



# 2019/2020

## ANNUAL REPORT





“Thousands  
have live  
without love,  
not one without  
water.”

By W.H. Auden

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# Governance

Overberg Water Board is governed by the board of nine members and once ex-officio member. The Board is appointed in terms of the Water Services Act, Number 108 of 1997. It is appointed by the Minister of Human Settlements, Water and Sanitation. The Public Finance Management Act, Number 01 of 1999 as amended, regulates the financial activities of the Board and remains the supreme legislation on financial and related matters. The Board is solely responsible for governance which includes oversight and accounting authority responsibilities. The current Board members were appointed effective from 01 April 2019. As per the legislation and letters of appointment, the Board reports directly to the Minister of Human Settlements, Water and Sanitation. The Board consists of diverse and reputable skills to the advantage of Overberg Water.

The above-mentioned Board Members contract with the Executive Authority, the Minister, through an annually approved shareholder compact. The Board then actively engaged with the shareholder through various platforms of communication during the year.

In order to have a system that regulates the Board activities, the Board adopted its Charter. It was further cascaded down to its Committees; namely, the Audit, Risk & Business Strategy Committee, the Operations & Infrastructure Committee and Human Resources, Remuneration & Ethics Committee. These Committees used the Board Charter to develop their Terms of Reference / Sub-Charters.

The Terms of Reference / Sub-Charters were duly approved by the Board. As previously stated, Board Charter provides a framework for fiduciary duties, responsibilities and overall functioning of the Board. The Board Charter has to be read in conjunction with:

- The Public Finance Management Act (Act 1 of 1999), as amended by the Public Finance Management Amendment Act (Act 29 of 1999), hereinafter referred to as the PFMA,
- Treasury Regulations (GG 27338) as amended from time to time,
- The Water Services Act (Act 108 of 1997), as amended, and
- B-BBEE Act (Act 53 of 2003)
- The King Code of Governance Principles, 2016 (King IV).

Compliance with King IV is not a legislative requirement, but the Board endeavours to abide by the recommendations of King IV insofar as practically possible to ensure good corporate governance.

The non-executive Board members received remunerative benefits and fees as determined by the Minister in line with their terms of appointment. Therefore, there was no Board member who was involved in determining his/her own remuneration. Board members' remuneration has been fully disclosed in the Overberg Water Board's Annual Financial Statements as contained in this Annual Report.





# Overberg Water Board Members



**NAME:** Mr Razeen Benjamin  
**GENDER:** Male  
**ROLE:** Board Chairperson  
**COMMITTEE:** Human Resources, Remuneration and Ethics



**NAME:** Ms Ina Elizabeth Du Bruyn  
**GENDER:** Female  
**ROLE:** Board Deputy-Chairperson  
**COMMITTEE:** Operations and Infrastructure



**NAME:** Mr Petrus Matji  
**GENDER:** Male  
**ROLE:** Committee Chairperson  
**COMMITTEE:** Operations and Infrastructure



**NAME:** Ms Siphwe Doris Mayinga  
**GENDER:** Female  
**ROLE:** Committee Chairperson  
**COMMITTEE:** Human Resources, Remuneration and Ethics



**NAME:** Ms Nandipha Madiba  
**GENDER:** Female  
**ROLE:** Member  
**COMMITTEE:** Audit, Risk and Business Strategy



**NAME:** Mr David Lefutso  
**GENDER:** Male  
**ROLE:** Committee Chairperson  
**COMMITTEE:** Audit, Risk and Business Strategy



**NAME:** Mr Gregory Jerome Davids  
**GENDER:** Male  
**ROLE:** Member  
**COMMITTEE:** Human Resources, Remuneration and Ethics



**NAME:** Mr Sikhumbuzo Eric Nene  
**GENDER:** Male  
**ROLE:** Member  
**COMMITTEE:** Operations and Infrastructure



**NAME:** Ms Lerato Seripe  
**GENDER:** Female  
**ROLE:** Member  
**COMMITTEE:** Audit, Risk and Business Strategy



**NAME:** Mr Phakamani Buthelezi  
**GENDER:** Male  
**ROLE:** Chief Executive Officer  
**COMMITTEE:** Ex-officio

# A Strategic Kaleidoscope of Success

## Vision

It is often said that the vision of an entity is important as the oxygen to the body. It provides life and determines both the current and future character of the entity. In addition, it sets the tone and directs the entity to a particular destination. At Overberg Water the vision is both the compass and the desired state of success. Hence, the vision compels Overberg to: "To become the leading regional water utility providing sustainable and competitive water and sanitation services". The recent drought that has engulfed many parts of the country primarily the Western Cape Province calls for dedicated water entities like Overberg Water to innovatively and proactively look for better solutions in the provision of water and sanitation services. Therefore, becoming the regional water utility will mean ensuring continuous water and sanitation services to our current and future customers. Also, various alternative sources of water such as groundwater and desalination need to be explored so that the leading role becomes a reality as OW grows in revenue and geographical terms.

## Mission Statement

The above-mentioned vision is further operationalised by the mission statement that clearly articulates the desired outcome of the Entity. The Mission is:

"To supply and maintain reliable, affordable and good quality water and sanitation services for the regions".

## Integration

In terms of the vision and the mission statement OWB is to become the leading water utility beyond the current Overberg Region pursuing both the Breede-Gouritz and Berg-Olifants Water Management Areas as its primary areas of focus. This is aimed at continual supply and maintaining reliable, affordable and good quality of water and sanitation services. This aim is also dependent on the set of values which informs the overall organisational culture. It is the culture that supports the Entity's programmes as they entrenches the organisational goals.

Overberg Water its current area of operation is within the Overberg Region. The intention is to grow not only for revenue and geographical expansion purposes but to make water and services more affordable due to the economies of scale.

In order to achieve the Growth Path Strategic Intent as informed by both the Vision and Mission Statement the following areas become the essential building blocks:

- Grow the market share within the region;
- Source funding and grants for infrastructure and service delivery projects;
- Equitable access to reliable, sustainable and acceptable water services through improved revenue streams;
- Sound cooperative governance as well as improve compliance and reporting;
- Enhance operational efficiencies across the value chain;
- Develop and transform the workplace; and
- Improve and enhance customer satisfaction.

Therefore, this 2019/20 Annual Report presents both the performance and financial information. The ultimate objective is to continually transcend the expectations.

### VISION

- To become the leading regional water utility providing sustainable and competitive water and sanitation services for the region

### MISSION

- To supply and maintain reliable, affordable and good quality water and sanitation services for the region.

### VALUES

- **Teamwork:** Promoting a culture of collaborative behavior whilst pursuing individual organisational responsibilities.
- **Respect:** Serving with a positive attitude, courtesy, and mutual respect that engender a shared vision.
- **Sustainability:** Promoting environmentally sustainable practices as a commitment to protecting the natural resources.
- **Accountability:** Addressing challenges promptly, implement effective solutions by providing excellent service as a committed team.
- **Integrity:** Upholding honesty and moral principles.

### PROGRAMMES

- Water services planning
- Water services management
- Institutional and stakeholder relations
- Resource protection
- Strategic support, which includes finance, human resources and administration
- Governance and management

### GOALS

- Organisational efficiency and effectiveness
- Improve and increase revenue and manage cost drivers
- Effective stakeholder and customer engagement
- Strengthen and develop quality human and organisations resources
- Provide oversight and take accountability

# Points of Interaction

Flowing from the Department of Water and Sanitation in the Ministry of Human Settlement, Water and Sanitation motto that reads as follows:

“Water is Life and Sanitation is Dignity”

It becomes compelling for OWB to ensure that drinking water quality is in terms of the SAN241 standards and that every effort is being made towards ensuring water quality and quality in general in the provision of services. The assurance of quality is for the entire water services envelope.

## Background

There are nine national water boards offering essential water services to the end users. Overberg Water Board is one of those water boards which are not only offer water services but exist to advance the South African Constitution insofar as water access is concerned. The Overberg Water Board was established in 1993 with the amalgamation of Duivenhoks and Ruensveld water boards. The Overberg Water Board is one of the national water public entities under the Department of Water and Sanitation (DWS). It also exists to complement the work of the Department and primarily supports the Minister as the shareholder. It is a water board providing bulk water services in terms of the Water Services Act 108 of 1997 and is subjected to a number of applicable laws such as the Constitution, the National Water Act 36 of 1998, Public Finance Management Act 1 of 1999. Overberg Water discharges its services by placing its customers ahead of the delivery menu. It has a long history of service delivery and placing customers in the forefront since its inception. Overberg Water has been a pillar of hope to its customers in terms of the quality of drinking water. The Head Office of OW is situated in Somerset West which is approximately 40 km from the Cape Town CBD and 30 km from Cape Town International Airport. It also has three water schemes functioning as satellite offices and these are Ruensveld West, Caledon; Reunesveld East Swellendam and Duivenhoks in Heildeborg.

The OWB is wholly-owned by the State. The Minister of Human Settlement, Water and Sanitation is the Executive Authority. It is the only national water board operating in the Western Cape Province. It came out from its strategic session with the determination to grow and become the main partner in the provision of bulk water and sanitation services. Overberg Water's geographical location is within one of the nine water management areas; namely; the Breede-Gouritz Water Management Area. This is further illustrated by the following diagram showing all the nine water management areas in the country.

Overberg Water provides bulk drinking water to Hessequa Municipality, Theewaterskloof Municipality and its industrial customers. It intends to further extend its services to the nearest municipality and ultimately to the whole Western Cape Province, two water management areas and beyond.

The ever-increasing demand for water services is a clarion call for building partnerships. Partnerships build strengths which amongst other things facilitate the sharing of knowledge and expertise. Overberg Water shall endeavour to build more partnerships as means to water sustainability. It is the firm belief at Overberg Water that water services provision is largely dependent on other essential partners such as the civil society, the private sector and the public sector. The more these partnerships are built the greater we all become and the winner is sustainability.

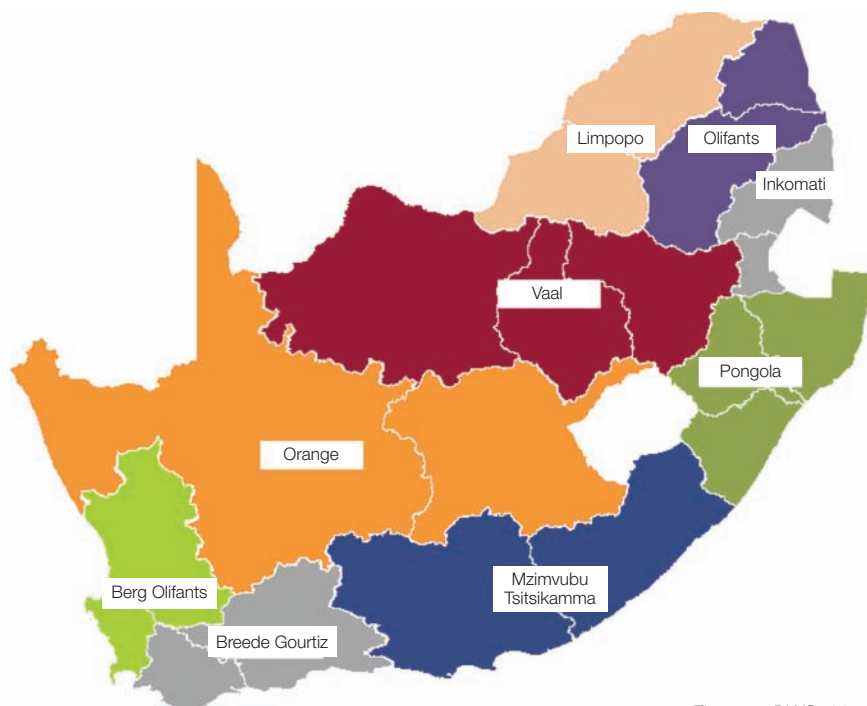


Figure 1: DWS, 2015

# Areas of Focus and Boundaries

## Jurisdictional Area

The Overberg Water's area of jurisdiction is the south-western Cape in the west to the Heilideberg/ Riversdale districts in the east and bounded by the Langeberg Mountains in the north and by the Indian Ocean in the south. Its area includes the following towns: Caledon, Napier, Bredasdorp, Riviersonderend, Swellendam, Heilideberg, Riversdale and a number of other smaller areas. It is situated in one of the water management areas, namely, the Breede-Gouritz Water Management Area (BGCMA) which measures approximately 72 000 square kilometres. The BGCMA is the sole water resource authority in the catchment. The BGCMA "gives effect to its function to investigate and advise water users on the protection, conservation, management and control of water resources in a cooperative manner" (BGCMA, 2015).

The primary function of OW is mainly the provision of bulk drinking water to its customers. Viewing the location of OW schemes within the BGCMA area of jurisdiction naturally creates a symbiotic relation with the BGCMA in managing the water use. The following map shows and facilitates cooperative governance of water resources through the linking of National, Provincial and Local Government as well as a host of sector partners and stakeholders.



Figure 2: Map of Overberg Catchment Management Area

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

Considering that OW intends developing its growth path and in line with its vision that states the following: "To become the leading regional water utility providing sustainable and competitive water & sanitation services"; it stands to reason that knowing the rainfall patterns of the WMA is relevant for planning purposes. This will support OW in increasing its footprint through the Western Cape region and beyond. According to the BGCMA (2015) the rainfall patterns have, however, changed in the last few years, with the continuation of a severe drought in the central Gouritz area and more recent within the Breede and Overberg areas. The rainfall patterns are depicted in the Seasonal Precipitation Index Maps supplied by the Agricultural Research Commission (Figures 2 and 3)

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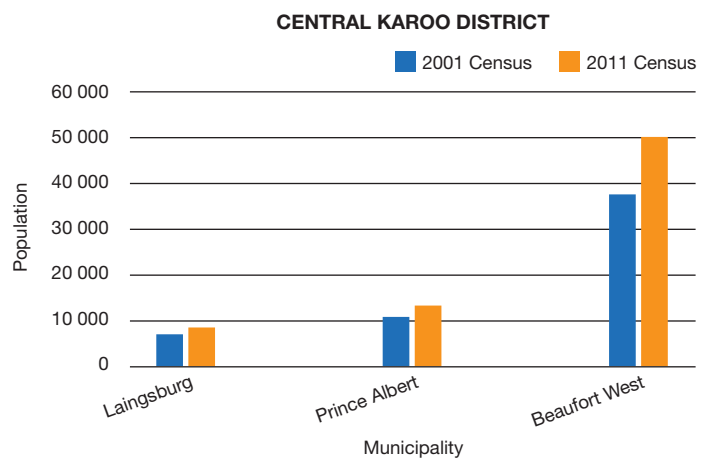
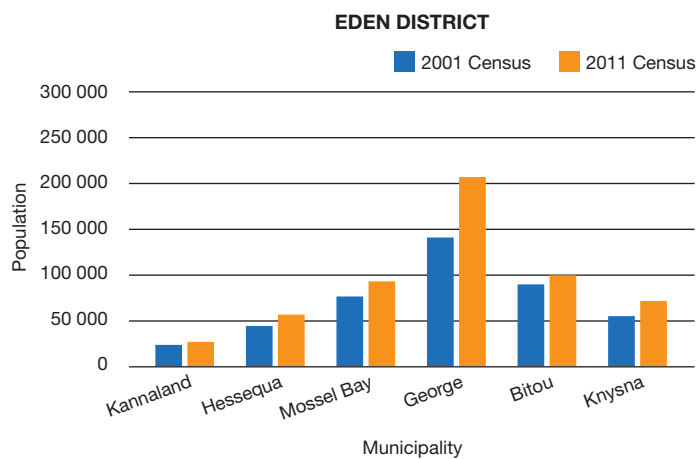
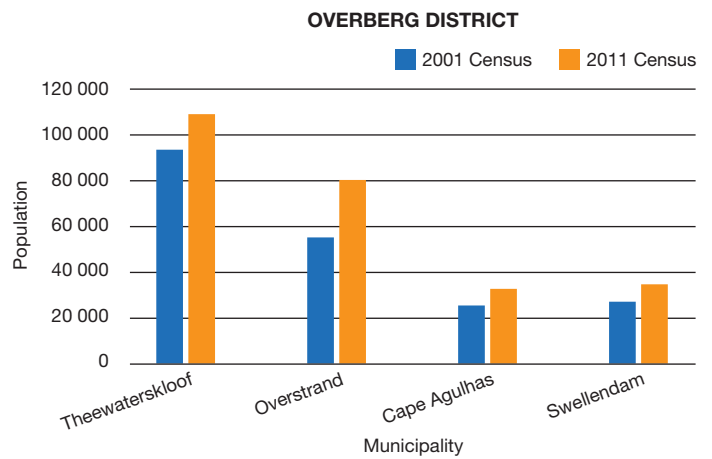
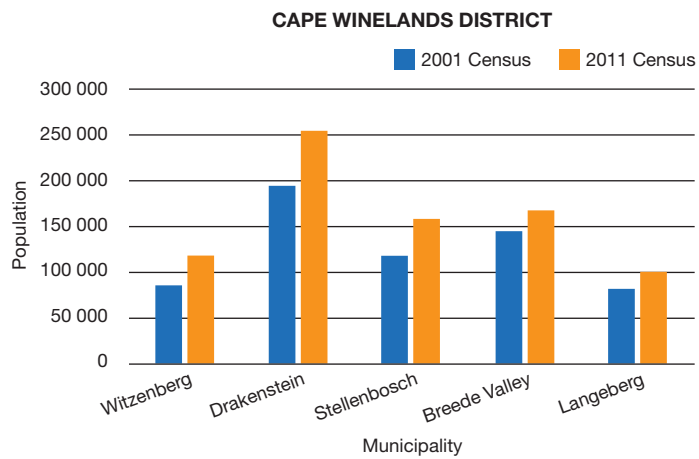


Figure 5: Population indicative growth in districts of OW



It is therefore strategic for OW to focus in the above-mentioned districts in its endeavour to grow its business footprint. Growing the business requires a very close look and working with other institutions and government departments. The following diagram shows the institutional analysis what must be taken into account whilst expanding the business.

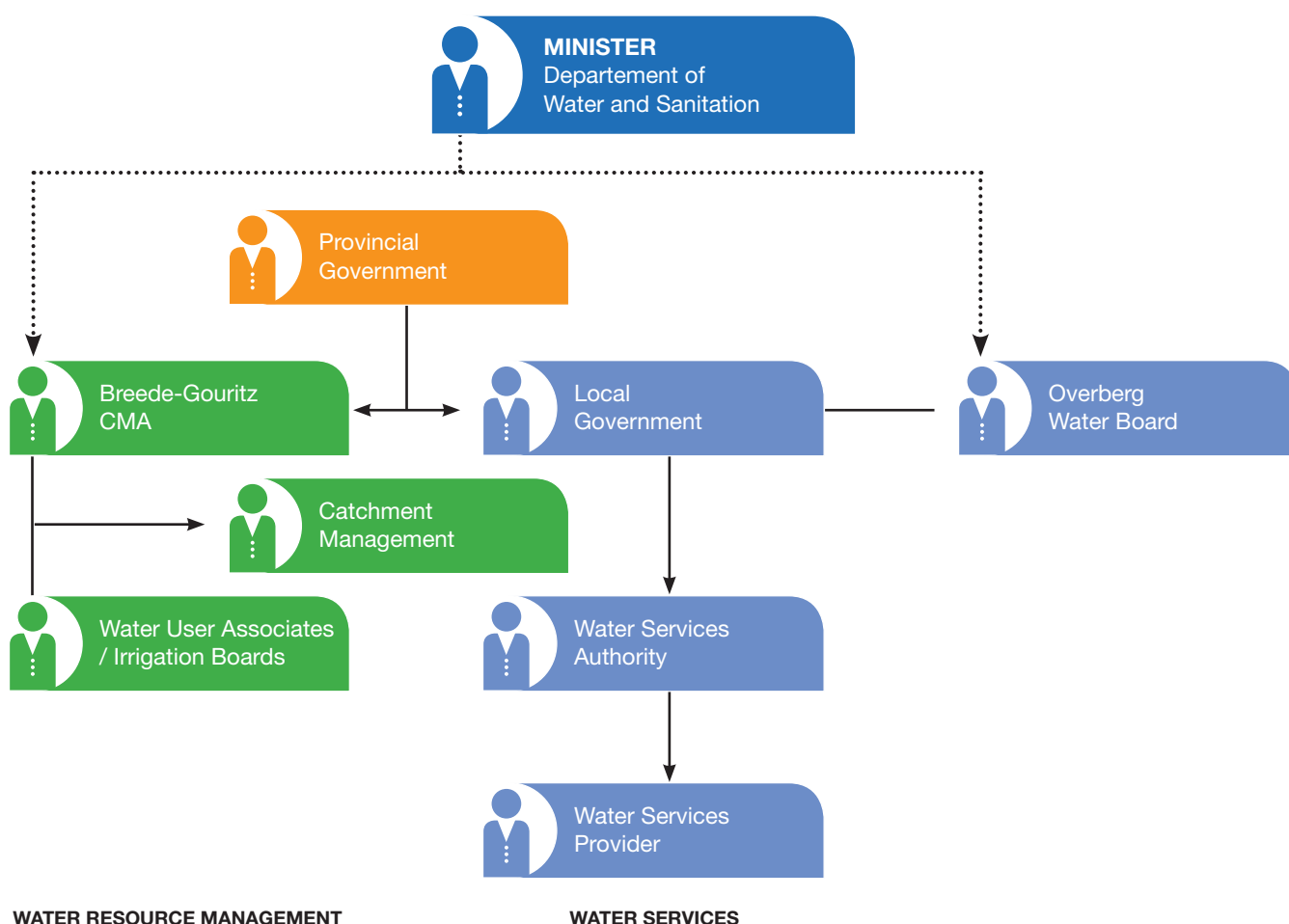


Figure 6: Structure showing the environment of the OW

## Overberg Water Legislative Mandate and Performance

Overberg Water derives its mandate from the Water Services Act 108 of 1997 and the Public Finance Management Act 1 of 1999, amongst others and it is defined by the PFMA as a Schedule 3B public institution and categorised as a National Government Business Enterprise. It was established in 1993 to provide water services to the customers whereby water services include both bulk drinking water and sanitation services. The focus of OW over the years has largely been on drinking water and is currently exploring wastewater treatment opportunities with the aim to cover a wider area within the region if not becoming the main player in the provision of water and sanitation services.

OWB, like any other water board has to cope with the “new normal” which is about sustaining the business in a period of climate change and drought. The role played by OW during a period of drought was to ensure that quality drinking water is available by implementing the water restrictions and aligning itself with the conditions of DWS and other related drought governance initiatives. Such conditions included investing in temporal water storages such as constructing the beams in selected rivers and maintaining constant communication channels with its customers.

## Business Activities of Overberg Water

As previously stated, the primary activities of OW in terms of section 29 of the Water Services Act, is to provide water services to other water services institutions in its service area. In line with OW's growth intention, section 30 of the Water Services Act enables OW to undertake other activities on condition that these activities do not affect the entity's ability to perform its primary function. Such other activities in terms of section 30 of the Water Services Act include the following:

- Providing management services, training and other support services to other water services institutions, in order to promote co-operation in the provision of water services,
- Supplying untreated or non-potable water to end-users who do not use water for household,
- Providing catchment management services to or on behalf of the responsible authority,
- With the approval of the water services authority having jurisdiction in the area, OW maybe be charges with supplying water directly for industrial use, accepting industrial effluent and acting as a water services provider to consumers,
- Providing water services in joint venture with water services authorities, and
- Performing water conservation functions.



# Water Resources

## Water Availability – Catchment Areas

Overberg Water has two main primary sources of water impoundments, namely, the Theewaterskloof Dam and Duivenhoks Dam. Each impoundment feeds two separate river systems, the Riviersonderend and Duivenhoks River, respectively. Table 4 overleaf highlights the capacities of the water resources, including the owners and managers of the impoundments.

## Water Availability – Drought Implications

Rainfall patterns within South Africa are one of great variability. South Africa's mean annual precipitation is estimated at 450mm compared to the global average of 860mm. Seasonal rainfall percentage deviations since 1960 has shown that the wide fluctuations about the long-term average and it is in this context that large rainfall deficits must be assessed. As an example, between July of 1960 and June of 2004, there have been 8 summer-rainfall seasons where rainfall for

the entire summer-rainfall area has been less than 80% of normal. It can be safely assumed that a shortfall of 20% from normal rainfall will cause crop and water shortfalls in many regions accompanied by social and economic hardship.

Current observations still show the persistence of a strong El-Niño. However, most models are confidently showing a gradual decay of El-Niño and the development of a neutral ENSO (El-Niño Southern Oscillation) state towards the winter season (SAWS, 2016). The forecast shows a huge disparity in the rainfall and temperature forecast for the coming seasons, therefore the likelihood of climate conditions for the coming winter season is overshadowed by the growing uncertainty in the forecast. It is very difficult to look at the entire summer-rainfall region and deduce that drought affected all of these areas equally. On the contrary, some of the provinces in South Africa appear to suffer more harshly than others at times of rainfall deficit.

In the Overberg Region the impact of the drought has been particularly harsh, and the Department of Water and Sanitation is considering declaring the area a national disaster. Water Conservation and Demand Management must be a priority during this time especially looking at the state of the major dam that feeds two of Overberg Water's schemes:

DAM	RIVER	CURRENT LEVEL (%)	LAST YEAR'S LEVEL (%)	NOTES
Duivenhoks	Duivenhoks River	94.0	98.9	Supplies to Heidelberg and surrounding agricultural users
Theewaterskloof	Riviersonderend	26.6	40.0	Supplies to Caledon, Proteem, Klipdale and surrounding agricultural users

Table 4: Major dams feeding two schemes of OW

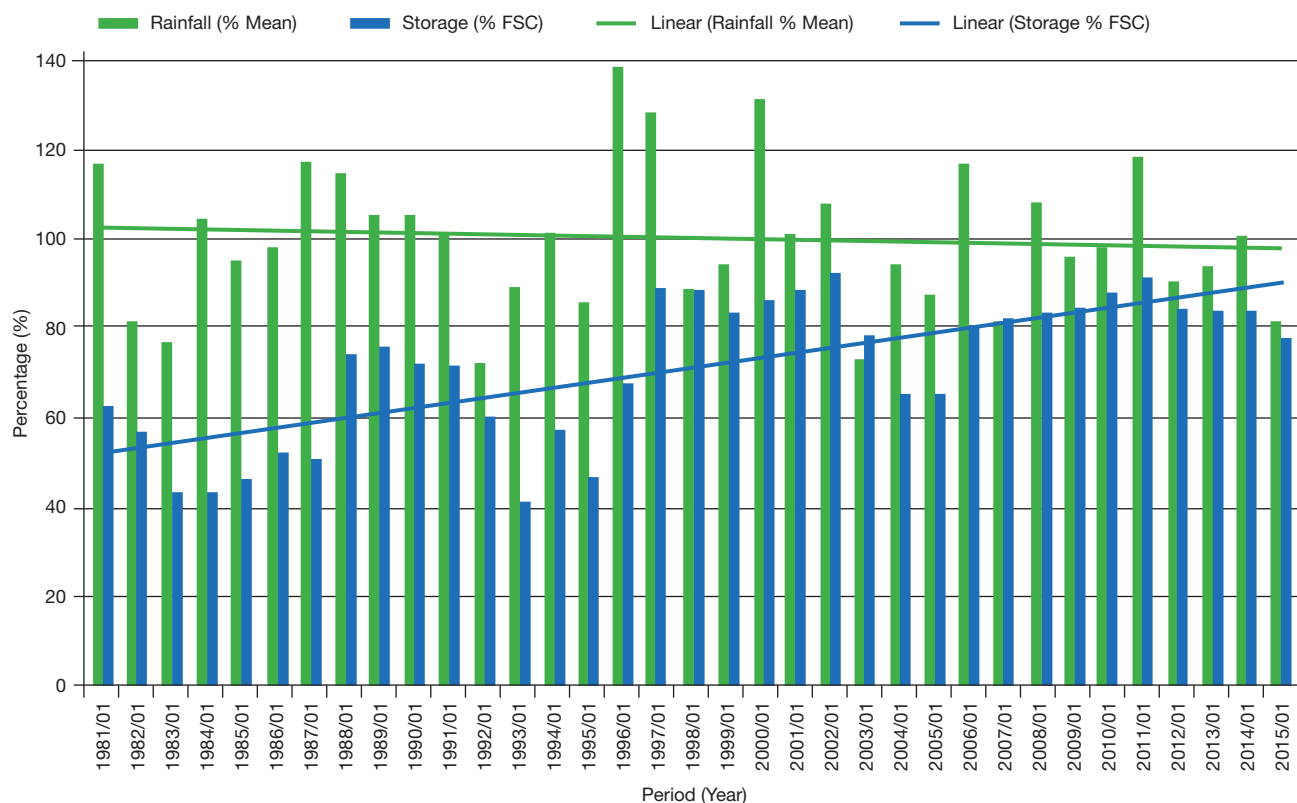


Figure 10: Rainfall and storage percentage trend since 1980  
Source, DWS (2017)



Figure 11: Theewaterskloof Dam

## Raw Water Quality

The quality of raw water remains a challenge throughout the region, particularly at the source and catchment. The raw water quality status of each source/catchment is determined by comparing key determinants against Overberg Water's quality criteria for each water supply catchment. Table 6 overleaf provides an overview of the water quality of raw water over the years.

Further discussions with the Catchment Management Agencies (CMAs) will be explored to improve the quality of water sources.

GEOGRAPHICAL AREA	SYSTEM	CATCHMENT	IMPOUNDMENT	RIVER	OWNER	MANAGER	GROSS CAPACITY (MILLION M <sup>3</sup> )
Overberg Region	Rûensveld-Wes	Breede-Gouritz	Theewaterskloof Dam	Sonderend	DWA	BGCMA	479.3
	Rûensveld-Oos	Breede-Gouritz	Theewaterskloof Dam	Sonderend	DWA	BGCMA	479.3
	Duivenhoks	Breede-Gouritz	Duivenhoks Dam	Duivenhoks	DWA	BGCMA	6.2
Total for Water Systems							964.8

Table 5: Capacity of water resources

GEOGRAPHICAL AREA	SYSTEM	CATCHMENT	IMPOUNDMENT	WATER QUALITY STATUS			DESCRIPTION OF RAW WATER QUALITY PROBLEM
				2015	2016	2017	
Overberg Region	Rûensveld-Wes	Breede-Gouritz	Theewaterskloof Dam	Good	Good	Good	Eutrophication with occasional high turbidity
	Rûensveld-Oos	Breede-Gouritz	Theewaterskloof Dam	Moderate	Moderate	Moderate	Eutrophication with occasional high turbidity High conductivity High organic matter, exacerbated by the rapid floods
	Duivenhoks	Breede-Gouritz	Duivenhoks Dam	Good	Good	Good	Eutrophication with occasional high turbidity

Table 6: Raw water quality

# Water Resource Assurance and Supply Security Per Water Services Authority

The El Nino and protracted drought period experienced over the last year has had a severe impact on the water security in the region. The TWK Dam has been at an all-time low over the last year, reaching levels below 30%. Overberg Water is cognisant of this decline and has reduced its volumes for financial year 2017/18 and predicting an increase thereafter.

Direct abstractions from the Sonderend River, Berg and Breede River as well as many smaller streams and rivers form an important source supplying many smaller towns and villages. Many municipal and rural water supply schemes are reliant on groundwater for potable water supply and groundwater also forms an important supplementary source to many surface water abstractions. Farms within the region make use of groundwater to a great extent, mainly through private boreholes and wells.

