

2021-2022

ANNUAL REPORT



*Provide bulk water and sanitation services
to improve quality of life and enhance
sustainable economic development*

VISION

Leading water utility that enhances value in the provision of bulk water and sanitation services

We strive to be an effectively run, public-oriented and socially accountable water utility, which has its heart and mind, focused on the provision of bulk water services. We will achieve leadership based on our performance and the sustainable value we co-create with our customers and stakeholders and continue to leave a positive legacy in our communities, region and country.

MISSION

Provide innovative, sustainable, effective and affordable bulk water and sanitation services

Our business is the provision of bulk water services – both potable and wastewater - to support government service delivery to the people of South Africa and providing water for life. This includes providing all bulk water services to our customers, facilitating integrated planning in the region, supporting municipalities and contributing to water knowledge that will lead to sustainability from source-tap-source.

STRATEGIC INTENT

Key Partner that enables government to deliver effective and efficient bulk water and sanitation services

Umgeni Water intends to be recognised as a strategic and sustainable partner of government, co-creating value through providing bulk water and sanitation services as a catalyst for local economic development and government's developmental agenda.

BENEVOLENT INTENT

Provide bulk water and sanitation services to improve quality of life and enhance sustainable economic development

Umgeni Water intends to be recognised as an organisation that has legitimate leadership and cultivates accountability. Through this people-centred approach Umgeni Water will achieve water services delivery. Bulk water services will be provided for both health and economic benefits, which contribute to addressing poverty, under-development and inequality.



DURBAN HEIGHTS WTW



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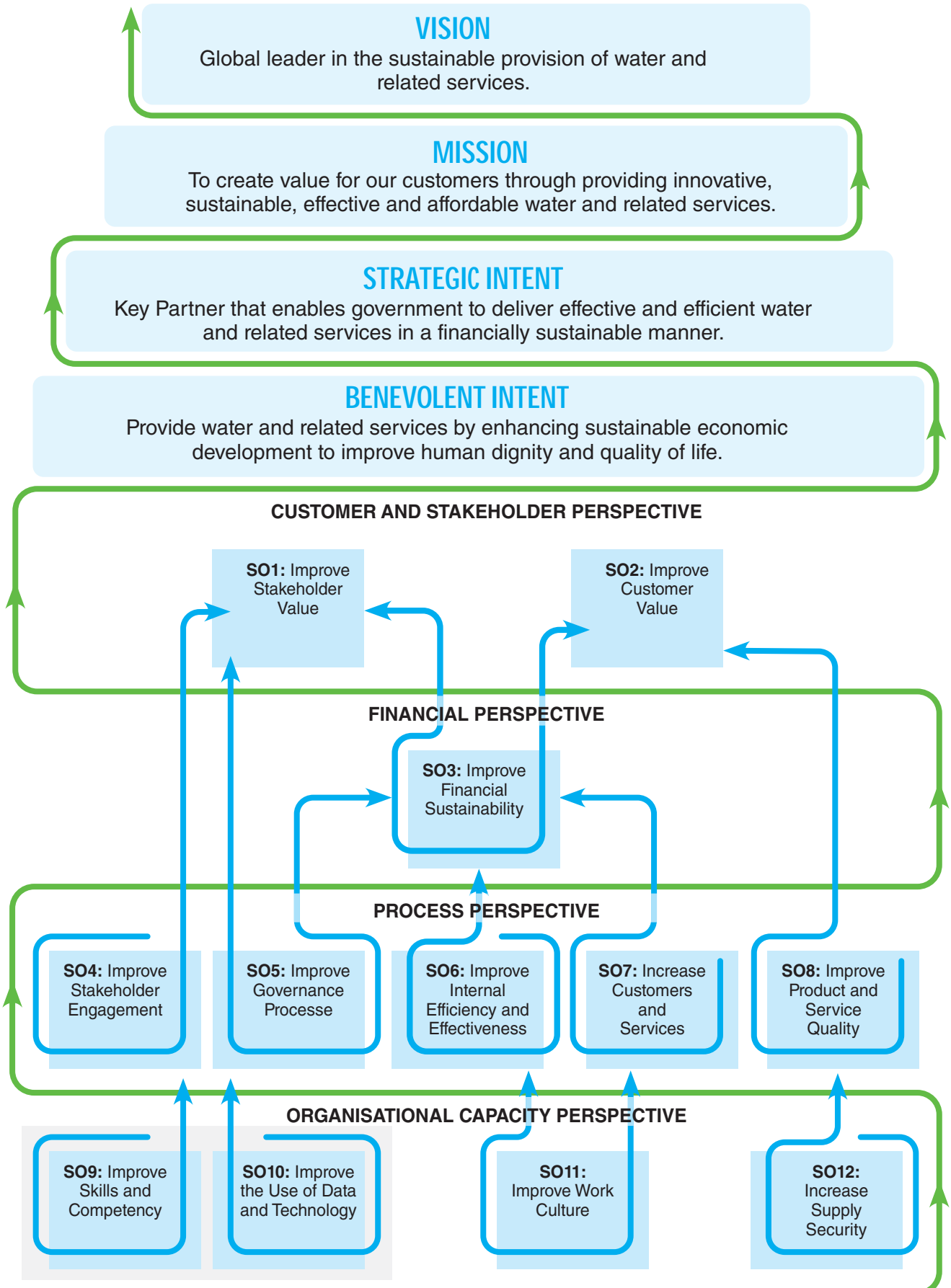
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STRATEGY MAP



SUPPLY AREA

KwaZulu-Natal has a total geographical area of 94 359 km² and is home to 11.3 million people and 2.9 million households.

A total of 54 municipalities of which 14 are Water Services Authorities (WSAs): 1 Metro; 10 DMs; and 43 LM of which 3 are WSAs.



10 REPORT PROFILE

Umgeni Water's Annual Report complies with statutory disclosure requirements of the Public Finance Management Act (Act 1 of 1999) and Water Services Act (Act 108 of 1997), as well as relevant regulations.

In addition, Umgeni Water's Annual Report is aligned to the requirements of King IV with regard to Integrated Reporting. Integration is achieved through the entity having an Integrated Strategy and a Value Creation Model based on the balanced scorecard in place that straddles four sustainability perspectives, together with Umgeni Water ensuring complete alignment with the government's outcomes approach for Performance Reporting by State-Owned Entities (SOEs).

This report further contains standard disclosures that are in accordance with the Global Reporting Initiative (GRI) Guidelines – fulfilling the GRI Comprehensive criteria. Information is included in the GRI Content Index, which is at the end of this report.

Umgeni Water has prepared annual reports every year since its establishment in 1974. This report covers the 12-month period from 1 July 2021 to 30 June 2022. This report also includes information about the water utility's subsidiaries.

The performance content of this Annual Report shows Umgeni Water's progress with meeting predetermined objectives and performance indicators as per its approved Corporate Plan and Shareholder Compact and contains an audited performance scorecard for 2021/2022.

The financial content of the Annual Report contains the audited financial statements for 2021/2022. Over the years, Umgeni Water has developed and embedded in-house processes for identifying, collecting, collating, validating and storing information used in managing its performance and work to continually improve these processes.

The assurance of the Annual Report for both financial and performance information is provided by Umgeni Water's Internal Audit and the Audit Committee of the Board. In addition, as an SOE, Umgeni Water is audited by the Auditor-General of South Africa for financial, compliance and performance information.

The scope covered by internal and external auditors is provided in the Corporate Governance chapter of this report. Core business processes, namely Potable, Wastewater Treatment and Monitoring Programmes are accredited externally in accordance with relevant internationally and nationally recognised standards.

The Annual Report content is structured to provide sufficient information to all stakeholders, including customers, regulatory bodies, investors, employees and civil society, regarding Umgeni Water's annual performance and on-going progress towards sustainable development. Specific stakeholder engagement information is contained in the Stakeholder Understanding and Support Chapter of this report, as well as throughout the report.

ADDITIONAL INFORMATION CONCERNING ALL ASPECTS OF THE REPORT AND ITS CONTENTS CAN BE OBTAINED FROM:

Umgeni Water

PO Box 9, Pietermaritzburg, 3200 or at the entity's head office, 310 Burger Street, Pietermaritzburg, 3201



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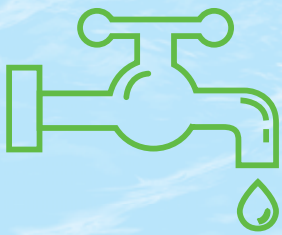
DURBAN HEIGHTS WTW

2020 ORGANISATIONAL PROFILE

2.1 LEGISLATIVE MANDATE

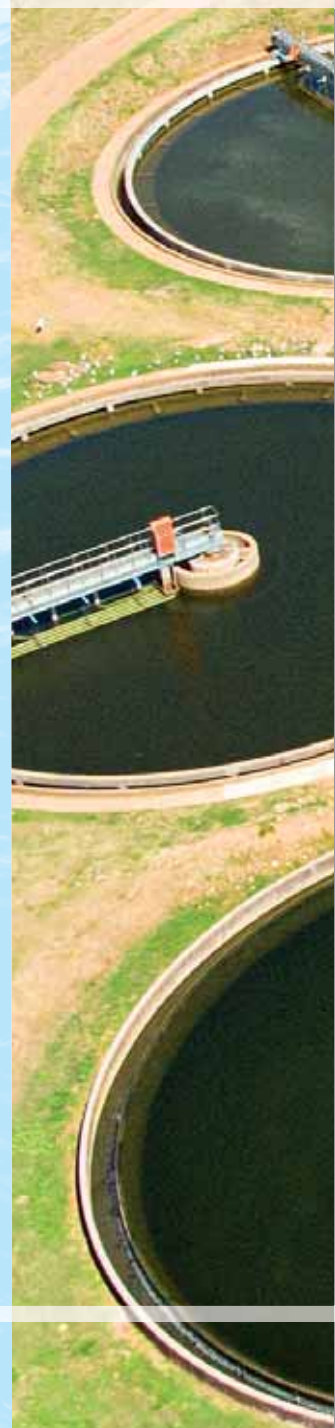
Umgeni Water is an SOE, established in 1974, to provide water and related services to other water services institutions and other customers in its gazetted service area. The entity operates in accordance with the Water Services Act (Act 108 of 1997) and

the Public Finance Management Act (Act 1 of 1999), among others, and is categorised as a National Government Business Enterprise. Umgeni Water reports directly to the Department of Water and Sanitation, through the Board (Accounting Authority) and through its functionaries, the Chairperson of the Board and the Chief Executive. The Minister of Water and Sanitation is the Executive Authority for Water Boards.



563 million m³

563 million cubic metres of potable water per annum (1 542MI/d) were supplied to customers. This is a 2% year-on-year increase as compared to the previous year.





DARVILL WWTW

2.2 ACTIVITIES OF UMGENI WATER

The primary activities of Umgeni Water, as pronounced in section 29 of the Water Services Act, are to provide water services (water supply and sanitation services) to other water services institutions in its service area.

In addition, Section 30 of the Water Services Act enables Umgeni Water to undertake other activities, provided they do not impact negatively on the entity's ability to perform its primary activity. They include:

- 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 the water for household purposes;
- 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 – 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.

Umgeni Water has 100% investment in two subsidiaries, namely Msinsi Holdings and Umgeni Water Services

2.3 SUPPLY AREA AND CUSTOMERS (SHOWN ON MAP)

KwaZulu-Natal is the gazetted supply area of Umgeni Water and Mhlathuze Water, which straddles a total geographical area of 94 359 km² and is home to 11.1 million people and 2.9m households.

KwaZulu-Natal comprises one Metropolitan Municipality, 10 District Municipalities and 43 Local Municipalities. A total of 14 of these municipalities are Water Services Authorities (direct retail customers) as defined in the Water Services Act.

In the reporting period, Umgeni Water focused on service delivery and largely derived revenues from seven customers:

- eThekweni Metropolitan Municipality;
- iLembe District Municipality;

- Ugu District Municipality;
- Harry Gwala District Municipality;
- uMgungundlovu District Municipality;
- Msunduzi Municipality;
- King Cetshwayo District Municipality.

Umgeni Water's customers are spread across more than 39% of KZN's geographical area and home to more than 52% households.

Umgeni Water's infrastructure assets in support of its bulk water services business comprises:

- Approximately 930km of pipelines and 53km of tunnels;
- Fourteen impoundments;
- Forty-eight water treatment works;
- Eleven wastewater treatment works.

2.4 STRUCTURE OF UMGENI WATER

The Umgeni Water Group consists of a parent entity with two small subsidiaries.

The Executive Committee is the top management structure of Umgeni Water Parent comprises of one Chief Executive and four Chief Officers (i.e. Chief Operating Officer, Group Chief Financial Officer, Group Chief Shared Services Officer and Group Chief Governance & Compliance Officer). The Group Company Secretary and the Chief Audit Executive are ex officio members of the Executive Committee. The Chief Executive guides the day-to-day activities of the entity with powers delegated to him by the Board.

The non-executive Board is the Accounting Authority and provides strategic leadership to the Executive Committee. The Board is appointed by the Minister of Water and Sanitation.

With respect to the subsidiaries, Umgeni Water has 100% shareholding in Msinsi Holdings SOC Ltd and Umgeni Water Services SOC Ltd.

The Umgeni Water Group as at 30 June 2022 comprised:

- A head count of 1 343 employees;
- Revenue for the year of R4.9 billion with R1.2bn net surplus generated;
- Balance sheet asset value of R16.2bn with reserves totalling R13.2bn.

STRUCTURE OF UMGENI WATER



PARLIAMENT
OF THE REPUBLIC OF SOUTH AFRICA



water & sanitation
Department:
Water and Sanitation
REPUBLIC OF SOUTH AFRICA



Msinsi Holdings
SOC Ltd. (100%)



Umgeni Water Services
SOC Ltd. (100%)



Durban Water Recycling
(Pty) Ltd. (18.5%)

UMGENI WATER STRATEGY OUTCOMES



1. PRODUCT QUALITY (WATER AND WASTEWATER)

Achieved when Umgeni Water produces potable water and wastewater in full compliance with statutory and reliability requirements and consistent with customer and environmental needs

2. WATER RESOURCES ADEQUACY

Achieved when Umgeni Water assesses the scarcity of freshwater resources, investigates sustainable alternatives, manages water abstractions assiduously and has access to stable raw water resources to meet current and future customer needs.



3. OPERATIONAL OPTIMISATION

Achieved when Umgeni Water has on-going, timely, cost-effective, reliable and sustainable performance improvements in all facets of its operations, minimises resource use, loss and impacts from day-to-day operations and maintains awareness of information and operational technology developments to anticipate and support timely adoption of improvements



4. CUSTOMER SATISFACTION

Achieved when Umgeni Water provides reliable, responsive and affordable services in line with explicit, customer-agreed service levels and receives timely customer feedback to maintain responsiveness to customer needs and emergencies.



5. STAKEHOLDER UNDERSTANDING AND SUPPORT

Attained when Umgeni Water engenders understanding and support from statutory, contracted and non-contracted bodies for service levels, tariff structures, operating budgets, capital improvement programmes, risk management decisions and water resources adequacy.



6. FINANCIAL VIABILITY

Achieved when Umgeni Water understands the organisational life-cycle costs and maintains a balance between debt and assets while managing operating expenditures and increasing revenues. In addition, the organisation aims at a sustainable tariff that is consistent with customer expectations, recovers costs and provides for future expansion.



7. INFRASTRUCTURE STABILITY

Achieved when Umgeni Water's understands the condition and costs associated with critical infrastructure assets and maintains and enhances the condition of all assets over the long term. This is done at the lowest possible life-cycle cost and acceptable risk levels, is consistent with customer service and statutory-supported service levels, and consistent with anticipated growth and system reliability goals. The organisation further assures that asset repair, rehabilitation, and replacement efforts are co-ordinated to minimise

8. OPERATIONAL RESILIENCE

Achieved when Umgeni Water's leadership and staff work together to anticipate and avoid problems and proactively identify, assess, and establish tolerance levels for, and proactively and effectively manages a full range of business risks, consistent with industry trends and system reliability goals



9. COMMUNITY AND ENVIRONMENTAL SUSTAINABILITY

Achieved when Umgeni Water is explicitly cognisant of and attentive to the impacts it has on current and future community sustainability, supports socio-economic development, and manages its operations, infrastructure, and investments to protect, restore, and enhance the natural environment, while using energy and other natural resources efficiently.

10. LEADERSHIP AND EMPLOYEE DEVELOPMENT

Achieved when Umgeni Water is a participatory, collaborative organisation dedicated to continual learning and improvement, recruits and retains a workforce that is competent, motivated, and adaptive and works safely, ensures institutional knowledge is retained and improved; provides opportunities for professional and leadership development, and creates an integrated and well-co-ordinated senior leadership team.



STRATEGIC STATEMENTS OF UMGENI WATER AND ITS FUNCTIONAL DIVISIONS

UMGENI WATER

We will lead the process of providing solutions through an innovative, vigorous growth path, to increase sustainable water supply in order to satisfy the developmental water services requirements in our region, which contribute to the government's objectives.

BOARD

We will consider internal and external factors, consult with stakeholders, develop a strategy, authorise implementation, manage resources, manage risks and oversee implementation, to produce a valid and approved strategic plan, deliver on strategic objectives and provide sound corporate governance, to achieve our vision and mission in order to contribute towards the government's objectives.

CHIEF EXECUTIVE OFFICE:

We will position and lead the organisation, plan activities and allocate resources, implement strategy, champion corporate governance, partner with stakeholders to deliver organisational objectives, to achieve a well governed, vibrant, committed, sector-relevant and engaged organisation that delivers on its mandate.

OPERATIONS:

Provide and ensure security of supply of high quality water, wastewater and related services to ensure customer satisfaction.

GOVERNANCE & COMPLIANCE

Provide combined assurance, champion corporate governance, risk and legal compliance within the Group.

FINANCE:

Provide agile financial resources in support of the organisation to achieve sustainable growth and competitive advantage in the provision of water and related services within the relevant governance framework.

SHARED SERVICES:

A key partner in the provision of strategic support by enabling a conducive, innovative, transformative and sustainable environment for the organisation to be recognised as a global water brand.



DURBAN HEIGHTS WTW

30 MINISTER'S FOREWORD

“Umgeni Water is to be commended on the quality of water delivered to municipalities and progress made with bulk water infrastructure developments, for both economic growth and increasing access to rural areas.”



Mr Senzo Mchunu
Minister of Water and Sanitation

South Africa continues to face tremendous challenges in its plight to address the imbalances of the past in every aspect of ensuring that the people enjoy the fruits of being citizens of this beautiful country, as enshrined in the Constitution. The challenges currently plaguing the water sector are well documented. These include, but not limited to: water resource inadequacy (both quality and quantity) linked to the effects of climatic variability and other human-induced impacts; inadequate water infrastructure maintenance, funding and financing; and the scarcity of sufficiently experienced professionals. In addition to the above, the water sector has had to deal with other serious challenges such as COVID-19.

The recent floods that devastated various parts of the country and KwaZulu-Natal in particular, caused significant damage in infrastructure and caused a major setback on the lives of the people affected. I wish to take this opportunity to express my sincere condolences to the families of those who lost loved ones in the floods. We would also like to express empathy for all those who are still without water and sanitation services

due to the floods, and to assure them that we are working as fast as possible to restore these services.

Immediately after the floods, the Department established a water and sanitation War Room, together with the worst-affected municipalities and other key stakeholders. Good progress has been made with regards to the restoration of water supply but there has been immense damage to water and sanitation infrastructure. I must however commend Umgeni Water, together with other role-players, in the way they handled the recovery, while maintaining operational continuity.

The level of success achieved by the central Water Command Centre, which was established to combat the spread of COVID-19 by providing much needed access to water and sanitation in human settlements and rural areas, also assisted in providing temporary in some of the areas that would have otherwise had to wait for safe drinking water for longer, had it not been for the emergency water solutions provided. This

however does not mean, permanent solutions to these areas will not continue to be pursued. As a sector, we will continue to work in earnest towards.

Some of the measures to address the already existing water challenges in the country include the implementation of projects on alternate sources to decrease reliance on surface water as per National Water and Sanitation Master Plan, together with the urgent construction of our major KwaZulu-Natal projects such as the Umkhomazi Water Project. The Umkhomazi Project will assist in augmenting the uMgeni Water supply system and benefit eThekweni Metropolitan Municipality, Msunduzi Municipality, the uMgungundlovu, the Ugu, the iLembe and the Harry Gwala District Municipalities.

One of the challenges faced by the country is the incapacity of municipalities to deliver water and sanitation services and the lack of resources to replace old and dysfunctional infrastructure. This requires a consideration of as many delivery mechanisms as possible, because the need for the services now seems as if it's a moving target, in light of the unexpected happenings such as the pandemics and the weather phenomenon. One such delivery mechanism is the reconfiguration of water boards to enable them to provide water and sanitation services with limited differentiation between bulk and reticulation. We have instances where bulk water has been made available, but getting the water to the much needed places such as the households becomes a problem. This includes those households around the dams and schemes. There needs to be a deliberate shift from bulk to reticulation to get the water to the people as a matter of urgency.

The Department is also in the process of upscaling the rate of partnerships with the private sector, as opposed to the tendering process, as a way of speeding up delivery. Several old relationships have already been revived and are already showing results. These efforts are in line with the National Water and Sanitation Master Plan, which was launched in November 2019. The Master Plan's programme of action focuses on the '3 Is' that are recognised as the core of water security:

- **Institutions** (Water boards, CMAs etc.): The delegation of some of the activities of the Department of Water and Sanitation such as the development and operation of major infrastructure systems, the regulation of the use and protection of water resources, as well as support for municipalities, to new specialised organisations. This can

now be seen in the active efforts at reconfiguring water boards.

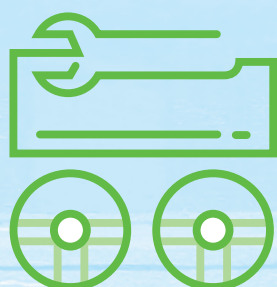
- **Investment** (infrastructure funding and capital private finance): Infrastructure investment must be guided by our strengthened long term planning capabilities to unlock economic growth.
- **Information:** Strengthen the information system and networks to be more inclusive, thereby ensuring co-operation of sector institutions and their users. We want to make South Africans more protective and proactive in safeguarding water security. Water should be everyone's business.

Transformation is a non-negotiable, particularly because the water sector has, over the past 20 years, failed to deliver on its mandate for water allocation reform, or the reallocation of water to black water users. This, along with land reform, remains a major challenge facing the country, and is part of Government's Economic Recovery Plan.

This Master Plan embodies the policies and infrastructure designs to render to South Africa the water security for generations to come. The Master Plan further articulates the prioritised actions and investments the country must implement between now and 2030 to overcome challenges and to ensure water secure future supporting inclusive development across the country. Due to the dynamic nature of the target as mentioned already mentioned, the support of all affected stakeholders is necessary. This would ensure that the impact of some of the projects already being done is felt, and potential investors are not deterred from considering the country as an investment destination.

Umgeni Water is to be commended on the quality of water delivered to municipalities and progress made with bulk water infrastructure developments, for both economic growth and increasing access to rural areas. Umgeni Water has a series of infrastructure developments at various stages of completion and these will aid in reducing the supply inequality gap that the previously unserved rural communities have had to endure over time.

Pollution by sewage and trade effluent remains a big problem in our catchments countrywide. During this reporting period, significant progress has been made with the upgrade of the Darvill Wastewater Treatment Works and completion of this project is projected for November 2022.



R299 million

consistently invest in asset maintenance in accordance with the asset management strategy and implementation plan. Over the years Umgeni Water has continued to maintain its assets and on average invests 6.6% of its revenue on asset maintenance.

Water and sanitation serve as an important means of uniting South Africa through alleviating poverty, fuelling economic development and creating employment. Umgeni Water has contributed to job creation and economic transformation during this reporting period, through its successful capital infrastructure development programme and implementation of several other programmes that are developing young professionals and women employees.

Umgeni Water as a state-owned entity remains responsive to the Developmental Agenda of the Republic, whilst maintaining principles of good leadership and ensuring economic transformation, service delivery excellence and financial sustainability.

The entity's Executive Management, guided by the Board successfully implemented the strategy and ensured that Umgeni

Water significantly met its performance and financial targets for the year. Umgeni Water personnel are to be commended for the competent, steadfast and resilient manner in which they serve the entity to achieve these results.

In the coming period, I commit myself and the Department to continue to provide the necessary shareholder support and political guidance to Umgeni Water, and the entire water sector.

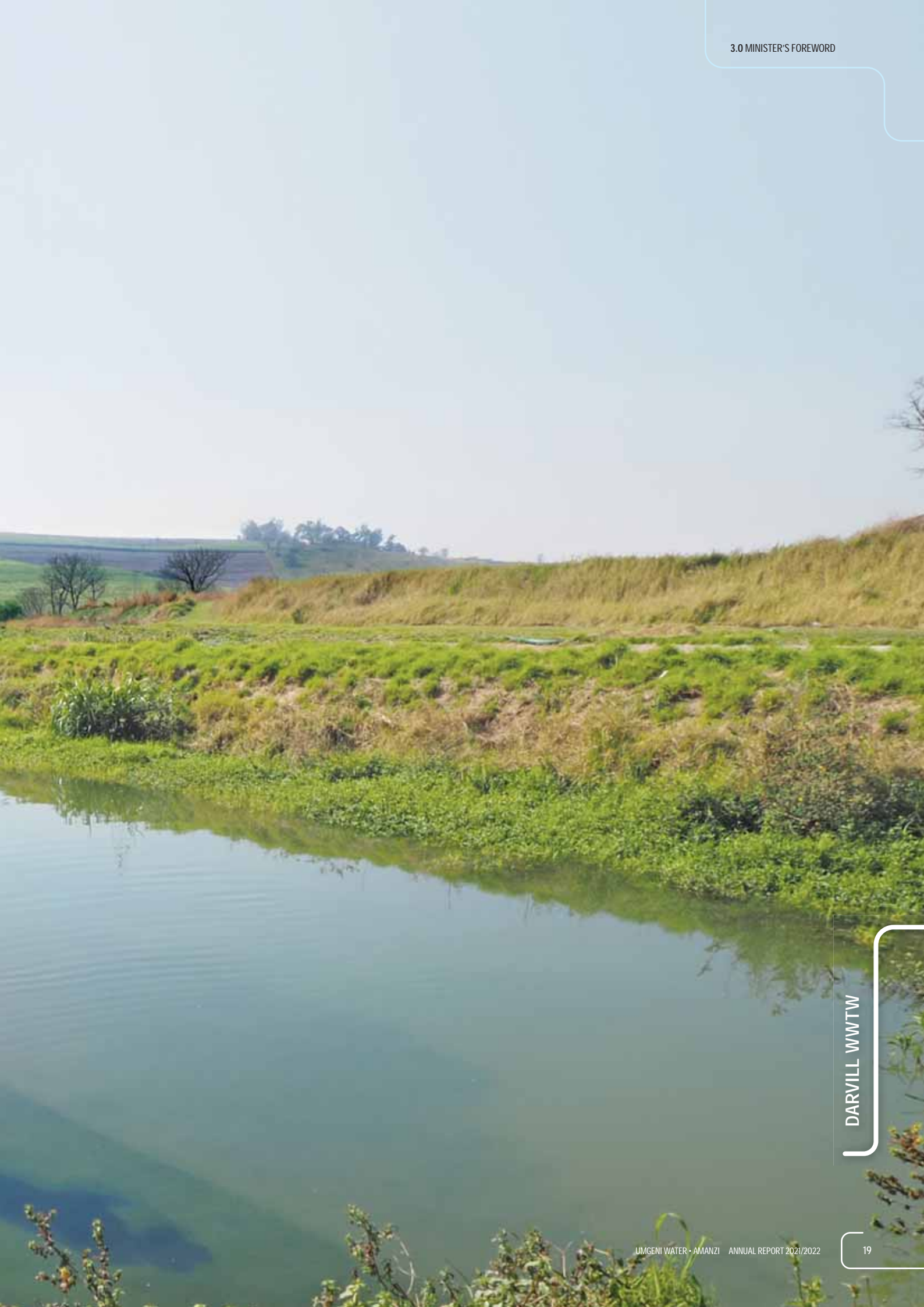


MR SENZO MCHUNU

Minister of Water and Sanitation

5 September 2022





40 CHAIRPERSON'S REPORT

In the financial year under review, revenue grew by 8.4%. This is a vote of confidence in the product that is purified at and supplied from Umgeni Water's treatment plants. Despite a zero percent increase in the tariff for potable water, Umgeni Water was able to record a profit of R1.22 billion.



Ms Ziphazethu Mathenjwa
Chairperson: Board of
Umgeni Water

After perusing the contents of this Annual Report on behalf of the Accounting Authority, I am satisfied that the information contained in it, is in line with stipulations of the Public Finance Management Act No 1 of 1999 and the Water Services Act No 108 of 1997. Furthermore, Chapter 44 of the Water Services Act requires that an Annual Report's narrative on activities in the year under review must be accessible to the public. This will be met when presentations on annual performance results are done at sessions attended by stakeholders, including the media and civil society formations.

1. THE EXTERNAL ENVIRONMENT: ECONOMIC, POLITICAL AND SOCIAL

Warm greetings from the Board of Umgeni Water. It is indeed a pleasure to present this review of Umgeni Water's performance outcomes for the financial year 2021-2022,

together with observations of the trading and operating environments in which Umgeni Water conducts its core business. This review also contains commentary and observations about contemporary developments, globally and nationally. Before I commence with assessment of performance and associated matters in the period under review, on behalf of the Board of Umgeni Water I want to congratulate Ms Nomusa Dube-Ncube on her appointment as the Premier of KwaZulu-Natal. An effective leader, Ms Dube-Ncube has had a long career in public life, having served as a diplomat, a Mayor, a MEC and now as Premier. Ms Dube-Ncube has a strong association with KwaZulu-Natal, which makes her familiar with the challenges, opportunities and priorities of the Province. This will hold her in good stead as she executes her functions as the 9th Premier. The task she faces should not be underestimated, especially when seen against the backdrop of high levels of poverty and rising expectations of economic recovery and job creation. Ms Dube-Ncube has both the ability and experience to

negotiate at the highest levels in order to resuscitate interest in KwaZulu-Natal as a preferred investment destination.

As a major Strategic Stakeholder of Umgeni Water, the Government of KwaZulu-Natal has a significant role to play in guiding and working with Umgeni Water to create an enabling environment for extension of water services to all the people of KwaZulu-Natal. Synergies already exist between the KwaZulu-Natal Government and Umgeni Water through alignment of strategies, collaboration with the Planning Commission and development of a Universal Access Plan that identifies infrastructure required for abstraction, treatment and supply of potable water in bulk. Umgeni Water wants to deepen this co-operation with the KwaZulu-Natal Government so that every household and every person will have easy access to safe drinking water.

Change has also been ushered in at the Executive level in the administration of the Department of Water and Sanitation with the appointment of Dr Sean Phillips as Director-General. Dr Phillips is welcomed into the family of water sector institutions and Umgeni Water has begun working with him on various fronts, including implementation of major projects that will enhance security of water supply and allow un-served or under-served communities access to potable water that complies with South African National Standards 241 for drinking water quality.

Warm congratulations are also extended to Councillors on their election or re-election to municipalities, following the local government elections of 1 November 2021. Best wishes are extended to new Mayors, new Deputy Mayors and other municipal political leaders as well. There is no question that the domestic environment is in the grip of challenging times, in part anchored on increasing demands for effective and efficient service delivery. The leaderships of municipalities have their work cut out for them, but there is a commitment to serve with passion so that a meaningful difference is made to the lives of the citizens of our Province. The truth is that leaders do not have time on their side; that means programmes for socio-economic development and community upliftment will have to be rolled out with a sense of urgency.

Umgeni Water is looking forward to working with its municipal customers and other municipalities in partnerships and

in collaborative planning for extension of water services and for ensuring that such services are sustainable and affordable. Umgeni Water's expertise is also available to assist municipalities with water conservation and demand management and to advise on revenue enhancement. In the months ahead, as interactions with municipalities are intensified, the full range of services Umgeni Water has to offer will be shared as added value to existing contracts.

In preparation for expansion of Umgeni Water's footprint and partnerships with more Water Services Authorities, Umgeni Water has begun the process of rigorous implementation of Strategy: Vision 2050, a three-decade road map that has been designed to propel Umgeni Water into a phase of further business development and market penetration.

2. THE INTERNAL ENVIRONMENT: PREPARING FOR A DIVERSIFIED FUTURE

2.1 BRINGING THE MACRO STRUCTURE TO A STATE OF READINESS FOR GROWTH

In support of the strategic priorities for the future, four significant developments have occurred. They are:

- I. The macro/top Executive structure has been recalibrated in order to ensure it is able to drive the organisation's positioning for future market expansion and to meet market needs. As a key feature, it involved adoption of a fit-for-purpose model in which personnel with requisite qualifications, skills and experience were matched and appointed to the most senior positions;
- II. Forging of closer collaboration and synergies between Umgeni Water, the parent entity, and its wholly owned subsidiary Msinsi Holdings SOC Ltd. The subsidiary's key functions are management of water resources and delivery of ecotourism products in areas where Umgeni Water-owned and Umgeni Water-managed dams are situated, as an extension of the value chain of water services delivery;



Twelve (12) Umgeni Water bulk water supply systems complied the EXCELLENT level of SANS 241:2015 in all five risk categories

- III. Similarly, capacitation of another Umgeni Water subsidiary, Umgeni Water Services, in order for it to ultimately become the fully-fledged commercial business arm of Umgeni Water. Non-core marketing and business development initiatives, permissible in terms of Section 30 of the Water Services Act, will reside within this entity while core functions, as prescribed in Section 29 of the Water Services Act, will remain within the domain of Umgeni Water, and
- IV. Establishment of a Learning Academy, which will be an institution for further learning and development of Umgeni Water staff. Equipping them with additional or appropriate training and academic qualifications will open opportunities for career advancement or changes, within or outside of the organisation. Importantly, the Learning Academy will also be open to municipalities that may want to send their staff for additional training or to learn new skills that can be used to strengthen and improve service delivery.

2.2 THE IMPACT OF THE RUSSIA-UKRAINE CONFLICT IS BEING FELT EVERYWHERE

At this stage, Umgeni Water's operating environment remains in a fragile state. This predicament was the consequence of stagnant economic conditions, brought on initially by a recession and later by the rapid spread of the coronavirus. As COVID-19 infections began stabilising and reducing in South Africa and the rest of the continent, another world-shattering phenomenon occurred when Russia went to war with its neighbour Ukraine, unleashing a humanitarian crisis, escalating crude oil prices and astronomical increases in the cost of basic food items.

