments or scheduled debt repayments from inception in 1981 to date. It is not foreseen that it will deviate from this track record. Mhlathuze Water borrowing limits were reviewed and approved by National Treasury on 14 January 2022 and were published on 29 April 2022 Government Gazette No: 46288

Mhlathuze Water complies with all requirement in line with the loan covenants which include quarterly progress report to the asset and liability management division of the National Treasury on the above mentioned requirements as well as Borrowing Programme and Funding Plan, including the utilisation of the borrowing limit within 30 days after the end of each quarter; and bi-annual reports to the asset and liability management division of the National Treasury on the progress of major capital expenditure projects and the project plans for the upcoming 6 months.

Table 56: Approved borrowing limit for period 2022 to 2024

Financial Year	Amount R'000
2022	136,610
2023	216,265
2024	265,920

11.14. FINANCE PRE-DETERMINED OBJECTIVES AND TARGETS

Table 57: Finance Pre-determined Objectives and Targets

Shareholders Compact Targets and MW target	Strategic Objective	To ensure long term financial sustainability										
	Output	Performance Indicator	Baseline				5 year target	Estimated performance				
			Audited actual performance			Unaudited actual as at 2022/2023 2 nd quarter October 2022		2023/ 2024 Target	2024/ 2025 Target	2025/ 2026 Target	2026/ 2027 Target	2027/ 2028 Target
			2019/ 2020	2020/ 2021	2021/ 2022							
SC6	Effective and Efficient Mechanisms to Ensure Financial Sustainability and Viability	Current ratio	2.50	3.39	3.04	2.33	6.12	3.52	3.57	4.02	5.08	6.12
		Percentage of primary gross profit margin	61.62%	64.37%	60.95%	64.66%	53.32%	63.65%	53.62%	53.39%	53.85%	53.32%
		Percentage of primary net profit margin	20.27%	26.29%	18.45%	29.33%	19.08%	15.05%	16.41%	16.75%	18.81%	19.08%
		Debt-equity ratio	0.12	0.08	0.07	0.05	0.29	0.19	0.26	0.38	0.33	0.29
		Percentage of return on assets	7.79%	11.08%	8.36%	12.42%	9.07%	7.04%	8.12%	7.34%	8.44%	9.07%
		Number of days to collect primary activities debts	44.77 days	38.29 days	40.89 days	64.84 days	38 days	43 days	43 days	40 days	40 days	38 days
SC8	Manage cost within approved budget	Percentage expenditure over approved operational budget	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
MW32	Approved tariff increase	Approved tariffs by the Minister	15 March	15 March	15 March	-	15 March	15 March	15 March	15 March	15 March	15 March

Table 58: Supply Chain Pre-determined Objectives and Targets

Shareholders Compact Targets and MW targets	Strategic Objectives	To initiate and build relationships with stakeholders and customers to create value										
	Output	Performance Indicator	Baseline				5 year target	Estimated performance				
			Audited actual performance			Unaudited actual as at 2022/2023 2 nd quarter October 2022		2023/ 2024 Target	2024/ 2025 Target	2025/ 2026 Target	2026/ 2027 Target	2027/ 2028 Target
			2019/ 2020	2020/ 2021	2021/ 2022							
SC7	Increase BBBEE expenditure	Percentage of total procurement spent on BBBEE services providers	72.29%	78.65%	84.58%	88.75%	55.00%	55.00%	55.00%	55.00%	55.00%	
MW33	Increase spend in operational area	Percentage of total procurement spent local service providers	7%	31%	30%	Not due	30%	30%	30%	30%	30%	
MW34	SMMEs paid within turnaround time	Percentage of SMME invoices paid within 14 days of receipt	75.00%	75.00%	100.00%	77.10%	100.00%	100.00%	100.00%	100.00%	100.00%	
MW35	Invoices paid within 30 days of receipts	Percentage of invoices paid within 30 days of receipts	-	-	100.00%	98.85%	100.00%	100.00%	100.00%	100.00%	100.00%	
MW36	Emerging suppliers developed through the ESD programme	Number of new emerging sup- pliers devel- oped through the ESD programme	-	-	-	Not due	19	3	3	4	4	5

MW Target	Strategic Objective	To optimise business processes and systems for efficiency										
	Outputs	Performance Indicator	Baseline				5 year target	Estimated performance				
			Audited actual performance					2023/2024 Target	2024/2025 Target	2025/2026 Target	2026/2027 Target	2027/2028 Target
			2019 2020	2020/ 2021	2021/ 2022	Unaudited actual as at 2022/2023 2 nd quarter October 2022						
MW37	Efficient supply chain process	Percentage of procurement stages completed within set deadlines	-	-	-	-	100%	100%	100%	100%	100%	100%

ANNEXURE



Performance Objectives and Targets

Table 59: Shareholder Compact: Appendix 1

Output		Alignment			Outcome/ Impact	Calculation	Indicators/ Calculation	Measure	2022/2023 2nd Quarter Audited actual	2023/2024 Projected Target
		Ministerial Outcomes	DWS Strategic Goals	WB Strategic Objectives						
1	Compliance with SANS 241:2015 water quality standard for potable water	MO A, OP1, Ta) & c). MO B, OP2, Ta)	SG1 (S01.1, 1.2, 1.3) SG2 (S03.2)	SO 6	Water quality standard met	Test results, SANS 241 Class 1: Class 2:	Percentage compliance to water quality standard	%	99.90%	97%
2	Manage avoidable water losses	MO A, OP1, Ta) MO B, OP2, Ta)	SG2 (S02.1) SG3 (S0 3.1, 3.2)	SO 7	Reduced avoidable water losses in treatment and distribution systems	Avoidable water lost as a percentage of water produced	Percentage of avoidable water losses on water abstracted	%	2.12%	4%
3	Reliability of water supply	MO A > G OP1, Ta), b) & c). OP2, Ta)	SG2 (S02.1, 2.4) SG3 (S0 3.1)	SO 1	No unplanned interruptions to bulk supply exceeding 24 hours	Number of days supply interrupted as a % of possible supply days	Number of instances of unplanned supply interruptions exceeding 24 hours	Number	1.00	3
4	Increased access to Services	MO A > G OP1, Ta), b) & c). OP2, Ta)	SG2 (S02.1, 2.4) SG3 (S0 3.1)	SO 1	Contribution to national objectives of extending services	Actual CAPEX spend on expansion related projects (initiatives by the Minister) as % of budget	Percentage CAPEX spend on expansion related projects (initiatives by the Minister)	%	Nil	100.00%
5	Effective governance, compliance with legislation and financial sustainability	MO A > G	SG1 (S01.2) SG3 (S03.2)	SO 5	Unqualified audit report	Annual external audit	Number of unqualified external audit reports received	Number	Not due	1
6	Effective and efficient mechanisms to ensure financial sustainability and viability	MO A B & D OP1, Ta), b) & c). OP2, Ta)	SG1 (S01.2) SG3 (S03.2)	SO 2	Improved viability and sustainability	Current Ratio	Current Ratio	Ratio	2.33	3.42
						Gross profit margin % (primary activity)	Percentage of primary gross profit margin	%	64.66%	64%
						Gross profit margin (secondary activity)	Percentage of primary net profit margin	%	29.33%	13%
						Net profit margin (primary activity)	Debt equity Ratio	Ratio	0.05	0.19
						Net profit margin (secondary activity)	Percentage of return on assets	%	12.42%	6.02%
						Debt equity	Number of days to collect primary activities debts	Number	64.84 days	43.00
						Return on Assets	Percentage of repairs and maintenance of PPE	%	1.06%	3.49%
						Debtors days	Percentage of staff remuneration of total operating expenditure	%	34.88%	30%

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Output		Alignment			Outcome/ Impact	Calculation	Indicators/ Calculation	Measure	2022/2023 2nd Quarter Audited actual	2023/2024 Projected Target
		Ministerial Outcomes	DWS Strategic Goals	WB Strategic Objectives						
7	Increase BBBEE expenditure relative to operational projects	MO E	SG1(S01.2) SG3(S03.2)	S03	Procurement spent on BBBEE services providers	Spend	Percentage of total procurement spent on BBBEE service providers	%	88.75%	55%
8	Manage costs within approved budget	MO B OP2 Ta)	SG1(S01.2) SG3(S03.2)	S0 2	Actual budget compared with budgeted expenditure	Financial reports	Percentage expenditure over approved operational budget	%	0.00%	0%
9	Capital expenditure programme	MO E MO A,B & D	SG1 (S01.2) SG 3 (S03.2)	S0 1	Infrastructure available to meet demands	Overall project expenditure within R target	Percentage of CAPEX spend against budget	%	13.85%	100%
9	Capital expenditure programme in line with infrastructure master plan	MO E MO A,B & D	SG1 (S01.2) SG 3 (S03.2)	S0 1	Infrastructure available to meet demands	Overall project completion dates within targets	Percentage of capital projects completed within targeted dates, budget and quality	%	63.75%	100%
10	Ensure financial sustainability and viability	MO A,D,E & G	SG1(S01.2) SG3(S03.4)	S0 2	Growth in revenue	% in revenue	Percentage growth in revenue	%	Nil	7.00%
11	Bulk supply agreements concluded with municipalities/ other customers	MO A,B & D Op1, Ta), b) & c). OP2, Ta)	SG1(S01.3) SG2(S02.3) SG3(S03.2, 3.4)	S0 3	Statutory and Service Level Agreements in place	Municipalities/ Other Cus- tomers with bulk supply agreements	Number of bulk supply agreements in place	Number	7.00	7
12	Implementation of Ministerial directives	MO B,C	SG1(S01.3) SG2(S02.2) SG3(S03.2)	S0 1	New Ministerial directives issued are implemented on time	Progress against implementation plan	Percentage of Ministerial directives implemented against milestones	%	60.81%	100%
13	Rural development support in line with the organisation's mandate	MO C,G,F	SG1(S01.1, 1.3) SG2(S02.3)	S0 3	Total Number of identified Municipalities supported	Signed contracts, MOUs etc	Number of projects im- plemented in municipalities	Number	1.00	3
14	Meeting statutory submission deadlines	MO A,B & D OP1, Ta), b) & c). OP2, Ta)	SG1(S01.2) SG3(S03.2)	S0 5	All statutory reports submitted on time	Submission dates met	Number of approved statutory reports submitted on time	Number	2.00	7
15	Optimal staff retention	MO E	SG1(S01.1, 1.3)	S0 4	Optimal staff turnover	Staff turnover	Percentage of staff turnover	%	1.70%	8%
16	Learners trained and equipped with skills	MO E	SG1(S01.1, 1.3)	S0 4	Skills and capacity building	Learnerships	Number of learners trained and equipped with skills	Number	4.00	5
	MW employees trained and equipped with skills	MO E	SG1(S01.1, 1.3)	S0 4	Skills and capacity building	Bursaries employees	Number of new internal bursaries awarded to MW employees	Number	8.00	3