The Overberg region is characterised by east-west mountain ranges and valleys. The area is characterised by large, relatively flat, coastal plains with undulating hills reaching up to the Riviersonderend, Langeberg and Outeniqua mountain ranges to the north. Historically, surface water has been the most important resource for water supply to towns in the Overberg region and, in many cases, settlements in the region developed near accessible surface water sources such as rivers and dams.

The Breede, Gouritz and Sonderend Rivers are the prominent rivers in the Overberg region and many of the larger towns are situated close to these river systems. The Overberg region is situated in the coastal rainfall region of the Western Cape which has a mean annual rainfall of 324 mm. Evaporation is high and exceeds rainfall in most areas; consequently, runoff is mostly restricted to the larger rivers with many smaller streams and rivers drying up partially or completely in summer. The Overberg region is generally classified as a water-scarce region with varying rainfall.

The lower reaches of the Breede River are significantly impacted by return flows from agricultural areas, leading to high salinity. Large volumes of water are transferred from the Breede River catchment to the Berg River catchment from Theewaterskloof Dam, which form a significant portion of the potable water supply to the Cape Town Metropolitan area and irrigation along the Berg River. The coastal plains between Botrivier and Witsand are characterised by large wetlands and lakes. Several commercial forests are located in the western parts of the Overberg and impact significantly on runoff. Alien species invasion is particularly evident in the Overberg, especially in riparian areas.

Municipalities are generally responsible for their own bulk water supplies for towns while Overberg Water supplies some towns and mostly retail customers including farms and industries. Several smaller retail and private water schemes also exist in the region.

Potable water needs are mostly concentrated in larger towns and specifically coastal towns impacted by tourism and seasonal high-water demand during the drier summer months. The coastal towns in the Overberg region such as Roo Els, Bettiesbay, Kleinmond, Hermanus, Gansbaai, Franskraal, Pearly Beach, Struisbaai, Arniston, Infanta, and Witsand experience a high influx of holiday makers during summer and particularly over December and Easter holidays. This impacts significantly on the peak water demands for these towns and requires special measures to be taken by municipalities to ensure adequate potable water supply as the peak demand coincides with the peak summer and driest period.

According to the All Towns Study, the combined water demand in 2007 for the towns and villages in the Overstrand, Hessequa, Cape Agulhas, Theewaterskloof, and Swellendam Municipalities was 52.7 ML/d and is projected to increase to a maximum of 197.9 ML/d in accordance with the high growth scenario.

## Overstrand Municipality

The current raw water sources for the Greater Hermanus Area consist of the De Bos Dam (licenced 2.8 mcm/a) and the Gateway Well field (licenced 1.6 mcm/a – note sustainable abstraction rate is only 1.2 mcm/a).

Two new well field developments are underway in the Hemel and Aarde Valley, i.e. the Camp hill and Welmoedwellfields, which will provide a further 1.6 mcm/a raw water source capacity bringing the total safe yield for the Greater Hermanus area sources to 5.6 million mcm/a.

The Overstrand Municipality has identified that the Greater Hermanus Area is projected to experience an annual average daily demand of 9.25 mcm/a by 2032 and a shortfall of 3.65 mcm/a (10 ML/day average day demand). The Greater Hermanus Area experiences a significant influx of holiday makers during the peak summer months and the Municipality has therefore indicated that investigations into an alternative water source must be based on the estimated peak week demand with a peak week factor of 1.75; i.e. 17.5 ML/day. AECOM (previously BKS) were appointed to carry out a feasibility study into the development of a new supply to the Greater Hermanus Area from the Mariasdal Water Treatment Works (WTW) (Rüensveld West Water Supply Scheme) situated downstream of Theewaterskloof Dam (TWKD) with a new pipeline to Hawsten or Fisherhaven and a new service reservoir or water treatment works.

Overberg Water abstracts water from the Sonderend River downstream of Theewaterskloof Dam from where it is treated at the Mariasdal WTW and distributed to Caledon and surrounding farms via the Rüensveld West Scheme. Although it was determined that very little spare capacity exists at the Mariasdal WTW and in the rising main from the WTW to the Noordekloof Reservoir, an increased abstraction from the Sonderend River and upgraded treatment capacity at Mariasdal WTW together with using the spare capacity in the existing rising main would provide a sensible scheme which could be expanded via a new pipeline. This option would require an agreement between Overberg Water and Overstrand Municipality for the possible joint development and operation of the scheme. The study concluded and recommended that the Overstrand Municipality and Overberg Water engage with the DWA to understand what costs other than licence fees would be associated with an immediate allocation from the Berg River / TWKD in terms of capital down payment.

The scheme presents an opportunity for Overberg Water to increase its presence as a bulk water provider to a major municipality in the Overberg Region and would allow Overberg Water to engage with the DWS in terms of the future management of the Berg River / TWKD source.

Preliminary discussions between Overberg Water and Overstrand Municipality have indicated a preference for Overberg Water to develop the additional abstraction and treatment capacity as well as the bulk pipeline and associated reservoir and pump stations.

Overstrand Water would construct a new receiving reservoir near Fisherhaven/ Hawston and Overstrand Municipality would purchase the water at an agreed tariff at the inflow to the new reservoir and distribute to their network to service the Greater Hermanus Area. The layout of the proposed scheme is reflected in the figure below.



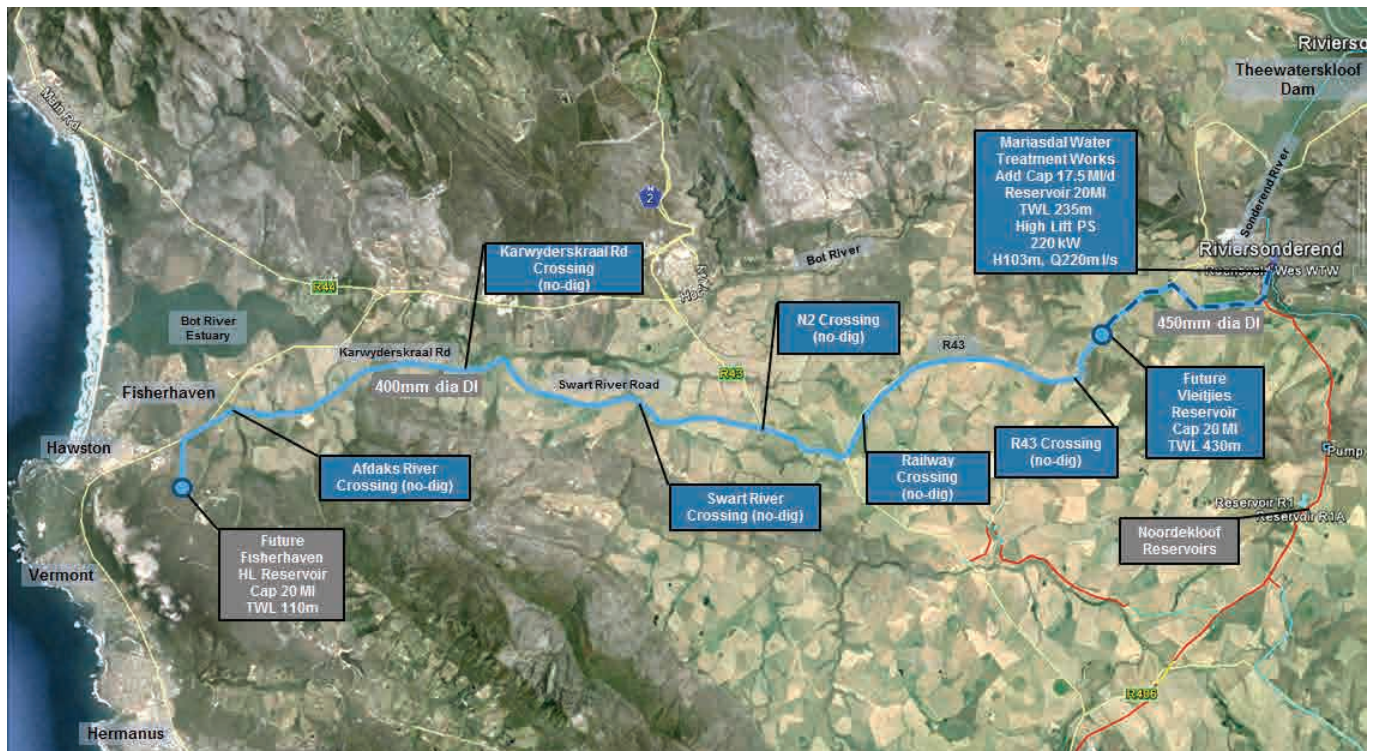


Figure 12: Greater Hermanus bulk water provision proposal

## Hessequa Municipality

Hessequa Municipality already has an agreement with Overberg Water for bulk water supply from the Duivenhoks WSS to the towns of Heidelberg, Witsand, and Slangrivier with a combined import of nearly 2.0 ML/d. Except for a small groundwater supply for Witsand, these towns are entirely dependent on the bulk water supply from the Duivenhoks WSS. Rainwater harvesting and water reuse is being implemented by the Municipality for these towns but on a small scale, and it is reasonable to expect that future water demands for these towns would be supplied by Overberg Water, provided that capacity exists in the Duivenhoks WSS. The Duivenhoks WSS is currently has spare capacity at the source and treatment works. The All Towns Study indicates a possible high scenario shortfall of 4.5 ML/d for Heidelberg, Witsand, and Slangrivier combined. A more detailed investigation into the projected future water demand for these towns must be carried out to inform Overberg Water and Hessequa Municipality and aid in the discussions on future water supply infrastructure planning.

Expansion of Overberg Water's supply toward Riversdale could also be considered if spare capacity is available in the Duivenhoks WSS although this would require new pipelines and increased treatment capacity. Riversdale is currently supplied from the Korentepoort Dam (Korente-Vette Government Water Scheme).

The 2035 high scenario projection indicates a possible shortfall of 3.59 ML/d for Riversdale which presents an opportunity for the developed of a new pipeline between Heidelberg and Riversdale which could be jointly developed by Overberg Water and Hessequa Municipality.

Stilbaai is currently supplied by groundwater and the Olive Grove Dam while Jongensfontein is supplied from springs. Although Stilbaai and Jongensfontein have substantial water demand and are especially influenced by seasonal increased water demand, these towns are far away from the existing Duivenhoks WSS network and it would be advisable to investigate the feasibility of developing an off-channel winter runoff scheme from the Goukou River system to ensure water is available for the peak holiday periods.

The opportunity also exists to link the Duivenhoks and Rûensveld East Schemes between Swellendam and Suurbraak. This could improve security of supply to both schemes and also presents an opportunity to link in a possible potable water supply from the Buffeljags Dam which is currently utilised for irrigation only. This opportunity requires a detailed assessment and feasibility study to be completed in the future.

Expansion of the scheme east of Riversdale is not considered feasible due to the distances to Gouritzmond and Albertinia; however, the feasibility to construct a new water treatment works will be explored in the long term.

Overberg Water has also been approached to consider being a role-player in the upgrade of the Duivenhoks Canal.

## Duivenhoks Canal

Overberg Water provides water to the town of Heidelberg, Slangrivier and Witsand as well as the rural areas (household and stock water). Raw water is abstracted via a pump station from the Duivenhoks River which is fed primarily by the Duivenhoks Dam. The dam was constructed by the Department of Water and Sanitation between 1962 and 1965 and the water abstraction weir and the irrigation canal were built by the farmers around 1910.

Forty to fifty percent of the water stored in the Duivenhoks dam is lost due to the leakage in the canal when water is conveyed in the old canal system to the irrigation fields. The amount of leakage is estimated at between 1, 53 million m³/a (30%) and 2, 55 million m³/a (50%) of the canal flow. Water is the economic driver in the agrarian community of Heidelberg and these water losses are the cause that the agricultural potential of the 1270ha of irrigation lands is not farmed to its full potential. The combined future water needs for irrigation and domestic (towns and rural) use in 2030, according to the Reconciliation Strategy for the area, ranges from 8,315million m³ / annum to 9,815million m³/ annum. While the total irrigation water allocation from the Duivenhoks water system is only 7,638million m³/ annum – a shortfall of at least 0.680 million m³/ annum which cannot be increased given the constraints on the dam.

A feasibility study was conducted in 2016, recommending a gravity pipeline be constructed from the Duivenhoks dam to the town of Heidelberg. Overberg Water, situated between these two points, will be able to draw water from this pipeline that is much cleaner than the current form. This should save significant purification costs and lead to less water being wasted through natural river flow. The study recommends the construction of a pipeline made up of various pipe sizes ranging between 800mm ductile iron and 50mm uPVC. The total cost of the project is estimated at R195 million (incl VAT) of which Overberg Water intends being a funding partner. While the funding model is still being finalised, Overberg Water believes the realisation of this project should bring about much more sustainable water use practices along the Duivenhoks Water Supply System, especially considering current water supply challenges. Long term benefits include less water wasted, increased crop production, lower purification costs and better water management overall.

## Kannaland Municipality

Kannaland Municipality is considered as an expansion opportunity of the existing Overberg Water infrastructure and resources; however, further discussion with the Kannaland Municipality is required to identify possibilities for the development of new bulk water supplies where Overberg Water could play a role in the development, operational and maintenance of the infrastructure or through the provision of institutional support.

## Cape Agulhas Municipality

Cape Agulhas Municipality already has an agreement with Overberg Water for bulk water supply from the Rûensveld East WSS to the settlements of Proteem, Klipdale, and the town of Arniston. Proteem and Klipdale are totally reliant on Overberg Water's supply while Arniston's water is supplemented from a local borehole. No significant water demand growth is expected in Klipdale and Proteem; however, it can be expected that a reasonable growth in demand in Arniston can be expected due to tourism and the development of low cost housing which is underway at present, and it would make sense to increase Overberg Water's capacity to supply this demand.

Bredasdorp is currently supplied from Klein Sandrif Dam and groundwater. According to the high growth scenario, the All Towns Study identified a possible shortfall of 2.46 Ml/d for Bredasdorp by 2035.

The Municipality plans to implement measures for the optimisation of the aquifer and wellfield management that could meet the water demand of the town until 2035. It should, however, be noted that Overberg Water's pipelines supplying water to Arniston run very close to Bredasdorp and the Rûensveld East WSS has 2.7 Ml/d spare capacity that could be utilised to supplement the supply to Bredasdorp.

Napier is also a substantial town located to the west of Bredasdorp and the town is supplied from groundwater. According to the high growth scenario, the All Towns Study identified a possible shortfall of 0.83 Ml/d for Napier by 2035. Incremental groundwater development and possible import from the Rûensveld West WSS/East WSS are being considered.

Struisbaai, located to the south, has six (6) existing boreholes and further groundwater development is proposed to cater for future demands and no shortfall is envisaged by 2035. Agulhas, on the other hand, has limited groundwater supplies and high unaccounted-for water use. The Municipality plans to implement water conservation and demand management measures and develop additional groundwater capacity to cater for future demand.

Surplus groundwater from Struisbaai could also be directed to Agulhas. Suiderstrand has adequate groundwater supplies.

Strategic links between the Rûensveld West and East Schemes will be needed to be considering in the future between Napier and Bredasdorp. This will both provide capacity to supply water to Napier and Bredasdorp without adding significant capacity to the existing schemes and provide security of supply.

## Theewaterskloof Municipality

The Theewaterskloof Municipality already has an agreement with Overberg Water for bulk water supply from the Rûensveld West WSS to Caledon. Caledon is also reliant on groundwater supplies but it can reasonably be expected that an increased supply from the Rûensveld West WSS will be required to cater for future demand growth.

As discussed under the Overstrand Municipality section, Overberg Water and the Overstrand Municipality are planning to jointly develop a new bulk water supply for the Greater Hermanus Area based on increased abstraction from the Sonderend River downstream of Theewaterskloof Dam and an upgrade of the existing Rûensveld West WTW. The scheme will provide a capacity of 20 Ml/d.

Currently the Rûensveld West WTW has spare capacity available of around 3.9 Ml/d (subject to water licences being approved) which should be sufficient to supply in the future water requirements of Caledon and the retail customers in the Rûensveld West WSS.



## Langeberg Municipality

Langeberg Municipality is considered too far away for expansion of the existing Overberg Water infrastructure; however, further discussion with the Langeberg Municipality will be required to identify possibilities for the development of new bulk water scheme where Overberg Water could play a role in the development of the infrastructure or through the provision of institutional support.

## Swellendam Municipality

The towns of Swellendam and Barrydale are the only significant urban centres in the Swellendam Municipal area. Swellendam town has sufficient raw water sources in the form of the existing abstraction from the Klip River even beyond 2035 for the high growth scenario. The town of Barrydale, however, does require interventions to accommodate future demand growth. One of the intervention strategies is to implement water conservation and demand management programme and to increase abstraction from the Huis River. The Buffeljags Dam is, however, currently utilised only for irrigation.



## Existing Water Use Rights, Licences by Resource

Overberg Water's registered abstractions and licence applications are shown in Table 7.

SYSTEM	ABSTRACTION POINT	REGISTERED ABSTRACTION (M <sup>3</sup> /YEAR)
Rûensveld-Wes	Sonderend River	1 914 000
Rûensveld-Oos	Sonderend River	897 000
Duivenhoks	Duivenhoks River	1 232 000

Table 7: Water use rights, licenses by resources

Overberg Water submitted a water licence application for the Duivenhoks system in 2002 in Afrikaans. The application was rejected, and a request was made to submit in English. Overberg made application in 2007 (English) for the initial application to abstract more water from system at their current authorised intake point. DWS is still evaluating the licence application. Further discussions with DWS are to take place on this matter.

## Future Water Use Rights, Licences by Resource Required

With Overberg Water's trajectory, having changed toward growing its footprint strategically, several new opportunities or potential growth areas have been identified. Firstly, for the schemes operated and owned by Overberg Water will require the future abstraction and licence requirements based on the future expansion and growth scenarios (see Table below). For the future schemes or opportunities, it is envisaged that strategic stakeholder engagements need to be complete with the Municipalities and DWS. The future abstraction and licence requirements will need to be determined as and when such needs or schemes are required. Table 8 below indicates the future licence and abstraction requirements that need approval by DWS and the respective CMAs.

SYSTEM	ABSTRACTION POINT	REGISTERED ABSTRACTION (M <sup>3</sup> /ANNUM)	FUTURE ABSTRACTION & LICENCE REQUIREMENTS AND APPROVALS BY DWS (M <sup>3</sup> /ANNUM) *
Rûensveld-Wes	Sonderend River	1 914 000	3 680 568
Rûensveld-Oos	Sonderend River	897 000	1 745 424
Duivenhoks	Duivenhoks River	1 232 000	2 086 920

Table 8: Future water use rights by resources required

\* All of the future volumes have not been allowed for in the financial model as licences need to be approved





# Water Demand of Major Consumers by Resource

With the view to growing its footprint, Overberg Water has identified several major potential consumers based on the growth and allocation requirements. Table 9 gives a breakdown of Overberg Water's existing major consumers and the future major consumers where the additional potable water will be distributed. Overberg Water will therefore engage the major consumers and when the necessary water licenses are approved, so that new Service Level Agreements are established to provide the revised or new allocations.

EXISTING: MAJOR CONSUMERS				
SYSTEM	CATCHMENT	IMPOUNDMENT	MAJOR CONSUMERS	TOTAL ALLOCATION - M <sup>3</sup> /ANNUM
Rûensveld-Wes	Breede-Gouritz	Theewaterskloof Dam	TWK	2 409 000
Rûensveld-Oos	Breede-Gouritz	Theewaterskloof Dam	Cape Agulhas	91 250
Duivenhoks	Breede-Gouritz	Duivenhoks Dam	Hessequa	892 425

FUTURE: MAJOR CONSUMERS				
Rûensveld-Wes	Breede-Gouritz	Theewaterskloof Dam	TWK	3 381 953
		Theewaterskloof Dam (Berg River Scheme)	Overstrand	7 300 000
Rûensveld-Oos	Breede-Gouritz	Theewaterskloof Dam	Cape Agulhas	139 582
Duivenhoks	Breede-Gouritz	Duivenhoks Dam	Hessequa	1 249 098

FUTURE: MAJOR CONSUMERS - DEPENDENT ON ENGAGEMENTS WITH MUNICIPALITIES AND DWS				
New Scheme - West Coast	Breede-Olifants	Groundwater Sources / Clanwilliam Dam	WDC LM	930 000
New Scheme - Klein Karoo	Breede-Gouritz	Groundwater Sources	Oudtshoorn LM & Kannaland	1 860 000

Table 9: Water dams of major consumers by resource



# Key Priorities for Overberg Water

## Strategic Programmes

The following are strategic programmes that will define the activities of OW over a five-year period:

- Water services planning
- Water services management
- Institutional and stakeholder relations
- Resource protection
- Strategic support, which includes finance, human resources and administration
- Governance and management

The above-mentioned programmes are translated into the following strategic goals:

- Organisational efficiency and effectiveness
- Improve and increase revenue and manage cost drivers
- Effective stakeholder and customer engagement
- Strengthen and develop quality human and organisations resources
- Provide oversight and take accountability

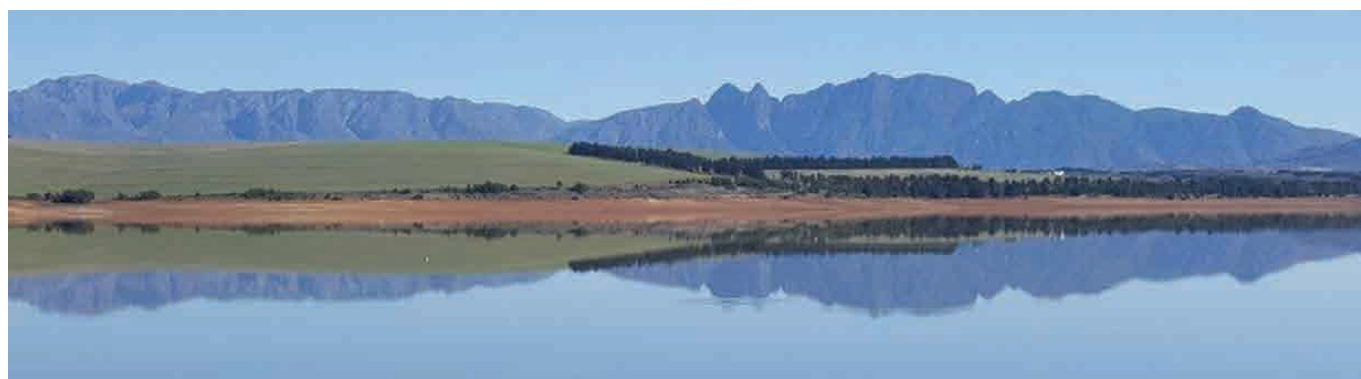
## Alignment with Government

The OW's mandate and functional responsibilities are aligned to achieve and support the strategic priorities of the Department of Water and Sanitation that are aligned with the fourteen Outcomes of National Government. Table 1 Alignment of OW strategic objectives with those of National Government below shows the alignment.

Table 1 illustrates that OW's Corporate Plan is informed by the operating business environment as reflected in State of the Nation Address and National Budget Address of February 2019, the fourteen Government Strategic Outcomes of Government and Pertinent Outputs cascading to the Executive Authority, the National Development Plan (NDP) 2030, the DWS's National Water Resources Strategy (NWRS II, 2013), key focus areas highlighted by the DWS Minister in March 2019 and the DWS' five-year Strategy Plan and Annual Performance Plan and DWS institutional realignment exercise.

GOVERNMENT OUTCOMES	NO.	DWS STRATEGIC OUTCOME-ORIENTED GOALS	NO.	DWS STRATEGIC OBJECTIVES	NO.	OW STRATEGIC PROGRAMMES ALIGNED WITH OBJECTIVES OF DWS
Outcome 12 (Public service) Outcome 4 (Employment) Chapter 13 of NDP New growth path 2 (job creation)	4.	An efficient, effective and development oriented sector leader	4.4	Coordinated development of the skills pool across the sector	6	Governance and management
			4.3	Effective and efficient internal control environment	6	Governance and management
			3.4	Job opportunities created that expand economic opportunities for historically excluded and vulnerable groups	6	Governance and management
Outcome 6 (Infrastructure) New growth path 2 Chapter 4 of the NDP	2.	Equitable access to reliable, sustainable and acceptable water resources and water and sanitation services	2.2	Targeted and aligned planning for adequate water availability and the enhanced provision of water supply and sanitation services	1	Water services planning
			2.5	Enhanced provision of sustainable and dignified basic sanitation	2	Water services management
			3.1	Equitable water allocation and availability for socio-economic development	2	Water services management
			1.4	Enhanced water use efficiency and management of water quantity	2	Water services management
Outcome 9 (Local Government)  Outcome 10 (Environment)  Chapter 5 of the NDP			1.1	Water resources protected through water supply and sanitation services regulation, compliance monitoring and enforcement	4	Resource protection
			1.3	The integrity of freshwater ecosystems protected	4	Resource protection
			1.2	Enhanced management of water and sanitation information	6	Governance and management

Table 1: Alignment of OW strategic objectives with those of National Government



# Foreword by the **Minister** of Human Settlements, Water and Sanitation

Access to water and sanitation is an integral part of humanity and to grow the economy and develop our society we need water. I am optimistic that as government we are working on the right path to ensure that our policies and integrated planning become responsive to the equitable use and flow of water to benefit all communities of the Republic of South Africa. At the same time we must focus on changing consumer behaviour with regard to water use and valuing water differently.

It has been brought to my attention that the Entity has experienced challenges in relation to the submission of past financial statements for the years of 2015/16, 2016/17 and 2017/18. I am informed that the Entity has since dealt with these backlogs. The Overberg Water Board presents this 2019/20 Annual Report on a going concern basis. The Entity remains committed to delivering on its mandate in the delivery of bulk water services to the expectations of its customers. My Department will continue to assist Overberg Water in this effort.

This audit result of the financial year under review shows that the Entity is on the right track. However having received an unqualified audit opinion with findings Overberg Water has to focus on improving its overall performance.

I further note that Overberg Water's engagement processes with its stakeholders have at times been challenging and I expect that Overberg Water will address this for the benefit of all its stakeholders and customers. As a state-owned entity Overberg Water must maintain principles of good governance while ensuring economic transformation, service delivery excellence and financial sustainability. Our people's needs remain primary.

I encourage the Board together with the Management and staff of Overberg to continue with the commitment of delivering on the mandate of the government and achieving the strategic goals of the Entity as set out in the Shareholder's Compact.



**L N Sisulu, MP**  
*Minister of Human Settlements, Water and Sanitation*



“... Overberg Water must maintain principles of good governance while ensuring economic transformation, service delivery excellence and financial sustainability.”



# The Accounting Authority Report

## Introduction

This report is written as an illustration that Overberg Water is truly committed to improving its internal controls. It is written under difficult times as the COVID-19 pandemic has changed the world upside down. Despite the pandemic intrusion to business operations, Overberg Water Board reamed steadfast discharging its responsibilities and obligations. It has not been an easy cruise but at Overberg Water the waters were repeatedly calm down so that the Entity did not deviate from its core mandate which provision of bulk drinking water and sanitation services. Hence, writing this report became handy as we marvelled the 2019/20 financial years with its challenges.

## Intention

The intention as the financial years progressed there was visible changes aimed at strengthening the Entity so that the Board left no stone unturned in turning over to a new leaf. The Board only came into being in May 2019 and had managed through working with the Chief Executive Officer with his Executive Management to continually improved our internal controls and more importantly the focus was on growing the business both in revenue and geographically terms. Thus, the 2019/20 financial year is indeed another year for gradual improvements at Overberg Water. The 2019/20 Annual Financial Statements and Performance Information were submitted under

difficult times as the coronavirus became an invisible business enemy. It was alarming at how the business operations were threatened by such an invisible business enemy. Nevertheless, the strength and mighty of the Board made it possible for the Entity to move forward. Today, Overberg Water Board is one of those water boards that have proven that through determination and unity for purposes there was no hill that was impossible to climb. The intention of this 2019/20 Annual Report other than showing what was achieved, faced as challenges and opportunities is to further demonstrate that Overberg Water Board is ready to become the regional water utility. Whence, through this report one will realise that the Entity might be small but its focus has been gigantic From 2015/16 up-to-now the focus is mainly on compliance including improving organisational internal controls. The 2019/20 audit outcome as pronounced by the Auditor-General is unqualified audit opinion with findings. Overberg Water remains committed to its trajectory road of improvement. There is still room for improvement in certain areas such as in the management of our asset and infrastructural development. The current management team and employees are continually working in a collective approach towards growing the Entity.

## Commitment

There is no doubt that Overberg Water is continually committed to the improvement of its service delivery record. Hence, it has noted the challenges engulfing the financial years from 2015/16 to the year under review. It was not only about noting but profoundly coming out with an Action Plan dealing with all the issues raised in the Auditor-General Report of 2015/16. The same Action Plan has amongst other things improve the audit opinion from a disclaimer in 2015/16, qualification in 2016/17, unqualified audit opinion in 2017/18 and unqualified audit opinion in 2018/19. Furthermore, key appointments were made as well as conducting an asset management review exercise. The Chief Executive Officer was appointed as from 01 January 2018 and the Chief Financial Officer as from 15 March 2018. In addition, a number of key positions were filled as part of strengthening the Entity.

Furthermore, a number of policies were reviewed and some developed in line with the weaknesses in the system. One of those policies is the Supply Chain Management Policy aimed at overhauling not only the irregular expenditure but to completely eliminate it. Whilst every issue is being attended to, there are still challenges that require a well thought through intervention process.

## Challenges

These challenges are being attended to and with the support of the Department of Water & Sanitation there is every reason to be confident about the future of the entity. The entire Overberg Water staff is determined to see successes and the Entity reclaiming its rightful place of becoming the leading water services provider in the region. Everyone at Overberg Water recognises that an old African proverb is so true when it comes to success. The proverb without any ambiguity states that "ingwe idla ngamabala". This can be loosely translated to mean the leopard shines through its spots. In other words, success does not grow on trees but one works for it. Whence, the Entity has been retaining a record of unqualified audit opinion for the past consecutive years. The Entity is yet to fully achieved its Growth Path initiatives. It remains a challenge to create the Entity that services the Cape Region and beyond. It is a challenge that the current Board is fully behind it and believes in it.



## Accountability

Overberg Water understands that accountability to its stakeholders and partners is essential in growing the entity as well as building the public image that builds confidence. As such a number of stakeholder and partnerships engagements were initiated so that everyone is on board insofar as the entity's performance is concerned. This will go hand-in-hand with the entity's efforts to improve organisational performance. Overberg Water is mindful that any lack of accountability has a potential to corrode public respect which would be harmful to its growth path initiatives. The entity's public image and reputation are sacrosanct. These will propel the entity from goodness to greatness.

## State of Governance

Overberg Water is committed to zero-tolerance to fraud and corruption and is continually improving its internal controls and systems as part of being alert at all times so that fraud and corruption is detected and appropriately dealt with.

Essentially, the state of governance plays a major role in setting the right tone and implementing consequence management against individuals who have transgressed in this area.

In order to ensure a sound governance culture, the entity once the new Board has been appointed will ensure that a number of committees are in place so that they support the Board in discharging its governance and fiduciary responsibilities. The main objective henceforth is to obtain the audit opinion that builds public confidence. Accordingly, an unqualified audit opinion is the zenith point for building the public image. The next step to climb is achieving the clean audit.