The world remains on the brink of a global economic recession. Employers and employees alike are seriously affected through loss of production because of scarce or unaffordable manufacturing material. Limited grain exports from the ports of Ukraine, after successful intervention by the United Nations and Turkey for Russia to lift its blockade, have provided a glimmer of hope for the increased availability of lower-priced basic food items, among them cooking oil. However, food inflation remains stubbornly high and is being sustained by unprecedented crude oil and fuel prices. Millions of people are trapped in the vicious cycle of inadequate food or starvation created by affordability, and this is of great concern because of its potential as a tinderbox that could ignite easily.

Domestically, it is most welcome that conditions have been created for a return to normality through, first, lifting the COVID-19-related National State of Disaster and subsequent repeal of the remaining COVID-19 restrictions, among them

mandatory wearing of masks and restrictions on number of people allowed in a gathering. This will assist greatly in accelerating business activity, thereby creating the conditions for an economic turnaround that is desperately needed for job creation. An improved economic climate will be the catalyst for municipalities to make strides in revenue collection; it will also provide the fundamentals required for business growth and expansion into existing and new markets.

3. KEY PERFORMANCE OUTCOMES: 2021 – 2022

The following are highlighted to illustrate the strategic value Umgeni Water brings to its Shareholder (the Minister of Water and Sanitation), the Provincial Government of KwaZulu-Natal, customers and the population of KwaZulu-Natal. Elsewhere in this Annual Report there are other narratives relating to performance that are reported on comprehensively.

3.1. COMMITMENTS AND COMPLIANCE REQUIREMENTS MET

Umgeni Water's commitments, as contained in various contractual documents and the Shareholder Compact, were fulfilled again, steering the organisation again on the path of sustained positive financial performance and growth. Other significant outcomes were ongoing implementation of infrastructure to meet present and future demands and compliance with potable water quality standards as prescribed by South African National Standards (SANS) 241 for drinking water quality.

3.2. KEY FINANCIAL OUTCOMES

In the financial year under review, revenue grew by 8%, supported by 2% increase in sales and 5% tariff increased. This is a vote of confidence in the product and a reflection that the water treated and supplied by Umgeni Water remains affordable. The cumulative effect was a profit of R1.22 billion. Prudent cost containment, reduced interest payment and reprioritisation of some projects also contributed to the positive financial position. The trend over the past six financial years points to an upward trajectory in sales, which is a strong indicator of increase in demand and consumption.

3.3 INVESTMENT IN NEW PROJECTS AND MAINTENANCE

By the end of June 2022, a total of 18 water and wastewater projects were at various stages of project lifecycle and R1,934 billion was spent on implementation of new projects and maintenance and upgrade of projects. Major outcomes of this

were job creation, empowerment of Black-owned and Black women-owned business enterprises and provision of vital support to local economies through procurement of goods and services. This investment will assist in enhancing security of water supply and it will enable many more households to receive a reliable supply of good quality drinking water, some for the first time. Expenditure of this nature was made possible through the strong financial position of the organisation and its good standing among investors and lenders, who are keen to fund various projects. The five-year Capital Expenditure funding requirements are estimated at approximately R13 billion. The Board of Umgeni Water is convinced that the investment community will be keen to participate as funders.

3.4. MINISTERIAL INTERVENTION GIVES IMPETUS TO THE UMKHOMAZI WATER PROJECT

New impetus has been given to reaching agreement on construction of the uMkhomazi Water Project, discussions over which had stalled because consensus was not reached on the tariff that would be levied for water supplied from this scheme. The municipalities that will benefit from this scheme – eThekweni Metro, Msunduzi Local Municipality, uMgungundlovu District Municipality, iLembe District Municipality, Harry Gwala District Municipality and Ugu District Municipality – expressed concern over the ultimate cost of water from it and were of the view that fiscal support was required. The consequence of this stalemate was that water user agreements remained unsigned and, therefore, the Trans-Caledon Tunnel Authority and Umgeni Water could not begin the process to raise funding for their portions of the project. The Trans-Caledon Tunnel Authority will implement the scheme's raw water component while Umgeni Water will construct the potable water segment.

It is imperative that conclusion of agreements is accelerated as construction delays have already resulted in escalating project cost, concerns over water security and negative impact on economic growth. The Mgeni System is in deficit and could face water restrictions if an intervention, such as the uMkhomazi Water Project, is not implemented with a sense of urgency. This scheme will bring new water into the network, thereby allowing supply from it to eThekweni Metro's Western Aqueduct. This change in supply source will free up water in the Mgeni Water system so that additional water can be provided to Umgeni Water's other customers.

In order to remove hurdles, intense discussions took place between the Technical Steering Committee for this project and municipalities and later the Political Steering Committee and the political leadership of these municipalities. The Technical Steering Committee is headed by the Director General of the

Department of Water and Sanitation, Dr Sean Phillips, while the Political Steering Committee is chaired by the Minister of Water and Sanitation, Mr Senzo Mchunu. Substantial progress has since been made in implementing the guidance given by the Political Steering Committee and in addressing the issue of affordability. A breakthrough achieved is contained in a proposal that fiscal support amounts to 50%, made up of 25% grant from the Budget Facility for Infrastructure to cover project costs and 25% interest-free loan from the Infrastructure Fund. This level of fiscal intervention is predicted to slash the tariff by approximately two-and-a-half times, which may then make it possible for municipalities to sign water user agreements.

The Budget Facility for Infrastructure will now take the process forward with a recommendation to the Medium-Term Expenditure Committee and the Ministers' Committee on the Budget on the funding model. Once the user contracts are finalised, the Section 33 Municipal Finance Management Act public participation process will be initiated. This section of the legislation pertains to a municipal financial contractual obligation exceeding three years and the nature of engagement that has to be undertaken.

Timelines for this project are:

- Appointment of professional service provider: 2022/2023
- Source long-term funding: April 2023
- Construction begins: 2024/2025
- Construction ends: 2028

3.5. OTHER INFRASTRUCTURE PROJECTS REMAIN ON TRACK

Progress is also being made with the Lower uMkhomazi Bulk Water Supply Scheme; additional phases of the uMshwathi Regional Bulk Water Supply Scheme and the Greater Mpofana Bulk Water Supply Scheme. Earthworks are being undertaken in Cragieburn, in south of Durban, where a water works is to be constructed as part of the Lower uMkhomazi Bulk Water Supply Scheme. Earthworks are also at an advanced stage for construction of the off-channel Ngwadini storage dam in the Umkhomazi River catchment area, which will also be part of the uMkhomazi scheme. A multitude of challenges had been encountered with various interest groups concerning allocation of Contract Participation Goal sub-contracts; however, the Board is convinced that they will be resolved with support from municipal political leadership. The Lower uMkhomazi Bulk Water Supply Scheme will serve parts of the eThekweni and Ugu regions, from Amanzimtoti to Hibberdene. The other two projects – uMshwathi Regional Bulk Water Supply Scheme and the

Greater Mpofana Bulk Water Supply Scheme – will serve peri-urban and rural communities within iLembe and uMgungundlovu respectively.

3.6. ENGAGEMENTS WITH STAKEHOLDERS ON CRUCIAL ISSUES

The organisation continued to fulfil its pledge to share information with its stakeholders in a transparent manner. In this regard, the proposed bulk potable water tariff for FY 2022/23 was presented to customers and other stakeholders. In addition, engagements took place separately with all customers on strategically important matters, among them the status of water resources, infrastructure projects for development to support their reticulation systems and an ongoing, and now serious, problems relating to encroachment onto servitudes that house bulk raw and potable water infrastructure.

3.7. MINISTERIAL INTERVENTION IN UGU SEEKS PROBLEM SOLVING FROM UMGENI WATER

Engagements took place with the Minister of Water and Sanitation, Mr Senzo Mchunu; the Deputy Minister of Water and Sanitation, Mr David Mhlobo; the then Premier of KwaZulu-Natal Mr Sihle Zikalala; the MEC for Economic Development, Tourism and Environmental Affairs at the time, Mr Ravi Pillay, and the Mayor of Ugu, Ms Phumlile Mthiyane, on water challenges in parts of the Ugu District. The areas affected by water shortages or erratic supply are served by the Ugu District Municipality as both the Water Services Authority and Water Services Provider. The discussion was arranged at the request of the Minister for Umgeni Water to collaborate with Ugu District Municipality in identifying quick solutions that will improve water services provision. A War Room, established at the request of the Minister, meets weekly to track progress with implementation of solutions.

3.8 MINISTERIAL INTERVENTION IN BIZANA PAVES THE WAY FOR UMGENI WATER AS IMPLEMENTING AGENT

Minister Mchunu has also intervened in Bizana, Eastern Cape, where he directed that Umgeni Water be appointed implementing agent for the second phase of the Greater Mbizana Regional Bulk Water Supply Scheme. Water and sanitation challenges in Bizana were discussed at a workshop convened and chaired by Minister Mchunu at the Winnie Madikizela Local Municipality in Bizana. Phase 2 will provide water to communities in the east of Bizana, from Mzamba on the border of KwaZulu-Natal. In the absence of proper water supply, these communities access water from rudimentary and non-conventional schemes, among them boreholes and rain harvesting. Umgeni Water implemented Phase 1 of

the Greater Mbizana Regional Bulk Water Supply Scheme, comprising construction of the Ludeka Dam, upgrade of the Nomlacu Water Works and construction of some reticulation infrastructure. Ludeke Dam is operated and managed by Umgeni Water on behalf of the Department of Water and Sanitation.

3.9. MAJOR FOCUS ON SKILLS DEVELOPMENT AND TRAINING

Training and development of new skills were major focus areas during the year under review, in line with the employer's pledge to create opportunities for staff to become multi-skilled so that they will be able to compete on an even keel for work opportunities that may become available within the organisation or elsewhere. Training and development opportunities were available for graduates through programmes with National Treasury and tertiary institutions.

3.10. TRAGEDY-STRUCK FAMILY GETS A HELPING HAND FROM UMGENI WATER

On Mandela Day, members of the Board, Group Chief Officers, Executives and Staff of Umgeni Water made their way to Maphumulo to be with the Ncalane family, who faced enormous hardship following the tragic loss of seven members of the same family through drowning in the iMvutshane Dam five years ago. The vehicle they were travelling in plunged into the dam after crashing into a concrete barrier of the bridge causeway over the dam.

The remaining members of the family had been living under difficult conditions and made an appeal to various organisations to help them improve the quality of their lives. There was no response to their appeal. They then contacted Umgeni Water, and the Executives were touched by their plight. A decision was taken to construct a house for them, without in any way accepting or inferring Umgeni Water responsibility for the vehicle landing in the dam. The dam is managed by Umgeni Water.

A modern and substantial house was built to the standards of the Department of Human Settlements and completed in July 2022. It was handed over to a representative of the Ncalane family by the Chairperson of the Board, Ms Ziphozethu Mathenjwa, in presence of a large crowd, including politicians from the KwaZulu-Natal Provincial Government, the iLembe District Municipality and the media. There was great excitement and joy as the Ncalane family member received the house, ending for them many years of living in trying conditions.

In addition, the tertiary education of a member of the Ncalane family is being financed by Umgeni Water. She is studying towards an electrical trade test at a TVET college.

It was heart-warming to have made a difference, to the extent that the family now have proper accommodation and a young person is developing a career as an electrician. This is in line with the philosophy of Madiba, and an act of compassion that will be life changing.

The house provision project involved a significant amount of work, from inception, to construction and finally completion. Staff of Umgeni Water handled this initiative with passion and care, for which gratitude and thanks are expressed. It was hard work that made it possible to bring some comfort to the family; it also illustrated that staff of Umgeni Water are able to translate into action the organisational ethos of a caring corporate citizen.

3.11 30-DAY PAYMENT TO SERVICE PROVIDERS UNDERSCORES FAIRNESS AND RESPECT

In supporting sustainability of small business, the Board has set the benchmark at Umgeni Water. There is widespread acceptance within the organisation that commitments made by the Board that service providers would be paid within the mandatory 30 days from receipt of invoice would be enforced as a fundamental requirement for instilling a culture of fairness and respect for businesses that render services to Umgeni Water. The stage has been reached within the organisation where there is full understanding of the serious consequences of delayed payment, which has already been seen in many businesses experiencing cash flow crunch and exposure to risk of closure. It is for this reason that the Board has made its position clear – that Umgeni Water's commitment is to help businesses grow to become significant players in the mainstream economy. Making payment within 30 days of receiving an invoice is one and an effective way of promoting and supporting small, medium and micro enterprises. It also ensures compliance with National Treasury Regulation 8.2.3 that pertains to settlement of payment within 30 days. There is concern at National Treasury about the emerging trend of default on 8.2.3 among some entities of State, which could result in financial misconduct. The concern expressed by National Treasury is being taken seriously at Umgeni Water, therefore, the process of acclimatising and compliance within the organisation continues to occupy top-of-mind presence.

3.12 BOARD HOSTS REPRESENTATIVES OF THE REPUBLIC OF CÔTE D'IVOIRE

Two representatives of the Government of the Republic of Côte d'Ivoire, Ambassador Mr Sakaria Kone and Councillor

Mr Logon, were hosted by Umgeni Water at the Lower Thukela Bulk Water Supply Scheme in Mandini, iLembe District, where information was shared with them about the Lower Thukela Bulk Water Supply Scheme, its supply area and population served. This plant was selected because the visitors wanted to know more about operation, management and maintenance of large schemes.

The Chairperson of the Board led the Umgeni Water delegation. A presentation was done on the Lower Thukela Bulk Water Supply Scheme, a flagship project of Umgeni Water, and this was followed by an inspection of the plant. After the site tour, the political leadership of iLembe DM, headed the Mayor Cllr TP Shandu, joined the meeting. The Mayor shared information with the visitors about the municipality and opportunities available for investment in iLembe.

The Republic of Côte d'Ivoire delegation was in KwaZulu-Natal to look at the operation of large water abstraction and treatment plants with a view to returning to their country with suggestions on possible co-operation agreements with Umgeni Water that will bring additional expertise to their water provision mandate.

Their arrival was a reciprocal visit and followed a series of meetings in West Africa that were conducted by President Cyril Ramaphosa and a business delegation to promote and enhance co-operation and trade links. Potential exists for the transfer of skills in the design and operation and management of large water treatment plants, an area identified as an expertise shortcoming by the Côte d'Ivoire group.

4. MATTERS OF CONTENTION AND CHALLENGES: 2021 - 2022

In the year under review, there were unfortunately two incidents of significant proportion that impacted negatively on Umgeni Water's ability to supply contracted volumes of potable water to eThekweni Metro. The incidents were failure of an emergency shaft pump at the Durban Heights Water Works that augments raw water from Inanda Dam, and four days of torrential rains that caused extensive damage to two of the four Nagle Dam-Durban Heights Water Works aqueducts.

4.1 11 NOVEMBER 2021: MALFUNCTION OF SHAFT PUMP 1

The resultant situation was that the Durban Heights Water Works was not able to receive required volumes of raw water for treatment. This led to a shortfall in potable water of approximately 50

megalitres and reduced volumes supplied to the Water Services Authority, eThekweni Metro. The problem was exacerbated because Aqueduct 4, which conveys raw water from Nagle Dam to the Durban Heights Water Works, was temporarily decommissioned and awaiting repairs to a leak. Twelve areas in the north, south and central Durban were affected by erratic water supply or low pressure when taps were opened, as a consequence of inadequate water in the feeder reservoir. Umgeni Water activated its Crisis Management Team to monitor and deal with the situation and there were daily engagements with personnel from eThekweni Water and Sanitation. Umgeni Water worked closely with eThekweni Water and Sanitation in trying to identify possible short-term interventions to augment raw water while repair, refurbishment and re-installation of Shaft Pump 1 was being awaited. During this difficult period, the Minister of Water and Sanitation and the Deputy Minister of Water and Sanitation both visited the Durban Heights Water Works for an inspection-in-loco. This was followed by a media briefing that was addressed by the Minister. Public communiques were issued on a regular basis, informing consumers about progress towards resumption of normal raw water supply. These messages were accompanied by apologies for the inconvenience caused by unstable water supply. Repairs, refurbishment, installation and commissioning of Shaft Pump 1 were completed in line with the work schedule of the contractor and the pump began conveying water on 19 December 2021.

4.2 11 NOVEMBER 2022 – 13 NOVEMBER 2022: STORMS, FLOODS AND AQUEDUCT 1 AND AQUEDUCT 2 WASHED AWAY

During a rock fall and raging floods in Wushini, Inanda, Aqueduct 1 and Aqueduct 2 broke in six known places and were washed away. They collectively created a raw water deficit of 330 megalitres, which affected Umgeni Water's ability to provide full volumes of treated water to eThekweni Metro. The flood disaster also prompted Ministerial intervention through various report-back meetings with Umgeni Water, media briefings on progress with restoration of infrastructure and the establishment of a tripartite War Room comprising eThekweni Metro, Umgeni Water and the Department of Water and Sanitation. There was also extensive damage to eThekweni Metro's Tongaat Water Works, potable water supply pipes and wastewater treatment works.

As part of strategies to reduce the deficit created by temporary decommissioning of Aqueduct 1 and Aqueduct 2, additional water is being conveyed through Aqueduct 3 and Aqueduct 4 and the emergency shaft pumps that transfer water from Inanda Dam to the Durban Heights Water Works are being used. At this stage, an average potable water deficit of between

20 megalitres and 40 megalitres remains, which reflects a substantial improvement from the days just after the floods when potable water production and supply reached a low of 330 megalitres against its pre-flood average of 560 megalitres.

At the time this report was written, progress with full restoration of Aqueduct 1 and Aqueduct 2 was on track. The magnitude and scale of the work and replacement parts required – which illustrates the severity of damage – meant that the restoration had to be staggered. In line with this, Aqueduct 1 will be commissioned by December 2022 and Aqueduct 2 by the end of June 2023. Aqueduct 1 will bring an additional 100 mega litres into the system, thereby completing eradicating the deficit against the contracted daily volume of potable water.

The humanitarian crisis left in the flood's aftermath has been tragic. It is against this backdrop that the Board took a decision that something had to be done to ease the suffering. After inspecting the damage to the two aqueducts in Wushini, members of the Board met the local community and the local leadership. Many families lost everything they owned, including their homes, and loved ones are still missing. In order to bring some relief to the traumatised families, professional psychological counselling sessions were arranged for them to assist in trying to cope. The Board offered to arrange use of boats from Msinsi Holdings SOC in the search for missing children and adults. In the interim while families try to rebuild their lives, grocery parcels have been provided to enable them to put a meal on the table.

The Corporate Social Investment Committee of Umgeni Water is investigating various proposals that will establish sustainable partnerships to assist talented young men and women pursue careers and generally uplift the quality of life.

4.3 SPECIAL INVESTIGATING UNIT (SIU) WORK AT UMGENI WATER

As the financial year drew to a close, the Special Investigating Unit presented a synopsis of its investigation report to the National Assembly Standing Committee on Public Accounts (Scopa). It may be known by now that the SIU was appointed by Presidential proclamation to investigate allegations of irregularities in certain procurement-related matters, together with allegations of unauthorised, irregular, fruitless and wasteful expenditure and whether any loss had been incurred by the Board and the State as a result of certain emergency work being undertaken. It must be stressed that the Board values its commitment to transparency and good governance; therefore when the investigation was initiated and in subsequent follow-through work, the SIU received full co-operation from Umgeni Water. It is stated unambiguously that where or if wrongdoing has been uncovered, it will not

be tolerated by the Board. Legal processes will be initiated to take their course.

The SIU's presentation to Scopa revealed that some cases have been referred to security agencies and the National Prosecuting Authority. The SIU has made a motivation for an extension of the Presidential proclamation to allow it to investigate more allegations.

This is welcomed, and an assurance is given that the SIU will continue to receive full co-operation from Umgeni Water.

The response from the Board has been swift and definitive, as reflected in some of the actions and measures that have been implemented in the interim while the SIU's final report is being awaited. These measures and actions are listed below and are intended to tighten and enhance existing controls.

- A comprehensive review of policies, procedures and systems has been undertaken, and
- In the current financial year, intensive training will be provided in areas where weaknesses were identified and which could potentially be ambiguous or circumvented. The training programme will be closely managed by the Governance and Compliance Office to ensure it assists in adopting corrective measures. Training will be done in conjunction with the Human Resources Department of Umgeni Water and other relevant training partners.

More strategies and measures will be actioned as the need arises. The Board is determined that nothing will be left to chance; where loopholes exist in policies and procedures – suspected or real – they will be closed. The door will be shut on any potential risk for wrongdoing so that the work that has been formulated to strengthen governance and compliance can be conducted smoothly.

5. THE OPERATING ENVIRONMENT: ECONOMIC, POLITICAL AND SOCIAL PERSPECTIVES

The mandate, core business and day-to-day activities of Umgeni Water are aligned to the programmes of Government. Performance results contained in this Annual Report are deliverables identified in the organisation's Five-Year Corporate Plan and in the Shareholder Compact it has signed with the Minister of Water and Sanitation. Therefore, the work Umgeni Water undertakes supports the developmental agenda of the Government and various other programmes that are focused on extending or improving service delivery. They include:

- The Medium-Term Strategic Framework (MTSF: 2019/24) or implementation plan towards achieving priorities of the National Development Plan 2030;

- MTSF outcomes pertaining to health, economic growth and employment, skills development and infrastructure provision. Umgeni Water makes a contribution to these outcomes in numerous ways;
- Socio-economic development, water and water sector-related priorities of Government;
- National Water Resources Strategy (NWRS), and
- National Water Resources and Sanitation Master Plan

After contraction of the national economy in 2020-2021, estimated independently at 6, 4%, as a consequence of the COVID-19 outbreak, gradual recovery is now being seen. The recovery is evidenced in the gross domestic product reaching 4, 9% in 2021-2022, which was supported by global demand and surging commodity prices. This was further assisted by increased domestic economic activities. Economic recovery, albeit moderate, is expected to continue into 2023.

There is some encouraging news on economic outlook from the South African Reserve Bank and the National Treasury. Realisation of it though is conditional on how quickly structural reforms are resuscitated in order to move to a higher growth path. Both entities predict that while the economy will remain weak, growth of between 1, 2% and 2, 4% over the next three years is possible and achievable.

The downside is that while the economic outlook appears promising, the rate of unemployment remains high and a problem of significant proportions. At the end 2021, approximately 36% of the total number of economically active people were without work while 66, 55% of the 18-24 age group were similarly jobless.

The developmental and economic stimulus priorities of the Government have been given added impetus by Operation Vulindlela, an initiative from the Presidency that has a strong message aimed at kick-starting stalled reforms in the public sector. A priority area of Operation Vulindlela is the water sector because of its potential high impact on economic growth. Others are electricity, digital communications and freight transport.

The following are some of the priorities to ensure sustainable water supply to meet demands resulting from increased economic activity and extension of water services to un-served communities:

- Improvement in water licensing processes to ensure that licences are issued within 90 days;
- Revival of the Blue Drop and Green Drop water quality monitoring programmes;
- Establishment of an independent economic regulator for water;

- Finalisation and implementation of the revised raw water pricing strategy;
- Establishment of a water resources infrastructure agency, and
- Eradication of institutional inefficiencies in municipal water and sanitation services.

All of these objectives have direct relevance to Umgeni Water and will be supported fully by the Board so that long-awaited reforms in the sector are realised and lead to streamlining of processes. With respect to institutional arrangements relating to municipal provision of water services, Umgeni Water has long held the view that management and operation of secondary bulk water infrastructure should be undertaken by water boards, thereby freeing up resources and time for municipalities to plough into enhancement of reticulation services.

The reality that emerges from statistics is that the rate of inequality in South Africa remains among the highest in the world. This is made worse by historic exclusion and what is commonly described as intergenerational mobility, meaning it is passed down from generation to generation. It is in this context that transformation of the economy, underpinned by the National Development Plan, has been set as a priority for the next 10 years. This is welcomed as greater movement will be seen in implementation of large infrastructure projects that are labour intensive. Government recognition of job creation as a priority must be supported by all sectors of the economy because this is the only hope for managing associated socio-economic challenges.

In preparation for expected growth over the next decade, Umgeni Water has begun active implementation of Strategy Vision: 2050, which has been designed to increase Umgeni Water's presence in the market place. While positioning Umgeni Water for the future, this strategy will contribute to job creation and Black economic empowerment, women economic empowerment and empowerment of marginalised groups that want to enter the mainstream economy. Where and when possible, opportunities will be created and major corporates that do business with Umgeni Water will be constantly reminded of the role they can play in transformation of the economy through acceptance of progressive initiatives, such as Contract Participation Goals.

The financial year 2021-2022 had been a particularly challenging one: barring the operational setbacks that were created by failure of the Durban Heights Water Works shaft pump and subsequent storm damage to aqueducts 1 and 2, two other significant issues remained areas of concern. They were:

- Declaration of disputes over the awarding of tenders for construction of water and wastewater infrastructure, after due and mandatory processes had been completed. There does not seem to be respite from it, and the Board is extremely concerned about impact. Delayed launch of construction occurs – and there have been at least six instances of them over the past three years – either when court order is sought, as the first step of the legal process in an application for review, or an appeal is made by an unsuccessful bidder for internal review or arbitration of an awarded tender. While it remains the prerogative of any company or individual to litigate, it must be remembered that the consequences of a dispute are wide-ranging and severe. Apart from the monetary cost of disputes that end up in court and often become protracted cases, there is the often forgotten human element. In the latter, delayed start of a project means project completion will be delayed. The knock-on effect is that households and others will have to wait longer to be connected to a sustainable supply of safe drinking water. From an organisation stance, there is some serious housekeeping that will be done which includes close examination of all relevant processes that ultimately lead to awarding of tenders. This will assist in determining whether additional training is required and whether specialist legal advisors will be required to sit on committees to assist in ensuring that gaps identified as areas for future legal challenge are narrowed or adequately covered.
- Increasing debt of some municipal customers that are in arrears due to failure to pay timeously for services rendered by Umgeni Water. This matter is receiving high-level attention at Umgeni Water with a view to determining amicable solutions. Payment plans have been developed and offers made for assistance in revenue collection, as part of Umgeni Water-customer collaboration strategies. Risks associated with persistent failure to pay within agreed timeframes are serious and could contribute to cash flow constraints. Municipalities are enthusiastic about working with Umgeni Water to reduce and ultimately catch up on payment

In South Africa, the high level of dependency on State grants has become evident in long queues for social relief distress payments. A consequence of poverty of this magnitude undoubtedly translates into failure to meet payment commitments to municipalities and, in turn, municipalities' difficulty in being able to pay in time for bulk services received.

The current situation of a shrinking job market and the possibility of this extending into the future require a serious relook at existing payment models for basic services and if or how they can be adapted to changed circumstances.

The upside in the current situation is that despite views to the contrary, the centre of the economy and governance is still holding. This is underlined by the fact that there are credible institutions that support current and future growth and good governance initiatives, including the South African Reserve Bank, South African Revenue Service and the Auditor-General.

6. CORPORATE GOVERNANCE: BOARD PERFORMANCE AND RATINGS: 2021 – 2022

In October 2021 (Quarter 2 of the financial year under review), the KwaZulu-Natal High Court, Pietermaritzburg, set aside the dissolution of the permanent Board of Umgeni Water and appointment on an Interim Board by the previous Minister of Human Settlements, Water and Sanitation. Judge Piet Bezuidenhout, in handing down judgment, ruled that the decision of the previous Minister was “unfair and not in terms of the Constitution nor procedurally fair”.

The court judgment was in response to an application that was brought by members of the disbanded Board for a review of the previous Minister’s decision. In November 2021, the Minister of Water and Sanitation reinstated the Board, in line with the High Court judgment.

In the period under review, Board and Board Committees’ meetings were held in accordance with the organisational Business Cycle and well attended. (Full details are provided in the Corporate Governance chapter of this Annual Report). The Board continued to fulfil its commitments as the Accounting Authority and provided leadership and strategic direction in various focus areas.

As a significant outcome in the financial year under review, Umgeni Water again received an unqualified audit opinion from the Auditor-General. There was adherence to corporate governance requirements, including compliance with the Water Services Act (Act 108 of 1997), internal policies and King IV Code of Governance Principles. Umgeni Water’s commitments as per Bulk Supply Agreements with its customers were met through consistent provision of safe drinking water without protracted supply failures occurring. Commissioning of some infrastructure enhanced assurance of supply or made it possible for municipalities to extend water services to formerly un-served or under-served areas. Two Ministerial directives have been received by Umgeni Water from the Office of the Minister of Water and Sanitation, one for implementation and funding of the Ncwabeni Dam in the Ugu District and the other for implementation and funding of the Stephen Dlamini Dam in the Harry Gwala District on behalf of the Department of Water and Sanitation.

The Ncwabeni Dam will be an off-channel storage facility that will be constructed inland of Port Shepstone. It has been planned to bring relief from water shortages in the Lower South Coast, including Hibberdene, Port Shepstone, Margate and surrounding rural communities. The political leadership of this municipality is enthusiastic about the project and want it to go ahead.

The Stephen Dlamini Dam will be part of the Greater Bulwer Scheme and constructed upstream of the proposed Smithfield Dam. Finality has been reached on the Stephen Dlamini Dam following protracted discussions between Umgeni Water and the Harry Gwala DM. The municipality had insisted for several years, through successive political leaderships, that it will be using its own service provider to construct this dam. At a meeting between Harry Gwala DM and Umgeni Water, agreement was reached that Umgeni Water will implement the Stephen Dlamini Dam as per the Ministerial directive. Umgeni Water has completed the second revision of the Implementation Agent Agreement after taking into consideration comments by the Department of Water and Sanitation.

Since the reinstatement of the Board, stability has been reached in appointment of an Acting Chief Executive, as an interim arrangement while the appointment of a permanent Chief Executive is being finalised. The permanent Board broke from past practice and appointed one Acting Chief Executive to serve until the end of the financial year, instead of rotating occupancy of the position on a frequent basis. The Board decision was taken to reinforce continuity and ensure that business operations continued smoothly.

7. ACCOLADES AND ACHIEVEMENTS

Umgeni Water’s contribution to socio-economic development in KwaZulu-Natal was recognised by the Professional Management Review.Africa research company when it received an award at a breakfast function in Durban. The award was made in recognition of Umgeni Water’s vital contribution to the economy and good public health through provision of an efficient potable water service.

The partnership between Umgeni Water and the King Cetshwayo District Municipality, in which Umgeni Water is the bulk potable water service provider, was confirmed at a public function in Eshowe where an agreement was signed. King Cetshwayo District Municipality is the seventh customer of Umgeni Water.

Two successful briefing sessions were held for stakeholders where Umgeni Water’s annual performance results for financial year 2020/2021 were presented. The first session was for the

media, which was well attended and wide coverage received, and the second for other stakeholders. Publicity received created increased awareness of excellent organisational performance in the financial and the non-financial aspects of its business.

8. STRATEGIC PRIORITIES IN THE YEAR AHEAD

The impending changes to the institutional arrangement, as shared by the Minister of Water and Sanitation at an array of stakeholder engagements, will result in Mhlathuze Water being incorporated into Umgeni Water, thereby creating one water board for the entire Province of KwaZulu-Natal. The Board of Umgeni Water assures the Minister of its full co-operation and support in implementation of the project plan.

Umgeni Water is looking forward to working closely with the Ministry and colleagues from Mhlathuze Water to enable smooth transition from the existing to the proposed new structure. In tandem with this, Umgeni Water will continue its growth objectives in an endeavour to make its products, services and expertise available to a larger market.

In the year ahead, there will be many opportunities for the private sector to forge closer ties with the Government and State-owned entities in order to fast track positive outcomes in various service delivery initiatives. Umgeni Water foresees that it will collaborate with various forums to develop additional strategies that will support and give impetus to the economic turnaround priorities.

Key priority areas for Umgeni Water in the near future will be to address, in conjunction with agencies of State and civil society formations, the issue of encroachment onto bulk potable and raw water infrastructure, vandalism of water infrastructure and illegal sand mining at some dams that is affecting raw water quality. In this regard, outreach initiatives will be held with community organisations to obtain their assistance in creating awareness of the impact of these increasing problems that have the potential to compromise water supply and put at risk the personal safety of individuals who reside in informal dwellings that have been built on pipelines. Assistance of the public is vital to preventing proliferation, particularly of servitude encroachment and vandalism.

Opportunities for engagement with all major stakeholders in national, provincial and local governments are now immense and this will be followed through in an effort to identify new areas for co-operation, partnerships and support. At national level, interactions will continue with the Department of Water

and Sanitation on the subject of provision of additional grant funding for rural development projects that will support the Universal Access Plan for water services provision.

After the 1st November 2021 local government elections, comprehensive environment scanning was completed to determine the composition of the municipal landscape. Umgeni Water has begun using information sourced from this process to entrench ties with its existing municipal customers and establish ties with new Councillors and Mayors. A key strategic priority of the organisation is to create links with all municipalities in KwaZulu-Natal that provide water services. There are many challenges related to water services and Umgeni Water is able to support Water Services Authorities that want to enhance service delivery.

There will be two focus areas for interaction with Water Services Authorities:

- Sharing of details and data on the Universal Access Plan, developed by Umgeni Water, CoGTA and the Department of Water and Sanitation, as a road map for water services provision to all citizens of KwaZulu-Natal, and
- Sharing of details about Umgeni Water's growth and expansion strategy

These interactions will allow the organisation to identify new markets and products that may be required.

A natural outcome of the District Development Model (DDM) is collaboration and partnerships across all spheres of Government as this concept is premised on the need to integrate and streamline service delivery at municipal level to bring it in line with the priorities of Government. Umgeni Water will have a role in the efficient implementation of the DDM because it is already integral to the service delivery value chain.

9. SLOW PACE OF TRANSFORMATION IS HAMPERING ADVANCEMENT

No commentary on business performance can be complete without acknowledging the sacrifice and struggle of organisations and individuals who fought relentlessly for a just society that ultimately made it possible for businesses. This is both public and private sectors, to take their rightful place in the global economy and for the marginalised to rise from oppression to become successful business leaders and giants of the corporate world.

The year 2022 marked 110 years of existence of the African National Congress, an admirable milestone that was achieved and sustained through a rich history and world-renowned

leadership that created the path for entrepreneurship and for Boardrooms to become representative of our country's demographics. Sadly, despite political pressures, progress with transformation has been slow in corporate representativity, particularly from a gender perspective. Clearly, much more has to be done and with added momentum to bring more women into Boardrooms and in Executive positions.