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Output		Alignment			Outcome/ Impact	Calculation	Indicators/ Calculation	Measure	2022/2023 2nd Quarter Audited actual	2023/2024 Projected Target
		Ministerial Outcomes	DWS Strategic Goals	WB Strategic Objectives						
	Graduate trainees participating in the graduate training programme	MO E	SG1 (S01.1, 1.3)	S0 4	Skills and capacity building	Graduate Programmes	Number of graduate trainees participating in the graduate training programme	Number	5.00	4
17	Permanent and contract jobs created by Mhlathuze Water	MO E	SG1 (S01.1, 1.3)	S04	Permanent and contract (direct)	Total number	Number of permanent and contract jobs created by MW	Number	0.00	229
17	Temporary jobs created	MO E	SG1 (S01.1, 1.3)	S0 1	Temporary jobs created (indirect)	Total number	Number of temporary jobs created through MW programme	Number	147.00	50
18	Board Effectiveness	MO A > G	SG1 (S01.1, 1.2) SG3 (S03.1, 3.2)	S0 5	Improved performance of fiduciary duties/ governance	Board Member attendance of all Board/ committee meetings	Percentage of attendance of Board members at Board meetings	%	81.82%	80%
19	Corrective measures for internal audit findings	MO B	SG1 (S01.2) SG3 (S03.2)	S0 5	Internal audit findings dealt with	Internal audit reports	Number of repeat internal audit findings	Number	2.00	1
19							Number of unresolved internal audit findings	Number	3.00	1
20	Good governance	MO E, F & G	SG1 (S01.2) SG3 (S03.2)	S0 2	Improved controls and risk mitigation	Breaches of materiality and significance framework	Number of breaches of materiality and significant framework	Number	Not due	0.00
21	Corporate Social Investment (CSI) initiatives in line with the organisation's mandate	MO E	SG2 (S02.2) SG3 (S03.2)	S03	Good corporate citizenship	Number of initiatives undertaken	Number of CSI initiatives undertaken	Number	3.00	6

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ANNEXURE



Enterprise
Risk Management
Implementation Plan



DOCUMENT NUMBER	
AUTHOR	RISK MANAGER
DOCUMENT TITLE	
ENTERPRISE RISK MANAGEMENT IMPLEMENTATION PLAN	

OBJECTIVE
<p>The purpose of Enterprise Risk Management Implementation Plan is to enable the entity to achieve its mandate, through the process of implementation of Enterprise Wide Risk Management System, further the plan outlines risk management programs and projects that will be implemented in building operational resilience throughout the organization.</p>

BRIEF DESCRIPTION OF CHANGE
<p>ENTERPRISE RISK MANAGEMENT IMPLEMENTATION PLAN- 2021/2022</p>
APPROVAL SIGNATURE RECORD
<p>Approved by the Audit and Risk Committee at its meeting of 21 July 2021</p> <p></p> <p>SZ HLOPHE CHAIRPERSON OF AUDIT AND RISK COMMITTEE</p> <p>DATE: <u>21/7/2021</u></p>

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1. INTRODUCTION

The Board while in pursuit of the entity vision and mandate has therefore identified risk management section as a strategic business enabler to achieve the entity vision, thus adopted Public Sector Risk Management Framework and Enterprise Wide Risk Management Framework then developed Risk and Business Continuity Management Policy, Risk Appetite and Tolerance Framework and Enterprise Risk Management Implementation Plan in order to increase probability for achievement of Mhlathuze Water strategic objectives and mandate.

Board has recently approved a business plan 2020/21 to 2024/25 financial year which articulates sets of strategic goals, outcomes and objectives, thus developed Risk Management Plan which will be rolled throughout in the entire organisation in ensuring that there is a good risk management culture and embedding risk management in all operational activities. The Enterprise Risk Management Implementation Plan outlines a number of risk management projects within set risk management programmes that risk management section will perform in 2021/22 financial year in order to increase probability of the Mhlathuze Water to achieve the set objectives and targets.

2. PURPOSE OF ENTERPRISE RISK MANAGEMENT PLAN

The purpose of Enterprise Risk Management Implementation Plan is to enable the Mhlathuze Water to achieve its mandate, through the process of implementation of Enterprise Wide Risk Management System, further the plan outlines risk management programs and projects that will be implemented in building operational resilience throughout the organization. The following are some the benefits that will be realized by implementing the plan.

- The Board delegates the risk management responsibility to Audit and Risk Committee to provide oversight on effectiveness of risk management activities within the organisation.
- Executive management and staff work together to anticipate business risk areas and proactively identify, analyses, mitigate and timeous report to all relevant stakeholders.
- The Board setting risk appetite and tolerance levels thus proactively and effectively provide guidance to management to better manages organisational risks areas.

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- Management taking calculated risk and informed decision making process while in pursuit of delivering entity mandate.
- Ensure that all plant and equipment's/assets are adequately covered and insured at all times.
- Improved organizational performance by early identification of risk exposures that may impact on delivery of objectives and timeously implementation of response plans.
- Instil good business ethos, accountability and compliance culture via fraud prevention strategies, and
- Benchmarking of risk management activities and be consistent with industry trends and best practice.

The following are risk management programs that will be implemented in order to realized the above benefits:

- **Business Continuity Management Programme,**
- **Enterprise Wide Risk Management Programme.**
- **Insurance Management Programme, and**
- **Anti-Fraud Prevention Programme.**

3. LEGAL FRAMEWORK

The following are relevant acts related to the roll out of risk management plan for the organisation.

Acts relevant to the BCMS Program:

Disaster Management Act (Act No. 57 of 2002) defines a disaster as a progressive or sudden, widespread or localised, natural or human-caused occurrence which: Causes or threatens to cause:

- Death, injury or disease
- Damage to property, infrastructure or the environment
- Disruption of the life of the community and magnitude that exceeds the ability of those affected by the disaster to cope with its effects using only their own resources.
- Public Finance Management Act, 1999 (Act No. 1 of 1999), section 38 as amended including the Treasury regulations, 2005, a
- Promotion of Access to Information Act, 2000 (Act No 2 of 2000)
- Electronic Communications and Transactions Act (ECTA), 2002 (Act No. 25 of 2002)
- Minimum Information Security Standard
- Occupational Health and Safety Act No 85 of 1993, Section 24
- Internal Security and Intimidation Act, 1991 (Act No 138 of 1991)

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Act Relevant to Risk Management Program

- Public Sector Risk Management Framework
- National Treasury Practice Note 27(1,2)
- ISO 31001

Act Relevant to Insurance Program

- National Traffic Management Act, 1996
- Short Term Insurance Act 18 of 2017

Acts Relevant To Anti-Fraud Prevention Program

- National Public Service Anti-corruption Strategy
- Prevention and Combating Corrupt Activities 12 of 2004
- Prevention of organized crime 121 of 1998
- Financial Intelligence centre Act 38 of 2001
- Protected disclosure 26 of 2000

4. APPROACH

The development of the Enterprise Risk Management Implementation Plan has taken into consideration various inputs from entity business strategies and plans but not limited to the following:

- Mhlathuzi Water Business Plan for 2020/21 – 2024/25.
- Annual Performance Management Plan.
- Available entity resources and budget, and
- Urgency, quick wins and financial sustainability of the entity.

5. AUTHORITY & RESPONSIBILITY

POSITION TITLE	TASK DESCRIPTION
Audit & Risk Committee	Approves the ERMP
EXCO	Recommend amendments of the Enterprise Risk Management Implementation Plan to Audit and Risk Committee
Risk Management Committee	Discuss and recommends the Enterprise Risk Management Implementation Plan to EXCO
Risk Manager	Develop and review Enterprise Risk Management plan
Line Managers	Ensure adherence of personnel to the principles of this policy

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6. DEFINITIONS AND ACRONYMS**Definitions**

Acronyms	Definitions
EXCO	Executive Management Committee
RMC	Risk Management Committee
BCM	Business Continuity Management
EWRM	Enterprise Wide Risk Management
BIA's	Business Impact Assessment
Entity or Organisation	Mhlathuze Water
Shareholder	Department of Water and Sanitation
ERMP	Enterprise Risk Management Plan

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7. DETAILED ENTERPRISE RISK MANAGEMENT IMPLEMENTATION PLAN

The detailed implementation plan is articulated below

ERM, BCM, Insurance and Anti-Fraud Prevention Activity	Quantity	Frequency	Completion Status	Due date	Outputs / Outcomes
Risk Management Projects Initiation					
Information gathering and development of Risk Management Plan		Annually	80%	30/06/2021	Enterprise Risk Management Plan
Determine risk maturity levels of the organization and development of risk management roadmap/projects plans and obtain approval from EXCO	1	Once off	80%	31/07/2021	Maturity Assessment and Roadmap for BCM/ERM
<ul style="list-style-type: none"> Determine Risk and BCM Maturity Assessment for organization Road Map for Enterprise Risk and Business Continuity Plan 	1	Once Off	60%	31/07/2021	Board Approved Strategy
<ul style="list-style-type: none"> Review of Antifraud and Corruption Strategy/ERM and RAT Framework Development of project stakeholder and communication calendar for Annual Risk Management Activities. 	2	Once Off	80%	31/07/2021	Communication Calendar
Obtain approval from Risk management and EXCO, Audit and Risk, Board Approval	4	Quarterly	100%	31/07/2020	EXCO Approved Enterprise Risk Management Plan
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Projects Planning and Designs						
Review ERM and RAT, Annual Reports and APP's for the Organization and Development of Review of TOR's and Insurance Management Governance Documents and placement of Insurance cover. <ul style="list-style-type: none">Review Enterprise Risk Management Framework/ERM and RAT FrameworkReview of terms of reference for Risk Management CommitteeDevelopment of Appointment Letters and Appointing Committee MembersReview of insurance program and recommend changes to current insurance structure to incorporate to insurance Renewal effective 01 September 2021	2	Once Off	80%	31/07/2021	Approved ERM and RAT Frameworks	
	1	Once Off	80%	31/07/2021	Approved Terms of Reference	
	1	Once Off	70%	31/06/2021	Appointed RMC Members	
	1	Once Off	40%	31 August 2021	Insurance Renewal	
	5	Once Off	65%	31/08/2021	Insurance cover, Annual Risk Management Calendar Approved Framework(RAT/ERM)	
Obtain approval from MANCO, EXCO, Audit and Risk Committee and Board						