## Sustainability

Most organisations and entities strive for sustainability. Overberg Water is one of those entities that are striving for sustainability, firstly in terms of financial sustainability, secondly, in terms of operational

sustainability and thirdly, in terms of ecological / environmental sustainability. Of course, sustainability without complementary infrastructure would forever remain a pipe dream. Whence, one of the future plans is to develop an infrastructure plan that supports sustainability.

## Conclusion

In conclusion, a word of appreciation goes to the Chief Executive Officer and his Executive Management Team as well as the entire Overberg Water staff.

A further word of thanks goes to the Theewaterskloof and Hessequa Municipalities including our industrial customers / agriculture for being interested in working with the Overberg Water.

Obviously, no word of appreciation will be concluded without acknowledging the Portfolio Committee, Minister of Water and Sanitation for the support and political direction; the Department of Water and Sanitation for its willingness to see Overberg Water sailing through.



**Razeen Benjamin**  
*Chairperson of the Board*



# Chief Executive Officer Report

## Introduction

There is no doubt that Overberg Water Board's performance in delivering bulk water in general and water distribution in particular contributes to socio-economic development. The recent drought and current COVID-19 pandemic has shown that water is central in our daily activities and none of us can live without water. It is often said that "water is the driving force of all nature". The word nature refers to the phenomena of the physical world collectively including plants, animals, the landscape, and other features and products of the earth. Water is life to both fauna and flora. It becomes evident in drinking water. Drinking water has to be at all times be of quality not just meeting the prescribed standards but to the health of the consumers as well. Quality water is linked to primary healthcare. This,

however, does not happen on its own. It requires dedicated Entities like the Overberg Water Board which are given the task of providing water services to ensure that they have sound internal controls, financial sustainability, clearly defined performance indicators and are aligned with the Constitution. The Constitution makes water access the human right issue. Without any word of contradiction, water services provision is a constitutional mandate which is a mantle that promotes human dignity and sustainable development. The Overberg Water Board in 2019/20 did all what it could to live up that expectation. It is a commitment that defines its performance culture and organisational architecture. The winds of change have been blowing since 2015/16 and led OWB to consistently retain its unqualified audit opinion. The discussion in this CEO Report provides an organisational performance overview.

## Kaleidoscope Pictorial View

The winds of change have been blowing since 2015/16 audit outcome. The audit outcome was a disclaimer. The current audit opinion shows that where there is the willingness and positive attitude the altitude is reciprocal too. The sequence of audit reports at Overberg Water have been the following:

FINANCIAL YEAR	AUDIT OUTCOME	REPRESENTATION	REMARKS
2015/16	Disclaimer		AFS not timeously submitted due to internal challenges and no audit concluded as per prescribed timeframes. Not all records were unavailable for auditing purposes
2016/17	Qualified audit		AFS not submitted on time due to internal challenges. A lot of work was done addressing internal controls
2017/18	Unqualified audit		AFS were submitted on time but due to the previous backlog no audit could be performed whilst still auditing the previous financial year. A lot of work was done addressing internal controls.
2018/19	Unqualified audit		AFS submitted on time and audit commenced on time. The focus was on internal controls continual improvements and enhancement.
2019/20	Unqualified Audit Report		The AFS and Performance Information were submitted on time. However, the Office of the Auditor-General informed the OWB that due to COVID-19 the audit end date is 31 January 2021.

In the financial years of 2019/20 the Overberg Water's key focus areas were to improve and enhance its internal controls as well as growing its footprint. There is a lot of work that was done aimed at improving the historical backlogs and challenges. However, it was impossible to address everything at once during the financial year. It is still work in progress. The major achievement was the Entity's ability to retain its unqualified audit report. The unqualified audit opinion was received with findings. There were areas of misstatements and those were corrected as indicated in the Auditor-General's Report. The main challenge was the conversion from IFRS to GRAB something that requires a lot of preparatory work and timed transition. The conversion should have happened few years ago. In 2018/19, the conversion was done inhouse without any form of outsourcing. Also, the Entity has engaged the Office of the Director-General soliciting assistance in the preparation and presentation

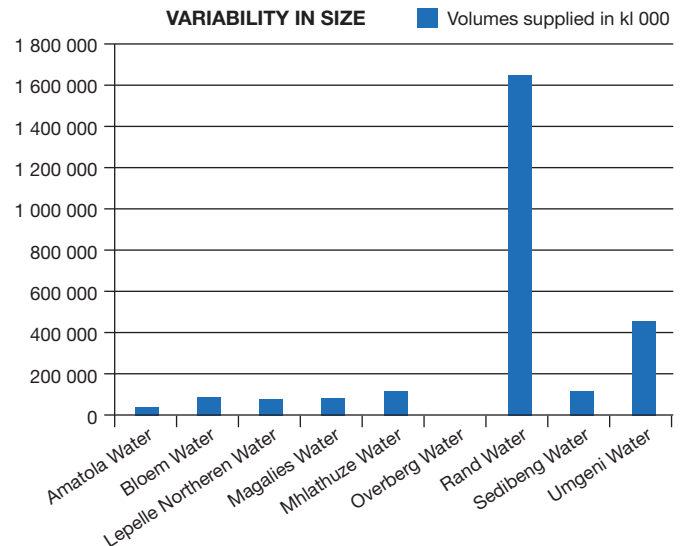
of the performance information. The aim was to improve both the preparation and presentation of the performance information so that it is reliable and useful to meet the SMART principles. In addition, the Entity engaged with the parent Department regarding the review of the Shareholder Compact. The Office of the Auditor-General has recommended that OW should continue engaging the Department so that the current Shareholder Compact is reviewed in line with the SMART principles. The ultimate objective is to receive the unqualified audit opinion without any findings if not with reduced findings. The primary purpose of this 2019/20 Annual Report is to present the overall organisational picture in relation to the Entity's Corporate Strategy cum Business Plan and Shareholder Compact.



## Growth Path

Overberg Water is an important player in the provision of water services. In the past, the scope was limited to drinking water provision. The focus during the financial year was to explore various ways and means in growing the business. The Overberg Water Board's exploration included securing water services projects from the Department of Public Works & Infrastructure. The Entity currently manages 13 sites and 11 of those are Correctional Services Facilities. The head count is now at 93 moving from 61. The growth is both in terms of revenue increase and geographical expansion. The growth path approach identifies other areas of expansion which will improve the revenue streams. The Entity has so much capacity for additional water supply. In order to realise that capacity above the current licensed quantity water user authorisation application process is underway. In addition, a number of initiatives such as considering wastewater involvement and looking for funding opportunities were at the core of growth. The Entity acknowledges and appreciates the support received from the Ministry of Human Settlements, Water and Sanitation, the Parliamentary Committee, the Department of Water and Sanitation as well as other government departments and customers.

The above figure indicates that Overberg Water is the smallest water board and yet capable to reach the same level of water services provision. It is subjected to the very same processes such as meeting the required water services standards and audit requirements. With the recent acquired water services projects from the Department of Public Works & Infrastructure, Overberg Water has the potential to grow and reach its strategic intent of becoming the regional water utility. The growth of Overberg Water will also be advantageous to the Province and the country as there will be a dedicated water service provider



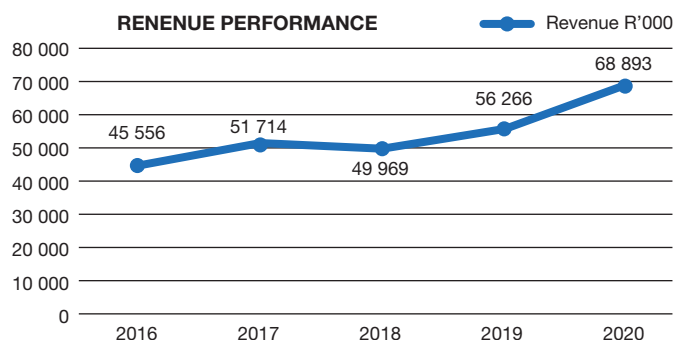
supporting all other municipalities and interested parties. The focus is to change the current volumes supplied to be higher than what it is at the moment. There is a ray of hope that Overberg Water will definitely reach its zenith point of growth. Since inception, the Entity has been the main water service provider in the Overberg Region and has been providing good quality of drinking water. The current business status shows that the Entity has gone beyond its traditional area of operation. The Entity now has its footprints throughout the Western Cape Province. This was evident with the Department of Water and Sanitation COVID-19 water tanks. Overberg Water delivered and installed the tanks in the following districts and municipalities:

DISTRICT	MUNICIPALITY	NUMBER OF TANKS
Cape Winelands	Drakenstein	21
	Stellenbosch	26
	Breedevalley	25
	Witzenberg	19
	Langeburg	12
Total		103
Overberg	Theewaterskloof	23
	Cape Agulhas	17
	Overstrand	None
	Swellendam	16
Total		56
Garden Route	Knysna	21
	George	20
	Plattenberg Bay	13
	Oudstshoorn	10
	Mossel Bay	16
	Hessequa	13
	Kannaland	10
Total		103
West Coast	Matzikama	12
	Cederberg	17
	Bergvriervier	6
	Saldanha	23
	Swartland	30
Total		68
Central Karoo	Beaufort West	30
	Prince Albert	14
	Laingsburg	24
Total		38
<b>GRAND TOTAL</b>		<b>401</b>

Notes\*: Beaufort West Municipality returned 26 tanks and only kept 4 water tanks. The reason being, the Municipality was no longer needing more than 4 water tanks. The remaining tanks were then distributed to willing municipality both in terms of own transportation costs and administrative responsibility. It was only the George Municipality that eventually come to the fore.

# Revenue

There is no doubt that over the years the overall financial performance has been steadily improving but not sufficient to upgrade the aging infrastructure. The graph below tells a strong of an entity that has potential to grow and better service its customers:



## Legislation

The provision of bulk water services other than the Water Services, is also guided by the South African Constitution and other acts such as the National Water Act of 1998, National Environmental Management Act, Number 107 of 1998, the Biodiversity Act, Number 10 of 2004, Municipal Systems Act, Number 32 of 2000, Development Facilitation Act, Number 67 of 1995. The provision of the services has to comply with the Audit Act and the Public Finance Management Act as amended from time to time. Various pieces of legislation assist the overall performance of the entity. From these Acts the message is water services provision is an interconnected and intersectoral service. It requires collaboration with other relevant parties. Overberg Water shall continue engaging all the parties and stakeholders not only in terms of growing the business but in terms of finding alternative sources of water and exploring water storage. The effects of climate change and drought make a compelling clarion call to all water entities and water management institutions. It is the right time to think ahead moving beyond a five year planning horizon but to a 30 year one.

## Achievements

During the 2019/20 financial years was one of the most challenging years not only to the Overberg Water Board but to all global service providers. The unexpected COVID-19 pandemic caught the world ill-prepared for such a disaster. It was worse for all essential service providers such as the Overberg Water Board. Talking about achievements in these times is like a mission impossible but Overberg Water adapted to the new way of doing the business. The new normal became the norm of water service provision and would remain with us for sometime. The ever willing to adapt staff were in the forefront to water provision and ensuring that the Entity remains financially and operationally sustainable throughout the financial year. Thus the achievements can be summarised as follows:

- Resilience as water supply continued throughout the financial years;
- Secured additional projects from the Department of Infrastructure and Public Works;
- Delivered and installed 401 COVID-19 water tanks in all the non-metro district municipalities;
- Play a role in the national COVID-19 pandemic mitigations;
- Improved the Corporate Plan with tangible performance information with their technical descriptors;
- Improved the collection rate above 90%;

- Submitted the Annual Financial Statements on time as stipulated by the PFMA;
- Remain financially healthy whilst most organisations were affected by the pandemic. If it was not for the pandemic the finances would have been strong;
- Water services provision remained;
- Policies development and management;
- The Board through its Committees, namely; Operations & Infrastructure, Human Resources, Remuneration & Ethics as well as the Audit, Risk and Business Strategy, continued with its excellent oversight and accountability role;
- Achieved the unqualified audit opinion and maintained for the past three years;

All of the above-mentioned were done successfully with effort, skill and courage by all at Overberg Water Board. The Overberg Water Board is indeed the water services hub for the Western Cape Province and beyond. Investing in its Growth Path Initiatives is the right thing to do! We shall continue with our efforts of making a difference to all our communities insofar as water provision and associated / ancillary services are concerned.

## Challenges

Having joined the Entity, firstly; on a secondment basis from 01 July 2017 up to the point when the appointment was pronounced by Cabinet on 07 December 2017, there have been a mountain of challenges. These include the following:

- The Governing Board was terminated on 21 June 2017.
- Non-existence of the Board became a permanent residency.
- Non-submission of the annual reports for 2015/16 and 2016/17
- Accounting records inaccessibility
- Vacancies for critical posts such as the Chief Executive Officer, Chief Finance Officer and Supply Chain Manager affected the operationability of the Entity
- No internal audit in place to strengthen internal controls within the organisation
- No tariff increases for 2015/16 financial years. This has an impact of the entity.
- Remuneration Model / salary disparities

## Board Structure

The Board appointment was effective from 01 April 2019. The structure of Overberg Water's Board as depicted in the above illustration has brought in a ray of hope and opportunity to further enhance as well as strengthened the Entity. The current Board members are bringing in years of experience, expertise and skills required to position Overberg Water within the water sector. There is no any other time than this one when members are committed to a working Entity striving for meeting and exceeding the expectations.

## Action Plan

In order to respond to the above-mentioned challenges, the first thing to be done was to develop an action plan that has seen a number of changes being effected such as the appointment of the internal audit services as well as tariff increase for 2016/17 and 2017/18. There is still more to be done but progress has been made with the support of the Department of Water and Sanitation. The following are some of the achievements met and emanating from the Action Plan:

- Appointment of the permanent Chief Executive Officer, Chief Finance Officer and other critical staff.
- Stakeholder and client relations being initiated

- Appointment of the internal audit service
- Supply chain management systems and procedures revival including reviewing the policy
- Organogram review
- Improve the control environment
- Initiating the BBBEE and SMMEs development
- The Overberg Water Master Plan being developed
- The Growth Path strategy was developed as an anchor to the entity

## Conclusion

In quoting one of the well-known African proverb that says “umuntu ngumuntu ngabantu”- which means that all of us owe our success through actions of others, Overberg Water shall succeed based on teamwork and support from all parties and stakeholders. Therefore, it will be erroneous not to acknowledge, appreciate and pass a vote of thanks to all those who have walked the journey with us and supported the Overberg Water to discharge its legislative mandate. The management and staff of Overberg Water is very appreciative to the new Board and looking forward to working with the Board. Other people who come to mind are the colleagues & executive management at Overberg Water who burnt the mid-night & midday oil, the Department of Water & Sanitation and our partners at the Hessequa & Theewaterskloof municipalities including our industrial customers. The Overberg Water Board remains committed to its vision, mission statement, values, programmes and strategic

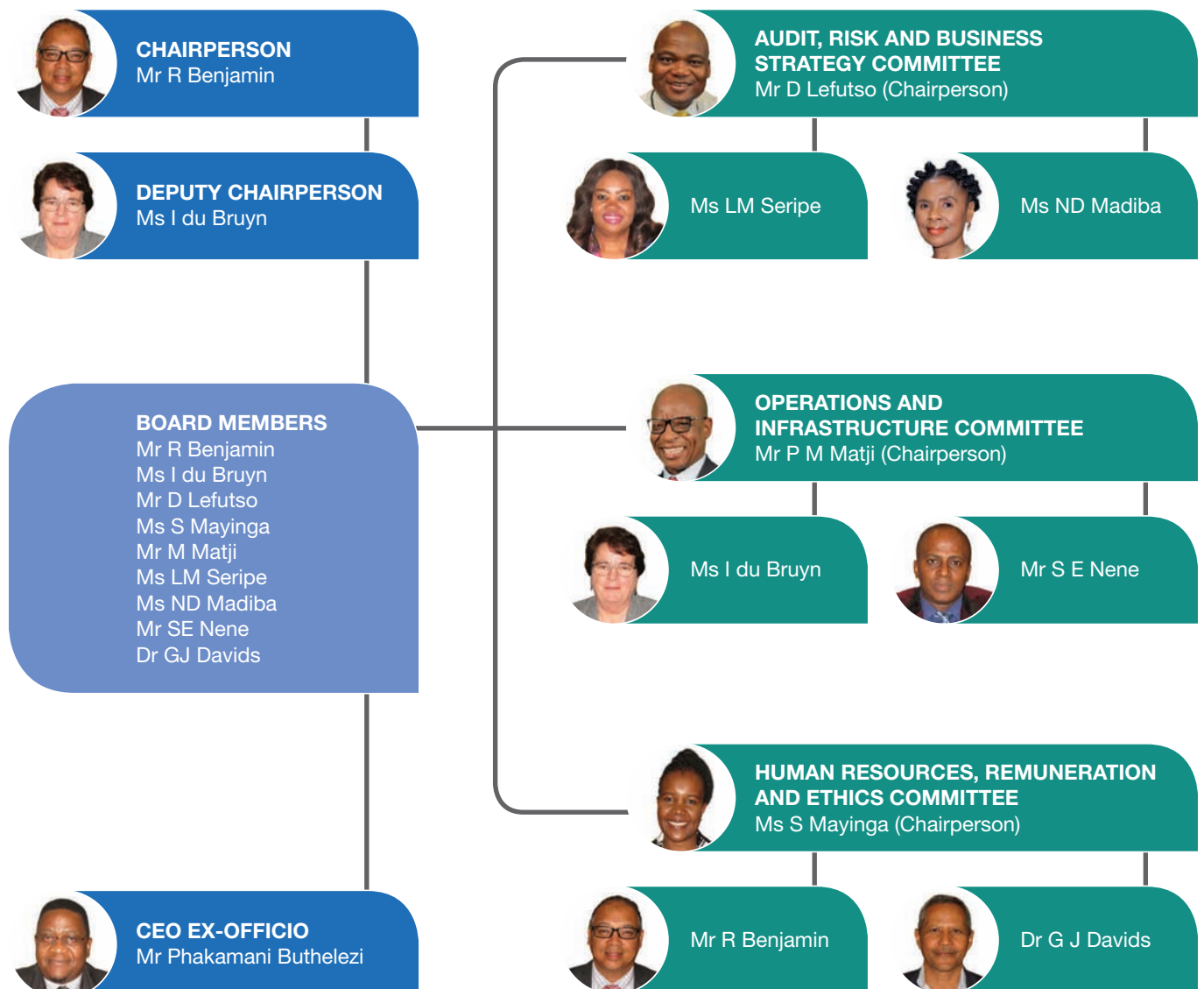
objectives. The Entity exist to add value to the socio-economic development of our area of operation as well as contributing towards sustainable development. The support from the Ministry of Human Settlements, Water and Sanitation shall remain a matter of appreciation. The confidence shown by the Department of Water and Sanitation in the Entity is indeed our compass for success. The role played by the Board in steering the Entity forward is unforgettable. On behalf of all staff at Overberg Water Board, I express our humble words of appreciation, dedication and commitment to the vision and strategic intent of Overberg Water Board. We say:

Thank you,  
Dankie,  
eNkosi,  
Inkomu,  
Rea leboga,  
Siyaboga,  
Siyathooza,

Let us all put our hands on the deck for success!



**Chief Executive Officer**  
**Phakamani Buthelezi**



# The Acting Chief Operating Officer Report

## Introduction

The year under review has been a better year to the region and the Western Cape Province at large. As a national Entity reporting to the Minister of Human Settlements, Water and Sanitation it was indeed an honour to experience the good rains this time around. The Entity was able to service its customers. Having come off base of severe drought conditions and extremely challenging operational conditions the year under review was met with good rains. In the past, the ENSO (El Nino-Southern Oscillation) had a large impact on the regions weather patterns. History indicates that the strong westerly winds typically bring rains to the Western Cape region. This cycle of replenishment has however been hampered by an expansive high-pressure zone located along the Atlantic Ocean diverting rains away from the region.

## Product Quality

As a bulk provider of water, all Overberg Water's (OW) water treatment schemes must comply with standards set out in SANS 241 of 2015. OW has set Key Performance Indicators (KPI's) that are in line with Blue Drop certification requirements and its monitoring and testing process far outweigh the minimum as outlined by SANS 241. Audits completed by the Department of Water & Sanitation indicate that the entity complies with all of the Blue Drop requirements. Sampling and analyses are carried out using accredited laboratory techniques as OW strives for continued excellence in water quality compliance. The overall water quality compliance for the 2019/2020 financial year reflected in Table 1, exceeded the SANS 241:2015 requirements for all 5 compliance fields.



WATER QUALITY RESULTS FOR FY2019/2020					
	ACUTE HEALTH: MICROBIOLOGICAL	ACUTE HEALTH: CHEMICAL	CHRONIC HEALTH	AESTHETIC	OPERATIONAL
Ruensveld West	94.55%	100.00%	100.00%	99.22%	98.06%
Ruensveld East	98.66%	100.00%	100.00%	99.59%	90.67%
Duivenhoks	100.00%	100.00%	100.00%	93.16%	97.74%
<b>Total</b>	<b>97.74%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>97.23%</b>	<b>95.48%</b>

Table 1: 2019/2020 Potable Water Quality Compliance with SANS 241:2015

## Operational Resilience

Operational resilience is both a process and a characteristic of an organisation to adapt rapidly to changing business environments and needs. It is an organisational trait that allows it to carry out its vision, mission or business despite the presence of operational stress and disruption. To reinforce operational resilience, OW Board annually workshops and adapt Water Safety Plans to pre-empt and/or identify all potential and current risks from the catchment, through the treatment works and distribution network to consumer. According to the World Health Organisation [WHO] (2017), the utilization of comprehensive risk assessments and risk management methods of the water supply systems is the most effective approach to ensure that safe and quality drinking water is supplied from the catchment to the consumer.

Although still recovering from drought conditions, OW managed to achieve an overall water quality compliance of 96.88% for FY2019/20 (compared to 98.03% for FY2018/19). The management of water treatment and its quality therefore has to be commended since it far outweighs the required level of compliance by SANS241: 2015. Many of the treatment difficulties, resulting in noncompliant operational and aesthetic determinants, are being addressed with continuous upgrades to system processes and frequent maintenance on distribution lines.



## Operational Optimisation

Overberg Water (OW) has over the past years successfully maintained non-revenue water below the targeted annual average of 10%, however, for the year under review the entity set a far more aggressive target of 7.5%. This target was not achieved. For 2019/20 financial year the non-revenue water was reported at 10%. This is still acceptable compared to national standards. OW will continue to uphold its accurate meter readings of all network points as well as operational methods like efficient water unit process management, e.g. filter backwashing, pump operation, pipe replacement programme, etc to tie in with Water Conservation Demand and Management principles. Figure 2 indicates water losses experienced over the past financial year against projected targets. The overall production losses across all schemes amounted to 5.79%. The total raw water abstracted was 4,043,393m<sup>3</sup>, total system input amounts to 3,811,515m<sup>3</sup>, whereas the total volume of water being sold amounts to 3,625,000m<sup>3</sup>.

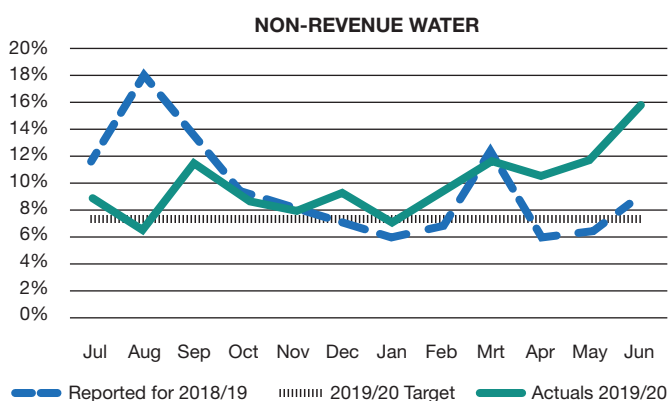


Figure 2: Non-revenue water for the period 1 Jul 2019 - 30 Jun 2020

## Infrastructure Stability

For the year under review, approximately 90 pipe breaks and bursts were reported. Several of the bursts were related to ageing infrastructure, structural pipe defects and ground conditions i.e. the soil resistivity. The lack of adequate funding for capital and infrastructure upgrades toward the operations of the business has resulted in the deterioration of water treatment works and infrastructure. All major projects have temporarily placed on hold due to funding limitations. The international benchmarks highlight that as an entity we should be spending approximately 3% on Maintenance Cost / Replacement Asset Value of the Plant and Equipment. OW is currently not achieving this target.

## The Future

The Entity has completed a detailed infrastructure plan (including master planning) for its existing infrastructure and furthermore considered alternative expansion opportunities within the region. The entity is looking at diversifying its operational offering by assisting ailing municipalities and clients such as the Department of Public Works and Infrastructure. The second half of the year saw successful negotiations into a project where the Entity supports the Department of Public Works and Infrastructure, the Department of Correctional Services and the Defence Force in managing their water and wastewater services. The primary client remains the Department of Public Works and Infrastructure. Definitely, there is the need to invest in the Entity's infrastructure as an engine for more growth opportunities. The level of skills whilst open for development is adequate to take care of the operations and support the Growth Path initiatives.

## Conclusion

The 2019/20 year under review was far better than previous, where slow recovery from having weathered the drought conditions that ravaged the region. In addition, the Entity has been resilient considering the limited funding for maintenance and refurbishment projects. As the Chief Operating Officer, a special thanks to my operational team for their dedication throughout the year, their hard work and commitment to overcome the challenging environment we work in

As the Acting Chief Operating Officer, a special thanks to the Chief Executive Officer, Chief Financial Officer, senior management and my operational team for their dedication throughout the year, their hard work and commitment to overcome the challenging environment we work in. I say thank you! Let me conclude by saying: "thousands have live without love but none without water".

**Anthony Lotz**  
Acting Chief Operating Officer



# The Chief Financial Officer Report

## Introduction

I have the pleasure of submitting the report of the Chief Financial Officer (CFO) for the financial year under review.

## Results for the Year

The results for the year are adequately set out in the Annual Financial Statements as shown on page 42 and 95.

## Financial Performance

The financial statements for the year ended 30 June 2020 confirms a Surplus for the year of R 3 365 981. The Statement of Financial Position indicates an increase of 6% on the total equity and liabilities. In addition, the Entity's investments have increased, amounting to R37 847 588 (see note 6.1). The investments are set aside, including, but not limited to, for any emergency and capital expenditure.

	2019/20	2018/19	%CHANGE
Total volume water sold-kl	3 625 000	3 264 664	11,04%
Costs of potable water (excluding depreciation)	30 807 493	25 130 634	22,59%
Costs per kl	8,50	7,69	10.53%

TABLE 1: Costs of potable water per volumes sold

Direct costs of purification and distribution per volume sold increased from the previous year, reflecting the increase in the major cost drivers, being chemicals, energy, repairs and maintenance due to price increase. This is due to increase in volume sold due to the increase in demand on water sold.

## Infrastructure Funding

Infrastructure funding is still a challenge to Overberg Water. The amount spent on refurbishment of the scheme for the year R 280 077 (2019: R 392 057) reflects a decrease as compared to the previous year. The decrease is attributed to the delays in implementing the Wits sand pipelines due to the limitation in funding, efforts were made by the Water Board to invest on the renewal program of the aging infrastructure assets. The current tariff of Overberg Water excludes the capital levy that is supposed to be for building new infrastructure due to the dispute that arose in the past with some major municipalities. Overberg Water is looking at the funding mechanism of the new infrastructure to ensure that sufficient funds are raised to replace existing infrastructure that has aged.

## Tariffs

During the current year Overberg Water has successfully consulted with its stakeholders on tariff increases in compliance with Municipal Finance Management Act. The tariff has increased by an average of 10.0% during the current year. The tariffs set must ensure the sustainability of the entity at current production levels.

The water tariffs charged should allow for the following:

- Repayment and servicing of debt
- Recovery of capital, operational and maintenance costs
- Reasonable provision for depreciation of assets
- Recovery of costs associated with the repayment of capital from Revenues over time
- Reasonable provision for future capital requirements and expansion.

Thus, in setting its tariff pricing structure, the following underlying principles are adopted:

- The promotion of the efficient and sustainable use of water
- The equitable access to water supply services, whereby the basic water service should be affordable
- The solvency and sound financial management of Overberg Water.

Overberg Water did not receive any grants or revenue allocations from government and/or its shareholder for the year under review. Therefore, all operational costs and capital expenditure must be recovered through the tariff. The annual tariff review process is required for bulk municipal customers in terms of Section 42 of the Municipal Finance Management Act (MFMA) and Circular 23 issued by National Treasury (NT). This process encompasses the principle of consultation and transparency and aims to assist Overberg Water's municipal stakeholders with their long-term planning.

## Debt Management

Net receivables from exchange transactions increased from R 8 521 607 to R 18 766 018 in 2020. The current debtors' days are 111 days (2019: 65 days), which is significantly higher than the planned performance target. The graph below indicates a significant increase in debtors' days, which is attributed to delays in receiving money from customer because level 5 lockdown caused by Covid-19 pandemic. In addition, the increase in debtors emanates from the new project acquired from Department of Public Works. The invoices were billed but not pay as the payment process were being finalised by both OW and DPW.

Efforts are being made to collect the outstanding debt. As soon as slow payers are identified from the industrial and agricultural customers, arrangements are made through negotiation and an instalment plan agreed upon. Should the terms thereof not be complied with, water restrictions are introduced until payments are made in terms of the repayment agreements.

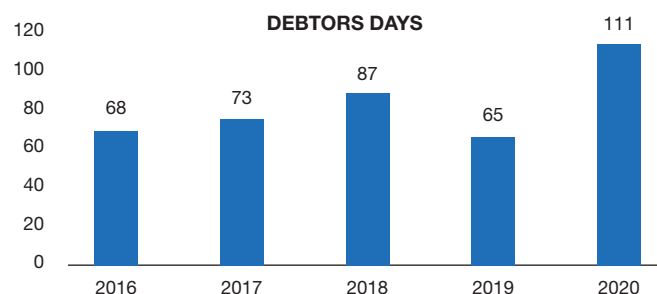


Figure 4: Debtors days

MR. Norman Mudau CGMA/ACMA  
Chief Financial Officer



# Corporate Governance

## Introduction

For the most part of the financial year there was no Board in place. The Board was only appointed in March 2019 and effective from 01 April 2019. The new Board had only three months during the year under review. There are nine individual members serving on Overberg Water Board. They are appointed in terms of the Water Services Act and carry their fiduciary duties in terms of the Public Finance Management Act

## The Term

The Board is appointed to serve for a four-year term, effective from the 1st April 2019. The term will end in March 2022. The Board comprise of professionals representing a diverse array of talent in administration, academic, business, accounting, engineering, governance, human resources, information systems and legal. Board members were chosen for their diversity of experience and perspective in order to support the Overberg Water through sharing best practices in the entity. The most essential component is to grow the business of the Entity.

## Focus Areas

The Board is chaired by Mr Razeen Benjamin and deputised by Ms Ina du Bruyn. It is further complemented by its Committee. The Committees exist to provide recommendation to the Board which then takes ultimate decision regarding the overall strategy and oversight responsibility. The Board is responsible for providing strategic leadership through ensuring that the vision, mission statement values strategic intent, policies, financial resources and stability and legal integrity of the organisation are exercised and implemented in an efficient and effective manner.

