



# ANNUAL REPORT

OVERBERG WATER BOARD

2020/21

“We never know the worth of water till the well is dry”.

ByThomas Fuller



Overberg Water Board in South Africa

# LETTER FROM THE ACCOUNTING AUTHORITY

**P.O. Box 1005  
Somerset Mall  
7137**

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

**Dear Honourable Minister**

On behalf of the Overberg Water Board, it is with pleasure that we present to you Minister the 2020/21 Annual Report of the Overberg Water Board for the year ended 30 June 2021.



Yours faithfully

ACCOUNTING AUTHORITY

## TABLE OF

# CONTENTS

- 
- 
- 1 Overberg Water Strategy
  - 3 Governance
  - 5 Board members in pictures
  - 6 Overberg Water's vision
  - 9 Presentation of the Annual Report
  - 11 Points of interaction
  - 33 Minister's message
  - 34 Accounting Authority Report
  - 37 Chief Executive Officer Report
  - 44 Acting Chief Operating Officer Report
  - 47 Chief Financial Officer Report
  - 51 Financial Performance
  - 63 Operational Efficiency and Effectiveness
  - 84 Audit Report
  - 94 Annual Financial Statements
  - 147 Glossary



# OVERBERG WATER STRATEGY

Overberg Water's strategy comprises of five outcomes and long-term sustainability. The sustainability is about both financial and geographical expansion. In order to reach its desired state of being the following strategic positions are enablers:

## STRATEGIC POSITION:

1. Provide reliable and sustainable bulk water services to all current clients in the Overberg Area and the rest of the Western Cape Province.
2. Reposition Overberg Water Board as the implementing agent of choice to DWS and Municipalities in the Western Cape.
3. Pursue revenue and geographical growth to cover the Western Cape Province (water management areas) of the Republic of South Africa.
4. Ensure financial sustainability by maintaining current client base while investing in business development that aims at securing management and maintenance of bulk water services provision in municipalities within the Western Cape Province (water management areas).
5. Ensure aggressive investment in communications and stakeholder involvement programmes of Overberg Water throughout the Western Cape and beyond.
6. Invest in business process mapping and management (internal processes and operations).
7. Invest in human capital development / succession planning to ensure organisational continuity.
8. Consolidate resources by pursuing strategic partnerships with all key stakeholders in the Western Cape Province.
9. Utilise infrastructure delivery as a vehicle for contributing to local economic growth in the project areas.
10. Invest and explore in alternative sources of water and energy.

## STRATEGIC ACTIONS

The strategic position forms some of the key performance indicators as per the set strategic goals. The strategic goals are informed by the Department of Water and Sanitation key strategic areas, the National Development Plan and the overall National and Provincial Priorities.

## IMPLEMENTATION OF STRATEGIC POSITIONS

SP 1	1.1	To develop, review and update annual maintenance plans as a means towards reliable water services provision.
	1.2	Ensure development of the implementation plans as per the repair and maintenance plans.
	1.3	Forge strategic partnership with the following municipalities: Beaufort West, Matzikama, Cederberg, Swartland.
	1.4	Enter into a memorandum of agreement with the Breede-Gouritz Catchment Management Agency as a means towards integrated water management approach with an intention to mobilise more water volumes through water use authorisation licenses.
SP 2	2.1	Secure RBIG and WRIG projects through working with the DWS Western Cape Regional Office.
	2.2	Develop a working relationship with the Department of Public Works and Infrastructure as part of keeping the existing and future water related projects at Correctional Services Centres, Defence Bases and Public Hospitals.
SP 3	3.1	Ensure the rollout of the growth path strategy throughout the water management area.
	3.2	Secure revenue generating secondary functions as per the Water Services Act.
SP 4	4.1	Review the current tariff model to ensure reasonable returns from water services.
	4.2	Investigate a long-term financial model linked with capex.
SP 5	5.1	Maintain regular communication channels with current and potential customers.
	5.2	Maintain the bi-annual production of the Overberg Water Board Newsletter.
	5.3	Issue two national advertisements showing the work and capability of Overberg Water Board.
SP 6	6.1	Ensure adherence to internal controls.
	6.2	Implement sound systems aimed at improving efficiency and effectiveness of business processes.
SP 7	7.1	Create relevant training opportunities to staff.
	7.2	Develop succession planning (sub) policies and strategies throughout the organisation.
SP 8	8.1	Forge strategic engagements with the Western Cape Provincial Government through the Departments of Local Government and Agriculture.
	8.2	Enter into cooperative agreements with relevant public entities / bodies based in the Western Cape and Northern Cape Provinces.
SP 9	9.1	Secure funding for the implementation of the Master Plan.
	9.2	Invest in infrastructure activities such as gradual asbestos replacement initiatives.
SP 10	10.1	Embark on alternative sources of water (such as groundwater and desalination) through scientific investigations.
	10.2	Embark on alternative sources of energy (such as solar and wind) through scientific investigations.



# GOVERNANCE

Overberg Water Board is governed by the Board of nine members and one ex-officio member. The Board is appointed by the Minister of Water and Sanitation in terms of the Water Services Act, Number 108 of 1997. It is appointed by the Minister of 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 Water and Sanitation.

**The Board consists of the following diverse, skilled, and determined individuals:**

NAME	GENDER	ROLE	COMMITTEE
Mr Razeen Benjamin	Male	Board Chairperson	Human Resources, Remuneration and Ethics
Ms Ina Elizabeth du Bruyn	Female	Board Deputy-Chairperson	Operations and Infrastructure
Mr Petrus Matji	Male	Committee Chairperson	Operations and Infrastructure
Ms Siphwe Doris Mayinga	Female	Committee Chairperson	Human Resources, Remuneration and Ethics
Ms Nandipha Madiba	Female	Member	Audit, Risk and Business Strategy
Mr David Lefutso	Male	Committee Chairperson	Audit, Risk and Business Strategy
Prof Gregory Jerome Davids	Male	Member	Human Resources, Remuneration and Ethics
Mr Sikhumbuzo Eric Nene	Male	Member	Operations and Infrastructure
Ms Lerato Seripe	Female	Member	Audit, Risk and Business Strategy
Dr Phakamani Buthelezi	Male	Chief Executive Officer	Ex-officio

The above-mentioned Board members contract with the Executive Authority, the Minister, through an annually approved shareholder compact. The Board then actively engages 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 & Remuneration 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 must 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).
- The South African Constitution

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.



# THE BOARD MEMBERS



**Mr Razeen Benjamin**  
 GENDER: MALE  
 ROLE: BOARD CHAIRPERSON  
 COMMITTEE: Human Resources, Remuneration and Ethics



**Ms Ina Elizabeth du Bruyn**  
 GENDER: FEMALE  
 ROLE: BOARD DEPUTY-CHAIRPERSON  
 COMMITTEE: Operations and Infrastructure



**Mr Petrus Matji**  
 GENDER: MALE  
 ROLE: COMMITTEE CHAIRPERSON  
 COMMITTEE: Operations and Infrastructure



**Ms Siphwiwe Doris Mayinga**  
 GENDER: FEMALE  
 ROLE: COMMITTEE CHAIRPERSON  
 COMMITTEE: Human Resources, Remuneration and Ethics



**Ms Nandipha Madiba**  
 GENDER: FEMALE  
 ROLE: MEMBER  
 COMMITTEE: Audit, Risk and Business Strategy



**Mr David Lefutso**  
 GENDER: MALE  
 ROLE: COMMITTEE CHAIRPERSON  
 COMMITTEE: Audit, Risk and Business Strategy



**Prof Gregory Jerome Davids**  
 GENDER: MALE  
 ROLE: MEMBER  
 COMMITTEE: Human Resources, Remuneration and Ethics



**Mr Sikhumbuzo Eric Nene**  
 GENDER: MALE  
 ROLE: MEMBER  
 COMMITTEE: Operations and Infrastructure



**Ms Lerato Seripe**  
 GENDER: FEMALE  
 ROLE: MEMBER  
 COMMITTEE: Audit, Risk and Business Strategy



**Dr Phakamani Buthelezi**  
 GENDER: MALE  
 ROLE: CHIEF EXECUTIVE OFFICER  
 COMMITTEE: Ex-officio



# A STRATEGIC KALEIDOSCOPE OF SUCCESS

## OUR VISION

Vision is about the ability to visualise the desired state of being that the Entity wants for the future but moving from its current state of being. A vision is the lifeblood of an Entity that aspires to reach its zenith point of success. The Overberg Water Board is the only water board reporting its own vision to the Minister of Water and Sanitation. To sum it up it is about growing the business both in terms of geographical expansion and revenue increase.

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 look for better solutions innovatively and proactively 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".*

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 Beede-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 entrench the organisational goals.

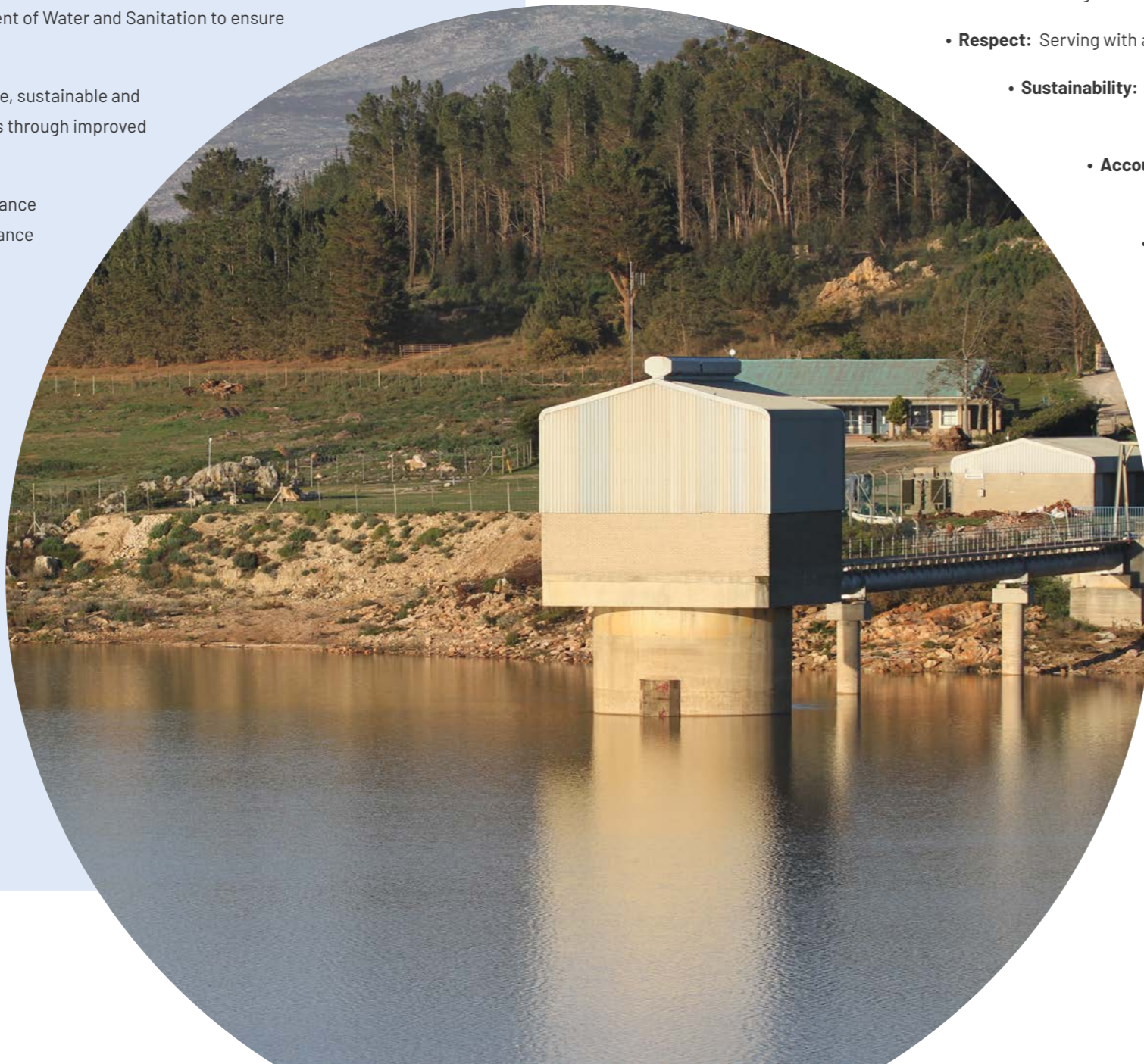
Overberg Waters' current area of operation is within the Overberg Region and certain areas of the Western Cape Province by taking care of various facilities belonging to the Department of Correctional Services. The Entity is grateful to have been given the contract by the Department of Public Works & Infrastructure to manage such facilities. The appointment was in line with the Entity's Growth Path Initiatives. 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. Water access is integrity with the overall socio-economic endeavours.



**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;
- Partner with the Department of Water and Sanitation to ensure water access;
- 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 2020/21 Annual Report presents both the performance and financial information. The ultimate objective is to continually transcend the expectations.**



# STRATEGIC OVERVIEW

## 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 behaviour while pursuing individual organisational responsibilities.
- **Respect:** Serving with a positive attitude, courtesies, 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.

## BUSINESS SOLUTIONS

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

## OUTCOMES

- 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







# THE OVERBERG WATER BOARD

## INTRODUCTION

Flowing from the Department of 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 quantity 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 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, these are Ruensveld West in Caledon;

Reunesveld East in Swellendam and Duivenhoks in Helderberg.

The OWB is wholly owned by the State. The Minister of 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.

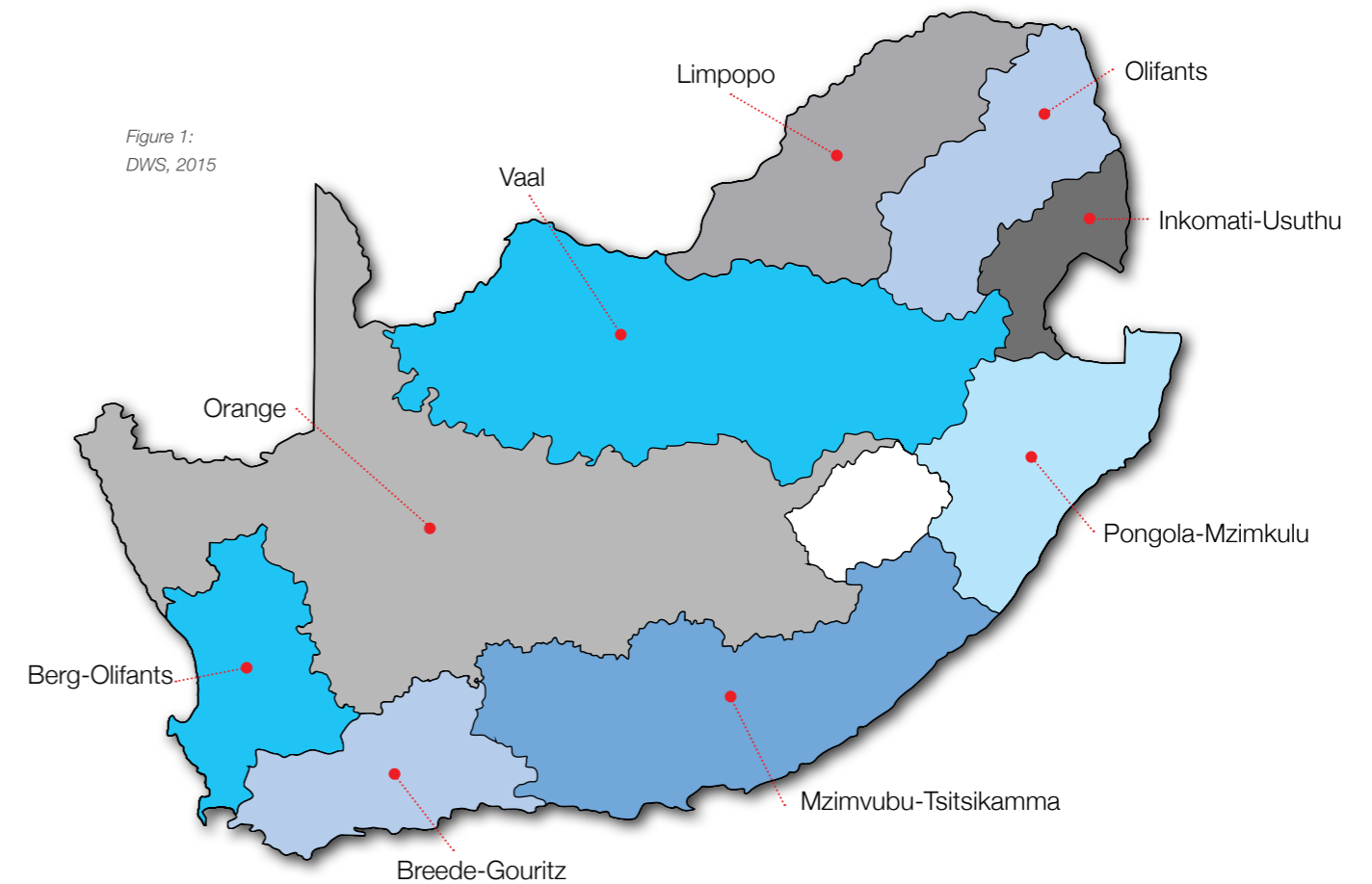


Figure 1: DWS, 2015

Figure 1: SA Water Management Areas

Overberg Water provides bulk drinking water to Hessequa Municipality, Theewaterskloof Municipality and its agricultural 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.



# JURISDICTIONAL AREA

The Overberg Water's area of jurisdiction is the south-western Cape in the west to the Heidelberg/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, Heidelberg, 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 relationship with the BGCMA in managing 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.

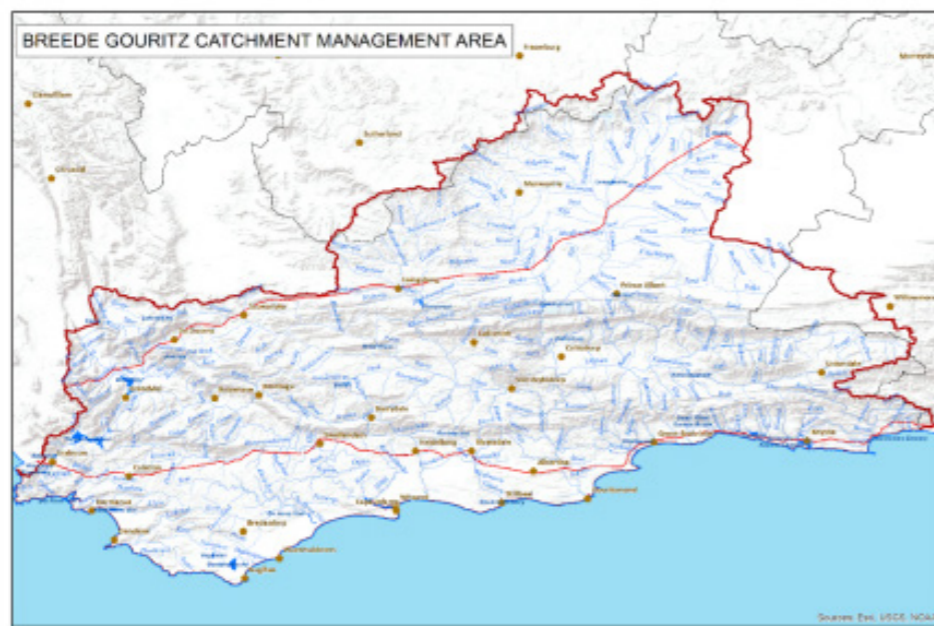


Figure 2: Map of Overberg Catchment Management Area



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 tend 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 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 3 and 4)

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 3 000 mm 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 600 mm 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 tend to experience all year-round rainfall.