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Projects Executions(Risk Assessments, Business Impact Assessments)					
Conduct annual Risk Assessment, Business Impact Assessments (BIA's) and Site Inspections for the development of BCM Strategy and review of BCM Plan	1	Annually	90%	31/07/2021	Approved Strategic Risk Register
	8	Annually	85%	31/07/2021	Approved Operational Risk Registers
	1	Annually	70%	31/08/2021	Updated BCM Plan and Strategy

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Projects Executions(Development of Procedures /Strategies and Plans)					
Development of BCM Strategies/Procedures and Support Plans <ul style="list-style-type: none"> • Development of Business Continuity Strategy • Review of Business Continuity Plan • Development of Entity Wide Crisis Management Plan • Develop Business Continuity Testing and Maintenance Procedure 	1	Once Off	50%	30/07/2021	Business Continuity Strategy
	1	Once Off	90%	30/07/2021	Approved Business Continuity Plan
	1	Once Off	0%	30/09/2021	Approved Crisis Management Plan
	1	Once Off	0%	30/09/2021	Approved Testing and Maintenance Procedure
Review Insurance Portfolio and ensure adequacy of insurance cover for Mhlathuze Water Plant and Equipment reduction in insurance premium. <ul style="list-style-type: none"> • Review of insurance procedure • Asset Conditional Assessments/Revised Assets Disposal Register • Conduct Annual Insurance Declarations • Conduct Thermo graphics assessment and Hot Stop on electrical reticulations system • Review of Insurance Premium and new insurance cover 	1	Annually	80%	31/07/2021	Revised Insurance Procedure
	1	Annually	80%	30/08/2021	Revised assets register
	1	Annually	0%	31/07/2021	Revised Insurance declarations
	1	Annually	0%	30/09/2021	Revised Insurance Premium and new insurance cover
	1	Annually	0%	31/08/2021	
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Reviews, Monitoring and Reporting (Monthly, Quarterly and Annual Basis)						
Periodically review and update risk register including the testing of business continuity plans, reporting progress to all stakeholders						
<ul style="list-style-type: none"> Conduct Monthly Risk Reviews Operational Risk registers Executive Dept Corporate Services Dept Scientific Services Dept Finance Dept Operations and Maintenance Dept Technical Services Dept Fraud and Corruption Information and Communication 	9	Monthly	0%	Q1,Q2,Q3,Q4	Emerging Risk Areas Register	
Generate and Present Risk, BCM and Insurance and report to Risk Champions Forum (Monthly)	9	Monthly	0%	Q1,Q2,Q3,Q4	Departmental Progress Status Reports	
Generate and Present Risk, BCM and Insurance and report to Management Committee (Quarterly)	3	Quarterly	0%	Q1,Q2,Q3,Q4	Risk, BCM, Insurance Reports	
Generate and Present Risk, BCM and Insurance and report to Risk Management Committee (Quarterly)	3	Quarterly	0%	Q1,Q2,Q3,Q4	Risk, BCM, Insurance Reports	
Generated Present Risk, BCM and Insurance report to Audit and Risk Committee (Quarterly)	3	Quarterly	0%	Q1,Q2,Q3,Q4	Risk, BCM, Insurance Reports	
Generated Present Reports: Risk, BCM, Insurance changes to the Board (Quarterly)	3	Quarterly	0%	Q1,Q2,Q3,Q4	Risk, BCM, Insurance Reports	

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Business Continuity Testing, Awareness and Training					
Identification of Training Needs for the Organization and conduct training					
Risk Management Training and Awareness (Management)	9	Annually	30%	Q1	Attendance Register
Business Continuity Training and Awareness	4	Annually	0%	Q1	Attendance Register
Insurance Training and Road Shows	1	Annually	0%	Q2	Attendance Register
Testing of Business Continuity Plans and Strategies	6	Quarterly	0%	Q2,Q3,Q4	Quarterly BCM Testing Reports
<ul style="list-style-type: none">Conduct Continuity Risk Assessments/Testing and Business Impact Assessments and InspectionsExecutive DeptCorporate Services DeptScientific Services DeptOperations and Maintenance DeptTechnical Services DeptFinance Dept					

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Knowledge Management Systems and Maintenance of Programs						
Identification of various records generated within the programs Development of a specification for ICT Systems	1	Once Off	100%	30/06/2021	Specifications Quotations for systems	
	1	Once Off	100%	30/06/2021	Specifications Quotations for systems	
	1	Once Off	100%	30/06/2021	Specifications Quotations for systems	
	1	Once Off	100%	30/06/2021	Specifications Quotations for systems	
	1	Once Off	100%	30/06/2021	Specifications Quotations for systems	
	1	Once Off	100%	30/06/2021	Specifications Quotations for systems	
	1	Once Off	100%	30/06/2021	Specifications Quotations for systems	
	1	Once Off	100%	30/06/2021	Specifications Quotations for systems	
	1	Once Off	100%	30/06/2021	Specifications Quotations for systems	
	1	Once Off	100%	30/06/2021	Specifications Quotations for systems	
Project Execution and Maintenance(Risk Management Module)	1	Once Off	0%	30/07/2021	System Acceptance and Test Reports	
	1	Once Off	0%	30/07/2021	Approved Risk Register	
	1	Once Off	0%	30/07/2021	System Maintenance SLA with service provider	
	1	Annually	0%	30/06/2022	Training Register	
	1	Once Off	0%	30/08/2021	Training Register	
	1	Once Off	0%	30/08/2021	Training Register	
	1	Once Off	0%	30/08/2021	Training Register	
	1	Once Off	0%	30/08/2021	Training Register	
	1	Once Off	0%	30/08/2021	Training Register	
	1	Once Off	0%	30/08/2021	Training Register	

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ANNEXURE



Framework for Materiality and Significance




Annexure C

Framework for Materiality and Significance



FRAMEWORK NUMBER	01
AUTHOR	CHIEF FINANCIAL OFFICER
DOCUMENT TITLE	
FRAMEWORK FOR MATERIALITY AND SIGNIFICANCE	

PURPOSE
To establish a framework of acceptable levels of materiality and significance for Mhlathuze Water per the Treasury Regulations.

APPROVAL SIGNATURE RECORD
Approved by the full EXCO at its meeting of 15 January 2020.
 Mr. M. P. DUZE CHAIRPERSON OF EXCO DATE: 15/01/2020

Document Title	Revision No.	Reference	Effective Date	Page No.
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1. PURPOSE

To establish a framework of acceptable levels of materiality and significance for Mhlathuze Water as per the Treasury Regulations.

2. OBJECTIVE

The purpose of this document is to record the levels and reasoning for the suggested level of materiality and significance for consideration by the governance structures of Mhlathuze Water and for approval by the EXCO Chairperson.

3. SCOPE

The information covered by this framework shall include information related to MWs business operations and performance which has a significant effect on service delivery and investment.

4. ACRONYMS

SAAS	South African Auditing Standards
MW	Mhlathuze Water
ASB	Accounting Standard Board
GRAP	Generally Recognised Accounting Practises
PFMA	Public Finance Management Act No. 1 of 1999
EXCO	Executive Committee
MANCO	Management Committee
CE	Chief Executive
CFO	Chief Financial Officer

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5. **LEGAL FRAMEWORK**

- 5.1 In terms of Treasury Regulations 28.3.1 issued in terms of the PFMA, for purposes of material [Section 55(2) of the Act] and significant [section 54(2) of the Act] the accounting authority of Mhlathuze Water must develop and agree on a framework of acceptable levels of materiality and significance with the relevant executive authority.
- 5.2 In terms of Treasury Regulations 28.2.1, any material losses through criminal conduct and any irregular and fruitless and wasteful expenditure must be disclosed as a note in the Annual Financial Statements of the public entity.
- 5.3 In terms of Treasury Regulations (Section 30.1.3(e)), the strategic plan must include the materiality/significant framework, which is referred to in Treasury Regulations 28.3.1.
- 5.4 The specific sections of the PFMA that is relevant for the purposes of materiality are Section 50(1), Section 55(2), and Section 66(1), and, with reference to significance – Section 54(2).

6. **FRAMEWORK**

6.1. Background

- 6.1.1 In line with Mhlathuze Water's policy on materiality and significance materiality In this framework means:

"Material omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or a combination of both, could be the determining factor."

- 6.1.2 ISA 320 draws a distinction between Qualitative material misstatement and Quantitative material misstatement. Qualitative materiality refers to the nature of misstatement in the financial statements whereas Quantitative materiality refers to the size of misstatement in the financial statements.

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6.1.3 It must also be noted, that due to the fact that this framework will govern the reporting or not of specific items in the Annual Report, that the materiality and significance levels may not be higher than that of the external auditors. The reason for this being that all items that are considered material by the auditors will have a large probability of being reported in the Annual Report or the management report for the specific financial year in any event.

6.2. Factors considered in developing the materiality framework

The framework is applied under two main categories, being quantitative and qualitative aspects.

6.2.1 Quantitative aspects: Materiality level

In terms paragraph 3.7 of Practice Note on applications under section 54 of the PFMA by Public Entities dated 13 July 2006: "Acceptable levels of significance must be agreed with the Executive Authority, the guiding principles set out below should be applied."

The parameters are derived from the Rand values of certain elements of MW's Audited Annual Financial Statements, as follows:

Table 1: Parameters

Element:	% range to be applied against Rand values
Total Assets	1% - 2%
Total Revenue	0,5% - 1%
Profit after tax	2% - 5%

Audited Annual Financial Statements for financial year (FY) 2018/19 will be utilised in calculating this materiality.

The range to be implemented for MW is based on the effectiveness of internal controls. Internal controls are determined to be effective if they can prevent, detect and correct misstatements.

If the internal controls are determined to be effective, the highest range will be utilised in calculating materiality and if the internal controls are determined not to be working effectively and then the lowest range of materiality will be utilised in the calculation of the materiality.