This quote by an unknown author is so apt to the current situation and it has a powerful underlying message: "A strong woman knows she has strength enough for the journey, but a woman of strength knows it is in the journey where she will become strong." The journey for gender parity has just begun and there is a long way to go.

It must not be forgotten that the struggle for liberation encompassed equality in all its manifestations, including creating opportunities for women to take their rightful place across the entire spectrum of the economy and as equals. At Umgeni Water, the Board has been matching, and continues to match, action with words. Consequently, women are occupying key positions in the macro-structure of the organisation that comprises Chief Officers and in its Executive component. This has given real expression and meaning to events, such as Women's Day, when women are acknowledged and celebrated and their potential, talent and contribution serve as constant reminders that while strides have been made, a giant leap into an equal future has yet to be taken.

In closing this review, I want to pay tribute to all staff, service providers, members of the Board, our Executive Authority and customers, all of whom stood with and often guided our organisation as it negotiated difficult terrain in the April 2022 floods. Despite the odds, the organisation continued to fulfill its mandate by ensuring that safe drinking water reached the reservoirs of municipalities. It was against this backdrop that the organisation was able to again produce a set of results that speaks volumes for its effectiveness as an entity of State that creates value for all of its stakeholders.

10. OTHER ACKNOWLEDGEMENTS

IT IS WITH A SENSE OF APPRECIATION THE FOLLOWING STAKEHOLDERS ARE ALSO ACKNOWLEDGED:

- The Minister of Water and Sanitation, Mr Senzo Mchunu, for his leadership of the water sector;

- Deputy Ministers of Water and Sanitation Ms Dikeledi Magadzi and Mr David Mahlobo, for their leadership of the water sector;
- The Premier of KwaZulu-Natal, Ms Nomusa Dube-Ncube, for her leadership of the Province and commitment to service delivery;
- The former Premier of KwaZulu-Natal and current MEC for Co-operative Governance and Traditional Affairs, Mr Sihle Zikalala, and MECs of the KwaZulu-Natal Provincial Government for their constructive and valuable engagement with Umgeni Water;
- The National Assembly Portfolio Committee on Water and Sanitation for oversight and direction;
- The Department of Water and Sanitation for support, oversight and direction;
- Umgeni Water's customers: eThekweni Metropolitan Municipality; iLembe, Ugu, Harry Gwala, uMgungundlovu and King Cetshwayo District Municipalities, and Msunduzi Local Municipality for their support and collaborative engagements;
- Investors and financial institutions for their vote of confidence in the financial stability and sustainability of Umgeni Water and for their willingness to open discussions on funding and on matters that are aimed at promoting good governance;
- The Board of Umgeni Water for its contribution to the strategic focus and direction of Umgeni Water, and
- Umgeni Water Management and employees for the manner in which the organisation's strategies were executed in the year and for their dedication and hard work in realising these results



MS ZIPHOZETHU MATHENJWA

Chairperson of the Board

23 November 2022

50 CHIEF EXECUTIVE'S REPORT

“In the year under review, Umgeni Water created a total of 551 temporary jobs through its Capex Programme (419 in the previous year). This is a 32% increase when compared to the previous year. In line with this, just over R22m (R15m in the previous year) was paid in wages to local labour.”



Dr Sipho Manana
Acting Chief Executive

This year has been marred by devastating floods in various parts of the country, particularly in KwaZulu-Natal.

Resultant from the significant damage to critical infrastructure, various parts of the province were without water and sanitation services. Umgeni Water, along with other key stakeholders, participated fully in the War Room established by the DWS to assess and quantify the damage and restore services at the shortest possible time and acceptable cost. Significant progress was achieved in the restoration of water supply but less so on the sanitation side owing to the magnitude of damage to water and sanitation infrastructure. The organisation will continue to support the efforts of the War Room towards attainment of normalcy in the provision of water and sanitation services in the worst affected areas.

Supported by the Board and the Executives, the entity delivered plans, strategic initiatives, projects and programmes that yielded successful results and outcomes during the year. These are summarised at a high level per outcome in this section, with more detail provided in the various chapters of this *Annual Report*.

PRODUCT QUALITY

Umgeni Water's core business of providing bulk potable water that is fit for domestic and industrial use was performed exceptionally during this period. Of the 16 water treatment works, 15 met the Excellent SANS 241: 2015 standard in all five compliance categories. Interventions are already in progress to address the slight non-compliance with the Operational Risk Category at Maphumulo Water Treatment Works (WTW).

The organisation started operating 28 water supply systems from King Cetshwayo District Municipality. During the year under review, the focus was on the assessment of these systems and establishing their water quality compliance baseline.

Overall, compliance of the Umgeni Water bulk potable water supply systems was excellent for the period under review. The entity further ensured that wastewater was treated to safe levels in order to discharge back into water resources for social, environmental and other downstream uses. Of the eleven Wastewater Treatment Works (WWTW) managed by

the entity, nine achieved greater than 90% compliance and two achieved more than 80% compliance.

Significant progress has been made on the Darvill Wastewater Treatment Works capacity upgrade project. This upgrade is expected to result in improvements in the quality of treated wastewater from this site. Completion of the remaining works is expected during November 2022.

To maintain and enhance the condition of core infrastructure that supports customer service levels, the entity invested a total of R299 million (R319m in 2021) in maintenance of Water and Wastewater Treatment Assets during this period. Maintenance investment has been consistent over the past five years, with more than 6.6% of revenue and 3.40% of property, plant and equipment spent, thereby continuing to assure system reliability.

CUSTOMER SATISFACTION

Bulk potable water treated and supplied from 16 water treatment works systems, totalled 563 million cubic metres (1 542MI/d) for the year, a 2% increase from the previous year (553 million cubic metres or 1 515MI/d).

Bulk wastewater treated from nine wastewater treatment works over this period amounted to 31 million cubic metres (84MI/d) for the year per annum, which is at similar to the prior year (31 million cubic meters or 84MI/d).

In the year under review, there were unplanned supply disruptions of 135.81 supply days in three of the 17 supply systems. The disruptions at Durban Heights WTW were as follows: in Q2, a failed shaft pump and a leak on Aqueduct 4 supplying untreated water to the water treatment works disrupted supply for 38 days. A subsequent disruption on sections of Aqueducts 1 and 2 at the same water treatment works occurred in Q4 as a result of the flood damage. The shaft pump and Aqueducts at Durban Heights WTW were successfully repaired and normal production was promptly restored.

The unplanned disruption at Mzinto (1.23 days) in Q3 was as a result of power failure from the national grid which affected the raw water and augmentation pump stations. While the power supply to the affected pump stations at Umzinto WTW was successfully restored, Umgeni Water will be installing back-up generators to mitigate the risk of power failure in the short term (July 2022), and is planning to upgrade the Pump Station in the long term (June 2023).

The unplanned disruptions at Amanzimtoti WTW (15.58 days) in Q4 resulted from the flood damage which washed away the Aqueduct feed to the South Coast Augmentation pump station at Umlazi River. The damaged feed belongs to the City of Durban, which has since completed temporary repairs on the pipeline, and supply has been successfully restored in the area.

Customers are kept informed of progress on all interventions. Umgeni Water continues to engage regularly with its customers in line with service level agreements.

STAKEHOLDER UNDERSTANDING AND SUPPORT

There were regular engagement with a wide range of stakeholders during the year. Stakeholders were interested in future assurance of supply, asset management, capital infrastructure plans and future tariff charges, as well as opportunities for growth, jobs and partnerships.

COMMUNITY AND ENVIRONMENTAL SUSTAINABILITY

Umgeni Water remains cognisant of and attentive to the impact it has on communities and environmental sustainability. The entity, therefore, strives to manage its operations, infrastructure and investments to support socio-economic development, while using water, energy and other natural resources effectively.

Leveraging off its capital expenditure and other programmes, Umgeni Water continued to facilitate the participation of targeted enterprises in the economy. Umgeni Water's Contract Participation Goal target of $\geq 35\%$ for construction contracts, professional services projects and other operational contracts (of which 10% was to be allocated to Black women-owned businesses) and another 10% to Black local enterprises in the project footprint. All the set targets associated with this programme were met in the reporting year.

An average of 37% CPG was achieved with a total of CPG award value of R362 million (R426m in the previous year). Of the total CPGs, R132m was awarded to Black women-owned businesses (R218m in the previous year). Women participation represents 13% of the total spent on all applicable contracts. In the year under review, work worth R263 million was allocated to local SMMEs in the project footprint.

Overall, R4.29 billion worth of contracts has been awarded to Black-owned businesses since the start of the CPG initiative in 2013.

In the year under review, Umgeni Water created a total of 551 temporary jobs through its Capex Programme (419 in the previous year). This is a 32% increase when compared to the previous year. In line with this, just over R22m (R15m in the previous year) was paid in wages to local labour. This further reinforces the organisation's commitment to the creation of decent job opportunities.

INFRASTRUCTURE STABILITY

During this reporting period, 18 strategic projects targeting five water service authority customers were at various stages of planning, design and construction.

Significant progress with capital infrastructure implementation was achieved in the reporting period. Spend performance for the year was R969 million, of which R611m (R447m in 2021) was spent on bulk infrastructure augmentation, expansion, upgrades and rehabilitation projects. R320m (33%) went towards projects for rural development. Overall, 53% of target water infrastructure project milestones were met.

Two contracts that were terminated during the previous reporting period have been reawarded to new contractors and work has commenced. Of the two contractors that declared business rescue in the previous period, one recovered and completed their contract.

Details of target customers, infrastructure projects and milestones during the reporting period are as follows:



(1) UMKHOMAZI WATER PROJECT

Serves eThekweni Metropolitan Municipality, uMgungundlovu District Municipality, Msunduzi Local Municipality, Ugu District Municipality and iLembe District Municipality.

Phase 1 of the infrastructure development includes a dam on the uMkhomazi River, raw water tunnel to Baynesfield, balancing dam, raw water pipeline, water treatment works and bulk potable storage reservoir at Baynesfield and bulk potable water pipeline to Umlaas Road. Phase 2 includes a further dam higher up on uMkhomazi River at Impendle, raw water tunnel, raw water pipeline, water treatment works capacity and reservoir storage upgrades and a second bulk potable water pipeline. The detailed feasibility study for Phase 1 was completed in 2015. The Environment Impact Assessment (EIA) approval was obtained at the end of 2020.

An application for amendments to the conditions in the approval was submitted in August 2021. The Political Steering Committee, comprising CoGTA, DWS, TCTA, UW and Water Users, was set in 2021 to facilitate the development of solutions regarding the funding model for the project and affordability of tariffs for Water Users. The Steering Committee continues to function on a weekly basis. The Committee's latest resolution was that the State will fund 50% of the project and the balance will be funded by water users through a capital unit charge of R 2.58 per kilolitre. The section 33 of MFMA process will start in all WSAs affected for conclusion by November 2022. The bilaterals between Water Users, DWS, UW, CoGTA and TCTA will continue parallel to section 33 of MFMA process to resolve outstanding issues.

(2) LOWER UMKHOMAZI BULK WATER SUPPLY SCHEME

Serves eThekweni Metropolitan Municipality and Ugu District Municipality, and will augment the coastal areas from Amanzimtoti to Hibberdene via the South Coast Pipeline.

The planned infrastructure comprises:
Phase 1: a dam at Ngwadini and two Raw Water Abstraction Systems together with pipelines, Raw Water Pump Stations and Raw Water Reservoir; Ngwadini Dam: Procurement is in progress; Detailed design has been completed for Ngwadini Abstraction Works; Construction has commenced for Goodenough Abstraction Works, with

completion scheduled for Nov 2025. Final design review is in progress for the pipeline and raw water reservoir and is expected to be advertised for tender by Sep 2022.

Phase 2: a Water Treatment Works (100ML/d), storage reservoir and Bulk Potable Water Pipeline.

The detailed feasibility and preliminary design were completed in 2017. Detailed design was completed in 2021. Design documentation is in progress, after which the procurement of the various construction contract packages will follow. Project completion is projected to be in May 2025.



(3) GREATER MPOFANA BULK WATER SUPPLY SCHEME

Serves uMgungundlovu District Municipality.

The infrastructure development comprises construction of a water treatment works, two storage reservoirs and two bulk pipelines. The construction of the 20MI/d Rosetta Water Treatment Works commenced in 2016/17 and completed in March 2021. Construction and commissioning of the 5MI and 12MI/d reservoirs feeding Nottingham Road and Bruntville respectively is complete. The construction of the 8km long DN 650 Nottingham Road Pipeline – from the WTW to Nottingham Road Reservoir – was completed in June 2016. The construction of the 13 km long DN 650 Bruntville Pipeline is in progress and is envisaged to be completed

in March 2023. The Final integration and Commissioning of the Rosetta Water Treatment Works, Bruntville and Nottingham Road Pipelines and Reservoirs as a whole Greater Mpofana Bulk Water Supply Scheme Phase 1 will take place from March 2023 to July 2023. Phase 2 of the Greater Mpofana Bulk Water Supply Scheme – which will be a labour intensive 25 km long DN 300 mechanical coupling steel pipeline from Nottingham Road Reservoir to Lions River Reservoir and 3 Reservoirs at Zenzani Village, Lidgeton and Lions River – is currently at Detailed Feasibility/Design Development Stage, and is envisaged to go to construction in 2024/2025.



(4) IMPENDLE BULK WATER SUPPLY SCHEME

Serves uMgungundlovu District Municipality and Impendle Local Municipality.

The scheme comprises a 1.6 MI/d Bulk Water Supply Scheme with a possibility of future upgrade to 3MI/d at Stepmore and 10MI/d Bulk Water Supply Scheme at Nzinga with a possibility of future

upgrade to 18.5MI/d. Detailed design for Stepmore is 90% complete. Detailed design for Nzinga is 25% complete. Construction of the Stepmore scheme is scheduled for 2024, with completion in 2026 and Nzinga scheme is scheduled to commence in 2025, with completion in 2028.

(5) UMSHWATHI BULK WATER SUPPLY SYSTEM PHASE 4 (SOUTHERN NDWEDWE)

Serves iLembe District Municipality and the Southern Ndwedwe areas.

The scheme will draw 22.85 MI/d bulk potable water from the existing 12ML Ozwathini Reservoir and supply by gravity to the entire Southern Ndwedwe area, in Ndwedwe Local Municipality. Detailed design is in progress. The four

work packages are at various stages (i.e. Pipe Supply in procurement stage Pipe Lay and Reservoir Contracts 2,3 and 4 at Design Development Stage). Construction of Umshwathi Bulk Water Supply Scheme Phase 4 is envisaged to commence from 2023 to 2025.



(6) UMSHWATHI REGIONAL BULK WATER SUPPLY SCHEME: PHASE 6

Serves uMgungundlovu and iLembe District Municipality and eThekweni Metro.

The project will consist of a pipeline from Bruyns Hill Reservoir to Wosiyani in Southern Ndwedwe, with an off-take

supplying parts of eThekweni Metro. The capacity of the scheme is 10 MI/day and will ultimately serve 100 000 people. The project is currently in detailed design and the environmental authorisation is being finalised.

INFRASTRUCTURE STABILITY ...CONTINUED



(7) LOWER THUKELA BULK WATER SUPPLY SCHEME PHASE 2

Serves iLembe District Municipality, specifically areas North of the uThukela River.

The project will upgrade the existing Lower Thukela Water Treatment Works from 55MI/d to 110 MI/d to construct a 7km Rising Main and a 30MI reservoir. At present, the project is in detailed

design and wayleaves with the relevant authorities are being obtained. Both the Environmental Impact Assessment (EIA) and Water Use Licence (WUL) applications have been completed and approved. Servitude acquisition and consultation with the communities is in progress.

(8) MAPHUMULO BULK WATER SUPPLY SCHEME PHASE 3

Serves iLembe District Municipality, which includes KwaMaphumulo, Ndwedwe and KwaDukuza Local Municipalities, and will serve 150 000 people in Maqumbi, Ashville, Maphumulo, Masibambisane, KwaSizabantu and Ngcebo supply areas.

Phase 3 includes the upgrade of the WTW from 6 to 12MI/d, raw water and booster Pump Stations. Upgrade of the Pump Stations is complete. Detailed design of the WTW upgrade is complete and construction is expected to start in the 2022/23 financial year.



(9) MHLABATSHANE BULK WATER SUPPLY SCHEME PHASE 2 – MZIMKHULU RIVER ABSTRACTION

Serves Ugu District Municipality and will reach and provide potable water access for over 100 000 inhabitants in 10 tribal authority areas.

The infrastructure development comprises an abstraction works on the Mzimkhulu River, pump station

and pipeline to deliver water to the Mhlabatshane Water Treatment Works and an upgrade of the Water Treatment Works from 4MI/day to 12MI/day. Design Development Report is complete and construction has been reprioritised to start in 2025.



(10) VULINDLELA BULK WATER SUPPLY SCHEME UPGRADE

Serves Msunduzi Local Municipality. Phase 1 includes a new 20MI reservoir, 6km of pipelines (rising main and gravity pipelines), one Pump Station at Howick West Reservoir and two at

Mpophomeni, 9.37km rising mains and a new 10MI Reservoir at Mpophomeni. Procurement of various work packages is in progress.



(11) MPOPHOMENI WASTEWATER TREATMENT WORKS

Serves uMgungundlovu District Municipality and uMngeni Local Municipality.

The infrastructure development comprises a 6MI/d Wastewater Treatment

Works and a 6km bulk sewer outfall pipeline. Construction commenced in January 2020 and is ongoing. Completion is scheduled for 2022.



(12) SOUTH COAST PIPELINE PHASE 3

Serves the Umdoni and Umzumbe Local Municipalities within the Ugu District Municipality.

The South Coast Pipeline (SCP) is intended to provide a supply of potable water to the South Coast Region via a single bulk water pipeline. Phases

1 and 2A are complete, with Phase 2B in construction (refer to 13 below). Phase 3 will extend SCP from Umdoni to Mthwalume and then to Hibberdene. Phase 3 is entering into the Detailed Feasibility and Preliminary Design Stage.

(13) SOUTH COAST PIPELINE PHASE 2B

Serves Ugu District Municipality, including Pennington, Kelso, Malangeni and Shayamoya.

The pipeline is designed to supply approximately 16.7MI/d and will link Scottburgh South to Pennington and

then to Malangeni Reservoir. Contract award was made during August 2020. Construction commenced in March 2021 and is anticipated to be completed in March 2022.



(14) REHABILITATION OF NAGLE / DURBAN HEIGHTS / INANDA / WIGGINS SYSTEMS

Serves eThekweni Metropolitan Municipality.

This project is a rehabilitation of major existing assets and is split into four sub-projects as outlined:

- Emergency Rehabilitation to Aqueduct 3 & 4 Siphon 6: Slip lining will protect the Clermont community against consequences of a burst. Procurement processes have been completed
- Nagle System Auxiliary Works: Purchasing of large diameter valves to be installed on aqueducts under

the Rehab. Procurement processes have been completed;

- Carbon Fibre Repairs: Repair of Nagle Aqueducts following scanning to identify affected portions will ensure longevity of the Nagle Aqueducts. Procurement is in progress;
- Rehabilitation of the Degremont Filter Complexes and Nagle Aqueducts.
- PSP appointment underway for upgrade/rehabilitation of Old, New degs and pulsator clarifiers at Durban Heights

INFRASTRUCTURE STABILITY ...CONTINUED



(15) DARVILL WWTW CAPACITY INCREASE

Serves Msunduzi Local Municipality. The works capacity is being upgraded from 65MI/d to 100MI/d. Construction is in progress and includes a new inlet works, Primary and Secondary Settling Tanks, pumps and Pump Station, Reactor, Chlorination House and Anaerobic

Digesters, among other components. The project was significantly delayed as a result of the main contractor going into business rescue. Completion of the remaining works is expected during November 2022.

(16) DURBAN HEIGHTS WTW – REHABILITATION OF KEY INSTALLATIONS

Serves eThekweni Metropolitan Municipality.

The core of this project is the rehabilitation of Reservoir 3. Rehabilitation of the roof interior and other internal repairs was completed during 2020/21 but

during this contract the need for further rehabilitation of other parts of the structure emerged. Procurement of the revised works is expected to be concluded during 2021/2022.



(17) TRUSTFEEDS WWTW

Serves uMgungundlovu District Municipality and iLembe District Municipality.

The infrastructure development comprises a 1 MI/d Wastewater Treatment Works; 4.5km bulk sewer outfall pipeline and a 1.5km gravel

access road. Construction of the bulk sewer outfall and access road is complete. Construction of the Wastewater Treatment Works was completed in October 2020 and handed over in December 2020.

(18) UMZINTO WATER TREATMENT WORKS UPGRADE

Serves Ugu District Municipality. The project entailed a substantial upgrade to the head-of-works (inlet system) to improve capacity, efficiency

and chemical dosing systems for the water treatment process. Construction has been completed and commissioning is in progress.



WATER RESOURCES ADEQUACY

Umgeni Water leverages water sector partnerships and collaborations to respond to the challenges facing the region including water availability, redistribution, demand management and drought and impact of climate change. Its core business function is to treat and supply bulk potable water – a business highly dependent on the availability of sustainable water resources. The reconciliation between water resource availability and water demand is, therefore, of primary importance to the entity and forms an integral part of the infrastructure planning process. Understanding what water resources are available to the entity, both current and future resources, and what factors affect the assurance level of these resources is crucial to balancing supply with customer demand and maintaining supply sustainability into the future.

The primary water sources used by the entity are located on four major water resource systems, namely, the Mgeni System (Mooi and Mgeni rivers), the North Coast System (uMdloti, iMvutshane, uThukela and uMvoti rivers), and the South Coast System (Nungwane, Mzimayi, uMuziwezinto and Mhlabatshane rivers).

In the reporting period, progress was made with the following water resource dam developments:

- The feasibility study of Smithfield Dam (DWS) which is Phase 1 of the uMkhomazi Water Project, was completed in 2015 and construction is anticipated to be completed by 2030;
- Hazelmere Dam raising (DWS) for which construction is expected to be completed in 2022 and;
- The detailed design of Ngwadini Dam (UW) which is part of the Lower uMkhomazi Scheme, was completed in 2021, with construction completion planned for 2025.

LEADERSHIP AND EMPLOYEE DEVELOPMENT

At Umgeni Water, skills development remains an essential enabler for employees to excel in their individual and organisational roles to deliver on the entity's mandate.

As part of the continued endeavours to strengthen organisational leadership capacity; two Executives enrolled for an Executive Leadership Development Program at Gordon Business School and University of Cape Town (GetSmarter) respectively. A three multi-layered assessment was adopted focusing on key areas namely; behaviour change, attitudinal and technical skills. The outcomes of the capacity impact assessment report

will be used as baseline for the design and decision-making on future Leadership Development initiatives.

A total of 11 employees have been enrolled for the Management Development Program at various accredited institutions. The purpose for enrolment is to equip the newly appointed with new set of skills and current individuals who are already occupying leadership roles within the entity with the required knowledge and ability to drive change and organisational mandate, ensure achievement of the Growth Strategy Vision 2050 and organisational sustainability. The MDP program further aims to assist with the achievement of short and long term goals of the organisation.

The Learnerships and Apprenticeships programme provided training, development and exposure to both internal and external candidates. A total of 58 apprentices were enrolled in the apprenticeship programme and received theoretical training at Amajuba TVET College and Shukela Training Centre in the Electrical, Boilermaking, Instrumentation, Motor Mechanics and Mechanical Engineering trades. During this period, learners further received practical work exposure from various operational sites within the entity as per the requirements of the programme. For this period, 9 learners in the above mentioned trades have completed their trade tests and were deemed to be competent as Artisans and appointed as junior artisans for a two-year period in order for them to gain experience that is in line with the minimum requirements of the artisan positions.

Umgeni Water assessed the skills and competency levels of internal personnel against requirements of Draft Regulation 17 of the Water Services Act for Blue Drop and Green Drop certification and developed a multi-year training plan to fill the skills and competency gaps. The internal positions include Superintendent, Process and Quality Technicians, Senior Operator, Operator and Process Controller positions. In the reporting period a total of 380 Process Controllers were enrolled in either the Learnership Programme or in N3 Water and Waste Treatment and various courses in water and wastewater treatment.

The organisation continued to provide employees with financial support to further their studies in disciplines related to the entity's core and support business for improved performance to meet the current and future skills needs through the Assisted Education Programme (AEP). For the period under review, 37% of employees enrolled in formal qualifications that respond directly to critical and scarce skills needs. The qualifications ranges from NQF level 6 to NQF level 10, consisting of under graduate and post graduate qualifications.

OPERATIONAL RESILIENCE

Umgeni Water defines risk as all sources of uncertainty that could, affect positively or negatively, the entity's ability to achieve its strategic objectives and outcomes. Risk management at Umgeni Water is guided by an Integrated Risk Management Framework and the risk management process is aligned to strategy, which ensures a focused and integrated process of risk management in the entity.

Five out of six strategic risks (83%) have been managed to a level of equal to or above reasonable ($\geq 55\%$) overall response effectiveness.

Umgeni Water continues to maintain the quality of its laboratories at a level that ensures that they provide a world-class service 365 days a year. These facilities are ISO/IEC 17025 accredited in chemistry, microbiology, hydrobiology and soil testing, and have highly skilled and dedicated technical staff.

OPERATIONAL OPTIMISATION

Water efficiencies have been ensured in the bulk business through careful water balancing per system. In the reporting period, water loss was maintained well below the entity's target level of 5%, with a total of 2.7% recorded for the year (2.5% in the previous year).

Energy is a crucial resource for water and wastewater treatment processes. Optimal pumping and other strategies remain inherent parts of the business mindset from planning, design and construction through to operation.

FINANCIAL VIABILITY

The entity has maintained its reputation as a financially viable entity, creating significant value for customers and shareholders. Strong results were achieved because of sound financial management in the year, notably:

- Revenue (Group) of R4.9bn was generated (R4.5bn in the previous year);
- Net surplus (Group) was R1.2bn (R1.3bn in the previous year);

- Balance sheet reserves were strengthened to R13.2bn (R11.9bn in the previous year).

The earned surplus for the year will be invested in support of the future five-year R13.95bn (not escalated) capital investment programme, as well as used for debt reduction. As at 30 June 2022, a significant portion of capital investments were already committed.

The strength of the balance sheet and access to other strategic financial resources remain vital to Umgeni Water for expanding services to new areas and implementing the strategy of enabled and innovative growth.

OUTLOOK

The entity was seized with the task of improving the robustness of its governance systems and closing identified gaps. A combination of solid enterprise-wide systems, backed by highly competent employees and robust leadership provided by the Executive Team and Board will ensure consistent improvement of Umgeni Water's performance in execution of its strategy going forward.

The outlook is positive. The many pockets of strength that can be enhanced and maintained within the entity, provides a stable base that can be leveraged by Umgeni Water to implement its strategy of enabled and innovative growth. In so doing, Umgeni Water will serve its customers and the people of KwaZulu-Natal in a more effective manner, while braving the challenges and taking the opportunities presented by a changing future and almost certainly changing world of work.



DR SIPHO MANANA

Acting Chief Executive
23 November 2022



ROSETTA WTW

60 CORPORATE GOVERNANCE

6.1 COMPOSITION AND FUNCTIONING OF THE BOARD

THE BOARD

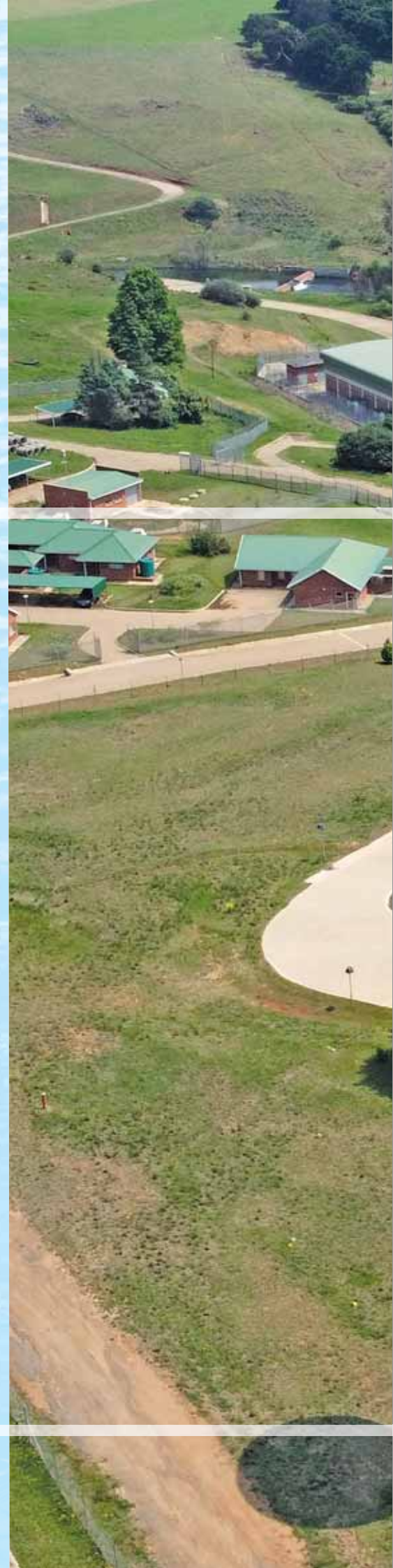
The tenure of the Interim Board that was appointed by the Executive Authority in August 2020 came to an end on 21 October 2021 following a ruling by the Pietermaritzburg High Court. The Executive Authority, in abiding with the ruling, has followed due process and ratified the appointment of the current Board with effect from 3 November 2021.

The Chairperson of the Board and all other Board members, with the exception of the Chief Executive, are independent non-executive directors in the manner described in the King IV Report on Corporate Governance (hereinafter referred to as “King IV”), to ensure its

independence and the clear definition of roles and responsibilities. All Board members execute their collective legal duty in a professional manner, with integrity and utmost good faith.

The Board is accountable for the leadership and control of Umgeni Water. Its responsibilities include the development, review and monitoring of strategic objectives, the approval of major capital expenditure, risk management and monitoring of operational, and financial performance. The government of the Republic of South Africa, represented by the Minister and the Department of Water and Sanitation, is the sole Shareholder of Umgeni Water.

The Board contracts with the Executive Authority, the Minister, through an annually approved Shareholder Compact. The Board will continue to actively engage with the Shareholder through various forums in the year.





SPRING GROVE WTW

In the reporting year, the Board was assisted with discharging its responsibilities through the following five committees:

- Audit Committee;
- Capital Projects, Fixed Assets and Procurement Committee;
- Human Resources and Remuneration Committee;
- Governance Committee; and
- Innovation, Technology and Information Committee (new Committee formed in March 2022)

Umgeni Water Board and Committee membership in the reporting year is shown in **Table 6.1**.

Table 6.1 (a): Interim Board and Committee Memberships, with effect from 01 July 2021 to 21 October 2021

BOARD MEMBER	GENDER	AUDIT	HR & REMCO	CAPEX	GOVERNANCE	ETHICS
1. Mr M Mzobe ^{1,6}	M				√	
2. Mr T Tselane ^{2,3}	M			√	√	
3. Ms L Ngcobo ⁴	F	√			√	
4. Mr M Ngubo ⁵	M	√	√		√	
5. Ms U Mhlope	F		√	√		
6. Mr S James	M	√		√		
7. Ms P Ntombela	F			√		
8. Mr B Dladla	M		√			
9. Mr V Ndara	M	√				
10. Ms S Getyeza	F		√	√		
11. Adv M Magigaba	M		√			√
12. Ms N Mkhize ⁷	F		√	√		

¹ Board Chairperson

² Deputy Board Chairperson

³ Capex, Fixed Assets and Procurement Committee Chairperson

⁴ Audit Committee Chairperson

⁵ Human Resources and Remuneration Committee Chairperson

⁶ Governance Committee Chairperson

⁷ Former Acting Chief Executive, resigned on 9 October 2021

Table 6.1 (b): Board and Committee Memberships, with effect from 3 November 2021

BOARD MEMBER	GENDER	AUDIT	HR & REMCO	CAPEX	GOVERNANCE	ETHICS	ITI
1. Ms Z Mathenjwa ^{1,6}	F				√	√	
2. Prof T Mthembu ^{2,3,9}	M			√	√		
3. Mr S Shabalala ⁴	M	√			√		
4. Mr W Mapena ⁵	M		√		√		
5. Ms B Zulu	F			√			
6. Ms N Chamane	F			√			
7. Mrs L Ngcobo	F	√					√
8. Ms M Ndlovu ¹⁰	F	√					√
9. Mr V Reddy	M		√				
10. Mr T Nkhale	M			√			
11. Mr S Badat	M		√				
12. Mr M Zakwe	M	√					√
13. Adv. S W Chamane	M		√				
14. Mr S Dube ⁷	M		√	√			√
15. Mr M Dlamini ⁸	M		√	√		√	√

¹ Board Chairperson

² Deputy Board Chairperson

³ Capex, Fixed Assets and Procurement Committee Chairperson

⁴ Audit Committee Chairperson

⁵ Human Resources and Remuneration Committee Chairperson

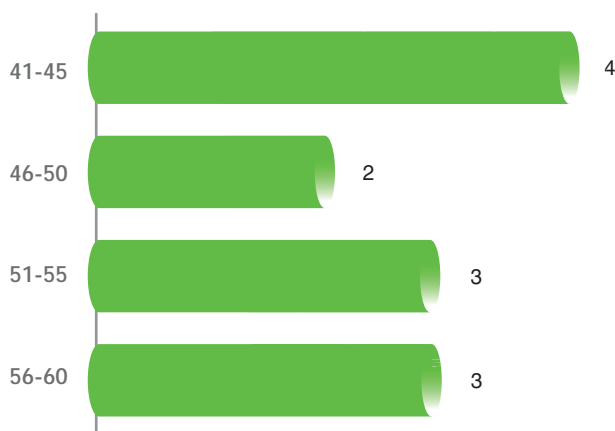
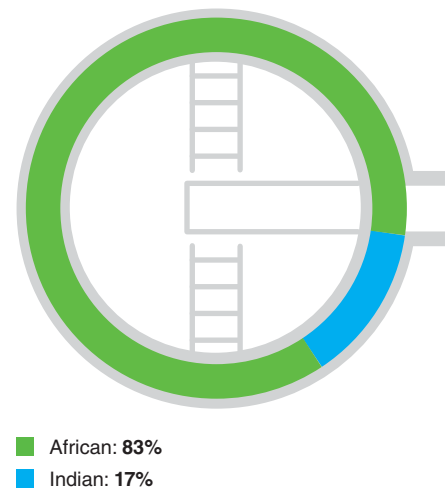
⁶ Governance Committee Chairperson

⁷ Acting Chief Executive, from 9 October 2021 to 27 November 2021

⁸ Acting Chief Executive, from 27 November 2021 to 30 June 2022

⁹ Resigned on 27 October 2022

¹⁰ Resigned on 30 June 2022

Figure 6.1: Board Member (a) Age, (b) Race and (c) Gender Profiles (November 2021 – July 2022)**(a) Board Member Age Profile****Age Range****(b) Board Member Race Profile****(c) Board Member Gender Profile**

■ Male: 67%
 ■ Female: 33%

A Board Charter (reviewed in 2019) provides a framework for fiduciary duties, responsibilities and overall functioning of the Board. The Board Charter is 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;
- The King Code of Governance Principles, 2016 (King IV).