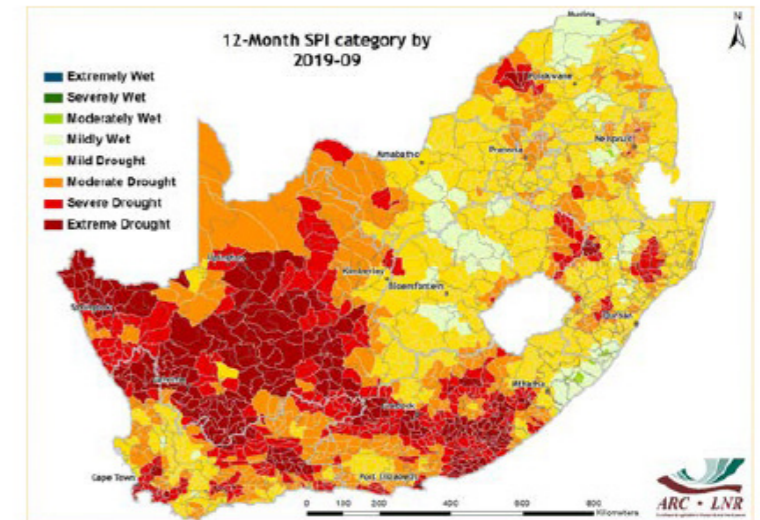


Figure 3: 12 month Seasonal Precipitation Map

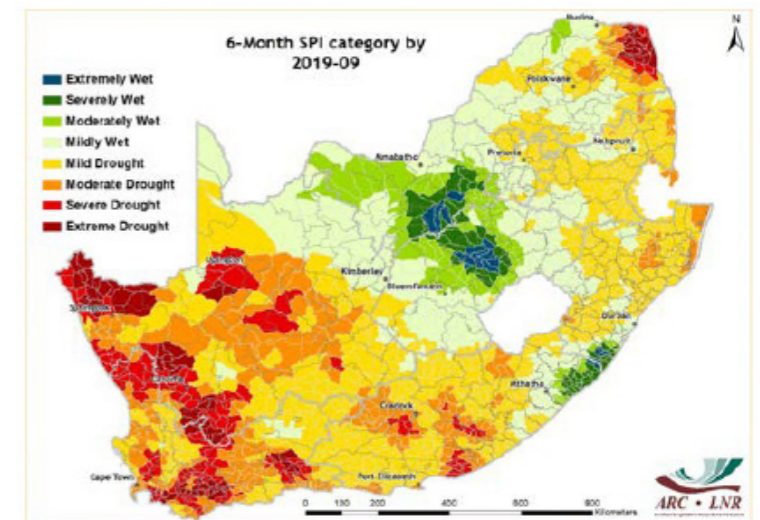


Figure 4: 16 month Seasonal Precipitation Map



The figures below shows the population growth of the districts within the reach of Overberg Water. This is important for future planning so that Overberg Water can expand its business based on the growth path already developed. The population growth is based on comparing Census 2001 against 2011 as indicated in (Figure 5)

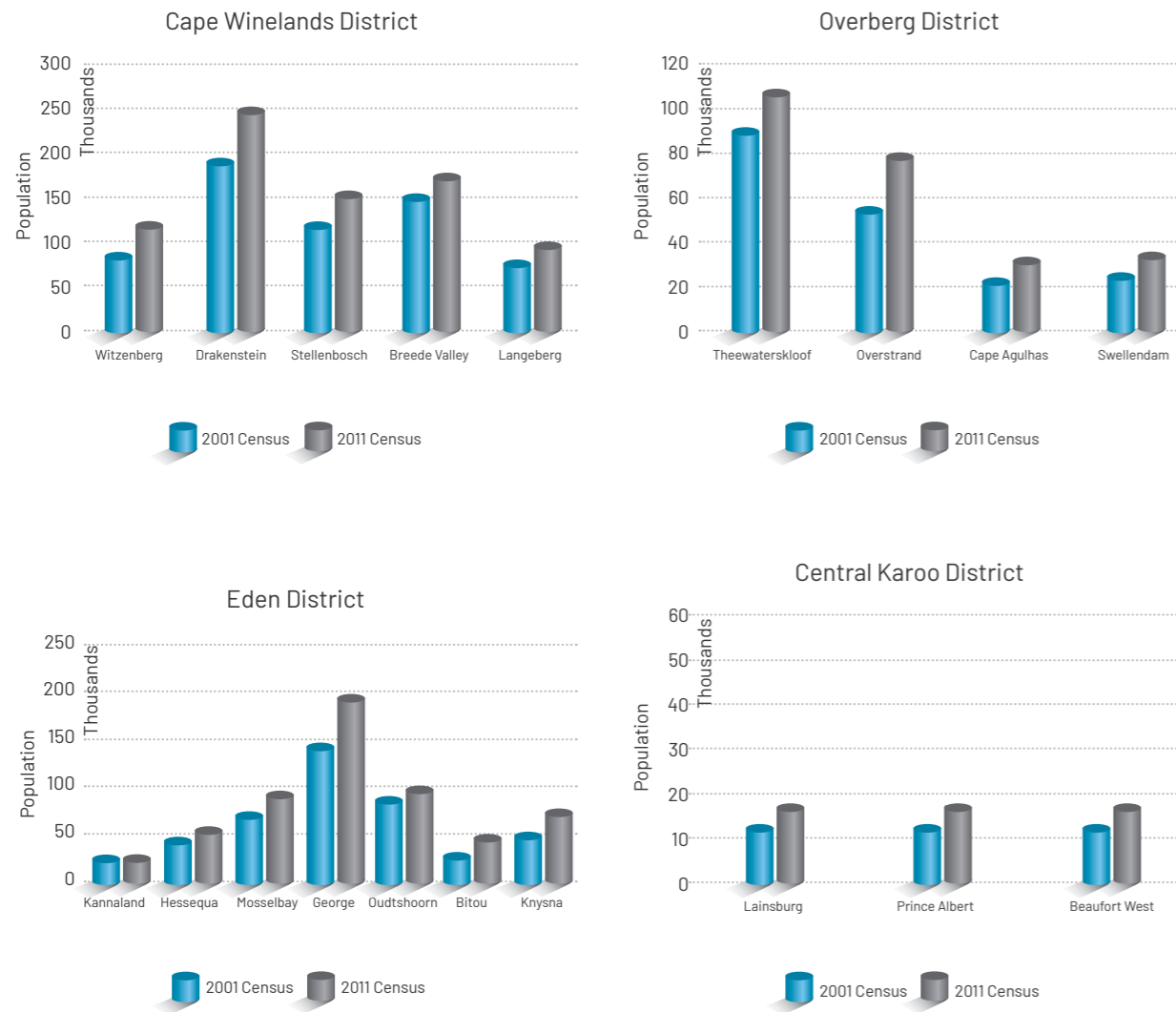


Figure 5: Population indicative growth in districts of OW

It is therefore strategic for OW to focus on 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 of what must be taken into account while 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, among 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 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 storage such as constructing the beams in selected rivers and maintaining constant communication channels with its customers.

## BUSINESS ACTIVITIES OF OVERBERG

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 a 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 is charged 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
- 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 1 highlights the capacities of the water resources, including the owners and managers of the impoundments.

Table 1: Major dams feeding two schemes of OW

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

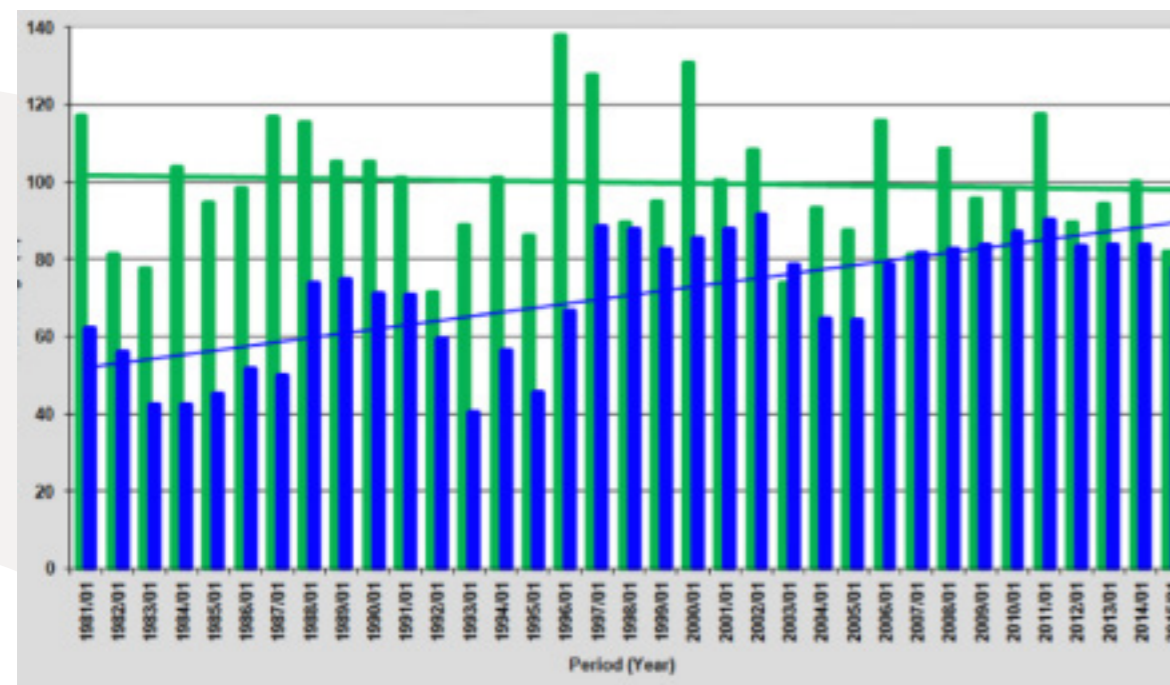


Figure 7: Rainfall and storage percentage trend since 1980  
Source, DWS (2017)

## 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 3 overleaf provides an overview of the 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.

Table 2: Capacity of water resources

Geographical Area	System	Catchment	Impoundment	River	Owner	Manager	Gross Capacity (million m3)
Overberg Region	Rüensveld-Wes	Breede-Gouritz	Theewaterskloof Dam	Sonderend	DWA	BGCMA	479.3
	Rüensveld-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 3: Raw water quality

Geographical Area	System	Catchment	Impoundment	Water Quality status			Description of Raw Water Quality Problem
				2018	2019	2021	
Overberg Region	Rüensveld-Wes	Breede-Gouritz	Theewaterskloof Dam	Good	Good	Good	Eutrophication with occasional high turbidity.
	Rüensveld-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



## WATER RESOURCE ASSURANCE AND SUPPLY SECURITY PER WATER SERVICES AUTHORITY

The El Nino and protracted drought period experienced over the past years has had a severe impact on the water security in the region. The TWK Dam had been at an all-time low over those years, reaching levels below 30%. Overberg Water was cognisant of this decline and had reduced its volumes for financial year 2017/18/19/20. The view is to diversify sources of water such as investing in desalination and ground water.

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 MI/d and is projected to increase to a maximum of 197.9 MI/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 MI/day average day demand). The Greater Hermanus Area experiences a significant influx of holidaymakers 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 MI/day. AECOM (previously BKS) was 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 Theewaterkloof 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 8 below.



Figure 8: Greater Hermanus bulk water provision proposal

## HESSEQUA MUNICIPALITY

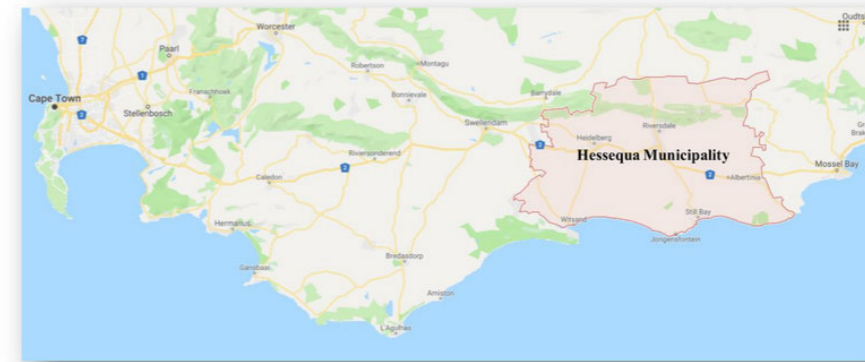


Figure 9: Hessequa Municipality

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 MI/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 currently has spare capacity at the source and treatment works. The All Towns Study indicates a possible high scenario shortfall of 4.5 MI/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 MI/d for Riversdale, which presents an opportunity for the development 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 Rüensveld 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 of constructing 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 m<sup>3</sup>/a (30%) and 2,55 million m<sup>3</sup>/a (50%) of the canal flow. Water is the economic driver in the agrarian community of Heidelberg and these

water losses are the reason 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 m<sup>3</sup> / annum to 9,815million m<sup>3</sup>/ annum. While the total irrigation water allocation from the Duivenhoks water system is only 7,638million m<sup>3</sup>/ annum, a shortfall of at least 0.680 million m<sup>3</sup>/ 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 Protem, Klipdale, and the town of Arniston. Protem 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 Protem; 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 that 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 MI/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 MI/d spare capacity that could be utilised to supplement the supply to Bredasdorp.

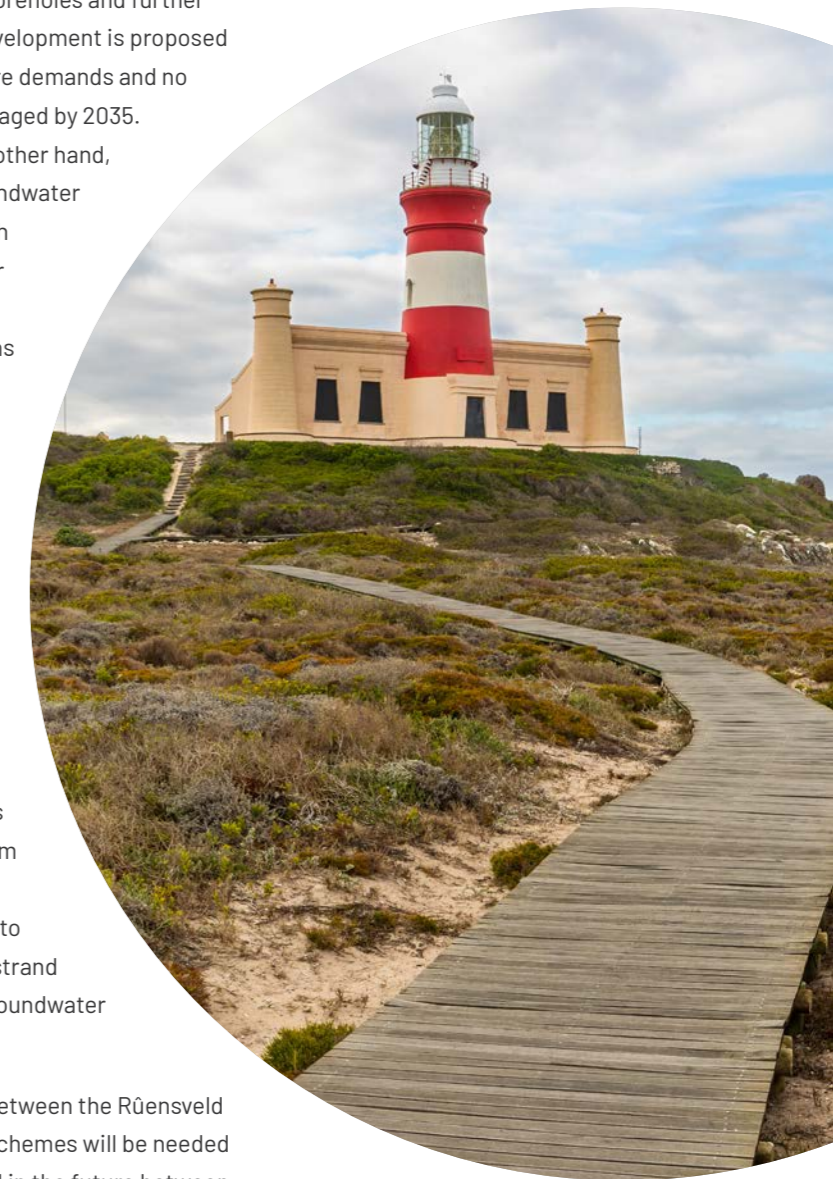
Napier is also a substantial town located to the west of Bredasdorp and the town is supplied from groundwater.

According to the high growth scenario, the All Towns Study identified a possible shortfall of 0.83 MI/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 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 considered 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 MI/d.

Currently the Rûensveld West WTW has spare capacity available of around 3.9 MI/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 4.

Table 4: Greater Hermanus bulk water provision proposal

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

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, 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 5 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 5 below indicates the future licence and abstraction requirements that need approval by DWS and the respective CMAs.

Table 5: Future water use rights by resources required

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

\* 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. Tables 6 to 8 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 when the necessary water licenses are approved, so that new Service Level Agreements are established to provide the revised or new allocations.

Table 6: Existing Major Consumers

Existing: Major Consumers				
System	Catchment	Impoundment	Major Consumers	Total Allocation - m <sup>3</sup> /annum
Rüensveld-Wes	Breede-Gouritz	Theewaterskloof Dam	TWK	2 409 000
Rüensveld-Oos	Breede-Gouritz	Theewaterskloof Dam	Cape Agulhas	91 250
Duivenhoks	Breede-Gouritz	Duivenhoks Dam	Hessequa	892 425

Table 7: Future Major Consumers

Future: Major Consumers				
System	Catchment	Impoundment	Major Consumers	Total Allocation - m <sup>3</sup> /annum
Rüensveld-Wes	Breede-Gouritz	Theewaterskloof Dam	TWK	3 381 953
		Theewaterskloof Dam (Berg River Scheme)	Overstrand	7 300 000
Rüensveld-Oos	Breede-Gouritz	Theewaterskloof Dam	Cape Agulhas	139 582
Duivenhoks	Breede-Gouritz	Duivenhoks Dam	Hessequa	1 249 098

Table 8: Water dams of major consumers by resource

Future: Major Consumers - Dependent on engagements with Municipalities and DWS				
System	Catchment	Impoundment	Major Consumers	Total Allocation - m <sup>3</sup> /annum
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



# KEY PRIORITIES FOR OVERBERG WATER

## 1. 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 abovementioned 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

## 2. 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 9: Alignment of OW strategic objectives with those of National Government

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
			1.1	Water resources protected through water supply and sanitation services regulation, compliance monitoring and enforcement	4	Resource protection
Outcome 9 (Local Government) Outcome 10 (Environment) Chapter 5 of the NDP			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 9 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 2017, the fourteen Government Strategic Outcomes of Government and Pertinent Outputs cascading to the Executive Authority, the National Development Plan (NDP) 2030, the Medium Term Strategic Framework and the DWS's National Water Resources Strategy (NWRS II, 2013), key focus areas highlighted by the DWS Minister in March 2018 and the DWS' five-year Strategy Plan and Annual Performance Plan and the Presidential Review Committee Report on reshaping state-owned entities including DWS institutional realignment exercise.





Figure 10 Area of supply

Figure 10 shows the Overberg Water area of jurisdiction supplying bulk drinking water to two municipalities and approximately 800 individual industrial farmers in the Overberg Region. The yearly volume of supply is approximately 4m cubic metres, the two main sources of water are the Theewaterskloof Dam on the Sonderend River and the Duivenhoks Dam on the Duivenhoks River. OW owns and operates three water supply schemes; namely, the Ruensveld West, Ruensveld East and the Duivenhoks Water Supply Scheme. The primary activity is the provision of potable water. The area supplied over 6 000 square kilometres in the Overberg and Eden District Municipalities and the pipe network covering these areas is approximately 1 450 kilometres.





## FOREWORD FOR 2020/21 BY THE HONOURABLE MINISTER OF WATER AND SANITATION



Overberg Water Board is one of the nine water boards within the Department of Water and Sanitation. It is one of those entities that aspire to provide more services to enhance our constitutional obligations to ensure that water access remains the reality.

In the last three years Overberg Water has managed to swing the pendulum to a positive direction. It has been receiving unqualified audit opinions with findings but the year of 2020/21 the Entity has managed to achieve the ever-clean audit – unqualified audit opinion without findings. This is important to Overberg Water considering that it had faced myriad issues largely due to internal controls, performance, and governance. The work of the new executive management team and the new board is acknowledged for such a change of direction.

While, Overberg Water enhances its performance, I am of the view that the focus must now be on technical improvements. The Overberg Water has come forward requesting for my hand of support. In addition, I have already directed my Department to do all that is humanly possible to support Overberg Water.

Overberg Water provides water to its municipal and agriculture customers. Water supply must always be made possible. Agriculture plays a vital role in the economy of the Overberg Region, the Western Cape Province, and the country as a whole. Thus it remains my department's commitment to provide technical advice to augment my support. The ultimate destination is to support Overberg Water in achieving its growth path initiatives which are geographically, and revenue determined. In doing so, Overberg Water must ensure that its stakeholders are on board and continually improve its external communication channels.

In conclusion, my word of appreciation goes to the Board, executive management, staff, and all affected parties. Let the wheel of service delivery be a unifying force as the Entity discharges its responsibilities.

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

## THE ACCOUNTING AUTHORITY REPORT

### Introduction

History is about the whole series of past events connected to a particular thing. Hence, our history has been characterised by eventful challenges such as inability to timeously submit the audited annual financial statements before the current board and executive management. The Entity has since intensified its internal controls which produced a very impressive outcome such as achieving a clean audit in 2020/21 financial year. The main focus is now on water supply as affected by amongst other things the aging the infrastructure and technical deficiencies.

This report is written as an illustration that Overberg Water is truly committed to continually improve its internal controls and water supply performance. It is written under difficult times as the COVID-19 pandemic has turned the world upside down. Despite the pandemic intrusion into business operations, Overberg Water Board remained steadfast by discharging its responsibilities and obligations. It has not been an easy cruise but at Overberg Water the waters were repeatedly calmed down so that the Entity did not deviate from its core mandate which is the provision of bulk drinking water and sanitation services. However, the Entity does provide purified water directly to individual farmers for agro-processing purposes. The sanitation services were only for certain facilities belonging to the Department of Correctional Services as per the Department of Public Works and Infrastructure appointment.

### Intention

The intention as the financial years progressed was visible changes aimed at strengthening the Entity so that the Board left no stone unturned. The Board only came into being in April 2019 and had managed through working

with the Chief Executive Officer with his Executive Management to continually improve our internal controls and more importantly the focus was on growing the business both in revenue and geographical terms. Thus, the 2020/21 financial year is indeed another year for gradual improvements at Overberg Water. The 2020/21 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 might 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 a purpose there was no hill that was impossible to climb. The intention of this 2020/21 Annual Report other than showing what was achieved or faced as challenges and opportunities is to further demonstrate that the Overberg Water Board is ready to cover the entire Western Cape Province and beyond. Hence, 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 intensifying organisational internal controls. The 2020/21 audit outcome as pronounced by the Auditor-General is unqualified audit opinion with no material 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. There is no doubt that water supply remains our priority and a challenge.





## 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 developing 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 improved 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, unqualified audit opinion in 2019/20 and the clean audit in 2020/21 financial years. Furthermore, key appointments were made as well creating additional posts to address the technical skills deficiencies. 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. While 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 as the

leading water services provider in the region. Everyone at Overberg Water recognises that an old African proverb is still relevant and applicable even now. 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. The taste of the pudding is to have received the clean audit confirming that there have been major changes and improvements throughout the Entity. Whence, the Entity has retained a record of unqualified audit opinion for the past consecutive years with the clean audit in 2020/21. 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, 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. The Board is very mindful that there has been a degree of unhappiness insofar as the supply of uninterrupted water is concerned. The Board is doing everything humanly possible to address challenges of water supply. 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 are 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.

Governance remains the focus point that drives the Entity. It is the nucleus and without it the Entity is doomed. The board of directors continues to introduce innovative business approaches aimed at enhancing performance

## 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 agricultural customers 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.



**CHAIRPERSON OF THE BOARD**  
**RAZEEN BENJAMIN**

# 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 towards socio-economic development. The recent drought and current COVID-19 pandemic has shown that water is central to 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 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

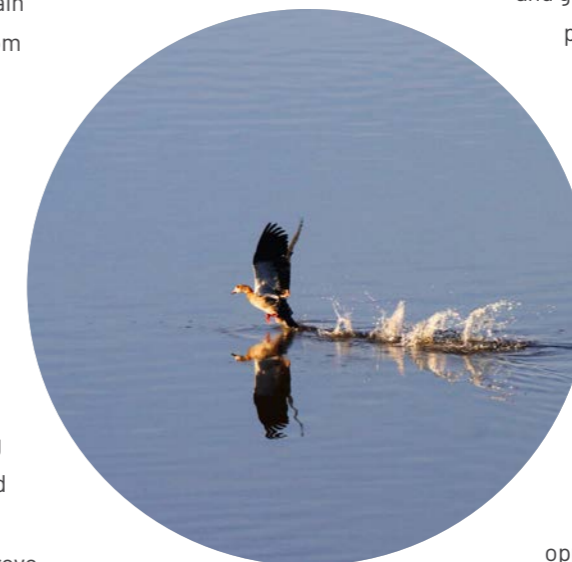
providing water services to ensure that they have sound internal controls, financial sustainability, clearly defined performance indicators and are aligned with the Constitution. The Constitution makes water access a human right issue. Without any word of contradiction, water services provision is a constitutional mandate which is a mantle that promotes human dignity and sustainable development. The Overberg Water Board in 2020/21 did all it could to live up to that expectation. It is a commitment that defines its performance culture and organisational architecture. The winds of change have been blowing since 2015/16 annual report preparation and led OWB to consistently retain its unqualified audit opinion. The discussion in this CEO Report provides an organisational performance overview.