MW was qualified in the FY2017/18 on trade receivables and FY2018/19 received an unqualified audit opinion which indicated an improvement in the overall effectiveness of internal controls.

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Based on this, the calculation of materiality will be on the medium scale of the range.

Table 2: Calculation of materiality:

Element and amount per AFS R'000	Range rating	Materiality calculated R'000
Total Assets: R1 485 401	Low – 2%	R29 708
	Medium – 1,5%	R22 281
	High – 1%	R14 854
Total Revenue: R711 942	Low – 1%	R7 119
	Medium – 0,75%	R5 340
	High – 0,5%	R3 560
Profit before tax: R106 926	Low – 5%	R5 346
	Medium – 3,5%	R3 742
	High – 2%	R2 139

Mhlathuze Water assesses the level of materiality as being 0,75% of total revenue.

Factors considered:

i. Nature of MW's business:

MW's objective is to become the preferred water service provider in South Africa.

MW's Revenue primarily comprises of bulk water sales, discharging of effluent, fees for management of waterworks and waste water works and revenue from secondary activities.

ii. Statutory requirements applicable to MW:

- Mhlathuze Water is listed as a PFMA Schedule 3B public entity.
- The Board of MW is required to execute their mandate in terms of the PFMA.
- Mhlathuze Water accordingly elects to give preference to a medium level of materiality due to it being so closely governed by various acts and the public accountability responsibility it has to stakeholders.

Based on the above factors, it is most befitting to calculate materiality based on Revenue, as it is what drives the business.

In assessing the control risk, management concluded that level of materiality being 0,75% % of total revenue is appropriate and prudent. This assessment is based on the fact that the control environment has improved. In this regard cognisance was given to amongst other matters:

- Established governance structures which includes:

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i. **The Board Committees and Executive Committee**

- A Risk, IT, Health and Safety Committee with specific risk management responsibilities;
- An Audit, Risk and Finance Committee that closely monitors the control environment of Mhlathuze Water;
- The function of internal audit is co-sourced and is managed by professional independent internal auditors with the necessary skills and experience;

6.2.5 Qualitative Aspects

Materiality is not confined to the size of the entity and the elements of its financial statements.

Mhlathuze Water recognises that misstatements that are large either individually or in aggregate may affect a "reasonable" user's judgement.

Further, misstatements may also be material on qualitative grounds. These qualitative grounds include amongst other:

- New ventures that Mhlathuze Water may enter into.
- Significant transactions outside normal course of MW business.
- Transactions entered into that could result in reputational risk to Mhlathuze Water.
- Any fraudulent or dishonest behaviour of an official or staff.
- Any suspected corruption, irregularities or fraud.
- Any infringement of Mhlathuze Water's agreed performance levels.
- Procedures/processes required by legislation or regulation (e.g. PFMA and the Treasury Regulations).
- Unauthorised, irregular or fruitless and wasteful expenditure.
- Items of a non-financial nature, which would impact on the continued operation and deliverables.
- Should any of these qualitative factors occur, management will thus respond to such accordingly and disclose such as per relevant accounting standard.

6.3. Responsibility for procedure maintenance

6.3.1 Procedure for Annual Review

6.3.1.1 The CFO will be responsible for conducting an annual review and making a recommendation to EXCO, regarding the Materiality and Significance Framework.

6.3.1.2 The CFO must take the following factors into account:

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- Guidelines issued by National Treasury;
- The nature of Mhlathuze Water's business;
- Statutory requirements affecting Mhlathuze Water;
- The inherent and control risks associated with Mhlathuze Water; and
- Quantitative and qualitative issues.

6.3.2 Recording of the approved Framework

6.3.2.1 The CE is responsible for ensuring that the Materiality and Significance framework is included in the Business Plan for the ensuing financial year.

6.3.2.2 The CFO should ensure that Mhlathuze Water's Annual Report reports on any matters of Materiality or Significance.

6.3.2.4 The CFO is the custodian of this framework.

6.4. Reference to other policies

6.4.1 Employees are required to familiarise themselves with the relevant provisions of the following policies:-

- a) Supply Chain Management Policy
- b) Delegation of Authority Policy
- c) and other relevant officials

7. RESPONSIBILITIES

POSITION TITLE	TASK DESCRIPTION
EXCO	Review and approves the framework
MANCO	Review and recommend the Framework to EXCO
Chief Financial Officer	Custodian and Administrator of the framework Develop, revise and enforce this framework
Departmental Managers	Ensure adherence of their personnel to the Principles of this framework
Employees	Comply with the principles of this framework

Document Title	Revision No.	Reference	Effective Date	Page No
Framework for Materiality and Significance	03	FO1	15 January 2020	8 of 9

8. REVIEW OF THE FRAMEWORK

The Finance Department will be responsible for the review of this framework annually or as and when required in line with changes in the organisation or legislation or regulations.

Document Title	Revision No.	Reference	Effective Date	Page No
Framework for Materiality and Significance	03	FO1	15 January 2020	9 of 9

ANNEXURE



Fraud
Prevention
Policy



Annexure D

Fraud Prevention Policy



DOCUMENT TITLE

FRAUD AND CORRUPTION CONTROL PLAN

PURPOSE

The primary initiatives of the Plan are to protect Mhlathuze Water (MW) money, information, and property and safeguard the integrity and reputation of MW. The Plan is underpinned by fraud risk assessments which are detailed in the Fraud Risk Register (FRR).

BRIEF DESCRIPTION OF CHANGE

New Document

APPROVAL SIGNATURE RECORD

Approved by the Risk Committee Meeting at its meeting on **20 September 2022**



S NTLHORO

CHAIRPERSON OF RISK MANAGEMENT COMMITTEE

DATE: 20/09/2022

1. Foreword

Mhlathuze Water (MW) has unique responsibilities and a privileged role within South Africa to provide key services in both communities through municipalities and industries.

MW staff members, contractors, and other relevant stakeholders engaged to provide or deliver services as per organizational requirement, all have crucial roles to play in reducing the MW exposure to fraud. This Fraud Control Plan 2022 to 2025 (the Plan), outlines our approach to effectively prevent, detect and respond to fraud or misuse of MW resources.

Fraud has the potential to undermine our ability to achieve our objectives, reputation and ethical organizational culture. The percentage of South African organizations who have experienced economic crime has significantly declined. PwC's Global Economic Crime and Fraud Survey 2022 shows good news: the proportion of organizations experiencing fraud has remained relatively steady since 2018. However, the survey of 1,296 executives across 53 countries and regions found a rising threat from external perpetrators—bad actors that are quickly growing in strength and effectiveness. Nearly 70% of organizations experiencing fraud reported that the most disruptive incident came via an external attack or collusion between external and internal sources. ,

Preventing fraud and other economic crimes is a complex challenge, complicated even further by today's volatile risk landscape. As organizations act quickly to navigate change, bad actors look to exploit the potentially widening cracks in fraud defenses. 46% of surveyed organizations reported experiencing fraud, corruption or other economic crimes in the last 24 months. "External threats are on the rise"

These are some of the key findings from PwC's biennial Global Economic Crime and Fraud Survey – 2022, issued on Global Economic crimes and Fraud survey 2022.

Despite this decline, South Africa's economic crime rate remains significantly higher than the global average of 49%. Added to this is the stark reality that the incidence of higher value serious economic crime, being crimes with a value greater than US\$100 million, is now 6%.

Trevor White, PwC Forensic Partner and Global Economic Crime and Fraud Survey Leader for South Africa, says:

"Given the spate of recent scandals in South Africa, both in the public and private sectors, it is no surprise that organizations consider bribery and corruption to be the most serious economic crime to affect businesses. This, combined with increased involvement of senior management in perpetrating such acts, has resulted in a sharp increase in the value of losses incurred as a result."

The level of involvement of senior management as the main perpetrator has escalated from 20% in 2018 to 34% in 2020.

In all our dealings, we must ensure MW monies are spent for their intended purposes, information is secured, and assets and resources are used appropriately to protect the interests and reputation of the organization. To succeed, we must apply risk-based principles in decision-making to ensure day-to-day functional activities are not compromised. To manage the risk of opportunistic fraud, we must continually review the effectiveness of our internal controls and ensure our business processes are streamlined and that complexity is minimized.

This Plan is intended to support MW staff, contractors, and service providers as well as all other relevant stakeholders engaged by the organization to assess risk as well as prevent, detect and report fraud so that MW funding and assets are used for their intended purpose.

Dr. S Lushaba

Interim Chief Executive

2. Document History

A history of released document versions

<i>Version</i>	<i>Date</i>	<i>Description</i>	<i>Approved</i>
<i>2016-2017</i>	<i>Oct 2016</i>	<i>Anti-Fraud Prevention Strategy (FPS)</i>	<i>Accounting Authority</i>
<i>2018 – 2019</i>	<i>May 2018</i>	<i>Anti-Fraud Prevention Policy (FPP)</i>	<i>Accounting Authority</i>
<i>2018 – 2019</i>	<i>May 2018</i>	<i>Whistle-blowers Policy (WP)</i>	<i>Accounting Authority</i>
<i>2020 – 2023</i>	<i>April 2020</i>	<i>Revised Anti-Fraud and Corruption Prevention Policy (AFCPP)</i>	<i>Board</i>

Version	Date	Description	Approved
2020 – 2023	July 2020	Revised Whistle-blowers Policy (WP	Board
2021 – 2024	July 2021	Anti-Fraud and Corruption Strategy	Board
2021 – 2024	February 2021	Fraud and Corruption Control Plan	Chief Executive
2022 – 2025	October 2022	Revised Whistle-blowers Policy (WP	Board
2022– 2025	October 2022	Anti-Fraud and Corruption Strategy	Board
2022– 2025	September 2022	Fraud and Corruption Control Plan	Interim -Chief Executive

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3. Glossary

Term	Description
Accounting Authority	A body or person that has responsibility for, and control over, Mhlathuze Water operations under Public Finance Management Act section 49
Chief Executive	An official that is responsible for effective and transparent systems of financial and risk management and internal controls.
Compliance	The outcome of the organization's meeting its legal and ethical obligations.
Control	A measure that modifies a risk.
External fraud	Fraud committed against MW by a person other than an employee or contractor of MW.
Fraud response	Covers the systems and processes that assist an organization to respond appropriately to an alleged fraud where it is detected.
Fraud risk assessment	The application of risk management principles and techniques to assess the risk of fraud in MW.
Fraud risk register	Contains a collection of functional activities, programmes/projects detailed fraud risk assessments.
Internal fraud	Fraud committed against MW by an employee or contractor.
Investigation	A process of seeking information relevant to an alleged, apparent or potential breach of the law, involving possible judicial proceedings. The primary purpose of an investigation is to gather admissible evidence for any subsequent action, whether under criminal, civil, disciplinary or administrative sanctions.
Prevention	Strategies that are designed to proactively reduce or eliminate fraud committed against MW.
Residual risk	A risk that remains after risk treatment.
Risk owner	A person or entity with the accountability and authority to manage risk.
Risk profile	A description of any set of risks.