## Fiduciary and Oversight

In exercising its fiduciary and oversight responsibilities, the Board approved the strategic direction in a form of its Corporate Plan supporting the; Annual Performance Plan of the Department of Water and Sanitation but mainly the Ministry of Human Settlements, Water and Sanitation. The responsibility includes oversight functions on the budgets; internal and external annual audits; a performance management system which support the overall compensation and personnel benefits. The Board Committees as pointed the Board met outside of board meetings and reported to the ordinary Board during its ordinary and special board meetings. The Audit, Risk and Business Strategy Committee reviewed the annual audit of the entity, recommended the adoption of the Annual Financial Statements to the ordinary board meeting and ensured the entity's adherence to the prescripts of the Public Finance Management Act (PFMA). During the year under review, the Board took a decision to combine the Audit, Risk and Business Strategy Committee. The Committee is also responsible for finance and procurement oversight. The Operations and Infrastructure Committee is responsible for the main mandate of the Entity which is the bulk drinking water supply. The Human Resources, Remuneration and Ethics Committee assist the Board to discharge its responsibilities regarding remuneration and HR policies and other related matters. As well as promoting sound ethical conduct and practices in the work place.

## Ethical Leadership and Code of Ethics

Like in all water entities, the Board of Overberg Water is aiming for the highest standards of business integrity, ethical leadership and good governance.

The role of the governing Board was focused on strategic matters and ensuring organisational conformance to legal, statutory and regulatory requirements. In addition, the Governing Board had a key role in ensuring performance of management in strategy implementation and ensuring that executives succession planning became the organisational culture.

## Compliance with Laws, Rules, Codes, Guidelines and Ethical Standards

The Governing of Overberg Water considered compliance with laws, rules, codes, guidelines and ethical standards to be the right way of doing business. It was for this reason that the draft Board Charter and Committees' Charters were drawn up in terms of the Water Services Act, Number 108 of 1997 and the Public Finance Management Act, Number 1 of 1999.

The Charter concisely articulates the overview of the following:

- The demarcation of the roles, functions, responsibilities and powers of the Board, individual board members, the executives of the entity and shareholder of Overberg Water Board being the Ministry / Department
- The powers delegated to various committees of the Governing Board
- The policies and practices of the Governing Board in respect of matters such as corporate governance, declarations and conflicts of interest, board meeting documentation, procedures, nomination, appointment, induction, training and evaluation of directors and members of Board Committees
- The division of labour between the Governing Board and its committees, ensuring that risk exposure is sufficiently managed

## Conclusion

Overberg Water has invested in its human capital as the success of any strategy is entirely dependent on the people. The Entity shall continue investing in its human capital as part of an overall approach to achieving the Growth Path initiatives. With the support of the Board, there is every reason to believe that the Entity is on the right course. The Board is capable of taking the organisation to the greater heights due to their skills from a diverse background and exposure.

# Annual Performance Review Report

Based on audited results for the financial year ended 30 June 2020.

The Annual Performance Review of the key performance indicators as set out in the Shareholder's Compact is stated below:

## Operational Efficiency and Effectiveness

ORGANISATIONAL EFFICIENCY AND EFFECTIVENESS									
NR	OW STRATEGIC GOAL	OW STRATEGIC OBJECTIVE	PERFORMANCE PERSPECTIVE	UNIT OF MEASURE	ANNUAL TARGET	ACTUAL	PRIOR YEAR ACTUAL	VARIANCE	REASONS FOR VARIANCE AND CORRECTIVE MEASURES
					2019/20	2019/20	2018/19	2019/20	
1	ORGANISATIONAL EFFICIENCY AND EFFECTIVENESS	1,1	Percentage compliance with water quality standard SANS 241 Class 1 and Class 2, in terms of Health: Acute	%	98%	98%	0%	0%	None
2		1,1	Percentage compliance with water quality standard SANS 241 Class 1 and Class 2, in terms of Health: Chronic	%	98%	100%	0%	+2%	Efforts has been made to ensure that health: chronic.
3		1,1	Percentage compliance with water quality standard SANS 241 Class 1 and Class 2, in terms of operational quality	%	98%	95%	0%	-3%	Aging infrastructure resulting, the entity needs to replace sand filters
4		1,1	Percentage compliance with water quality standard SANS 241 Class 1 and Class 2, in terms of aesthetic quality	%	98%	97%	0%	-1%	Aging infrastructure resulting, the entity needs to replace sand filters
5		1,4	Percentage unavoidable water losses of water purified	%	7,50%	10%	9,48%	-2,50%	Aging infrastructure resulting in burst. Overall the pipe network from asbestos pipes to Upvc pipes.
6		1,1	Number of days with water supply interruptions exceeding 24 hours	Number	0 days	1 day	3	-1 day	Electricity load shedding had an impact and aging infrastructure resulting to pipe burst.
7		1,2	Percentage of the repairs and maintenance budget actually spent	%	95%	71%	0%	-29%	Lack of maintenance plan
8		1,3	Percentage of the budget for capital expansion projects actually spent	%	90%	0%	0%	-90%	Lack of funding capital funding, limited water licenses
9		1,1	Number of maintenance plans completed and/or updated	Number	1	0	0	-1	Lack of technical expertise, organogram has been amended to include a technical manager
10		1,1	Number of infrastructure plans completed and/or updated	Number	1	0	0	-1	Lack of technical expertise, organogram has been amended to include a technical manager
11		1,4	Number of MOU's entered in to with relevant agencies relating to water conservation at specific sites.	Number	1	0	0	-1	COVID 19 and national lockdown as affected certain planned initiatives.
12		1,4	Number of MOU's entered in to with relevant agencies relating to water conservation for specific regions.	Number	1	0	0	-1	COVID 19 and national lockdown as affected certain planned initiatives.
13		1,4	Number of water conservation/ demand management education or awareness campaigns.	Number	1	0	0	-1	COVID 19 and national lockdown as affected certain

# Financial Performance

IMPROVE AND INCREASE REVENUE AND MANAGE COST DRIVERS									
NR	OW STRATEGIC GOAL	OW STRATEGIC OBJECTIVE	PERFORMANCE PERSPECTIVE	UNIT OF MEASURE	ANNUAL TARGET	ACTUAL	PRIOR YEAR ACTUAL	VARIANCE	REASONS FOR VARIANCE AND CORRECTIVE MEASURES
					2019/20	2019/20	2018/19	2019/20	
14	IMPROVE AND INCREASE REVENUE AND MANAGE COST DRIVERS	2,2	External audit Result of the annual	AG's audit opinion	Unqualified	Unqualified	Unqualified		None
15		2,2	Current ratio	Ratio	2	3,14	3,7	1,14	Increase due to new DPW project
16		2,2	Gross profit margin % (Primary activity)	%	45%	47%	49%	2%	Increase due to new DPW project
17		2,2	Gross profit margin % (Secondary activity)	%	0%	0%	0%	0%	None
18		2,2	Net profit margin % (Primary activity)	%	10%	5%	10%	-5,10%	Tariff model is not fully cost reflective plus under- utilization of the water treatment plants due to limited water license
19		2,2	Net profit margin % (Secondary activity)	%	0	0	0	0	None
20		2,2	Debt equity ratio	Ratio	0	0	0	0	None
21		2,2	Return on assets ratio	%	5%	5%	5%	0%	None
22		2,2	Debtor days	Number	43	111	65	-68	Increase in impairment of debtors coupled with increase in debtors resulting from the Dept of Public Works project.
23		2,2	Percentage of staff remuneration to operating expenditure	%	35%	46%	46,92%	-11%	Tariff model is not fully cost reflective plus under utilization of the water treatment plants due to limited water license
24		2,2	Annual operating cashflow generated	Rand amount	R3 million	-R2,63 Million	0	R5,63 Million	Tariff model is not fully cost reflective plus under utilization of the water treatment plants due to limited water license
25		2,2	Total revenue as a percentage of budgeted revenue	%	98%	99%	0	1%	None
26		2,2	Number of breaches in materiality and significance framework	Number	0	0	0	0	None
27		2,2	Return on turnover	%	15%	5%	0	-10%	Tariff model is not fully cost reflective plus under- utilization of the water treatment plants due to limited water license
28		2,1	Percentage of procurement awarded to EME enterprises	%	15%	26%	0	11%	More EME were targeted through the tank installation project
29		2,1	Percentage of procurement awarded to QSE enterprises	%	15%	23%	0	8%	More QSE were targeted through the tank installation project
30		2,1	Percentage of operating expenditure budget actually spent	%	95%	95%	0	0%	Achieved annual expenditure is within target
31		2,1	Infrastructure availability to meet demands: Overall project expenditure within targets	%	90%	6%	15,30%	-90%	Tariff model does not include a capital levy component, this results in insufficient capital to finance infrastructure projects
32		2,1	Growth in turnover from secondary activities	%	90%	100%	0%	10%	None
33		2,1	Number of projects awarded to OW as implementing agent	Number	0	1	0	1	None
34		2,2	Percentage of procurement spent awarded to suppliers that are at least 51% black owned	%	40%	49%	59%	9%	Black owned suppliers were targeted
35		2,2	Percentage of cost savings achieved measured as a saving against the approved expenditure budget	%	5%	5%	5%	0%	None

## Customer/Stakeholder Interaction

EFFECTIVE STAKEHOLDER AND CUSTOMER ENGAGEMENT									
NR	OW STRATEGIC GOAL	OW STRATEGIC OBJECTIVE	PERFORMANCE PERSPECTIVE	UNIT OF MEASURE	ANNUAL TARGET	ACTUAL	PRIOR YEAR ACTUAL	VARIANCE	REASONS FOR VARIANCE AND CORRECTIVE MEASURES
					2019/20	2019/20	2018/19	2019/20	
37	EFFECTIVE STAKEHOLDER AND CUSTOMER ENGAGEMENT	3.1	Percentage of municipalities/ other customers with bulk supply agreements	%	50%	100%	0%	+50%	Hessequa Municipality and the Theewaterskloof Municipalities have bulk water agreements
38		3.1	Number of new Ministerial directive issued implemented on time	Number	0	1	0	+1	COVID 19 Water tanks project, however it must be noted that this target is largely determined by the minister giving a directive
39		3.1	Percentage of statutory reports submitted on time	%	100%	100%	100%	0%	None
40		3.1	Number of engagements with selected statutory stakeholders	Number	4	6	-	+2	Meetings increased due to tank installation project
41		3.4	Number of newsletters developed to improve visibility and growth opportunities	Number	2	-	-	-2	Covid-19 had an impact on this
42		3.1	Number of engagement meetings with selected strategic partnerships	Number	2	0	0	-2	Robben Island and Casitra were only approached after year end due to covid 19
43		3.2	Number of meetings with customers	Number	2	2	0		2 Bulk water customers 2nd quarter and 1 group of industrial
44		3.3	Number of tariff consultation meetings with key stakeholders	Number	3	3	0		2 Bulk water customers 2nd quarter and 1 group of industrial customers 3rd quarter

## Organisational Capacity

ORGANISATIONAL CAPACITY									
NO	PERFORMANCE OBJECTIVE	PERFORMANCE AREAS/ PROJECTS	PERFORMANCE PERSPECTIVE	UNIT OF MEASURE	ANNUAL TARGET	ACTUAL	ACTUAL	VARIANCE	REASONS FOR VARIANCE AND CORRECTIVE MEASURES
					2019/20	2019/20	2018/19	2019/20	
45	ORGANISATIONAL CAPACITY	4,3	Percentage annual staff turnover	%	10%	1%	2,94%	9%	None
46		4,2	Number of learnerships implemented to increase skills and capacity building	Number	5	6	5	+1	None
47		4,2	Number of training programmes/workshops conducted for staff members	Number	10	9	none	-1	1 training on supply chain was postponed because of the national lock due to COVID 19
48		4,3	Number of staff members appointed during the year	Number	10	1	1	-9	Lack of budget/funding to fill vacant posts
49		4,1	Number of ICT systems developed	Number	1	0	none	-1	Lack of technical expertise, organogram has been amended to include a technical manager
50		4,1	Number of ERP business cases developed.	Number	1	1	none	0	None

## General Performance

GENERAL PERFORMANCE									
NO	OW STRATEGIC GOAL	PERFORMANCE OBJECTIVE	PERFORMANCE INDICATOR	UNIT OF MEASURE	ANNUAL TARGET	ACTUAL	PRIOR YEAR ACTUAL	VARIANCE	REASONS FOR VARIANCE AND CORRECTIVE MEASURES
					2019/20	2019/20	2018/19	2019/20	
51	GENERAL PERFORMANCE	5.2	Percentage of board members attending of all Board and committee meetings	%	60%	98.15%	89%	40%	The attendance of the Board has been exceptionally well.
52		5.2	Number of repeated internal audit findings within the annual audit cycle	Number	0	0	0	0	None
53		5.1	Number of compliance registers developed and maintained for HR, Finance, SCM and water services	Number	2	2	0	0	None
54		5.2	Number of service provider appointed to conduct internal audit	Number	1	1	1	0	None
55		5.2	Number of board members appointed	Number	7	9	9	+2	Initially only 7 members were anticipated, and the minister appointed more
56		5.1	Number of policies developed and updated	Number	12	6	1	-6	The development of the policies is continuous
57		5.1	Number of risk registers updated	Number	3	3	0	0	None
58		5.2	Number of Board meeting held	Number	4	6	1	2	2 additional meetings to discuss strategy



# Operational Efficiency and Effectiveness

## Water Quality Produced (Relative to SANS 241)

Overberg Water Board has continually maintained good water quality results over the past year as shown in Table 13. As a bulk provider of water, all Overberg Water's schemes are to comply with standards set out in SANS 241: 2015. Water quality is managed rigorously, and stringent systems and controls are in place to make sure these are met. Overberg water has set KPIs that are in line with Blue Drop certification requirements and its monitoring and testing processes far outweigh the minimum required by SANS 241: 2015. Sampling and analyses are carried out using accredited laboratory techniques (ISO 9001) as far as possible. Table 14 provides an explanation of the results.

WATER WORKS	COMPLIANCE (%) WITH SANS 241:2015				
	ACUTE HEALTH: MICROBIOLOGICAL	ACUTE HEALTH: CHEMICAL	CHRONIC HEALTH	AESTHETIC	OPERATIONAL
Rûensveld West	100.00%	100.00%	100.00%	99.22%	98.06%
Rûensveld East	98.66%	100.00%	100.00%	99.59%	90.67%
Duivenhoks	100.00%	100.00%	100.00%	93.16%	97.74%
Overall	97.74%	100.00%	100.00%	97.23%	95.48%

Table 13: Potable water quality compliance with SANS 241:2015 per WTW (2020/21 FY)

	POPULATION UP TO 100 000			POPULATION > 100 000		
	PROPORTION OF SAMPLES COMPLIANT			PROPORTION OF SAMPLES COMPLIANT		
	EXCELLENT	GOOD	UNACCEPTABLE	EXCELLENT	GOOD	UNACCEPTABLE
Microbiological Health	≥97%	≥95%	<95%	≥99%	≥97%	<97%
Chronic Health	≥95%	≥93%	<93%	≥97%	≥95%	<95%
Operational	≥93%	≥90%	<90%	≥95%	≥93%	<93%
Aesthetic	≥93%	≥90%	<90%	≥95%	≥93%	<93%

Table 14: Key classification of drinking water supply systems according to SANS 241:2015

## Manage Avoidable Water Losses

Overberg Water has over the past years successfully maintained non-revenue water below the targeted annual average of 10%, however, for the year under review the entity set a far more aggressive target of 7.5%, this target was not achieved. For 2019/20 financial year the non-revenue water was reported at 10%. This is however still acceptable compared to national standards. It is clear that the effects of the ageing infrastructure resulted in the target not being achieved.

## Reliability of Supply

Overberg Water has over the past year experienced three (3) instances where water supply was disrupted for more than 24 hours. Most of these instances are attributed to Eskom cable damage upstream of the Rûensveld West Water Treatment Works. Where minor pipe bursts occurred, effective communication systems and experienced maintenance officers ensure that these are dealt with timeously to minimise any unfavourable impacts downstream, both in terms of water quality and quantity.

## Increase Access Services

There is no actual spending as the Department of Water and Sanitation did not issue any directives to implement projects to Overberg Water.



# Financial Performance

## Financial Reporting Compliance

Overberg Water Board received an unqualified audit opinion with only non-compliance findings for the 2019/20 financial year. This is an achievement since the entity has managed to maintain the unqualified audit with findings obtained in 2018/19. The Water Board intends on obtaining clean audit opinion for the 2020/21 financial year and onwards. This will be made possible by the fact key vacancies have been filled and the governance structures are in place which contributes to an effective control environment.

## Improve Key Financial Ratios

Below are the key financial ratios that reflect the entity's financial performance

### Liquidity

Overberg Water Board's liquidity ratios have decreased from a current ratio of 3.38 in 2018/19 to 3.14 in the 2019/20 financial year. The decrease in liquidity is mainly due to decrease in cash collection that resulted in a decrease in cash on hand. The cash collection was impacted by restrictions imposed due to COVID-19.

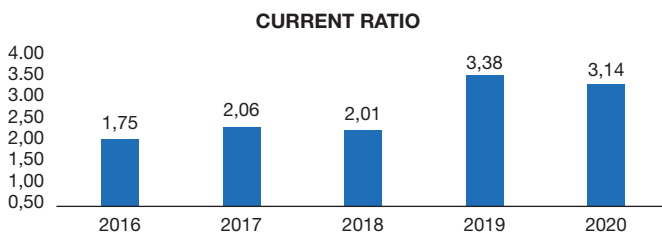


Figure 5: Current ratio

### Gross Profit Margin Percentage

Overberg Water Board sustained a gross profit margin of 41% for the current year compared to 44% for 2018/19. The decrease in the gross profit is due to higher spending on energy, chemicals and repairs and maintenance. Some of these costs are volume driven in 2019/20 there was an increase of volume sold by 11,04% due to high demand of water sold.

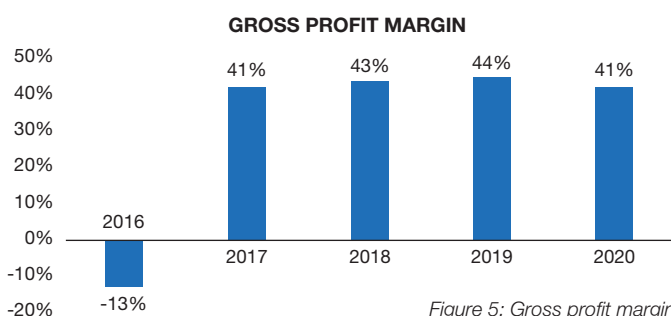


Figure 5: Gross profit margin

### Net Profit Margin Percentage

Overberg Water Board sustained a surplus of 5% for the current year compared to 8% for 2018/19. The decrease in net profit is because of less consumption of water due to closure of the mill caused by restrictions of Covid-19 while the costs of purifying was increased.

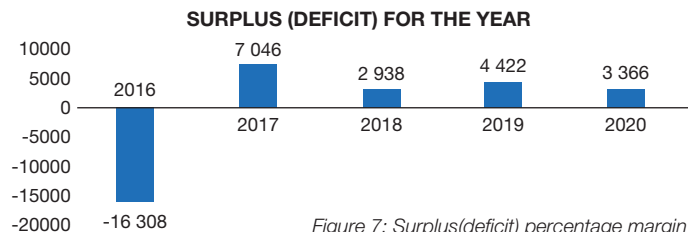


Figure 7: Surplus(deficit) percentage margin

### Debt Equity Ratio

The entity does not have any interest-bearing long-term debt.

### Return on Assets Percentage

Overberg Water Board has a return on assets of 5% in the current year compared with 6% for 2018/19. The decrease is due to the increase in impairment of debtors caused by COVID-19 restrictions.

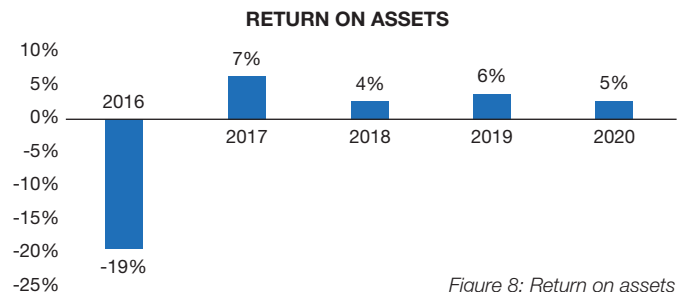


Figure 8: Return on assets

### Debtors' Days

Net receivables from exchange transactions increased from R 8 521 607 to R 18 766 018 in 2020. The current debtors' days are 111 days (2019: 65 days), which is significantly higher than the planned performance target. This is an under achievement as the target was 60 days. The under achievement is due to restrictions caused by COVID-19. The pandemic has impacted negatively on the ability of the farmers to pay their accounts regularly. In addition, the increase in debtors emanates from the new project acquired from Department of Public Works (DPW). The invoices were billed but not pay as the payment process were being finalised by both OW and DPW.

FINANCIAL PERFORMANCE KEY INDICATORS	2019	2020
<b>FINANCIAL PERFORMANCE (R'000)</b>		
<b>Revenue</b>	<b>56 266</b>	<b>68 893</b>
<b>Revenue from exchange transactions</b>	<b>55 061</b>	<b>68 893</b>
Water sales	51 578	57 127
Waste and portable water fixed revenue	-	6 214
Other income	406	2 148
Interest income	3 077	3 404
<b>Revenue from non-exchange transactions</b>	<b>1 205</b>	<b>0</b>
Cost of potable water	28 635	33 807
Operating Expenditure	23 094	31 710
Finance costs	115	9
Surplus (deficit) for the year	4 422	3 366
<b>PERFORMANCE INDICATORS (AS A PERCENTAGE OF REVENUE FROM EXCHANGE TRANSACTIONS)</b>		
Cost of potable percentage	52%	49%
Gross profit margin percentage (% of water sales)	44%	41%
Operating expenses percentage	41%	46%
Surplus(deficit) percentage	8%	5%
<b>WATER INDICATORS</b>		
Treated water volume (in kl '000)	3 265	3 625
Average water tariff (R/kl)	15,85	18,07
Cost of production (R'000)	28 635	33 807
Cost of production (R'000) (excluding depreciation)	25 131	30 439
Average water cost/volume sold	15,85	18,07
Average water cost (excluding depreciation)/volume sold	14,78	17,01
Number of employees	68	97
Kilolitres sold per employee	48 010	37 371
<b>OPERATING RISK INDICATORS</b>		
Total Expenditure (R'000)	51 844	65 527
Depreciation (R'000)	4 070	3 857
Current ratio	3,38	3,14
Gross profit margin percentages	44%	41%
<b>FINANCIAL POSITION (R'000)</b>		
Net Assets	90 852	94 218
Total Non-Current Assets	73 341	72 227
Investments	35 499	37 848
Total Non-Current Assets (excluding investment)	37 842	34 380
Current assets	25 398	32 368
Current liabilities	7 521	10 324
Cash and cash equivalents	14 098	11 046
Inventories	2 779	2 556
Receivables from exchange transactions (before impairment)	10 072	21 836
Receivables from exchange transactions (after impairment)	8 522	18 766
Payables from non-exchange transactions	-	-
Payable from exchange transactions	2 686	4 737

TABLE 5: Financial performance key indicators

FINANCIAL PERFORMANCE KEY INDICATORS	2019	2020
FINANCIAL RISK INDICATORS		
Current ratio	3,38	3,14
Acid test ratio	3,01	2,89
OPERATING RISK INDICATORS		
Revenue	56 266	68 893
Cost of portable water	28 635	33 807
Depreciation	4 070	3 857
Bad debts and impairments of trade debtors	884	1 519
Net income for the year	4 422	3 366
Return on assets	6%	5%
Return on turnover	8%	5%
Debtors collection period (days)	65	111
Creditors (days)	21	28

TABLE 6: Financial position key indicators

## Increase BBBEE Expenditure Relative to Projects

The BBBEE target was 40% the entity has achieved 49%, this is due to efforts made by the entity to empower small business enterprise.

## Manage Costs Within the Approved Budget

Overberg Water has managed to underspend its budget by 5% which is an achievement as compared to the target of 5%. The achievement is mainly driven by delays in filling critical vacant position, chemical costs and repairs and maintenance.

## Capital Expenditure Programme

Overberg Water capital expenditure program is way below the budget. This is due to the fact that the tariffs do not include the capital levy, as a result the spending on capital project is dependent on the net surplus available.

## Engagement in Secondary Activities

The entity is not involved in any secondary activities at present.



# Customer/Stakeholder **Interaction**

## Bulk Supply Agreements Concluded with Municipalities

All existing bulk supply agreements were signed. Overberg Water has developed the growth path strategy to expand the footprint. This will require signing of additional bulk supply agreement for the future.

## Achieve Statutory Reporting Compliance

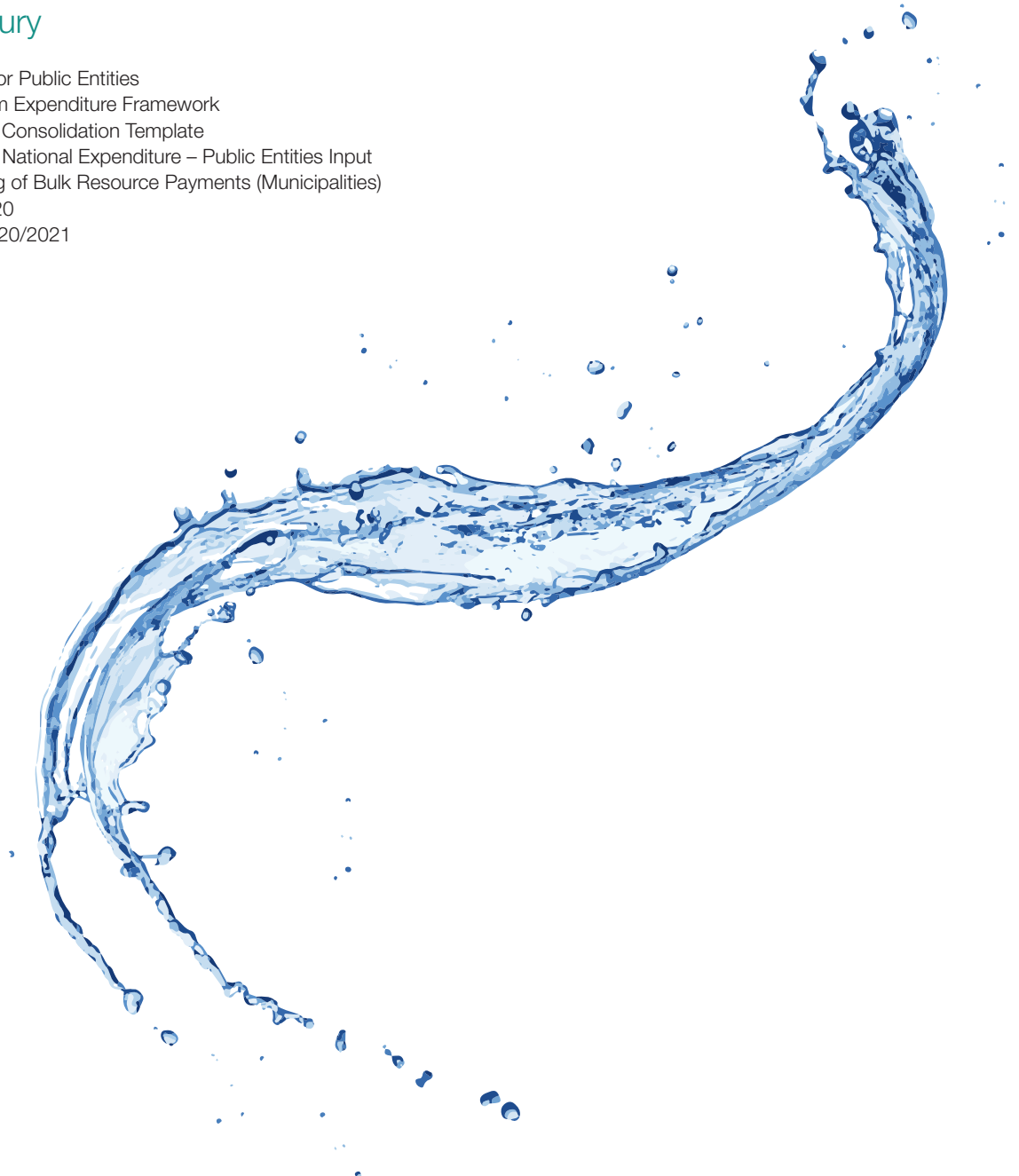
The following reports were submitted during the year under review.

### Department of Water and Sanitation

- Quarterly reports of key performance indicators
- Annual Report 2020
- Corporate plan 2020/2021
- Tariff approval

### National Treasury

- Quarterly reports for Public Entities
- 2021 Medium Term Expenditure Framework
- 2020 Public Entity Consolidation Template
- 2021 Estimates of National Expenditure – Public Entities Input
- Monthly monitoring of Bulk Resource Payments (Municipalities)
- Annual Report 2020
- Corporate plan 2020/2021



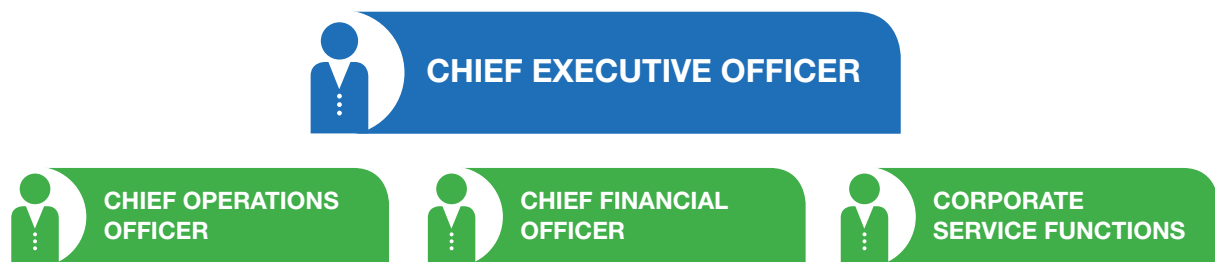
# Organisational Capacity

## Introduction

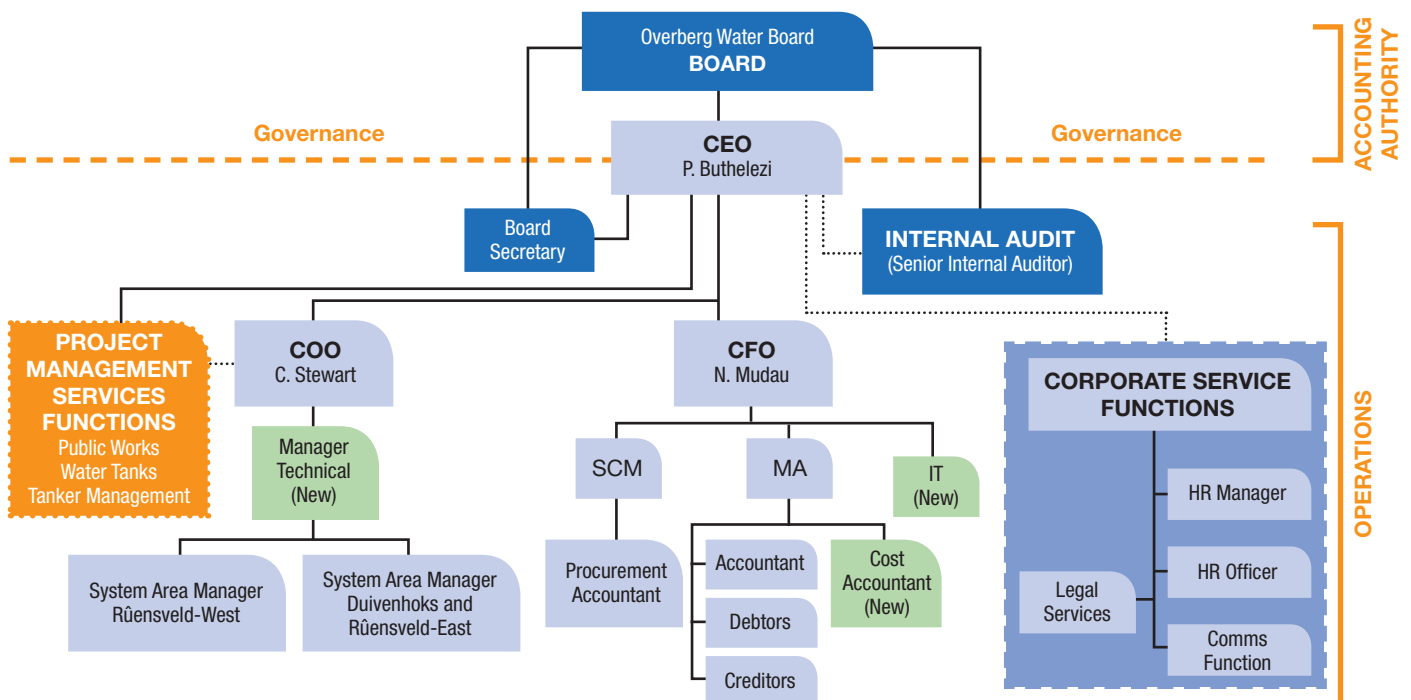
Overberg Water Board strategic direction requires employees to be skilled, knowledgeable and passionate in the performing their various duties. In order to achieve the strategic objectives of the Overberg Water Board as articulated by the shareholder and our various stakeholders, the Entity relies on the skills, knowledge and hard work of our employees. The role of Human Resources is therefore, to create and maintain an environment that is supportive for employees in order to enable the Entity to achieve its strategic objectives.