Financial Year	Audit Outcome	Representation	Remarks
2015/16	Disclaimer	Red circle	AFS not timeously submitted due to internal challenges and no audit concluded as per prescribed timeframes. Not all records were available for auditing purposes
2016/17	Qualified audit	Purple circle	AFS not submitted on time due to internal challenges. A lot of work was done addressing internal control deficiencies
2017/18	Unqualified audit	Yellow circle	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 control systems.
2018/19	Unqualified audit	Yellow circle	AFS submitted on time and audit commenced on time. The focus was on internal controls continual improvements and enhancement.
2019/20	Unqualified Audit Report	Yellow circle	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.
2020/21	Unqualified audit with no findings – clean audit	Green circle	There were no material findings either in the AFS or performance information due to the hard work of the Board, Executive Management, Senior Management and staff.

## 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 attitude is reciprocal too. The sequence of audit reports at Overberg Water have been the following: In the financial years of 2020/21 the Overberg Water's key focus areas were to improve and enhance its internal controls as well as growing its footprint. A lot of work 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 obtain its first ever clean audit since its establishment – unqualified audit report. The unqualified audit opinion was received without any 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 GRAP 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 retain the unqualified audit opinions 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 Initiative

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 to 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 of which 11 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 Water and Sanitation, the Parliamentary Committee, the Department of Water and Sanitation as well as other government departments and customers.



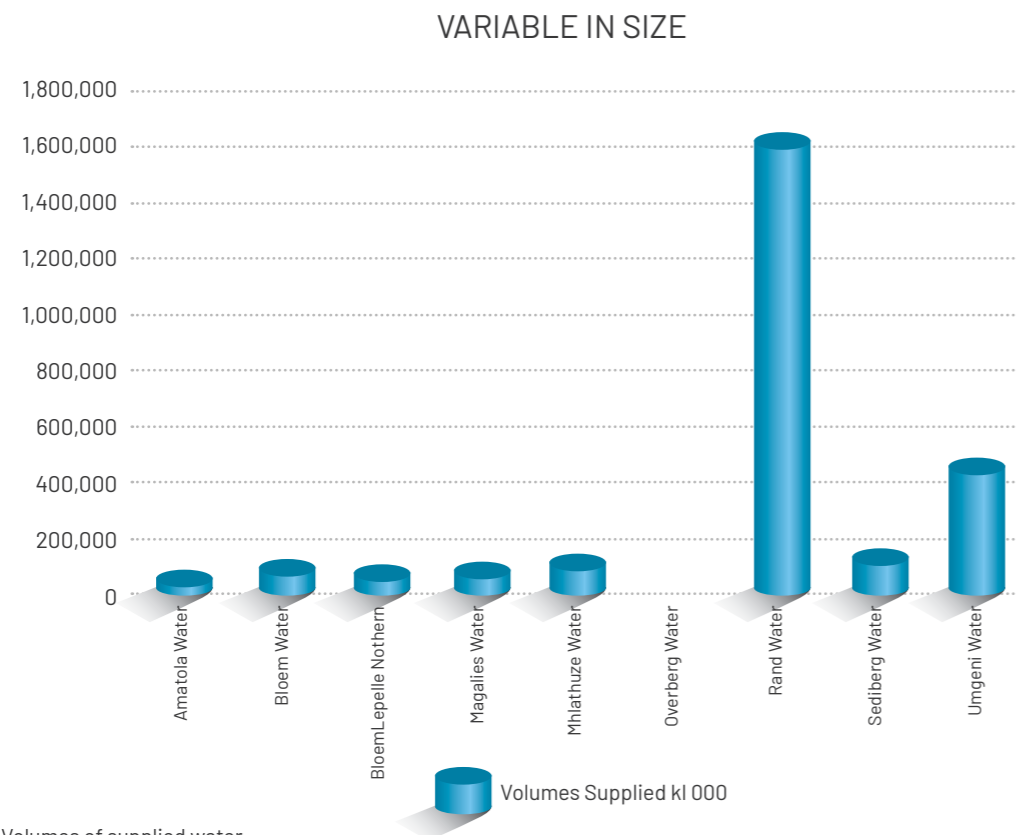


Figure 11: Volumes of supplied water

The above figure indicates that Overberg Water is the smallest water board and yet capable of reaching 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 those 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 in 2019/20. Overberg Water delivered and installed the tanks in the following districts and municipalities:

Table 10: COVID-19 water tanks

District	Municipality	Number of tanks
Cape Winelands	Drakenstein	21
	Stellenbosch	26
	Breedevalley	25
	Witzenberg	19
	Langeburg	12
<b>Total</b>	<b>103</b>	
Overberg	Theewaterskloof	23
	Cape Agulhas	17
	Overstrand	None
<b>Total</b>	<b>56</b>	
Garden Route	Knysna	21
	George	20
	Plettenberg Bay	13
	Oudsthoorn	10
	Mossel Bay	16
	Hessequa	13
	Kannaland	10
<b>Total</b>	<b>103</b>	
West Coast	Matzikama	12
	Cederberg	17
	Bergrivier	6
	Saldanha	23
	Swartland	30
<b>Total</b>	<b>68</b>	
District Central Karoo	Municipality	Number of tanks
	Beaufort West	30
	Prince Albert	14
	Laingsburg	24
<b>Total</b>	<b>38</b>	
<b>GRAND TOTAL</b>		<b>401</b>

Notes\*: Beaufort West Municipality returned 26 tanks and only kept 4 water tanks because the Municipality was no longer needed 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 came 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.

## 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 2020/21 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;
- 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;
- Supposed its previous opinion to a clean one

All of the above-mentioned were done successfully with effort, skill and courage by all at Overberg Water Board.

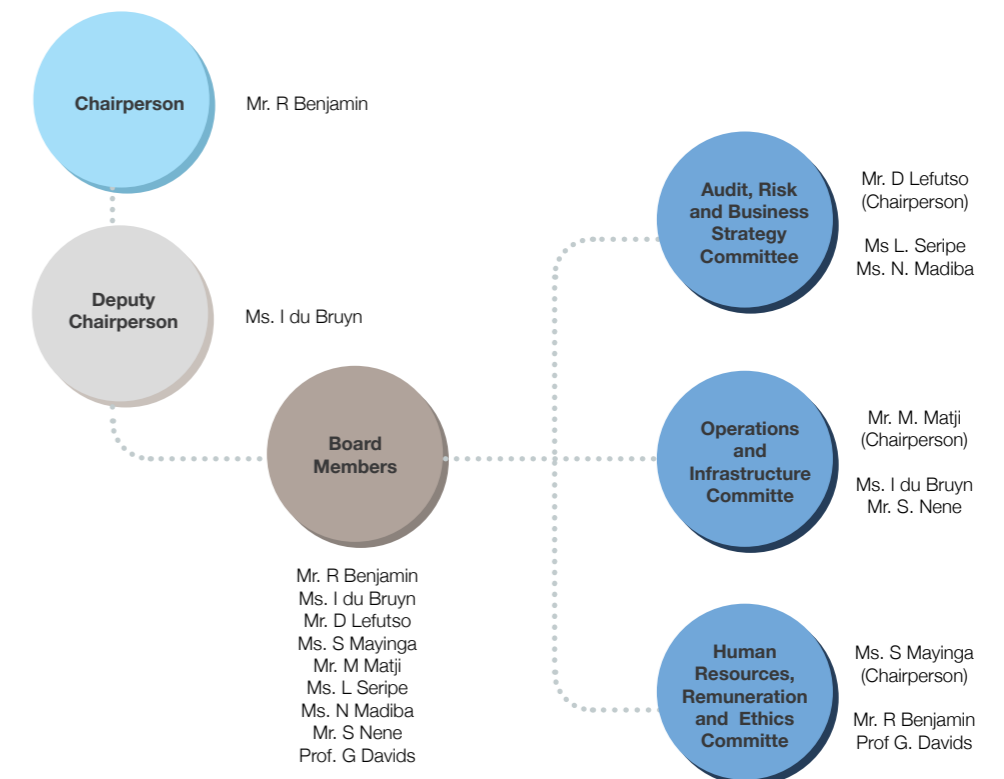
The Overberg Water Board is indeed the water services hub for the Western Cape Province and beyond. Investing in its Growth Path Initiatives is the right thing to do! We shall continue with our efforts of making a difference to all our communities insofar as water provision and associated / ancillary 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
- Water supply is a key challenge due to a number of reasons such as ageing infrastructure
- No tariff increases for 2015/16 and 2020/21 financial years. This has an impact on the Entity.
- Remuneration Model / salary disparities but was later addressed

## 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. The continuous process is the strengthening of internal controls. 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 Plans:

- Appointment of the permanent Chief Executive Officer, Chief Finance Officer and other critical staff. Organogram review to mainly strengthen operations.
- Stakeholder and client relations being initiated
- Retention 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 translated into Action Plan
- The Growth Path 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 of the new Board and looking forward to working with the Board. Other people who come to mind are the colleagues and executive management at Overberg Water who burnt the mid-night and 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**  
**DR PHAKAMANI BUTHELEZI**

# THE ACTING CHIEF OPERATING OFFICER REPORT



## 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 sets annual 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. 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 2020/2021 financial year reflected in Table 11, exceeded the SANS 241:2015 requirements for all five compliance fields

## 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 utilisation 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. To maintain operational resilience OW has continued its maintenance and repairs of infrastructure mainly focusing on upgrades of pumps and pipeline replacements.

Although facing infrastructure constraints, OW managed to achieve an overall water quality compliance of 97.17% for FY2020/21 (compared to 96.88% for FY2019/20). The management of water treatment and its quality

Table 11: 2020/2021 Potable Water Quality Compliance with SANS 241:2015

Water Quality results for FY 2020/21					
Treatment Works	Acute Health: Microbiological	Acute Health: Chemical	Chronic Health	Aesthetic	Operational
Rüensveld West WTW	96.94%	100.00%	100.00%	99.78%	98.77%
Rüensveld East WTW	96.84%	100.00%	99.46%	97.65%	92.67%
Duivenhoks WTW	95.63%	100.00%	100.00%	99.30%	94.03%
<b>Total</b>	<b>96.44%</b>	<b>100.00%</b>	<b>99.82%</b>	<b>98.74%</b>	<b>95.35%</b>

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 has over the past years successfully maintained non-revenue water below 15%, although, for the past two years the entity set a far more aggressive target of 7.5%. This target was not achieved. For the 2020/21 financial year the non-revenue water was reported at 15%. The effects of the ageing infrastructure, prevalence in water theft activities and the lack of elemetry contract are some of the reasons for the target not being achieved. 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 and Demand Management principles. Figure 12 indicates water losses experienced

over the past financial year against projected targets. The overall production losses across all schemes amounted to 6.3%. The total raw water abstracted was 4 322 274m<sup>3</sup>, total system input amounts to 4 052 723m<sup>3</sup>, whereas the total volume of water being sold amounts to 3 470 601m<sup>3</sup>.

### Infrastructure Stability

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. For the year under review, approximately 120 pipe breaks and leaks 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 conducive to 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.

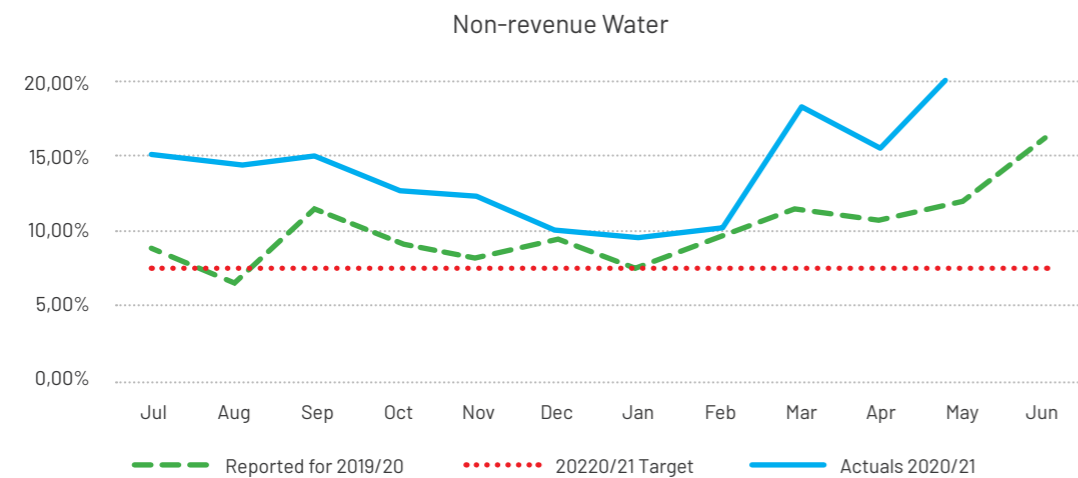


Figure 12: Non-revenue water for the period 1 Jul 2020 – 30 Jun 2021



### The Future

The Entity has 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 year under review saw successful implementation of a project where the Entity supports DPWI the Department of Correctional Services and the Defence Force in managing its water and wastewater services.

### Conclusion

The year under review was on par with the previous in terms of Operational targets. In addition, the Entity has been resilient considering the limited funding for maintenance and refurbishment projects. As the acting 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.

**Anthony Lotz**  
Acting Chief Operating Officer



# REPORT OF THE CHIEF FINANCIAL OFFICER

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 94 and 146.

## Financial Performance

The financial statements for the year ended 30 June 2021 confirms a surplus for the year of R 1 142 790. 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 R39 404 550 (see Note 6.1). The investments are set aside, including, but not limited to, for any emergency and capital expenditure.

TABLE 12: Costs of potable water per volumes sold

	2020/21	2019/20	%Change
Total volume water sold-kl	3 470 601	3 423 549	1,37%
Costs of potable water (excluding depreciation)	37 574 592	30 439 499	23,44%
Costs per kl	10,83	8,89	21,77%

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. Additional increase in costs



were also as a result of project managed on behalf of the Department of Public Works and Infrastructure.

## Profitability

During the financial year 2020/21 there was a decline in net profit from R 3.4 million in 2019/20 to R 1.1 million in 2020/21. The decrease was as a result of non-approval of the tariffs by the Minister of Water and Sanitation. The non-adjustment of the tariffs was caused by the COVID-19 pandemic that affected the economic conditions of South Africa. The agricultural sector and industry were the most affected as they could not trade to full capacity. The tariffs restrictions were made to alleviate the burden from the users. Unfortunately, the price of energy, raw water, chemicals, repairs, and maintenance still went up way above the inflation. The Water Board had to absorb these costs despite the non-adjustments of the tariffs. In addition, the Water Board was required to apply consequence management on irregular, fruitless and wasteful expenditure, this process resulted in legal fees being incurred in order to finalise the case. The additional legal fees incurred had a negative impact on the profitability of the Water Board. The case has since been finalised; going forward the legal fees should be minimal. Despite all these challenges the Water Board managed to maintain the profitability which shows its resilience during these trying times.

Surplus (deficit) for the year (R'000)

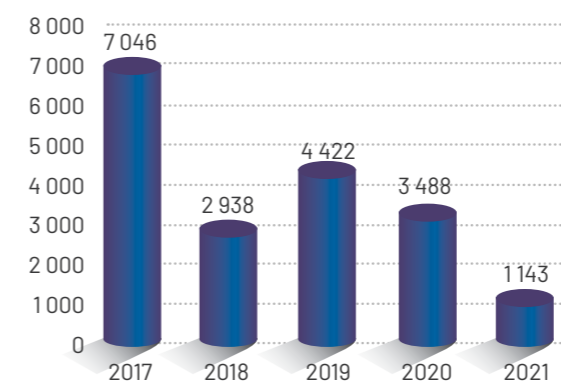


Figure 13: Surplus (deficit) for the year

## Infrastructure Funding

Infrastructure funding is still a challenge to Overberg Water. The amount spent on refurbishment of the scheme for the year R 4 704 739 (2020: R 509 101) reflects an increase as compared to the previous year. The increase is attributed to the efforts made in refurbishment of aging infrastructure. Efforts are being made by the Water Board to invest on the renewal programme of the aging infrastructure assets. The Entity is in the process of implementing the Wits sand pipelines even though there is limitation in funding.

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. The Entity will be renegotiating with its customers to introduce the capital levy to build sufficient resources so that dilapidating infrastructure can be attended to.

## Tariffs

During the current year Overberg Water has successfully consulted with its stakeholders on tariff increases in compliance with the Municipal Finance Management Act. The tariff proposal was an increase of 8.0% across the board during that year under review. Due to COVID-19 that affected the economy of the country the decision was taken by the Minister of Water and Sanitation not to approve the proposed tariff. This means that the Water Board did not have a tariff increase for the financial year 2020/21 despite the increase in key cost drivers such as energy, chemicals, and labour. The non-increase in tariffs will have a long-term negative impact on the profitability of the Entity.

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 had to 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 18 678 200 to R 21 001 168 in 2021. The current debtors’ days are 100 days (2020: 81 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 of the lockdown caused by the Covid-19 pandemic. The pandemic had an impact on collection as some farmers were not paying their accounts in full due to the slow down on economic activities. In addition, the increase in debtors emanated from the new project acquired from Department of Public Works and Infrastructure. The invoices were billed but there have been delays in paying the invoices attributed to internal processes of certifying the invoices.

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.

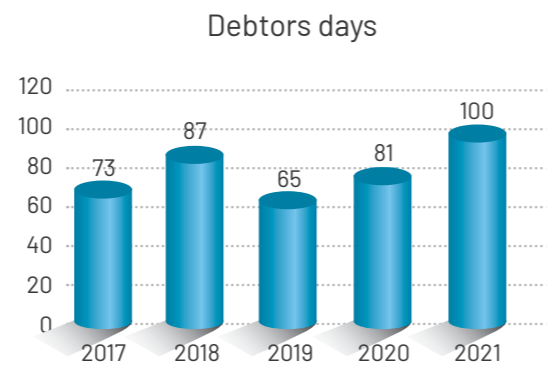


Figure 14: Debtors days

In conclusion the Water Board managed to increase the revenue based due to the additional project obtained from the Department of Public Works and infrastructure. However the project is ending in February 2022. The Water Board remains financially viable despite the moratorium on tariff increase during the 2020/21 financial year.

**Dr. Norman Mudau CGMA/ACMA**  
Chief Financial Officer





# FINANCIAL PERFORMANCE

## Financial reporting compliance

Overberg Water Board received an unqualified audit opinion with no material findings for the 2020/21 financial year. This is an achievement since the Entity has managed to improve the unqualified audit with findings obtained in 2019/20. The Water Board has achieved a clean audit opinion for the 2020/21 financial year. This was made possible by the fact that 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 3.24 in 2019/20 to 2.14 in the 2020/21 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. In addition, the non-approval of the tariffs decreased the profitability on the Water Board.



Figure 15: Current ratio

### Gross profit margin percentage:

Overberg Water Board sustained a gross profit margin of 47% for the current year similar to 47% for 2019/20. The gross profit remained the same due to additional revenue obtained from Department of Public Works and Infrastructure project despite the non-increase in tariffs. Some of these costs are volume driven in 2020/21 there was a slight increase of volume sold by 1,37% due to high demand of water sold.

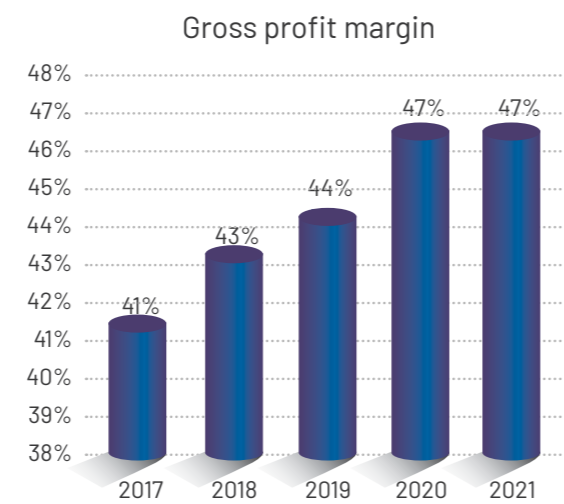


Figure 16: Gross profit margin

### Net profit margin percentage:

Overberg Water Board sustained a surplus of 1% for the current year compared to 5% for 2019/20. The decrease in net profit can be attributed to non-tariff increases, while key cost drivers such as energy, raw water, chemicals and repairs and maintenance increased way above inflation.

### Net surplus (deficit) margin

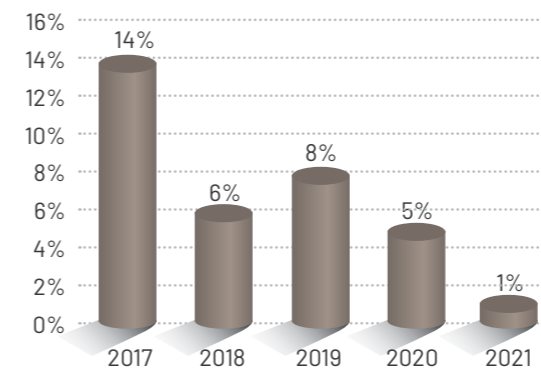


Figure 17: Surplus(deficit) percentage margin

### 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 2% in the current year compared with 5% for 2019/20. The decrease is due to non-adjustment of tariff due the impact of COVID-19 that slow down the country economic situation.

### Return on assets

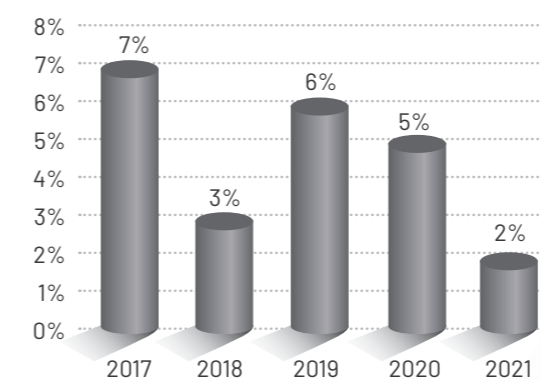


Figure 18: Return on assets

### Debtors' days:

Net receivables from exchange transactions increased from R 18 678 200 to R 21 001 168 in 2021. The current debtors' days are 100 days (2020: 81 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 (DPWI). The invoices were billed but payment of some of them was delayed.