Term	Description
Risk treatment	A process to modify risk.
Serious and complex fraud	A fraud that due to its size or nature is too complex for most entities to investigate
Stakeholders	Those people and organizations who may affect, be affected by, or perceive themselves to be affected by a decision or activity.

4. Introduction

Fraud against MW is a serious matter for the organization and for the wider community. The leadership of MW has zero tolerance for fraud. Not only is it a criminal offense, but fraud reduces funds available for delivering public services and the propensity to undermine the integrity of the public's confidence in the organization.

Corruption is commonly associated with fraud; however, it can also be a risk in itself (where fraud is not directly involved). Recent corruption inquiries in the PWC report indicate that while levels of corruption and serious misconduct in certain organizations remain low, the risks remain real. This Fraud and Corruption Control Plan (the Plan) and associated Fraud Risk Assessment (FRA) take into account the risks of corruption and aim to mitigate them through the promotion of a culture of ethical behaviour.

The leadership role of MW demands that our senior Executives and Managers engage positively with risk. This includes championing a culture where all staff is encouraged to become familiar with the key elements of robust fraud strategies, including policy, legal, and governance requirements.

Effective fraud control strategies need an integrated response led by the Executives and embedded in governance, programme design, and management. MW Anti-Fraud and Corruption Strategy outlines the obligations, systems, policies, and strategies MW has in place to prevent detect, and respond to fraud.

5. Objectives of the Plan

The objective of the Fraud and Corruption Control Plan is to minimize the potential for instances of fraud on MW involving employees, contractors, or people outside of the organisation. The Plan also articulates the organisation's approach to controlling the risk of fraud through:

- thorough and regular assessment of the risk of fraud;
- developing and implementing processes and systems to effectively prevent, detect and investigate fraud;
- applying appropriate criminal, civil, administrative or disciplinary action to remedy the harm from fraud and deter future fraud;
- recovering proceeds of fraudulent activity; and
- providing fraud awareness training for all staff

The Plan is underpinned by fraud risk assessments which are detailed in the Fraud Risk Register (FRR). The fraud risk assessments are dynamic and they are reviewed periodically through ongoing and targeted analysis.

Appendix A

The table below summarizes additional fraud control responsibilities for staff, managers, and Executives.

Fraud Control Responsibilities for all staff

WHO	RESPONSIBILITIES / ACTION
All staff	<p>Familiarise themselves with the Anti-Fraud & Corruption Policy Statement, the Fraud & Corruption Control Plan; the Whistleblowing Policy; Anti - Fraud & Corruption Strategy, and the Anti-Fraud and Corruption Policy to enable them to make risk-based decisions about fraud control compliance in their day-to-day operations.</p> <p>Immediately report suspected incidents of fraud and misconduct.</p> <p>Behave ethically and in accordance with the MW Code of Conduct in the performance of their duties.</p> <p>Comply with all Mhlathuze Water Policies.</p>
All Managers and Executive	<p>Advise staff on procedures for resolving ethical dilemmas through the MW Code of Conduct</p> <p>Foster an environment that promotes the highest standards of ethical behaviour.</p> <p>Identify and manage individual fraud risks originating in or relevant to their departments/sections and implement risk treatments identified in this Plan.</p>
Risk Management and Internal Audit	<p>Conduct internal audits of risk, governance, and control processes within MW</p> <p>Ensure appropriate processes are in place to manage MW fraud risks in accordance with the MW Fraud Rule.</p>

WHO	RESPONSIBILITIES / ACTION
	<p>Review and maintain MW's fraud and Corruption control policies and instructions and ensure they are communicated to all staff.</p> <p>Communicate to all staff their responsibilities in preventing, detecting, and reporting fraud including trends and patterns that are illogical and/or irreconcilable.</p> <p>Provide Fraud Awareness Training to Staff.</p> <p>Support programme areas and the Network on compliance issues, fraud, risk, due diligence, and matters of internal serious misconduct.</p> <p>Formally update the Plan as required.</p> <p>Conduct annual fraud risk reviews and develop cost-effective strategies to reduce risk to an acceptable level.</p> <p>Implement monitoring, review and reporting processes to report the incidence of fraud within MW and advise management actions to address weaknesses in fraud risk controls.</p> <p>Manage the conduct of investigations into suspected fraudulent activity, and where necessary, engage services of other Forensic Investigations.</p> <p>Independently review processes, systems and controls where fraud is detected, to ensure lessons learned are recorded and communicated to relevant stakeholders and governance committees.</p> <p>Actively and appropriately pursue the recovery of money or property lost through fraud.</p>
Corporate Services	Educate and manage issues relating to behavioural and ethical standards, such as the MW Code of Conduct and Values

Appendix B

24 Point plan to combat fraud and corruption

Ref	Activity	Strategy	Action	Responsibility	Timing
1.	<u>Embed an effective Anti-Corruption and fraud prevention strategy</u>	Approved Anti-Corruption and Fraud Prevention Strategy, Protected Disclosures Policy, Conflict of Interest Policy, Whistle-blowing Policy, early-Fraud Detection Strategies, and Fraud Response Plan (including cyber-incident response) are clearly articulated, implemented, and communicated throughout the organisation.	Formal update of the Anti-Corruption and Fraud prevention strategy and relevant policies, procedures; etc every three years and when there are significant functional changes	Risk Manager; ICT Manager and Legal advisor	3 years or should there be significant changes

Ref	Activity	Strategy	Action	Responsibility	Timing
2.	Multi-Tiered approach	Implementation of a 5-tier approach to reducing fraud and corruption, which should include essential elements of prevention, response, and detection.	a) Set a positive tone at the top. An excellent way governing boards and upper management can create a culture of accountability	Board and Executives	Ongoing
			b) Implementation of effective Internal Controls (elimination of management overriding controls)	Management	Ongoing
			c) Hire, promote and train ethical employees. (i.e., Perform background checks on prospective employees, verify resumes and applications, and train managers to conduct thorough and skilful interviews.	GM Corporate Services	Ongoing
			d) Identify and measure risks. Assess your entity's exposure to fraud risk, measure the likelihood of fraudulent activity, and implement appropriate responses	Management	Ongoing
			e) Dispense fair and balanced discipline. Deal with fraud swiftly and consistently, even in instances where minor fraud is discovered. Ensure that the penalty is	Management	Ongoing

Ref	Activity	Strategy	Action	Responsibility	Timing
			aligned with the code of conduct		
3.	Effective fraud risk assessments	Replace Annual with bi-annual Fraud Risk assessment	Initiate ongoing Fraud Risk Assessments (including assessment of cyber-related risks), which are non-negotiable elements of mitigating the risks of fraud; these should be conducted at an Enterprise and ICT Business Unit level.	Management facilitated by the Risk Manager	Bi-annually Enterprise-wide and monthly through Risk Champion Forum
4.	ICT enabler to dictate fraud	Optimize the use of technology in detecting fraud	Leverage technology in order to implement Continuous Control Monitoring measures through Forensic Data Analytics aimed at the early detection of fraud and corruption risk indicators.	Risk Management and Internal Auditing	Ongoing
5.	Conflict of Interest	Eliminating conflicts of interests	Manage the risk of Conflicts of interest through the implementation of an auditable declaration process where all declarations are assessed and verified	Legal and Internal Auditing	Annually

Ref	Activity	Strategy	Action	Responsibility	Timing
6.	Gifts Management	Managing relationships with external stakeholders	Discourage/prohibit the receipt of gifts from suppliers as this alleviates the risk of potential irregularities and furthermore reduces the administration of any gift register	Management	Ongoing
7.	Mw Business Partners	Know your business partners	Supplier vetting should entail stringent verification and approval measures, including a Conflict-of-Interest Declaration.	Bid Committees and SCM	Ongoing
8.	Tip-Off and Whistle-blowers	Inform employees how to raise concerns	Organisations should ensure all employees know the policy for making protected disclosures under the Protected Disclosure Act 2014.	Risk Manager	
9.	Awareness	Development of resources to support managers and staff	Perform fraud awareness induction programme	Risk Manager	Ongoing
			Ensure mandatory fraud awareness is done annually.	Risk Manager	Annually
10.	Culture	Establish and implement a compelling Ethical Culture	Establish a program to identify ethical dilemmas, elements of sustainable ethical conduct, and an organisational environment that recognises and	Social and Ethics Committee	Ongoing

Ref	Activity	Strategy	Action	Responsibility	Timing
			upholds strong ethical behaviour		
11.	Awareness	Publicly available information on the attitude and approach to fraud control	Ensure the Fraud Policy Statement and the Fraud and Corruption Control Plan 2022-2025 remain current	Risk Manager	Ongoing
12.	Fraud and Corruption Control Plan	Maintain and continuously improve the Fraud and Corruption Control Plan	Formal update of the FCCP every three years and when there are significant functional changes	Risk Manager	Ongoing
13.	Fraud Policy Statement	Maintain and continuously improve the Fraud Policy Statement	Formal update of the FPS every three years and when there are significant functional changes	Board	Ongoing
14.	Remove this row				

Ref	Activity	Strategy	Action	Responsibility	Timing
15.	Report	Update fraud reports for governance committees	Risk Manager to provide Social and Ethics Committee with fraud trend information to assist in monitoring the levels of internal and external fraud committed across the organisation and report the statistics to the Board	Social and Ethics Committee	Ongoing (quarterly)
16.	Fraud cases	Case referral to SAPS and other agencies	CE to refer instances of suspected fraud to the appropriate law enforcement agencies such as SAPS and or other investigation bodies	Chief Executive	As necessary
17.	Investigations	FIS standards	CE to ensure Investigations are conducted by appropriately qualified investigators in accordance with the requirements of the FIS Act of 2011	Chief Executive	As necessary