As recommended by King IV, the Board evaluates the performance of all divisions including the Finance Division. This was planned for twice in the reporting year. Evaluation of the performance of the board of directors and its committees, its chair, and its individual directors. In accordance with the Board Charter, the Board shall: Review its performance at collective and individual levels on an annual basis. Use an accepted self-evaluation tool, designed by an accredited institution to review its performance. The results of the evaluation should be discussed during a full Board meeting and a clear action plan to improve performance should, if so required, be developed. The Members of the Board have skills that were put to good use in providing leadership, guidance and directing strategy in the year under review. Overall, the Board functioned at a strategic level and delivered outputs in line with its mandate.

Non-executive Board members receive remunerative benefits and fees as determined by the Minister on an annual basis and in line with their terms of appointment. Therefore, no Board member is involved in determining his/her own remuneration. Board Members' remuneration is fully disclosed in Umgeni Water's Annual Report (page 267). Conflict Of Interest: during the 2022 financial year, no conflicts of interest were noted in terms of the Board of directors.

Table 6.2 (a): Interim Board Meeting Attendance with effect from 01 July 2021 to 21 October 2021

BOARD MEMBERS	GENDER	NORMAL MEETING
		21 JULY 2021
1. Mr M Mzobe ^{1,6}	M	√
2. Mr T Tselane ^{2,3}	M	√
3. Ms L Ngcobo ⁴	F	√
4. Mr M Ngubo ⁵	M	√
5. Ms U Mhlope	F	√
6. Mr S James	M	√
7. Ms P Ntombela	F	√
8. Mr B Dladla	M	≠
9. Mr V Ndara	M	√
10. Ms S Getyeza	F	√
11. Adv M Magigaba	M	√
12. Ms N Mkhize ⁷	F	√

√ Denotes Attendance
 ≠ Denotes absence with apology

¹ Board Chairperson
² Deputy Board Chairperson

³ Capex, Fixed Assets and Procurement Committee Chairperson
⁴ Audit Committee Chairperson
⁵ Human Resources and Remuneration Committee Chairperson
⁶ Governance Committee Chairperson
⁷ Former Acting Chief Executive, resigned on 9 October 2021

Table 6.2 (b): Board Meeting Attendance 2021/2022 with effect from 3 November 2021

BOARD MEMBER	GENDER	07 NOV 2021 SPECIAL	24 NOV 2021 SPECIAL	03 DEC 2021 SPECIAL	23 DEC 2021	19 JAN 2022	23 MAR 2022	26 APR 2022
1. Ms Z Mathenjwa ^{1,6}	F	√	√	≠	√	√	√	√
2. Prof T Mthembu ^{2,3}	M	√	≠	≠	√	√	√	√
3. Mr S Shabalala ⁴	M	√	√	√	√	√	√	√
4. Mr W Mapena ⁵	M	√	√	√	√	√	√	√
5. Mr M Zakwe ⁷	M	√	√	√	√	√	√	√
6. Ms N Chamane	F	√	√	√	√	√	√	√
7. Ms L Ngcobo	F	√	√	√	√	√	√	√
8. Ms B Zulu	F	√	≠	√	√	√	√	√
9. Mr V Reddy	M	√	√	√	√	√	√	√
10. Ms M Ndlovu	F	√	√	√	√	√	√	√
11. Mr S Badat	M	√	√	≠	≠	√	√	√
12. Mr T Nkhahle	M	√	√	√	√	√	√	≠
13. Adv. S Chamane	M	√	√	√	√	√	≠	√
14. Mr M Dlamini ⁸	M	√	√	√	√	√	√	√

√ Denotes Attendance
 ≠ Denotes absence with apology

¹ Board Chairperson
² Deputy Board Chairperson
³ Capex, Fixed Assets and Procurement Committee Chairperson

⁴ Audit Committee Chairperson
⁵ Human Resources and Remuneration Committee Chairperson
⁶ Governance Committee Chairperson
⁷ Innovation, Technology and Information Committee (new Committee Chairperson)
⁸ Acting Chief Executive, from 27 November 2021 to 30 June 2022

BOARD COMMITTEES

The Board Committees are constituted formally and are chaired by non-executive Board members. The Board Committees assist the Board in the performance of duties and enables effective decision-making through providing more detailed attention to matters within the terms of reference. The committees report to the Board on activities at every meeting. In terms of the Water Services Act, the Board is authorised to delegate powers to the Committees established by the Board. The functions and powers delegated to Committees are set out in the written Terms of Reference that are approved formally by the Board.

AUDIT COMMITTEE

The Committee consists of five non-executive Board members and its chairperson was Mr S Shabalala.

The Committee is mandated to exercise oversight and ensure achievement of the highest level of financial management, accounting, reporting to the shareholder and to meet the requirements prescribed in section 51(1)(a)(ii) and 76(4)(d) of the Public Finance Management Act (Act 29 of 1999), as well as Treasury Regulations, 2005 (Chapter 27.1). This mandate is formalised in the terms of reference.

The Audit Committee further provides oversight on issues such as ethics and risk management to ensure the effectiveness, quality, integrity and reliability of Umgeni Water's processes. The full report of all activities in page 184. The ethics report is on page 62.

Table 6.3 (a): Audit Committee Meeting Attendance 2021/2022 (Interim Board) with effect from 01 July 2021 to 21 October 2021

AUDIT MEMBERS	GENDER	NORMAL MEETING
		07 JUL 2021
1. Ms L Ngcobo ¹	F	√
2. Mr M Ngubo	M	√
3. Ms P Ntombela	F	√
4. Mr S James	M	√
5. Mr V Ndara	M	√

√ Denotes Attendance
 ≠ Denotes absence with apology

¹ Audit Committee Chairperson

Table 6.3 (b): Audit Committee Meeting Attendance 2021/2022 (Reinstated Board) with effect from 3 November 2021

MEMBERS	GENDER	NORMAL MEETINGS			SPECIAL MEETINGS	
		20 DEC 2021	23 FEB 2022	20 APR 2022	29 APR 2022	11 MAY 2022
1. Mr S Shabalala ¹	M	√	√	√	√	√
2. Ms M Ndlovu	F	√	√	√	√	√
3. Mr M Zakwe	M	√	√	√	√	√
4. Ms L Ngcobo	F	√	√	√	√	√

√ Denotes Attendance
 ≠ Denotes absence with apology

¹ Audit Committee Chairperson

INTERNAL AUDIT

Internal Audit is an independent assurance function, the purpose, authority and responsibility that is formally defined in a charter approved by the Board in line with stipulations of the Institute of internal auditors. In line with the requirements of the Public Finance Management Act (PFMA) and Good Governance, the internal audit function gives the Audit Committee and management assurance on the appropriateness and effectiveness of internal controls.

The Chief Audit Executive, as the custodian of the internal audit function, reports regularly to the Audit Committee and has unrestricted access to the Committee Chairperson.

As at 30 June 2022, Umgeni Water had no repeat and unresolved Internal Audit findings.

COMPLIANCE WITH LAWS AND REGULATIONS

Umgeni Water continues to enhance its compliance management system. The entity continued to use its Legal Compliance Regulatory Universe, Compliance Checklists and Compliance Monitoring/Assurance Plan for monitoring and reporting Legal Compliance. The areas of non-compliance that were flagged in the year are receiving the necessary attention.

EXTERNAL AUDIT

The external auditors are responsible for implementing procedures to obtain audit evidence regarding the amounts and disclosures in the consolidated financial statements, the report on predetermined objectives and compliance with laws and regulations applicable to the entity. This is based on, among others:

- Assessing the risks of material misstatement of the consolidated financial statements, the report on predetermined objectives and material non-compliance with laws and regulations;
- Considering internal controls relevant to Umgeni Water's preparation and fair presentation of the financial statements, the report on predetermined objectives and compliance with laws and regulations;
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management;
- Evaluating the appropriateness of systems and processes that ensure the accuracy and completeness of the financial

statements, the report on predetermined objectives and compliance with laws and regulations.

The external auditors express an opinion on the consolidated financial statements and report on findings relating to their audit of the report on predetermined objectives and compliance with material matters in laws and regulations applicable to the entity.

HUMAN RESOURCES AND REMUNERATION COMMITTEE

This Committee comprises five non-executive directors and the Chief Executive. Its chairperson was Mr W Mapena.

The Committee reviews and recommends to the Board all matters relating to:

- Human Resources policies, organisational structure and compliance with the Employment Equity Act, (Act 55 of 1998) and other Labour legislation;
- Conditions of employment of executive management;
- Appointment of the Chief Executive and members of executive management;
- Remuneration packages for the Chief Executive, members of executive management and staff;
- Succession planning for executive management;
- Policies and practices for Performance Management;
- Strategic Human Resource related matters;
- Special rewards recommended by the Chief Executive.

Table 6.4: Human Resource and Remuneration Committee Meeting Attendance 2021/2022 with effect from 3 November 2021

MEMBERS	GENDER	NORMAL MEETINGS					SPECIAL MEETINGS		
		10 NOV 2021	10 DEC 2021	16 FEB 2022	21 APR 2022	25 MAY 2022	16 MAR 2022	01 APR 2022	06 JUN 2022
1. Mr W Mapena ¹	M	√	√	√	√	√	√	√	√
2. Mr V Reddy	M	√	√	√	√	√	√	√	√
3. Mr S Badat	M	√	√	√	√	√	√	√	√
4. Adv. S Chamane	M	√	√	√	√	√	√	√	√
5. Mr M Dlamini ²	M	√	√	√	√	√	√	√	√

√ Denotes Attendance
 ≠ Denotes absence with apology

¹ Human Resources and Remuneration Committee Chairperson
² Acting Chief Executive, from 27 November 2021 to 30 June 2022

CAPITAL PROJECTS, FIXED ASSETS AND PROCUREMENT COMMITTEE

This Committee comprises five Non-Executive Directors and the Chief Executive. This committee was chaired by Prof T Mthembu.

The Committee assists the Board with capital expenditure programme related decisions recommends Procurement Policies

to the Board for approval and approves the release of capital expenditure above executive management's delegated authority but within the Committee's delegated authority. It ensures that the organisation's supply chain policy and procedures are equitable, transparent, competitive and cost-effective. It reviews the organisation's infrastructure asset maintenance programme/performance. Contracts which exceed the Committee's Delegation of Authority are referred to the Board for approval. The Committee reviews and recommends amendments to the limits in the delegation of authority, relating to budget approvals for capital projects and procurement to enable management to expedite the implementation of projects.

Table 6.5 (a): Capital Projects, Fixed Assets and Procurement Committee Meeting Attendance 2021/2022 (Interim Board) with effect from 01 July 2021 to 21 October 2021

MEMBERS	GENDER	NORMAL MEETING
		26 AUG 2021
Mr T Tselane ¹	M	√
Ms S Getyeza	F	√
Ms P Ntombela	F	√
Mr S James	M	√
Mrs U Mhlope	F	√
Mrs N Mkhize ²	F	-

√ Denotes Attendance
 ≠ Denotes absence with apology

¹ Capex Committee Chairperson
² Former Acting Chief Executive, resigned on 9 October 2021

Table 6.5 (b): Capital Projects, Fixed Assets and Procurement Committee Meeting Attendance 2021/2022 (Reinstated Board) with effect from 3 November 2021

MEMBERS	GENDER	CAPEX MEETINGS			
		20 DEC 2021	16 FEB 2022	06 APR 2022	18 MAY 2022
1. Prof T Mthembu ¹	M	≠	√	√	≠
2. Ms N Chamane	F	√	√	√	√
3. Ms B Zulu	F	√	√	√	√
4. Mr T Nkhahle	M	√	√	√	√
5. Mr M Dlamini ²	M	√	√	√	√

√ Denotes Attendance
 ≠ Denotes absence with apology

¹ Capex Committee Chairperson
² Acting Chief Executive, from 27 November 2021 to 30 June 2022

GOVERNANCE COMMITTEE

The Governance Committee meets twice in a financial year to conduct performance evaluations of Executive Management and the Company Secretary, as well as on an ad-hoc basis to deal with other governance related matters. The Committee comprises four Non-Executive Directors. The Chairperson of the Board Ms. Z Mathenjwa chairs the Committee.

The Committee assists the Board in monitoring and assessing the performance of executive management to ensure that performance objectives and targets are met. Performance results are considered by the Remuneration and Human Resources Committee in determining the remuneration of the Chief Executive and other executives to be recommended to the Board for approval.

Table 6.6 (a): Governance Committee Meeting Attendance 2021/2022 (Interim Board) with effect from 01 July 2021 to 21 October 2021

MEMBERS	GENDER	NORMAL MEETING	SPECIAL MEETING
		13 AUG 21	06 OCT 21
1. Mr M Mzobe ^{1,5}	M	√	√
2. Mr T Tselane ²	M	√	√
3. Ms L Ngcobo ³	F	√	√
4. Mr M Ngubo ⁴	M	√	√

√ Denotes Attendance
 ≠ Denotes absence with apology
¹ Board Chairperson
² Capex Committee Chairperson

³ Audit Committee Chairperson
⁴ Human Resources and Remuneration Committee Chairperson
⁵ Governance Committee Chairperson

Table 6.6 (b): Governance Committee Meeting Attendance 2021/2022 (Reinstated Board) with effect from 3 November 2021

MEMBERS	GENDER	COMMITTEE MEETINGS			
		30 NOV 2021	11 JAN 2022	08 APR 2022	08 JUN 2022
1. Ms Z Mathenjwa ^{1,5}	F	√	√	√	√
2. Prof T Mthembu ²	M	≠	≠	√	√
3. Mr S Shabalala ³	M	√	√	√	√
4. Mr W Mapena ⁴	M	√	√	√	√

√ Denotes Attendance
 ≠ Denotes absence with apology
¹ Board Chairperson
² Capex Committee Chairperson

³ Audit Committee Chairperson
⁴ Human Resources and Remuneration Committee Chairperson
⁵ Governance Committee Chairperson

INNOVATION, TECHNOLOGY AND INFORMATION COMMITTEE

This newly constituted Committee consists of not less than three (3) non-executive Board members and its chairperson is Mr Mduduzi Zakwe.

The Committee is mandated to exercise oversight and ensure strategic oversight on matters relating to the assurance that the organisation in implementing an effective innovation strategy, ICT Strategy, ICT Governance Framework and Risk & Compliance Framework.

The terms of reference of the Innovation, Technology and Information Committee take into account the recommendations in King IV, recognise the importance of innovation as well as the need for strategic focus on technology and information. The issues falling within the oversight responsibility of this Committee covers the whole Group, and as such the Committee composition includes representation of subsidiaries at non-executive level as well.

Table 6.7: ITI Committee Meeting Attendance 2021/2022

MEMBERS	GENDER	COMMITTEE MEETINGS	
		05 MAY 22	12 JUN 22
1. Mr. M Zakwe ¹	M	√	√
2. Ms. L Ngcobo	F	√	√
3. Ms N Radebe	F	√	√
4. Mr M Dlamini	M	√	√
5. Mr P Thompson	M	√	√
6. Ms M Ndlovu	F	√	√

√ Denotes Attendance
 ≠ Denotes absence with apology

¹ ITI Committee Chairperson

DELEGATION OF AUTHORITY

A comprehensive Delegation of Authority Framework governs the authority levels for the Board and management. These are exercised through various board and management committees. This framework assists the Board to discharge its duties with Board members' accountability and responsibility. The Board reviews the framework regularly.

EXECUTIVE COMMITTEE

The Board has delegated the day-to-day running of the entity to the Chief Executive, who works with Executives, each heading a Division, to assist with this task. The Executive Committee is the highest executive decision-making structure in the entity. Central to its role is the formulation and implementation of the Board's strategy and policy direction, and ensuring that all business activities are aligned in this respect.

Each Division works towards the achievement of set strategic objectives for a predetermined period. The entity's wholly-owned operating subsidiary also works, independently, towards enabling Umgeni Water to fulfil its mandate and contracted obligations.

COMPANY SECRETARIAT

The Company Secretary oversees the portfolio of secretariat, governance advisory services and plays a critical role in legal

and governance advisory to the board, risk and compliance management, and attends all Board and Committee meetings.

The Board as a whole and individual Non-Executive Directors and members of the Executive have access to the Company Secretary who is enjoined to provide guidance on how members should discharge their duties and responsibilities in the best interests of the Company. The Company Secretary continues to oversee the preparation and coordination of the induction and on-going training of Board members and assists the Board and its Committees in formulating annual plans, agendas, minutes and terms of reference as warranted.

The Company Secretary is not a Director of the Company or any of its subsidiaries and maintains accordingly an independent and arm's length relationship with the Board and the Executives (page 187).

KING IV DISCLOSURE

Below are the governance principles that King IV dictates well-governed organisations should comply with to maintain the highest levels of governance. Umgeni Water has, going forward, chosen to include this disclosure reporting in its compliance against each principle. The disclosure must be read together with other aspects of this report and the GRI index (page 272) provides reference page numbers on where each disclosure is found in the report:

KING IV PRINCIPLE	2021/2022 DISCLOSURE
1. The governing body should lead ethically and effectively	The Board is the accounting authority on all issues relating to ethical and effective leadership, including codes of conducts and performance evaluations. The Board is accountable to the Executive Authority and accounts to Parliament for its performance which includes financial and non-financial matters.
2. The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture	The Board, through the Audit Committee provides oversight on ethics matters and ensures that periodic reports are received by the Board on the work of the Ethics Committee. The terms of reference of the Ethics Committee ensures that there is a system of monitoring and reporting ethics matters and that the work of the Committee is properly planned and focused on promoting and ethical culture across the organisation.
3. The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen	The Board had approved an enterprise development strategy and policy. These documents serve as the foundations of ensuring that the organisation puts systems in place to gear itself as a responsible corporate citizen. With these policies put to full implementation, the entity will become a visible caring organisation.

KING IV DISCLOSURE ...CONTINUED

KING IV PRINCIPLE	2021/2022 DISCLOSURE
<p>4. The governing body should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process</p>	<p>The board appreciates the expectations of its stakeholders and its benevolent intent through its strategies indicates the board's awareness that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.</p>
<p>5. The governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance, and its short, medium and long-term prospects</p>	<p>The Board encourages management to be transparent in all its endeavours. All key documents are publicised on the organisation's website or other platforms, for access by stakeholders:</p> <ul style="list-style-type: none"> corporate governance disclosures; integrated reports; annual financial statements; other external reports. <p>Media statements are released periodically to address areas of concern from stakeholders and there is continuous engagements with the media.</p>
<p>6. The governing body should serve as the focal point and custodian of corporate governance in the organisation</p>	<p>The board's annual reports contain full disclosures on the status of corporate governance matters affecting the organisation, which include the members of the board, their expertise, number of meetings held during reporting period and attendance, whether the board is satisfied that it has fulfilled its responsibilities in accordance with its Charter and applicable Codes and legislation.</p>
<p>7. The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively</p>	<p>The annual report discloses:</p> <ul style="list-style-type: none"> the board's comfort that its composition reflects the appropriate mix of knowledge, skills, experience, diversity and independence Categorisation of its members as either executive / independent non-executive Qualifications and experience of members and executives Period of service Age Other professional positions held
<p>8. The governing body should ensure that its arrangements for delegation within its own structures promote independent judgement, and assist with balance of power and the effective discharge of its duties</p>	<p>The Board operates in accordance with a Board Charter.</p> <p>All Committees of the Board operate in accordance with delegations given to each Committee by the Board with clear roles and responsibilities/functions</p> <p>The annual report discloses:</p> <ul style="list-style-type: none"> Composition, qualifications and experience of members; Number of meetings held and attendance <p>Whether the board / committee is satisfied that it has fulfilled its responsibilities</p> <p>Statement as to whether audit committee is satisfied that the external auditor is independent, specifically addressing:</p> <ul style="list-style-type: none"> • the policy/controls and nature and extent of non-audit services rendered • tenure of external audit firm • rotation of designated external audit partner • significant changes in the management of the organisation during external audit firm's tenure <p>Significant matters considered in relation to the annual financial statements, and how these were addressed</p> <p>Views on quality of the external audit</p> <p>Views on effectiveness of the chief audit executive and arrangements for internal audit</p> <p>Views on effectiveness of design and implementation of internal financial controls</p> <p>Views on effectiveness of CFO and finance function</p> <p>Arrangements in place for combined assurance and views on its effectiveness</p>

KING IV DISCLOSURE ...CONTINUED

KING IV PRINCIPLE	2021/2022 DISCLOSURE
9. The governing body should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members, support continued improvement in its performance and effectiveness	<p>The Board has over the years relied on formal self-assessment process as one of the tools to assess board / committee effectiveness. Over time this method will be reviewed and benchmarked against peers.</p> <p>An annual self-evaluation / performance report is submitted to the executive authority highlighting key issues identified during the evaluation.</p>
10. The governing body should ensure that the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities	<p>The organisation has in place a clearly defined delegation of authority framework that contributes to role clarity and effective exercise of authority.</p>
11. The governing body should govern risk in a way that supports the organisation in setting and achieving its strategic objectives	<p>The risk identification and management process is firmly entrenched in the organisation's business processes and the Board exercises the appropriate platform for this and gives enough space to management to manage risks and report periodically to the Board, through the Audit Committee, on risk related matters.</p>
12. The governing body should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives	<p>The audit committee is charged with the responsibility of assisting the board to conduct appropriate oversight on matters related to ICT.</p> <p>Management is required to provide periodic reports on ICT governance, put actions taken to monitor effectiveness of technology and information and provide plans that are meant to enhance ICT systems for future focus.</p>
13. The governing body should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen	<p>The Board is accountable for ensuring organisation-wide compliance. Overview of arrangements for governing and managing compliance and the annual report addresses how the board seeks to ensure compliance in all layers of the organisation.</p>
14. The governing body should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term.	<p>The annual report fully discloses remuneration of Board members and Executives in detail and provides the basis for remuneration strategies.</p>
15. The governing body should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the organisation's external reports	<p>Assurance of external reports</p> <p>The annual report fully discloses assurance processes applied, in addition to the independent, external audit opinions, including:</p> <ul style="list-style-type: none"> • brief description of nature and scope of assurance functions, and services and processes underlying preparation of report • statement by governing body on integrity of report and basis of this statement
16. In the execution of its governance roles and responsibilities, the governing body should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time	<p>The annual report fully discloses the organisation's benevolent intention in relation to transparency and how stakeholders are kept abreast of all developments regarding the organisation. In the reporting year, stakeholders have been kept abreast of key matters / developments regarding the entity through various mediums of communication.</p>

BOARD MEMBERS



MS. ZIPHOZETHU (GABSIE) MATHENJWA

Master's In Law (University of London); MSc in International Business (University of London); MBA (University of KwaZulu-Natal); BSc in Hydrology and Advanced Biochemistry (University of Zululand); Post Graduate Diploma in Laws specializing in Commercial and Corporate Law (University of London).

Appointed for 1st board term in June 2009.

Re-Appointed as Board Member in May 2019.

Committee Role: Board Chairperson, Governance Committee

Chairperson, Ethics Committee Member

Umgeni Water Board member in 2009. Also former Board Member of the Water Research Commission. Other previous board memberships Denel SOC (Ltd); Board Member Safran Turbomeca Africa, Board Member of Mitsui African Rail Solutions, Mpumalanga Provincial Department of Economic Development, Environment and Tourism Audit Committee Chairperson.

MS. NOMPUMELELO CHAMANE

A community activist who has worked her whole life for the upliftment of communities at local government level.

Appointed as Board Member in May 2019.

Committee Role: CAPEX Committee.

Chairperson of Umgeni Water Board HR and Remuneration Committee since 2009. Councillor with eThekweni Municipality. Experienced liaison officer with provincial structures of COSATU. Member of Albert Luthuli Hospital Committee. Board member of EU-funded Cato Manor Development Association (CMDA); Chairperson of Finance Committee of St Benedict Catholic Church.



MR. VISVIN REDDY

Educator (Mathematics & Computer Science) by profession. Various Diplomas and Certificates in Management and Communications.

Appointed for 1st Board term in June 2009.

Re-Appointed as Board Member in May 2019.

Committee Role: HR & REMCO.

Over twenty years' local government experience. Served on the Executive Committee of eThekweni Metropolitan Municipality as well as serving as Chairman of the Infrastructure Committee. A member of various community and lobby bodies.



MS. LINDA NGCOBO

Chartered Accountant (SA); Post Graduate Diploma in Accounting; (UKZN); B Com (UZ).

Appointed as Board Member in May 2019

Committee Role: Audit Committee.

She is a founding member and Managing Director of 1st Verification Network a B-BBEE verification agency. Linda has over 17 years' experience in successfully running this business. She has governance experience gained from serving in various boards of both private and public sector entities across various sectors.

ADV. SIMOSENKOSI CHAMANE

Diploma in Public Administration; LLB (UZ); Advocate of the High Court of South Africa; Member of the Institute of Directors in Southern Africa.

Appointed as Board Member 2019

Committee Role: HR & REMCO.

Special legal advisor to the Minister of Police of RSA. Deputy Director-General:

Institutional Development & Integrity Management in the KZN Office of the Premier since 2015. General Manager: Public and Freight Transport at the KZN Department of Transport from 2006 to 2015. Manager: Contracts Management at the KZN Department of Transport from 2005 to 2006. Senior Manager: Legal Services at the KZN Department of Transport from 2004 to 2005. He has amassed over 17 years' experience from various legal and leadership roles within the Provincial Government.



MR. WILLIAM MAPENA

BCom; MPA

Appointed as Board Member in May 2019

Committee Role: HR & REMCO Chairperson.

Independent non-executive director and chairperson of Msinsi Holdings SOC LTD. Has

experience in leadership and governance. Served as Speaker of eThekweni Metropolitan Municipality and held various leadership positions within the Municipality. Member of Council and HR Committee at the Durban University of Technology since 2008. Trustee of the KZN Municipal Pension Fund since 2016. KZN Chairperson of the Municipal Infrastructure Committee in the South African Local Government Association since 2011.

BOARD MEMBERS ...CONTINUED



MR. MDU ZAKWE

MBA; Chartered Accountant (SA); Bcom.

Appointed as Board Member in May 2019.

Committee Role: Audit Committee.

Chief Executive Officer of MICT SETA.
Chairperson – Sector Skills Planning

Committee at the Bank SETA. Board member and Chairperson for Audit and Risk Committee and IT Governance Committee at the South African Post Office. He is the founder of Cyber Core, a cybersecurity consulting practice. He has held various oversight roles in the ICT security governance structures in government entities.

MR. TEBOGO NKHAHLE

Registered Professional Scientist; Certificate Program in Finance and Accounting (Wits); MPhil Stellenbosch University; Environmental Auditor (IRCA).

Appointed as Board Member in May 2019.

Committee Role: Chairperson of the CAPEX Committee

Registered Professional Scientist with some training in Finance and Accounting; MPhil Stellenbosch University; Trained Environmental Auditor (IRCA). Appointed as

UW Board Member in May 2019 and currently chairs the UW CAPEX Committee. Currently the RSA Chief Delegate to the Lesotho Highlands Water Commission and former Non-Executive Chairman of Lesotho Highlands Development Authority (LHDA); Former Board member of US based Global Decisions Inc.; Environmental Auditor with Eskom from 1998 to 2004. Member of Institute of Directors-(IoD SA) since 2007 and Former Vice Chair of the IoD's Sustainable Development Forum from 2008 to 2009. Former Managing Director and Partner at Environmental Impact Management Services (EIMS).



MR. SIBONISO SHABALALA

Chartered Accountant (SA); Post Graduate Diploma in Accounting; Bachelor of Commerce: Accounting (UKZN).

Appointed as Board Member in May 2019.

Committee Role: Audit Committee Chairperson.

Non-executive Director of Msinsi Holdings SOC LTD from 2015 to 2019. Chairperson of the Ethics Committee of Umgeni Water

from 2014 to 2019. He has over 20 years of experience in various leadership roles in the Finance and Banking sector. Currently, he is the Managing Director of Ukukhanya Advisory Services, an emerging Durban-based auditing & advisory firm.



MR. SULEMAN BADAT

Chartered Accountant (SA); B Acc (UKZN)

Appointed as Board Member in May 2019.

Committee Roles: HR & REMCO.

Suleman has garnered over 30 years' experience in various leadership roles within the assurance, governance, risk and compliance fields. These roles included member of the Executive

Committee at Auditor-General South Africa; Director: Enterprise Risk Management at Saudi Oger Ltd; Chief Risk Officer & Chief Audit Executive at Sasol Limited and Partner at Arthur Andersen. Currently, he is the founder and Managing Director of Resilient Advisory (Pty) Ltd. He currently serves on the Board of Air Traffic Navigation Services SOC Limited. He also served as a member of the King IV Committee for Corporate Governance.

MS. BONGEKILE ZULU

MBA (UKZN); Certificate in Environmental Law (UP); Certificate in Legal Practice; B.Proc (UKZN).

Appointed as Board Member in May 2019.

Committee Role: CAPEX Committee.

Member of the Water Tribunal from May 2019. Member of iLembe District Municipality's Audit Committee since 2018. Member of the Construction Industry Development Board since 2018. Member of the Department of Trade and Industry's Companies Tribunal since 2017. Trustee of the KZN Growth Fund since 2016. Member of eThekweni Municipality Audit,

Risk and Performance Committee since 2015. Deputy Chairperson for Zululand District Municipality Bid Appeals Tribunal since 2016.

Member of the City of Umhlatuze Municipality Audit Committee from 2015 to 2018. Member of the KZN Gaming & Betting Board from 2015 to 2018. Member of the eThekweni Municipality Valuation Appeals Board from 2014 to 2018. Non-Executive Director of the Board of Ugu South Coast Development Agency from 2015 to 2018. Chairperson on the SARS Tax Appeals Board, KZN from 2013 to 2018. She has over 10 years' experience in legal practice in areas including: Corporate/ Commercial Law, Environmental Law, Public Law. She is Currently the Director and Practicing Attorney at Zulu Law Inc.



MR. SIBUSISO MADONSELA

Admitted Attorney of the High Court of South Africa, LLM (UKZN), LLB (UZ); Postgraduate Diploma in Compliance (UJ).

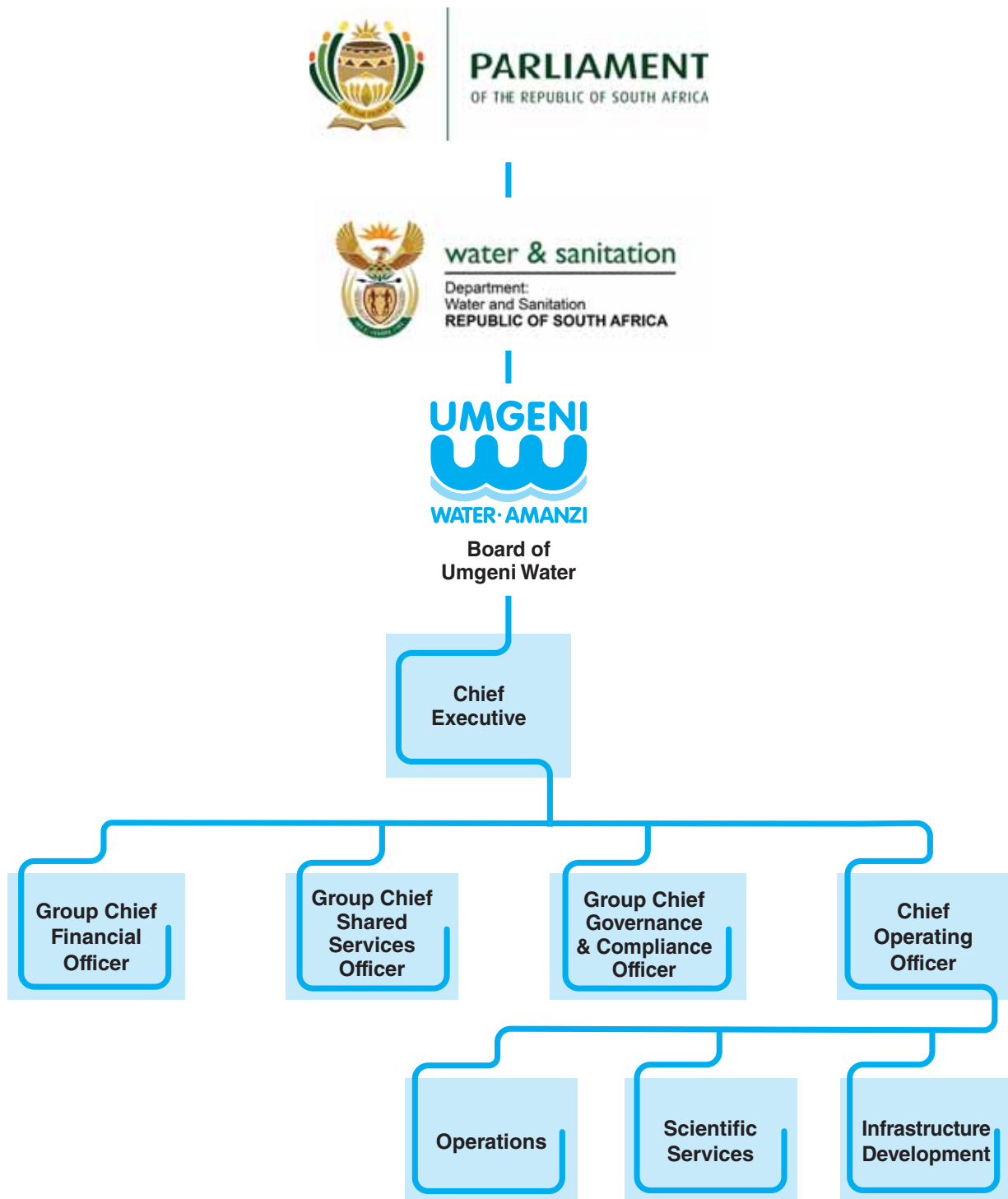
Appointed as Group Chief Governance & Compliance Officer on July 2022.

Re-Appointed as Company Secretary in January 2022. Appointed as Company Secretary in January 2014.