## Functional Structure

The functional structure reflects occupied posts as well as group of functions currently being performed within the organization.



## Staff Organogram and Business Units



- To be filled in 2020/2021 financial year.
- Service is outsourced.
- To be progressively filled.

# Employment Equity

Overberg Water Board views employment equity as a strategic priority and is committed to ensuring effective implementation of the Employment Equity Act (the Act). The Entity has established the Employment Equity and Skills Development Forum (EE Forum) which has representatives from across all occupational levels. Overberg Water Board is happy to having labour representation in the Employment Equity Forum, since it enhances participation by unionised members. The purpose of the Employment and Skills development forum is to ensure effective implementation of the Employment Equity Process.

The table below is an indication of the Overberg Water Board employee profile and appointments done during the financial year in question.

## Employee Profile

Sound progress is being made on the Overberg Water employment equity profile. Overberg Water is still falling short of reaching its 2019/2020 target for people with disability and African female representation overall.

In order to address this situation, emphasis on recruitment and promotion of employees from the African female groups as well as employees with disabilities still remains a priority.

OCCUPATIONAL LEVEL	AFRICAN		COLOURED		INDIAN		WHITE		TOTAL
	MALE	FEMALE	MALE	FEMALE	MALE	FEMALE	MALE	FEMALE	
Top Management	2	0	1	0	0	0	0	0	3
Senior Management	2	1	0	0	0	0	0	0	3
Professionally Qualified and Experienced Specialists and Mid-Management	0	1	3	0	0	0	0	0	4
Skilled Technical and Academically Qualified Workers, Junior Management, Supervisors, Foremen and Superintendents	2	0	1	2	0	0	0	0	5
Semi-skilled and Discretionary Decision Making	3	0	15	15	0	0	0	0	33
Unskilled and Defined Decision Making	1	3	6	3	0	0	0	0	13
Total Permanent	10	5	26	20	0	0	0	0	61
Temporary Employees	5	3	26	0	0	0	0	0	34
<b>Grand Total</b>	<b>15</b>	<b>8</b>	<b>52</b>	<b>20</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>95</b>



## Appointments

Positions that were filled for 2019/2020 were 1 General Worker in operations and 1 Graduate in Supply Chain. Several critical business positions are in the process of being filled.

OCCUPATIONAL LEVEL	AFRICAN		COLOURED		INDIAN		WHITE		TOTAL
	MALE	FEMALE	MALE	FEMALE	MALE	FEMALE	MALE	FEMALE	
Top Management	0	0	0	0	0	0	0	0	0
Senior Management	0	0	0	0	0	0	0	0	0
Professionally Qualified and Experienced Specialists and Mid-Management	0	0	0	0	0	0	0	0	0
Skilled Technical and Academically Qualified Workers, Junior Management, Supervisors, Foremen and Superintendents	0	0	0	0	0	0	0	0	0
Semi-skilled and Discretionary Decision Making	0	0	0	0	0	0	0	0	0
Unskilled and Defined Decision Making	1	1	0	0	0	0	0	0	2
<b>Grand Total</b>	<b>1</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2</b>

## Graduate Appointments

The Entity currently have 4 graduate interns: two (2) Finance graduate interns and two (2) Supply Chain Management graduate interns, with one (1) vacancy for Operations graduate intern and one (1) vacancy for Human Resources graduate intern. The operational workforce remained stable during the current year under review.

DEPARTMENTS	MALE	FEMALE	TOTAL
Human Resources	0	0	0
Finance	0	2	2
Supply Chain Management	1	1	2
Operations	0	0	0
<b>GRAND TOTAL</b>	<b>1</b>	<b>3</b>	<b>4</b>

## Staff turnover

During the year under review the staff turnover was 2% which is 8% below the set target of 10% for the financial year.

TYPES OF TERMINATIONS	AFRICAN		COLOURED		INDIAN		WHITE		TOTAL
	MALE	FEMALE	MALE	FEMALE	MALE	FEMALE	MALE	FEMALE	
Resignations	1	1	0	0	0	0	0	0	2
Dismissals	0	0	0	0	0	0	0	0	0
Abscondment	0	0	0	0	0	0	0	0	0
Deaths	0	0	0	0	0	0	0	0	0
Ill-Health	0	0	0	0	0	0	0	0	0
Retirements	0	0	0	0	0	0	0	0	0
Expiry of Fixed-term Contract	0	0	0	0	0	0	0	0	0
<b>TOTAL</b>	<b>1</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2</b>



## Training and Skills Development

Overberg Water Board Water has been providing opportunities to its employees to continuously develop themselves in initiatives that improve business efficiencies and productivity in order to maintain and sustained the Entity's high-performance culture. These interventions are implemented through the Workplace Skills Plan (WSP) and Annual Training Plan (ATR) submitted to the Energy and Water Services Sector Education and Training Authority (EWSETA) on an annual basis. Submission of the WSP is a legislative requirement.

The table below is an indication of all the training and development initiatives that have been successfully implemented for the financial year under review.

TRAINING PROGRAMS	AFRICAN		COLOURED		INDIAN		WHITE		TOTAL
	MALE	FEMALE	MALE	FEMALE	MALE	FEMALE	MALE	FEMALE	
Risk Management Training	6	2	4	2	0	0	0	0	14
Sage Tax Seminar	1	2	0	1	0	0	0	0	4
Performance Information Training	6	2	4	0	0	0	0	0	12
Supply Chain Management Training	9	3	5	3	0	0	0	0	20
<b>GRAND TOTAL</b>	<b>22</b>	<b>9</b>	<b>13</b>	<b>6</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>50</b>

## Governance

Policies such as Remuneration Strategies and Policy for employees and Performance Development and Management Policy were reviewed and approved by the Board during the financial year under review. Several key policies have however, been identified to improve the operational requirements of the Entity and to work towards achieving the organizational goals.

## Employee Wellness

The well-being of staff is a key pillar in the human resources value chain. As a consequence, the Overberg Water Board is continuing to implement the occupational health services programme with the appointed professional service provider. Furthermore, the Entity is in the process of identifying a professional service provider to render a holistic wellness programme.

## Corporate Social Responsibility initiatives

The table below indicates Corporate Social Responsibility initiatives for the financial year under review which included the following items:

DETAILS	NUMBER OF INITIATIVES UNDERTAKEN
Youth Day Celebration	0
Mandela Day Celebration	0
Women's Day Celebration	0
<b>GRAND TOTAL</b>	<b>0</b>

## Conclusion

The Human Resources Division continued to focus and consistently met many challenges encountered during the financial year under review through engaged and motivated employees,



# General Performance

## Board Member Attendance at Meetings

The new Overberg Water Board members were appointed in March 2019 effective from 01 April 2019. The Board had its first meeting on the 28 May 2019. It resolved to create and nominate individual members to serve on the following committees:

- Audit, Risk and Business Strategy Committee
- Operations and Infrastructure Committee
- Human Resources, Remuneration and Ethics Committee

Board member attendance was satisfactory during the year under review. The Overberg Water will first outsource the Company Secretary responsibilities due to its size and nature of the work at hand. The long-term plan is to appoint the permanent Company secretary. The following table indicate attendance for Board and Committees' meetings:

BOARD MEMBERS	BOARD MEETINGS	AUDIT, RISK & BUSINESS STRATEGY COMMITTEE	OPERATIONS AND INFRASTRUCTURE COMMITTEE	HUMAN RESOURCES, REMUNERATION AND ETHICS COMMITTEE
Mr R Benjamin	5	0	0	4
Ms Ina du Bruyn	5	0	4	0
Mr M Matji	4	0	4	0
Mr D Lefutso	5	5	0	0
Ms S Mayinga	5	0	0	4
Ms N Madiba	5	5	0	0
Dr G Davids	5	0	0	4
Ms L Seripe	5	5	0	0
Mr E Nene	5	0	4	0

Figure 15

## Effective Controls and Risk Management

During the year under review, several interventions were introduced. These include, inter alia: the introduction of the new internal controls systems by the Chief Financial Officer, the development of risk register and audit action plan.

## Good Governance

Due to limited internal audit function, no bridges of materiality and significance were reported by the Combined Audit, Risk and Finance Committee and the Chief Financial Officer.

TOTAL MEETINGS	MEETING TYPES	NUMBER OF MEMBERS	NUMBER OF ATTENDEES	ATTENDANCE PERCENTAGE
3	Ordinary Board	9	8/9	96%
2	Special Board	9	9/9	100%
5	Audit, Risk and Business Strategy	3	3/3	100%
4	Operations and Infrastructure	3	3/3	100%
4	Human Resources, Remuneration & Ethics	3	3/3	100%

Figure 16



## Corporate Social Responsibility Initiatives

The Corporate Social Responsibility Initiative for the year include the following items:



DETAILS	NUMBER OF INITIATIVES UNDERTAKEN
Water week / Mandela day	1
Water week / drop a block	0
Water week / river cleaning	0
Water week / school scheme	0
Water week / school visits (Duiv)	0
<b>TOTAL</b>	<b>1</b>

Figure 17: Corporate Responsibility Initiatives

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# General Information

<b>Country</b>	South Africa
<b>Nature of business and principal activities</b>	Overberg Water is a water board established in terms of section 28 of the Water Services Act (Act 108 of 1997) and is an unincorporated government business entity according to Schedule 3B of the Public Finance Management Act (Act 1 of 1999), as amended.
<b>Accounting Authority / Board members</b>	Mr R Benjamin (Chairperson) Ms Ina du Bruyn (Deputy Chairperson) Mr D. Lefutso Dr G. Davids Ms L. Seripe Mr M. Matji Ms N. Madiba Ms S. Mayinga Mr S. Nene
<b>Executive Management</b>	Mr P Buthelezi (Chief Executive Officer) Mr N Mudau (Chief Financial Officer) Mr C Stewart (Chief Operating Officer)
<b>Corporate Office</b>	1st Floor, Trident Park 2 1 Niblick Way Somerset West 7130
<b>Business address</b>	1st Floor, Trident Park 2 1 Niblick Way Somerset West 7130
<b>Postal address</b>	P O Box 1005 Somerset Mall 7137
<b>Bankers</b>	ABSA Bank Ltd
<b>Auditors</b>	Auditor-General South Africa
<b>Company secretary:</b>	Mamatela Inc
<b>Entity registration number</b>	22078092 in terms of the National Water Act (Act 36 of 1998)
<b>Preparer of the financial statements</b>	The Annual Financial Statements have been prepared under the supervision of TN Mudau CGMA/ACMA



# Report of the Auditor-General to Parliament on Overberg Water

## Report on the Audit of the Financial Statements

### Opinion

1. I have audited the financial statements of the Overberg Water Board set out on pages 50 to 95, which comprise the statement of financial position as at 30 June 2020, statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget information with actual amounts for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Overberg Water Board as at 30 June 2020, and its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice (Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA).

### Basis for Opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of this auditor's report.
4. I am independent of the entity in accordance with sections 290 and 291 of the Code of ethics for professional accountants and parts 1 and 3 of the International code of ethics for professional accountants (including International Independence Standards) of the International Ethics Standards Board for Accountants (IESBA codes) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA codes.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### Emphasis of Matters

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

### Restatement of Corresponding Figures

7. As disclosed in note 32 to the financial statements, the corresponding figures for 30 June 2019 were restated as a result of an error in the financial statements of the entity at, and for the year ended, 30 June 2020.

### Material Impairments

8. As disclosed in note 8 to the financial statements, the entity had a material impairment of R3 009 789 (2018-19: R1 490 393) for trade receivables.

### Subsequent Events

9. I draw attention to note 33 to the financial statements, which deals with subsequent events and specifically the possible effects of the future implications of Covid-19 on the entity's future prospects, performance and cash flows. Management also describes how they plan to deal with these events and circumstances.

### Responsibilities of the Accounting Authority for the Financial Statements

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

### Auditor-general's Responsibilities for the Audit of the Financial Statements

12. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
13. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

# Report on the Audit of the Annual Performance Report

## Introduction and Scope

14. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for selected objectives presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.
15. My procedures address the usefulness and reliability of the reported performance information, which must be based on the approved performance planning documents of the entity. I have not evaluated the completeness and appropriateness of the performance indicators/measures included in the planning documents. My procedures do not examine whether the actions taken by the entity enabled service delivery. My procedures also do not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
16. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected objective presented in the annual performance report of the entity for the year ended 30 June 2020:

OBJECTIVES	PAGES IN THE ANNUAL PERFORMANCE REPORT
Objective 1 – organisational efficiency and effectiveness	27

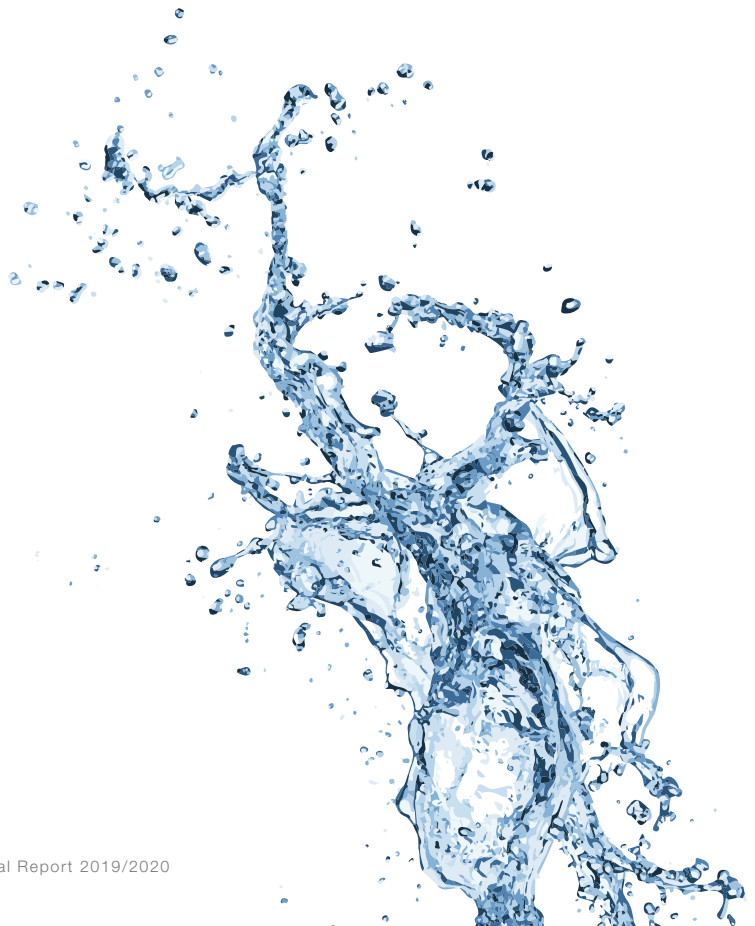
17. I performed procedures to determine whether the reported performance information was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
18. I did not identify any material findings on the usefulness and reliability of the reported performance information for this objective:
  - Objective 1 – organisational efficiency and effectiveness

## Other Matter

19. I draw attention to the matter below.

## Achievement of Planned Targets

20. Refer to the annual performance report on page 27 for information on the achievement of planned targets for the year.



# Report on the Audit of Compliance with Legislation

## Introduction and Scope

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

## Expenditure Management

3. Effective and appropriate steps were not taken to prevent irregular expenditure amounting to R130 723 as disclosed in note 28.1 to the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA. Awards made without obtaining quotations caused the majority of the irregular expenditure.

## Other Information

4. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report and those selected objectives presented in the annual performance report that have been specifically reported in this auditor's report.
5. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion on it.
6. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected objectives presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
7. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, and if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

## Internal Control Deficiencies

8. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matter reported below is limited to the significant internal control deficiencies that resulted in the findings on compliance with legislation included in this report.
9. Management did not implement adequate controls to prevent irregular expenditure from reoccurring as required by the PFMA. As awards made without obtaining quotations caused the majority of the irregular expenditure in the current year, the controls relating to the review and monitoring of compliance was not adequate to ensure that the supply chain process was followed, as required by the PFMA, which resulted in irregular reoccurring in the current year.



**Cape Town, 31 January 2021**

# Annexure – Auditor-General's Responsibility for the Audit

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

## Financial Statements

2. In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:

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

## Communication with Those Charged with Governance

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





# Boards' Responsibility and Approval of The Financial Statements

The Board members are required in terms of the Public Finance Management Act of South Africa, 1999 (Act No .1 of 1999) "PFMA" to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the entity as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with Generally Recognised Accounting Practice. The external auditors are engaged to express an independent opinion on the annual financial statements and performance information.

The annual financial statements are prepared in accordance with Generally Recognised Accounting Practice and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

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

The focus of risk management in the entity is on identifying, assessing, managing and monitoring all known forms of risk across the entity. While operating risk cannot be fully eliminated, the entity endeavours to minimise it by ensuring that appropriate infrastructure,

controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

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

The Board has reviewed the entity's cash flow forecast contained in the corporate plan for the year to 30 June 2021 and, in the light of this review and the current financial position, they are satisfied that the entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the entity's annual financial statements. The annual financial statements have been examined by the entity's external auditors and their report is presented on pages 43 to 46.

The annual financial statements set out on pages 50 to 95, which have been prepared on the going concern basis, were approved by the Board on 31 August 2020 and were signed on its behalf by:



**Razeen Benjamin**  
**Chairperson of the Board**



# Letter from the Accounting Authority

P.O. Box 1005  
Somerset Mall  
7137

The Minister of Human Settlements, Water and Sanitation  
Private Bag X313  
**PRETORIA**  
0001

**Dear Honourable Minister**

On behalf of the Overberg Water Board, it is with pleasure to present to you Minister the 2019/20 Annual Report of the Overberg Water Board for the year ended 30 June 2020.

Yours faithfully



*Accounting Authority*



# Report of the Governing Board / Accounting Authority

The members of the Governing Board submit their report for the year ended 30 June 2020.

## Review of Activities

### Main Business and Operations

The entity supplies bulk water to municipalities and agricultural customers. The operating results and state of affairs of the entity are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

### Compliance with Legislation

The financial statements are prepared in accordance with Generally Recognised Accounting Practice (GRAP), approved by National Treasury in terms of section 79 of the Public Finance Management Act (Act No.1 of 1999) (PFMA), and the following relevant statutes:

- Water Services Act (Act 108 of 1997),
- Public Finance Management Act (Act 1 of 1999); and
- Public Audit Act (Act 25 of 2004).

### Corporate Governance

The Board supports the Code of Good Governance Practice.

### Share Capital

The Entity has no share capital and the Minister of Human Settlements, Water and Sanitation as the Executive Authority is the sole shareholder.

### Going Concern and Sustainability

The financial statements has been prepared on the basis of accounting policies applicable to a going concern. The basis presume that resources will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and, commitments will occur in the ordinary course of business.

The financial statements for the year ended 30 June 2020 confirms a Surplus for the year of R 3 365 981. The Statement of Financial Position indicates an increase of 6% on the total equity and liabilities. In addition, the Entity's investments have increased, amounting to R37 847 588 (see note 6.1). The investments are set aside, including, but not limited to, for any emergency and capital expenditure.

Over the last few financial years the Entity has experienced several external factors on the tariff relating to rising operational costs i.e. chemicals, electricity, etc. The entity has responded introducing efficient operational techniques to optimally and substantially utilize chemicals, electricity and to reduce the non-revenue water within it's network. One of the most pressing challenges currently facing the entity, is the pending drought conditions. The strongest El Nino on record has put water production under strain. It is therefore on this basis that the entity has made provisions in the Corporate Plan (5 year) and financial planning to lower anticipated water production, sales and revenue.

Taking into account all of the above mentioned factors, the Governing Board is confident that the entity is resilient and financially stable enough to withstand all external shocks (economic and climatic conditions) in the long and short term, however, further engagements with its stakeholder will be required to discuss the long term strategy and funding requirements. It is therefore on this basis when considering the principle of Going Concern, the Governing Board resolved that it does not foresee any financial or solvency implications in the short term that will impact the entity based on its financial position and reserves. This means the entity will not be forced to halt operations and liquidate its assets in the near or foreseeable future.

### Events After the Reporting Period

The members of the Governing Board are not aware of any matter or circumstance arising after the end of the financial year that has material impact on these annual financial. statements.

### Non-current Assets

There are no major changes in the nature of the non-current assets or the policy relating to the use of the non-current assets of the entity, during the year under review.

### Appointment of Board Members

The Board members were appointed in April 2019

### Directors' Interests

There were no director's interests in contracts with stakeholders declared during the year.

### Directors' Emoluments

The directors emoluments is set out in note 18 to the financial statements in terms of Treasury Regulation 28.1, issued in terms of the Public Finance Management Act (Act 1 of 1999).

### Directors Service Contracts

The directors serve a five year term.

### Board Secretary

At the present the entity is using Mamatela Incorporation as board secretariat.

### Committees of the Board

The Governing Body of Overberg Water consisted of mainly 3 committees:

- The Audit, Risk & Business Strategy Committee
- The Human Resources, Remunerations & Ethics Committee
- The Operations & Infrastructure Committee

# Statement of Financial Position

## as at 30 June 2020

	Notes	2020 R	2019 RESTATED R	2018 RESTATED R
<b>ASSETS</b>				
<b>Non-Current Assets</b>				
Property, plant and equipment	3	33 822 917	36 302 836	38 754 978
Intangible Assets	4	556 662	1 538 787	2 520 709
Investments	6	37 847 588	35 499 130	33 061 481
		<b>72 227 167</b>	<b>73 340 753</b>	<b>74 337 168</b>
<b>Current Assets</b>				
Inventories	7	2 556 489	2 778 738	2 966 438
Receivables from exchange transactions	8	18 766 018	8 521 607	7 999 110
Cash and cash equivalents	9	11 045 520	14 097 541	13 841 815
		<b>32 368 028</b>	<b>25 397 886</b>	<b>24 807 363</b>
<b>TOTAL ASSETS</b>		<b>104 595 195</b>	<b>98 738 639</b>	<b>99 144 531</b>
<b>RESERVES AND LIABILITIES</b>				
<b>Net Assets</b>	10	<b>94 218 244</b>	<b>90 852 263</b>	<b>86 430 315</b>
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Payables from exchange transactions	11	4 737 237	2 686 091	7 847 487
Payables from non-exchange transactions	12	-	-	1 075 999
Provisions	13	5 274 015	4 530 531	2 823 549
Finance lease Liability	24	312 629	304 054	297 425
		<b>10 323 881</b>	<b>7 520 674</b>	<b>12 044 457</b>
<b>Non-current Liabilities</b>				
Finance lease Liability	24	53 075	365 704	669 758
		<b>53 075</b>	<b>365 704</b>	<b>669 758</b>
<b>TOTAL NET ASSETS AND LIABILITIES</b>		<b>104 595 195</b>	<b>98 738 639</b>	<b>99 144 531</b>

Refer to note 32 for restated amounts.

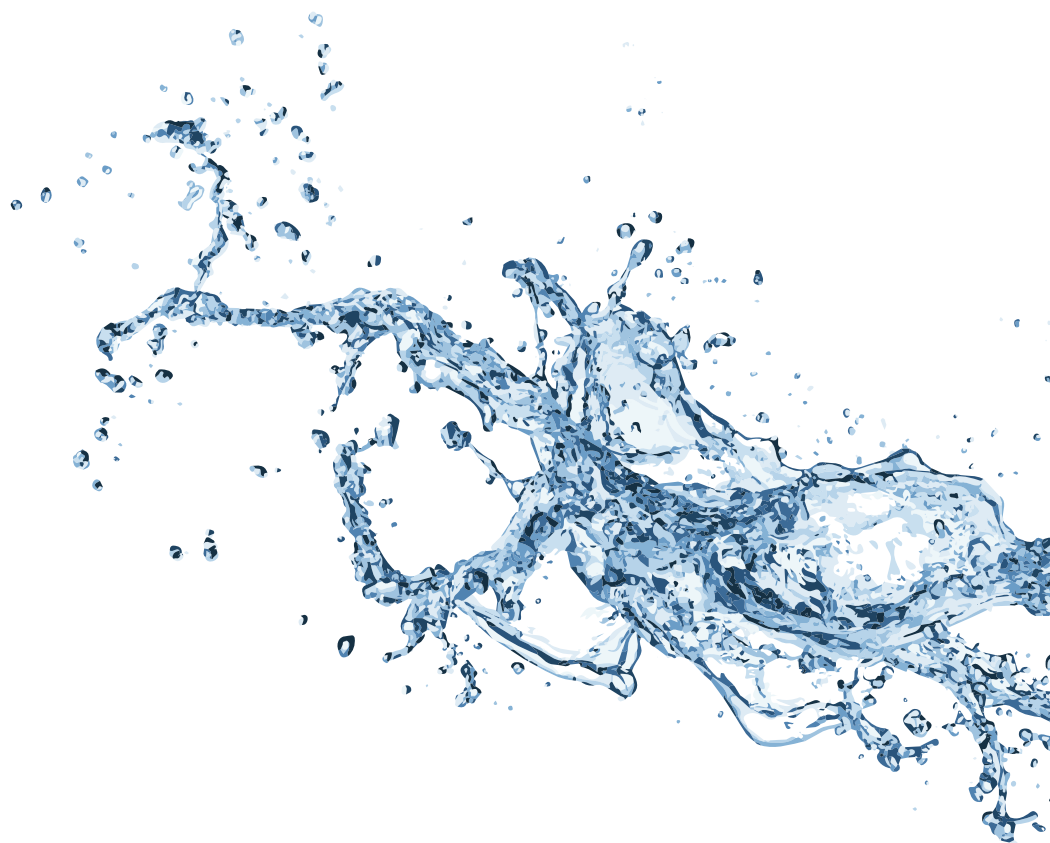


# Statement of Financial Performance

## as at 30 June 2020

	Notes	2020 R	2019 RESTATED R
<b>Revenue</b>		<b>68 893 112</b>	56 265 971
Revenue from exchange transactions	14	68 893 112	55 060 508
Revenue from non-exchange transactions	15	-	1 205 463
<b>Expenditure</b>		<b>(65 527 131)</b>	(51 844 024)
Costs of potable water	16	(33 807 493)	(28 634 769)
Operating expenditure	17	(31 710 177)	(23 094 452)
Finance cost	19.3	(9 461)	(114 803)
<b>Surplus(deficit) for a year</b>		<b>3 365 981</b>	4 421 947

Refer to note 32 for restated amounts.



# Statement of Changes in **Net Assets**

## as at 30 June 2020

	EMERGENCY FUND	CAPITAL EXPENDITURE FUND	ACCUMULATED SURPLUS	NET ASSETS
	R	R	R	R
<b>Balance at 1 July 2017</b>	<b>5 000 000</b>	<b>20 000 000</b>	<b>58 225 677</b>	<b>83 225 677</b>
As previously stated	5 000 000	20 000 000	58 225 677	83 225 677
Prior year period error			-	-
Surplus(deficit) for a year			3 204 638	3 204 638
Prior year period error			266 857	266 857
As previously stated			2 937 781	2 937 781
<b>Balance at 1 July 2018</b>	<b>5 000 000</b>	<b>20 000 000</b>	<b>61 430 315</b>	<b>86 430 315</b>
Surplus(deficit) for a year			4 421 947	4 421 947
Prior year period error			1 710	1 710
Change in accounting policy			(927 440)	(927 440)
As previously stated			5 347 678	5 347 678
<b>Balance at 1 July 2019</b>	<b>5 000 000</b>	<b>20 000 000</b>	<b>65 852 263</b>	<b>90 852 263</b>
Surplus(deficit) for a year	-	-	3 365 981	3 365 981
Movement			-	-
Surplus(deficit) for a year			3 365 981	3 365 981
<b>Balance at 30 June 2020</b>	<b>5 000 000</b>	<b>20 000 000</b>	<b>69 218 244</b>	<b>94 218 244</b>

Refer to note 32 for prior year error.

Refer to note 31 for change in accounting policy.

# Statement of Cash Flows

## as at 30 June 2020

	Notes	2020 R	2019 RESTATED R
<b>Operating activities</b>			
Cash receipts from customers		53 725 185	50 577 306
Water sales		51 577 535	50 171 395
Other income	14.2	2 147 650	405 911
Cash paid to suppliers and employees		(57 314 307)	(50 015 655)
Employee costs		(29 591 745)	(22 870 217)
Operating costs		(27 722 562)	(27 145 438)
Cash generated from operations	22	(3 589 123)	561 650
Interest paid	19.3	(9 461)	(114 803)
Interest income	19.2	969 139	699 435
<b>Net cash from operating activities</b>		<b>(2 629 444)</b>	<b>1 146 283</b>
<b>Investing activities</b>			
Acquisition of property, plant and equipment and intangible assets	3;4	(509 100)	(913 095)
Investments made during the year	6.4	(2 348 458)	(2 437 649)
Dividends received	20	-	-
Interest received on investments	19.1	2 434 982	2 460 187
<b>Net cash from investing activities</b>		<b>(422 576)</b>	<b>(890 557)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(3 052 020)</b>	<b>255 726</b>
Cash and cash equivalents at the beginning of the year		14 097 541	13 841 815
<b>Cash and cash equivalents at the end of the year</b>	9	<b>11 045 520</b>	<b>14 097 541</b>

Refer to note 32 for restated amounts.