Ref	Activity	Strategy	Action	Responsibility	Timing
18.	Investigations	Quality Assurance Standards	Fraud investigations undertaken by the organisation may be subject to Quality Assurance Reviews by the CE	Chief Executive	As necessary
19.	Investigations	Staff Responsibility	All departmental staff and contractors have a responsibility to fully assist with any fraud investigation and or Ad-Hoc Investigations	All staff and Contractors	As necessary
20.	Investigations	Case referral to the Minister for DWS and Human Settlement through the Board Chairperson	Politically sensitive investigations deemed by MW as appropriate for referral to the Minister for DWS and Human settlement through the Board Chairperson. This will enable the Government to be informed at the earliest opportunity.	Board Chairperson	As necessary

Ref	Activity	Strategy	Action	Responsibility	Timing
21.	Prosecution	A zero-tolerance approach	Where an investigation has been undertaken other than by a law enforcement agency, investigators will prepare a report that makes recommendations to the CE on whether to refer a matter to another law enforcement agency	Investigating consultant/ Risk Management	As necessary
22.	Resolution	Review of systems and procedures (post fraud)	If fraud is detected, the control system involved will be independently reviewed to identify improvements	Risk Manager; Investigating Agent/ SAPS or Forensic Investigation	As necessary
			Formal reporting to the Social and Ethics Committee & Audit and Risk Committee	Risk Management & Assurance Section	As necessary
23.		Recovery of money/property lost through fraud	If deemed cost-effective will actively pursue the recovery of lost money or property	Chief Executive	As necessary

6. REVIEW OF THE PLAN

Management shall review the plan every three years or as the need arises.



ANNEXURE



Projected
Financial Statements
for the 6 years



Table 60: Statement of Comprehensive Income

Actual	Account	Estimated Actual	Projected	Projected	Projected	Projected	Projected	Growth %	
2021/22		2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2015/2014	2020/2014
111,548	Water sold (kilolitres)	505	520	540	540	540	540	(99.55)	(58.87)
3,969	- Raw water sales (kl)	109	109	109	109	109	109	(97.26)	(45.09)
39,918	- Potable water sales (kl)	209	224	244	244	244	244	(99.48)	(57.24)
67,661	- Waste water sales (kl)	187	187	187	187	187	187	(99.72)	(62.52)
-									
643,089	TOTAL REVENUE (Primary and secondary activities)	849,319	903,173	987,902	1,035,116	1,089,236	1,137,183	32.07	9.97
643,089	Revenue (Primary activity)	678,365	728,131	848,228	887,531	939,326	978,586		
369,651	- Raw water sales	119,199	195,307	227,940	238,619	252,693	263,361	(67.75)	(5.49)
	- Potable water sales	273,236	283,879	331,311	346,834	367,290	382,795		
218,673	- Waste water sales	276,577	239,592	279,624	292,725	309,990	323,077	26.48	6.72
	- Industrial water sales								
26,191	- Implementing Agency fee							(100.00)	(100.00)
	- Connection Fees	9,353	9,353	9,353	9,353	9,353	9,353		
28,574	- O & M Activities							(100.00)	(100.00)
	- Lab Analysis								
	Revenue (Secondary activity)	170,954	175,042	139,673	147,585	149,910	158,597		
	- Retail water operation								
	Waste water management fee								
	- Management fee - consulting								
	- Management fee - other								
	- Section 30 activities								
	- Implementing Agency fee							(100.00)	(100.00)
	- Lab Analysis								
	- O & M Activities	170,954	175,042	139,673	147,585	149,910	158,597		
-									
227,747	TOTAL COST OF SALES	435,970	506,253	528,599	556,767	581,794	613,867	91.43	17.97
205,900	Cost of sales (raw water purchased)	287,176	339,634	393,426	413,682	433,459	456,846	39.47	14.21
56,631	- Raw water	80,026	81,574	112,748	113,376	114,054	114,785	41.31	12.50
149,269	Electricity, Chemicals, Employee costs, Depreciation	207,150	258,060	280,678	300,306	319,405	342,060	38.78	14.82
21,847	Cost of sales (secondary activities)	148,795	166,619	135,173	143,085	148,335	157,022	581.08	38.92
	- Employee costs	12,905	14,336	7,199	7,703	8,242	8,819		
	- Chemicals and purification	1,782	1,909	30	31	31	33		
	- Energy	61,578	91,757	97,413	103,129	107,365	113,660		
	- Repairs and maintenance	27,591	29,723	25,988	27,236	27,236	28,516		
	- General and administration expenses	28,165	28,314	4,314	4,745	5,220	5,741		
	- Project / WIP costs								
21,847	- Other direct operating activities	16,774	579	230	241	241	253	(23.22)	(52.44)
415,342	GROSS INCOME	413,349	396,919	459,302	478,349	507,442	523,315	(0.48)	3.93
64.6	Gross profit %	48.7	43.9	46.5	46.2	46.6	46.0	(24.65)	(5.49)

Table 60: Statement of Comprehensive Income (Continued)

Actual	Account	Estimated Actual	Projected	Projected	Projected	Projected	Projected	Growth %	
2021/22		2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2015/2014	2020/2014
68.0	- Gross profit % - primary activity	57.7	53.4	53.6	53.4	53.9	53.3	(15.17)	(3.97)
	- Gross profit % - secondary activity	13.0	4.8	3.2	3.0	1.1	1.0		
	Government grants and other funding								
(33,365)	Other operating income	(884)	(650)	(767)	(876)	(852)	(824)	(97.35)	(46.04)
	- Commission income and insurance								
	- Game and grazing sales (net of expenses)								
	- House and other rentals - all related income								
	- Other income (scrap, telephone, refurbishment, lab)								
	- Project income								
	- Bad debts recovered								
(6,030)	- Profit (Loss) on sale of fixed assets	(892)	(650)	(767)	(876)	(852)	(824)	(85.20)	(28.23)
	- Profit (loss) on disposal of investments								
	- Profit (loss) on sale of biological assets								
	- Profit (Loss) on sale of intangible assets								
	- Wastewater - Darville revenue amort								
(27,335)	- Sundry income	8	0	0	0	0	0	(100.03)	#NUM!
381,978	TOTAL OPERATING INCOME	412,464	396,269	458,536	477,473	506,589	522,491	7.98	5.36
219,551	TOTAL EXPENSES	274,089	305,416	319,429	334,150	347,911	361,118	24.84	8.65
211,417	- Variable costs (related to cost of sales)	159,848	182,565	197,975	209,761	216,920	223,060	(24.39)	0.90
142,685	- Employee costs	119,335	106,390	110,554	114,821	119,190	123,655	(16.36)	(2.36)
125,147	- Directors emoluments (include in general)								
	- Employee salaries - (including leave, annual bonus, 13th cheque)	84,558	76,799	79,336	81,887	84,444	86,998	(32.43)	(5.88)
10,012	- Performance bonuses	10,000	10,448	11,022	11,628	12,268	12,943	(0.12)	4.37
	- Company contributions - Medical contributions and expenses								
2,001	- Company contribution - UIF and SDL	470	523	552	582	614	648	(76.49)	(17.14)
	- Contributions to pension and provident funds								
1,068	- OID contributions	1,147	1,880	1,984	2,093	2,208	2,329	7.41	13.88
	- Changes in post employment liabilities								
	- Direct cost of Water Schemes allocated to Cost of Sales								
4,457	- Allowances	23,159	16,740	17,660	18,632	19,656	20,738	419.61	29.21
171	- Chemicals	69	241	253	266	279	293	(59.78)	9.39
2,512	- Energy	2,849	2,593	2,784	2,990	3,212	3,449	13.42	5.43
29,272	- Repairs and maintenance - (cost of sales related)	22,527	56,638	68,645	77,082	80,625	84,254	(23.04)	19.27
1,178	- Property and buildings	1,636	3,116	3,618	4,016	4,197	4,385	38.89	24.49
16,482	- Plant, machinery and equipment	1,640	8,940	11,756	13,650	14,265	14,907	(90.05)	(1.66)
9,122	- Other - to be included in general expenses	14,634	39,469	47,042	52,322	54,676	57,137	60.43	35.77
2,490	Sealine inspection vehicles	3,534	2,700	3,551	4,122	4,308	4,502	41.94	10.37
		1,082	2,412	2,677	2,972	3,180	3,323		
24,820	- Depreciation	11,773	11,934	10,707	9,293	8,013	5,500	(52.57)	(22.21)

Table 60: Statement of Comprehensive Income (Continued)

Actual	Account	Estimated Actual	Projected	Projected	Projected	Projected	Projected	Growth %	
2021/22		2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2015/2014	2020/2014
6,956	- Depreciation property, plant and equipment	10,916	10,921	9,549	7,998	6,748	4,270	56.93	(7.81)
345	- Amortisation of intangible assets	205	200	200	200	200	200	(40.66)	(8.72)
8,558	- Impairments of property, plant and equipment	652	813	958	1,095	1,065	1,030	(92.38)	(29.73)
8,961	- impairments of intangible assets							(100.00)	(100.00)
	- Impairment of trade receivables								
11,957	- Other direct costs	3,296	4,770	5,032	5,309	5,601	5,909	(72.44)	(11.08)
	- Motor vehicle repairs and running expenses	3,296	4,770	5,032	5,309	5,601	5,909		
11,957	- Other direct							(100.00)	(100.00)
8,134	- General expenses	114,241	122,851	121,454	124,389	130,991	138,059	1304.48	60.31
	- Advertising and promotions		60	63	67	63	74		
	- Amortisation - office intangibles								
	- Amortisation of biological assets								
	- Audit fees	23,246	11,331	11,454	11,584	11,921	12,377		
101	- Bad debts							(100.00)	(100.00)
	- Bursaries, donations and gifts	286	100	106	111	117	124		
	- Cleaning - all administration areas	5,135	6,647	7,013	7,399	7,806	8,235		
	- Computer and IT consumables	9,226	7,690	8,113	8,559	9,030	9,527		
	- Conferences, seminars and workshops	157	981	1,030	1,082	1,136	1,192		
	- Consultants and professional fees	9,179	4,245	4,478	4,725	4,985	5,259		
	- Contractors								
	- Courier and postage								
	- Depreciation of office assets								
	- Directors - performance bonuses								
5,733	- Directors emoluments							(100.00)	(100.00)
	- Employee costs - (related to administration)								
	- Energy - related to administration areas								
	- Impairments of biological assets								
	- Insurance	3,189	9,156	9,659	10,190	10,751	11,342		
2,300	- Lease costs	2,243	2,454	2,589	2,732	2,882	3,040	(2.47)	4.76
	- Legal and contract fees	10,352	8,500	6,968	6,351	6,700	7,069		
	- Marketing - not advertising and promotions								
	- Motor vehicle expenses (not in direct costs)	25	158	166	176	185	195		
	- Operating leases - photocopiers etc	518	502	529	558	589	621		
	- Other operating expenses	34,811	46,538	43,895	44,135	46,706	49,410		
	- Printing and stationery	573	1,096	1,156	1,220	1,287	1,358		
	- Protective clothing and uniforms	1,014	1,385	1,074	1,128	1,184	1,244		
	- Rates and taxes	565	1,048	1,105	1,166	1,230	1,298		
	- Relocation costs - all items								
	- Rent paid - equipment hire and other hiring costs								
	- Repairs and maintenance								
	- Safety and security	4,774	7,481	7,892	8,327	8,785	9,268		
	- Service contracts								
	- Software and other small assets expensed								
	- Staff welfare	3,509	3,500	3,675	3,859	4,052	4,254		
	- Subscriptions, licences and membership fees	122	909	959	1,012	1,068	1,126		
	- Training and development	4,457	6,425	6,746	7,083	7,438	7,809		