TABLE 13: Financial performance key indicators

<b>Financial performance (R'000)</b>		
	<b>2020</b>	<b>2021</b>
<b>Revenue</b>	<b>68 893</b>	<b>79 905</b>
<b>Revenue from exchange transactions</b>	<b>68 893</b>	<b>79 905</b>
Water sales	57 127	56 334
Waste and portable water fixed revenue	6 214	18 337
Other income	2 148	2 327
Interest income	3 404	2 907
<b>Revenue from non-exchange transactions</b>	<b>-</b>	<b>-</b>
Cost of potable water	33 807	39 797
Operating Expenditure	31 588	38 911
Finance costs	9	53
Surplus (deficit) for the year	3 488	1 143
<b>Performance indicators ( As a percentage of revenue from exchange transactions)</b>		
Cost of potable percentage	49%	50%
Gross profit margin percentage (% of water sales)	47%	47%
Operating expenses percentage	46%	49%
Surplus(deficit) percentage	5%	1%
<b>Water Indicators</b>		
Treated water volume (in kl '000)	3 424	3 471
Average water tariff (R/kl)	19,10	22,68
Cost of production (R'000)	33 807	39 797
Cost of production (R'000)(excluding depreciation)	29 738	36 899
Average water cost/volume sold	19,10	22,68
Average water cost (excluding depreciation)/volume sold	17,98	21,84
Number of employees	97	108
Kilolitres sold per employee	35 294	32 135

TABLE 14: Financial position key indicators

<b>Financial performance (R'000)</b>		
<b>Financial performance key indicators</b>	<b>2020</b>	<b>2021</b>
Total Expenditure (R'000)	65 405	78 762
Depreciation (R'000)	3 857	2 899
Current ratio	3,24	2,34
Gross profit margin percentages	47%	47%
<b>Financial position (R'000)</b>		
Net Assets	94 505	95 648
Total Non-Current Assets	72 227	75 605
Investments	37 848	39 405
Total Non-Current Assets (excluding investment)	34 380	36 200
Current assets	32 280	35 181
Current liabilities	9 949	15 039
Cash and cash equivalents	11 046	11 736
Inventories	2 556	2 444
Receivables from exchange transactions (before impairment)	21 836	26 064
Receivables from exchange transactions (after impairment)	18 678	21 001
Payables from non-exchange transactions	-	-
Payable from exchange transactions	4 337	6 560
Current ratio	3,24	2,34
Acid test ratio	2,99	2,18
<b>Operating risk indicators</b>		
Revenue	68 893	79 905
Cost of potable water	33 807	39 797
Depreciation	3 857	2 899
Bad debts and impairments of trade debtors	1 398	1 681
Net income for the year	3 488	1 143
Return on assets	5%	2%
Return on turnover	5%	1%
Debtors collection period (days)	81	100
Creditors (days)	26	32



**Increase BBBEE expenditure relative to projects**

The percentage target of EME and QSE was 15%, the achievement was 45% and 18% respectively which is way above the target and is due to efforts made to empower small businesses in the area.

**Manage costs within the approved budget**

Overberg Water has managed to underspend its budget by 2% which is an achievement when compared with the target of 5%. The achievement is mainly driven by efforts made in filling critical vacant position and spending on chemical costs, legal fees and repairs and maintenance.

**Capital expenditure programme**

Overberg Water managed to spend 94% of its capital expenditure programme. This is an achievement as in the previous years there was an under expenditure. Despite the spending on capital expenditure programme Overberg does not have sufficient resources to refurbish its aging infrastructure. 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 2021
- Corporate plan 2021/2022
- Tariff approval

**National Treasury**

- Quarterly reports for Public Entities
- 2022 Medium Term Expenditure Framework
- 2021 Public Entity Consolidation Template
- 2022 Estimates of National Expenditure – Public Entities Input
- Monthly monitoring of Bulk Resource Payments (Municipalities)
- Annual Report 2021
- Corporate plan 2021/2022

**Annual Performance Review Report**

Based on audited results for the financial year ended 30 June 2021. The Annual Performance Review of the key performance indicators as set out in the Shareholder’s Compact is stated below:

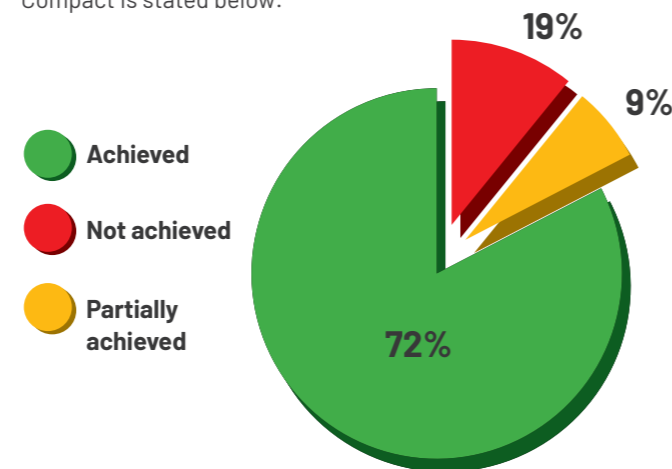


Figure 19: Summary of performance

**Performance Target**

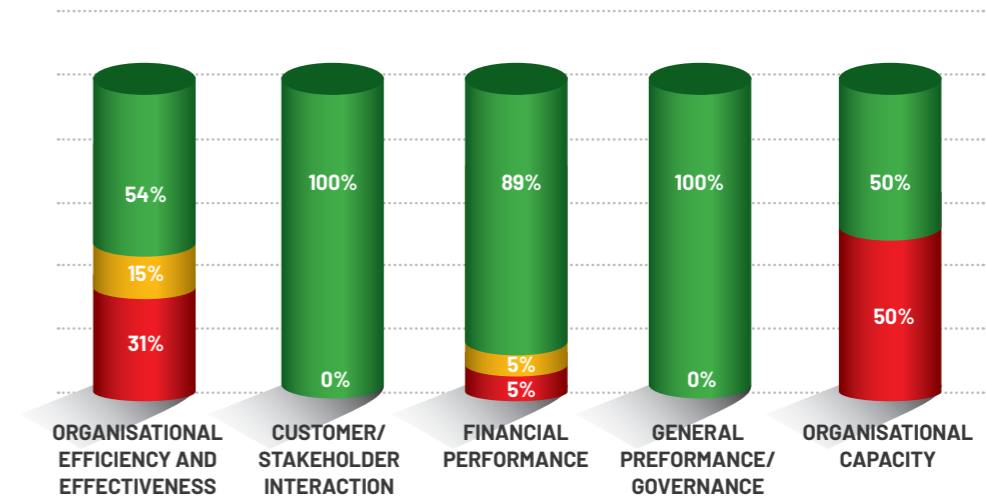


Figure 20: Return on assets

**Summary of Performance**

The Water Board achieved 81% of its target in the financial year 2020/21. This achievement is an improvement when compared with the previous financial year. This indicates that the Water Board has put in efforts and controls in place to ensure that the strategic objectives as agreed with the Minister of Water and Sanitation are achieved. This shows the effectiveness of the Board in overseeing the execution of the strategic plan. These achievements were possible despite the current pandemic that had an impact on how the Water Board execute its mandate.

**Summary of Performance**

Performance Objectives	Comments
• Organisational efficiency and effectiveness	The Water Board has achieved 54% due to the ageing of the infrastructure that require attention as there were frequent pipe bursts.
• Improve and Increase revenue and manage cost drivers (Financial Performance)	The Water Board achieved 89% despite the non-adjustment of tariffs these shows the financial sustainability of the Water Board. However, the non-increase in tariffs will have a long-term impact on the profitability of the Water Board.
• Effective stakeholder and customer engagement (Customer/Stakeholder interaction)	The target set were met despite the hinderance of COVID-19 in arranging physical meetings, The Water Board had to adapt to the latest trend and implement technologies in order to continue with the engagement of the stakeholders.
• Organisational Capacity	The targets were partially met due to resignations and delay in ERP Implementation.
• General Performance/Governance	The Overberg Board ensures that they fulfil all their fiduciary duties. This ensures the Board’s commitment to ensuring that the strategy is implemented

Organisational efficiency and effectiveness

NR	OW Strategic Goal	OW Strategic Objective	Performance perspective	Unit of Measure	Annual Target	Actual	Prior year Actual	Variance	Status	Notes
					2020/21	2020/21	2019/20	2020/21	2020/21	
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	%	97%	96%	98%	1%	Partially Achieved	Non-compliance is due to the reservoirs and pipelines running empty due to the heavy rains which caused the floods
2.		1,1	Percentage compliance with water quality standard SANS 241 Class 1 and Class 2, in terms of Health: chronic	%	97%	100%	100%	3%	Over-Achieved	Improved water quality
3.		1,1	Percentage compliance with water quality standard SANS 241 Class 1 and Class 2, in terms of operational quality	%	95%	95%	95%	0%	Achieved	
4.		1,1	Percentage compliance with water quality standard SANS 241 Class 1 and Class 2, in terms of esthetic quality	%	95%	95%	97%	1%	Achieved	
5.		1,4	Percentage unavoidable water losses of water purified	%	10%	14%	10%	-10%	Not Achieved	Heavy rain experienced during the 4th quarter which led to floods and pipes damage
6.		1,1	Number of days with water supply interruptions exceeding 24 hours	Number	0 days	17 days	1 day	17 days	Not Achieved	Major floods were experienced during the 4th quarter due to heavy rainfall in the Overberg Region.
7.		1,2	Percentage of the repairs and maintenance budget actually spent	%	95%	114%	71%	43%	Over-Achieved	Efforts made to improve repairs and improve maintenance due to aging infrastructure
8.		1,1	Number of maintenance plans completed and/or updated	Number	1	1	0	0	Achieved	
9.		1,1	Number of infrastructure plans completed and/or updated	Number	1	1	0	0	Achieved	

Organisational efficiency and effectiveness

NR	OW Strategic Goal	OW Strategic Objective	Performance perspective	Unit of Measure	Annual Target	Actual	Prior year Actual	Variance	Status	Notes
					2020/21	2020/21	2019/20	2020/21	2020/21	
10.	ORGANISATIONAL EFFICIENCY AND EFFECTIVENESS	1,4	Number of MOU's entered in to with relevant agencies relating to water	Number	0	0	0	0	Achieved	
11.		1,4	Number of water conservation/ demand management education or awareness campaigns.	Number	1	0	0	-1	Not Achieved	Water management campaigns were not realized due to COVID-19
12.		2,2	Percentage of repairs and maintenance to PPE and investment property (carrying value)	%	3%	6%	3%	3%	Over-Achieved	Efforts made to improve aging infrastructure

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	Comment	Reasons for variance and corrective measures
					2020/21	2020/21	2019/20	2020/21	2020/21	
14.	IMPROVE AND INCREASE REVENUE AND MANAGE COST DRIVERS	2,2	Result of the annual external	AG's audit opinion	Unqualified	Unqualified with no material findings	Unqualified	0	Achieved	
15.		2,2	Current ratio	Ratio	1.57	2.34	3.14	0.77	Over-Achieved	Increase in trade receivable as a result of debt owed by the Department Public Works and Infrastructure.
16.		2,2	Gross profit margin % (Primary activity)	%	34%	47%	49%	13%	Over-Achieved	Increase is driven by additional Revenue from DPWI.
17.		2,2	Gross profit margin % (Secondary activity)	%	0%	0%	0%	0%	Achieved	
18.		2,2	Net profit margin % (Primary activity)	%	0%	1%	5%	1%	Over-Achieved	The Entity met its revenue target despite water tariffs not being approved
19.		2,2	Net profit margin % (Secondary activity)	%	0%	0%	0%	0%	Achieved	
20.		2,2	Debit equity ratio	%	0%	0%	0%	0%	Achieved	



**Improve and Increase revenue and manage cost drivers (Financial performance)**

NR	OW Strategic Goal	OW Strategic Objective	Performance perspective	Unit of Measure	Annual Target	Actual	Prior year Actual	Variance	Comment	Reasons for variance and corrective measures
					2020/21	2020/21	2019/20	2020/21	2020/21	
21.		2,2	Return on assets ratio	Ratio	0	1%	5%	1%	Over-Achieved	Increase is driven by additional Revenue from DPWI.
22.		2,2	Debtor days	Number	60 days	100 days	111 days	40 days	Not Achieved	Delay in payments by DPWI and increase debt outstanding by the industrial customers.
23.		2,2	Percentage of staff remuneration to operating expenditure	%	45%	46%	46%	-1%	Partially Achieved	Tariff model is not fully cost reflective plus underutilisation of the water treatment plants due to limited water license
24.		2,2	Annual operating cashflow generated	Rand amount	R2.4 Million	R4.4 Million	Minus 2.63 Million	R2 Million	Over-Achieved	Improved cashflow are result of payment of outstanding invoice by the DPWI.
25.		2,2	Total revenue as a percentage of budgeted revenue	%	98%	107%	99%	7%	Over-Achieved	Additional revenue from DPWI project.
26.		2,2	Number of breaches in materiality and significance framework	Number	0	0	0	0	Achieved	
27.		2,2	Return on turnover	%	0%	1%	5%	1%	Over-Achieved	Additional revenue from DPWI project.
28.		2,1	Percentage of procurement awarded to EME enterprises	%	15%	45%	26%	30%	Over-Achieved	This was achieved through imposing a mandatory requirement that if bidders are neither QSE or EME must sub-contract 30% of their work to QSE and EME businesses.
29.		2,1	Percentage of procurement awarded to QSE enterprises	%	15%	18%	23%	3%	Over-Achieved	More efforts were made to empower disadvantaged businesses
30.		2,1	Percentage of total operating expenditure budget spent	%	95%	98%	95%	3%	Over-Achieved	The Entity minimised its underspending on R&M in the current financial year
31.		2,1	Infrastructure availability to meet demands: Overall project expenditure within targets	%	0%	0%	6%	0%	Achieved	
32.		2,1	Percentage Growth in turnover from secondary activities	%	0%	0%	100%	0%	Achieved	

IMPROVE AND INCREASE REVENUE AND MANAGE COST DRIVERS

**Effective stakeholder and customer engagement**

NR	OW Strategic Goal	OW Strategic Objective	Performance perspective	Unit of Measure	Annual Target	Actual	Prior year Actual	Variance	Comment	Reasons for variance and corrective measures
					2020/21	2020/21	2019/20	2020/21	2020/21	
33.		3,1	Percentage of municipalities / other customers with bulk supply agreements	%	100%	100%	50%	0%	Achieved	
34.		3,1	Percentage of statutory reports submitted on time	%	100%	100%	100%	0%	Achieved	
35.		3,1	Number of engagements with selected statutory stakeholders	Number	1 Engagement	1 Engagement	6 Engagement	0 Engagement	Achieved	
36.		3,4	Number of newsletters developed to improve visibility and growth opportunities	Number	2 Newsletter	2 Newsletter	0 Newsletter	0 Newsletter	Achieved	
37.		3,2	Number of meetings with customers	Number	3 Meetings	4 Meetings	6 Meetings	1 Meetings	Over-Achieved	Chairperson of the infrastructure committee and CEO have had engagements with agricultural customers during the 1st half of the financial year. 2 bulk water customers were further engaged during the tariff consultation. 3. The CEO also met with the agricultural customers to discuss infrastructure related issues
38.		3,3	Number of tariff consultation meetings with key stakeholders	Number	3 Meetings	3 Meetings	3 Meetings	-	Achieved	

EFFECTIVE STAKEHOLDER AND CUSTOMER ENGAGEMENT

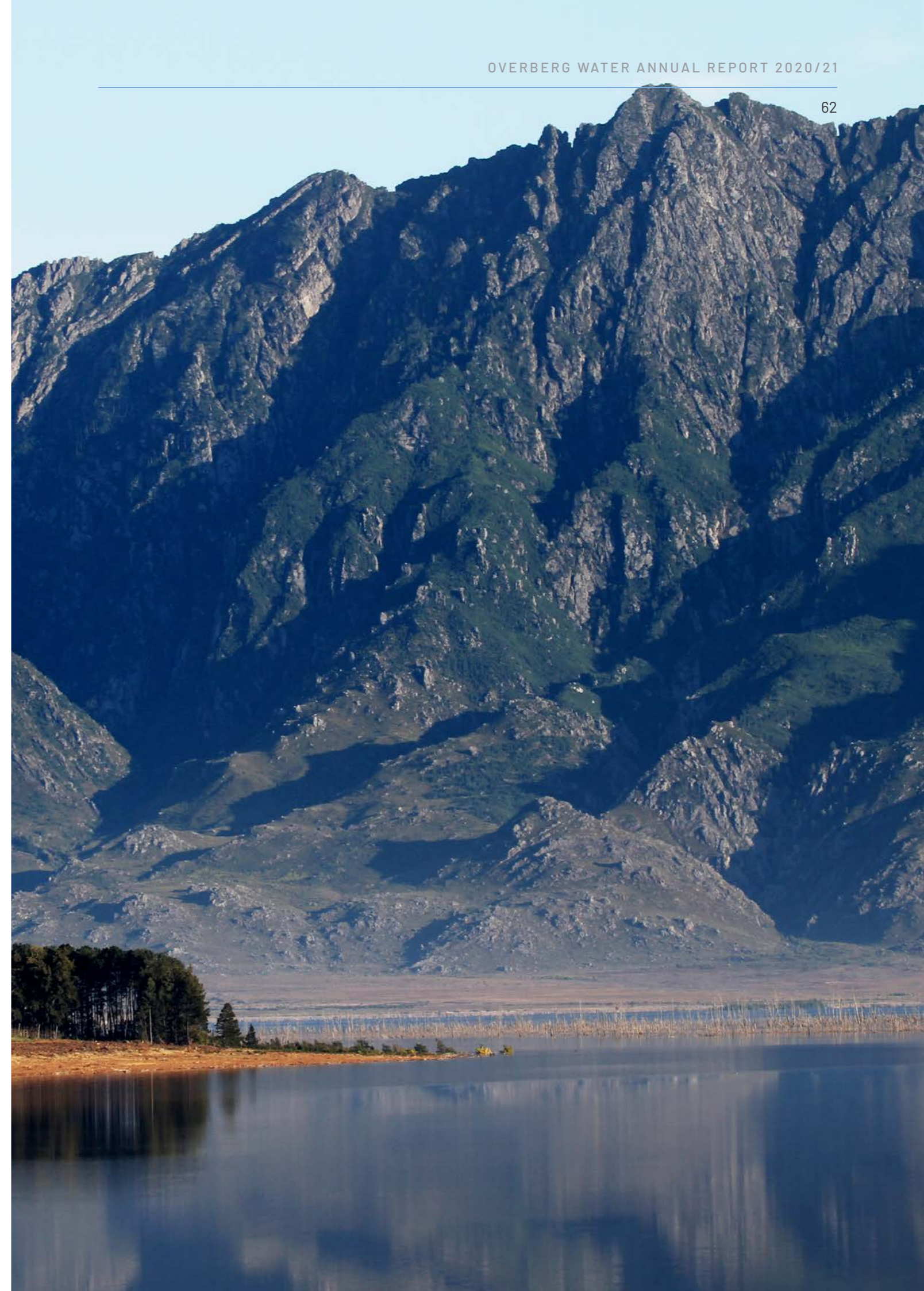


**Organisational Capacity**

NR	OW Strategic Goal	OW Strategic Objective	Performance perspective	Unit of Measure	Annual Target	Actual	Prior year Actual	Variance	Comment	Reasons for variance and corrective measures
					2020/21	2020/21	2019/20	2020/21	2020/21	
39.	IMPROVE AND INCREASE REVENUE AND MAN-AGE COST DRIVERS	4,3	Percentage of annual staff turnover	%	10%	5%	1%	5%	Over-Achieved	Employees are encouraged not to leave the Entity
40.		4,2	Number of learnerships implemented to increase skill and capacity building	Number	5	2	5	-3	Not Achieved	High resignations as they obtain permanent posts
41.		4,2	Number of training programmes/workshops conducted for staff members	Number	3	3	9	0	Achieved	
42.		4,1	Number of ERP systems going live	Number	1	0	0	0	Not Achieved	Delays due to COVID-19

**General Performance**

NR	OW Strategic Goal	OW Strategic Objective	Performance perspective	Unit of Measure	Annual Target	Actual	Prior year Actual	Variance	Comment	Reasons for variance and corrective measures
					2020/21	2020/21	2019/20	2020/21	2020/21	
43.	GENERAL PERFORMANCE	5,2	Percentage of board members attending all Board and committee meetings	%	60%	100%	89%	40%	Over-Achieved	The attendance of the Board has been exceptionally well.
44.		5,2	Number of repeated internal audit findings within the annual audit cycle	Number	0	0	0	0	Achieved	
45.		5,1	Number of compliance registers developed and maintained for HR, Finance, SCM and water services	Number	1	1	1	0	Achieved	
46.		5,1	Number of Board meetings held	Number	4	4	4	0	Achieved	
47.		5,1	Number of risk registers updated	Number	3	3	3	0	Achieved	





# 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 15. 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 214: 2015. Sampling and analyses are carried out using accredited laboratory techniques (ISO 9001) as far as possible. Table 16 provides an explanation of the results.

Table 15: Potable water quality compliance with SANS 241:2015 per WTW (2020/21 FY)

Compliance (%) with SANS 241:2015					
Water Works	Acute Health: Microbiological	Acute Health: Chemical	Chronic Health	Aesthetic	Operational
Rüensveld West	96.94%	100.00%	100.00%	99.78%	98.77%
Rüensveld East	96.84%	100.00%	99.46%	97.65%	92.67%
Duivenhoks	95.63%	100.00%	100.00%	99.30%	94.03%
Overall	96.44%	100.00%	99.82%	98.74%	95.35%

Table 16: Key classification of drinking water supply systems according to SANS 241:2015

	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%



## 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 Rüensveld 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.

## Manage avoidable water losses

Overberg Water (OW) has over the past years successfully maintained non-revenue water below 10%, although, for the past two years the Entity had a challenge of several pipe burst due to the ageing infrastructure resulting in higher water losses than anticipated. This target was not achieved. For the 2020/21 financial year the non-revenue water was reported at 15%. This is still acceptable compared to national standards. The effects of the ageing infrastructure, prevalence in water theft activities and the lack of elementary contract are some of the reasons for the target not being achieved.

## 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.

## CORPORATE GOVERNANCE

### Introduction

The Board was only appointed in April 2019 and effective from 01 April 2019. The new Board had the full 12 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 01 April 2019. The term will end in March 2023. The Board comprises 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 committees. 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 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 appointed by the Board met outside of board meetings and reported to the 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

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 Board 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 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.





## RISK MANAGEMENT

### Enterprise Risk Management

Enterprise Risk Management (ERM) is a critical component of effective corporate governance and a helpful method for achieving strategic goals in accordance with legislative regulations, according to the Overberg Water Board. Enterprise Risk Management comprises aligning an organisation’s strategy, processes, people, technology, and knowledge to accomplish its risk management goals, as well as providing a systematic and integrated approach to identifying and responding to all types of risk. Its goal is to create a unified framework for dealing with all the risks that come with functioning in an ever-changing economic environment

The Entity followed an approved risk management policy, strategy, and execution plan throughout the year under review. Risk Management remained a standing agenda item for the Board/Committees and Management

Committee meetings while the implementation plan was implemented. This allowed the Board to maintain control of risk management while focusing on the most critical risks affecting the Entity, such as COVID-19.