He is responsible for Group Governance. Prior to occupying this position, he was the head of Umgeni Water's Legal Services Department. Prior to joining Umgeni Water, he was the Competition Commission's Legal Counsel and has extensive experience in private legal practice.

6.2 FUNCTIONS AND MANAGEMENT STRUCTURE

In the reporting year, Umgeni Water (Group) had the following structure in line with its strategy. The core functions pertaining to each is articulated in the strategic statements that follow.



Some of the executive directors in the holding company (Umgeni Water) sit on the boards of the subsidiaries as non-executive directors to ensure alignment of business processes and culture within the group (Refer to Executive's profiles on page 60). Their executive positions in the holding company do not curtail their fiduciary responsibility as non-executive directors in the respective subsidiary entities.

The group company secretariat enables all the three boards to maintain their distinct fiduciary responsibilities while enhancing the group's collective values.



MPHOPHOMENI WWTW

EXCO MEMBERS



DR. SIPHO MANANA

PhD in Development Management (NWU); Master of Business Administration (MBA) (UKZN); BA (Honours) in Human Resources Development (UJ); Bachelor of Science (Maths and Physics) (Fort Hare); Secondary Teachers Diploma (Fort Hare)

Appointed as Acting Chief Executive in July 2022.

Served as Chief Director, Deputy Director General at the National School of Government

from 2009 to 2019. Director in the SAPS for Skills Development and international liaison in Pretoria and Mafikeng from 2000 to 2008. Spent 13 years at the KZN Department of Education as a Science and Mathematics educator and subject specialist respectively. Has been identified as one of the Thought Leaders on the Developmental State and the NDP: Vision 2030 by IRMSA (Institute of Risk Management in South Africa) and delivers sessions regularly on their platforms. His research interest is in human resource development and developmental state theory and practice

MS. MANU PILLAY

Professional Natural Scientist (SACNASP); MSc Eng. (Chem)

Appointed as Chief Operating Officer in July 2022

Executive Scientific Services at Umgeni Water from December 2018 to June 2022. Non-Executive Director of Msinsi Holdings SOC Ltd from January 2019 to August 2022. Trustee of the Umgeni Water Retirement Fund from April 2016. Manager: Strategy & Special Projects at Umgeni Water from 2008 to 2018. Manager: Water and Environmental Services from 1998 to 2008.



MR. THAMI MKHWANAZI

Chartered Accountant (SA) (SAICA); BCom Degree (UNIZUL); BCom Honours (UKZN); Chartered Accountant (SAICA); Certificate in VAT (UNISA); Executive Development Program (WITS).

Appointed as Group Chief Financial Officer in July 2022

The former Chief Financial Officer of the National Youth Development Agency (NYDA).

Over 21 years of experience of which 12 years was in the private sector which spans across the automotive, retail and wholesale, import and export of medical equipment, and the logistics sectors. Two of the entities were part of the listed group of companies. 9 years in the public sector as Chief Financial Officer. Of the 21 years, 15 years has been at the management level and 12 of those years at the senior management level. The public sector experience spans across a municipality, two municipal entities, and a section 3A state-owned entity as Chief Financial Officer.



MR. SIBUSISO MADONSELA

Admitted Attorney of the High Court of South Africa, LLM (UKZN), LLB (UZ); Postgraduate Diploma in Compliance (UJ).

Appointed as Group Chief Governance & Compliance Officer on July 2022. Re-Appointed as Company Secretary in January 2022. Appointed as Company Secretary in January 2014.

He is responsible for Group Governance. Prior to occupying this position, he was the head of Umgeni Water's Legal Services Department. Prior to joining Umgeni Water, he was the Competition Commission's Legal Counsel and has extensive experience in private legal practice.

MR. THULASIZWE SHANGASE

Post-Graduate Diploma - Forensic Investigation & Criminal Justice (UKZN), Masters of Laws (Labour Studies) (UKZN), Graduate Diploma - Industrial Relations (UKZN), Bachelor of Science Degree (Business Administration) (University of Wales), Specialist Human Resources Programme (Natal Technikon). Professionally registered with the South African Board of People Practitioners - Master HR Professional in the category of Generalist (REG / NUMBER: 9498).

Appointed as Acting Group Chief Shared Services Officer from 01 July 2022.

Senior Human Relations Manager from 2009. Employee Relations and Wellness Programme Manager from 2006 – 2009. Has over 30 years of experience in the Field of Human Resources which involved Managing and being responsible for Talent and Organisational Development: Human Resources Administration; Employee Relations and Wellness and Human Resources Planning sections.



MR. RADIKWENA DANIEL PHORA

Chartered Accountancy (CA SA) and Project Management Professional (PMP) accreditation.

Appointed as Chief Audit Executive for Umgeni Water Group in November 2022.

Has over 20 years of working experience with the majority of the years being in leading audit and investigation mandates. He has served

in academia as a university lecturer for third year level in auditing and accounting. He has a vast experience in leading multinational audit and forensic investigation functions. This covers cross sectoral exposure (i.e., private and public sector).

2020 SOCIAL AND ETHICS COMMITTEE REPORT

“Umgeni Water will continue to intensify its efforts to creating an ethical culture in all areas of the business. The Social aspect of Ethics will be the main focus of the committee in the coming year.”



Ms. P Mvulane
Chairperson of the Social
and Ethics Committee

SOCIAL AND ETHICS COMMITTEE REPORT

I am pleased to present the Social and Ethics Committee Report for the year ended 30 June 2022. In pursuit of achieving an ethical culture, Umgeni Water managed its ethics in an integrated manner through its Integrated Ethics Management Framework, the Framework, which support the desired outcomes of creating an ethical culture. The Framework was guided by a five (5) phase ethics management process aligned to the Ethics Institute of South Africa.

This Framework is a pronouncement of Umgeni Water's strategy to address fraud in an integrated approach and reduced potential risk to the organisation's assets, service delivery efficiency and reputation. Umgeni Water has realigned its fraud management focus moving beyond compliance which addressed fraud risk in isolation. Fraud deterrence and prevention is an essential component of each dimension and phase of the Governance of Ethics and Ethics Management Framework.

The Framework that was approved and implementation of the Integrated Ethics Management programme was executed and achieved 98% of the milestones. Umgeni Water is in the process of integrating the outcomes of the Ethics Risk Assessment, and including them into the Integrated Risk Management System for divisional control and mitigation. Analysis of the ethics risks will allow Umgeni Water Group to develop an ethics strategy as the second phase of the Integrated Ethics Management Framework.

This integrated approach would include conducting an ethics risk assessment, drafting an ethics strategy, monitoring an ethics management plan, revising the code of ethics; institutionalising ethics and ensuring that ethics is verified, audited and disclosed. Umgeni Water will further be in a position to regularly report on the ethics performance of the organisation to establish a mature and sustainable ethical culture over time.

The Social and Ethics Committee reviewed its Terms of Reference of the Social and Ethics Committee to better align to the Integrated Ethics Management Framework and reporting.

The reporting systems of ethics to the Governance of Ethics as well as updating the protocols of the hotline facility in line with reinstated Board and appointments were aligned.

The committee focused its attention on areas within its mandate. Quarterly reports discussed at Umgeni Water Ethics Committee meetings assisted the Board to make strategic decisions and ensures the organisation takes accountability for their decisions and ensuring sustainability.

In considering its triple bottom line, Umgeni Water considered its economy, its environment and its society when reporting. The society is further split into internal stakeholder (workplace) and external stakeholders (social environment), when reporting.

The committee further made several inputs into the Social Media policy, Disciplinary policy, etc.

The Ethics risk assessment which is the phase 1 of the Ethics Management process to ensure that the top ethical risks were identified. Interviews were held with representation from business areas that are regarded as High Risk such as Supply Chain Management and Human Resources; assurance providers both in the second and third line of defence; Umgeni Water and Msinsi Leadership, and representation from the Board Committees. The assessment interviews were conducted in conjunction with insights gathered from ethics governance documents and reports that were shared by Umgeni with service provider. A final report was produced which was workshopped further with Executives and Senior Managers to rate the identified risk and produced an ethics risk profile for Umgeni Water. Recommendations will be included in the Integrated Risk Management Systems.

Executives were trained on how to conduct meaningful Hotline Investigations and get the most of the call reports thereby strengthening internal controls. An Investigation procedure for investigating all hotline call was developed for Executives. With the easing of COVID-19 restrictions, and most staff back onto site, staff were reminded of compliance with the organisation's Code of Ethical Conduct as a daily guide in all decision making, to ensure that all our decisions and actions are based on ethical values that underpin good corporate governance, namely integrity, responsibility, accountability, fairness and transparency.

Hotline awareness via a newsletter ensured all employees were made aware of reporting mechanisms and how to report suspected unethical behaviour.

An exciting initiative unfolded in the period, Umgeni Water elected six ethics ambassadors. In order to implement the

objectives of the Integrated Ethics Management Framework with the ultimate objective of creating and ethical culture, there was a need to further improve the reach to departmental level to enhance and assist ethics officers to better manage the ethics of organisations. The newly elected ambassadors would support the ethics management function and act as facilitators of ethics. The role of the ambassadors will be the conduit of ethics information and are considered the voice of the ethics management function. Their role includes the dissemination and distribution of the ethics message in the organisation over and above the communication efforts of the ethics management function. They will assist the ethics management function to quickly tap into the ethical culture or climate of their organisations with the aim of enhancing them meaning-fully. Induction of the ambassadors took place in early June and training of the ethics ambassadors through the Ethics Institute of South Africa took place in June 2022.

During the reporting period all Social and Ethics Committee members were enrolled into the membership of Ethics Institute of South Africa to allow them access to latest trends and tools within the Ethics domain.

The term of office for the Chairperson of the Social and Ethics Committee ended during the year under review. The Chairperson has been reappointed for a full term of three (3) years, effective from 13 June 2022 and terminating on 12 June 2025.

King IV principles encourages ethical leadership and conducting its business in an honest and transparent manner as well as calling on the Board to govern the ethics of the organisation in a way that supports the establishment of an ethical culture.

LOOKING AHEAD

Umgeni Water will continue to intensify its efforts to creating an ethical culture in all areas of the business. The Social aspect of Ethics will be the main focus of the committee in the coming year. The Ethics Strategy as well as the realignment and strengthening of the Code of Ethical Conduct will take the fore in the new financial year following the finalization and outcomes of the Ethic's Risk Assessment.



Ms. P Mvulane
Chairperson of the Social and Ethics Committee

80 STAKEHOLDER UNDERSTANDING AND SUPPORT

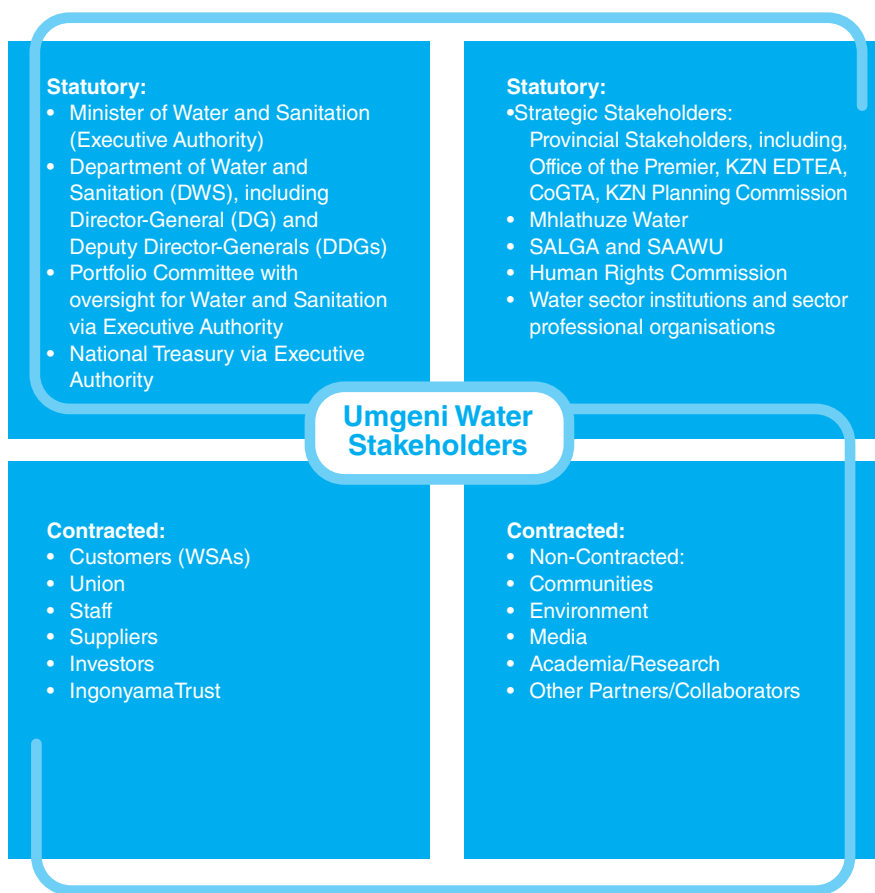
8.1 STAKEHOLDER INTERACTION AND ENGAGEMENTS

A key Strategic Objective of Umgeni Water is to increase customer and stakeholder value, understanding and support, as well as ensure that relationships developed remain constructive. In order to achieve this, structured and regular engagements with stakeholders take place consistently. Stakeholder engagements are undertaken by Umgeni Water's Board, management and officials, and occur with individuals and organisations that are impacted on, affected or may have an interest in the core functions of the organisation. As a reflection of the seriousness with which Umgeni Water regards stakeholder engagement and cordial relations, stakeholders have been categorised into four groups. These groups are: Statutory, Strategic, Contracted and Non-Contracted. Some engagements are mandatory as they are requirements of the Water Services Act No 108 of 1997 and the Municipal Finance Management Act 56 of 2003 and contractual obligations as per bulk supply agreements with municipal customers. All stakeholder engagements are in line with Umgeni Water's Integrated Stakeholder Management Strategy.





MPHOHOMENI WWTW



During the financial year under review, two significant incidents occurred that required the activation of crisis communication and engagement through various forums, including media and structured meetings with the Minister of Water and Sanitation, the Deputy Minister of Water and Sanitation, the Premier of KwaZulu-Natal, the political leadership of eThekweni Metropolitan Municipality and officials of various municipalities. The incidents were:

1. Failure of a shaft pump at the Durban Heights Water Works (WW) that transfers raw water from Nagle Dam to the Durban Heights WW and resultant raw water shortage. At that time, Aqueduct 4 had been temporarily decommissioned awaiting repairs to a leak and the onsite Reservoir 3 was also decommissioned as work was being done on its roof soffit and later the concrete floor slab and internal lining had to be rehabilitated and external waterproofing done as additional work to the original scope. The work on Reservoir 3 was essential and safety related, as identified in a five-yearly dam safety inspection on Reservoir 3 that revealed that some safety and stability-related components required further investigation and rehabilitation.

2. Extensive damage to bulk raw water transfer systems, Aqueduct 1 and Aqueduct 2, in the April 2022 floods. These aqueducts are among two other aqueducts that transport water from Nagle Dam to the Durban Heights Water Works. They

were and remain decommissioned as repair on full restoration is being undertaken. The consequence of decommissioning has been a shortfall in raw water and accompanying reduced production of potable water. This has meant that in the post-storm period Umgeni Water has not been able to supply eThekweni Metro full contracted volumes of potable water.

Despite the setbacks in (1) and (2) above, Umgeni Water was able to continue business operations and reduced a significant potable water supply deficit over the months following the torrential April rains. The current shortfall is, on average, 40 megalitres per day. On some occasions, full contracted volumes were supplied to eThekweni Metro. This was made possible through the use of the fourth shaft pump at the Durban Heights WW and additional water being transported through aqueducts 3 and 4.

An outcome of Ministerial participation in discussions was the formation of a War Room, which is represented by the Department of Water and Sanitation, Umgeni Water and eThekweni Metro. The War Room has been mandated by the Minister to receive reports about progress towards full restoration of damaged infrastructure and to report back to the Minister on this. A similar War Room was established in the last days of the financial year under review to accelerate resolution of water and sanitation challenges in the Ugu District.

Other pre-arranged engagements continued with other stakeholders during the period under review. These were meetings with the Planning Commission (KwaZulu-Natal); Durban Chamber of Commerce and Industry; Pietermaritzburg-Mdlands Chamber of Business; the Ingonyama Trust Board; other municipal customers of Umgeni Water; the Department of Water and Sanitation; the National Assembly Portfolio Committee with oversight on Water and Sanitation; the National Treasury; the South African Local Government Association (SALGA), and the Trans-Caledon Tunnel Authority (TCTA) where numerous strategic focus areas were discussed, including:

- The appraisal of strategy, corporate plan implementation and performance indicators as per Shareholder Compact;
- The delivery of Umgeni Water's audited annual performance results;
- Consultation on the proposed bulk water tariff for the new financial year, and
- The five-year bulk potable water infrastructure development programme

Engagements also took place with the Department of Co-operative Governance and Traditional Affairs (KwaZulu-Natal) during the process of mediation over municipal outstanding debt for services provided by Umgeni Water. All statutory documents for the reporting year were submitted as per deadlines.

8.2 KEY AREAS OF DISCUSSIONS WITH STAKEHOLDERS

A large number of customer engagements took place, including strategic and operational meetings. Engagements with Umgeni Water's customers focused on performance with respect to bulk supply agreements, service delivery

needs, infrastructure plans, status of water resources and water conservation and demand management. Events that were either hosted by Umgeni Water or in which the entity participated were:

- Presentation of Umgeni Water's annual performance to stakeholders;
- Presentation of the Capex Programme and explanation of the workings of Enterprise Development to the Black Business Federation, with whom Umgeni Water has signed a Memorandum of Agreement;
- Various inter-governmental platforms to discuss strategies and plans to ensure future water security in support of business development;
- A signing ceremony to formalise the business relationship between Umgeni Water and the King Cetshwayo District Municipality in which Umgeni Water provides bulk water services to this municipality;
- Information sharing with a business delegation from the Kingdom of Denmark and Denmark's Ambassador to South Africa during formal discussions at the Durban Heights WW
- Information sharing with Government representatives from the Republic of Côte d'Ivoire during formal discussions at the Lower Thukela Bulk Water Supply Scheme

Umgeni Water is aware of the importance of maintaining a healthy internal pulse. In this regard, engagements took place with employees and the organised labour formation, represented by the National Education, Health and Allied Workers' Union. This included visits to sites to interact with staff members, commemoration of special days in the year, induction of new employees and communiqués designed to inform employees of events, Ministerial and Board announcements and speeches.

Table 8.1: Umgeni Water Stakeholders, Basis for Engagement and Value Proposition

UMGENI WATER STAKEHOLDERS, BASIS FOR ENGAGEMENT AND VALUE PROPOSITION	
Statutory Stakeholders	
<i>Stakeholders who have a regulatory or oversight function over Umgeni Water, among them the Minister of Water and Sanitation, the Department of Water and Sanitation, the Portfolio Committee with oversight on Water and Sanitation and the National Treasury. Umgeni Water, a State-owned entity, is required to interact with these stakeholders on a formal and regular basis to ensure that statutory obligations are met and there is alignment with the Government's objectives, strategies and plans.</i>	
<ul style="list-style-type: none"> • Minister of Water and Sanitation • Portfolio Committee with oversight on Water and Sanitation 	<ul style="list-style-type: none"> • Department of Water and Sanitation • National Treasury
<i>Basis for engagement: Delivery on mandate, compliant with the Water Services Act, the Public Finance Management Act and other pertinent legislation and regulations, delivering strategy and plans aligned to the Government outcomes and Executive Authority expectations, demonstrating adequate water resource planning mobilisation, investing in water infrastructure, ensuring efficient water use and conservation and water quality management, demonstrating a well-governed and efficiently run entity, ensuring performance in line with financial and predetermined objectives and plans to deliver sustainability, a partner that shows alignment with water sector communication strategies and plans, and a leader that contributes to establishing synergies in value chain and the water sector.</i>	
<i>Umgeni Water and the National Government both desire: A high-performing, well-governed State-owned enterprise that mobilises resources in an equitable and cost-effective manner to advance key national objectives</i>	
Strategic Stakeholders	
<i>Provincial and some national stakeholders to whom Umgeni Water provides information relating to organisational performance, water resource status, capital infrastructure plans, solutions to prolonged bulk water supply interruptions and expertise available to assist vulnerable water boards and municipalities.</i>	
<ul style="list-style-type: none"> • KwaZulu-Natal (KZN) Provincial Stakeholders, including the Office of the Premier, KZN EDTEA, CoGTA and KZN Planning Commission • South African Local Government Association (SALGA) • South African Association of Water Utilities (SAAWU) • South African Human Rights Commission 	<ul style="list-style-type: none"> • Mhlathuze Water • uThukela Water (Pty) Ltd • Water Sector Institutions • Professional organisations representing sector employees
<i>Basis for engagement: Structured implementation plan to enhance assurance of supply and extend water services to previously unserved communities, affordable tariff, water resource adequacy and sustainability as a catalyst for economic expansion, delivery on mandate and alignment to policy and National and Provincial Development Plans, partner in service delivery, accelerated service delivery, corporate governance, benchmarking and strategic information exchanges, collaboration in major events and celebrations and proactive measures to mitigate effects of prolonged water shortages and supply interruptions.</i>	
<i>Umgeni Water, KZN Province and other Strategic Stakeholders desire: Sound water services delivery partnerships, affordable services, role in ensuring regional economic growth and development and exchange of strategic information.</i>	
<i>Umgeni Water, sector institutions and professional organisations desire: Sound water services delivery partnerships, information exchange, partnerships to enhance knowledge and service delivery and collaboration in projects</i>	
<i>Basis for engagement: Information exchange and knowledge management, collaboration in water research and development, support for water centres of excellence, student internships and experiential training and exposure, study tours and site visits, collaboration in major events, such as National Water Week, participation in international exhibitions, specifically in Africa, knowledge management, networking and responding to bilateral agreements between South Africa and other African countries and continental water utilities.</i>	
<i>Umgeni Water and water sector-related institutions desire: A partner and sector collaborator that contributes to knowledge and skills development for the country, province and region.</i>	

Table 8.1: Umgeni Water Stakeholders, Basis for Engagement and Value Proposition ...continued

UMGENI WATER STAKEHOLDERS, BASIS FOR ENGAGEMENT AND VALUE PROPOSITION	
Contracted Stakeholders	
<i>Stakeholders with whom Umgeni Water has contracted to provide or purchase products, services and goods. They include customers, suppliers and investors and, in the case of employees and organised labour, provision of employment and accompanying service benefits.</i>	
Water Service Authorities in KwaZulu-Natal with whom Umgeni Water has bulk supply agreements comprise:	
<ul style="list-style-type: none"> eThekweni Metropolitan Municipality Msunduzi Municipality uMgungundlovu District Municipality iLembe District Municipality 	<ul style="list-style-type: none"> Ugu District Municipality Harry Gwala District Municipality, and King Cetshwayo District Municipality
Basis for engagement: <i>Service agreements, assurance of supply, quality and quantity, care and support, responsive to needs, tariff consultation, partnerships in socio-development initiatives and partnerships in corporate Social Investment (CSI) initiatives.</i>	
<i>Umgeni Water and WSA customers both desire: A high-performing, efficient, effective and responsive Water Services Provider.</i>	
<ul style="list-style-type: none"> Employees of Umgeni Water 	<ul style="list-style-type: none"> National Education, Health and Allied Workers' Union (NEHAWU)
Basis for engagement: <i>Compliance with collective agreement, demonstrating relevance as an organisation that adds value to the sector, regular feedback and communication regarding sector issues and organisational performance, regular information sharing and feedback on entity events planned and held, equitable jobs, fair labour practice, good working conditions, enabling work environment and communication, fair market-related compensation and service conditions, sound performance management and recognition system and engaged employees, productivity, delivery and return on investment.</i>	
Umgeni Water management, union and staff all desire: <i>An equitable company, whose policies, practices, systems and feedback create motivated, engaged and aligned employees.</i>	
<ul style="list-style-type: none"> Suppliers and Service Providers Ingonyama Trust 	<ul style="list-style-type: none"> Investors and other Financial Institutions
Basis for engagement: <i>Compliance with legislation for fair and equitable procurement, supplier development, transparency, business opportunities, integrity, fair treatment, fair pricing, fair payment terms, partnerships in BBBEE and capacity building towards more inclusive economic participation and CSI, environmental management and supplier footprint reduction – water, energy and materials.</i>	
Umgeni Water and suppliers desire: <i>An equitable company, whose policies, practices, systems and feedback create responsive and high-performing suppliers that deliver against contractual agreements and are responsive to negotiations over land use for infrastructure, among them pipelines, water treatment works and dams.</i>	
Non-contracted Stakeholders	
<i>Stakeholders to whom Umgeni Water demonstrates its value as a socially responsible, efficient and high-performing entity.</i>	
<ul style="list-style-type: none"> Community and Civil Society Institutions and Formations 	
Basis for engagement: <i>Umgeni Water's demonstration of conservation and responsible use of resources, provision of clean and safe environment, exercising of responsible corporate citizenship, demonstration of transparency in corporate governance, job creation and provision of information and opportunities. In turn, Umgeni Water requires endorsement of social licence to operate, recognition for creating value, respect for property and collaboration in protecting remotely situated water assets.</i>	
Umgeni Water and communities/civil society desire: <i>A sustainable entity that adds value to society through sound balance of economic growth, social development and environmental sustainability.</i>	
<ul style="list-style-type: none"> Chambers of Commerce, Business and Industry 	
Basis for engagement: <i>Umgeni Water's provision of assurance of supply, quality and quantity, information on tariff, demonstration of responsible corporate citizenship and information sharing on infrastructure development projects. In turn, Umgeni Water encourages recognition for creating value, pollution prevention and safeguarding of water supply resources.</i>	
Umgeni Water and business desire: <i>A sustainable entity that adds value to society through sound balance of economic growth, social development and environmental sustainability.</i>	
<ul style="list-style-type: none"> South African Weather Service 	
Basis for engagement: <i>Access to information, demonstrating accountability, transparency and good governance. In turn, Umgeni Water expects regular information provision to guide its water resources planning</i>	
Umgeni Water and the South African Weather Service desire: <i>Transparency and regular sharing of information</i>	
<ul style="list-style-type: none"> Media and the general public 	
Basis for engagement: <i>Access to information, demonstrating accountability, transparency and good governance. In turn, Umgeni Water expects accurate and balanced reporting and media integrity.</i>	
Umgeni Water and media/public desire: <i>A sustainable entity that adds value to society.</i>	

8.3 FREQUENCY OF MEDIA ENGAGEMENT, NATURE OF COVERAGE RECEIVED IN YEAR UNDER REVIEW AND ELABORATION OF TONALITY

An analysis of media coverage is contained in this section. Publicity received by Umgeni Water is tracked and analysed by an external service provider. Reports are produced quarterly and submitted to the Ethics Committee and Management in order to ensure they are made aware of key focus areas of media attention. In addition, the quarterly reports on media coverage are incorporated in comprehensive reports on stakeholder engagement that are submitted to the Board and Executive of Umgeni Water.

The nature of media coverage received is categorised as Positive, Neutral and Negative, all of which are explained in this section. In the financial year under review, the majority of coverage received was a combination of Positive and Neutral in tonality, which means there was no adverse impact on the reputation of Umgeni Water.

Table 8.2: Coverage in Various Platforms: Q1 – Q4 in Print, Broadcast, Online and New Media (Digital Newspapers, Social Media, email and Internet)

MEDIA SOURCE	QUARTER 1 (JULY – SEPTEMBER 2021)		QUARTER 2 (OCTOBER – DECEMBER 2021)		QUARTER 3 (JANUARY 2022 – MARCH 2022)		QUARTER 4 (APRIL 2022 – JUNE 2022)		QUARTER 4 (APRIL 2022 – JUNE 2022)	
	NUMBER AND PERCENTAGE		NUMBER AND PERCENTAGE		NUMBER AND PERCENTAGE		NUMBER AND PERCENTAGE		NUMBER AND PERCENTAGE	
Traditional Media: Magazines Newspapers Television Radio Online Newspapers	Not available	N/A	478	20%	530	31%	1 413	49%	2 421	34%
New Media: Facebook Twitter YouTube Email WhatsApp TikTok	Not available		2 630	50%	1 170	15%	1 748	35%	5 548	66%

Table 8.3: Tonality of Coverage in Q1 – Q4: Positive, Neutral and Negative

MEDIA SOURCE	QUARTER 1 (JULY 2021 – SEPTEMBER 2021)		QUARTER 2 (OCTOBER 2021 – DECEMBER 2021)		QUARTER 3 (JANUARY 2022 – MARCH 2022)		QUARTER 4 (APRIL 2022 – JUNE 2022)		TOTAL FOR 12 MONTHS	
	NUMBER AND PERCENTAGE		NUMBER AND PERCENTAGE		NUMBER AND PERCENTAGE		NUMBER AND PERCENTAGE		NUMBER AND PERCENTAGE	
Positive	Not available		418	13.45%	225	13.08%	392	12.40%	1 035	10%
Neutral	Not available		2 161	69.53%	1 330	77.33%	1 654	52.33%	5 145	45%
Negative	Not available		529	17.02%	165	9.59%	1 115	35.27%	1 809	25%

Notes:

- Sources of Media Coverage: Publicity received in three (3) quarters were available at the time of compilation of this report. Coverage received in Quarter 1 was not provided by the independent service provider. Therefore, the analysis in this report does not reflect coverage in the entire financial year. Records of Umgeni Water show that in the period 1 July 2021 – 30 September 2021 (Q1), at least 10 media interviews were done and press statements were issued by the Office of the Chief Executive.
- Tonality of Media Coverage: Assuming that there were 10 instances in which media coverage was received (1 above), the numbers contained under Positive, Neutral and Negative in Table 7.3 above would also change.

DIMENSIONS POSITIVE, NEUTRAL AND NEGATIVE: WHAT THEY MEAN AND THEIR CONSEQUENCES

In this report, reference is made to three forms of tonality/sentiment as they relate to publicity received in media platforms that are commonly used to provide or access information. These sentiments are: Positive, Neutral and Negative. The following synopsis provides context and consequence in order to augment understanding of them.

Positive: Favourable or Positive media coverage is a powerful image-enhancement and image-building tool that assists in promoting the reputation of Umgeni Water as a stable and sustainable entity that is attuned to the needs and expectations of its stakeholders. In the financial year 2021/2022 Umgeni Water received Positive coverage that, together with Neutral coverage, ensured that the organisation's good standing and sound reputation remained intact and were protected.

Neutral: This reflects unbiased reporting in which facts are presented as they are and not couched in, for example, emotive language that is intended to negatively influence public opinion. Unbiased reporting is fundamental to journalistic ethics, and reporting of this nature is becoming increasingly visible. This is helpful as it serves to keep the public factually informed and it does not impact – adversely or otherwise – on the reputation of an organisation.

Negative: Research has shown that reports of this nature have a profound effect on public opinion and impressions, leading to significant damage to the reputation of an individual, organisation or entity on which a report is based. Reports of this nature are sometimes the result of an unwelcome incident or incidents that is/are beyond the control of the individual, organisation or entity to whom these reports pertain. Increased publicity through “follow ups” exacerbate the situation. Managing such damage is imperative and should be instituted immediately. The table above shows that Umgeni Water has also had instances of negative media and had to deal with them appropriately.



ANNUAL PERFORMANCE REPORT 2021/2022

Umgeni Water implements its strategy through a balanced scorecard. For the past year, this comprised four Perspectives, 12 Strategic Objectives and 51 Key Performance Objectives

The Performance Objectives are further made up of 53 total annual measurable Result Indicators, for which responsibilities and accountabilities were agreed and targets approved within the entity at the start of the year. These Result Indicators include all statutory indicators specifically targeted by the Executive Authority and approved through the Shareholder Compact.

Collectively, the scorecard enables the organisation to achieve its ten Outcomes and ultimately its Mission / Mandate to provide innovative, sustainable, effective and affordable bulk water and sanitation services to customers.

For the period 1 July 2021 to 30 June 2022, the planned initiatives were implemented and progress assessed by the entity. The detailed scorecard follows. Performance against the strategy is also illustrated graphically in Figures 9.1 to 9.3.





DARVILL MWTW

Percent targets met 94%
Percent targets not met: 6%

Umgeni Water has achieved excellent performance for the year continuing its positive performance trend over the years. This is illustrative of an entity that has delivered well against its mission and mandate to provide innovative, sustainable, effective and affordable bulk water and sanitation services.

FOR THE CUSTOMER AND STAKEHOLDER PERSPECTIVE: 100% PERFORMANCE WAS ACHIEVED, OF WHICH:

- SO 1 – Improve stakeholder value achieved 100%;
- SO 2 – Improve customer value achieved 100%.

Key outcomes: Customer Satisfaction, Stakeholder Understanding and Support, Community and Environmental Sustainability

FOR THE FINANCIAL PERSPECTIVE: 99.7% PERFORMANCE WAS ACHIEVED, OF WHICH:

- SO 3 – Improve Financial Sustainability achieved 99.7%;
- Key outcome: Financial Viability**

FOR THE PROCESS PERSPECTIVE: 91.6% PERFORMANCE WAS ACHIEVED, OF WHICH:

- SO 4 – Improve stakeholder management achieved 100%;
- SO 5 – Improve governance processes achieved 83%;
- SO 6 – Improve internal efficiency and effectiveness achieved 100%;
- SO 7 – Increase customers and services achieved 100%;
- SO 8 – Improve product and service quality achieved 99%

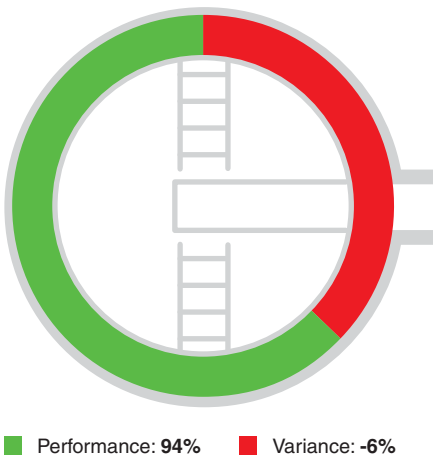
Key outcomes: Community and Environmental Sustainability, Stakeholder Understanding and Support, Operational Resilience, Operational Optimisation, Product Quality

FOR THE ORGANISATIONAL CAPACITY: 88.7% PERFORMANCE WAS ACHIEVED, OF WHICH :

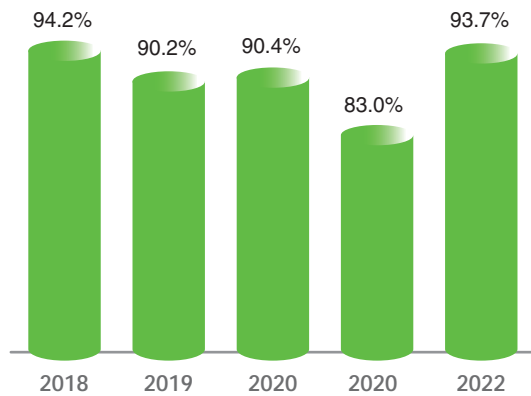
- SO 9 – Improve skills and competency achieved 90%;
- SO 10 – Improve the use of data and technology achieved 98%;
- SO 11 – Improve work culture achieved 67%.
- SO 12 – Increase supply security achieved 88%.