Table 60: Statement of Comprehensive Income (Continued)

Actual	Account	Estimated Actual	Projected	Projected	Projected	Projected	Projected	Growth %	
2021/22		2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2015/2014	2020/2014
	- Telephone and fax	396	860	908	958	1,010	1,066		
	- Travel and entertainment	464	1,786	1,875	1,969	2,067	2,170		
	- Veterinary services, supplies and biological costs								
162,427	OPERATING PROFIT (LOSS) FOR YEAR	138,375	90,853	139,107	143,323	158,678	161,373	(14.81)	(0.11)
(5,447)	Finance income - (enter as positive)	37,712	33,208	29,074	29,074	35,552	41,615	(792.35)	#NUM!
(4,547)	- Trade receivables							(100.00)	(100.00)
	- Extended payment trade receivables - deemed interest								
	- Short term deposits - call accounts	37,712	33,208	29,074	29,074	35,552	41,615		
(900)	- Held to maturity financial assets							(100.00)	(100.00)
	- Available for sale investments								
	- Employee advances								
	- SARS								
	- Other								
	- 57 pipeline								
	-								
	Finance costs - (enter as negative)	(10,509)	(6,035)	(24,520)	(19,250)	(15,988)	(14,736)		
	- Long term borrowings	(3,611)	(25,461)	(22,001)	(18,555)	(15,925)	(14,736)		
	- Bank overdraft								
	- SARS								
	- Finance leases	(1,644)	(1,112)	(1,159)	(423)	(63)			
	- Borrowing costs capitalised (positive)		23,000						
	- Other	(5,255)	(2,461)	(1,360)	(272)				
	- Darvill revenue in advance								
	-								
156,980	PROFIT (LOSS) FOR YEAR	165,578	118,026	143,661	153,147	178,242	188,252	5.48	3.07
	Other comprehensive income								
	- Gain on revaluation of property, plant and equipment								
	- Gain on revaluation of intangible assets								
	- Transfers (to) from general reserves								
	- Gains / (losses) on retirement benefit plans								
	- Retirement benefit adjustment (IAS19)								
156,980	TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	165,578	118,026	143,661	153,147	178,242	188,252	5.48	3.07
		165,578	118,026	143,661	153,147	178,242	188,252		

Table 61: Statement of Financial Position

Actual	Account	Estimated Actual	Projected	Projected	Projected	Projected	Projected	Growth %	
2021/22		2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2015/2014	2020/2014
	ASSETS								
	Non-current assets								
1,154,201	Property, plant and equipment	1,302,946	1,624,685	1,918,202	2,191,038	2,132,553	2,061,969	12.89	10.15
1,049,848	Carrying value - opening balance	1,154,201	1,302,946	1,624,685	1,918,202	2,191,038	2,132,553	9.94	12.54
177,445	Additions - (will be carried to cashflow)	210,732	366,442	364,030	343,105	12,035		18.76	(100.00)
(57,793)	Depreciation - (ex income statement)	(10,916)	(10,921)	(9,549)	(7,998)	(6,748)	(4,270)	(81.11)	(35.22)
(6,744)	Disposals - carrying value	(50,419)	(55,969)	(60,005)	(61,176)	(62,706)	(65,284)	647.61	45.99
(8,558)	Impairments - (ex income statement)	(652)	(813)	(958)	(1,095)	(1,065)	(1,030)	(92.38)	(29.73)
	Revaluations - (ex income statement)								
3	Interest capitalised		23,000					(100.00)	(100.00)
17,322	Intangible assets	17,117	16,918	16,718	16,519	16,319	16,120	(1.18)	(1.19)
26,001	Carrying value - opening balance	17,322	17,117	16,918	16,718	16,519	16,319	(33.38)	(7.47)
487	Additions - (will be carried to cashflow)							(100.00)	(100.00)
(205)	Amortisation - (ex income statement)	(205)	(200)	(200)	(200)	(200)	(200)	(0.13)	(0.45)
	Disposals - carrying value								
(8,961)	Impairments - (ex income statement)							(100.00)	(100.00)
	Revaluations - (ex income statement)								
	Biological assets								
	Carrying value - opening balance								
	Additions - (will be carried to cashflow)								
	Amortisation - (ex income statement)								
	Disposals - carrying value								
	Impairments - (ex income statement)								
	Fair value adjustment								
	Investments in subsidiaries and associates								
	Opening balance								
	Changes in year								
	Investments - financial instruments								
	Held to maturity								
	Loans receivable								
	Employee loans								
	Other financial assets								

Table 61: Statement of Financial Position (Continued)

Actual	Account	Estimated Actual	Projected	Projected	Projected	Projected	Projected	Growth %	
2021/22		2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2015/2014	2020/2014
	General								
1,171,523		1,320,063	1,641,603	1,934,920	2,207,557	2,148,872	2,078,088	12.68	10.02
	Assets held for sale - net								
	Dams								
	Farms								
	Reservoirs								
	Other								
	Current assets								
	Investments								
	Short term								
	Available for sale								
25,596	Inventories	28,575	29,732	31,395	32,904	34,480	36,099	11.64	5.90
	Piping								
	Electrical								
10,377	Maintenance spares	28,575	29,732	31,395	32,904	34,480	36,099	175.37	23.09
311	Water							(100.00)	(100.00)
7,338	Chemical stores							(100.00)	(100.00)
7,539	Consumables							(100.00)	(100.00)
31	Miscellaneous							(100.00)	(100.00)
121,932	Trade receivables	83,634	89,770	104,576	109,422	115,807	120,648	(31.41)	(0.18)
120,360	Trade receivables - bulk and waste water	83,634	89,770	104,576	109,422	115,807	120,648	(30.51)	0.04
3,620	Trade receivables - other activities							(100.00)	(100.00)
(2,048)	less: provision for doubtful debts / impairments - balance b/f							(100.00)	(100.00)
	Change in prov - doubtful/impairments - ex income statement								
	Sundry debtors								
	VAT								
	Interest receivable								
	Loans and financial receivables								
	Employee loans								
	Other loans								

Table 61: Statement of Financial Position (Continued)

Actual	Account	Estimated Actual	Projected	Projected	Projected	Projected	Projected	Growth %	
2021/22		2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2015/2014	2020/2014
714,478	Cash and cash equivalents	520,115	476,401	502,632	665,779	847,034	1,053,746	(27.20)	6.69
5	Cash on hand	10	10	10	10	10	10	100.00	12.25
2,192	Bank current account							(100.00)	(100.00)
712,281	Short term deposits	520,105	476,391	502,622	665,769	847,024	1,053,736	(26.98)	6.74
	Cash Reserves								
862,006		632,324	595,902	638,603	808,104	997,321	1,210,493	(26.65)	5.82
2,033,529	TOTAL ASSETS	1,952,388	2,237,504	2,573,523	3,015,661	3,146,193	3,288,581	(3.99)	8.34
	EQUITY AND LIABILITIES								
	Capital and reserves								
260,179	Capital	271,697	286,655	304,660	325,986	325,985	348,804	4.43	5.01
57,109	Reserves	45,678	30,717	12,712	(8,614)	(8,614)	(31,434)	(20.02)	#NUM!
57,109	Opening balance	57,109	45,678	30,717	12,712	(8,614)	(8,614)		#NUM!
	Transfers in (out)								
	Transfer in reserves	(11,431)	(14,961)	(18,005)	(21,326)		(22,820)		
1,284,147	Accumulated profit (loss)	1,449,725	1,567,752	1,711,413	1,864,560	2,042,801	2,231,053	12.89	9.64
1,284,147	Opening balance	1,284,147	1,449,725	1,567,752	1,711,413	1,864,560	2,042,801		8.04
	Comprehensive income (loss) for year - (ex income statement)	165,578	118,026	143,661	153,147	178,242	188,252		
	Other								
1,601,435		1,767,100	1,885,124	2,028,785	2,181,932	2,360,172	2,548,424	10.34	8.05
	Non-current liabilities								
71,722	Long term debt	58,851	183,301	359,949	626,364	582,589	534,395	(17.94)	39.76
25,863	Bank loan - fixed rate							(100.00)	(100.00)
	Bank loan - variable rate	15,831	147,887	119,742	101,942	89,314	71,514		
	Bonds - fixed rate								
	Bonds - variable rate								
	Loans - interest free								
	Settlement agreements								
38,541	Income received in advance	38,692	32,170	239,038	524,422	493,275	462,881	0.39	51.33
7,318	Finance lease obligation	4,328	3,244	1,169				(40.86)	(100.00)
	Other non-current liabilities								
	Post retirement benefit obligations								
	Defined benefit and contribution plans - opening								
	Actuarial movement on defined benefit contribution								
	- Healthcare benefits								

Table 61: Statement of Financial Position (Continued)