# Statement of Comparison of Budget and Actual Amounts as at 30 June 2020

2020	Notes	APPROVED BUDGET R	FINAL BUDGET R	ACTUAL AMOUNTS R	VARIANCE AMOUNTS R	VARIANCE %
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## Financial Performance

<b>Revenue</b>	<b>27.3</b>	<b>59 781 000</b>	<b>68 134 289</b>	<b>68 893 112</b>	<b>758 823</b>	<b>1%</b>
Water sales		57 077 000	63 177 000	63 341 342	164 342	0%
Other income		579 000	2 310 600	2 147 650	(162 950)	-7%
Interest on investments		2 125 000	2 646 689	2 434 981	(211 708)	-8%
Interest income		-	-	969 139	969 139	

<b>Total Expenses</b>	<b>27.4</b>	<b>(58 693 000)</b>	<b>(69 115 192)</b>	<b>(65 527 131)</b>	<b>3 588 062</b>	<b>-5%</b>
<b>Costs of potable water</b>		<b>(35 029 000)</b>	<b>(35 041 979)</b>	<b>(33 807 493)</b>	<b>1 234 486</b>	<b>-4%</b>
Chemicals		(3 397 468)	(3 414 430)	(2 581 275)	833 155	-24%
Energy		(8 166 091)	(8 166 091)	(8 554 701)	(388 610)	5%
Fuel		(689 176)	(689 176)	(709 082)	(19 906)	3%
Insurance		(252 316)	(646 449)	(735 530)	(89 081)	14%
Laboratory costs		(542 439)	(542 439)	(373 551)	168 889	-31%
Labour		(13 636 217)	(14 516 217)	(14 592 463)	(76 246)	1%
Machinery and tool hire		(127 500)	(721 236)	(419 068)	302 168	-42%
Movement in potable water inventory		119 314	119 314	4 907	(114 407)	-96%
Protective clothing		(140 487)	(190 487)	-	190 487	-100%
Raw water		(853 181)	(954 434)	(902 194)	52 240	-5%
Repairs and maintenance		(4 595 506)	(1 588 652)	(1 123 517)	465 135	-29%
Cylinder rental		-	-	(334 695)	(334 695)	
Other vehicle cost		-	-	(118 330)	(118 330)	
Depreciation		(2 747 933)	(3 731 682)	(3 367 994)	363 687	-10%

<b>Operating expenditure</b>		<b>(23 664 000)</b>	<b>(34 059 989)</b>	<b>(31 710 177)</b>	<b>2 349 812</b>	<b>-7%</b>
Auditors remuneration		(1 858 469)	(1 858 469)	(1 441 315)	417 154	-22%
Consulting and professional fees		(4 890 232)	(5 290 232)	(5 295 960)	(5 728)	0%
Board Costs		(1 189 099)	(1 635 036)	(1 339 012)	296 024	-18%
Depreciation		(362 170)	(629 710)	(488 871)	140 839	-22%
Employee costs		(9 954 093)	(15 408 935)	(15 742 766)	(333 830)	2%
Impairment of financial assets		(130 424)	(1 838 451)	(1 519 396)	319 055	-17%
(Profit) / Loss on scrapping of property plant and equipment		-	-	(114 278)	(114 278)	
Operating lease charges (Equipment and Office rental)		(1 205 761)	(1 205 761)	(837 661)	368 100	-31%
IT expenses		(788 990)	(865 593)	(701 446)	164 146	-19%
Travel and accommodation costs		(851 548)	(1 001 548)	(735 259)	266 289	-27%



2020	Notes	APPROVED BUDGET R	FINAL BUDGET R	ACTUAL AMOUNTS R	VARIANCE AMOUNTS R	VARIANCE %
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Stationery Consumables		(209 292)	(360 000)	(365 139)	(5 139)	1%
Recruitment costs		(107 733)	(157 733)	(7 044)	150 689	-96%
Insurance		(463 800)	(356 133)	(310 432)	45 702	-13%
Municipal Services		(299 393)	(299 393)	(230 591)	68 802	-23%
Telephone costs		(549 153)	(349 153)	(190 563)	158 590	-45%
Facilities Management		-	-	(33 010)	(33 010)	
*Project cost-Installation of tanks		-	(1 700 000)	(1 372 435)	327 565	-19%
** operating expenses		(803 843)	(1 103 843)	(985 000)	118 843	-11%

<b>Finance costs</b>		-	(13 224)	(9 461)	3 763	-28%
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Surplus/(deficit)		1 088 000	(980 904)	3 365 981	4 346 885	-443%
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<b>Capital expenditure</b>	<b>27.5</b>	<b>(7 850 000)</b>	<b>(4 758 650)</b>	<b>(509 100)</b>	<b>4 249 550</b>	<b>-89%</b>
Immovable and movable assets-own		(7 850 000)	(4 758 650)	(509 100)	4 249 550	-89%
Capital expenditure- Directive		-	-	-	-	-

\*Note: Project cost-Installation of tanks is part of other operating expenses on the final approved budget.

\*\*Note: Other operating expenses (Includes Training, Advert and marketing, entertainment, postage and other expenditure).

## Statement of Comparison of Budget and Actual Amounts as at 30 June 2020

2020	Notes	APPROVED BUDGET R	FINAL BUDGET R	ACTUAL AMOUNTS R	VARIANCE AMOUNTS R	VARIANCE %
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### Cash flow

Net cash from operating activities	27.6	3 396 000	(1 848 526)	(2 629 444)	(780 918)	-42%
Net cash from investing activities	27.6	(5 389 000)	(4 771 874)	(422 576)	4 349 298	91%
Net cash from financing activities	27.6	-	-	-	-	-
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(1 993 000)</b>	<b>(6 620 400)</b>	<b>(3 052 020)</b>	<b>3 568 380</b>	<b>54%</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>10 004 000</b>	<b>14 097 541</b>	<b>14 097 541</b>	<b>0</b>	<b>0%</b>
<b>Cash and cash equivalents at the end of the year</b>		<b>8 011 000</b>	<b>7 477 141</b>	<b>11 045 522</b>	<b>3 568 381</b>	<b>48%</b>

# Significant Accounting Policies

## 1. Presentation of Financial Statements

### 1.1 Basis of Preparation of the Annual Financial Statements

The annual financial statements have been prepared in accordance with General Recognised Accounting Practice (GRAP), including

any interpretation and directives issued by the Accounting Standards Board (ASB) in accordance to the Public Finance Management Act of South Africa, 1999 (Act No.1 of 1999) "PFMA".

### 1.2 Adoption of GRAP

The following amended Standards of GRAP became effective and were fully implemented in the current financial year:

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash flow statements
GRAP 3	Accounting policies, changes in accounting estimates and errors.
GRAP 4	The effects of changes in foreign exchange rates
GRAP 5	Borrowing costs
GRAP 6	Consolidated and separate financial statements
GRAP 7	Investments in Associates
GRAP 8	Interest in Joint Ventures
GRAP 9	Revenue from Exchange Transactions
GRAP 10	Financial Reporting in Hyperinflationary Economies
GRAP 11	Construction contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events after the Reporting Date
GRAP 16	Investment Property
GRAP 17	Property, plant and equipment
GRAP 18	Segment Reporting
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GRAP 20	Related party disclosures
GRAP 21	Impairment of Non-cash- generating assets
GRAP 23	Revenue from Non-Exchange Transactions (Taxes and Transfers)
GRAP 24	Presentation of Budget information in Financial Statements.
GRAP 25	Employee Benefits
GRAP 26	Impairment of cash generating assets
GRAP 27	Agriculture
GRAP 31	Intangible Assets
GRAP 32	Services concession arrangements:Grantor
GRAP 100	Discontinued Operations
GRAP 103	Heritage Assets
GRAP 104	Financial Instruments
GRAP 105	Transfers of functions between entities under common control
GRAP 106	Transfers of functions between entities not under common control
GRAP 107	Mergers
GRAP 108	Statutory receivables
GRAP 109	Accounting by principals and agents

### 1.2.1 Standards of GRAP issued but not yet effective and early adopted by the entity

The Standards of GRAP that has been issued by the ASB, but where the Minister has not determined an effective date, have not been adopted by the Overberg Water.

## 1.3 Statement of Compliance

The annual financial statements have been prepared on the historical cost basis, and incorporate the principal accounting policies set out below. They are presented in South African Rands. These accounting policies are consistent with the previous year, where there are differences, these has been explained in note 31.

The annual financial statements are prepared on a basis that the entity will continue to be a going concern. This principle was applied in the preparation of the annual financial statements for the year ended June 2020.

## 1.4 Off-setting

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

## 1.5 Changes in Accounting, Accounting Estimates and Errors

Where the entity changes its accounting policy or policies during the accounting period and the change has an effect on the current or any prior period, the Entity will disclose the nature of the change in the accounting policy, the reasons why the new accounting policy is applied and the extent and amount of the adjustment for both current and prior periods.

The entity discloses the nature and amount of accounting estimates that has an effect in the current period or which is expected to have an effect in future periods. Revisions to estimates are recognised prospectively.

In correcting prior period errors the entity discloses the nature of the prior period error, the amount of the correction for each prior error and amount of correction for each period at the beginning of the earliest prior period presentation

## 1.6 Property, Plant and Equipment

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

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

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

Property, plant and equipment is depreciated on the straight line basis over their expected useful lives to their estimated residual value. Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses. Land is stated at cost.

The estimated useful lives of items of property, plant and equipment are as follows:

ITEM	AVERAGE USEFUL LIFE
<b>Water purification schemes</b>	
Buildings	15 - 60 Years
Structures	7 - 100 Years
Pipes / network	10 - 80 Years
Mechanical equipment	10 - 20 Years
Electronic and electrical equipment	3 - 50 Years
Spares	Indefinite
<b>Movable equipment and furniture</b>	
Movable equipment (including leased assets)	5 - 10 Years
Furniture	5 - 10 Years
Motor vehicles	5 - 10 Years
Offices	5 - 60 Years
Land	Indefinite

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting period. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in the statement of comprehensive income when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Capital work-in-progress is stated at cost and not depreciated. Depreciation on capital work-in-progress commences when the assets are ready for their intended use.



## 1.7 Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any.

Acquired computer software is capitalised on the basis of the costs incurred to acquire and bring into use the specific software. Costs associated with researching or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the development of identifiable software products controlled by the Overberg Water, that will probably generate economic benefits beyond one year that can be measured reliably, are recognised as intangible assets.

Costs include employee costs incurred as a result of developing software and an appropriate proportion of relevant overheads. The useful life of the servitudes will remain in force as long as the relevant infrastructure underlying the servitude is still in use. A servitude will only become impaired if the infrastructure to which the servitude is linked is derecognised, therefore servitudes are rights granted to the Overberg Water for an indefinite period of time.

An intangible asset with an indefinite useful life is not amortised. Intangible assets with an indefinite useful life or an intangible asset not yet available for use, are tested for impairment at the end of each financial year and whenever there is any indication that the intangible asset could be impaired. Other intangible assets are only tested for impairment where there is an indication that impairment exists.

Gains and losses on intangible assets, including impairment and impairment reversals, are treated similarly to gains and losses for property, plant and equipment.

The estimated useful lives of items of intangible assets are as follows:

ITEM	AVERAGE USEFUL LIFE
Computer Software	2 - 5 Years
Servitude	Indefinite

Servitudes are not amortised but are assessed by means of an annual impairment test. The recoverable amount is determined through the results of the value in use and fair value less costs to sell impairment tests.

## 1.8 Non-current Assets Held for Sale

The Overberg Water classifies a non-current asset as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets and its sale must be highly probable, i.e. a committed plan to dispose of the asset will exist.

The Overberg Water measures non-current assets classified as held for sale at the lower of carrying amount and fair value less costs to sell.

## 1.9 Inventories

Inventories are measured at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of selling expenses. The net realisable value of raw materials and supplies held to be used in the production of inventories will not be written down if the finished goods are expected to be sold or exchanged at or above cost.

The cost of inventories except Emergency spares is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the entity.

The cost of Emergency spares is assigned using the current replacement cost for the purpose of establishing cost and the subsequent measure is first in first out. The current replacement cost is used in the absence of actual cost. The same cost formula is used for all Emergency spares having a similar nature and use to the entity.

Emergency spares are held to repair leaks and other incidences in order to ensure an uninterrupted water supply to consumers.

## 1.10 Impairment of Assets

The entity assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the entity estimates the recoverable amount of the asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

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

Impairment losses are recognised whenever the carrying amount of the asset or a cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. Impairment losses are reversed if there has been a change in the estimates used to determine the recoverable amount. Impairment losses are reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

The entity assesses its trade and other receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in profit or loss, the entity estimates whether anticipated future cash flows will offset the amounts outstanding.



## 1.11 Financial Instruments

### 1.11.1 Classification

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

Financial instruments are initially measured at fair value.

Transaction costs on financial instruments at fair value are recognised in the statement of financial performance. Transactions costs on other financial instruments are included in the cost of the instrument.

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis.

### 1.11.2 Initial recognition and measurement

Financial instruments are recognised initially when the company becomes a party to the contractual provisions of the arrangement.

The company classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are initially measured at fair value. For financial instruments which are not at fair value through profit or loss, transaction costs are included in the initial measurement of the instrument.

### 1.11.3 Subsequent measurement

Financial instruments at fair value through gains or losses are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in surplus or deficit for the period.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

### 1.11.4 Derecognition

#### FINANCIAL ASSETS

The Overberg Water derecognises financial assets using trade date accounting.

The Overberg Water derecognises a financial asset only when:

- \*the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- \*the Overberg Water transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- \*the Overberg Water, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the OW:

- derecognise the asset; and
- recognise separately any rights and obligations created or retained in the transfer.

#### FINANCIAL LIABILITIES

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

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

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

## 1.12 Fair Value Determination

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

## 1.13 Investments

The long term interest bearing financial instruments held by the entity are stated at amortised cost. Interest on investments are calculated using the effective interest method and recognised in profit or loss.

## 1.14 Receivables from Exchange Transactions

Receivables from exchange transactions measured at amortised cost arise from transactions with water users. Prepayments and advances consist of amounts paid to vendors and employees for which future goods and services are expected to be received. Prepayments and advances are not classified as financial instruments.

## 1.15 Receivables from Non-exchange Transactions

Receivables from non-exchange transactions are recognised when the Overberg Water has a right to receive the monies due to it, which are allocated in terms of legislation or are due in accordance with an agreement in which the Overberg Water is receiving non-exchange revenue. Receivables from non-exchange transactions are initially measured at fair value and subsequently measured at amortised cost.

## 1.16 Cash and Cash Equivalents

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

## 1.17 Payables from Exchange Transactions

The Overberg Water recognises payables from exchange transactions where liabilities result in counter performance by the respective parties.

Payables from exchange transactions are initially measured at fair value, and are subsequently measured at amortised cost.

## 1.18 Payables from Non-exchange Transactions

The Overberg Water recognises payables from non-exchange transactions for amounts received through non-exchange revenue, which are not recognised as revenue as a result of outstanding obligations.

Payables from non-exchange transactions are initially measured at fair value, and are subsequently measured at amortised cost.

## 1.19 Amounts Received in Advance

Capital contributions received relating to items of Property, Plant and Equipment are initially recorded as amounts received in advance. The contributions are subsequently recognised as an asset when the related asset is brought into use.

## 1.20 Provisions and Accruals

Provisions and accruals are liabilities where uncertainty exists about the timing or amount of the future expenditure required to settle the liability. The entity recognises, in payables, an amount for accruals where an estimate is made of the amount due for goods or services that have been received or supplied, but the invoice is outstanding or a formal agreement with the supply has not been concluded. Provisions are liabilities, excluding accruals that are recognised where the entity has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations and a reliable estimate of the amount of the obligation can be made. Provisions are measured at the best estimate of the amount to settle the present obligation at the reporting date, discounting to present value where the time value of money is expected to be material.

## 1.21 Revenue

Revenue relating to the supply of water is recognised on the consumption of water by the water users.

Revenue comprises amounts invoiced to customers for potable water, exclusive of value-added tax, at the declared tariffs.

### 1.21.1 Revenue from exchange transactions

Revenue from the sale of water is recognised when all the following conditions have been met:

- the tariff has been set;
- the water allocation has been agreed;
- the water consumption has been measured; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for water supplied in the normal course of business.

Other revenue from exchange transactions is recognised in the statement of financial performance when the revenue becomes due to the Overberg Water.

Interest income from investment is recognized when it is earned. Interest is recognised using the effective interest rate method.

### 1.21.2 Revenue from non-exchange transactions

The Overberg Water recognises the inflow of resources from a non-exchange transaction as revenue, except when a liability is recognised in respect of that inflow. These liabilities are classified as payables from non-exchange transactions.

Where services are received in-kind, and a reliable estimate can be made, the Overberg Water will recognise the related revenue. In all other cases, the Overberg Water will only disclose the event. Revenue from non-exchange transactions include but not limited to taxes and transfers received from government.

## 1.22 Costs of Potable Water

The related cost of purifying and providing water that is recognised as revenue in the current period, is included in costs of potable water.

## 1.23 Employee Benefits

Leave benefits due to employees are recognised as a liability in the financial statements.

Obligations for contributions to defined contribution plans are recognised as an expense in the statement of financial performance as incurred.

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

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

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

The Overberg Water contributes towards the pension fund and the medical aid for its employees through a defined contribution plan. Once the contributions are paid, the Overberg Water has no further payment obligations. The contribution paid is charged to employee expenses in the same year as the related service is provided.

## 1.24 Expenditure

Expenditure is classified in accordance with the nature of the expenditure.

The Overberg Water recognises expenditure in the statement of financial performance when a decrease in future economic benefits or service potential related to a decrease in an asset or an increase of a liability, other than those relating to distributions to owners, has arisen, that can be measured reliably.

The Overberg Water recognises expenses immediately in the statement of financial performance when expenses produce no future economic benefits or service potential or when and to the extent that, future economic benefits or service potential do not qualify, or cease to qualify, for recognition in the statement of financial position as an asset.

The Overberg Water also recognises expenses in the statement of financial performance in those cases when a liability is incurred without the recognition of an asset, for example, when a liability under a court ruling arises.

Finance cost is recognised as an expense in surplus or deficit in the statement of financial performance in the period in which it is incurred, using the effective interest rate method.

## 1.25 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

### 1.25.1 Operating leases – lessor

Operating lease income is recognised as an income on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

Income for leases is disclosed under other income in the statement of comprehensive income.

### 1.25.2 Operating leases – lessee

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

Operating leases that are longer than 1 year are measured on a straight line basis as an expense, and the difference between the actual payments and the expense is accrued through payables or receivables. Where the lease is less than 1 year, the actual expenses is recognised in the statement of financial performance.

### 1.25.3 Finance lease

The Overberg Water classifies certain leases of equipment as finance leases.

The assets acquired under finance leases is recognised as assets and the associated lease obligations as liabilities in the statement

of financial position at the commencement of the lease term. The assets and liabilities is recognised at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease.

Where practicable, the discount rate used to calculate the present value of the minimum lease payments is the interest rate implicit in the lease. Where the interest rate is not included on the lease agreement no interest charge will be calculated. Any initial direct costs are added to the amount recognised as an asset.

The Overberg Water measures the liability as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest if applicable (i.e. the Overberg Water recognises the capital portion of the obligation as a liability and recognises the interest over the lease term). If no interest rate exist on the contract, the interest wont be recognised over the lease term contract.

The leased assets are subsequently measured at cost less accumulated depreciation and impairment. The leased assets are depreciated over the shorter of the lease agreement or the useful life of the asset. The minimum lease payments is apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

## 1.26 Irregular, Fruitless and Wasteful Expenditure and Material Losses through Criminal Conduct

Irregular, fruitless and wasteful expenditure and material losses through financial misconduct is recognised as expenditure in the statement of financial performance according to the nature of the payment and disclosed separately in note 28. If the expenditure is recoverable it is treated as an assets until it is recovered from the responsible person or written off as irrecoverable in the statement of financial performance.

## 1.27 Related Parties

Parties are considered to be related if one party has the ability to control the other party, exercise significant influence over the other party or jointly control the other party. Specific information with regard to related party transaction is included in note 25.

## 1.28 Budget Information

The budget is prepared on an accrual basis. The Overberg Water Budget comprise of revenue received from bulk portable water sales.

General purpose financial reporting by entity shall provide information on whether resources were obtained and used in accordance with the legally adopted budget. The approved budget is prepared on an accrual basis and presented by economic classification.

The Annual Financial Statements and the budget are prepared on the same basis of accounting; therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of Comparison of Budget and Actual Amounts. Material movements will be explained in the Statement of Comparison of Budget and Actual Amounts and movements of greater than 10% will be assumed material.

## 1.29 Judgements and Estimates

The entity makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities during the next financial year are discussed below:

### 1.29.1 Initial measurement of financial assets

Short-financial assets have been measured at the transaction price unless there was an indication that the transaction was provided at terms that were longer than the normal credit terms longer than 30 days. Where extended payment terms were given, the transaction prices are discounted at the rate applicable to debt owed to the entity to determine the fair value for initial measurement purposes.

### 1.29.2 Impairment of financial assets

Trade receivables are assessed at the date of the statement of financial position for any indication of impairment. If there is a reasonable indication that the future cash flows relating to the financial asset might not be recoverable the financial asset must be impaired at the day of the statement of financial position. An impairment is recognised for estimated losses firstly on an individually significant receivables and secondly on a group of receivables with similar credit risk that are assessed to be impaired based on objective evidence as a result of one or more events that occurred during the reporting period. For debtors which have defaulted, management makes judgments based on an assessment of their ability to make future payments. Grouping is assessed using the average collection rate of previous three years as a benchmark grouping considers only factors that indicate that the financial asset has been impaired. Creditworthiness is not used in assessing debtor balances. Should the financial condition of the customers change, actual write-offs could differ significantly from the impairment losses recognised.

### 1.29.3 Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the company is the current bid price

### 1.29.4 Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 13 - Provisions

### 1.29.5 Residual values and useful lives of plant and equipment

Residual values and useful lives of plant and equipment are assessed on an annual basis. Estimates and judgements in this regard are based on historical experience and expectations of the manner in which assets are to be used, together with the expected proceeds likely to be realised when assets are disposed of at the end of their useful lives. Such expectations could change over time and therefore impact both depreciation charges and carrying values of plant and equipment in the future. Residual value assessments consider issues such as future market conditions, the remaining life of the assets and projected disposal values.

### 1.29.6 Contingent assets and contingent liabilities

Management applies its judgement to the fact patterns and advice it receives from its attorneys, advocates and other advisors in assessing if an obligation is probable, more likely than not, or remote. This judgement application is used to determine if the obligation is recognised as a liability or disclosed as a contingent liability. Contingent assets and liabilities are not recognised. Contingencies are disclosed in notes 29 and 30.

## 1.30 Events After Reporting Date

The Accounting Authority is not aware of any matter or circumstances arising since the end of the financial year to the date of this report in respect of matters that would require adjustments to or disclosure in the annual financial statements.

## 2. New Standards and Interpretations

### 2.1 Standards and Interpretations Not Yet Effective

At the date of approval of the financial statements, the following new standards, interpretations and amendments that apply to the entity were in issue but not yet effective:

#### GRAP 38

#### Disclosure of Interest in Other Entities

Management's assessment of the new standards, interpretations and amendments has not revealed any material impact on the entity's results. The entity does not plan to early adopt any of the above mentioned standards, interpretations and amendments.





# Notes to the Annual Financial Statements

## 3. Property, Plant and Equipment

2020			
	COST / VALUATION	ACCUMULATED DEPRECIATION	CARRYING VALUE
Water purification schemes	83 914 083	(53 437 555)	30 476 528
Motor vehicles	4 800 549	(3 421 776)	1 378 773
Furniture and office Equipment	1 349 247	(1 071 463)	277 783
Computer Equipment	803 157	(466 813)	336 345
Machinery and equipment	1 398 142	(1 156 558)	241 584
Land	88 222	-	88 222
Buildings	1 950 881	(1 263 388)	687 493
Leased assets: Equipment	1 440 812	(1 104 622)	336 189
Capital work-in-progress	-	-	-
<b>Total</b>	<b>95 745 092</b>	<b>(61 922 175)</b>	<b>33 822 917</b>

2019 RESTATED			
	COST / VALUATION	ACCUMULATED DEPRECIATION	CARRYING VALUE
Water purification schemes	83 808 967	(51 470 466)	32 338 501
Motor vehicles	4 800 549	(3 146 633)	1 653 916
Furniture and office Equipment	1 286 769	(1 013 778)	272 991
Computer Equipment	657 479	(382 981)	274 498
Machinery and equipment	1 380 144	(1 100 059)	280 085
Land	88 222	-	88 222
Buildings	1 950 881	(1 180 609)	770 272
Leased assets: Equipment	1 440 812	(816 460)	624 352
Capital work-in-progress	-	-	-
<b>Total</b>	<b>95 413 821</b>	<b>(59 110 985)</b>	<b>36 302 836</b>

2018 RESTATED			
	COST / VALUATION	ACCUMULATED DEPRECIATION	CARRYING VALUE
Water purification schemes	84 090 524	(49 989 495)	34 101 029
Motor vehicles	4 800 549	(2 617 321)	2 183 227
Furniture and office Equipment	1 162 273	(910 386)	251 887
Computer Equipment	460 146	(313 000)	147 146
Machinery and equipment	1 352 224	(996 833)	355 391
Land	88 222	-	88 222
Buildings	1 824 335	(1 108 773)	715 562
Leased assets: Equipment	1 440 812	(528 298)	912 514
Capital work-in-progress	-	-	-
<b>Total</b>	<b>95 219 085</b>	<b>(56 464 106)</b>	<b>38 754 978</b>

### RECONCILIATION OF PROPERTY PLANT AND EQUIPMENT – 2020

	OPENING BALANCE	ADDITIONS	DISPOSALS / SCRAPPED	TRANSFERS	DEPRECIATION	IMPAIRMENT	REVALU- ATION	TOTAL
Water purification schemes	32 338 501	280 077	(114 102)	-	(1 997 161)	(30 787)	-	30 476 528
Motor vehicles	1 653 916	-	-	-	(193 664)	(81 479)	-	1 378 773
Furniture and office Equipment	272 991	64 198	(134)	-	(58 318)	(954)	-	277 783
Computer Equipment	274 498	146 828	(42)	-	(84 939)	-	-	336 345
Machinery and equipment	280 085	17 998	-	-	(56 130)	(369)	-	241 584
Land	88 222	-	-	-	-	-	-	88 222
Buildings	770 272	-	-	-	(82 779)	-	-	687 493
Leased assets: Equipment	624 352	-	-	-	(288 162)	-	-	336 189
Capital work-in-progress	-	-	-	-	-	-	-	-
	36 302 837	509 100	(114 278)	-	(2 761 154)	(113 588)	-	33 822 918

### RECONCILIATION OF PROPERTY PLANT AND EQUIPMENT – 2019 RESTATED

	OPENING BALANCE	ADDITIONS	DISPOSALS / SCRAPPED	TRANSFERS	DEPRECIATION	IMPAIRMENT	REVALU- ATION	TOTAL
Water purification schemes	34 101 029	392 057	(277 622)	-	(1 876 964)	-	-	32 338 501
Motor vehicles	2 183 227	-	-	-	(349 461)	(179 851)	-	1 653 916
Furniture and office Equipment	251 887	124 691	-	-	(103 285)	(302)	-	272 991
Computer Equipment	147 146	197 334	-	-	(69 443)	(539)	-	274 498
Machinery and equipment	355 391	27 920	-	-	(97 214)	(6 012)	-	280 085
Land	88 222	-	-	-	-	-	-	88 222
Buildings	715 562	126 546	-	-	(71 835)	-	-	770 272
Leased assets: Equipment	912 514	-	-	-	(288 162)	-	-	624 352
Capital work-in-progress	-	-	-	-	-	-	-	-
	38 754 979	868 548	(277 622)	-	(2 856 364)	(186 704)	-	36 302 837

RECONCILIATION OF PROPERTY PLANT AND EQUIPMENT – 2018 RESTATED								
	OPENING BALANCE	ADDITIONS	DISPOSALS / SCRAPPED	TRANSFERS	DEPRECIATION	IMPAIRMENT	REVALU- ATION	TOTAL
Water purification schemes	36 368 257	41 000	(4 415)	-	(2 303 813)	-	-	34 101 029
Motor vehicles	2 538 718	-	-	-	(355 491)	-	-	2 183 227
Furniture and office Equipment	399 437	-	-	-	(147 550)	-	-	251 887
Computer Equipment	216 112	-	-	-	(68 966)	-	-	147 146
Machinery and equipment	502 543	-	-	-	(147 152)	-	-	355 391
Land	88 222	-	-	-	-	-	-	88 222
Buildings	794 730	-	-	-	(79 169)	-	-	715 562
Leased assets: Equipment	1 200 677	-	-	-	(288 162)	-	-	912 514
Capital work-in-progress	-	-	-	-	-	-	-	-
	42 108 696	41 000	(4 415)	-	(3 390 303)	-	-	38 754 979

### 3.1 Useful Lives

An entity shall assess at each reporting date whether there is any indication that the entity's expectations about the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the entity shall revise the expected useful life accordingly. The change/(s) shall be accounted for as a change in an accounting estimate in accordance with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

All remaining useful lives that were adjusted for the 2019/20 financial year are disclosed in the financial statements as a change in estimate in accordance with GRAP 3 (refer to note 5.1). All changes in estimates occurs prospectively and no prior year adjustments were made. All review of useful life adjustments occurred with effect from 1 July 2019.

### 3.2 Impairment and Reversal of Impairment

The carrying amounts of cash generating financial assets within the scope of GRAP 26 were reviewed during the year and we will continue to review them on the annual basis and adjusted for each reporting date to determine whether there is any indication of impairment.

These assets are also reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets were impaired during 2019/20 financial year amounting to R113 588.

### 3.3 Capital Work in Progress

No work in progress for 2019/20.



### 3.4 Details of Properties

Overberg Water's area of service is in and around Heidelberg, Swellendam and Caledon in the Western Cape

PROPERTIES	NATURE OF ASSET	LOCATION	SIZE
Property number: 591	Workshop	Caledon	0.2346 ha
Property number: 1358	Residential house	Caledon	0.0660 ha
Property number: 1359	Residential house	Caledon	0.0660 ha
Property number: 383	Office	Caledon	0.0501 ha
Property number: 1458	Reservoir R2	Heidelberg	1.2007 ha
Property number: 1494	Residential house	Heidelberg	0.0804 ha
Property number: 1925	Reservoir R8	Heidelberg	0.6248 ha
Property number: 150	Office	Heidelberg	0.0914 ha
Portion 32 & 33 of farm no. 7	Reservoir R3	Bredasdorp	0.2436 ha
Portion 13 of farm no. 9	Reservoir R5	Bredasdorp	0.4026 ha
Portion 5 & 6 of farm 87	Reservoir BRC9	Bredasdorp	0.1715 ha
Portion 3 of farm no. 95	Reservoir R4	Bredasdorp	0.4248 ha
Portion 1 of farm no. 157	Reservoir R6	Bredasdorp	0.3806 ha
Portion 1 of farm no. 254	Reservoir R4	Riversdale	0.4704 ha
Portion 31 of farm no. 80	Tailing dams	Swellendam	1.7046 ha
Portion 36 of farm no. 80	Treatment plant	Swellendam	5.0663 ha
Portion 24 of farm no. 88	Reservoir R1	Swellendam	0.4193 ha
Portion 8 & 9 of farm no. 243	Treatment plant	Swellendam	3.8581 ha
Portion 13 of farm no. 289	Reservoir R7	Swellendam	0.4729 ha
Portion 5 of farm no. 308	Reservoir R3	Swellendam	0.4831 ha
Portion 6 of farm no. 312	Reservoir R5	Swellendam	0.4802 ha
Portion 5 of farm no. 329	Reservoir R6	Swellendam	0.7053 ha
Portion 2 of farm no. 355	Reservoir BRE3	Swellendam	0.3551 ha
Portion 7 of farm no. 363	Reservoir R2	Swellendam	0.4796 ha
Portion 1 of farm no. 365	Reservoir R1	Swellendam	0.7441 ha
Portion 4 of farm no. 427	Reservoir BRW4	Swellendam	0.3248 ha
Portion 26 of farm no. 455	Reservoir R7	Swellendam	0.2507 ha
Portion 4 of farm 498	Reservoir R8	Swellendam	0.2610 ha

Servitudes and area in and around Caledon.