### Strategic Risks

The Entity recognises that some risk exposures at a corporate level cannot be totally removed, hence effective risk management and reduction have remained a top focus for the Board. The risk assessment approach revealed a few key risk exposures that required to be properly managed at the strategic level. Risks endangering the schemes’ operations are among the exposures. In conclusion, the risk management maturity level has improved, but the strategic risk profile has not improved significantly in the year under review. The Board remains concerned about the risk triggers that jeopardise the Entity’s long-term viability. For strategic risks, the Audit Committee examined and approved risk thresholds in accordance with the authorized risk appetite statement.

Table 17: Summary of Strategic risks

Percentage of strategic risks & narrative	Strategic risks within risk appetite	Strategic risks beyond appetite but within tolerance levels categorised		
		Acceptable - Low deviation (Business as usual)	Endurable - Moderate Deviation (Management intervention)	Undesirable - High Deviation (Turnaround Strategy)
100% (11)	18 % (2)	18 % (2)	27 % (3)	36 % (4)
The Entity has a total of 11 strategic risks.	The Entity continued to manage these risks utilising the Board approved policies and normal operating procedures.	This level of risk exposure depicted a slight deviation, therefore the Entity continued to manage these risks utilising the Board approved policies and normal operating procedures. Monitoring was intensified on the risks.	The Board and management’s immediate attention was required to reverse the situation back to normal	This level of risk exposure continuously threatens the survival and sustainability of the Entity

### The Key risks are as follows:

- Revenue under-collection
- Aging Infrastructure
- Servitude encroachment
- Inadequate funding for mega capital projects
- Water resource availability
- Protection and safeguarding of the asset
- Unsustainable tariff model
- Lack of technical skills
- Overberg Growth Path
- Fraud and Corruption
- Poor Financial Planning

### 6.3. Business Continuity Management

In ensuring that business continuity was placed at the forefront during the COVID-19 pandemic and National Lockdown, the Entity successfully invoked Business Continuity Management processes which ensured:

- The safety and well-being of its employees, contractors, and visitors.
- Protecting the well-being of the environment and society in which Overberg Water Board operates.
- Minimising the adverse impact of the disruption on Overberg Water Board’s operations.
- Continuity of the critical business processes to a predefined, acceptable level.

## INTERNAL AUDIT AND INTERNAL CONTROL

In accordance with the prescripts of the Institute of Internal Auditors (IIA), Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

Internal Audit is an out-sourced function within Overberg Water Board and adheres to the prescripts and functions of an independent assurance provider to ensure optimum objectivity. To achieve this independence, the development of proper governance, and lines of reporting and authority remain paramount to the success of the internal audit function.

Key activities/reviews, as per the approved Internal Audit Plan for 2020/21, that were undertaken by Internal Audit included the following:

- Human Resource Management Review
- Predetermined Objectives Review (Quarter 1 up to Quarter 4)
- Asset Management Review
- Supply Chain Management Review
- Financial Management Review
- Irregular, wasteful, and fruitless expenditure Review
- Operations Management Review
- Performance Management Review
- Information and Communication Technology Review
- Annual Financial Statement Review
- Follow up Reviews

Despite the COVID-19 pandemic and the national lockdown that was declared, the Internal Audit managed to execute and report on a total of 91% of the planned reviews at year end. The remaining reviews were subsequently concluded.

COVID-19 had a significant impact on the implementation of all corrective actions required by management. Management is, however, in the process of implementing the remaining corrective actions for findings that were raised during the respective reviews. All employees are encouraged to take the vaccine to protect themselves and also the other staff.

## COMPLIANCE WITH LAWS AND REGULATIONS

Overberg Water Board Compliance Universe consists of a number of legislation with their associated regulations, codes, and guidelines. These require the attention of management on an ongoing basis. These applicable legislations include, but are not limited to, the Water Services Act 108 of 1997, National Water Act 27 of 2014, the Public Finance Management Act 1999 as amended, the Basic Conditions of Employment Act 1997 as amended, and the Employment Equity Act 1998 as amended.

Overberg Water Board provides access to information to stakeholders and other third parties in compliance with the provisions of section 32 of the Constitution of the Republic of South Africa (Act 108 of 1996) read with the Promotion of Access to Information Act 2 of 2000 (PAIA). During the 2020/21 financial year, the organisation received requests for information disclosure which were duly provided.

## FRAUD AND CORRUPTION

The Board recognises that fraud and corruption continue to be a threat to public trust and confidence, and as a result, it has set the right tone for fraud and corruption prevention and management at the Overberg Water Board by ensuring that the Entity follows an approved anti-fraud and corruption policy and strategy. It should be noted that no allegations of fraud or corruption were lodged against the Overberg Water Board during the financial year under review.

An Independent Fraud and Ethics hotline continues to be operational at Overberg Water Board which is in partnership with Department of Water and Sanitation and the Presidency to provide employees and stakeholders with a mechanism for reporting unethical conduct

## MINIMISING CONFLICT OF INTEREST

Overberg Water Board, in line with relevant legislative provisions, has successfully integrated early identification of conflict of interest by making it a standing item on each Agenda of every meeting of the Board, Committees, and EXCO. In addition, other mechanisms such as the annual declaration of interest and of gifts are discussed.

## CODE OF CONDUCT

The Board is continuously advocating for a high level of conduct from all employees. Ethics and Code of Conduct is seen as the best preventive measure by the Board in guiding decision-making processes. The adopted values are guidelines that are followed for the benefit of society at large. Overberg Water Board developed and approved a Code of Ethics that is applicable to the Board, management, and all employees. Contravention of the Code of Conduct is attended to through consequence management processes.

## SECURITY, SAFETY, HEALTH, ENVIRONMENT & QUALITY

### HEALTH AND SAFETY

Overberg Water Board takes high regard of the health and safety of its employees. The Entity has made strides in ensuring that there is a structured approach towards overall Health and Safety and measures in place to create a safe working environment for all employees and Stakeholders in general. The Health and Safety function continues to build and promote a safety culture among employees. The Health and Safety Policy, together with related standard operating procedures was reviewed to ensure alignment with legislation.

The Entity conducted Hazardous Risk Assessment for treatment, catchment, distribution (from WTP to distribution

reservoirs), and distribution (household connection) works through all the Schemes. Based on these assessments, some of the Entity's Water Treatment Works will be declared Major Hazardous according to the Occupational Health and Safety Act Regulations.

### RESPONSE TO COVID-19

Following the outbreak of COVID-19, the Entity responded by establishing a COVID-19 Response Committee to ensure implementation of measures as directed by the Department of Health and other government departments in line with their Regulations and Guidelines. The Committee was duly appointed with a term of reference.

A detailed action plan was developed and implemented, and monitoring is continuing as amendments in regulations and alert levels take place. The Plan included communication of COVID-19 requirements. All employees are provided with Protected Personal Equipment and compliance is monitored by Health and Safety Officers across the Entity.

Back-To-Work Protocol was also developed, outlining measures to prevent the spread of COVID-19. The Entity suffered five (5) infections as of 30 June 2021.

### ENVIRONMENTAL MANAGEMENT

The Entity subscribes to a vision that sees water resources as an integral component of the environment, a natural resource, and a social and economic good that is particularly important in playing a role of reparation and change. In fulfilling its mandate, Overberg Water Board works in collaboration with strategic partners and stakeholders to promote and enhance cooperation across all levels and sectors to ensure sustainable integrated management of water resources through the river health programme. The continued epidemic of urban waste disposal culminates in contamination of the water bodies

in the sub Breede-Gouritz Catchment Management Agency (BGCMA) under Duivenhoks, Caledon, and Swellendam Schemes. Overberg Water Board has participated in Stakeholder initiatives to manage several river clean-up and public education programmes for the year. This included public education programmes for river safety, water quality, water hygiene, and sanitation.

### SECURITY MANAGEMENT

Overberg Water Board has a legal duty of care to provide a safe and secure work environment for its employees and Stakeholders, as well as to safeguard assets including information. Security of water infrastructure is critical to ensure continuous provision of bulk water services. The water scarcity resulted in a heightened need to enhance security of water infrastructure. Corporate services have established Policies, Procedures, and Standards in line with the Minimum Information Security Standards and related government legislation.

During the year under review, a draft Security Plan was developed in collaboration with the Risk Management where risks inherent to the Entity were identified, and the strategies and resources required to mitigate the risks were established across the Schemes.

### TECHNOLOGY AND INFORMATION GOVERNANCE

Information and Communication Technology is integral to the success of every business and remains on the Board's agenda. The Entity has established the ICT Steering Committee to support and advise the Chief Executive on ICT Operations and alignment of its strategies with the Entity's strategies.

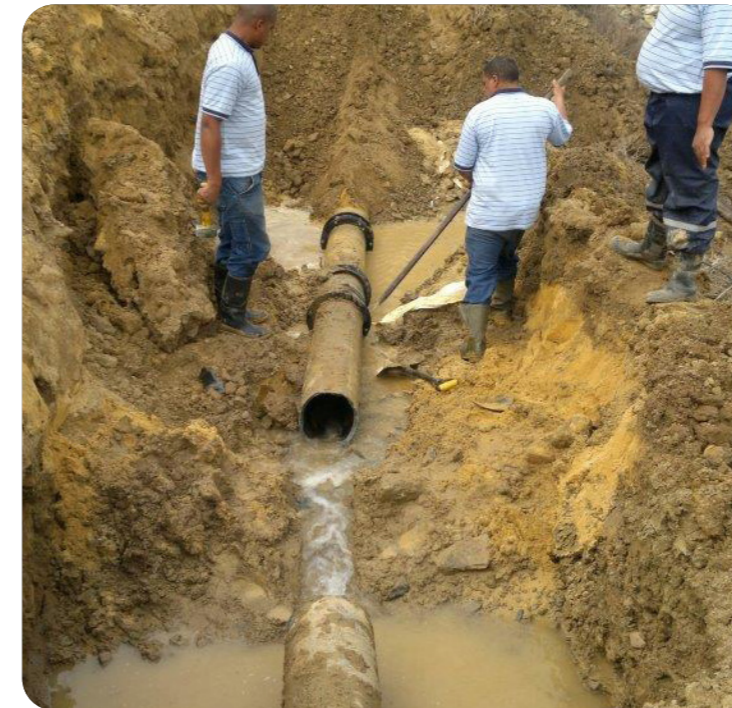
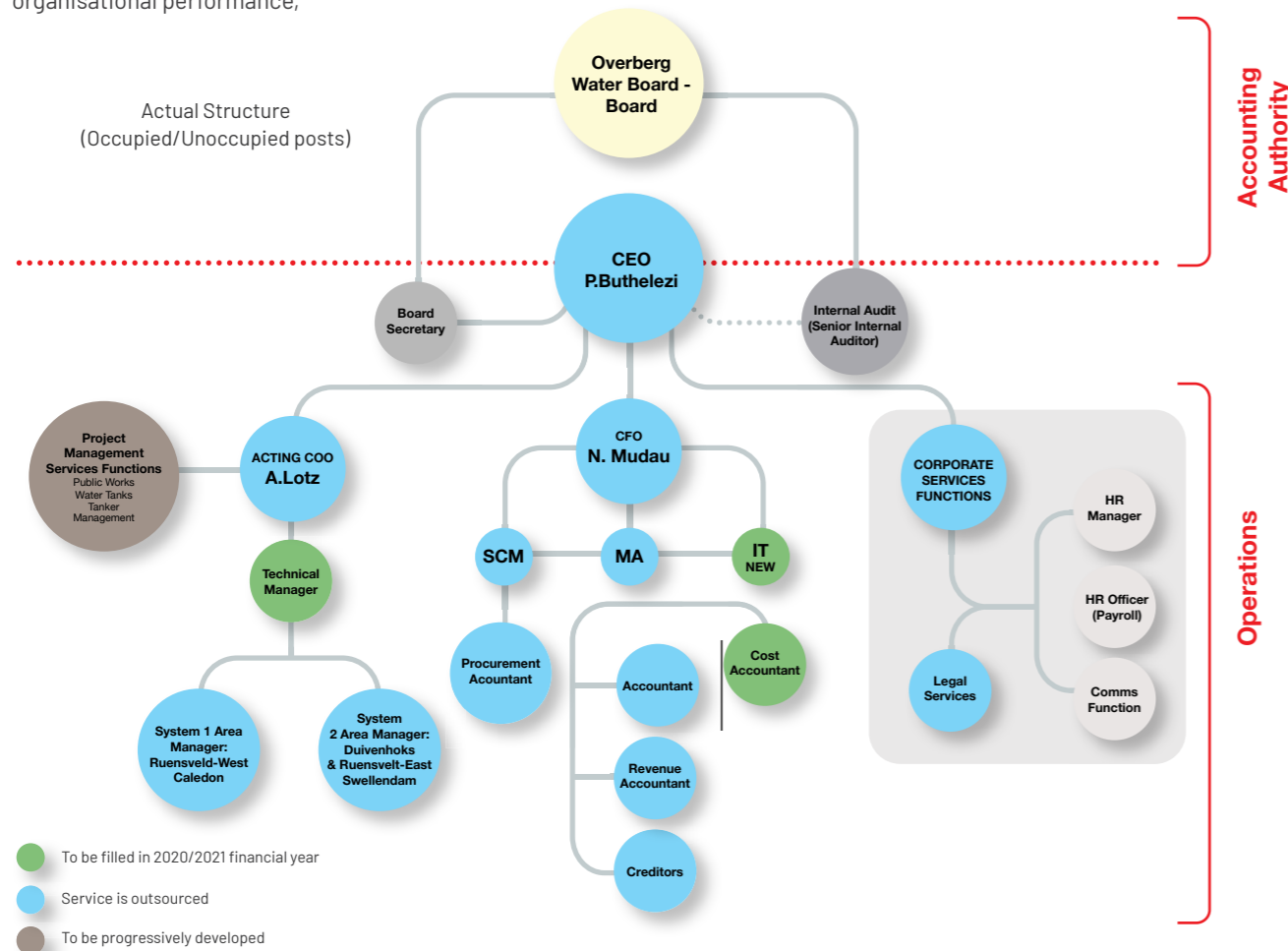
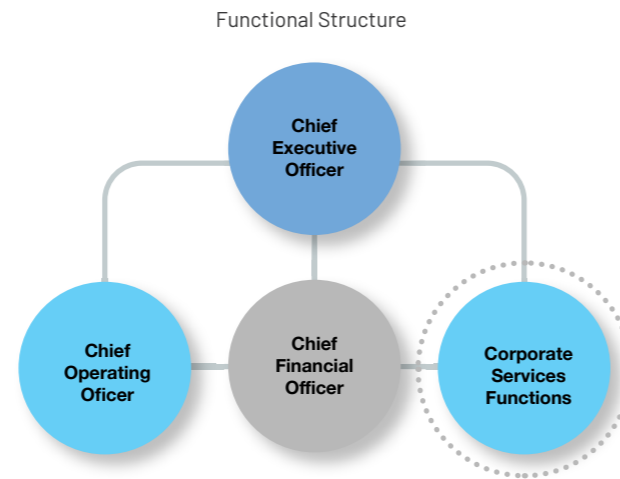
The Entity was no different from the entire world in having to adopt virtual technology for business continuity in response to the outbreak of COVID-19. The Entity was able to seamlessly migrate the Board and management engagements through technology platforms facilitating internal and external engagements.



## Organisational Capacity

### Introduction

The key role of a Human Resources unit is to ensure that the organisational goals and human resources (HR) needs are mutual, compatible and strongly interdependent. Furthermore, HR plays a crucial role in defining the culture, enabling leadership to lead by example, reinforcing the culture through people practices like performance management, and by featuring and rewarding exemplary behaviour. Human Resource Management is also about creating organisational value through engaged employees. HR professionals need to be an equal partners in setting the direction for the organisation and getting it moving in the right direction. Once we know that HR practices increase organisational performance,



### Employee Profile

The Overberg Water Board adheres to the principles embodied in the Employment Equity Act. A representative Employment Equity Forum is in place and plays an active role in which is considerate fairness in the workplace. The Overberg Water Board is still falling

short of reaching its 2020/2021 target for people with disability and African females representation overall. Special focus has been placed on the African females and people with disability appointments in accordance with the Entity's Employment Equity Plan.

Table 18: Organisational Capacity

Occupational Level	African		Coloured		Indian		White		Total
	Male	Female	Male	Female	Male	Female	Male	Female	
Top Management	2	0	0	0	0	0	0	0	2
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	1	1	2	0	0	0	0	6
Semi-skilled and Discretionary Decision Making	4	0	15	16	0	0	0	0	35
Unskilled and Defined Decision Making	1	2	6	3	0	0	0	0	12
<b>Total Permanent</b>	<b>11</b>	<b>5</b>	<b>25</b>	<b>21</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>62</b>
<b>Temporary Employees</b>	<b>10</b>	<b>9</b>	<b>32</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>53</b>
<b>Grand Total</b>	<b>21</b>	<b>14</b>	<b>57</b>	<b>23</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>115</b>

**Appointments**

The Overberg Water Board seeks to maintain employees who enable the Entity to deliver quality services to all key stakeholders. Furthermore, the Entity's 2020/2021 employee profile includes 62 permanent employees and 53 fixed-term contract employees in various functions:

Several positions that were filled for 2020/2021 were the Procurement Accountant, Senior Process Controller, one (1) fixed term contractor Junior Accountant and four (4) Graduates in the IT division, Human Resources division, Risk Management and Performance Information divisions.

Table 19: Appointments

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	1	0	0	0	0	0	0	0	1
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	1	0	0	0	0	0	0	1
Semi-skilled and Discretionary Decision Making	0	0	0	0	0	0	0	0	0
Unskilled and Defined Decision Making	1	3	0	0	0	0	0	0	4
<b>Grand Total</b>	<b>2</b>	<b>4</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>6</b>

**Graduate Internship Programme**

The Entity has five (5) graduate interns in the following business units: (1) Finance division, (1) Supply Chain division, (1) Information Technology (IT), (1) Risk management graduate and (1) in the Human Resources division, with one (1) vacancy in the Operations division.

Table 20: Graduates/Interns

Occupational Level	Male	Female	Total
Human Resources	1	0	1
Finance	0	2	2
Supply Chain Management	1	1	2
Operations	0	1	1
<b>Grand Total</b>	<b>2</b>	<b>4</b>	<b>6</b>

**Staff Turnover**

During the period under review, seven (7) employees left the Overberg Water Board. The staff turnover was

6.5 % which is 3.5% below the set target of 10% for the 2020/2021 financial year.

Table 21: Staff Turnover

Occupational Level	African		Coloured		Indian		White		Total
	Male	Female	Male	Female	Male	Female	Male	Female	
Resignations	0	6	6	0	0	0	0	0	12
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	1	0	0	0	0	0	1
Expiry of Fixed-term Contract	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>6</b>	<b>7</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>13</b>

**Training and Skills Development**

Training and skills development remains essential to the Overberg Water Board for building relevant skills within the workforce. Furthermore training and development are essential to enable employees to excel in their individual and team roles and functions and to deliver on the Entity's strategy. This involves upskilling employees in skills that are aligned with organizational goals and the changing context of people's jobs. Training and

development activities often align with employees' personal development plans as well as with the core capabilities that the organization is building. For the year under review, various training programmes have been prioritised to be implemented to further build capacity of the employees. The Entity will make more financial resources available to ensure that more training and development programmes are implemented in the 2021/2022 financial year.

Table 22: Training and Development

Occupational Level	African		Coloured		Indian		White		Total
	Male	Female	Male	Female	Male	Female	Male	Female	
Accounts Receivables Training	2	1	0	3	0	0	0	0	6
Accounts Payables Training	2	1	0	3	0	0	0	0	6
Cashbook Training	2	1	0	3	0	0	0	0	6
High-Level GL Training	2	1	0	3	0	0	0	0	6
Supply Chain Management ERP Training	5	5	3	6	0	0	0	0	19
Skillsmap Training	0	2	0	1	0	0	0	0	3
<b>Grand Total</b>	<b>13</b>	<b>11</b>	<b>3</b>	<b>19</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>46</b>







**Performance Management System**

The Overberg Water Board’s performance management system is designed to ensure that all employees have the knowledge and awareness of their roles and performance requirements in relation to the corporate strategy. A structured performance management system is the vehicle for the implementation of the Entity’s strategic objectives. It is critical that the Overberg Water Board’s Management continues to utilise the performance management system effectively as it provides a mechanism to

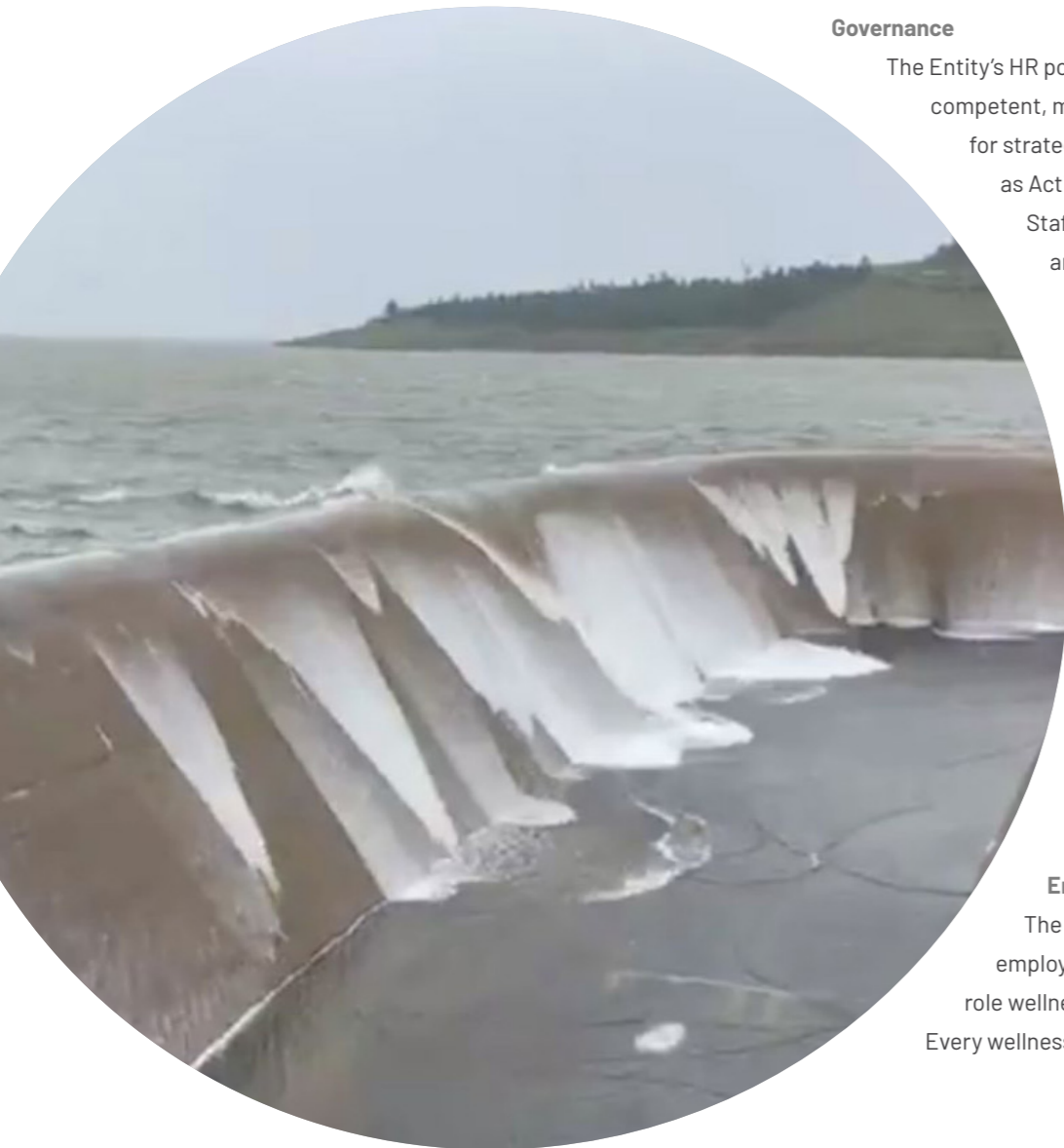
improve performance through counselling and discipline. It also provides a justification for decisions related to performance-linked adjustments (such as remuneration and promotion and performance bonus) which are critical for improved organisational performance. Ongoing management oversight and employee support remains vital to ensure continued efficiency and effectiveness of the individual performance management system. The target of 100% compliance of employee reviews to be performed quarterly remains critical to ensure adherence to the Entity’s performance assessments cycle time.