Actual	Account	Estimated Actual	Projected	Projected	Projected	Projected	Projected	Growth %	
2021/22		2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2015/2014	2020/2014
71,722		58,851	183,301	359,949	626,364	582,589	534,395	(17.94)	39.76
	Current liabilities								
15,778	Current portion of long term loans	17,731	35,693	35,848	55,757	48,947	48,194	12.38	20.45
10,658	Bank loan - fixed rate	10,345	28,145	28,145	22,972	17,800	17,800	(2.94)	8.92
	Bank loan - variable rate								
	Bonds - fixed rate								
	Bonds - variable rate								
	Loans - interest free								
	Settlement agreements								
5,120	Income received in advance	4,968	5,659	5,632	31,616	31,147	30,394	(2.97)	34.56
	Finance lease obligations	2,418	1,889	2,071	1,169				
	Interest payable								
321,086	Trade and other payables	94,899	117,386	132,061	133,799	135,695	137,746	(70.44)	(13.16)
124,057	Trade payables	90,023	111,657	127,180	128,655	130,134	131,978	(27.43)	1.04
	Trade payables - related parties								
	Statutory payables - employees tax / benefits funds								
1,735	SARS - VAT	4,876	5,729	4,881	5,144	5,561	5,768	181.03	22.17
	Amounts received in advance								
	Accrual - audit fees								
195,294	Accruals - other							(100.00)	(100.00)
1,956	Other payables / loans							(100.00)	(100.00)
21,552	Provisions	13,806	16,001	16,881	17,809	18,790	19,822	(35.94)	(1.38)
10,738	Leave pay	13,806	16,001	16,881	17,809	18,790	19,822	28.57	10.76
10,814	Bonuses							(100.00)	(100.00)
	Legal fees - costs and claims								
	Other								
	Bank overdraft								
	Current account 1								
	Current account 2								
	Current account 3								
360,372		126,436	169,079	184,789	207,365	203,432	205,763	(64.92)	(8.92)
2,033,529	Total equity and liabilities	1,952,388	2,237,504	2,573,523	3,015,661	3,146,193	3,288,581	(3.99)	8.34
				0	(0)	0	(0)		

Table 62: Statement of Cashflow

Actual	Element	Estimated Actual	Projected	Projected	Projected	Projected	Projected	Growth %	
2021/22		2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2015/2014	2020/2014
	OPERATING ACTIVITIES								
156,980	Net profit for period before changes	165,578	118,026	143,661	153,147	178,242	188,252	5.48	3.07
80566	Adjustments for non-cash items, interest and other	35,359	(7,930)	(12,013)	(17,695)	(23,919)	(47,641)	(56.11)	#NUM!
57,998	- Depreciation and amortisation	11,121	11,121	9,749	8,198	6,948	4,470	(80.83)	(34.76)
17,519	- Impairments of PPE, intangibles and biological assets	652	813	958	1,095	1,065	1,030	(96.28)	(258.60)
	- Retirement benefits provisions	49,897	6,658	(18,932)	(18,039)	(13,221)	(27,086)		
6,030	- Profit (loss) on sale of fixed, intangible and biological assets	892	650	767	876	852	824	(85.20)	(28.23)
	- Interest received - (deduct from profit)	(37,712)	(33,208)	(29,074)	(29,074)	(35,552)	(41,615)		
	- Interest paid - (add to profit)	10,509	6,035	24,520	19,250	15,988	14,736		
	- Revaluations of assets								
(981)	- Impairment of trade receivables							(100.00)	(100.00)
	Net Finance costs capitalised								
	Adjustments for:	25,090	(23,000)						
	- Discontinued operations	25,090							
	Finance cost capitalised		(23,000)						
126178	Working capital changes	(197,243)	17,389	(915)	(3,688)	(5,086)	(3,375)	(256.32)	(111.30)
6,433	- Inventories	(2,979)	(1,157)	(1,663)	(1,509)	(1,576)	(1,619)	(146.31)	#NUM!
(14,253)	- Trade debtors	38,298	(6,135)	(14,807)	(4,846)	(6,386)	(4,840)	(368.70)	(114.80)
(6,824)	- Sundry debtors	(4,968)						(27.20)	(100.00)
137,235	- Trade and other payables	(229,244)	22,487	14,675	1,738	1,896	2,051	(267.04)	(1022.10)
3,587	- Provisions	1,650	2,195	880	928	981	1,032	(54.00)	(18.74)
363724	Net cash generated from operating activities	28,785	104,485	130,733	131,764	149,237	137,236	(92.09)	(14.99)
(177217)	INVESTING ACTIVITIES - NET CASH UTILISED	(210,384)	(296,166)	(286,787)	(261,479)	49,818	87,279	18.72	(173.70)
(177,445)	- Additions to property, plant and equipment	(210,732)	(366,442)	(364,030)	(343,105)	(12,035)		18.76	(100.00)
(487)	- Additions to intangible assets							(100.00)	(100.00)
	- Additions to biological assets								
715	- Proceeds on disposal of fixed and intangible assets	49,526	55,318	59,238	60,300	61,854	64,460	6826.74	(6915.60)
	- Proceeds on disposal of biological assets								
	- Investments in subsidiaries and associates								
	- Interest receivable movement								
	- Movement in assets held for sale	(49,526)							
	- Increase (decrease) in capital	348	14,958	18,005	21,326	(1)	22,819		
(1160)	FINANCING ACTIVITIES - NET CASH UTILISED	(12,763)	147,966	182,284	292,859	(17,800)	(17,802)	1000.24	57.64
(10,434)	- Movement in long term borrowings	(10,345)	124,449	176,648	266,415	(43,775)	(48,194)	(0.85)	29.05
9,274	- Movement in investments							(100.00)	(100.00)
	- Proceeds (repayment) short term borrowings	(27,203)	17,962	155	19,909	(6,810)	(753)		
	- Movement in loan receivables								
	- Interest received	37,712	33,208	29,074	29,074	35,552	41,615		
	- Interest paid	(10,509)	(6,035)	(24,520)	(19,250)	(15,988)	(14,736)		
	- Movement in retirement benefit obligations								
	- Adjustment for non-cash interest	(2,418)	(21,619)	927	(3,290)	13,221	4,266		
	- Decrease in income received in advance								
	CASH AND CASH EQUIVALENTS								
185347	- Net increase (decrease) in cash utilised for the year	(194,362)	(43,715)	26,231	163,144	181,255	206,713	(204.86)	1.83
529,131	- At beginning of year	714,478	520,115	476,401	502,632	665,779	847,034	35.03	8.16
714,478	- AT END OF YEAR	520,115	476,401	502,632	665,776	847,034	1,053,747	(27.20)	6.69
0				0	3	0	(0)		
714478	- end of year per balance sheet	520,115	476,401	502,632	665,779	847,034	1,053,746		

Table 63: Capital Expenditure Program

Actual	Capex Category	Estimated Actual	Projected	Projected	Projected	Projected	Projected	Growth %	
2021/22		2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2015/2014	2020/2014
	Immovable capex								
	Augmentation and upgrade								
133650	Expansion	170,342	197,407	239,500	317,000				(100.00)
132456	Rehabilitation	3,010	65,630	72,890	2,005			28.60	(100.00)
	Development projects	5,000	5,000	5,000	5,000	5,000			
	Capitalised interest								
266106		178,352	268,037	317,390	324,005	5,000		(32.98)	(100.00)
	Movable capex								
22383	Equipment and vehicles	20,430	87,405	39,240	14,100	7,035		(8.73)	(100.00)
3854	Information technology communication	11,950	11,000	7,400	5,000			210.07	(100.00)
	Laboratory and process services								
26237		32,380	98,405	46,640	19,100	7,035		23.41	(100.00)
	Summary								
266106	Immovable capex	178,352	268,037	317,390	324,005	5,000		(32.98)	(100.00)
26237	Movable capex	32,380	98,405	46,640	19,100	7,035		23.41	(100.00)
292343		210,732	366,442	364,030	343,105	12,035		(27.92)	(100.00)
	% of total	16.3%	28.3%	28.1%	26.5%	0.9%			
	Total forecast period - 2023 to 2027	1,296,344	44.5%	56.3%	54.5%	27.4%	0.9%		
	Reconciliation								
292343	Capex above	210,732	366,442	364,030	343,105	12,035		(27.92)	(100.00)
(292,343)	Capitalised fixed assets - per fixed assets entry	(210,732)	(366,442)	(364,030)	(343,105)	(12,035)		(27.92)	(100.00)
	Capitalised intangibles - per intangibles entry								
	Written off to expenses								
	Difference								
	Cumulative difference								

Table 64: Financial Ratios

Actual	Category	Estimated Actual	Projected	Projected	Projected	Projected	Projected	Growth %	
2021/22		2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2015/2014	2020/2014
	Performance indicators								
0.320	- Cost of raw water / primary revenue	0.423	0.466	0.464	0.466	0.461	0.467	32.22	6.49
0.683	- Cost of sales / total revenue	0.702	0.763	0.735	0.741	0.733	0.736	2.73	1.26
0.013	- General expenses / total revenue	0.135	0.136	0.123	0.120	0.120	0.121	963.45	45.78
1330.530	- Employees costs / per megalitre	236155.156	204468.608	204606.381	212505.249	220590.324	228853.476	17648.95	135.82
0.332	- Employee costs / total costs excl finance costs	0.168	0.131	0.130	0.129	0.128	0.127	(49.35)	(14.81)
	- Operating profit (loss) per employee								
	- Total staff complement								
	- Management								
	- Other								
	Operating risks								
61.7	- Debtors days (trade debtors excl VAT/ revenue x 365 days)	31.5	31.8	33.9	33.8	34.0	34.0	(48.92)	(9.48)
8.0%	- Return on assets (EBIT / total assets excluding investments)	7.1%	4.1%	5.4%	4.8%	5.0%	4.9%	(11.27)	(7.80)
	Financial risks								
2.392	- Current ratio (current assets / current liabilities)	5.001	3.524	3.456	3.897	4.902	5.883	109.08	16.18
0.055	- Gross debt / equity ratio (total debt liabilities / total equity)	0.043	0.116	0.195	0.313	0.268	0.229	(20.68)	26.94
0.043	- Debt / assets ratio (total debt / total assets)	0.039	0.098	0.154	0.226	0.201	0.177	(8.84)	26.60
	Business credit risk								
	- interest cover (EBIT / interest paid)	13.167	15.055	5.673	7.445	9.925	10.951		
	Surplus ratios								
0.24	- Return on turnover (net profit / turnover)	0.19	0.13	0.15	0.15	0.16	0.17	(20.13)	(6.27)

[illegible]





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