## 4. Intangible Assets

Computer Software  
Servitude  
**Total**

2020		
COST / VALUATION	ACCUMULATED DEPRECIATION	CARRYING VALUE
2 584	(2 576)	7
556 655	-	556 655
<b>559 239</b>	<b>(2 576)</b>	<b>556 662</b>

Computer Software  
Servitude  
**Total**

2019 RESTATED		
COST / VALUATION	ACCUMULATED DEPRECIATION	CARRYING VALUE
2 096 389	(1 114 258)	982 132
556 655	-	556 655
<b>2 653 045</b>	<b>(1 114 258)</b>	<b>1 538 787</b>

Computer Software  
Servitude  
**Total**

2018 RESTATED		
COST / VALUATION	ACCUMULATED DEPRECIATION	CARRYING VALUE
2 052 669	(88 614)	1 964 054
556 655	-	556 655
<b>2 609 324</b>	<b>(88 614)</b>	<b>2 520 709</b>

RECONCILIATION OF INTANGIBLE ASSETS – 2020								
	OPENING BALANCE	ADDITIONS	DISPOSALS / SCRAPPED	TRANSFERS	DEPRECIATION	IMPAIRMENT	REVALUATION	TOTAL
Computer Software	982 131	-	-	-	(982 124)	-	-	7
Servitude	556 655	-	-	-	-	-	-	556 655
<b>Total</b>	<b>1 538 786</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(982 124)</b>	<b>-</b>	<b>-</b>	<b>556 662</b>

RECONCILIATION OF INTANGIBLE ASSETS – 2019 RESTATED								
	OPENING BALANCE	ADDITIONS	DISPOSALS / SCRAPPED	TRANSFERS	DEPRECIATION	IMPAIRMENT	REVALUATION	TOTAL
Computer Software	1 964 054	44 546	-	-	(1 026 469)	-	-	982 131
Servitude	556 655	-	-	-	-	-	-	556 655
<b>Total</b>	<b>2 520 709</b>	<b>44 546</b>	<b>-</b>	<b>-</b>	<b>(1 026 469)</b>	<b>-</b>	<b>-</b>	<b>1 538 786</b>

RECONCILIATION OF INTANGIBLE ASSETS – 2018 RESTATED								
	OPENING BALANCE	ADDITIONS	DISPOSALS / SCRAPPED	TRANSFERS	DEPRECIATION	IMPAIRMENT	REVALUATION	TOTAL
Computer Software	873	2 049 259	-	-	(86 078)	-	-	1 964 054
Servitude	556 655	-	-	-	-	-	-	556 655
<b>Total</b>	<b>557 528</b>	<b>2 049 259</b>	<b>-</b>	<b>-</b>	<b>(86 078)</b>	<b>-</b>	<b>-</b>	<b>2 520 709</b>

The carrying amounts of cash generating financial assets within the scope of GRAP 26 are reviewed annually and adjusted (if required and at each reporting date to determine whether there is any indication of impairment).

Servitudes are rights granted to the Overberg Water for an indefinite period of time. These servitudes consist of land expropriated by Overberg Water containing infrastructure owned by the Overberg

Water and used in the production of revenue. The life of the servitude will remain in force as long as the relevant infrastructure is still in use. Servitudes are not amortised but are assessed by means of an annual impairment test. The recoverable amount is determined through the results of the value in use and fair value less costs to sell impairment tests. The results of which have indicated that no impairment is required.

## 5. Depreciation, Amortisation and Impairment

	2020 R	2019 RESTATED R
<b>Depreciation on property, plant and equipment</b>	<b>(2 707 261)</b>	<b>(3 218 031)</b>
Water purification schemes	(1 940 855)	(2 308 983)
Motor vehicles	(193 664)	(363 625)
Furniture and office Equipment	(58 318)	(71 800)
Computer Equipment	(84 939)	(55 603)
Machinery and equipment	(56 130)	(58 022)
Land	-	-
Buildings	(85 193)	(71 835)
Leased: equipment	(288 162)	(288 162)
<b>Depreciation on intangible assets</b>	<b>(982 124)</b>	<b>(1 026 319)</b>
Computer Software	(982 124)	(1 026 319)
<b>Impairment and Impairment reversal</b>	<b>(113 588)</b>	<b>(186 704)</b>
Water purification schemes	(30 787)	-
Motor vehicles	(81 479)	(179 851)
Furniture and office Equipment	(954)	(302)
Computer Equipment	-	(539)
Machinery and equipment	(369)	(6 012)
<b>Change in estimate on depreciation</b>	<b>(53 892)</b>	<b>361 517</b>
Water purification schemes	(56 306)	432 019
Buildings	2 414	-
Motor vehicles	-	14 164
Furniture and office Equipment	-	(31 485)
Computer Equipment	-	(13 839)
Machinery and equipment	-	(39 192)
Computer Software	-	(150)
	<b>(3 856 866)</b>	<b>(4 069 537)</b>



## 5.1 Change in Estimate

RECONCILIATION ON CHANGE IN ACCOUNTING ESTIMATE 2020			
	DEPRECIATION BEFORE RUL ADJUSTMENT ORIGINAL	DEPRECIATION FINANCIAL YTD	EFFECT OF CHANGE IN ESTIMATE
Water purification schemes	958 267	901 961	(56 306)
Buildings	19 878	22 292	2 414
Computer equipment	-	-	-
Furniture and Office Equipment	-	-	-
Computer Software	-	-	-
Machinery and equipment	-	-	-
Motor vehicles	-	-	-
	<b>978 145</b>	<b>924 253</b>	<b>(53 892)</b>

RECONCILIATION ON CHANGE IN ACCOUNTING ESTIMATE 2019 RESTATED			
	DEPRECIATION BEFORE RUL ADJUSTMENT ORIGINAL	DEPRECIATION FINANCIAL YTD	EFFECT OF CHANGE IN ESTIMATE
Water purification schemes	1 078 931	1 510 951	432 019
Buildings	22 780	50 149	27 368
Computer equipment	88 844	75 005	(13 839)
Furniture and Office Equipment	147 939	116 454	(31 485)
Computer Software	1 024 490	1 024 340	(150)
Machinery and equipment	160 805	121 613	(39 192)
Motor vehicles	242 659	256 823	14 164
	<b>2 766 448</b>	<b>3 155 334</b>	<b>388 886</b>

The remaining useful lives of all assets were assessed during the year. A change in accounting estimate was effected in relation to assets whose Remaining useful life was increased/ decreased for assets still in use.

## 6. Investments

### 6.1 Investec Corporate Cash Manager

	2020 R	2019 RESTATED R
CCM Call Money Fund	29 449 402	27 542 198
CCM Call Account	7 156 425	6 798 186
Masibambane Investment account	1 241 761	1 158 746
	<b>37 847 588</b>	<b>35 499 130</b>

The Investec call account investment represents the emergency and capital expenditure funds (refer to note 10).

## 6.2 Listed Shares

Sanlam investment shares

Opening fair value of shares

Movement in market fair value during the year

Impairment of Sanlam investment Shares

Overberg Water acquired free shares from Sanlam with demutualisation in 1998. The share value then was R5.40 per share. 795 and 2611 shares were issued but 10% was repurchased in 2005 @R12.00 per share. The repurchases amounts of R960 and R3 132 are included in the amounts of unclaimed dividends. The total value of the shares as at 30 June 2019 was (R70.07 per share) approximately R50 100 and R164 665 respectively. The shares have an unclaimed dividends of R14 276 and R46 895 respectively

It was noted that Sanlam Ltd published an advertisement in leading newspapers in RSA and NAM on 18 November 2016, with the names of the Untraceable Shareholders in the Sanlam Fund share Account. In the advertisement shareholders were advised to claim the shares before the cut-off date on 20 February 2017. Any person or entity whose name appears in the list above, or who believes that it is entitled by law to claim the Sanlam Limited shares on behalf of an Untraceable Shareholder, should contact Sanlam Limited's transfer secretary, Computershare Investor Services (Pty) Limited, on or before 20 February 2017. The Sanlam Limited shares of any Untraceable Shareholder which are not claimed on or before 20 February 2017 will be sold. Unfortunately Overberg Water had not claim the shares by the 20 February 2017. During September 2017, Sanlam disposed of and liquidated the shares of the Untraceable Shareholders and the proceeds were returned to Sanlam Ltd. Shareholders who wish to claim or have an enquiry regarding the shares will be required to submit their claim in writing to Sanlam Ltd together with the supporting documents (documentation requirements for authorised signatories). Overberg Water is in the

2020 R	2019 RESTATED R
-	-
-	-
-	-
-	-

process of lodging a claim with Sanlam. Based on the above, although the disposal and liquidation of the shares only occurred during September 2017 (after the reporting date), conditions regarding the sale and liquidation of the shares existed at the end of the reporting period as it was indicated that all shares which are not claimed on or before 20 February 2017 will be sold. Therefore, these Sanlam Limited shares no longer exists in the financial statements of Overberg Water Board for the period ending 30 June 2017 and should be impaired/written-off. Consequently, investments were reduced by an amount of R198 612 for the period ending 30 June 2017 and impairment is also recognised amounting to R198 612 for the period ending 30 June 2017.

The disposal and liquidation of Sanlam shares was done in September 2017 ( during the financial year), these shares were already impaired as they were supposed to be claimed on the 20 February 2017. Overberg Water has lodged a claim for the lost shares, however due to governance challenges the claim was only submitted during March 2019. Sanlam has since responded during June 2019, requesting Overberg Water to submit documentation in relation to ownership of the shares. The documentation has since been submitted in June 2019, acknowledgement of the document has been received. However, there is no indication as to whether the claim has been accepted. Consequently, investment impaired amounting to R198 612 as at the 30 June 2017 wont be reversed during the period ending 30 June 2020. The contingency assets cannot be recognised as there is no indication as to whether the claim has been accepted as at the 30 June 2020.

## 6.3 Non-current Assets

At amortised cost

At market fair value

Total investments

37 847 588	35 499 130
-	-
37 847 588	35 499 130

## 6.4 Investments Made

Total Movement for the year

2 348 458	2 437 649
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## 7. Inventories

Maintenance and emergency spares

Potable water

Chemicals

Diesel

2 078 194	2 207 979
193 046	188 140
285 248	363 796
-	18 823
2 556 489	2 778 738

The cost of raw water recognised as an expense during the period amounts to R 902 194 (2019: R777 207).



## 7.1 Maintenance and Emergency Spares

The cost of Emergency spares is assigned using the current replacement cost for the purpose of establishing cost and the subsequent measure is first in first out. The current replacement cost is used in the absence of actual cost. The same cost formula is used for all emergency spares having a similar nature and use to the entity.

## 8. Receivables from Exchange Transactions

	<b>2020 R</b>	<b>2019 RESTATED R</b>
Trade receivables	<b>18 772 164</b>	9 374 750
Impairment of trade receivables	<b>(3 009 789)</b>	(1 490 394)
Net trade receivables	<b>15 762 375</b>	7 884 356
Department of Water and Sanitation (Projects)	-	-
Prepaid expenses	<b>248 705</b>	-
SARS-Receivables	-	382 583
Other receivables	<b>2 814 746</b>	314 476
Impairment of Sanlam dividend receivable	<b>(59 809)</b>	(59 809)
	<b>18 766 018</b>	8 521 607

Trade and other receivables are shown net of impairments amounting to R3 009 789 (2019: R1 490 394) recognised during the year determined by reference to past default experience. The major contributor to the impairment provision of R2 431 672 is farmers who are battling citing poor economic conditions.

Refer to note 26.3 for further disclosure on receivable from exchange transactions and impairment allowances.

Refer to note 6.2 for details on impairment on Sanlam shares.

## 9. Cash and Cash Equivalents

Cash and cash equivalents consist of:

Bank accounts	<b>11 033 578</b>	14 085 502
Cash on hand	<b>11 942</b>	12 040
	<b>11 045 520</b>	14 097 541

Bank and cash balances include positive bank balances, cash on hand and call deposits.

The carrying amount of cash and cash equivalents are considered to represent a reasonable approximation of its fair value, is unrestricted and available for use as and when the need arises.

### Credit card facilities

The entity has the following banking facilities: - Petrol cards (ABSA) facility of R 54000

### Overdraft facilities

The entity has the following banking facilities: - Guarantee (LDP) facility of R 102 000.

### Guarantee provided by ABSA Bank Ltd

Letter of guarantee number 36551301542 for the sum of R101 500 given by ABSA Bank Ltd in favour of Eskom Holdings Soc. Limited Reg. No. 2002/015527/06 (reference number SDRF012/13) for electricity supply at the Duivenhoks Water Scheme.

## 10. Net Assets

	2020 R	2019 RESTATED R
Capital expenditure fund	20 000 000	20 000 000
Emergency fund	5 000 000	5 000 000
Accumulated surplus	69 218 244	65 852 263
Revaluation reserve	-	-
	<b>94 218 244</b>	<b>90 852 263</b>

### 10.1 Capital Expenditure Fund

Capital Expenditure Fund consist of a fixed total amount of R20 million, this is a fund used by Overberg Water Board to fund the acquisition, upgrading, maintenance of infrastructure assets such as water purification schemes and any other major operational requirements.

### 10.2 Emergency Fund

Emergency Fund consist of a fixed total amount of R5 million that is set aside by Overberg Water Board with intention to create financial security necessary to meet emergency expenses or obligations necessary to ensure business continuity.

## 11. Payables from Exchange Transactions

Trade payables	1 601 550	1 813 041
Accruals	653 981	189 597
Amounts received in advance	88 132	67 836
Salary payables	779 621	615 617
Other payable	11 234	-
Retention	-	-
SARS	1 602 719	-
	<b>4 737 237</b>	<b>2 686 091</b>

## 12. Payables from Non-exchange Transactions

Other trade payables - Masibambane	-	-
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## 13. Provisions

Opening balance	4 530 531	2 823 549
Provisions for the year	743 484	1 706 982
Closing balance	<b>5 274 015</b>	<b>4 530 531</b>

## RECONCILIATION OF PROVISIONS - 2020

	OPENING BALANCE	INCREASES	UTILISED DURING THE YEAR	TOTAL
Provision for compensation of occupational injuries and diseases	-	-	-	-
Provision for performance bonuses	2 365 144	2 219 366	(2 365 146)	2 219 364
Provision for leave	2 165 386	2 047 738	(1 158 474)	3 054 650
	<b>4 530 530</b>	<b>4 267 104</b>	<b>(3 523 620)</b>	<b>5 274 015</b>

## RECONCILIATION OF PROVISIONS - 2019 RESTATED

	OPENING BALANCE	INCREASES	UTILISED DURING THE YEAR	TOTAL
Provision for compensation of occupational injuries and diseases	-	-	-	-
Provision for performance bonuses	1 124 365	1 782 501	(541 722)	2 365 144
Provision for leave	1 699 183	1 605 341	(1 139 139)	2 165 386
	<b>2 823 549</b>	<b>3 387 842</b>	<b>(1 680 861)</b>	<b>4 530 531</b>

In terms of GRAP 19, provisions should be evaluated at each reporting date to reflect the best estimates of the cost of bonus at the date of the provision. The timing of the outflow is uncertain as well as the related amounts due to the uncertainty of the performance of each individual employee as well the overall performance of the company at the reporting date.

### Provision of bonus

Overberg Water has a constructive obligation to pay bonuses, due to past practices of making such payments. The amount of the provision is recognised at the present value of the expenditure to be required to settle the obligation as at the reporting date and is carried at amortised costs. The provision of bonus is based on 75% of the monthly basic salary of each employee who are non-executive, the

percentage used is based on the historical trend. The executive employee bonus is based on 30% of their total annual package. The provision of bonus amount to R2 219 364 ( R2 365 144 for 2019).

### Provision of leave

Overberg Water has a legal obligation to grant leave to employees in terms of their employment contract and the basic conditions of employment act . Employees are granted a minimum of 18 leave days to a maximum of 27 leave days depending on their seniority. Any leave not taken at a reporting date is provided for, leave taken during the year is reported as utilised. The timing of the outflow is uncertain as well as the related amounts as its unknown as to when will the leave be taken. The provision of leave amount to R3 054 650 ( R2 165 386 for 2019).

## 14. Revenue from Exchange Transactions

### Water sales

	<b>63 341 342</b>	<b>51 577 722</b>
Bulk water sales	<b>17 723 343</b>	<b>16 096 860</b>
Industrial and agricultural water sales	<b>39 403 624</b>	<b>35 480 862</b>
Waste and portable water fixed revenue	<b>6 214 376</b>	<b>-</b>

### Other income

	<b>2 147 650</b>	<b>405 911</b>
Other sundry revenue	<b>60 648</b>	<b>1 063</b>
Servitude rent	<b>156 955</b>	<b>210 668</b>
Project income-Installation of tanks	<b>1 743 905</b>	<b>-</b>
Rental - Employees	<b>69 973</b>	<b>81 006</b>
Miscellaneous Income	<b>116 169</b>	<b>113 174</b>

### Interest income

	<b>3 404 120</b>	<b>3 076 875</b>
Interest on investments	<b>2 434 981</b>	<b>2 377 440</b>
Bank accounts	<b>177 890</b>	<b>183 366</b>
Trade and other receivables	<b>791 249</b>	<b>516 069</b>
Project interest	<b>-</b>	<b>-</b>
	<b>68 893 112</b>	<b>55 060 508</b>

## 15. Revenue from Non-exchange Transactions

	2020 R	2019 RESTATED R
Interest on investments-Masibambane	-	82 747
Project revenue	-	1 122 716
	-	1 205 463

## 16. Costs of Potable Water

<b>Chemicals</b>	<b>2 581 275</b>	1 911 291
Chemicals usage	2 499 567	1 896 942
Other chemicals and related cost	81 708	14 350
<b>Energy</b>	<b>8 554 701</b>	6 750 881
<b>Fuel</b>	<b>709 082</b>	634 254
Fuel usage	176 097	211 051
Other fuel (direct purchases)	532 985	423 203
<b>Insurance</b>	<b>735 530</b>	205 218
Laboratory costs	373 551	231 169
Labour	14 592 463	13 062 136
Machinery and tool hire	419 068	272 610
Movement in potable water inventory	(4 907)	58 855
Protective clothing	-	133 239
Raw water	902 194	777 207
<b>Repairs and maintenance (note 16.1)</b>	<b>1 123 517</b>	739 463
Repairs and maintenance other (note 16.1)	776 681	554 239
Repairs and maintenance spares usage (note 16.1)	346 836	185 224
<b>Cylinder rental</b>	<b>334 695</b>	305 570
Other vehicle cost	118 330	48 744
Ultra filtration plan	-	-
Depreciation (note 5)	3 367 994	3 504 135
	<b>33 807 493</b>	28 634 769

Included in cost of potable water is the following class of expenditure:

### 16.1 Repairs and Maintenance - Property, Plant and Equipment

Repairs and maintenance other	776 681	554 239
Repairs and maintenance spares usage	346 836	185 224
Repairs and maintenance spares usage	403 267	229 161
Spares capitalised	(56 431)	(43 938)
	<b>1 123 517</b>	739 463

# 17. Operating Expenses

Surplus for the year is stated after accounting for the following:

## Auditors remuneration

- Audit fees 2019/20
- Audit fees 2018/19
- Audit fees 2017/18
- Audit fees 2016/17
- Other engagements

Consulting and professional fees

## Depreciation on property plant and equipment (note 3)

Depreciation cost related to operating expenditure

Depreciation cost leased equipment

## Directors emoluments (note 18)

## Employee costs

Employee costs related to administration

Executives and Senior Management (note 18)

## Impairment of financial assets

Impairment / (reversal of impairment) of trade and other receivables (note 8)

Impairment / (reversal of impairment) of Sanlam dividend receivable (note 8)

Impairment / (reversal of impairment) of Sanlam investment (note 6.2)

Bad debt write-off

(Profit) / Loss on scrapping of property plant and equipment (note 3)

## Operating lease charges

- Premises
- Equipment

IT expenses

Travel and accommodation costs

Consumables

Stationery

Recruitment costs

Insurance

Municipal Services

Telephone costs

Facilities Management

Project cost-Installation of tanks

Other operating expenses

Electricity

Training costs

Transport costs

Bank costs

Occupational Safety

Other

2020 R	2019 RESTATED R
1 441 315	772 880
442 662	-
998 654	-
	308 080
	464 800
-	-
5 295 960	4 595 540
488 871	565 402
200 709	277 240
288 162	288 162
1 339 012	193 799
15 742 766	11 700 951
5 979 424	3 724 897
9 763 342	7 976 055
1 519 396	883 830
1 519 396	883 830
	-
	-
-	-
114 278	277 622
837 661	879 148
627 950	687 933
209 711	191 215
701 446	278 376
735 259	910 752
126 457	106 275
238 682	184 012
7 044	113 614
310 432	588 074
230 591	277 865
190 563	215 537
33 010	56 532
1 372 435	-
985 000	494 241
108 611	47 369
179 348	156 323
64 995	18 232
125 242	66 685
149 101	-
357 703	205 631
31 710 177	23 094 452



Included in operating expenses are the following class of expenditure:

## 17.1 Impairment of Financial Assets

### Trade receivables

## 17.2 Loss on Disposal of Fixed Assets

### Loss on scrapping of property plant and equipment

## 17.3 Bad Debt Write-off

### Trade receivables and other receivables

### Number of employees

- Permanent
- Fixed term contracts

2020 R	2019 RESTATED R
1 519 396	883 830
1 519 396	883 830
114 278	277 622
114 278	277 622
-	-
61	63
36	5
97	68

# 18. Compensation to Directors, Executives and Senior Management

## 18.1

ACCOUNTING AUTHORITY (NON-EXECUTIVE DIRECTORS)	FEE (STIPEND)	ADDITIONAL FEES	TRAVEL EXPENSES	REIMBURSE- MENTS	TOTAL 2020
R Benjamin	213 747	-	-	8 887	222 634
Ina du Bruyn	148 281	-	-	4 943	153 224
S Mayinga	122 516	-	-	6 522	129 037
M Matji	137 635	-	-	7 445	145 080
S Nene	123 104	-	-	5 524	128 628
D Lefutso	157 613	-	-	734	158 347
L Seripe	129 232	-	-	2 643	131 875
N Madiba	124 736	-	-	603	125 339
Dr G Davids	141 878	-	-	2 969	144 847
	1 298 743	-	-	40 269	1 339 012

ACCOUNTING AUTHORITY (NON-EXECUTIVE DIRECTORS)	FEE (STIPEND)	ADDITIONAL FEES	TRAVEL EXPENSES	REIMBURSE- MENTS	TOTAL 2019
*R Benjamin	28 800	-	-	-	28 800
*Ina du Bruyn	22 912	-	-	-	22 912
*S Mayinga	18 652	-	-	-	18 652
*M Matji	18 652	-	2 126	3 079	23 857
*S Nene	18 652	-	2 040	-	20 692
*D Lefutso	18 652	-	1 588	686	20 926
*L Seripe	18 652	-	1 588	416	20 655
*N Madiba	18 652	-	-	-	18 652
*Dr G Davids	18 652	-	-	-	18 652
	182 277	-	7 342	4 181	193 799

During the financial year 2018/19 MR P Buthelezi was acting as the Accounting Authority as delegated by the Minister of Water and Sanitation, the acting came to an end on the 31st March 2019. The board was terminated by the Minister of Water and Sanitation on the 21 June 2017. Mr P Buthelezi the acting CEO was appointed on the 26 June 2017 and resumed duties on the 4 July 2017.

\*The new Board was appointed by the Minister of Water and Sanitation effective the 1st April 2019.

## 18.2

EXECUTIVES AND SENIOR MANAGEMENT	*SALARIES	PERFORMANCE BONUSES	CONTRIBUTIONS TO RETIREMENT FUND, MEDICAL AID, UIF AND SDL	**ALLOWANCES	TOTAL 2020
P. Buthelezi (CEO)	1 284 498	495 145	224 051	255 026	2 258 721
C Stewart (COO)	1 289 169	463 564	257 994	72 908	2 083 635
N. Mudau (CFO)	1 015 115	462 647	215 128	389 461	2 082 351
T Rani (Senior Manager)	615 365	44 623	161 057	239 391	1 060 437
MB Mokhele ( Senior Manager)	583 744	44 623	167 472	302 686	1 098 525
N Lehutso ( Senior Manager)	783 493	52 499	141 681	202 000	1 179 673
***B Mogoru ( Senior Manager)	-	-	-	-	-
	<b>5 571 385</b>	<b>1 563 102</b>	<b>1 167 384</b>	<b>1 461 471</b>	<b>9 763 342</b>

\*Salaries include the following earnings: Basic Salary and 13th Cheque.

\*\*Allowances include the following: Travel Allowance, Cell phone Allowance, Subsistence Allowance, Housing Allowance and Reimbursements.

\*\*\*B Mogoru resigned on the 31st December 2018.

EXECUTIVES AND SENIOR MANAGEMENT	*SALARIES	PERFORMANCE BONUSES	CONTRIBUTIONS TO RETIREMENT FUND, MEDICAL AID, UIF AND SDL	**ALLOWANCES	TOTAL 2019
*P. Buthelezi (CEO)	1 257 309	509 924	197 480	308 095	2 272 808
C Stewart (COO)	991 718	326 162	199 504	96 529	1 613 913
**N. Mudau (CFO)	667 069	289 978	143 642	259 129	1 359 818
T Rani (Senior Manager)	719 510	41 510	171 511	48 116	980 647
***MB Mokhele ( Senior Manager)	614 205	43 639	142 883	180 347	981 074
****N Lehutso ( Senior Manager)	180 002	-	35 531	55 811	271 344
*****B Mogoru ( Senior Manager)	399 641	-	66 357	30 453	496 451
	<b>4 829 455</b>	<b>1 211 213</b>	<b>956 908</b>	<b>978 481</b>	<b>7 976 055</b>

\*Mr P Buthelezi who is the CEO of Overberg Water has been fulfilling the role of the Accounting Authority in the absence of the Board. The acting ended on the 30th April 2019.

\*\*N Mudau was employed on the 16th of October 2018.

\*\*\*MB Mokhele was employed on the 1st of April 2018.

\*\*\*\*N Lehutso was employed on the 1st of April 2019.

\*\*\*\*\*B Mogoru resigned on the 31st December 2018.



## 19. Net Interest Income

### 19.1 Interest on Investments

### 19.2 Interest Income

Bank accounts

Trade and other receivables

Project interest

**Interest income**

2020 R	2019 RESTATED R
2 434 982	2 460 187
969 139	699 435
177 890	183 366
791 249	516 069
-	-
<b>3 404 121</b>	<b>3 159 622</b>

### 19.3 Finance Cost

Trade and other payables

Other

Interest paid-SARS

**Finance cost**

1 093	65 556
8 367	-
-	49 246
<b>9 461</b>	<b>114 803</b>

**Net interest income**

<b>3 394 660</b>	<b>3 044 819</b>
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## 20. Other Comprehensive Income

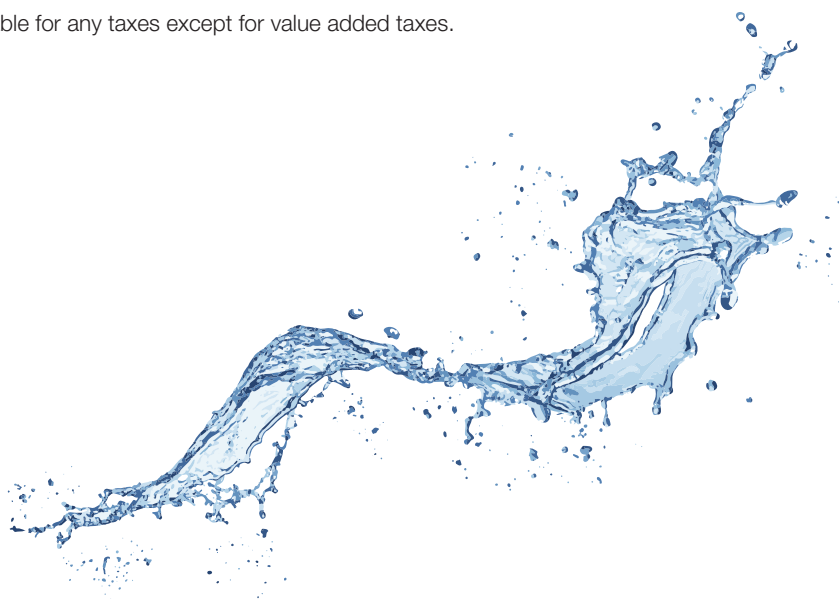
Dividends received

Profit/(loss) on share adjustment

-	-
-	-
-	-

## 21. Taxation

As state owned entity, Overberg Water is not liable for any taxes except for value added taxes.



## 22. Cash Generated from Operations

	2020 R	2019 RESTATED R
Net (loss)/income before interest	(28 679)	1 377 128
<b>Adjustments for non cash items:</b>		
Depreciation	3 856 866	4 069 537
Transfers / (Write offs) of property, plant and equipment	114 278	277 622
Impairment of trade receivables	1 519 396	883 830
Impairment on investment expense	-	-
Impairment on Dividend receivable	-	-
Finance lease liability	(304 054)	(297 425)
Provisions	743 484	1 706 981
Movement in investments	-	-
Fair value adjustments on investments	-	-
Dividend received	-	-
Bad debts written off	-	-
<b>Changes in working capital:</b>		
Inventories	222 249	187 700
Trade and other receivables	(11 763 807)	(1 406 327)
Trade and other payables	2 051 146	(6 237 395)
	<b>(3 589 123)</b>	<b>561 650</b>

## 23. Commitments

### 23.1 Operating Leases – as Lessee (Expense)

- within one year	1 029 673	976 081
Premises	817 788	764 196
Equipment	211 885	211 885
- in second to fifth year inclusive	1 582 826	2 612 500
Premises	1 565 169	2 382 957
Equipment	17 657	229 543
- Later than 5 years	-	-
Premises	-	-
Equipment	-	-
<b>Minimum lease payments due : Equipment &amp; Premises</b>	<b>2 612 500</b>	<b>3 588 581</b>

Printers are leased by the entity under an operating lease with Minolta and amounts to commitments of R229 543 (2019: R441 428 ). The term of the lease is 36 months. The operating lease started in August 2018 with the end date of July 2022. There is no escalation clause on leased Printers as per the RT contract.

Offices situated in Somerset West are leased by the Entity under operating leases and amounts to commitments of R2 382 957 (2019: R3 147 153). The contract is for five years. The contract includes the 7% year on year escalation clause.

## 23.2 Operating Leases – as Lessor (Income)

The entity receives rental income for servitudes. Servitude agreements are non-cancellable and have terms from 4 to 9 years. There are no contingent rents receivable. The escalation clause on Vodacom and MTN contracts is CPI year on year while the Transnet contract has an 8% year on year escalation clause.

	2020 R	2019 RESTATED R
- within one year	77 494	160 697
- in second to fifth year inclusive	302 467	299 280
- Later than 5 years	264 485	345 166
<b>Minimum lease payments due</b>	<b>644 446</b>	<b>805 143</b>

## 23.3 Capital Commitments

Commitments for the acquisition of property, plant and equipment that is contracted for but not provided for in the financial statements.