**Governance**

The Entity’s HR policies seek to ensure a competent, motivated and engaged workforce for strategy implementation. Policies such as Acting Policy, Long Service Awards, Staff Performance Management and the Code of Conduct were reviewed during the financial year under review. Several new policies such as Bereavement, Cell phone & 4G Card Data, Dress Code and Professional Membership have been developed and approved by the Governing Board to improve the operational requirements of the Overberg Water Board and to work towards achieving the organizational goals.

**Employee wellness**

The Overberg Water Board values employee health and recognises the role wellness can play in the workforce. Every wellness effort contributes towards



a healthier and more productive work environment.

For the year under review the Overberg Water Board appointed the professional service provider to provide occupational health medical tests services to all operational employees. This wellness initiative meets the Occupational Health and Safety requirements of the Entity. In addition, these wellness initiatives reinforce and help employees to make smart and healthy choices that can reduce health care costs, increase vitality and reduce absenteeism. The Overberg Water Board’s occupational health programme is in line with the Occupational Health and Safety Act (No. 85 of 1993) and seeks to attain balance between the employee and his or her job-fit as well as minimising workplace injuries and accidents.

**Employee Relations**

Sound relations with the organised labour, as a key social partner, is of paramount importance to the success of the Overberg Water Board which has a collective agreement with the Municipal Trade Union Southern African Union (MATUSA). Membership of this union by the Overberg Water Board stood at 45 members as at 30 June 2021. Governed through a collective agreement and various forms of legislation, the Overberg Water Board remains committed to sharing information regarding operational changes that may affect employees, directly or indirectly, with the organised labour. Management and organised labour, through a local labour forum, schedule meetings during the financial year as per the collective agreement. Continuous engagement is deemed critical to the development and sustainability of the Entity, which, in turn, provides opportunities for all employees. Currently, MATUSA has four shop stewards and a major focus for the next financial year will be on their capacitation given that some are new. The wage agreement for 2020/2021 was concluded with the awarding of a 4.1% Total Cost of Employment wage increment.

**Conclusion**

The financial year 2020/2021 presented many challenges for the Human Resources Division, however these were consistently met by ensuring that the Human Resource division is all about creating organizational value through engaged employees. Furthermore, the Human Resources professionals need to be equal partners in setting the direction for the Entity and getting it to achieve its strategic objectives.





**Board member attendance**

The 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:

- (a) Audit, Risk and Business Strategy Committee
- (b) Operations and Infrastructure Committee
- (c) 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 a permanent Company secretary. The following table indicates attendance for Board and Committees' meetings:

Table 23: REMCO Meetings

REMCO Meeting Attendance				
Members	24 July 2020	08 December 2020	09 April 2021	15 June 2021
Ms S Mayinga	✓	✓	✓	✓
Mr R Benjamin	✓	✓	✓	✓
Prof. G Davids	✓	✓	✓	✓

Table 24: Operations and Infrastructure

Operations and Infrastructure Committee					
Members	14 August 2020	20 November 2020	26 March 2021	14 April 2021 Special Meeting (Audit Report & Risk Register)	17 June 2021
Mr M Matji	✓	✓	✓	✓	✓
Ms I du Bruyn	✓	✓	✓	✓	✓
Mr S Nene	✓	✓	✓	✓	✓

Table 25: Audit, Risk and Business Strategy

Audit, Risk and Business Strategy Committee					
Members	21 August 2021	07 December 2021	30 January 2021 Special Meeting (Engagement Letter)	11 May 2021 Special Meeting (Policy Seminar)	14 June 2021
Mr D Lefutso	✓	✓	✓	✓	✓
Ms N Madiba	✓	✓	✓	✓	✓
Ms L Seripe	✓	✓	✓	✓	✓

Table 26: Board Meetings

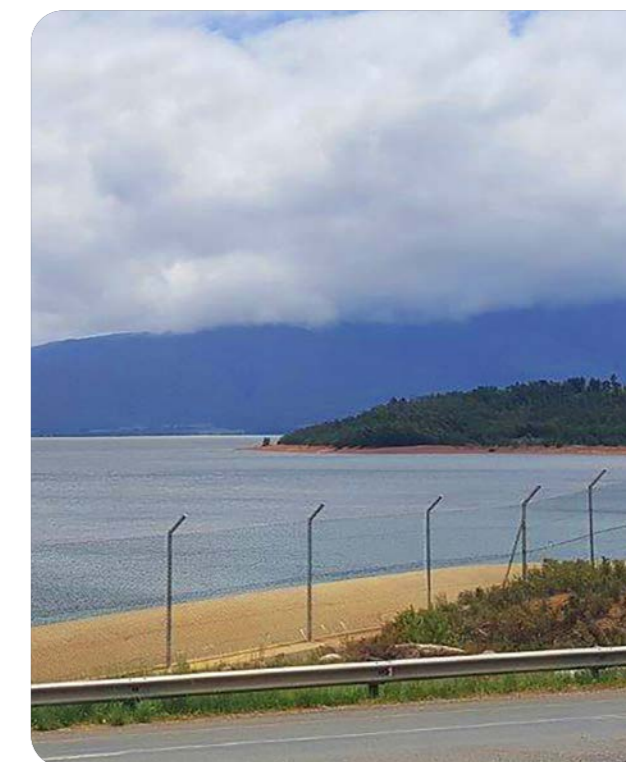
Board Committee Meeting Special Meeting - Strategic Planning					
Members	28 August 2020	23 February 2021	24 February 2021	25 February 2021	24 April 2021
Mr R Benjamin	✓	✓	✓	✓	✓
Ms I du Bruyn	✓	✓	✓	✓	✓
Ms S Mayinga	✓	✓	✓	✓	✓
Mr M Matji	✓	✓	✓	✓	✓
Mr S Nene	✓	✓	✓	✓	✓
Mr D Lefutso	✓	✓	✓	✓	✓
Ms L Seripe	✓	✓	✓	✓	✓
Ms N Madiba	✓	✓	✓	✓	✓
Pof. G Davids	✓	✓	✓	✓	✓

**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, the advertisement for a Supply Chain Manager and the appointment of an Internal Auditor.

**Good governance**

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





Annual Financial Statements

# INDEX

- 83 General Information
- 84 Report of the Auditor-General to Parliament on Overberg Water
- 87 Report on Audit of Compliance
- 88 Annexure – Auditor-General’s Responsibility for the Audit
- 89 Accounting Authority Approval of the Annual Financial Statements
- 90 Report of the Governing Board / Accounting Authority
- 94 Statement of Financial Position
- 95 Statement of Financial Performance
- 96 Statement of Changes in Equity
- 97 Statement of Cash Flows
- 101 Accounting Policies
- 112 Notes to the Annual Financial Statements
  
- 147 Glossary





# GENERAL INFORMATION

Country	South Africa
Nature of business and principal activities	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.
Accounting Authority / Board members	Mr R Benjamin (Chairperson) Ms Ina du Bruyn (Deputy Chairperson) Mr D. Lefutso Prof G. Davids Ms L. Seripe Mr M. Matji Ms N. Madiba Ms S. Mayinga Mr S. Nene
Executive Management	Dr P Buthelezi (Chief Executive Officer) Dr N Mudau (Chief Financial Officer) Mr C Stewart (Chief Operating Officer) Mr A Lotz (Acting Chief Operating Officer)
Corporate Office	1st Floor, Trident Park 2 1 Niblick Way Somerset West 7130
Business address	1st Floor, Trident Park 2 1 Niblick Way Somerset West 7130
Postal address	P O Box 1005 Somerset Mall 7137
Bankers	ABSA Bank Ltd
Auditors	Auditor-General South Africa
Company Secretary:	Mamatela Inc
Entity registration number	22078092 in terms of the National Water Act (Act 36 of 1998)
Preparer of the financial statements	The Annual Financial Statements have been prepared under the supervision of Dr TN Mudau CGMA/ACMA

# REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE OVERBERG WATER BOARD

## Report on the audit of the financial statements

### Opinion

- I have audited the financial statements of the Overberg Water Board set out on pages 94 to 146, which comprise the statement of financial position as at 30 June 2021, the statement of financial performance, statement of changes in net assets, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.
- In my opinion, the financial statements present fairly, in all material respects, the financial position of the Overberg Water Board as at 30 June 2021, and its financial performance and cash flows for the year then ended in accordance with Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Public Finance Management Act 1 of 1999 (PFMA).

### Basis for the opinion

- I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of my report.

- I am independent of the Entity in accordance with the International Ethics Standards Board for Accountants' International code of ethics for professional accountants (including International Independence Standards)(IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
- I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### Emphasis of matters

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

#### Restatement of corresponding figures

- As disclosed in note 32 of the annual financial statements, the corresponding figures for 30 June 2020 were restated as a result of errors in the annual financial statements of the entity at, and for the year ended 30 June 2021.

#### Material impairments

- As disclosed in note 8 of the annual financial statements, the Entity had material impairment of R5 002 875 (2019-20:R3 097 607) for trade receivables.

**Subsequent events**

- We draw attention to note 33 in the annual 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. My opinion is not modified in respect of this matter.

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

- The board of directors, which constitutes the accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with 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.
- 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 the 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**

- 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.
- 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**

- In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for selected objective presented in the annual performance report.

I performed procedures to identify material findings but not to gather evidence to express assurance.

- My procedures address the usefulness and reliability of the reported performance information, which must be based on the Entity's approved performance planning documents. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures do not examine whether the actions taken by the Entity enabled service delivery. My procedures do not extend to any disclosures or assertions relating to the extent of achievements in the current year or planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
- 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 objectives presented in the Entity's annual performance report for the year ended 30 June 2021:

Objectives	Pages in the annual performance report
Objective 1 – Organisational efficiency and effectiveness	57 – 58

- 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.

- 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 matters**

- I draw attention to the matters below.

**Achievement of planned targets**

- Refer to the annual performance report on pages 57 to 58 for information on the achievement of planned targets for the year.

**Adjustment of material misstatements**

- I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information of Objective 1 – Organisational efficiency and effectiveness. As management subsequently corrected the misstatements, I did not raise any material findings on the usefulness and reliability of the reported performance information.



## Report on the audit of compliance with legislation

### Introduction and scope

22. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the Entity's compliance with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
23. I did not identify any material findings on compliance with the specific matters in key legislation set out in the general notice issued in terms of the PAA.

### Other information

24. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report, which includes, the audit committee's report. The other information does not include the financial statements, the auditor's report and those selected objective presented in the annual performance report that have been specifically reported in this auditor's report.
25. My opinion on the financial statements and findings on the reported performance information and compliance with legislation does not cover the other information and I do not express an audit opinion or any form of assurance conclusion on it.
26. 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.

27. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, 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

28. 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. I did not identify any significant deficiencies in internal control.

*Auditor General*

Cape Town  
14 December 2021



AUDITOR-GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

## Annexure – Auditor-General's responsibility for the audit

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements and the procedures performed on reported performance information for selected objectives and on the 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 board of directors, which constitutes the accounting authority
  - conclude on the appropriateness of the accounting authority's use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the Overberg Water Board to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause 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
  - obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

### Communication with those charged with governance

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

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021  
**REPORT OF THE GOVERNING BOARD / ACCOUNTING AUTHORITY**

**BOARD RESPONSIBILITIES AND APPROVAL**

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.

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021  
**REPORT OF THE GOVERNING BOARD / ACCOUNTING AUTHORITY**

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 84 to 88.

The annual financial statements set out on pages 93 to 146, which have been prepared on the going concern basis, were approved by the Board on \_\_\_\_31 August 2021\_\_\_\_ and were signed on its behalf by:



**Razeen Benjamin**

Chairperson of the Board



ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021  
**REPORT OF THE GOVERNING BOARD / ACCOUNTING AUTHORITY**

The members of the Governing Board submit their report for the year ended 30 June 2021.

**1. 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.

**2. 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).

**3. Corporate Governance**

The Board supports the Code of Good Governance Practice.

**4. 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.

**5. 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.

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021  
**REPORT OF THE GOVERNING BOARD / ACCOUNTING AUTHORITY**

The financial statements for the year ended 30 June 2021 confirms a Surplus for the year of R 1142 790. 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 R39 404 550 (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.

**6. 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.

**7. 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.

**8. Appointment of board members**

The Board members were appointed in April 2019

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021  
**REPORT OF THE GOVERNING BOARD / ACCOUNTING AUTHORITY**

**9. Directors' interests**

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

**10. Directors' emoluments**

The directors emoluments are 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).

**11. Directors service contracts**

The directors serve a five year term.

**12. Board Secretary**

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

**13. 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

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021  
**STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021**

		2021 R	2020 Restated R	2019 Restated R
<b>ASSETS</b>				
<b>Non-Current Assets</b>				
Property, plant and equipment	3	33 870 946	33 822 917	36 302 836
Intangible Assets	4	2 329 227	556 662	1 538 787
Investments	6	39 404 550	37 847 588	35 499 130
		<b>75 604 723</b>	<b>72 227 167</b>	<b>73 340 753</b>
<b>Current Assets</b>				
Inventories	7	2 443 742	2 556 489	2 778 738
Receivables from exchange transactions	8	21 001 168	18 678 200	8 521 607
Cash and cash equivalents	9	11 736 016	11 045 520	14 097 541
		<b>35 180 926</b>	<b>32 280 210</b>	<b>25 397 886</b>
<b>TOTAL ASSETS</b>		<b>110 785 649</b>	<b>104 507 377</b>	<b>98 738 639</b>
<b>RESERVES AND LIABILITIES</b>				
<b>Net Assets</b>	10	<b>95 647 898</b>	94 505 108	91 017 308
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Payables from exchange transactions	11	6 559 566	4 336 672	2 495 162
Employee benefits	12	8 307 025	5 299 895	4 556 411
Finance lease Liability	23	172 032	312 629	304 054
		<b>15 038 622</b>	<b>9 949 195</b>	<b>7 355 627</b>
<b>Non-current Liabilities</b>				
Finance lease Liability	23	99 130	53 075	365 704
		<b>99 130</b>	<b>53 075</b>	<b>365 704</b>
<b>TOTAL NET ASSETS AND LIABILITIES</b>		<b>110 785 649</b>	<b>104 507 377</b>	<b>98 738 639</b>



## ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

**STATEMENT OF FINANCIAL PERFORMANCE AS AT 30 JUNE 2021**

		2021 R	2020 Restated R
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>	13	<b>79 904 819</b>	68 893 112
Revenue from non-exchange transactions	14	<b>79 904 819</b>	68 893 112
		-	-
<b>Expenditure</b>			
Costs of potable water	15	<b>(78 762 029)</b>	(65 405 312)
<b>Operating expenditure</b>	16	<b>(39 797 467)</b>	(33 807 493)
Finance cost	18.3	<b>(38 911 155)</b>	(31 588 358)
		<b>(53 407)</b>	(9 461)
<b>Surplus(deficit) for a year</b>		<b>1 142 790</b>	3 487 800

Refer to note 32 for restated amounts

## ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

**STATEMENT OF CHANGES IN NET ASSETS AS AT 30 JUNE 2021**

	2021			
	EMERGENCY FUND R	CAPITAL EXPENDI- TURE FUND R	ACCUMULATED SURPLUS R	NET ASSETS R
<b>Balance at 1 July 2018</b>	<b>5 000 000</b>	<b>20 000 000</b>	<b>61 430 312</b>	<b>86 430 312</b>
As previously stated	5 000 000	20 000 000	61 430 312	<b>86 430 312</b>
Surplus(deficit) for a year			<b>4 586 997</b>	<b>4 586 997</b>
Prior year period error			165 049	<b>165 049</b>
As previously stated			4 421 947	<b>4 421 947</b>
<b>Balance at 1 July 2019</b>	<b>5 000 000</b>	<b>20 000 000</b>	<b>66 017 308</b>	<b>91 017 308</b>
Surplus(deficit) for a year			<b>3 487 800</b>	<b>3 487 800</b>
Prior year period error			121 819	<b>121 819</b>
As previously stated			3 365 981	<b>3 365 981</b>
<b>Balance at 1 July 2020</b>	<b>5 000 000</b>	<b>20 000 000</b>	<b>69 505 108</b>	<b>94 505 108</b>
Surplus(deficit) for a year			<b>1 142 790</b>	
Surplus(deficit) for a year			1 142 790	<b>1 142 790</b>
<b>Balance at 30 June 2021</b>	<b>5 000 000</b>	<b>20 000 000</b>	<b>70 647 898</b>	<b>95 647 898</b>

Refer to note 32 for prior year error

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

**STATEMENT OF CASH FLOWS AS AT 30 JUNE 2021**

	Notes	2021 R	2020 Restated R
<b>Operating activities</b>			
Cash receipts from customers		71 361 739	53 934 822
Water sales		70 691 330	51 787 172
Other income		670 409	2 147 650
Cash paid to suppliers and employees		(66 923 155)	(57 133 365)
Employee costs		(33 041 531)	(29 565 865)
Operating costs		(33 881 624)	(27 567 500)
Cash generated from operations	20	4 438 584	(3 198 544)
Interest paid	18.3	(6 284)	(9 461)
Interest income	18.2	1 250 350	969 139
<b>Net cash from operating activities</b>		<b>5 682 650</b>	<b>(2 238 866)</b>
<b>Investing activities</b>			
Acquisition of property, plant and equipment and intangible assets	3;4	(4 704 739)	(509 101)
Other income: Insurance Claims		45 042	-
<b>Net cash from investing activities</b>		<b>(4 659 697)</b>	<b>(509 101)</b>
<b>Financing activities</b>			
Finance leases		(332 455)	(304 054)
<b>Net cash from investing activities</b>		<b>(332 455)</b>	<b>(304 054)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>690 498</b>	<b>(3 052 021)</b>
Cash and cash equivalents at the beginning of the year		11 045 520	14 097 541
<b>Cash and cash equivalents at the end of the year</b>	9	<b>11 736 016</b>	<b>11 045 520</b>

Refer to note 32 for restated amounts

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS AS AT 30 JUNE 2021**

2021	Notes	Approved Budget R	Final Budget R	Actual Amounts R	Variance Amounts R	Variance %
<b>Financial Performance</b>						
<b>Revenue</b>	27.3	<b>79 607 517</b>	<b>74 739 435</b>	<b>79 904 819</b>	<b>5 165 385</b>	<b>7%</b>
Water sales		61 332 000	56 425 440	56 334 164	(91 277)	0%
Water related services		15 710 000	14 924 500	18 336 888	3 412 388	23%
Other income		447 517	1 856 820	2 326 986	470 166	25%
Interest on investments		2 118 000	1 532 674	1 656 431	123 757	8%
Interest income		-	-	1 250 350	1 250 350	
<b>Total Expenses</b>	27.4	<b>(77 358 163)</b>	<b>(80 303 390)</b>	<b>(78 762 029)</b>	<b>1 541 361</b>	<b>-2%</b>
<b>Costs of potable water</b>		<b>(41 583 401)</b>	<b>(40 231 520)</b>	<b>(39 797 467)</b>	<b>434 053</b>	<b>-1%</b>
Chemicals		(3 530 521)	(3 530 521)	(3 002 455)	528 066	-15%
Energy		(8 443 738)	(9 288 112)	(10 292 439)	(1 004 327)	11%
Fuel		(758 094)	(720 189)	(712 308)	7 881	-1%
Insurance		(668 428)	(668 428)	(723 576)	(55 148)	8%
Laboratory costs		(560 882)	(770 882)	(728 831)	42 051	-5%
Labour		(19 650 572)	(18 078 526)	(17 510 311)	568 215	-3%
Machinery and tool hire		(745 759)	(596 607)	(634 780)	(38 173)	6%
Movement in potable water inventory		(20 000)	(20 000)	5 586	25 586	-128%
Protective clothing		(196 964)	(300 000)	(298 279)	1 721	-1%
Raw water		(986 885)	(838 852)	(1 023 817)	(184 965)	22%
Repairs and maintenance		(2 163 000)	(1 946 700)	(2 225 431)	(278 731)	14%
Cylinder rental		-	-	(286 313)	(286 313)	
Other vehicle cost		-	-	(141 636)	(141 636)	
Depreciation		(3 858 559)	(3 472 703)	(2 222 875)	1 249 828	-36%



### STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS AS AT 30 JUNE 2021 (Continued)

2021	Notes	Approved Budget R	Final Budget R	Actual Amounts R	Variance Amounts R	Variance %
<b>Operating expenditure</b>		<b>(35 774 762)</b>	<b>(40 063 301)</b>	<b>(38 911 155)</b>	<b>1 152 146</b>	<b>-3%</b>
Auditors remuneration		(1 955 109)	(1 200 000)	(447 823)	752 177	-63%
Consulting and professional fees		(5 565 324)	(10 565 324)	(9 226 408)	1 338 916	-13%
Board Costs		(1 720 057)	(1 548 052)	(1 255 511)	292 540	-19%
Depreciation		(662 455)	(662 455)	(675 675)	(13 221)	2%
Employee costs		(19 814 962)	(18 626 064)	(18 538 349)	87 715	0%
Impairment of financial assets		-	(1 148 977)	(1 656 754)	(507 778)	44%
Bad debt write-off		-	-	(24 217)	(24 217)	
(Profit)/ Loss on scrapping of property plant and equipment		-	-	(211 816)	(211 816)	
Operating lease charges ( Equipment and Office rental)		(1 267 660)	(1 204 277)	(1 076 982)	127 295	-11%
IT expenses		(910 603)	(892 391)	(859 724)	32 667	-4%
Travel and accommodation costs		(1 053 628)	(1 053 628)	(1 356 092)	(302 464)	29%
Stationery Consumables		(378 720)	(578 720)	(695 000)	(116 280)	20%
Recruitment costs		(165 935)	(66 374)	(26 995)	39 379	-59%
Insurance		(374 652)	(374 652)	(447 034)	(72 382)	19%
Municipal Services		(314 961)	(314 961)	(282 784)	32 178	-10%
Telephone costs		(367 309)	(404 040)	(290 259)	113 781	-28%
Facilities Management		-	-	(83 945)	(83 945)	
*Project cost-Installation of tanks		-	-	(225 980)	(225 980)	
** operating expenses		(1 223 385)	(1 423 385)	(1 529 805)	(106 420)	7%
<b>Finance costs</b>		<b>-</b>	<b>(8 569)</b>	<b>(53 407)</b>	<b>(44 838)</b>	<b>523%</b>
<b>Surplus/(deficit)</b>		<b>2 249 354</b>	<b>(5 563 955)</b>	<b>1 142 790</b>	<b>6 706 746</b>	<b>-121%</b>
<b>Capital expenditure</b>	27.5	<b>(8 050 000)</b>	<b>(5 247 852)</b>	<b>(4 930 959)</b>	<b>316 893</b>	<b>-6%</b>
Immovable and movable assets-own		(8 050 000)	(5 247 852)	(4 930 959)	316 893	-6%
Capital expenditure- Directive		-	-	-	-	-
<b>Surplus/(deficit)</b>		<b>(5 800 646)</b>	<b>(10 811 807)</b>	<b>(3 788 169)</b>	<b>7 023 639</b>	<b>-65%</b>

\*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 2021 (Continued)

2021	Notes	Approved Budget R	Final Budget R	Actual Amounts R	Variance Amounts R	Variance %
<b>Cash flow</b>						
Net cash from operating activities	27.6	4 131 000	2 164 233	5 682 650	3 518 417	-163%
Net cash from investing activities	27.6	(5 932 000)	(3 723 747)	(4 659 697)	(935 950)	-25%
Net cash from financing activities	27.6	-	-	(332 455)	(332 455)	-
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(1 801 000)</b>	<b>(1 559 514)</b>	<b>690 498</b>	<b>2 250 013</b>	<b>144%</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>7 478 000</b>	<b>7 478 000</b>	<b>11 045 520</b>	<b>3 567 520</b>	<b>-48%</b>
<b>Cash and cash equivalents at the end of the year</b>		<b>5 677 000</b>	<b>5 918 486</b>	<b>11 736 018</b>	<b>5 817 533</b>	<b>98%</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 34	Separate Financial Statements
GRAP 35	Consolidated Financial Statements
GRAP 36	Investments in Associates and Joint Ventures
GRAP 37	Joint Arrangements
GRAP 38	Disclosure of Interests in Other Entities
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
GRAP 110	Living and Non-living Resources

## SIGNIFICANT ACCOUNTING POLICIES

### 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 2021.

### 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:



## SIGNIFICANT ACCOUNTING POLICIES

Item	Average useful life
Water purification schemes	
• 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
Movable equipment and furniture	
• 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.

### 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

## SIGNIFICANT ACCOUNTING POLICIES

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.

## SIGNIFICANT ACCOUNTING POLICIES

### 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."

## SIGNIFICANT ACCOUNTING POLICIES

### 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.



## SIGNIFICANT ACCOUNTING POLICIES

### 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.

## SIGNIFICANT ACCOUNTING POLICIES

### 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.

## SIGNIFICANT ACCOUNTING POLICIES

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 24.

## SIGNIFICANT ACCOUNTING POLICIES

### 1.28 Budget information

The budget is prepared on an accrual basis. The Overberg Water Budget compromise 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.



## SIGNIFICANT ACCOUNTING POLICIES

### 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:

Revised GRAP 25	Employee benefits
Revised GRAP 104	Financial instruments

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

	2021		
	Cost / Valuation	Accumulated depreciation	Carrying value
Water purification schemes	84 319 183	(55 372 349)	<b>28 946 835</b>
Motor vehicles	5 459 039	(3 614 510)	<b>1 844 529</b>
Furniture and office Equipment	1 871 819	(1 151 237)	<b>720 582</b>
Computer Equipment	1 069 230	(561 478)	<b>507 752</b>
Machinery and equipment	2 214 287	(1 295 948)	<b>918 339</b>
Land	88 222	-	<b>88 222</b>
Buildings	1 950 881	(1 329 851)	<b>621 030</b>
Leased assets: Equipment	1 631 602	(1 407 944)	<b>223 658</b>
Capital work-in-progress	-	-	-
<b>Total</b>	<b>98 604 262</b>	<b>(64 733 317)</b>	<b>33 870 946</b>
	2020 Restated		
	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>

## Reconciliation of property plant and equipment – 2021

	Opening balance	Additions	Disposals / Scrapped	Transfers	Depreciation	Impairment	Revaluation	Total
Water purification schemes	30 476 528	602 460	(174 280)	-	(1 838 335)	(119 539)	-	28 946 835
Motor vehicles	1 378 773	658 490	-	-	(190 130)	(2 604)	-	1 844 529
Furniture and office Equipment	277 783	554 518	(1 361)	-	(109 924)	(434)	-	720 582
Computer Equipment	336 345	330 187	(36 175)	-	(122 572)	(33)	-	507 752
Machinery and equipment	241 584	816 145	-	-	(112 456)	(26 935)	-	918 339
Land	88 222	-	-	-	-	-	-	88 222
Buildings	687 493	-	-	-	(64 632)	(1 831)	-	621 030
Leased assets: Equipment	336 189	190 790	-	-	(303 321)	-	-	223 658
Capital work-in-progress	-	-	-	-	-	-	-	-
	<b>33 822 918</b>	<b>3 152 591</b>	<b>(211 816)</b>	<b>-</b>	<b>(2 741 371)</b>	<b>(151 376)</b>	<b>-</b>	<b>33 870 946</b>

## Reconciliation of property plant and equipment – 2020 Restated

	Opening balance	Additions	Disposals / Scrapped	Transfers	Depreciation	Impairment	Revaluation	Total
Water purification schemes	32 338 501	280 077	(114 102)	-	(1 997 161)	(30 787)	-	28 946 835
Motor vehicles	1 653 916	-	-	-	(193 664)	(81 479)	-	1 844 529
Furniture and office Equipment	272 991	64 198	(134)	-	(58 318)	(954)	-	720 582
Computer Equipment	274 498	146 828	(42)	-	(84 939)	-	-	507 752
Machinery and equipment	280 085	17 998	-	-	(56 130)	(369)	-	918 339
Land	88 222	-	-	-	-	-	-	88 222
Buildings	770 272	-	-	-	(82 779)	-	-	621 030
Leased assets: Equipment	624 352	-	-	-	(288 162)	-	-	223 658
Capital work-in-progress	-	-	-	-	-	-	-	-
	<b>36 302 837</b>	<b>509 100</b>	<b>(114 278)</b>	<b>-</b>	<b>(2 761 154)</b>	<b>(113 588)</b>	<b>-</b>	<b>33 870 946</b>

## Reconciliation of property plant and equipment – 2019 Restated

	Opening balance	Additions	Disposals / Scrapped	Transfers	Depreciation	Impairment	Revaluation	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	-	-	-	-	-	-	-	-
	<b>38 754 979</b>	<b>868 548</b>	<b>(277 622)</b>	<b>-</b>	<b>(2 856 364)</b>	<b>(186 704)</b>	<b>-</b>	<b>36 302 837</b>

## 3. Property plant and equipment (continued)

## 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 2020/21 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 2020.

## 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 2020/21 financial year amounting to R151 376.

## 3.3 Capital work in progress

There was no work in progress in 2020/21 in relation to property plant and equipment



### 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

	2021		
	Cost / Valuation	Accumulated amortisation	Carrying value
Computer Software	51 584	(8 379)	43 203
Servitude	556 655	-	556 655
Intangible assets under development	1 729 368	-	1 729 368
<b>Total</b>	<b>2 337 607</b>	<b>(8 379)</b>	<b>2 329 227</b>

	2020 Restated		
	Cost / Valuation	Accumulated amortisation	Carrying value
Computer Software	2 584	(2 576)	7
Servitude	556 655	-	556 655
<b>Total</b>	<b>559 239</b>	<b>(2 576)</b>	<b>556 662</b>

	2019 Restated		
	Cost / Valuation	Accumulated amortisation	Carrying value
Computer Software	2 096 389	(1 114 258)	982 132
Servitude	556 655	-	556 655
<b>Total</b>	<b>2 653 045</b>	<b>(1 114 258)</b>	<b>1 538 787</b>

## Reconciliation of Intangible Assets- 2021

	Opening balance	Additions	Disposals / Scrapped	Transfers	Amortisation	Revaluation	Total
Computer Software		49 000	-	-	(5 803)	-	43 204
Servitude			-	-	-	-	556 655
Intangible assets under development		1 729 368	-	-	-	-	1 729 368
<b>Total</b>	<b>556 662</b>	<b>1 778 368</b>	<b>-</b>	<b>-</b>	<b>(5 803)</b>	<b>-</b>	<b>2 329 227</b>

## Reconciliation of Intangible Assets- 2020 Restated

	Opening balance	Additions	Disposals / Scrapped	Transfers	Amortisation	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>556 662</b>

## Reconciliation of Intangible Assets- 2019 Restated

	Opening balance	Additions	Disposals / Scrapped	Transfers	Amortisation	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>1 538 786</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.

## 4.1 Intangible Assets under Development

## 3.1 Useful lives

The total amount of Intangible Assets under Development for 2020/21 is R 1 729 368 in relation to the implementation of the ERP system.

## 5. Depreciation, amortisation and impairment

## Depreciation on property, plant and equipment

	2021	2020 Restated
<b>Depreciation on property, plant and equipment</b>	<b>(2 890 922)</b>	<b>(2 707 261)</b>
Water purification schemes	(1 956 322)	(1 940 855)
Motor vehicles	(173 144)	(193 664)
Furniture and office Equipment	(118 115)	(58 318)
Computer Equipment	(137 217)	(84 939)
Machinery and equipment	(120 024)	(56 130)
Land	-	-
Buildings	(82 779)	(85 193)
<b>Leased: equipment</b>	<b>(303 321)</b>	<b>(288 162)</b>

## Amortisation on intangible assets

	2021	2020 Restated
<b>Computer Software</b>	<b>(5 803)</b>	<b>(982 124)</b>

## Impairment and Impairment reversal

	2021	2020 Restated
<b>Impairment and Impairment reversal</b>	<b>(151 376)</b>	<b>(113 588)</b>
Water purification schemes	(119 539)	(30 787)
Buildings	(1 831)	-
Motor vehicles	(2 604)	(81 479)
Furniture and office Equipment	(434)	(954)
Computer Equipment	(33)	-
Machinery and equipment	(26 935)	(369)

## Change in estimate on depreciation

	2021	2020 Restated
<b>Change in estimate on depreciation</b>	<b>149 551</b>	<b>(53 892)</b>
Water purification schemes	117 987	(56 306)
Buildings	18 147	2 414
Motor vehicles	(16 986)	-
Furniture and office Equipment	8 191	-
Computer Equipment	14 644	-
Machinery and equipment	7 568	-
Computer Software	-	-
<b>Total</b>	<b>(2 898 550)</b>	<b>(3 856 866)</b>

-



## 5.1 Change in estimate

Reconciliation on change in accounting estimate 2021	Depreciation before RUL adjustment original	Depreciation Financial YTD	Effect of change in estimate
Water purification schemes	(356 230)	(238 243)	117 987
Buildings	(60 610)	(42 463)	18 147
Computer equipment	(84 846)	(70 202)	14 644
Furniture and Office Equipment	(59 328)	(51 137)	8 191
Computer Software	-	-	-
Machinery and equipment	(56 667)	(49 099)	7 568
Motor vehicles	(132 327)	(149 313)	(16 986)
	(750 009)	(600 458)	149 551

## 5.2 Change in estimate

Reconciliation on change in accounting estimate 2020 Restated	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	-	-	-
	978 145	924 253	(53 892)

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:

CCM Call Money Fund  
CCM Call Account  
Masibambane Investment account

2021 R	2020 Restated
<b>30 622 871</b>	29 449 402
<b>7 487 551</b>	7 156 425
<b>1 294 128</b>	1 241 761
<b>39 404 550</b>	37 847 588

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

2021 R	2020 Restated
-	-
-	-
-	-
-	-

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 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 2021.

	2021 R	2020 Restated
<b>6.3 Non-current assets</b>		
At amortised cost	39 404 550	37 847 588
At market fair value	-	-
<b>Total investments</b>	<b>39 404 550</b>	<b>37 847 588</b>

	2021 R	2020 Restated
<b>6.4 Investment Made</b>		
Total Movement for the year	1 556 963	2 348 458

	2021 R	2020 Restated
<b>7. Inventories</b>		
Maintenance and emergency spares	1 908 308	2 078 194
Potable water	198 632	193 046
Chemicals	336 802	285 248
Diesel	-	-
	<b>2 443 742</b>	<b>2 556 489</b>

The cost of raw water recognised as an expense during the period amounts to R 1 023 817 (2020: R902 194)

#### 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

	2021 R	2020 Restated
Trade receivables	22 002 263	18 772 164
Impairment of trade receivables	(5 002 875)	(3 097 607)
Net trade receivables	16 999 389	15 674 557
Prepaid expenses	128 528	248 705
Other receivables	3 933 059	2 814 746
Impairment of Sanlam dividend receivable	(59 809)	(59 809)
	<b>21 001 168</b>	<b>18 678 200</b>

Trade and other receivables are shown net of impairments amounting to R5 002 875 (2020: R3 097 607) recognised during the year determined by reference to past default experience. The major contributor to the impairment provision of R4 580 318 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	11 730 883	11 033 578
Cash on hand	5 133	11 942
	<b>11 736 016</b>	<b>11 045 520</b>

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 R74 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.



	2021 R	2020 Restated
<b>10. Net Assets</b>		
Capital expenditure fund	20 000 000	20 000 000
Emergency fund	5 000 000	5 000 000
Accumulated surplus	70 647 898	69 505 108
Revaluation reserve	-	-
	<b>95 647 898</b>	94 505 108

**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	4 046 189	1 601 550
Accruals	153 929	653 981
Amounts received in advance	87 056	88 132
Salary payables	681 993	779 621
Other payable	-	11 234
VAT and PAYE Payable	1 590 400	1 202 154
	<b>6 559 566</b>	4 336 672

**12. Employee Benefits**

Opening balance	5 299 895	4 556 411
Employee benefits for the year	3 007 130	743 484
Closing balance	<b>8 307 025</b>	5 299 895

**Reconciliation of employee benefits - 2021**

	Opening balance	Increases	Utilised during the year	Total
Performance bonuses	2 245 244	1 426 256	(25 880)	<b>3 645 620</b>
Unpaid leave	3 054 650	3 053 149	(1 446 395)	<b>4 661 404</b>
	<b>5 299 895</b>	<b>4 479 405</b>	<b>(1 472 275)</b>	<b>8 307 025</b>

**Reconciliation of employee benefits - 2020 Restated**

	Opening balance	Increases	Utilised during the year	Total
Performance bonuses	2 391 024	2 219 366	(2 365 146)	<b>2 245 244</b>
Unpaid leave	2 165 386	2 047 738	(1 158 474)	<b>3 054 650</b>
	<b>4 556 410</b>	<b>4 267 104</b>	<b>(3 523 620)</b>	<b>5 299 895</b>

In terms of GRAP 25, Employee benefits include benefits provided to either employees or their dependants and may be settled by payments (or the provision of goods or services) made either directly to the employees, to their spouses, children or other dependants or to others, such as insurance companies. Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

**Performance bonuses**

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 45% 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 20% of their total annual package. The provision of bonus amount to R3 645 620 ( R2 245 244 for 2020). The capping of 45% and 20% respectively was done considering the current economic conditions.

**Unpaid 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 R4 661 404 ( R3 054 650 for 2020).

	2021 R	2020 Restated R
<b>13. Revenue from exchange transactions</b>		
<b>13.1 Water sales</b>	<b>74 671 052</b>	63 341 342
Bulk water sales	18 137 643	17 723 343
Industrial and agricultural water sales	38 196 520	39 403 624
Waste and portable water fixed revenue	18 336 888	6 214 376
<b>13.2 Other income</b>	<b>2 326 986</b>	2 147 650
Other sundry revenue	73 395	60 648
Servitude rent	91 736	156 955
Insurance Claims PPE	1 053 762	-
Insurance Claims Revenue	621 405	-
Project income-Installation of tanks	98 700	1 743 905
Rental - Employees	69 060	69 973
Miscellaneous Income	318 928	116 169
Included in other income is the following class of other revenue		
<b>13.2.1 Other income</b>	<b>1 273 224</b>	2 147 650
Other sundry revenue	1 174 524	403 745
Project income-Installation of tanks	98 700	1 743 905
	-	-
<b>13.2.2 Other income: Insurance Claims</b>	<b>1 053 762</b>	-
Insurance Claims PPE	1 053 762	-
<b>13.3 Interest income</b>	<b>2 906 781</b>	3 404 120
Interest on investments	1 656 431	2 434 981
Bank accounts	99 970	177 890
Trade and other receivables	1 150 380	791 249
Project interest	-	-
	<b>79 904 819</b>	68 893 112

	2021 R	2020 Restated R
<b>14. Revenue from non-exchange transactions</b>		
Interest on investments-Masibambane	-	-
Project revenue	-	-
	-	-
<b>15. Costs of potable water</b>		
<b>Chemicals</b>	<b>3 002 455</b>	2 581 275
Chemicals usage	2 723 445	2 499 567
Other chemicals and related cost	279 009	81 708
<b>Energy</b>	<b>10 292 439</b>	8 554 701
Fuel	712 308	709 082
Fuel usage	-	176 097
Other fuel (direct purchases)	712 308	532 985
<b>Insurance</b>	<b>723 576</b>	735 530
Laboratory costs	728 831	373 551
Labour	17 510 311	14 592 463
Machinery and tool hire	634 780	419 068
Movement in potable water inventory	(5 586)	(4 907)
Protective clothing	298 279	-
Raw water	1 023 817	902 194
<b>Repairs and maintenance(note 15.1)</b>	<b>2 225 431</b>	1 123 517
Repairs and maintenance other (note 15.1)	1 953 351	776 681
Repairs and maintenance spares usage (note 15.1)	272 080	346 836
<b>Cylinder rental</b>	<b>286 313</b>	334 695
Other vehicle cost	141 636	118 330
Ultra filtration plan	-	-
Depreciation (note 5)	2 222 875	3 367 994
	<b>39 797 467</b>	33 807 493
	-	-



**16. Operating expenses**

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

	2021 R	2020 Restated R
<b>Auditors remuneration</b>	447 823	1 441 315
- Audit fees 2020/21	-	-
- Audit fees 2019/20	447 823	442 662
- Audit fees 2018/19	-	998 654
- Other engagements	-	-
<b>Consulting and professional fees</b>	9 226 408	5 295 960
Depreciation on property plant and equipment (note 3)	675 675	488 871
Depreciation cost related to operating expenditure	372 354	200 709
Depreciation cost leased equipment	303 321	288 162
Directors emoluments (note 17)	1 255 511	1 339 012
Employee costs	18 538 349	15 742 766
Employee costs related to administration	7 398 644	5 979 424
Executives and Senior Management (note 17)	11 139 706	9 763 342
<b>Impairment of financial assets</b>	1 656 754	1 397 577
Impairment / (reversal of impairment) of trade and other receivables (note 8)	1 656 754	1 397 577
Impairment / (reversal of impairment) of Sanlam dividend receivable (note 8)	-	-
Impairment / (reversal of impairment) of Sanlam investment (note 6.2)	-	-
<b>Bad debt write-off</b>	24 217	-
(Profit) / Loss on scrapping of property plant and equipment (note 3)	211 816	114 278
<b>Operating lease charges</b>	1 076 982	837 661
- Premises	828 170	627 950
- Equipment	248 811	209 711
<b>IT expenses</b>	859 724	701 446
Travel and accommodation costs	1 356 092	735 259
Consumables	382 188	126 457
Stationery	312 812	238 682
Recruitment costs	26 995	7 044
Insurance	447 034	310 432
Municipal Services	282 784	230 591
Telephone costs	290 259	190 563
Facilities Management	83 945	33 010
<b>Project cost-Installation of tanks</b>	225 980	1 372 435
<b>Other operating expenses</b>	1 529 805	985 000
Electricity	74 122	108 611
Training costs	112 678	179 348
Transport costs	350 326	64 995
Bank costs	147 789	125 242
Occupational Safety	350 872	149 101
Other	494 017	357 703
	<b>38 911 155</b>	<b>31 588 358</b>

Included in operating expenses are the following class of expenditure:

**16.1 Impairment of financial assets**

Trade receivables

	2021 R	2020 Restated R
Trade receivables	1 656 754	1 397 577
	-	-
	<b>1 656 754</b>	<b>1 397 577</b>
<b>16.2 Loss on disposal of fixed assets</b>		
Loss on scrapping of property plant and equipment	211 816	114 278
	<b>211 816</b>	<b>114 278</b>
<b>16.3 Bad debt write-off</b>		
Trade receivables and other receivables	24 217	-
	<b>24 217</b>	<b>-</b>
<b>Number of employees</b>		
- Permanent	63	61
- Fixed term contracts	45	36
	<b>108</b>	<b>97</b>

17. Compensation to Directors, Executives and Senior Management

17.1	Accounting Authority (Non-executive directors)	Fee (stipend)	Additional fees	Travel expenses	Reimbursements	Total 2021
	R Benjamin	214 198	-	-	7 690	221 888
	Ina du Bruyn	150 687	-	-	837	151 524
	S Mayinga	125 902	-	-	372	126 274
	M Matji	133 744	-	-	1 751	135 495
	S Nene	113 661	-	-	465	114 126
	D Lefutso	124 736	-	-	-	124 736
	L Seripe	126 485	-	-	607	127 092
	N Madiba	126 485	-	-	-	126 485
	Dr G Davids	125 939	-	-	1 953	127 892
		1241 836	-	-	13 675	1255 511

	Accounting Authority (Non-executive directors)	Fee (stipend)	Additional fees	Travel expenses	Reimbursements	Total 2021
	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
		1298 743	-	-	40 269	1339 012

17.2	Executives and Senior Management	*Salaries	Performance bonuses	Contributions to retirement fund, medical aid, UIF and SDL	**Allowances	Total 2021
	P. Buthelezi (CEO)	1 531 566	400 515	243 486	255 554	2 431 120
	***C Stewart (COO)	1 385 008	-	262 016	47 324	1 694 348
	N. Mudau (CFO)	1 219 090	366 085	233 272	370 222	2 188 668
	****AJ Lotz (Acting COO)	765 876	148 796	91 455	152 084	1 158 210
	T Rani (Senior Manager)	742 922	31 982	162 045	223 155	1 160 103
	MB Mokhele (Senior Manager)	737 233	31 188	177 308	333 424	1 279 154
	N Lefutso (Senior Manager)	850 045	33 542	144 327	200 189	1 228 102
		7 231 738	1 012 108	1 313 908	1 581 951	11 139 706

\*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

\*\*\* Mr C Stewart was on suspension for the full financial year

\*\*\*\* Mr AJ Lotz was appointed as acting COO for the full financial year

17.2

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 Lefutso (Senior Manager)	783 493	52 499	141 681	202 000	1 179 673
	5 571 385	1 563 102	1 167 384	1 461 471	9 763 342

\*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

18.