Key outcomes: Operational Optimisation and Resilience, Leadership and Employee Development, Water Resources Adequacy, Infrastructure Stability

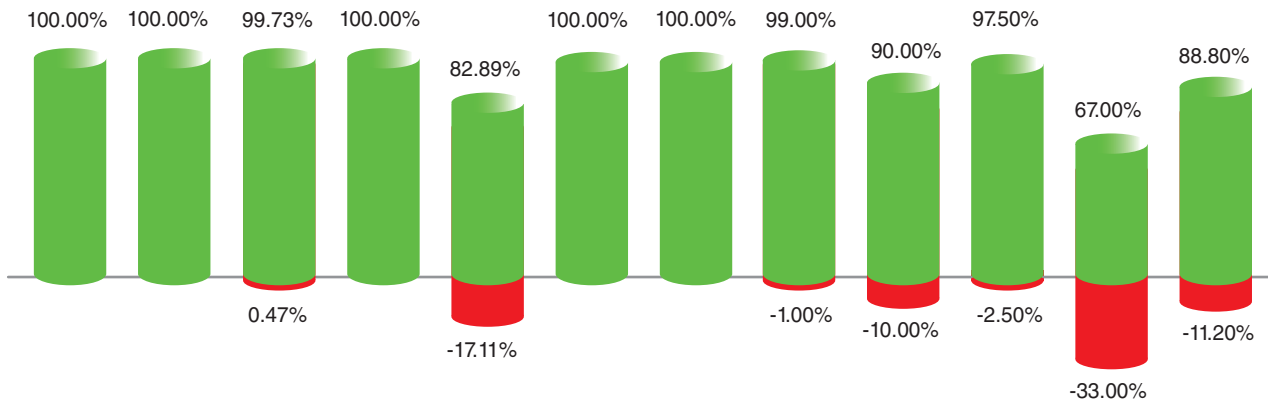
Overall Performance



9.2 Umgeni Water Annual Performance Trend



9.3 Performance per Strategic Objective



	SO 1	SO 2	SO 3	SO 4	SO 5	SO 6	SO 7	SO 8	SO 9	SO 10	SO 11	SO 12
Variance	0.00%	0.00%	-0.27%	0.00%	-17.11%	0.00%	0.00%	-1.00%	-10.00%	-2.50%	-33.00%	-11.20%
Performance	100.00%	100.00%	99.73%	100.00%	82.89%	100.00%	100.00%	99.00%	90.00%	97.50%	67.00%	88.80%

The detailed performance of the organisation against indicators and targets for 2021/2022 follows, with further expansion in each of the Annual Report chapters.

SCORECARD 2021/2022

#	RESULT INDICATOR	TARGET	ACTUALS	REASON FOR VARIANCE	EST. PG#
Balanced Scorecard Perspective: CUSTOMER AND STAKEHOLDER PERSPECTIVE					
OUTCOMES: Customer Satisfaction, Stakeholder Understanding and Support, Community and Environmental Sustainability					
Strategic Objective 1: Improve Stakeholder Value					
KPI : Stakeholder satisfaction index					
1.1	Stakeholder satisfaction index	Stakeholder satisfaction survey designed and rolled out	Stakeholder satisfaction survey	Nil	68
Strategic Objective 1: Improve Stakeholder Value					
KPI : Stakeholder satisfaction index					
2.1	Satisfied customers over total customers	Customer Satisfaction survey designed and rolled out	Customer Satisfaction survey designed and rolled out	Nil	69
KPI 3: Per cent growth in geographic footprint					
3.1	Per cent growth in geographic footprint	≥ 5%	Baseline Footprint complete; Growth Plans complete; Rationale Report complete for both Regions (Izintaba, Ulwandle).	Nil	96

'Parent Only

#	RESULT INDICATOR	TARGET	ACTUALS	REASON FOR VARIANCE	EST. PG#
Balanced Scorecard Perspective: FINANCIAL PERSPECTIVE					
OUTCOMES: Financial Viability					
Strategic Objective 3: Improve financial sustainability					
KPI 4 : Increase in Operating cash flows, Rm					
4.1	Increase in Operating cash flows, Rm	≥R1.358bn	R1.857bn	Nil	201
KPI 5: Increase in Current Ratio					
5.1	Increase in Current ratio (*SHC)	≥3.0	6.49	Nil	180
KPI 6: Decrease in Debt to Equity ratio					
6.1	Decrease in Debt to Equity ratio (*SHC)	≤ 0.1	0.087	Nil	180
KPI 7: Increase in Interest cover ratio					
7.1	Increase in Interest cover ratio	≥ 5.9	7.14	Nil	180
KPI 8: Decrease in Number of debtor days					
8.1	Decrease in Number of debtor days (*SHC)	≤ 60 days	61 days	Variance as a result of non-adherence to the approved payment plan by one Water Services Authorities (Msunduzi Municipality) and short payment of the bulk account by one Water Services Authorities (eThekweni MM).	180
KPI 9: Per cent increase in return on assets					
9.1	Per cent increase in return on assets (*SHC)	≥ 5.8%	8.80%	Nil	180
KPI 10: Employee related costs as a % of total operating expenditure					
10.1	Employee related costs as a % of total operating expenditure (Bulk Water and Wastewater) (*SHC)	≤ 35%	25%	Nil	219

SCORECARD 2021/2022 ...CONTINUED

#	RESULT INDICATOR	TARGET	ACTUALS	REASON FOR VARIANCE	EST. PG#
Balanced Scorecard Perspective: FINANCIAL PERSPECTIVE					
OUTCOMES: Financial Viability					
Strategic Objective 3: Improve financial sustainability					
KPI 11: Increase in Total s29 Revenue					
11.1	Increase in Total s29 revenue	R4.86bn ±10%	R4.86bn (within allowable limit)	Nil	180
KPI 12: Total expenditure, Rbn (*SHC)					
	Total expenditure, Rbn (*SHC)	R4.19bn ±10%	R3.67bn	<p>R0.1m (against a lower range target of R3.77bn)</p> <p>Underspend was as a result of the following factors:</p> <ul style="list-style-type: none"> Total operating costs included for UTDm in the 2021/2022 budget of R220m (inclusive of credit loss provision) were not incurred following the amicable termination of the bulk supply agreement. This also meant the cancellation of the of Upper uThukela Regional Scheme feasibility study which had a budget of R32m Support contract on ICT SAP maintenance terminated in August leading to R100m reduction in SAP maintenance support costs against budget. Energy costs below target by R42m for the KCDM region with delays and discrepancies on invoices provided by KCDM and target was based on limited information available to UW at that time. Potable water purchases from City of Mhlathuze Municipality cost R30m less following reduction an in-year downward revision of the initially agreed 2021/2022 Lower operating and capex expenditure also resulted in lower net finance costs incurred against target. <p>The organisation will continue with its cost containment measures but will also strengthen its resource allocation processes in its efforts to migrate to activity-based planning and budgeting for greater operational efficiency.</p> <p>Umgeni Water will continues to implement cost containment measures, where applicable, and strengthen its resource allocation and processes in an effort to improve operational efficiency on expenditure. This is to be done through adherence to the cost plan and the Opex procurement plan.</p> <p>Underspend is likely to persist in the current environment of below CPI tariff increases and increasing credit risk of customers. While underspend may be good in some cases, it is vital that this must not negatively affect the organisation in meeting its strategic objectives.</p>	180

SCORECARD 2021/2022 ...CONTINUED

#	RESULT INDICATOR	TARGET	ACTUALS	REASON FOR VARIANCE	EST. PG#
Balanced Scorecard Perspective: FINANCIAL PERSPECTIVE					
OUTCOMES: Financial Viability					
Strategic Objective 3: Improve financial sustainability					
KPI 13: Increase in Total surplus					
13.1	Increase in Total surplus	R829m±10%	R1.223bn (within allowable limit)	Nil	198
KPI 14: Increase in Total s30 revenue					
14.1	Increase in Total s30 revenue (*SHC)	R34.1m ±10% \geq 1% of turnover	R34m 1% of turnover	Nil	219
KPI 15: Gross profit margin % for primary activity (Bulk Water and Wastewater)					
15.1	Gross profit margin % for primary activity (Bulk Water and Wastewater) (*SHC)	\geq 55%	60%	Nil	180
KPI 16: Net profit margin % for primary activity (Bulk Water and Wastewater)					
16.1	Net profit margin % for primary activity (Bulk Water and Wastewater) (*SHC)	\geq 17%	25%	Nil	180
KPI 17: Gross profit margin % for secondary activity					
17.1	Gross profit margin % for secondary activity (*SHC)	\geq 5%	20%	Nil	219
KPI 18: Net profit margin % for secondary activity					
18.1	Net profit margin % for secondary activity (*SHC)	\geq 3%	40%	Nil	219
Balanced Scorecard Perspective: PROCESS PERSPECTIVE					
OUTCOMES: Community and Environmental Sustainability, Stakeholder Understanding and Support, Operational Resilience, Operational Optimisation, Product Quality					
Strategic Objective 4: Improve Stakeholder Engagement					
KPI 19: Actual vs Planned stakeholder management plan deliverables met					
19.1	Actual vs Planned stakeholder management plan deliverables met	\geq 80% milestones of stakeholder	\geq 80% milestones of stakeholder	Nil	68
KPI 20: Number of submissions in respect of Monthly Reports, Quarterly Reports, Annual Report, Tariff, Corporate Plan and Shareholder Compact and Policy Statement (*SHC)					
20.1	Number of submissions in respect of Monthly Reports, Quarterly Reports, Annual Report, Tariff, Corporate Plan and Shareholder Compact and Policy Statement (*SHC)	21 submissions on time: Annual Report 4 Quarterly Organisational Performance Reports 12 Monthly Ministerial Reports Tariff Corporate Plan SHC Policy Statement	21 submissions on time: Annual Report 4 Quarterly Organisational Performance Reports 12 Monthly Ministerial Reports Tariff Corporate Plan SHC Policy Statement	Nil	67
KPI 21: Actual B-BBEE spend as a % of total discretionary expenditure and Number of new B-BBEE entrants awarded work (*SHC)					
21.1	Actual B-BBEE spend as a % of total discretionary expenditure and Number of new B-BBEE entrants awarded work (*SHC)	\geq 80% spend \geq 10 Entrants	125% spend \geq 10 Entrants awarded work	Nil	103
KPI 22: Number of permanent and temporary jobs created (*SHC)					
22.1	Number of permanent and temporary jobs created (*SHC)	\geq 400 temporary jobs (Capex programme). HR report on new posts created on the permanent establishment.	550 temporary jobs 54 new posts created on the permanent establishment.	Nil Nil	103

SCORECARD 2021/2022 ...CONTINUED

#	RESULT INDICATOR	TARGET	ACTUALS	REASON FOR VARIANCE	EST. PG#
Balanced Scorecard Perspective: PROCESS PERSPECTIVE					
OUTCOMES: Community and Environmental Sustainability, Stakeholder Understanding and Support, Operational Resilience, Operational Optimisation, Product Quality					
Strategic Objective 5: Improve Governance Processes					
KPI 23: Per cent actual vs planned controls improved					
23.1	Per cent actual vs planned controls improved	≥80% controls improvement milestones met	<p>Combined Assurance: A total of 40 of the 43 planned milestones were met, which translated to 91% performance</p> <p>Legal Compliance: Cumulative summary as at Q4: 11.33 out of 18 milestones met (63% performance)</p>	<p>Nil</p> <p>Legal Compliance: 6.67 of 18 milestones not met (37% variance). Summary outlined in 32.1.2 below</p>	47
KPI 24: Per cent audit findings resolved within target dates					
24.1	Per cent audit findings resolved within target dates	≥80%	53 of 53 audit findings resolved within target dates (internal & external) (100%)	Nil	47
KPI 25: Increase in Risk Responsiveness of mitigation measures for all strategic risks identified					
25.1	Increase in Risk Responsiveness of mitigation measures for all strategic risks identified	≥ 80% of strategic risks have a Response effectiveness ≥ REASONABLE	83% of strategic risks have a Response effectiveness ≥ REASONABLE	Nil	155
KPI 26: Actual vs Planned Integrated Ethics Management Framework milestones					
26.1	Actual vs Planned Integrated Ethics Management Framework milestones	Integrated Ethics Management Framework developed and implemented	<p>Integrated Ethics Management Framework developed</p> <p>The implementation plan of 38 milestones. In this reporting period, 37 of these were met.</p>	<p>The ethics management strategy was not completed by the targeted date.</p> <p>The strategy will follow the ethics risk assessment recommendations.</p>	62-63
KPI 27: Board / Committee meetings attended as a % of planned meetings (*SHC)					
27.1	Board / Committee meetings attended as a % of planned meetings (*SHC)	≥ 95% attendance	98% Board attendance	Nil	46-47
KPI 28: Resolutions taken by the board as a % of resolutions required (*SHC)					
28.1	Resolutions taken by the board as a % of resolutions required (*SHC)	≥ 95% resolutions taken	100% resolutions taken	Nil	47
KPI 29: Unqualified audit report with no matters of emphasis (Clean Audit) (*SHC)					
29.1	Unqualified audit report with no matters of emphasis (Clean Audit) (*SHC)	Unqualified report with no matters of emphasis (Clean Audit).	Unqualified external report with respect to financial statements and predetermined objectives	Material findings with respect to compliance with legislation	191

SCORECARD 2021/2022 ...CONTINUED

#	RESULT INDICATOR	TARGET	ACTUALS	REASON FOR VARIANCE	EST. PG#
Balanced Scorecard Perspective: PROCESS PERSPECTIVE					
OUTCOMES: Community and Environmental Sustainability, Stakeholder Understanding and Support, Operational Resilience, Operational Optimisation, Product Quality					
Strategic Objective 5: Improve Governance Processes					
KPI 30: Number of repeat and unresolved findings (*SHC)					
30.1	Number of repeat and unresolved findings (*SHC)	0 repeat findings ≤ 6 unresolved findings	0 Repeat Findings, 0 Unresolved Findings	Nil	47
KPI 31: Number of breaches in materiality and significance framework (*SHC)					
31.1	Number of breaches in materiality and significance framework (*SHC)	Nil	The entity incurred Fruitless and Wasteful, Irregular Expenditure and breaches or instances of noncompliance with the materiality and significance framework.	The breaches resulted from non-compliance with SCM legislation. The majority of the irregular expenditure disclosed as at 30 June 2022 relates to transactions concluded in prior years. Refer to Director's Report in the 2021/2022 Annual Report	190
Strategic Objective 6: Improve Internal Efficiency and Effectiveness					
KPI 32: Actual vs planned business process improvement programme interventions implemented					
32.1	Actual vs planned business process improvement programme interventions implemented	Business process improvement programme developed	Business process performance developed	Nil	150
Strategic Objective 7: Increase Customers and Services					
KPI 33: Per cent increase in new contracts signed with customers					
33.1	Per cent increase in new contracts signed with customers	≥ 5%	14% increase in new contracts signed with customers. Bulk Supply Agreement with King Cetshwayo DM effective from 1 July 2021 to 28 June 2025.	Nil	69
KPI 34: Total number of signed contracts (bulk supply agreements) in place as a % of total customers (*SHC)					
34.1	Total number of signed contracts (bulk supply agreements) in place as a % of total customers (*SHC)	7 customers, 100% signed agreements.	7 customers, 100% signed agreements.	Nil	69
KPI 35: Per cent Directives implemented in accordance with plan (*SHC)					
35.1	Per cent Directives implemented in accordance with plan (*SHC)	≥ 80% planned Directives	3 of 3 planned milestones met for the three Directives. 3 of 3 planned milestones met for the three Directives. Mkhomazi Water Project Phase 1: Project steering committee meetings undertaken. Stephen Dlamini Dam: Design review report completed, and, Cwabeni Dam: DWS Feasibility Study and Preliminary Design review report completed.	Nil	111
KPI 36: Number of signed contracts/MOUs with rural Municipalities for provision of support (*SHC)					
36.1	Number of signed contracts/MOUs with rural Municipalities for provision of support (*SHC)	≥ 3 Signed contracts/MOUs Laboratory Services currently has three active MOUs with:	Laboratory Services currently has three active MOUs with: <ul style="list-style-type: none"> • Ugu DM: Expires June 2023 • Harry Gwala DM: Expires November 2027 • Alfred Nzo DM: (Water Quality Monitoring Programme until May 2023 and MOU until terminated by either Party). 	Nil	92

SCORECARD 2021/2022 ...CONTINUED

#	RESULT INDICATOR	TARGET	ACTUALS	REASON FOR VARIANCE	EST. PG#
Balanced Scorecard Perspective: PROCESS PERSPECTIVE					
OUTCOMES: Community and Environmental Sustainability, Stakeholder Understanding and Support, Operational Resilience, Operational Optimisation, Product Quality					
Strategic Objective 8: Improve Product and Service Quality					
KPI 37: Per cent compliance of WTW systems with SANS 241 water quality standard per risk category (*SHC)					
37.1	Per cent compliance of WTW systems with SANS 241 water quality standard per risk category (*SHC)	13 WTW systems 100% compliant with Excellent SANS 241 in all 5 risk categories (Acute Microbiological Health; Acute Chemical Health; Chronic Chemical Health; Aesthetic; Operational Categories). 3 UMDM schemes compliant with GOOD SANS 241 in all 5 risk categories.	12 of 13 WTW systems 100% compliant with Excellent SANS 241. Maphumulo WTW system achieved Excellent in 4 of 5 categories of SANS 241 Three (3) UMDM schemes compliant with Excellent SANS 241 against a target of 3 UMDM schemes compliant with Good SANS 241.	Variance with 1 of 13 WTW systems: Maphumulo WTW achieved Good in the Operational category due to poor performance of the package plant which affected the final water and the offsite reservoirs.	87
KPI 38: Per cent Compliance against Licence or General Authorization or Green Drop Standards as a minimum (*SHC)					
38.1	Per cent Compliance against Licence or General Authorization or Green Drop Standards as a minimum (*SHC)	10 WWTW ≥ 90% 1 WWTW ≥ 80% compliant	9 WWTWs ≥ achieved 90% compliance 2 WWTWs ≥ achieved 80% compliance (Darvill, Mpofana)	Variance of 1 WWTW ≤ 90% compliant (Mpofana WWTW) The non-compliances were due to <i>E. coli</i> failures resulting from breakdown of sludge dewatering equipment at Mpofana WWTW.	88
Balanced Scorecard Perspective: ORGANISATIONAL CAPACITY PERSPECTIVE					
OUTCOMES: Operational Optimisation and Resilience, Leadership and Employee Development, Water Resources Adequacy, Infrastructure Stability					
S09: Improve Skills and Competency					
KPI 39: Actual vs planned HR plans delivered to progressively close identified strategic skills gaps					
39.1	Actual vs planned HR plans delivered to progressively close identified strategic skills gaps	Organisational design project concluded with recommended action plans to progressively close	8 out of 10 milestones met as per the OD implementation plan. Macro structure completed.	The two outstanding milestones of the projects are delayed due to a delay in the implementation of the organisational design project.	136
KPI 40: Number of staff terminations, excluding normal retirements, as a % of the total staff complement (*SHC)					
40.1	Number of staff terminations, excluding normal retirements, as a % of the total staff complement (*SHC)	≤ 8%	1.96%	Nil	138
Strategic Objective 10: Improve the use of Data & Technology					
KPI 41: Actual vs planned digital transformation programme milestones met					
41.1	Actual vs planned digital transformation programme milestones met	Digital transformation strategy developed	The current strategy (effective from 1 January 2019 to 31 December 2022) has digital transformation elements. The installation of the appropriate infrastructure was prioritised as the critical step to complete first before attaining digital transformation.	Nil	148-150

SCORECARD 2021/2022 ...CONTINUED

#	RESULT INDICATOR	TARGET	ACTUALS	REASON FOR VARIANCE	EST. PG#
Balanced Scorecard Perspective: ORGANISATIONAL CAPACITY PERSPECTIVE					
OUTCOMES: Operational Optimisation and Resilience, Leadership and Employee Development, Water Resources Adequacy, Infrastructure Stability					
Strategic Objective 10: Improve the use of Data & Technology					
KPI 42: Per cent R&D projects on track against planned milestones					
42.1	Per cent R&D projects on track against planned milestones	Organisational R&D programme developed	The 2021/2022 Organisational R&D programme was developed in March 2022 and 80% of the milestones in the plan were achieved.	Nil	150-154
Strategic Objective 11: Improve Work Culture					
KPI 43: Per cent change management programme milestones met over total milestones					
43.1	Per cent change management programme milestones met over total milestones	Organisational Change Management Programme developed	Organisational Change Management Programme not Developed	Delay is in the sourcing of the service provider to conduct the survey The Change management programme will be developed by the 31 st of October 2022	
Strategic Objective 12: Increase Supply Security					
KPI 44: Number of days (> 24 hours) supply disrupted over total supply days (365 days per year) (*SHC)					
44.1	Number of days (> 24 hours) supply disrupted over total supply days (365 days per year) (*SHC)	0 days > 24 hours	135.81 of 365 days' supply disrupted in 3 of 16 WTW systems. The duration of supply disruptions is accounted for as follows: 119 days at Durban Heights WTW by Q4, 15.58 days at Amanzimtoti WTW by Q4, 1.23 days at Umzinto WTW in Q3).	135.81 of 365 days' supply disrupted which resulted from the following: Durban Heights WTW: the 38 day disruption in Q2 was due to a failed shaft pump and a leak on Aqueduct 4. The 81 day disruption at the same system in Q4 resulted from the flood damage on sections of Aqueducts 1 and 2. Amanzimtoti WTW: the 15.58 days disruption in Q4 resulted from the flood damage which washed away the Aqueduct feed to SCA pump station at Umlazi River. Mzinto WTW: the 1.23 days' supply disruption in Q3 was due to Eskom power failure which affected the raw water and augmentation pump stations.	90
KPI 45: Avoidable water lost (mil m³) over total water produced (mil m³) (*SHC)					
45.1	Avoidable water lost (mil m ³) over total water produced (mil m ³) (*SHC)	≤ 5%	2.70%	Nil	117

SCORECARD 2021/2022 ...CONTINUED

#	RESULT INDICATOR	TARGET	ACTUALS	REASON FOR VARIANCE	EST. PG#
Balanced Scorecard Perspective: ORGANISATIONAL CAPACITY PERSPECTIVE					
OUTCOMES: Operational Optimisation and Resilience, Leadership and Employee Development, Water Resources Adequacy, Infrastructure Stability					
Strategic Objective 12: Increase Supply Security					
KPI 46: Per cent actual vs. planned CAPEX programme milestones met (*SHC)					
46.1	Per cent actual vs. planned CAPEX programme milestones met (*SHC)	85% milestones met for strategic projects	53% milestones met for key strategic infrastructure projects.	<p>This had a variance of 33% due to the following factors, which included:</p> <ul style="list-style-type: none"> • uMkhomazi Water Project Key WSA's detecting affordability concerns. There are still unresolved Off-Take agreements pending which is significant because TCTA cannot go to the market for funding until Off-Take Agreements have been signed, this will then be followed by a MFMA Section 33 consultation (60 days). • Greater Mpofana Regional Scheme Phases 1 Contractor has not paid the Locals due to financial challenges and this matter is still holding up the progress. • South Coast Ph. 2b (Kelso to Umdoni) Wayleave approvals from SANRAL remains outstanding due to SANRAL requiring more pit test investigations. The contractor cannot proceed with the construction of pipejackings and bridge crossings until approval is granted by SANRAL 	99-101
KPI 47.1: Total CAPEX spend against budget (*SHC)					
47.1	Total CAPEX spend against budget (*SHC)	≥ 80% of R1934m, ≤ 20% variance	R969m total CAPEX spent	Variance of R578m (based on lower range of the target of R1547m) due to multiple factors, which affected some key projects.	180

SCORECARD 2021/2022 ...CONTINUED

#	RESULT INDICATOR	TARGET	ACTUALS	REASON FOR VARIANCE	EST. PG#
Balanced Scorecard Perspective: ORGANISATIONAL CAPACITY PERSPECTIVE					
OUTCOMES: Operational Optimisation and Resilience, Leadership and Employee Development, Water Resources Adequacy, Infrastructure Stability					
Strategic Objective 12: Increase Supply Security					
KPI 47.2: Capital expenditure for rural expansion (development) projects as % of total capex budget spent (*SHC)					
47.2	Capital expenditure for rural expansion (development) projects as % of total capex budget spent (*SHC)	R485m ± 20%	R320m capex spend for rural development; 33% of annual capex spend	<p>This equates to variances of R68m (based on the lower range of the target being R388m). Underspend is a result of the following major factors, which included:</p> <p>Payment disputes between main contractor, Transnet and local labour arising from pending claims (Greater Mpofana RBWSS Phase 1)</p> <p>Procurement delays arising from the moratorium on tender adverts issued by NT (uMshwathi RBWSS Phase 4)</p> <p>Contractor whose bid was successful is in the process of withdrawing offer to construct the 1.2 Ml/d WWTW (N3 Corridor WWTW)</p> <p>Delays in the issuance of Practical Completion Certificates owing to a variation order payment dispute between PSP and the Employer (Mpophomeni Sewer Outfall)</p>	98
KPI 48: Repairs and Maintenance as a percentage of PPE (*SHC)					
48.1	Repairs and Maintenance as a percentage of PPE (*SHC)	R353m ±10% ≥ 3% of PPE	<p>R299m spent on Repairs and Maintenance</p> <p>3.3% of PPE</p> <p>While this equated to a variance of R18.7m in spend terms, the PPE target was met</p>	Nil	93
KPI 49: Per cent volumes of water abstracted from alternative sources against total abstractions					
49.1	Per cent volumes of water abstracted from alternative sources against total abstractions	Water Resources Diversification Plan developed	Water resource diversification plan has been finalised.	Nil	112
KPI 50: Decrease in infrastructure theft, vandalism and servitude encroachment incidents					
50.1	Decrease in infrastructure theft, vandalism and servitude encroachment incidents	Early Warning and Incident Management Programme developed	Early Warning and Incident Management Programme Developed	Nil	
KPI 51: Percent Environmental Sustainability Programme milestones met over total milestones					
51.1	Percent Environmental Sustainability Programme milestones met over total milestones	Environmental sustainability	The 2021/2022 Environmental sustainability plan approved in the prior year and 83% of the milestones in the plan were achieved.	Nil	119-122

10.0

CREATING VALUE

Umgeni Water ensures that reciprocal value propositions are cultivated with customers and stakeholders. Value is created by actively applying the entity's core and distinctive competencies to meet identified needs.

10.1 PRODUCT QUALITY

MANAGEMENT APPROACH

The quality of potable water is paramount to Umgeni Water, thus the organisation endeavours to ensure that the quality of potable water produced within its operational area is safe for human health over a lifetime of consumption. To achieve this, a comprehensive water quality management programme is implemented throughout the supply

area. The programme adopts a risk-based approach including monitoring programmes, water quality assessments, system audits, compliance reporting and water safety plans embracing the catchment to consumer concept.

The risks associated with abstraction, conveyance, treatment and bulk distribution are reviewed constantly to ensure control effectiveness and quality assurance. Potable water quality incidents are managed in accordance with an Incident Management Protocol aligned to the requirements of the South African National Drinking Water specification (SANS 241:2015).





DURBAN HEIGHTS

In addition to providing safe drinking water and protecting public health, Umgeni Water is also committed to ensuring that wastewater discharges are not harmful to the environment and downstream users. This is achieved through the development and implementation of wastewater risk abatement plans that include comprehensive and site specific risk assessments, the implementation of corresponding mitigation plans and site specific incident management protocols to manage wastewater incidents and non-compliances.

All potable and wastewater sampling and analysis are undertaken in accordance with an ISO 9001 certified monitoring programme and SANAS 17025-accredited laboratory methods. Information on water quality performance is regularly conveyed to customers, stakeholders and regulators in accordance with the organisational stakeholder communication plan.

POTABLE WATER QUALITY PERFORMANCE

The South African National Drinking Water Specification (SANS 241:2015) dictates the compliance requirements for potable water supply systems. The performance of each system is reported against the following five risk categories specified in SANS 241:2015 (as per the classification tabulated further below):

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

Table 10.1: Key to classification of the performance of drinking water supply systems according to SANS 241:2015

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

During the reporting period, 13 Umgeni Water bulk water supply systems and three uMgungundlovu District Municipality (UMDM) schemes were monitored and reported against the five risk categories as specified in SANS 241:2015.

Overall, the combined compliance of the Umgeni Water bulk potable water supply systems was excellent for the period under review. Compliance per SANS 241:2015 risk category is shown in **Figure 10.1**. Detailed potable water quality compliance per water supply system is shown in **Table 10.2**.

Figure 10.1: Umgeni Water Bulk Systems Potable Water Quality Compliance (%) with SANS 241

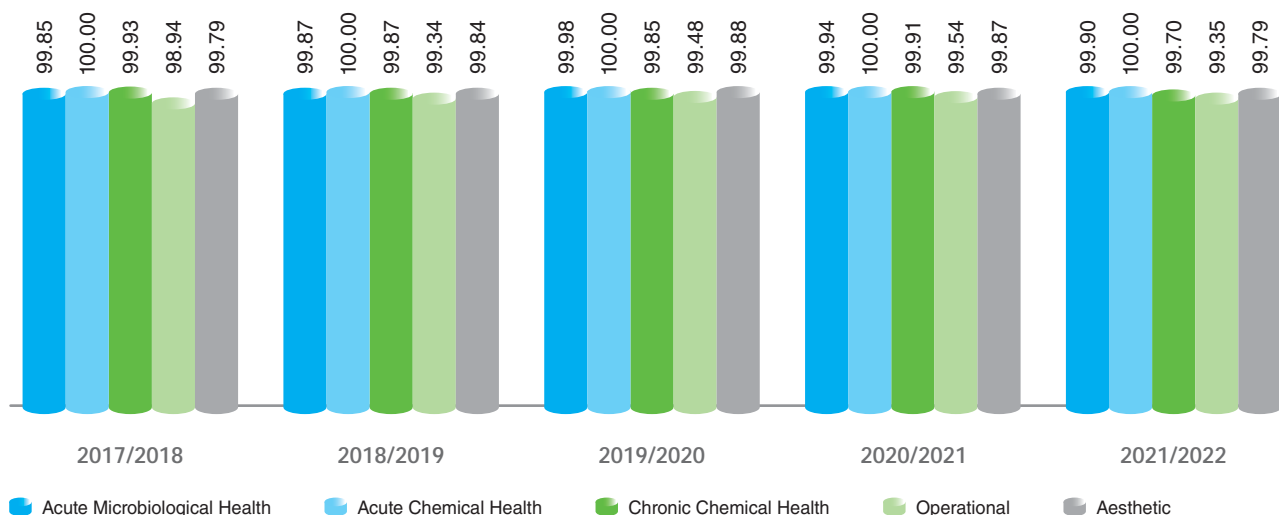


Table 10.2: 2021/2022 Potable Water Quality Compliance (%) with SANS 241:2015 per Water Supply System

WATER SUPPLY SYSTEM		AVERAGE DAILY VOLUME TREATED (ML/D)	% VOLUME	PER CENT COMPLIANCE WITH SANS 241:2015				
				ACUTE MICROBIOLOGICAL HEALTH	ACUTE CHEMICAL HEALTH	CHRONIC CHEMICAL HEALTH	OPERATIONAL	AESTHETIC
1	Durban Heights	527	33.56	100	100	100	99.84	100
2	Wiggins	302	19.23	100	100	100	99.73	100
3	Midmar	367	23.37	99.85	100	100	99.58	100
4	DV Harris	116	7.39	100	100	100	99.88	100
5	Amanzimtoti	87	5.54	99.74	100	99.89	98.87	99.79
6	Hazelmere	72	4.58	100	100	99.93	97.74	99.02
7	Lower Thukela	48	3.06	100	100	100	99.27	100
8	Maphumulo	7	0.45	99.52	100	100	90.62	98.68
9	Umzinto	13	0.83	100	100	100	99.67	100
10	Mthwalume	13	0.83	100	100	100	100	100
11	Mhlabatshane	7	0.45	100	100	100	99.64	100
12	Maphephetheni	4	0.25	100	100	100	99.09	100
13	Ixopo	2	0.13	100	100	100	98.75	98.08
14	Mpofana	5	0.32	100	100	100	99.61	100
15	Rosetta	0.2	0.01	98.08	100	100	99.04	99.25
16	Lidgetton	0.16	0.01	100	100	100	99.62	99.24

COMPLIANCE PER SYSTEM

Twelve (12) Umgeni Water bulk water supply systems showed excellent compliance with all monitored SANS 241:2015 risk categories, while Maphumulo WTW's reported Good performance for the operational risk category. The Good performance recorded was due to elevated coliforms, turbidity, heterotrophic plate count and inadequate disinfection associated with poor performance of the package plant which affects the final water and the offsite reservoirs. The package plant cleaning was completed and will be added to the Planned Maintenance (PM) programme on a quarterly frequency, the turbidity meter was replaced and plant upgrade is anticipated to take place in 2023 .

The uMgungudlovu District Municipality's drinking water supply systems recorded a combined excellent performance against all the risk categories specified in SANS 241:2015.

WASTEWATER QUALITY PERFORMANCE

Figure 10.2 and **Table 10.3** show wastewater quality compliance per system, assessed against the relevant licence or General Authorisation General Limits prescribed by the Department of Water and Sanitation (DWS).