-	-
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The amounts disclosed above for capital commitments include VAT.

## 24. Finance Lease Liability

Current obligation	312 629	304 054
Non-current obligation	53 075	365 704
Carrying amount at the end	<b>365 704</b>	<b>669 758</b>

Reconciliation of the carrying amount:

Future minimum lease payments due:	<b>365 704</b>	<b>669 758</b>
Later than 5 years	-	-
Later than 1 year but less than 5 years	53 075	365 704
Less than 1 year	312 629	304 054
Less: Future finance charges	-	-
minimum lease payments	<b>365 704</b>	<b>669 758</b>

The finance lease obligations consist of telephone equipment acquired in September 2016 for a period of 5 years. The interest implicit in the lease is 0% as per the agreement. Therefore future finance charges couldn't be calculated. It transfers substantially all the risks and rewards incidentally to ownership as Telkom shall not be liable for any loss or damage arising from a delay in providing or repairing the services(s) and the parties further agree that the risk of loss or damage to or destruction of the Telkom equipment installed on the Overberg Water premises shall be passed to Overberg Water from the date the service is installed. At the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset. The liability is secured by the leased assets disclosed in note 3.



## 25. Related Parties

Overberg Water is a schedule 3B enterprise in terms of the Public Finance Management Act. It is 100% controlled by the Department of Human Settlements, Water and Sanitation.

The related parties of Overberg Water consist mainly of government departments, state-owned enterprises and other public entities in the national sphere of government.

### 25.1. Transactions with the Executive Authority (Department of Human Settlements, Water and Sanitation)

Overberg Water purchases raw water from the Department of Human Settlements, Water and Sanitation ("DHSWS") and acts as implementation agent on behalf of DWS for specific projects.

2020 R	2019 RESTATED R
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#### As Implementation Agents:

##### Masibambane Project

• Transactions for the year	-	-
• Balances: Other receivables	-	-
• Bank accounts managed	-	-
• Balances: Trade payables	-	-

##### War on Leaks Project

• Transactions for the year	-	-
• Balances: Other receivables	-	-
• Bank accounts managed	-	-

##### Purchases of Raw Water

• Transactions for the year	500 361	674 253
• Balances: Trade payables	(260 024)	(268 616)

### 25.2. Transactions with the Breede Gouritz Catchment Management Agency (BGCMA)

Overberg Water purchase raw water from the BGCMA, both the entities report to the Minister of Human Settlements, Water and Sanitation.

##### Purchases of Raw Water

• Transactions for the year	107 332	102 954
• Balances: Trade payables	(6 755)	(5 799)

### 25.3. Transactions with the Duivenhoks Water User Association

Overberg Water purchase raw water from the Duivenhoks Water User Association both the entities report to the Minister of Human Settlements, Water and Sanitation.

##### Purchases of Raw Water

• Transactions for the year	294 500	249 315
• Balances: Trade payables	(324 376)	(273 647)

## 25.4. Transactions with the Rand Water

Overberg Water is subcontracted by Rand Water to install the water tanks both the entities report to the Minister of Human Settlements, Water and Sanitation.

	2020 R	2019 RESTATED R
<b>Purchases of Raw Water</b>		
• Revenue from exchange transactions	1 743 905	-
• Balances trade receivables	783 195	-

## 25.5. Transactions with the Accounting Authority (Board of Directors)

All the transactions with board members are set out in note 18.	1 339 012	193 799
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## 25.6. Transactions with Key Management Personnel

All the transactions with key management personnel are set out in note 18.	9 763 342	7 976 055
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# 26. Financial Assets and Liabilities

### Financial assets

Investments	37 847 588	35 499 130
Receivables from exchange transactions (note 8)	18 517 313	8 139 024
Cash and cash equivalents	11 045 520	14 097 541
Financial assets at amortised cost	67 410 421	57 735 695
Investments listed shares	-	-
Financial assets at fair market value	-	-

### Financial liabilities

Payables from exchange and non exchange transactions - Financial liabilities at amortised cost	3 046 386	2 618 255
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# Risk Management

The entity's activities expose it to a variety of financial risks: capital risk, liquidity risk and credit risk.

## 26.1 Capital Risk Management

The entity's objectives when managing capital are to safeguard the entity's ability to continue as a going concern in order to remain sustainable and to provide service delivery.

The capital structure of the entity consists of trade and other payables (note 11) and cash and cash equivalents (note 9) and funds as disclosed in the statement of financial position.

There were no borrowings for the 2019 and 2020 financial years.

## 26.2 Liquidity Risk

The entity's risk to liquidity is a result of the funds available to cover future expenses and commitments. The entity manages liquidity risk through an ongoing review of the entity's available and projected cash flow.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal its carrying balances as the impact of discounting is not significant.

### At 31 December 2020

Payables from exchange transactions'  
Finance lease liability

BETWEEN 1 AND 5 YEARS	LESS THAN 1 YEAR	TOTAL
-	3 046 386	3 046 386
53 075	312 629	365 704
53 075	3 359 015	3 412 090

### At 30 June 2019

Payables from exchange transactions'  
Finance lease liability

BETWEEN 1 AND 5 YEARS	LESS THAN 1 YEAR	TOTAL
-	2 618 255	2 618 255
365 704	304 054	669 758
365 704	2 922 310	3 288 013

### At 30 June 2018

Payables from exchange transactions'  
Finance lease liability

BETWEEN 1 AND 5 YEARS	LESS THAN 1 YEAR	TOTAL
-	8 043 078	8 043 078
669 758	297 425	967 183
669 758	8 340 503	9 010 261



## 26.3 Credit Risk

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The Entity only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Financial assets exposed to credit risk at year end were as follows:

	2020 R	2019 RESTATED R
<b>Financial assets</b>		
Investec Private Bank (division of Investec Bank Ltd)	37 847 588	35 499 130
ABSA Bank Ltd	11 033 578	14 085 502
Receivables from exchange transactions	18 517 313	8 139 024
Sanlam Listed Shares	-	-
Cash on hand	11 942	12 040

### Receivables from exchange transactions

The collectability of receivables is assessed on an ongoing basis. A provision for impairment of receivables is established when there is objective evidence that Overberg Water will not be able to collect all amounts due according to the original terms of the receivable. We also provide for all receivables where customers are not paying due to unresolved disputes. Individually significant debtors which are considered to be a balance which accounts for at least 5% of the total book, are individually assessed for impairment. After the assessment of individually significant debtors, we consider debtors with similar characteristics and assess the collectability based on established payment patterns.

The following table shows receivables from exchange transactions and their related impairment values.

	2020		2019 RESTATED	
	GROSS	IMPAIRMENT	GROSS	IMPAIRMENT
Current	7 064 670	-	4 652 578	-
1 month past due	3 346 583	-	1 165 620	-
2 month past due	2 031 344	-	580 544	-
3 months past due and older	6 329 568	-	2 976 008	-
Impairment		3 009 789		1 490 394
	18 772 165	3 009 789	9 374 750	1 490 394
Debtors turnover days		111		65

### Reconciliation of provision for impairment of trade and other receivables

Opening balance	1 490 394	4 360 574
Provision for impairment	1 519 396	883 830
Bad debts written off against provision	-	(3 754 011)
Closing balance	3 009 790	1 490 394

The major contributors of impairment are farmers amounting to R 2 431 672 due to bad economic conditions.

## 26.4 Market Risk

Market risk is the risk that changes in market prices, such as interest rates that will affect the investment income of Overberg Water or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on investment.

Financial assets exposed to market risk at year end were as follows:

	2020 R	2019 RESTATED R
<b>Financial assets</b>		
Investec Private Bank (division of Investec Bank Ltd)	37 847 588	35 499 130
Sanlam Listed Shares	-	-
	<b>37 847 588</b>	<b>35 499 130</b>

Sanlam Limited shares no longer exists in the financial statements of Overberg Water Board for the period ending 30 June 2018, please refer to note 6.2 to the financial statements.

## 27. Budget Information

### 27.1 Explanation of Variances on the Approved Budget Versus Final Budget

#### Revenue

The new projects signed during the year resulted in an increase in revenue. The revenue generated was sufficient enough to cover the respective expenditure. Although there was an increase in revenue, Covid-19 also affected the volume of water sold, as a results there was a decrease in bulk water supply.

#### Cost of portable water

During the financial year the chemicals, labour, insurance were increased due to additional labour and chemicals required for new projects signed during the year. The budget of repairs and maintenance were reduced downwards in order to fund other items requiring more budget. The reprioritisation was done to fund other operating expenses.

#### Operating expenditure

The new projects resulted in an increase in employee costs, travel and accommodation operating costs. The revenue generated for new projects was sufficient enough to cover the additional costs incurred. The consulting fees, board costs and insurance increase, however this was covered through the reprioritisation of repairs and maintenance costs due to under expenditure. The funding was necessary to ensure that Overberg Water meet its mandate.

#### Finance costs

The finance costs were not budgeted due to the nature of these costs, budget had to be re-prioritised to fund the costs.

#### Net cash from investing activities and Net cash from financing activities

The difference between approved budget and final budget is due to decrease in cash receipts from customers as a result of delay in payment due on new project. This was anticipated as the billing system was being established.



## 27.2 Explanation of Variances Greater than 10%: Final Budget and Actual Amounts

The following revenue and expenditure shows material differences:

### 27.3 Revenue

Revenue exceeded the overall budget by 1%, this mainly attributable to the increase in interest income, due to non-payment of the account.

**WATER SALES:** Its within the budget

**OTHER INCOME:** decreased by 7% due to less tanks installed than anticipated.

**INTEREST ON INVESTMENTS:** decreased by 8% due to lower interest rate.

**INTEREST INCOME:** the interest income was not budgeted for as we didn't anticipated non payment of the accounts.

### 27.4 Expenses

Overall expenses were under budget by 5%, this mainly attributable to the under expenditure on the key cost drivers namely chemicals, laboratory, machinery and tool hire, audit fees, operating lease, travel and accommodation, municipal services, telephone and other operating costs. Expenditure on cost of potable water remained under budget due to repairs and maintained contract not yet in place. Installation of tanks below budget due to less tanks installed than anticipated.

#### Costs of potable water

**CHEMICALS:** there is under expenditure of 24% is mainly due reduction on the unit price of chemicals as procurement is done through the contract. In addition the actual expenditure of Cylinder rental and other vehicle costs were moved from chemicals in order to fairly state the cost of chemicals.

**ENERGY:** the over expenditure of 5% is due to increase in tariffs than expected.

**FUEL:** the over expenditure of 3% is due to the fluctuation of fuel prices and more fuel being used to attend to emergency work.

**Insurance:** the over expenditure of 14% is due to the increase in value of the assets insured as initially assets were insured at cost and currently they are insured at revalued amount.

**LABORATORY COSTS:** the under expenditure of 31% is due to less test conducted. The public works project water tests are still be conducted on the old contract.

**LABOUR:** the over expenditure of 1% is due to vacancies filled earlier than expected.

**MACHINERY AND TOOL HIRE:** the under expenditure of 42% is due less pipe burst than anticipated.

**MOVEMENT IN POTABLE WATER INVENTORY:** the under expenditure of 96% is due to minimal movement on reservoir levels.

**PROTECTIVE CLOTHING:** the under expenditure is due to delay in advertising tender as a result of lock down.

**RAW WATER:** the under expenditure of 5% is due to less volume of water bought as a result of lock down.

**REPAIRS AND MAINTENANCE:** the under expenditure of 29% is due to some planned maintenance not yet done due to delay in appointing contractors.

**CYLINDER RENTAL:** the items shows no budget as it was budged under chemicals. This was reclassified alone in order to show the true cost of chemicals.

**OTHER VEHICLE COST:** the items shows no budget as it was budged under repairs and maintenance. This was reclassified alone in order to show the true cost of repairs and maintenance.

**DEPRECIATION:** the under expenditure of 10% is due to review of useful life on some assets.

## Operating expenditure

**AUDITORS REMUNERATION:** the under expenditure of 22% is due to the delay in finalising planning impacted by the lock down.

**CONSULTING AND PROFESSIONAL FEES:** is within budget

**BOARD COSTS:** the under expenditure of 18% is due to board meetings held virtually.

**DEPRECIATION:** the under expenditure of 22% is due to review of useful life of the assets that resulted in de-acceleration of depreciation.

**EMPLOYEE COSTS:** the over expenditure of 2% is due to accrual of bonus made.

**IMPAIRMENT OF FINANCIAL ASSETS:** this has increased due to non payment by farmers as a result of lock down.

**(PROFIT) / LOSS ON SCRAPPING OF PROPERTY PLANT AND EQUIPMENT:** the increase is due to some pumps that were decommissioned.

**OPERATING LEASE CHARGES ( EQUIPMENT AND OFFICE RENTAL):** the under expenditure of 31% is due to savings on equipment rentals.

**IT EXPENSES:** the under expenditure of 19% is due to ERP system implementation delayed due to the lock down, however tender was advertised.

**TRAVEL AND ACCOMMODATION COSTS:** the under expenditure of 27% is due to decrease in the number of meeting planned that required travelling. This was impacted by Covid-19.

**STATIONERY CONSUMABLES:** the over expenditure of 1% is due to filling of vacancies.

**RECRUITMENT COSTS:** the under expenditure of 96% is due to delays in acquiring public works project.

**INSURANCE:** the under expenditure of 13% is due to lower risk of assets insured than anticipated.

**MUNICIPAL SERVICES:** the under expenditure of 23% is due to decrease in usage as a result of lock down.

**TELEPHONE COSTS:** the under expenditure of 45% is due to decrease in usage as a result of lock down.

**FACILITIES MANAGEMENT:** the cost came with the rental of the new building.

**PROJECT COST-INSTALLATION OF TANKS:** the under expenditure of 19% is due to less tank installed than anticipated.

**OTHER OPERATING EXPENSES:** the under expenditure of 11% is due less amount spent on training, this was affected by lock-down.

**FINANCE COSTS:** the amount is not material

## 27.5 Capital Expenditure

The entity realised a significant under spending on capital expenditure. The main reason for the expenditure is as a result of the entity's effort to reconstruct, componentise and perform a condition assessment on its asset register in order to identify assets that require immediate attention in relation to refurbishment, replacement and maintenance. The entity is also currently being adversely affected by its water tariff model which does not factor costs of refurbishment of assets.

## 27.6 Cashflow

**CASH FLOW FROM OPERATING ACTIVITIES:** The entity yielded negative cash flows from operations as a result increase in non payment of debtors due to current economic conditions.

**CASH FLOW FROM INVESTING ACTIVITIES:** 'The entity cash flows has improved due to under expenditure on capital spending and investing activities as a result of re-investment of interest earned on investments.

## 28. Fruitless & Wasteful, Irregular Expenditure

Irregular expenditure is expenditure, other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including (a-c below). Fruitless and wasteful expenditure is an expenditure which was made in vain and would have been avoided had reasonable care been exercised.

(a) the PFMA;

(b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of that Act; or

(c) any provincial legislation providing for procurement procedures in that provincial government.

For the year under review the entity recorded R 130 723 (2019: R 2 826 609) of expenditure as irregular expenditure. The entity has investigated the cause of irregular expenditure, the report has been considered by the board and corrective measures are been taken. This will ensure that irregular expenditure is minimised from happening. Some officials were suspended pending finalisation of the internal hearing.

**The current expenditure is included in the following line items:**

	<b>2020 R</b>	<b>2019 RESTATED R</b>
Costs of potable water	<b>128 383</b>	1 296 803
General and administrative expenses	<b>2 340</b>	1 196 065
Property, plant and equipment	-	333 741
Directors Emoluments - overpayment	-	-
	<b>130 723</b>	2 826 609

### 28.1 Irregular Expenditure

#### Reconciliation

Opening balance	<b>46 549 414</b>	43 722 805
Add: Irregular expenditure - current year	<b>130 723</b>	2 826 609
Less: Amounts condoned	-	-
Less: Amounts recoverable (not condoned)	-	-
Less: Amounts not recoverable (not condoned)	-	-
Closing balance	<b>46 680 137</b>	46 549 414

#### Classification of irregular expenditure

Deviations	<b>215 261</b>	200 000
Local content	<b>367 080</b>	367 080
2 quotes only	<b>1 421 769</b>	1 421 769
Goods, works or service were not procured through a procurement process which is fair, equitable, transparent and competitive	<b>19 385 007</b>	19 270 176
Expenditure where the points system in respect of the PPPFA was not used.	<b>25 293 363</b>	25 178 532
Non compliance to treasury regulations	<b>112 487</b>	111 857
	<b>46 680 137</b>	46 549 414

## 28.2 Fruitless & Wasteful Expenditure

### Reconciliation

	2020 R	2019 RESTATED R
Opening balance	381 013	266 210
Add: Fruitless and Wasteful - total current year	-	114 803
Less: Fruitless and Wasteful - reversal of prior year		
Add: Fruitless and Wasteful - current year	1 384	114 803
Less: Recovered from employees - current year	(1 384)	
Closing balance	381 013	381 013

### Classification of Fruitless & Wasteful expenditure

Interest paid on overdue creditors accounts	323 123	323 414
Interest paid to SARS	56 111	56 111
Other	1 779	1 488
	381 013	381 013

## 29. Contingent Liabilities

None

## 30. Contingent Assets

None



## 31. Change in Accounting Policy

During the financial year 2018/19 the bonus provision of the executive was calculated using the old bonus policy that is based on 75% of the monthly basic salary. The bases of calculating bonus changed when the new executive bonus policy was approved by the board. The new bonus policy allow the executive bonus to be calculated based on minimum 30% of the total annual package. Taking into account the profitability of the entity. As a result there was a change in how the bonus was accounted for.

### 31.1 The Impact of Change in Accounting Policy is Summarised Below and the Details are as Follows

	2019 RESTATED R	2018 RESTATED R
Increase/(Decrease) in assets	-	-
(Increase)/Decrease in liabilities	(927 441)	-
(Increase)/Decrease in revaluation reserve	-	-
<b>Increase/((Decrease) in net assets</b>	<b>(927 441)</b>	<b>-</b>
<b>Represented by:</b>		
(Increase)/Decrease in accumulated surplus:		
(Increase)/Decrease in revenue	-	-
Increase/(Decrease) in expenses	927 440	-
<b>Effect on surplus/deficit</b>	<b>927 440</b>	<b>-</b>
<b>Effect on opening reserves</b>	<b>-</b>	<b>-</b>
	<b>927 440</b>	<b>-</b>

### 31.2 Effects of Changes in Accounting Policy

The following are the summary of reclassification made in order to comply with GRAP 1 on the Statement of Financial Position

	2019 RESTATED		
	AS PREVIOUSLY REPORTED	EFFECTS OF RECLASSIFICATION	AS REPORTED
Statement of financial position			
Provisions	3 603 090	927 441	4 530 531
	3 603 090	927 441	4 530 531

The following are the summary of reclassification made in order to comply with GRAP 1 on the Statement of Financial Performance

	2019 RESTATED		
	AS PREVIOUSLY REPORTED	EFFECTS OF RECLASSIFICATION	AS REPORTED
Statement of Financial Performance			
Employee costs	10 773 511	927 440	11 700 951
	10 773 511	927 440	11 700 951



## 32. Prior Period Errors

### 32.1 Related Party Disclosure

During the current year it was discovered that an incorrect disclosure was made with regards to disclosure of the related parties during the previous year.

2019 RESTATED	
AS PREVIOUSLY STATED	AS RESTATED

#### Department of Human Settlements, Water and Sanitation

##### Purchases of Raw Water

• Transactions for the year	777 207	674 253
• Balances: Trade payables	(274 414)	(268 616)

#### BGCMA

##### Purchases of Raw Water

• Transactions for the year	-	102 954
• Balances: Trade payables	-	(5 799)

#### Duivenhoks Water User Association

##### Purchases of Raw Water

• Transactions for the year	-	249 315
• Balances: Trade payables	-	(273 647)



## 32.2 Finance Lease Liability

During the current year it was discovered that an incorrect disclosure was made with regards to disclosure of the finance lease liability during the previous year. This is as a result of incorrect start date used. Initially the finance lease was recognised in October 2016 instead of September 2016.

2019 RESTATED		
	AS PREVIOUSLY STATED	AS RESTATED
Current obligation	304 054	304 054
Non-current obligation	392 241	365 704
Carrying amount at the end	696 295	669 758

Reconciliation of the carrying amount:

Future minimum lease payments due:	696 295	669 758
Later than 5 years	-	-
Later than 1 year but less than 5 years	392 241	365 704
Less than 1 year	304 054	304 054
Less: Future finance charges	-	-
minimum lease payments	696 295	669 758

2018 RESTATED		
	AS PREVIOUSLY STATED	AS RESTATED
Current obligation	297 425	297 425
Non-current obligation	696 295	669 758
Carrying amount at the end	993 720	967 183

Reconciliation of the carrying amount:

Future minimum lease payments due:	993 720	967 183
Later than 5 years	-	-
Later than 1 year but less than 5 years	696 295	669 758
Less than 1 year	297 425	297 425
Less: Future finance charges	-	-
minimum lease payments	993 720	967 183

## 32.3 Fruitless and Wasteful Expenditure

During the current year it was discovered that an incorrect disclosure was made with regards to disclosure of the Fruitless & Wasteful Expenditure during the previous year. This was caused by the reversal of interest charged on the accounts that has since been reversed.

The Fruitless and Wasteful expenditure is included in the following line items:

### Reconciliation

	2019 RESTATED	
	AS PREVIOUSLY STATED	AS RESTATED
Opening balance	318 309	266 210
Add: Fruitless and Wasteful - total current year	115 425	114 803
Less: Fruitless and Wasteful - reversal of prior year	-	-
Add: Fruitless and Wasteful - current year	115 425	114 803
Less: Recovered from employees - current year	-	-
Closing balance	433 734	381 013

### Classification of Fruitless & Wasteful expenditure

Interest paid on overdue creditors accounts	376 135	323 414
Interest paid to SARS	56 111	56 111
Other	1 488	1 488
	433 734	381 013

## 32.4 Other Operating Expenses

During the current year it was discovered that other operating expenses had to be reclassified. The reclassification was done to explain other operating expenses in detail.

The other operating expenditure is included in the following line items:

	2019 RESTATED	
	AS PREVIOUSLY STATED	AS RESTATED
Other operating expenses	494 241	494 241
Electricity	-	47 369
Training costs	-	156 323
Transport costs	-	18 232
Bank costs	-	66 685
Occupational Safety	-	-
Other	-	205 631

## 32.5 Cash Flow from Operating Activities

During the current year it was discovered that an incorrect cash flow from operating activities was disclosed. The movement in receivables from exchange transactions was erroneously added on water sales instead of being subtracted.

	2019 RESTATED	
	AS PREVIOUSLY STATED	AS RESTATED
<b>Operating activities</b>		
<b>Cash receipts from customers</b>		
Water sales	52 984 050	50 171 395
<b>Cash paid to suppliers and employees</b>		
<b>Operating costs</b>	(29 771 583)	(27 145 438)

## 32.6 Operating Leases – as Lessor (Income)

During the current year it was discovered that operating lease-as a lessor was incorrectly disclosed. The lease period used was 10 years instead of 9 years as stipulated in the contract

	2019 RESTATED	
	AS PREVIOUSLY STATED	AS RESTATED
- within one year	160 697	160 697
- in second to fifth year inclusive	299 280	299 280
- Later than 5 years	433 031	345 166
<b>Minimum lease payments due</b>	<b>893 008</b>	<b>805 143</b>

## 32.7 Impact of Prior Year Error

The nature of the prior period errors mainly relate to the following items:

**PROPERTY, PLANT AND EQUIPMENT:** This is as a result of incorrect capitalisation of finance lease recognised, the start date of finance lease was recognised as October 2016 instead of September 2016. The impact was R 26 460 in 2019 and R27 548 in 2018.

**FINANCE LEASE LIABILITY:** This is as a result of incorrect recognition of finance lease liability, the start date of finance lease was recognised as October 2016 instead of September 2016. The impact was R 26 538 in 2019 and R26 538 in 2018.

**PAYABLES FROM EXCHANGE TRANSACTIONS:** This is as a result of reversal of Ikusasa invoice that had Overberg disputed and now the invoice is more than three years old, no prescription was intercepted. In addition, there was an interest charged on raw water accounts that was negotiated and this interest has since been reversed. The impact was R268 490 for 2019 and R267 868 for 2018.

**FINANCE COSTS:** This is as a result of interest charged on raw water account that was reversed after negotiating with the suppliers amounting to R622 in 2019 and R36 814 in 2018.

**DEPRECIATION AND AMORTISATION:** This is as a result of incorrect calculating of depreciation on PBX finance lease, the start date of finance lease was recognised as October 2016 instead of September 2016. The impact was R 1 088 in 2019 and R 1 088 in 2018.

The impact of these errors is summarised below and the details are as follows:

## 32.8 The Impact of These Errors is Summarised Below and the Details are as Follows

	2019	2018
Increase/(Decrease) in assets	(26 460)	(27 548)
(Increase)/Decrease in liabilities	295 027	294 405
(Increase)/Decrease in revaluation reserve	-	-
<b>Increase/((Decrease) in net assets</b>	<b>268 567</b>	<b>266 857</b>
<b>Represented by:</b>		
(Increase)/Decrease in accumulated surplus:		
(Increase)/Decrease in revenue	-	-
Increase/(Decrease) in expenses	(1 710)	(37 902)
<b>Effect on surplus/deficit</b>	<b>(1 710)</b>	<b>(37 902)</b>
<b>Effect on opening reserves</b>	<b>(266 857)</b>	<b>(228 955)</b>
	<b>(268 567)</b>	<b>(266 857)</b>

## 32.9 Effects of Prior Year Error

The following is the summary of corrections made in prior years to correct errors discovered to ensure completeness and accuracy:

<b>Statement of financial position</b>		
Property, plant and equipment	(26 460)	(27 548)
Finance lease liability	26 538	26 538
Impairment of receivables from exchange transactions	-	-
Receivables from exchange transactions	-	-
Inventory	-	-
Impairment of other receivables	-	-
Provisions	-	-
Payables from exchange transactions	268 490	267 868
	<b>268 567</b>	<b>266 857</b>
<b>Statement of financial performance</b>		
Impairment of financial assets	-	-
Cost of portable water	-	-
General & Administrative expenses	-	-
Depreciation and amortisation	(1 088)	(1 088)
Finance costs	(622)	(36 814)
Revenue from exchange transactions	-	-
	<b>(1 710)</b>	<b>(37 902)</b>
<b>Effect on opening reserves</b>	<b>(266 857)</b>	<b>(228 955)</b>

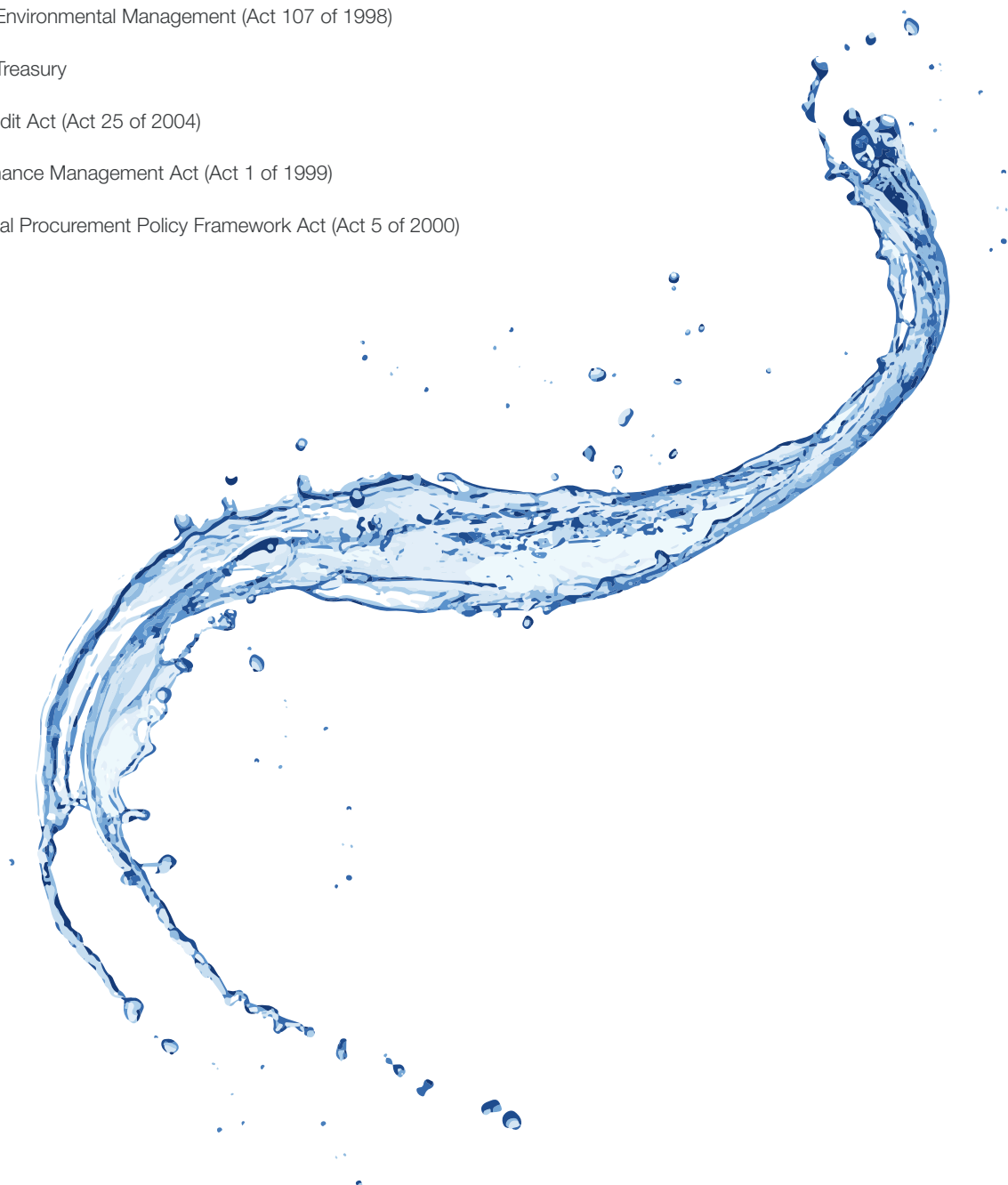
## 33. Subsequent Events

During lock down restrictions may have an impact on the financial performance of Overberg Water. Overberg Water supply bulk water to farmers and municipalities. Some of the municipalities are relying on supplying water to the mill (alcohol manufacturing industry). The future financial impact of Covid-19 restrictions are unknown.



# Glossary

<b>AA</b>	Accounting Authority in terms of the PFMA
<b>BBBEE</b>	Broad Based Black Economic Empowerment
<b>DWS</b>	Department of Water and Sanitation
<b>EA</b>	Executive Authority in terms of the PFMA
<b>FMPPI</b>	Framework for Managing Programme Performance Information GRAP Generally Recognised Accounting Practice
<b>IESBA</b>	International Ethics Standards Board for Accountants ISA International Standards on Auditing
<b>IFRS</b>	International Financial Reporting Standards
<b>KPI</b>	Key Performance Indicator
<b>MFMA</b>	Municipal Finance Management Act
<b>NEMA</b>	National Environmental Management (Act 107 of 1998)
<b>NT</b>	National Treasury
<b>PAA</b>	Public Audit Act (Act 25 of 2004)
<b>PFMA</b>	Public Finance Management Act (Act 1 of 1999)
<b>PPPFA</b>	Preferential Procurement Policy Framework Act (Act 5 of 2000)







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