Net interest income

18..1

Interest on investments

2021 R	2020 Restated R
1 656 431	2 434 982

18..2

Interest income

1 250 350	969 139
99 970	177 890
1 150 380	791 249
-	-
2 906 781	3 404 121

18.3

Finance cost

Trade and other payables

634	1 093
-----	-------

Other paid

5 651	8 367
-------	-------

Interest payable

47 123	-
--------	---

Interest paid-SARS

-	-
---	---

Finance cost

53 407	9 461
--------	-------

Net interest income

-	-
2 853 374	3 394 660

Taxation

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



	2021 R	2020 Restated R
<b>20. Cash generated from operations</b>		
<b>Net (loss)/income before interest</b>	<b>(2 764 346)</b>	93 140
<b>Adjustments for non cash items:</b>		
Depreciation	2 898 550	3 856 866
Transfers / (Write offs) of property, plant and equipment	211 816	114 278
Impairment of trade receivables	1 656 754	1 397 577
Impairment on investment expense	-	-
Impairment on Dividend receivable	-	-
Acquisition Finance lease	(190 790)	-
Acquisition of property, plant and equipment payable	(35 430)	-
Finance lease liability	237 913	-
Interest payable	(47 123)	-
Employee benefits	3 007 130	743 484
Admin fees investment	99 468	86 524
Movement in investments	-	-
Interest received on investments	-	-
Other income: Insurance Claims	1 008 721	-
Other income	-	-
Bad debts written off	-	-
<b>Changes in working capital:</b>	<b>112 747</b>	222 249
Inventories	(3 979 722)	(11 554 170)
Trade and other receivables	2 222 895	1 841 509
Trade and other payables	4 438 584	(3 198 544)

## 21. Operating leases

## 21.1 Operating leases – as lessee (expense)

- within one year	907 664	1 029 673
Premises	875 031	817 788
Equipment	32 633	211 885
- in second to fifth year inclusive	711 584	1 582 826
Premises	690 138	1 565 169
Equipment	21 446	17 657
- Later than 5 years	-	-
Premises	-	-
Equipment	-	-
<b>Minimum lease payments due : Equipment &amp; Premises</b>	<b>1 619 247</b>	2 612 500

Printers are leased by the entity under an operating lease with Minolta and amounts to commitments of R54 078 (2020: R229 543 ). The term of the lease is 36 months. The operating lease started in August 2018, April 2021 and August 2020 with the end date of July 2022, July 2021 and March 2024 respectively. 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 R1 565 169 (2020: R2 382 957). The contract is for five years. The contract includes the 7% year on year escalation clause.

## 21.2 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.

## - within one year

- in second to fifth year inclusive

- Later than 5 years

Minimum lease payments due

	2021 R	2020 Restated R
- within one year	70 700	77 494
- in second to fifth year inclusive	316 078	302 467
- Later than 5 years	172 186	256 497
Minimum lease payments due	558 964	636 458

## 22. Capital commitments

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

3 953 704

The amounts disclosed above for capital commitments include VAT.

## 23. Finance lease liability

Current obligation	172 032	312 629
Non-current obligation	99 130	53 075
Carrying amount at the end	271 162	365 704
Reconciliation of the carrying amount:		
Future minimum lease payments due:	271 162	365 704
Later than 5 years	-	-
Later than 1 year but less than 5 years	99 130	53 075
Less than 1 year	172 032	312 629
Less: Future finance charges	(40 194)	-
minimum lease payments	230 967	365 704

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.

The finance lease obligations consist of computer equipment acquired in May 2021 for a period of 2 years. The interest implicit in the lease is 1.85%. Therefore future finance charges is R40 194.

#### 24. 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.

##### 24.1. 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.

	2021 R	2020 Restated R
<b>- Purchases of Raw Water:</b>		
• Transactions for the year	624 633	500 361
• Balances: Trade payables	(147 352)	(260 024)
<b>24.2 Transactions with the Breede Gouritz Catchment Management Agency (BGCMA)</b>		
Overberg Water purchase raw water from the BGCMA, both the entities report to the Minister of Human Settlements, Water and Sanitation.		
<b>- Purchases of Raw Water:</b>		
• Transactions for the year	118 351	107 332
• Balances: Trade payables	(6 804)	(6 755)
<b>24.3 Transactions with the Duivenhoks Water User Association</b>		
Overberg Water purchase raw water from the Duivenhoks Water User Association both the entities report to the Minister of Human Settlements, Water and Sanitation.		
<b>- Purchases of Raw Water:</b>		
• Transactions for the year	280 833	294 500
• Balances: Trade payables	(25 861)	(324 376)
<b>24.4 Transactions with the Rand Water</b>		
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.		
<b>- Project income:</b>		
• Revenue from exchange transactions	98 700	1 743 905
• Balances trade receivables	403 305	783 195
<b>24.5 24.5. Transactions with the Accounting Authority (Board of Directors)</b>		
All the transactions with board members are set out in note 17.	1 255 511	1 339 012



	2021 R	2020 Restated R
<b>24.6 Transactions with key management personnel</b>		
All the transactions with key management personnel are set out in note 17.	11 139 706	9 763 342
<b>25. Financial assets and liabilities</b>		
<b>Financial assets</b>		
Investments	39 404 550	37 847 588
Receivables from exchange transactions (note 8)	20 872 639	18 429 495
Cash and cash equivalents	11 736 016	11 045 520
Financial assets at amortised cost	72 013 206	67 322 603
<b>Investments listed shares</b>	-	-
Financial assets at fair market value	-	-
<b>Financial liabilities</b>		
Payables from exchange and non exchange transactions - Financial liabilities at amortised cost	4 882 111	3 046 386

**26. 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 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.

There were no borrowings for the 2020 and 2021 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.

	Between 1 and 5 years	Less than 1 year	Total
<b>At 31 June 2021</b>			
Payables from exchange transactions'	-	4 882 111	4 882 111
Finance lease liability	99 130	172 032	271 162
	99 130	5 054 142	5 153 273
	Between 1 and 5 years	Less than 1 year	Total
At 30 June 2020			
Payables from exchange transactions'	-	3 046 386	3 046 386
Finance lease liability	53 075	312 629	365 704
	53 075	3 359 015	3 412 090
	Between 1 and 5 years	Less than 1 year	Total
At 30 June 2019			
Payables from exchange transactions'	-	2 618 255	2 618 255
Finance lease liability	365 704	304 054	669 758
	365 704	2 922 309	3 288 013

**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:

**Financial assets**

	2021 R	2020 Restated R
Investec Private Bank (division of Investec Bank Ltd)	39 404 550	37 847 588
ABSA Bank Ltd	11 730 883	11 033 578
Receivables from exchange transactions	20 872 639	18 429 495
Sanlam Listed Shares	-	-
Cash on hand	5 133	11 942

**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.

	2021		2020 Restated	
	Gross	Impairment	Gross	Impairment
Current	5 326 107	-	7 064 670	-
1 month past due	2 867 476	-	3 346 583	-
2 month past due	4 228 771	-	2 031 344	-
3 months past due and older	9 579 909	-	6 329 568	-
Impairment		5 002 875		3 097 607
	<b>22 002 263</b>	<b>5 002 875</b>	18 772 165	3 097 607

Debtors turnover days	<b>100</b>	81
-----------------------	------------	----

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

Opening balance	<b>3 097 607</b>	1 490 394
Provision for impairment	<b>1 905 268</b>	1 607 213
Bad debts written off against provision	-	-
Closing balance	<b>5 002 875</b>	3 097 607
	-	-

**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:

**Financial assets**

Investec Private Bank (division of Investec Bank Ltd)	<b>39 404 550</b>	37 847 588
Sanlam Listed Shares	-	-
	<b>39 404 550</b>	37 847 588

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**

The difference between approved budget and final budget is due to non-tariff approval and drop in volume of water as a result of lock-down due to COVID-19 pandemic that resulted in shortfall in revenue of water sales and, increase in electricity bill beyond inflation and additional legal fees to handle unplanned legal fees. This was not anticipated.

**Revenue**

The revenue budget was decreased due to non approval of tariffs and decrease in volume of water sales as a result of the pandemic.

**Cost of portable water**

During the year there was an under expenditure on chemical cost due to decrease in volume of water sold that resulted in the re-prioritisation of the budget.

**Operating expenditure**

During the year operating expenditure budget was increased to accommodate additional unplanned legal fees.

**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 public work project.

**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 7%, this mainly attributable to the increase in public works projects revenue as efforts were made to recover all costs related to the project.

**Water sales:** Its within the budget

**Water related services:** favourable variance of 23% due to more efforts made to recover cost of running the project.

**Other income:** decreased by 25% due to finalisation of tanks project.

**27.4 Expenses**

Overall expenses were under budget by 2%, this mainly attributable to the under expenditure on the key cost drivers namely chemicals, fuel, laboratory, depreciation, audit fees, consulting and professional fees, board costs, operating lease, travel and accommodation, municipal services and recruitment costs.

**Costs of potable water**

**Chemicals:** there is under expenditure of 15% is mainly due to decrease in volume of water treated. 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 11% is due to increase in tariffs than expected.

**Fuel:** the under expenditure of 1% is due to the reduction fluctuation of fuel prices and less fuel being utilised for emergency work.

**Insurance:** the over expenditure of 8% 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 5% is due to less test conducted.

**Labour:** the over expenditure of 3% is due to increase in leave provisions as a result of leave not taken due to the pandemic.

**Machinery and tool hire:** the over expenditure of 6% is due to more pipe burst than anticipated.

**Movement in potable water inventory:** the over expenditure of 129% is due to minimal movement on reservoir levels.

**Protective clothing:** the under expenditure of 1% is due to less number of uniform bought due to delay in filling some vacancies.

**Raw water:** the under expenditure of 22% is due to high volume of water losses as a result of breakdowns.

**Repairs and maintenance:** the over expenditure of 17% is due to some unplanned maintenance executed due to pipe burst.

**Cylinder rental:** the items shows no budget as it was budgeted 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 budgeted under repairs and maintenance. This was reclassified alone in order to show the true cost of repairs and maintenance.

**Depreciation :** the under expenditure of 36% is due to review of useful life on some assets.

**Operating expenditure**

**Auditors remuneration:** the under expenditure of 63% is due to the delay starting the planning of the audit as a result of lock down.

**Consulting and professional fees:** under expenditure of 13% due to delay in finalisation of legal case.

**Board Costs:** the under expenditure of 19% is due to board meetings held virtually.

**Depreciation:** the under expenditure of 2% is due to review of useful life of the assets that resulted in de-acceleration of depreciation.

**Employee costs:** this is within budget .

**Impairment of financial assets:** this has increased due to non payment by farmers as a result of lock down and poor economic conditions.

**Bad debt write-off:** this is due to the use of servitude that was removed in the premises of Overberg Water as a result the debt is uncollectable.

**(Profit) / Loss on scrapping of property plant and equipment:** the increase is due to some valves, meters and computer components that were decommissioned.

**Operating lease charges ( Equipment and Office rental):** the under expenditure of 11% is due to savings on equipment rentals.

**IT expenses:** the under expenditure of 4% is due to delay in acquiring the IT services.

**Travel and accommodation costs:** the over expenditure of 29% is due to increase on travelling and accommodation in relation to public works project.

**Stationery Consumables:** the over expenditure of 20% is due to additional stationary and consumers required for public works project.

**Recruitment costs:** the under expenditure of 59% is due to delays in filling vacancies.

**Insurance:** the over expenditure of 19% is due to additional assets capitalised.

**Municipal Services:** the under expenditure of 10% is due to decrease in usage as a result of lock down.

**Telephone costs:** the under expenditure of 28% is due to efforts made to reduce covid infections by allowing employees to work from home.

**Facilities Management:** the cost came with the rental of the building.

**Project cost-installation of tanks:** the over expenditure is due finalisations of the project.

**Other operating expenses:** the over expenditure of 4% is due to increase in amount spent on training.

**Finance costs:** the amount is not material

**27.5 Capital expenditure**

The entity realised a significant under spending on capital expenditure. This is due to the delay in executing the Witsand pipeline, the project shall commence in the new financial year. 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 positive cash flows from operations as a result increase in cash collection despite the difficult 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.

**Cash Flow from Financing Activities:** The entity cash flows has indicate a negative variance due to payment made for finance lease that was not included on the net cash flow from financing activities budget.



**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 0 (2020: R 130 723) 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 being taken. The corrective action resulted in the minimisation of irregular expenditure. Some officials were put through the disciplinary hearing process.

**28.1 Irregular expenditure (continued)**

	2021 R	2020 Restated R
<i>Reconciliation</i>		
Opening balance	46 680 137	46 549 414
Add: Irregular expenditure - current year	-	130 723
Less: Amounts condoned	(46 549 414)	-
Closing balance	130 723	46 680 137

*Classification of irregular expenditure*

Deviations	15 261	215 261
Local content	-	367 080
2 quotes only	-	1 421 769
Goods, works or service were not procured through a procurement process which is fair, equitable, transparent and competitive	114 831	19 385 007
Expenditure where the points system in respect of the PPPFA was not used.	-	25 178 532
Non compliance to treasury regulations	630	112 487
	130 723	46 680 137

Condonation: The irregular expenditure to the value of R46 549 414 was investigated and condoned after taking the necessary corrective measure to ensure that it does not happen in the near future

The irregular expenditure to the value of R130 723 was investigated and submitted to the board for consideration. This irregular expenditure has been forwarded to the relevant authority requesting condonation. The decision to condon or not is not yet communicated by the relevant authority.

**28.2 Fruitless & Wasteful expenditure***Reconciliation*

Opening balance

Add: Fruitless and Wasteful - total current year

Less: Fruitless and Wasteful - write-off

Add: Fruitless and Wasteful - current year

Less: Recovered from employees - current year

*Closing balance*

**Classification of Fruitless & Wasteful expenditure**

Interest paid on overdue creditors accounts

Interest paid to SARS

Other

	2021 R	2020 Restated R
Opening balance	381 013	381 013
Add: Fruitless and Wasteful - total current year	(381 013)	-
Less: Fruitless and Wasteful - write-off	(381 013)	-
Add: Fruitless and Wasteful - current year	13 128	1 384
Less: Recovered from employees - current year	(13 128)	(1 384)
<i>Closing balance</i>	-	381 013
<b>Classification of Fruitless &amp; Wasteful expenditure</b>		
Interest paid on overdue creditors accounts	-	323 123
Interest paid to SARS	-	56 111
Other	-	1 779
	-	381 013

**Fruitless & Wasteful expenditure** to the value of R381 013 was investigated, necessary steps were taken to minimise this from happening. This amount was written-off after the recommendations were considered from management.

**29. Contingent liabilities****29.1 The COO was dismissed in October 2021 after the disciplinary action was concluded.****30. Contingent assets**

None

**31. Change in accounting policy**

None

**32. Prior period errors**

During the current year the following errors were identified and corrected in relation to prior years:

**32.1 Operating leases - as lessor (income)**

During the current year it was discovered that an incorrect disclosure was made regarding operating leases income. The disclosure was based on 109 months instead of 108 months.

	2020 Restated	
	As previously stated	As restated
<i>Reconciliation</i>		
- within one year	77 494	77 494
- in second to fifth year inclusive	302 467	302 467
- Later than 5 years	264 485	256 497
Minimum lease payments due	<b>644 446</b>	<b>636 458</b>

**32.2 Employee benefits**

During the current year it was discovered that an incorrect disclosure and classification was made in relation to employee benefits, it was disclosed as provisions of bonus and leave.

	2020 Restated		
	As previously stated	Effects of reclassification	As restated
<i>Provision</i>	<b>5 299 895</b>	<b>(5 299 895)</b>	-
Employee benefits		<b>5 299 895</b>	5 299 895
	5 299 895	-	5 299 895

	2019 Restated		
	As previously stated	Effects of reclassification	As restated
<i>Provision</i>	<b>4 556 411</b>	<b>(5 299 895)</b>	-
Employee benefits		<b>5 299 895</b>	4 556 411
	4 556 411	-	4 556 411

**32.3 Cash Flow from Operating activities**

During the current year it was discovered that an incorrect disclosure and classification was made in relation to employee benefits, it was disclosed as provisions of bonus and leave.

	2020 Restated	
	As previously stated	As restated
<b>Cash paid to suppliers and employees</b>		
Operating costs	(27 722 562)	(27 567 500)
<b>Cash generated from operations</b>		
	(3 589 122)	(3 198 544)
<b>Net (loss)/income before interest</b>	(28 679)	93 140
Adjustments for non cash items:		
Depreciation	3 856 866	3 856 866
Transfers / (Write offs) of property, plant and equipment	114 278	114 278
Impairment of trade receivables	1 519 396	1 397 577
Finance lease liability	(304 054)	-
Employee benefits	743 484	743 484
Admin fees investment	-	86 524
	-	-
<b>Changes in working capital:</b>		
Inventories	222 249	222 249
Trade and other receivables	(11 763 807)	(11 554 170)
Trade and other payables	2 051 146	1 841 509
	<b>(3 589 122)</b>	<b>(3 198 544)</b>

**32.4 Investing activities**

During the current year it was discovered that an incorrect cash flow from investing activities was disclosed. The net cash from investing activities incorrectly included movement on investment as a cash item.

	2020 Restated	
	As previously stated	As restated
Acquisition of property, plant and equipment and intangible assets	(509 101)	(509 101)
Investments made during the year	(2 348 458)	-
Interest received on investments	2 434 982	-
Net cash from investing activities	<b>(422 577)</b>	<b>(509 101)</b>

**32.5 Investing activities**

During the current year it was discovered that net cash flow from investing activities was incorrectly disclosed as cash generated from operations.

	2020 Restated	
	As previously stated	As restated
Finance leases	-	(304 054)
<b>Net cash from investing activities</b>	<b>-</b>	<b>(304 054)</b>

**32.6 Impact of prior year error**

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

**Impairment of receivables from exchange transactions:** This was as a result of error made when calculating the debtors recovery rate in 2020 amounting to R87 818.

**Payable from exchange:** This was as a result of error made when calculating the debtors recovery rate in 2020 as well as the VAT output in relation to the impairment of financial assets that was included as an expense instead of VAT output amounting to R400 566 in 2020 and R190 929 in 2019.

**Impairment of financial assets:** The provision of bad debt was made inclusive of VAT output during the previous years, this has to be corrected amounting to R 121 819 in 2020 and R 115 282 in 2019.

**Provisions:** Short term employee benefits were incorrectly reclassified as provision instead of employee benefits in relation to both leave and bonus amounting to R5 274 015 in 2020 and R4 530 531 in 2019.

**Employee benefits:** This as a result of reclassifying amount incorrectly disclosed as provision instead of employee benefits amounting to R5 299 598 in 2020 and R4 556 411 in 2019.

**General & Administrative expenses:** The bonus is in relation to the employee who left the organisation without being rated, after more than a year the employee then raised a dispute and request the payment of the bonus amounting to R20 755 in 2019.

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

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

	2020 R	2019 R
Increase/(Decrease) in assets	(87 818)	-
(Increase)/Decrease in liabilities	374 686	165 049
(Increase)/Decrease in revaluation reserve	-	-
<b>Increase/((Decrease) in net assets</b>	<b>286 868</b>	<b>165 049</b>

**Represented by:**

(Increase)/Decrease in accumulated surplus:

(Increase)/Decrease in revenue

Increase/(Decrease) in expenses

Effect on surplus/deficit

**Effect on opening reserves****32.8 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:**

**Statement of financial position**

Property, plant and equipment

Finance lease liability

Impairment of receivables from exchange transactions

Receivables from exchange transactions

Inventory

Impairment of other receivables

Provisions

Employee benefits

Payables from exchange transactions

**Statement of financial performance**

Impairment of financial assets

Cost of portable water

General & Administrative expenses

Depreciation and amortisation

Finance costs

Revenue from exchange transactions

**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.

	2020 R	2019 R
(Increase)/Decrease in accumulated surplus:	-	-
(Increase)/Decrease in revenue	(121 819)	(94 527)
Increase/(Decrease) in expenses	(121 819)	(94 527)
Effect on surplus/deficit	(165 049)	(70 522)
<b>Effect on opening reserves</b>	<b>(286 868)</b>	<b>(165 049)</b>
Property, plant and equipment	-	-
Finance lease liability	-	-
Impairment of receivables from exchange transactions	(87 818)	-
Receivables from exchange transactions	-	-
Inventory	-	-
Impairment of other receivables	-	-
Provisions	5 274 015	4 530 531
Employee benefits	(5 299 895)	(4 556 411)
Payables from exchange transactions	400 566	190 929
	<b>286 868</b>	<b>165 049</b>
Impairment of financial assets	(121 819)	(115 282)
Cost of portable water	-	-
General & Administrative expenses	-	20 755
Depreciation and amortisation	-	-
Finance costs	-	-
Revenue from exchange transactions	-	-
	<b>(121 819)</b>	<b>(94 527)</b>
<b>Effect on opening reserves</b>	<b>(165 049)</b>	<b>(70 522)</b>



## 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
<b>GRAP</b>	Generally Recognised Accounting Practice
<b>IESBA</b>	International Ethics Standards Board for Accountants
<b>ISA</b>	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)



Corporate Office  
1st Floor, Trident Park 2  
1 Niblick Way  
Somerset West  
7130

Postal address  
P O Box 1005  
Somerset Mall  
7137

Tel: +27 21 850 0372  
Email: [info@overbergwater.co.za](mailto:info@overbergwater.co.za)

RP97/2021  
2020/21 Financial Years