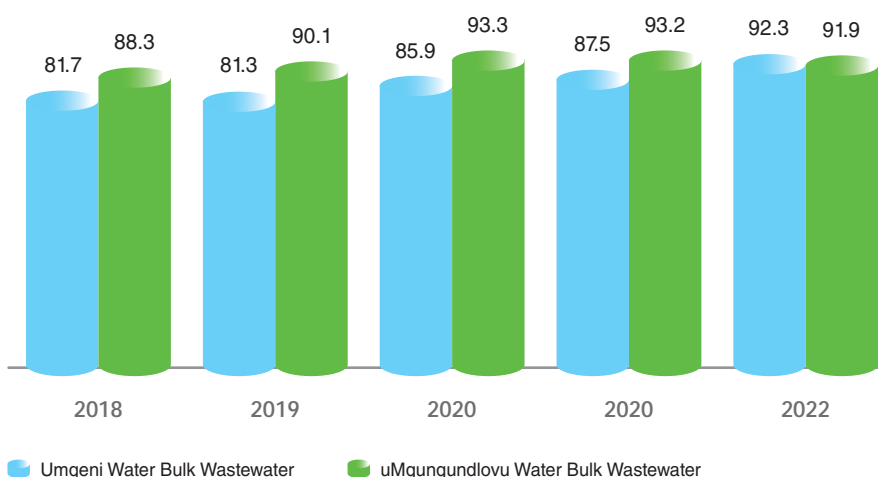
Figure 10.2: Wastewater Quality Compliance (%)

Table 10.3: Wastewater Compliance per Treatment Works

WASTEWATER TREATMENT WORKS		AVERAGE DAILY VOLUME TREATED		PER CENT COMPLIANCE					
		(ML/D)	(%)	2018	2019	2020	2021	2021 TARGET	2022 ACTUAL
1	Darvill	71.99	86.45%	73.8%	73.7%	82.2%	84.05%	≥ 80%	90.44%
2	Howick	6.07	7.29%	91.1%	90.3%	91.1%	93.33%	≥ 90%	95.56%
3	Ixopo	0.50	0.60%	96.0%	94.0%	92.6%	88.13%	≥ 90%	94.58%
4	Lynnfield Park	0.17	0.20%	95.9%	93.6%	92.5%	96.79%	≥ 90%	95.65%
5	Mpofana	3.38	4.06%	78.0%	77.7%	88.4%	86.92%	≥90%	87.30%
6	Richmond	0.68	0.82%	93.9%	96.7%	95.3%	96.67%	≥ 90%	99.17%
7	Cool Air	0.36	0.43%	98.2%	99.6%	99.5%	100.00%	≥ 90%	98.33%
8	Camperdown	0.08	0.10%	91.7%	91.7%	93.1%	94.44%	≥ 90%	100%
9	Appelsbosch	0.04	0.05%	81.9%	88.9%	93.1%	97.22	≥ 90%	93.06%
10	Albert Falls North	0.02	0.02%	-	-	-	100.00%	≥ 90%	100.00%
11	Albert Falls South	0.03	0.04%	-	-	-	100.00%	≥ 90%	100.00%

COMPLIANCE PER SYSTEM

Compliance for nine (9) wastewater treatment works (WWTW) was assessed against the relevant standard, and only Mpofana WWTW was non-compliant with the set performance target. The Mpofana WWTW achieved 87.30% against the performance target of ≥90.0%. Removal of ortho-phosphate is a frequent challenge at this site as sludge wasting remains an issue. There has been a build-up of old sludge in the process units, which can result in phosphate release. The nitrate non-compliance was caused by an over-aeration. *E. coli* non-compliance was due to inadequate disinfection that is triggered by the accumulation of solids in the contact tank and reed bed.

The chlorine dosing was maintained at the high range to minimise *E. coli* failures. Fast-tracking procurement of new dewatering units. Dredging of contact tank and reed bed. The augmentation project will also assist in improving the plant effluent quality. The aerators were operated manually to accommodate diluted flows thus lower organic load. HTH was added to supplement the chlorine gas for effective disinfection.

10.2 CUSTOMER SATISFACTION

GEOGRAPHICAL MARKETS AND CUSTOMERS

Umgeni Water has identified the following markets for growth of water services (water and wastewater) and water related services:

1. KwaZulu-Natal: for water services and other related activities;
2. South Africa: water services and other related activities on demand;
3. Continent of Africa: knowledge management, networking and responding to bilateral agreements between South Africa and other countries.

Within KwaZulu-Natal bulk water and wastewater services and/or water-related services will be increased progressively in customer areas:

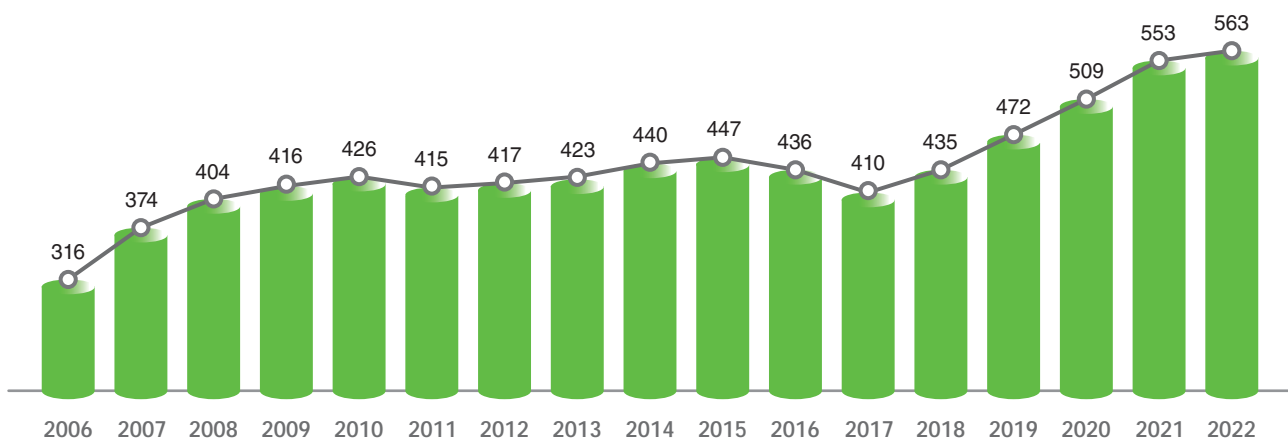
1. eThekweni Metropolitan Municipality: Retain and grow
2. Msunduzi Municipality: Retain and grow
3. iLembe District Municipality: Retain and grow
4. uMgungundlovu District Municipality: Retain and grow
5. Harry Gwala District Municipality: Market penetration
6. Ugu District Municipality: Market penetration
7. uThukela District Municipality: Market development
8. King Cetshwayo District Municipality: Market development
9. Newcastle Municipality: Market Development (Demand driven)
10. Amajuba District Municipality: Market Development (Demand driven)
11. uMzinyathi District Municipality: Market Development (Demand driven)
12. uMkhanyakude District Municipality: Market Development (Demand driven)
13. uMhlathuze Municipality: Market Development (Demand driven)
14. Zululand District Municipality: Market Development (Demand driven)

BULK PROVISION AND INFRASTRUCTURE ASSETS

The core bulk water and wastewater business is undertaken in a manner that serves customers and stakeholders most effectively. As part of the value chain function, raw water is carefully abstracted from dams, rivers and borehole sources and conveyed using both gravity and the most effective pumping options to bulk water treatment works, where it is treated to meet SANS 241 quality standards and distributed to customers.

Equally, with regard to wastewater treatment, influent is received from municipal sewer systems, treated at bulk wastewater treatment works and effluent is discharged back into receiving systems mindful of the quality and potential impacts on receiving systems and potential for reuse.

Figure 10.3: Customer Volumes Supplied (million m³)



Umgeni Water's infrastructure assets in support of its bulk water services business comprise:

- Approximately 930km of pipelines and 53km of tunnels;
- Fifteen impoundments;
- Twenty water treatment works;
- Eleven wastewater treatment works.

A total of 563 million cubic metres of potable water per annum (1 542Ml/d) were supplied to customers (**Figure 10.3**) who serve a population of 6.7m or 1.9m households through reticulation networks. This is a 2% year-on-year increase as compared to the previous year.

Treatment works' capacities and utilisation are shown in **Figure 10.4 (a)** and **(b)** respectively.

In the year under review, there were unplanned supply disruptions of 135.81 supply days in three of the 17 supply systems. The disruptions at Durban Heights WTW were as follows: in Q2, a failed shaft pump and a leak on Aqueduct 4 supplying untreated water to the water treatment works disrupted supply for 38 days. A subsequent disruption on sections of Aqueducts 1 and 2 at the same water treatment works occurred in Q4 as a result of the flood damage occurred. The shaft pump and Aqueducts at Durban Heights WTW were successfully repaired and normal production was promptly restored.

The unplanned disruption at Mzinto (1.23 days) in Q3 was as a result of power failure from the national grid which affected the raw water and augmentation pump stations. While the power supply to the affected pump stations at Umzinto WTW was successfully restored, Umgeni Water will be installing back-up generators to mitigate the risk of power failure in the short term (July 2022), and is planning to upgrade the Pump Station in the long term (June 2023).

The unplanned disruptions at Amanzimtoti WTW (15.58 days) in Q4 resulted from the flood damage which washed away the Aqueduct feed to the South Coast Augmentation pump station at Umlazi River. The damaged feed belongs to the City of Durban, which has since completed temporary repairs on the pipeline and supply has been successfully restored in the area.

In all such instances including planned disruptions, customers are kept informed on progress of any interventions. Umgeni Water continues to engage regularly with its customers in line with service level agreements.

Bulk wastewater treated from nine wastewater treatment works over this period amounted to 31 million cubic metres (84Ml/d) for the year per annum, which is at similar to the prior year (31 million cubic meters or 84Ml/d in 2021). Wastewater Treatment Works' (WWTWs) capacities and utilisation are shown in **Figure 10.4 (c)** and **(d)** respectively.

BULK SUPPLY AGREEMENTS

Bulk Supply Agreements are concluded to cover obligations of both Umgeni Water and its customers in relation to water volumes, water quality, supply pressure, service interruption intervals, metering, tariff consultation, assurance of supply and capital infrastructure plans.

Water demand projections are updated based on trends in historical water sales volumes and customer demand trends. In parallel, analysis of Umgeni Water's bulk infrastructure and water works capacity in relation to demands highlight any infrastructure supply constraints or limitations on future growth that need to be responded to.

Figure 10.4: Water and Wastewater Treatment Works Capacity and Utilisation

Figure 10.4 (a): WTW Capacity (Ml /d)

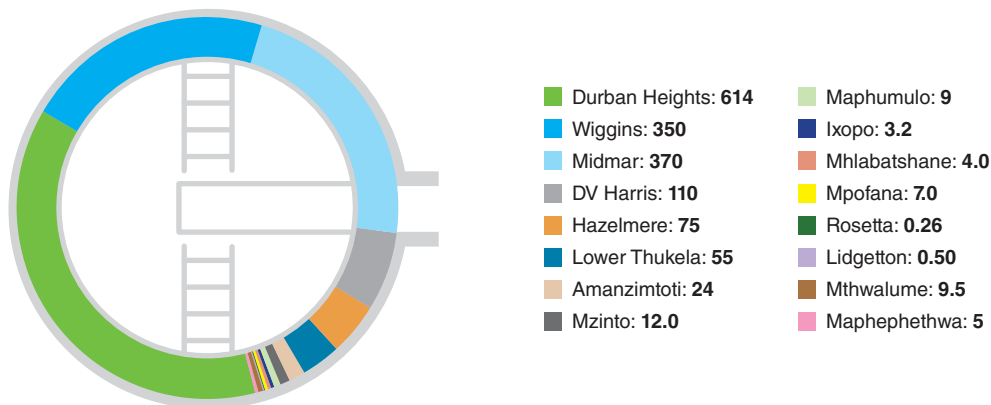


Figure 10.4 (b): WTW % Utilisation

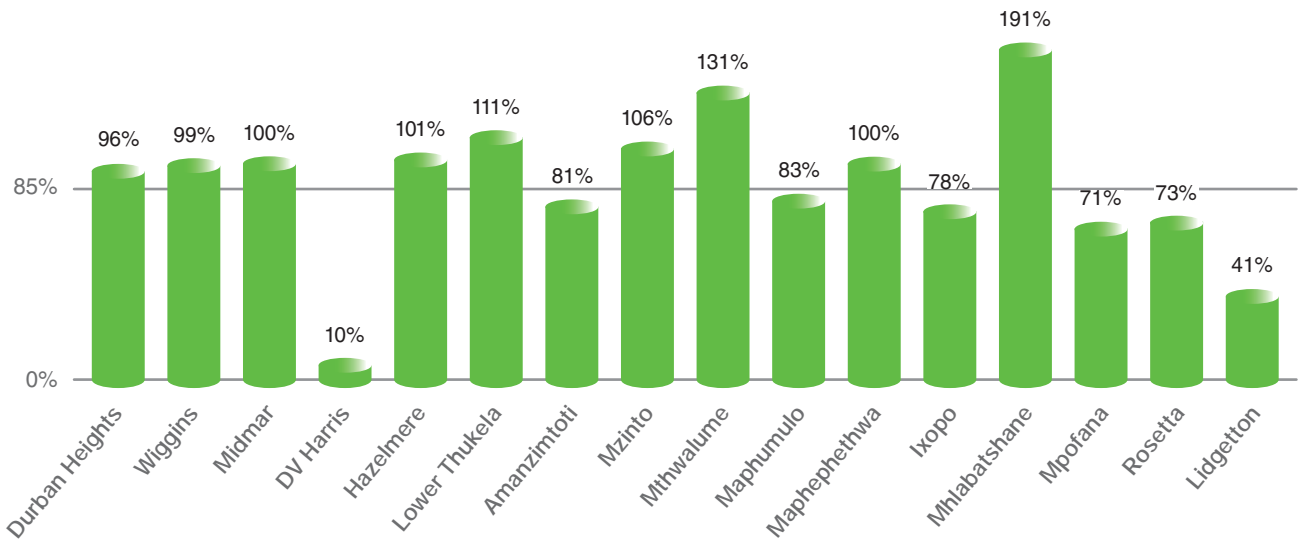


Figure 10.4 (c) WWTW Design Capacity (MI/d)

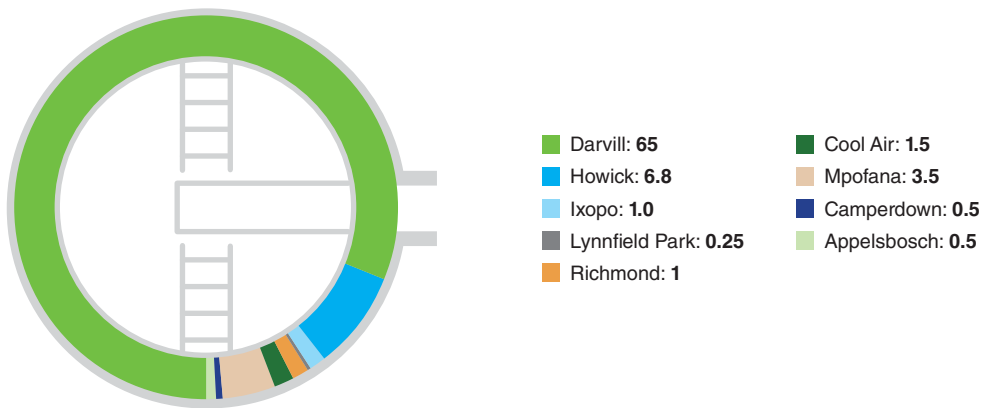
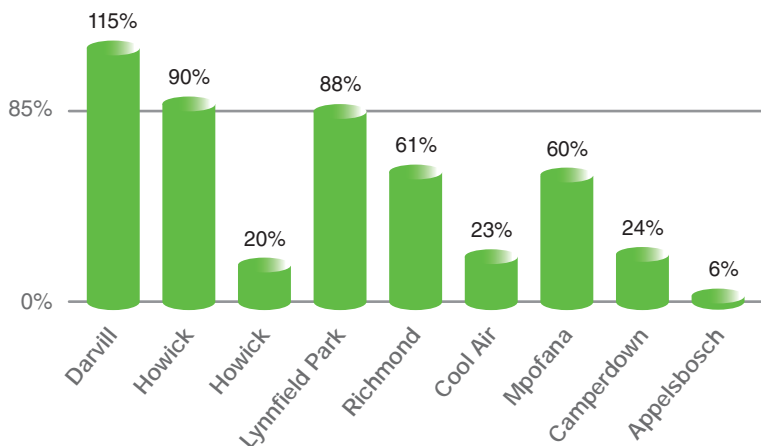


Figure 10.4 (d) WWTW % Utilisation



SUPPLY CAPACITY AND CONSTRAINTS

Several works, as shown in **Figure 10.4 (b)** are currently operated above their design capacity to meet demands, and both long- and short-term interventions are in place to address them including major works capital upgrades, refurbishments, pipeline developments, utilisation of package plants (interim measure) and general operational and process upgrades to alleviate bottlenecks.

OPERATIONAL PERFORMANCE AND SERVICE PLANNING

Umgeni Water met all customers formally in the year to assess performance as per the signed customer bulk supply agreements. Customer requirements were significantly met in relation to supply volumes, supply pressure, service levels and metering. Structured consultation for communication of future demands, infrastructure plans and tariff assumptions took place, and robust customer inputs received. In the past year, additional engagements focused on agreements on water restrictions that needed to be imposed (uThukela DM) and collaborative engagement of end users regarding judicious use of water supplies.

Conceptual plans for growth and expansion of water services and provision of universal access have been developed, for existing and new customers in KwaZulu-Natal (KZN). Discussion and communication with customers and stakeholders regarding these, notably implementation priorities and funding and financing will become the focus over the next few years. Customer engagement and consultation is core to Umgeni Water successfully extending access to unserved areas in KZN.

SUPPORT TO RURAL MUNICIPALITIES

Umgeni Water continued to provide support to rural municipalities to implement projects that aim to improve service delivery. In the past year, support was provided to various customers.

- Infrastructure assessments were completed for Ugu and King Cetshwayo District Municipalities, and recommendations were provided for process optimisations to improve the state of the infrastructure and ultimately water quality;

- Support was provided to Ugu, Alfred Nzo, Harry Gwala District Municipalities and Winnie Madizikela-Mandela Local Municipality, with respect to Water and/or wastewater sampling, testing, compliance reporting, training and other support services;
- Trade effluent support provided to uMsunduzi Municipality with regard to investigation and management of multiple illegal discharges in the rivers;
- Water storage tanks were supplied and installed in various municipalities throughout KwaZulu-Natal at the start of the COVID-19 crisis. This initiative was done in collaboration with the Department of Water and Sanitation, and the Water Institute of Southern Africa.

DROUGHT MANAGEMENT

All the systems received above-average rainfall during the 2021/2022 season and this resulted in the increase in level for all dams. The current water resource status of all the systems was good as at the beginning of May 2022. The volume of dams including the entire Mgeni System has been sufficient to ensure that water restrictions will not be required over the the upcoming 2022/23 year.

The construction work at Hazelmere Dam to raise the wall is currently underway and is undertaken by the Department of Water and Sanitation. The dam safety officer for iMvutshane Dam recommended some impoundment to take place before the winter season began, as this should not compromise the safety of the dam wall.

UMGENI WATER ADOPTED A MULTI-FACETTED APPROACH TO DEAL WITH THE WATER SUPPLY CHALLENGES EXPERIENCED AS A RESULT OF THE PREVIOUS DROUGHT AND POTENTIAL FUTURE DROUGHTS:

- The frequency of water resource monitoring, status updates and projections continue at an increased level;
- Advice and support for drought intervention initiatives is being provided to the Department of Water & Sanitation (DWS), Water Service Authorities and the KZN Department of Co-operative Governance & Traditional Affairs (CoGTA);
- Communication with the media and the Water Service Authorities continues to include water saving tips and the potential for future exposure to water resource constraints if these are not implemented. Communication is co-ordinated in the province through CoGTA;

- Facilitation of Joint Operating Committee (JOC) meetings for Mgeni System – eThekweni MM, Msunduzi LM, uMgungundlovu DM, Ugu DM, DWS, CoGTA, Agricultural sector.

ASSET CONDITION, MAINTENANCE AND MANAGEMENT

Regular maintenance and inspection of all assets were undertaken in the reporting period as an intrinsic part of continued operations management.

Maintenance is implemented in accordance with the asset management strategy and implementation plan for the year.

This comprises planned maintenance – inclusive of preventative maintenance, repairs, redesign and modifications – complemented by ongoing unplanned, reactive and corrective maintenance.

Assessments of the condition of assets remain a vital part of determining the useful life and future investments required to maintain the level of service to customers.

In the year the total asset maintenance spend was R299m (**Figure 10.5**). While this equated to a variance of R19m in spend terms, the PPE target was met.

Over the years Umgeni Water has continued to maintain its assets and on average invests 6.6% of its revenue on asset maintenance. Based on assessments conducted over the past year, there are no assets that pose significant risk to supply and the organisation does not envisage major interruptions to its business over the next five years and beyond.

WATER LOSS MANAGEMENT AND METERING

Non-revenue water is successfully maintained below 5%. This has been a result of a metering strategy that focuses on metering all critical nodes and monitoring of meter accuracy. This initiative will continue through meters installed by Umgeni Water at various critical points in its systems.

Figure 10.5(a): Maintenance Spend (Rm)

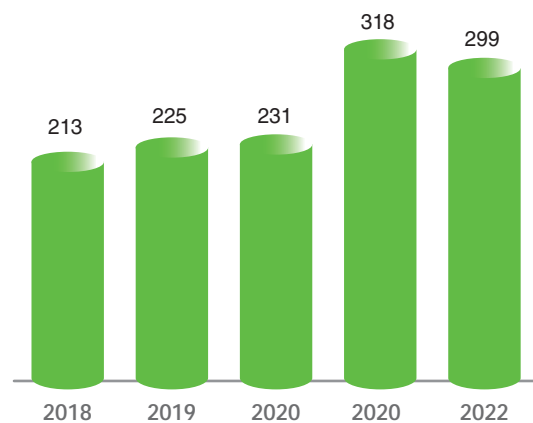
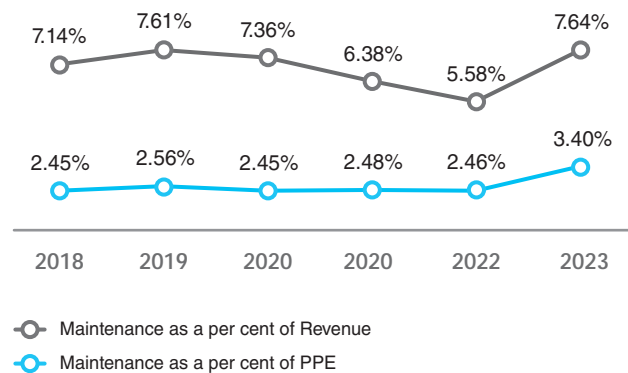


Figure 10.5(b): Maintenance (%)



10.3 INFRASTRUCTURE STABILITY

MANAGEMENT APPROACH

Umgeni Water plans and manages its bulk water infrastructure stability in order to meet current and future customer needs. The planned outcome is bulk infrastructure that is consistent with planned service levels, acceptable risk levels and anticipated growth trajectories to ensure that long-term system reliability goals are met. To this end, the capacity and condition of existing infrastructure is assessed annually and informs future infrastructure planning and development. Infrastructure developments, therefore comprises:

- Infrastructure upgrades and rehabilitation to continue to achieve product quality and a sustainable supply to customers;
- Infrastructure development for expansion and growth to new areas and to serve unmet needs;
- Infrastructure development and expansion to supply rural areas and municipalities to reduce backlogs and increase community sustainability.

In implementing infrastructure projects, Umgeni Water uses local labour as its preferred workforce to facilitate skills transfer

and economic support to local communities. Umgeni Water further ensures that there is meaningful Broad-based Black Economic Empowerment (B-BBEE) through its policies that drive provision of meaningful economic opportunities to targeted enterprises.

All bulk water infrastructure developments are undertaken in an environmentally sustainable manner. Appropriate projects are subjected to Environmental Impact Assessments during project planning, design, construction and commissioning phases and manifests in the development and implementation of sound Environmental Management Plans that are monitored and audited independently during implementation.

STATUS OF WATER ACCESS IN THE SUPPLY AREA

Within Umgeni Water’s area of focus in the reporting period, access to piped (tap) water inside the dwelling / house / yard comprise 70% of the total number of people with access to water (**Figure 10.6** - Community Survey 2016). There are many areas that are outside of Umgeni Water’s bulk water infrastructure supply footprint that still receive no water from schemes. In addition, components of the served areas that are characterised by small schemes have been found to be unsustainable.

Figure 10.6 (a): Main Source of Water for Drinking - Umgeni Water Focus Area (Stats SA, Community Survey 2016)

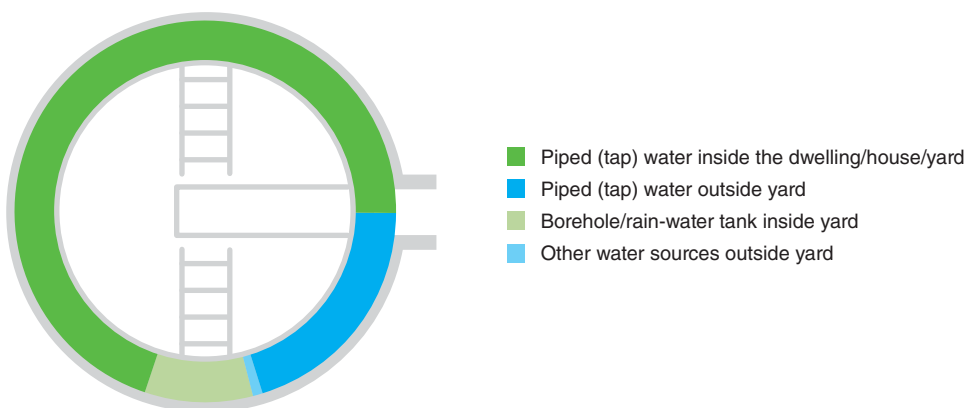


Figure 10.6 (b): Main Source of Water for Drinking by WSA – Umgeni Water Focus Area (Stats SA, Community Survey 2016)

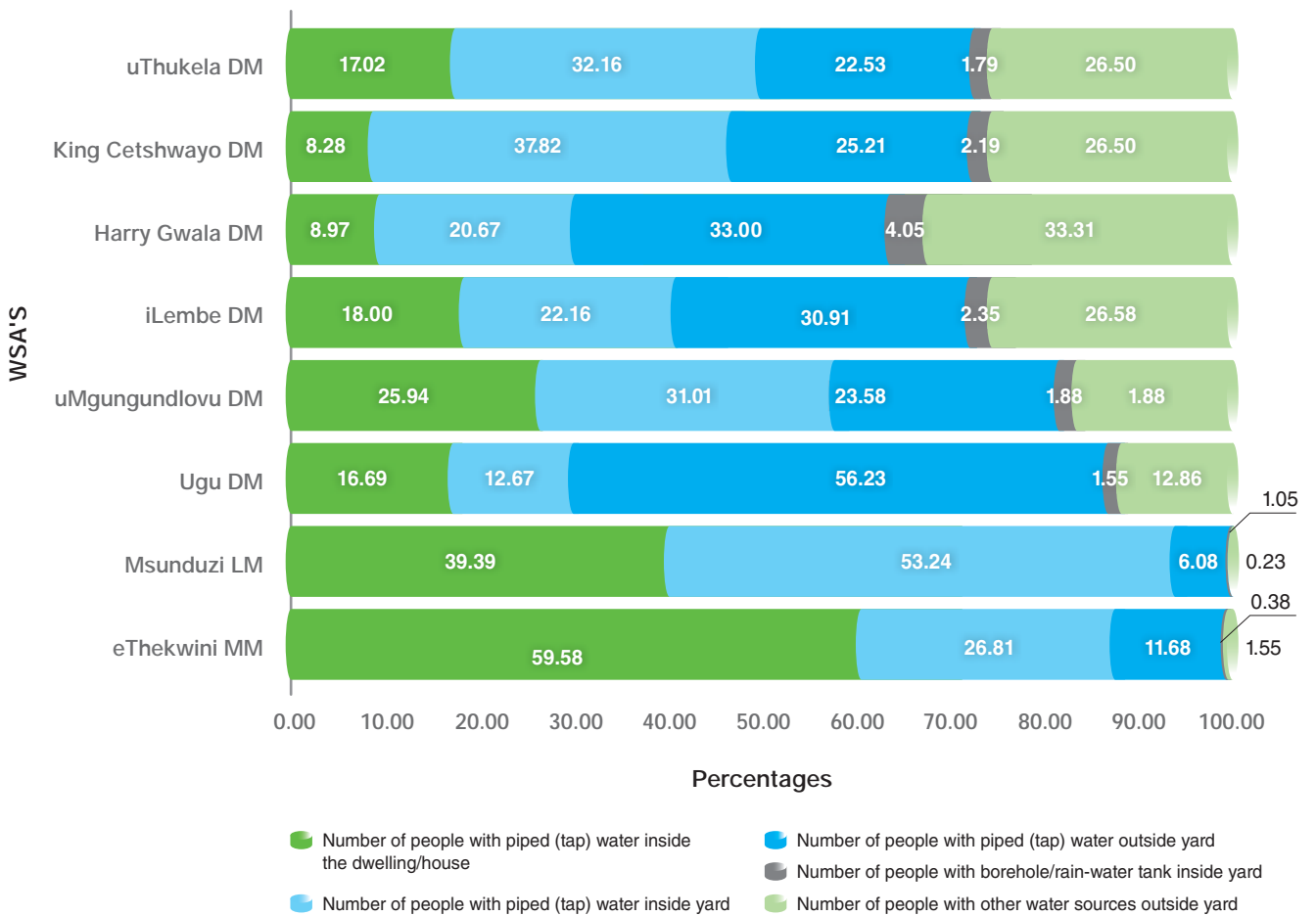
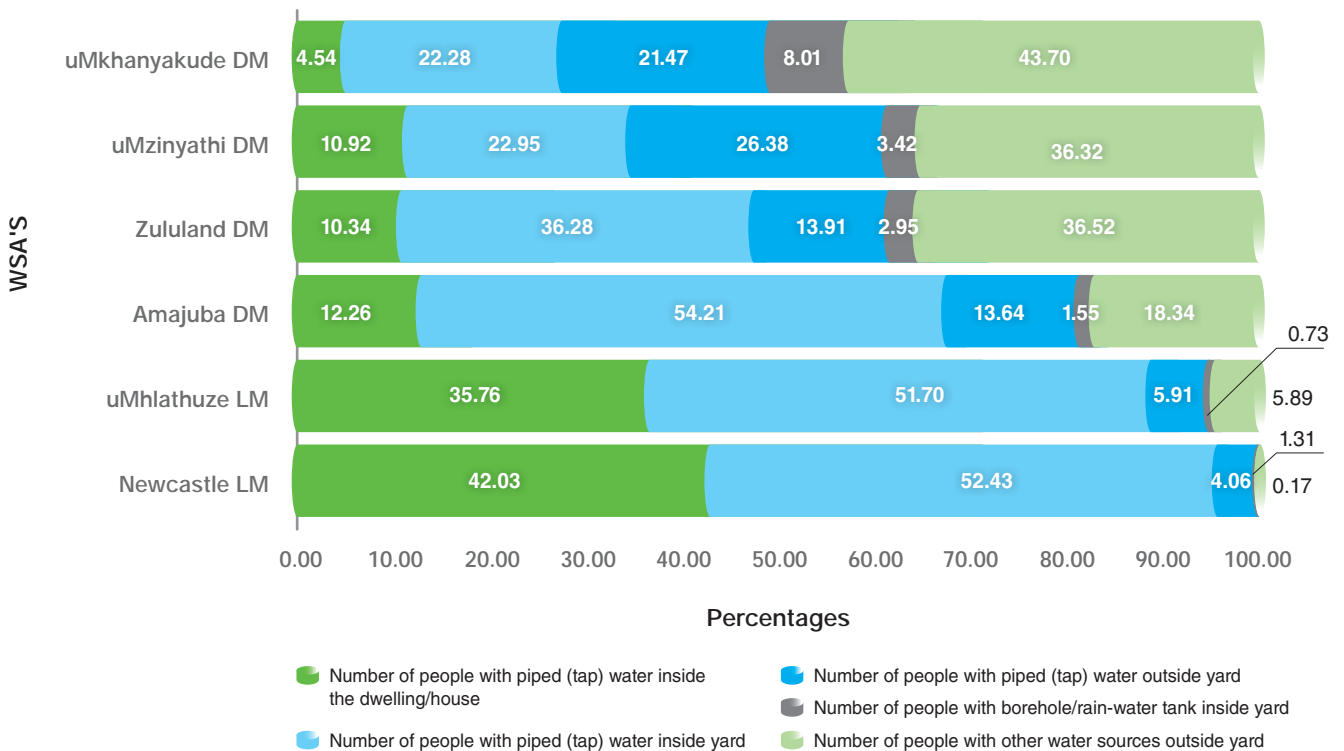


Figure 10.6 (c): Main Source of Water for Drinking by WSA – Rest of KZN (Stats SA, Community Survey 2016)

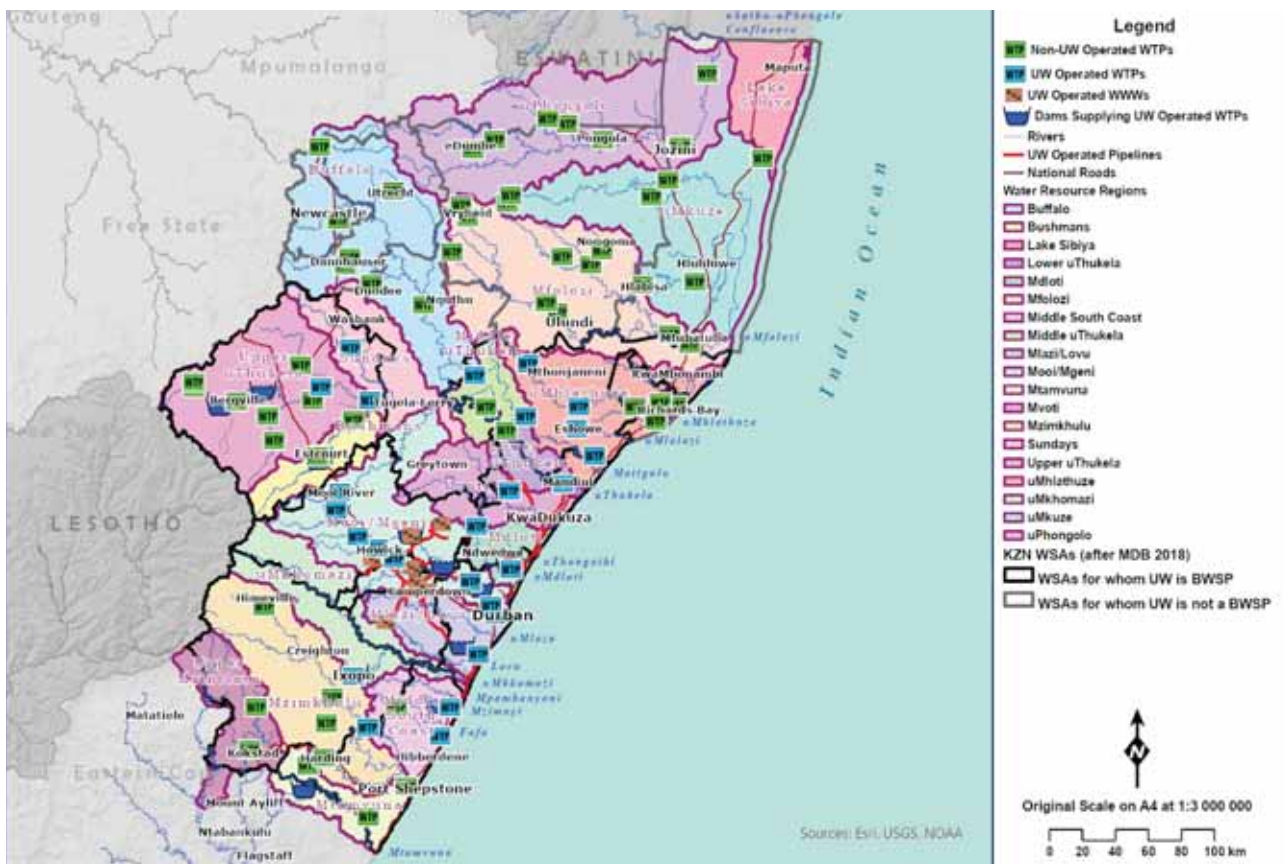


UNIVERSAL ACCESS PLAN

Working closely with national and provincial stakeholders in KwaZulu-Natal, Umgeni Water completed the planned development of Universal Access Plans (UAPs) for all Water Services Authorities (WSAs) in KwaZulu-Natal in 2016. The outputs comprise conceptual bulk water supply scheme plans per municipality for all of KZN. The plans reconcile backlogs and growth in demands with bulk infrastructure to meet the needs for the 2045 planning horizon. In the year, Umgeni Water further extended this plan to include the secondary bulk that would be needed to link regional schemes to community areas.

In addition to the UAP suite of projects, Umgeni Water has developed bulk water Infrastructure Master Plans for the entire province of KwaZulu-Natal. They are available on the Umgeni Water website and provide an understanding of the status quo of the existing water resource and supply infrastructure as represented by **Figure 10.7 (a)** and **Figure 10.7 (b)**, the expected future supply needs and recommendations for infrastructure projects to provide regional supply to all areas.

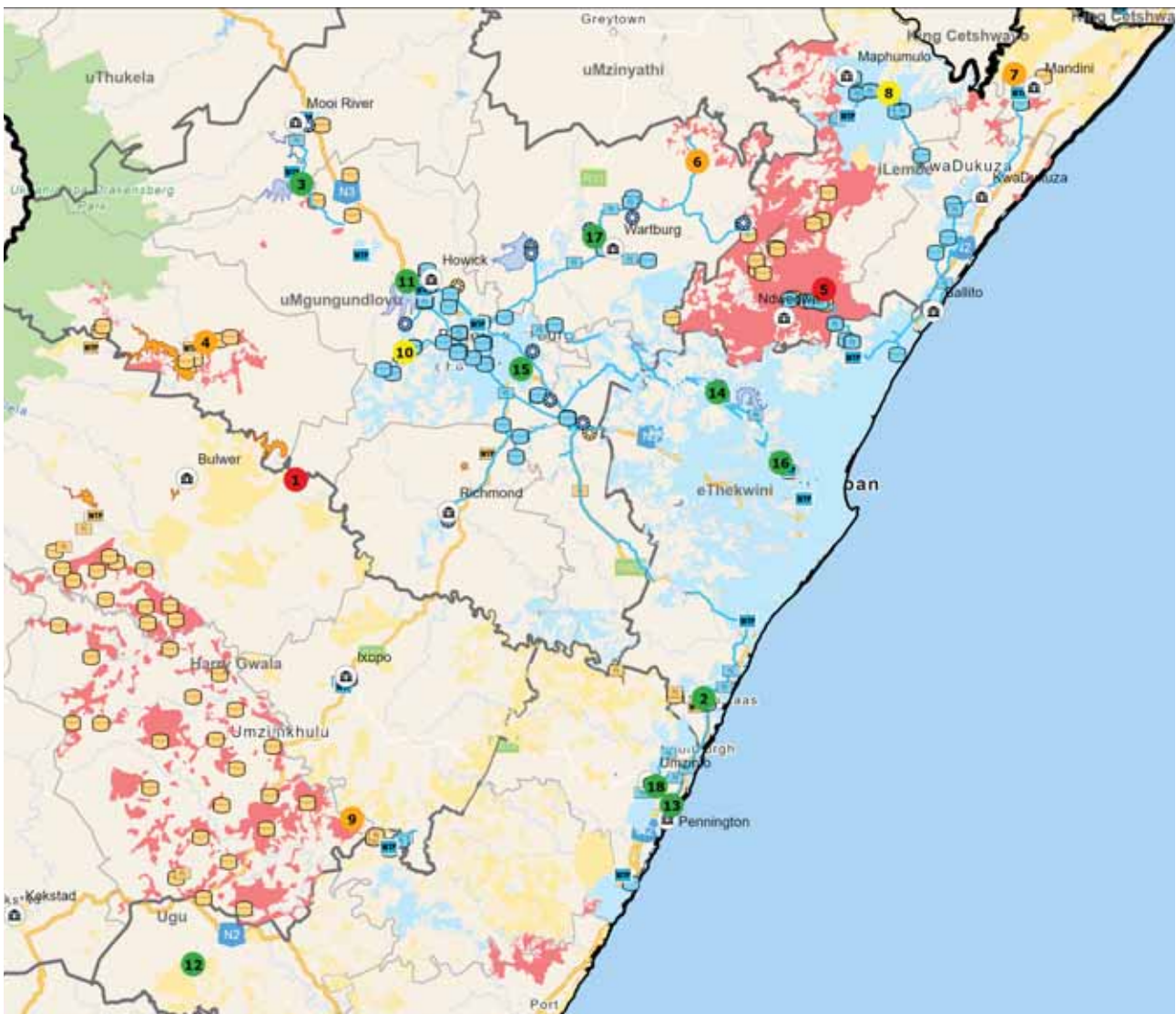
Figure 10.7 (a): KZN Primary Water Supply Systems as identified in the Umgeni Water Infrastructure Master Plan 2021



Umgeni Water investigates the feasibility of implementing these plans where they exist within its operational area, and feasible (financial and technical) projects are thereafter included within the organisations capital expenditure programme for implementation.

Umgeni Water's Current Bulk Infrastructure and Supply Footprint and the Status of Bulk Infrastructure implemented in the reporting period are shown in **Figure 10.7 (b)**.

Figure 10.7 (b): Current Bulk Supply Footprint and Status of Bulk Infrastructure implemented in the reporting period under review.



MAJOR CAPEX PROJECTS STATUS

- Construction
- Design
- Feasibility
- Commissioned
- Procurement

EXISTING INSTALLATIONS

- PS Pumpstation
- R Reservoirs
- W TW Water Treatment Works
- W Wastewater Works
- Tunnels
- Pipelines
- Dams

FUTURE INSTALLATIONS & UPGRADES

- PS Pumpstation
- R Reservoirs
- W TW Water Treatment Works
- W Wastewater Works
- Tunnels
- Pipelines
- Dams

FOOTPRINTS

- Footprint areas currently supplied by UW Bulk Infrastructure
- Footprint areas supplied by WSA
- Footprint areas that will be supplied by UW's proposed projects

Table 10.4: Major Projects Implemented in 2021/2022

PROJECT NAME	PROJECT STATUS	OBJECTIVE	MAJOR CUSTOMER	TOTAL PROJECT BUDGET (RM)	IMPLEMENTED AS AT 30 JUNE 2022 (RM)
1 Mkhomazi Bulk Water Supply Scheme	Detailed Feasibility	Augmentation	eThekwini MM, uMgungundlovu DM	6 969	11
2 Lower uMkhomazi Bulk Water Supply Scheme	Procurement and Construction	Augmentation	eThekwini MM, Ugu DM,	4 927	369
3 Greater Mpofana Regional Scheme Phase 1	Construction	Rural Expansion	uMgungundlovu DM	839	818
4 Impendle BWSS	Detailed Design	Rural Expansion	uMgungundlovu DM	196	8
5 uMshwathi BWSS Phase 4 (Southern Ndwedwe)	Detailed Design	Rural Expansion	iLembe DM	678	10
6 uMshwathi Phase 6	Detailed Feasibility	Rural Expansion	uMgungundlovu DM	322	2
7 Lower Thukela BWSS Phase 2	Detailed Design	Rural Expansion	Ilembe DM	1 406	12
8 Maphumulo BWSS Phase 3: WTW Upgrade (6 MI/d to 12 MI/d)	Procurement	Rural Expansion	iLembe DM	277	104
9 Mhlabatshane Sub-Regional Scheme Ph 2	Detailed Design	Rural Expansion	Ugu DM	821	18
10 Vulindlela BWSS Upgrade	Pipe Supply and Procurement	Augmentation	Msunduzi LM	408	54
11 Mpophomeni Wastewater Treatment Works (WWTW)	Construction	Rural Expansion	uMgungundlovu DM	444	248
12 Weza Hardening Abstraction and Pipeline	Construction	Rural Expansion	eThekwini MM, Ugu DM	68	47
13 South Coast Phase 2b Kelso to Umdoni	Construction	Expansion	eThekwini MM, Ugu DM	176	126
14 Rehabilitation of Aqueduct No 1,2,3 &4	Construction	Rehabilitation	eThekwini MM	821	104
15 Darvill WWTW Capacity Increase	Construction	Upgrade	Msunduzi LM	1 102	1 066
16 Clermont Siphon 6 Rehabilitation	Construction	Rehabilitation	eThekwini MM	200	76
17 Trustfeeds WWTW	Construction	Rural Expansion	uMgungundlovu DM	113	108
18 Umzinto WTW Upgrade	Construction	Upgrade	Ugu DM	87	70

PERFORMANCE WITH CAPITAL INFRASTRUCTURE PLAN

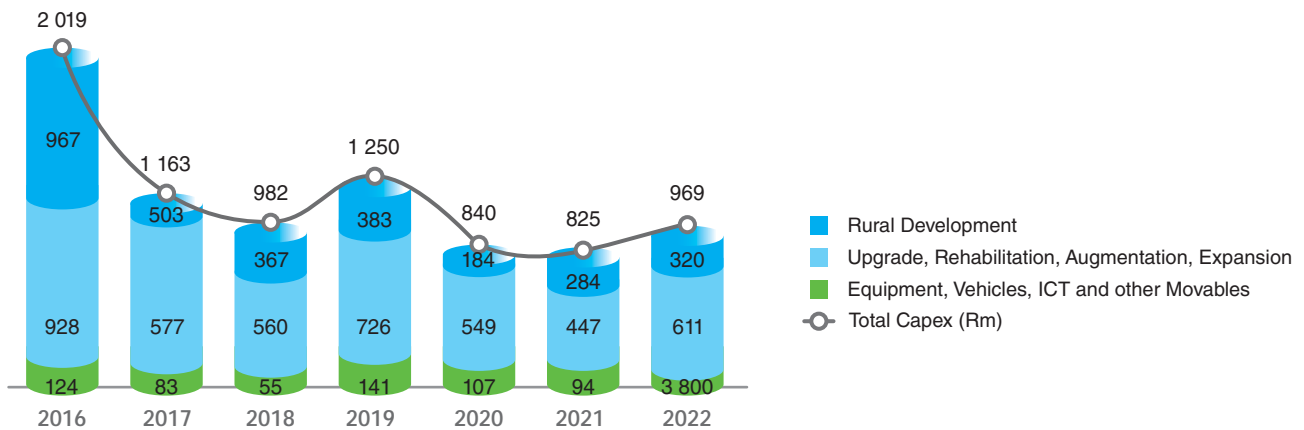
Significant progress with capital infrastructure implementation was achieved in the reporting period. Spend performance for the year was R969 million, of which R611m (R447m in 2021) was spent on bulk infrastructure augmentation, expansion, upgrades and rehabilitation projects. R320m (33%) went towards projects for rural development. Overall, 53% of target water infrastructure project milestones were met.

The effects of the COVID-19 pandemic related delays, which started at the beginning March 2020, continued to be felt during the year under review. This, coupled with contractors going into business rescue on two major projects (Darvill WWTW Upgrade, Greater Mpofana RBWSS) adversely affected overall progress of the Capex programme.

Key projects implemented are shown in **Table 10.4**.

In addition, the Supply Chain Management (SCM) process, specifically the turnaround time of Capex programme tenders, continued to improve in the reporting period. Umgeni Water will continue to streamline its processes to maintain and improve turnaround.

Figure 10.5(a): CAPEX Spend (Rm)



CUSTOMERS TARGETED AND PROGRESS WITH KEY BULK INFRASTRUCTURE DEVELOPMENTS

(1) UMKHOMAZI WATER PROJECT

Serves eThekweni Metropolitan Municipality, uMgungundlovu District Municipality, Msunduzi Local Municipality, Ugu District Municipality and iLembe District Municipality.

Phase 1 of the infrastructure development includes a dam on the uMkhomazi River, raw water tunnel to Baynesfield, balancing dam, raw water pipeline, water treatment works and bulk potable storage reservoir at Baynesfield and bulk potable water pipeline to Umlaas Road. Phase 2 includes a further dam higher up on uMkhomazi River at Impendle, raw water tunnel, raw water pipeline, water treatment works capacity and reservoir storage upgrades and a second bulk potable water pipeline. The detailed feasibility study for Phase 1 was completed in 2015. The Environment Impact Assessment (EIA) approval was obtained at the end of 2020. An application for amendments to the conditions in the approval was submitted in August 2021. The Political Steering Committee, comprising CoGTA, DWS, TCTA, UW and Water Users, was set in 2021 to facilitate the development of solutions regarding the funding model for the project and affordability of tariffs for Water Users. The Steering Committee continues to function on a weekly basis. The Committee's latest resolution was that the State will fund 50% of the project and the balance will be

funded by water users through a capital unit charge of R 2.58 per kilolitre. The section 33 of MFMA process will start in all WSAs affected for conclusion by November 2022. The bilaterals between Water Users, DWS, UW, CoGTA and TCTA will continue parallel to section 33 of MFMA process to resolve outstanding issues.

(2) LOWER UMKHOMAZI BULK WATER SUPPLY SCHEME

Serves eThekweni Metropolitan Municipality and Ugu District Municipality, and will augment the coastal areas from Amanzimtoti to Hibberdene via the South Coast Pipeline.

The planned infrastructure comprises:

Phase 1: a dam at Ngwadini and two Raw Water Abstraction Systems together with pipelines, Raw Water Pump Stations and Raw Water Reservoir; Ngwadini Dam: Procurement is in progress; Detailed design has been completed for Ngwadini Abstraction Works; Construction has commenced for Goodenough Abstraction Works, with completion scheduled for Nov 2025. Final design review is in progress for the pipeline and raw water reservoir and is expected to be advertised for tender by Sep 2022. Overall progress for Phase 10% complete.

Phase 2: a Water Treatment Works (100ML/d), storage reservoir and Bulk Potable Water Pipeline. The detailed feasibility and preliminary design were completed in 2017. Detailed design was completed in 2021. Design documentation is in progress, after which the procurement of the various construction contract packages will follow. Project completion is projected to be in May 2025.

(3) GREATER MPOFANA BULK WATER SUPPLY SCHEME

Serves uMgungundlovu District Municipality

The infrastructure development comprises construction of a water treatment works, two storage reservoirs and two bulk pipelines. The construction of the 20MI/d Rosetta Water Treatment Works commenced in 2016/17 and completed in March 2021. Construction and commissioning of the 5MI and 12MI/d reservoirs feeding Nottingham Road and Bruntville respectively is complete. The construction of the 8km long DN 650 Nottingham Road Pipeline – from the WTW to Nottingham Road Reservoir – was completed in June 2016. The construction of the 13 km long DN 650 Bruntville Pipeline is in progress and is envisaged to be completed in March 2023. The Final integration and Commissioning of the Rosetta Water Treatment Works, Bruntville and Nottingham Road Pipelines and Reservoirs as a whole Greater Mpopofana Bulk Water Supply Scheme Phase 1 will take place from March 2023 to July 2023. Phase 2 of the Greater Mpopofana Bulk Water Supply Scheme – which will be a labour intensive 25 km long DN 300 mechanical coupling steel pipeline from Nottingham Road Reservoir to Lions River Reservoir and 3 Reservoirs at Zenzani Village, Lidgetton and Lions River – is currently at Detailed Feasibility/Design Development Stage, and is envisaged to go to construction in 2024/2025.

(4) IMPENDLE BULK WATER SUPPLY SCHEME

Serves uMgungundlovu District Municipality and Impendle Local Municipality

The scheme comprises a 1.6 MI/d Bulk Water Supply Scheme with a possibility of future upgrade to 3MI/d at Stepmore and 10MI/d Bulk Water Supply Scheme at Nzinga with a possibility of future upgrade to 18.5MI/d. Detailed design for Stepmore is 90% complete. Detailed design for Nzinga is 25% complete. Construction of the Stepmore scheme is scheduled for 2024, with completion in 2026 and Nzinga scheme is scheduled to commence in 2025, with completion in 2028.

(5) UMSHWATHI BULK WATER SUPPLY SYSTEM PHASE 4 (SOUTHERN NDWEDWE)

Serves iLembe District Municipality and the Southern Ndwedwe areas

The scheme will draw 22.85 MI/d bulk potable water from the existing 12ML Ozwathini Reservoir and supply by gravity to the entire Southern Ndwedwe area, in Ndwedwe Local Municipality. Detailed design is in progress. The four work packages are at various stages (i.e. Pipe Supply in procurement stage Pipe Lay and Reservoir Contracts 2, 3 and 4 at Design Development Stage). Construction of Umshwathi Bulk Water Supply Scheme Phase 4 is envisaged to commence from 2023 to 2025.

(6) UMSHWATHI REGIONAL BULK WATER SUPPLY SCHEME: PHASE 6

Serves uMgungundlovu and iLembe District Municipality and eThekweni Metro

The project will consist of a pipeline from Bruyns Hill Reservoir to Wosiyani in Southern Ndwedwe, with an off-take supplying parts of eThekweni Metro. The capacity of the scheme is 10 MI/day and will ultimately serve 100 000 people. The project is currently in detailed design and the environmental authorisation is being finalised.

(7) LOWER THUKELA BULK WATER SUPPLY SCHEME PHASE 2

Serves iLembe District Municipality, specifically areas North of the uThukela River.

The project will upgrade the existing Lower Thukela Water Treatment Works from 55MI/d to 110 MI/d to construct a 7km Rising Main and a 30MI reservoir. At present, the project is in detailed design and wayleaves with the relevant authorities are being obtained. Both the Environmental Impact Assessment (EIA) and Water Use Licence (WUL) applications have been completed and approved. Servitude acquisition and consultation with the communities is in progress.

(8) MAPHUMULO BULK WATER SUPPLY SCHEME PHASE 3

Serves iLembe District Municipality, which includes KwaMaphumulo, Ndwedwe and KwaDukuza Local Municipalities, and will serve 150 000 people in Maqumbi, Ashville, Maphumulo, Masibambisane, KwaSizabantu and Ngcebo supply areas

Phase 3 includes the upgrade of the WTW from 6 to 12MI/d, raw water and booster Pump Stations. Upgrade of the Pump Stations is complete. Detailed design of the WTW upgrade is complete and construction is expected to start in the 2022/23 financial year.

(9) MHLABATSHANE BULK WATER SUPPLY SCHEME PHASE 2 – MZIMKHULU RIVER ABSTRACTION

Serves Ugu District Municipality and will reach and provide potable water access for over 100 000 inhabitants in 10 tribal authority areas

The infrastructure development comprises an abstraction works on the Mzimkhulu River, pump station and pipeline to deliver water to the Mhlabatshane Water Treatment Works and an upgrade of the Water Treatment Works from 4MI/day to 12MI/day. Design Development Report is complete and construction has been reprioritised to start in 2025.

(10) VULINDLELA BULK WATER SUPPLY SCHEME UPGRADE

Serves Msunduzi Local Municipality

Phase 1 includes a new 20MI reservoir, 6km of pipelines (rising main and gravity pipelines), one Pump Station at Howick West Reservoir and two at Mpophomeni, 9.37km rising mains and a new 10MI Reservoir at Mpophomeni. Procurement of various work packages is in progress.

(11) MPOPHOMENI WASTEWATER TREATMENT WORKS

Serves uMgungundlovu District Municipality and uMngeni Local Municipality

The infrastructure development comprises a 6MI/d Wastewater Treatment Works and a 6km bulk sewer outfall pipeline. Construction commenced in January 2020 and is ongoing. Completion is scheduled for 2022.

(12) SOUTH COAST PIPELINE PHASE 3

Serves the Umdoni and Umzumbe Local Municipalities within the Ugu District Municipality

The South Coast Pipeline (SCP) is intended to provide a supply of potable water to the South Coast Region via a single bulk water pipeline. Phases 1 and 2A are complete, with Phase 2B in construction (refer to 13 below). Phase 3 will extend SCP from Umdoni to Mthwalume and then to Hibberdene. Phase 3 is entering into the Detailed Feasibility and Preliminary Design Stage.

(13) SOUTH COAST PIPELINE PHASE 2B

Serves Ugu District Municipality, including Pennington, Kelso, Malangeni and Shayamoya

The pipeline is designed to supply approximately 16.7MI/d and will link Scottburgh South to Pennington and then to Malangeni Reservoir. Contract award was made during August 2020. Construction commenced in March 2021 and is anticipated to be completed in March 2022.

(14) REHABILITATION OF NAGLE / DURBAN HEIGHTS / INANDA / WIGGINS SYSTEMS

Serves eThekweni Metropolitan Municipality

This project is a rehabilitation of major existing assets and is split into four sub-projects as outlined:

- Emergency Rehabilitation to Aqueduct 3 & 4 Siphon 6: Slip lining will protect the Clermont community against consequences of a burst. Procurement processes have been completed;
- Nagle System Auxiliary Works: Purchasing of large diameter valves to be installed on aqueducts under the Rehab. Procurement processes have been completed;

- Carbon Fibre Repairs: Repair of Nagle Aqueducts following scanning to identify affected portions will ensure longevity of the Nagle Aqueducts. Procurement is in progress;
- Rehabilitation of the Degremont Filter Complexes and Nagle Aqueducts;
- PSP appointment underway for upgrade/rehabilitation of Old ,New degs and pulsator clarifiers at Durban Heights.

(15) DARVILL WWTW CAPACITY INCREASE

Serves Msunduzi Local Municipality

The works capacity is being upgraded from 65MI/d to 100MI/d. Construction is in progress and includes a new inlet works, Primary and Secondary Settling Tanks, pumps and Pump Station, Reactor, Chlorination House and Anaerobic Digesters, among other components. The project was significantly delayed as a result of the main contractor going into business rescue. Completion of the remaining works is expected during November 2022.

(16) DURBAN HEIGHTS WTW – REHABILITATION OF KEY INSTALLATIONS

Serves eThekweni Metropolitan Municipality

The core of this project is the rehabilitation of Reservoir 3. Rehabilitation of the roof interior and other internal repairs was completed during 2020/21 but during this contract the need for further rehabilitation of other parts of the structure emerged. Procurement of the revised works is expected to be concluded during 2022.

(17) TRUSTFEEDS WWTW

Serves uMgungundlovu District Municipality and iLembe District Municipality

The infrastructure development comprises a 1 MI/d Wastewater Treatment Works; 4.5km bulk sewer outfall pipeline and a 1.5km gravel access road. Construction of the bulk sewer outfall and access road is complete. Construction of the Wastewater Treatment Works was completed in October 2020 and handed over in December 2020.

(18) UMZINTO WATER TREATMENT WORKS UPGRADE

Serves Ugu District Municipality

The project entailed a substantial upgrade to the head-of-works (inlet system) to improve capacity, efficiency and chemical dosing systems for the water treatment process. Construction has been completed and commissioning is in progress.

10.4 ECONOMIC EMPOWERMENT

MANAGEMENT APPROACH

Umgeni Water’s approach to economic empowerment is guided by enabling legislation, including the Constitution of South Africa, the Preferential Procurement Policy Framework Act (PPPFA) and Regulations and the B-BBEE Act. To facilitate the realisation of economic empowerment, Umgeni Water has a BBBEE and an Enterprise and Supplier Development Policy. These efforts are targeting Small Medium and Micro Enterprises (SMMEs) in Umgeni Water’s area of operation. Umgeni Water has an established Enterprise and Supplier Development Unit to foster the institutionalisation of economic transformation by empowering SMMEs and ensuring their participation in Umgeni Water’s Supply Chain opportunities, and entrenching the principles of B-BBEE in the entity. Through the economic empowerment programme, Umgeni Water wants to achieve the following key objectives:

- Facilitating access of BBBEE compliant suppliers to the entity’s procurement activities;
- Developing or establishing new, sustainable business with black entrepreneurs, through the procurement process and empowerment of SMMEs;
- Contributing to skills development and job creation through the employment of targeted labour.

CONTRACT PARTICIPATION GOALS

Umgeni Water’s Contract Participation Goals (CPGs) facilitate meaningful economic opportunities by targeted enterprises. This is done by requiring tenderers to allocate a certain percentage of the scope of work and value to targeted enterprises.

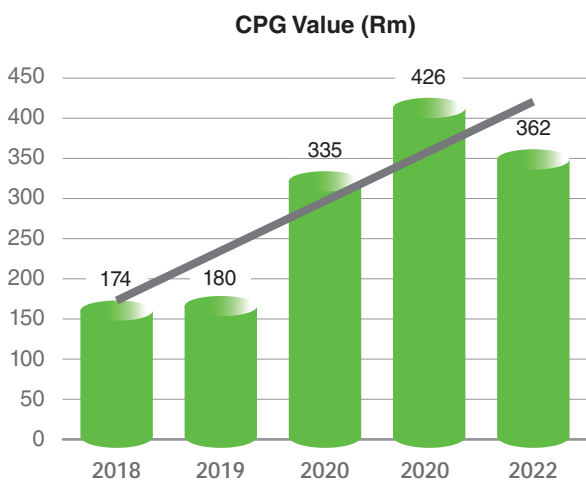
PERFORMANCE WITH CONTRACT PARTICIPATION GOALS (CPG) TARGETS IN 2021/2022

CPGs targets set for 2021/2022 were 35% for construction contracts, professional services projects and other operational contracts (of which 10% was to be allocated to Black women-owned businesses) and another 10% to Black local enterprises in the project footprint.

An average of 37% CPG was achieved with a total of CPG award value of R362 million (R426m in the previous year). Of the total CPGs, R132m was awarded to Black women-owned businesses (R218m in the previous year). Women participation represents 13% of the total spent on all applicable contracts. In the year under review, work worth R263 million was allocated to local SMMEs in the project footprint.

Overall, R4.29 billion worth of contracts has been awarded to Black-owned businesses since the start of the CPG initiative in 2013.

Below is the graphical representation of Umgeni Water’s 5-year CPG performance.



BBBEE SPEND PERFORMANCE

Umgeni Water continues to monitor and ensure sourcing from BBBEE compliant suppliers. The BBBEE spend target of $\geq 80\%$ for the reporting period was achieved. Spend performance for the year exceeded 100% (125%).

Of the new CPGs added to the database, 53 were awarded work.

MONITORING BBBEE / CPG IMPLEMENTATION AT UMGENI WATER

Monitoring B-BBEE /CPG implementation of awarded contracts is undertaken to confirm that:

- Contractors are engaging the targeted enterprises as per contracts;
- Targeted enterprises are performing the scope as per contract;

- Payments due to targeted enterprises are processed at the correct rates and at agreed time frames.

SKILLS DEVELOPMENT AND JOB CREATION

Infrastructure construction is targeted towards the most disenfranchised members of society and employs unskilled workers. These temporary jobs enable skills to be developed and utilised at a local community level and results in meaningful flow of income to these communities.

In the year under review, Umgeni Water created a total of 551 temporary jobs through its Capex Programme. This is a 32% increase when compared to the previous year.

In line with this, just over R22m (R15m in the previous year) was paid in wages to local labour. This further reinforces the organisation's commitment to the creation of decent job opportunities.

Figure 10.10: Capex Jobs

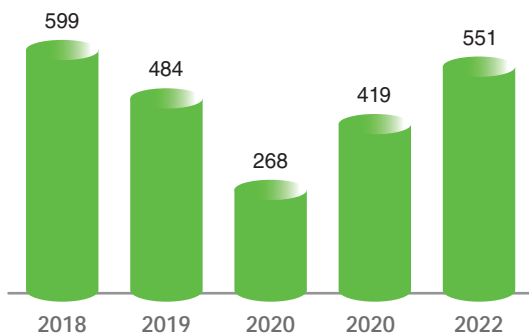
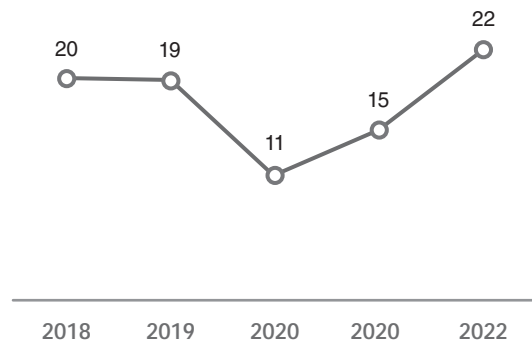


Figure 10.11: Wages Paid (Rm)



10.5 CORPORATE SOCIAL INVESTMENT

MANAGEMENT APPROACH

Umgeni Water's Corporate Social Investment (CSI) programme supports socio-economic development initiatives to improve community livelihoods. The entity's investments in this regard are driven through an approved CSI Policy. This ensures a co-ordinated approach in the implementation of CSI initiatives, which are prioritised in terms of the following categories:

- **Programme Related Corporate Social Responsibility:** This relates to those activities, which are submitted by various divisions as a way of taking total responsibility towards the business environment in which Umgeni Water operates;
- **Strategic/Discretionary CSI:** These are initiatives that are implemented at the discretion of the Chairperson of the Board and the Chief Executive;
- **Targeted CSI Initiatives:** These initiatives are those that would be submitted in response to the call for CSI proposals, from different targeted areas within Umgeni Water's area of operations. Ideally, these initiatives will assist to build relationships in the areas where Umgeni Water will be rolling out Capex projects;
- **Legacy Projects:** These initiatives are meant to live a physical and visual memento, for the communities to remember Umgeni Water, for years to come.

Umgeni Water's categories of initiatives focus in the following areas:

- Education, Training and Skills Development;
- Job Creation;
- Public Health and Community Support;
- Environmental Conservation;
- Staff Voluntarism and Support.

To ensure that investments are aligned to policy, applications follow a thorough process of screening that entails consideration by the designated internal bodies to ensure that investments contribute and support the organisation's strategic goals. A comprehensive process has been developed to institutionalise the processes and systems for the provision of social and economic development support and natural environment stewardship by the organisation.

Umgeni Water has committed 1% of Net Profit After Tax to Social Corporate Investment initiatives.

WATER EDUCATION AND COMMUNITY OUTREACH

Umgeni Water prides itself on the establishment of its water education and community outreach programme that has been running for over two decades now and has since provided a number of rural and urban schools and communities within our area of operation, with vast knowledge on water and environmental issues. These programmes are done to ensure that learners and communities understand our source-to-sea process, water and wastewater process, value of water, water conservation, sanitation, health and environmental issues.

Water, environment, health education and awareness were delivered through three target programmes during the reporting period:

- Themed Activations;
- Schools and Community Outreach Programmes; and
- Adopt-A-School Programme.

THEMED ACTIVATIONS:

During the reporting period, four themes were created i.e (Servitude Encroachment, , Water, Environment and Biodiversity), with the aim of educating and creating awareness on the importance of all four spheres and their impact. A total of 133 schools and 58 community groups were reached as part of Umgeni Water's efforts to promote community well-being, knowledge and environmental stewardship through these themed activations. Active learning through recognition of prior knowledge and guided questioning ensured that everybody that participated was kept engaged. During this period, 78 trees were planted.

SCHOOLS AND COMMUNITY OUTREACH PROGRAMMES:

Umgeni Water's education initiatives included outreach programmes to raise awareness around water safety, pollution, water conservation, climate change and environmental health. Programmes implemented included awareness events, clean-up campaigns and commemoration of special environmental day events.

Community engagements were held at 58 communities across the organisation's area of operation. Activities included awareness talks to youth and women's groups, river clean-ups, invasive alien plants removal and greening initiatives, as well as door-to-door visits, taxi rank, mall and shopping centre activations.

The areas reached were as follows:

- **eThekwini Municipality:** Paradise Valley, Bhekulwandle (outside of Amanzimtoti), Isipingo, Umlazi, Westville North, Dube Trade Port (La Mercy) and Silverglen
- **UMdoni LM:** Mistake Farm (outside of Umzinto), Scottburgh, Mtwalume, UMzinto and Mysieland (outside of Vernon Crookes Nature Reserve)
- **uMzumbe LM:** Shlonyaneni area, Cabane Area
- **Ray Nkonyeni LM:** St. Michael's Beach and Hibberdene
- **Mandeni LM:** Sundumbili and Hlomendlini Township
- **KwaDukuza LM:** Ballito, Stanger, Shakaskraal, Ethembeni Township, Lindelani Village and Zinkwazi Beach
- **Ndwedwe LM:** Nordberg (Mlamula Traditional Authority), Sisebenzile area, Intaphuka Village, Mayekeni area and Hazelmere Dam Area
- **Greater Kokstad LM:** Bhongweni Location
- **Impendle LM:** Impendle Town, Impendle Village Impendle Swamp and Boston
- **Msunduzi LM:** CBD, Vulindlela (Entembeni Clinic) Dambuza, Sobantu, KwaMafunze and Willowfontein
- **Mkhambathini LM:** Eston and Nkanyezini
- **Richmond LM:** Richmond CBD, Ophatheni, Mkhuzane and Hopewell
- **Umngeni LM:** Lidgeton and Nottingham/Zenzani area
- **Mooi River LM:** Bruntville
- **Mshwathi LM:** Swayimane/Gcumisa

School outreach engagements were conducted at 133 schools spread through our operational area. Workshops for educators representing various schools were conducted in Darnall Farm and New Guilderland Farm within KwaDukuza Local Municipality, eMaqadini area in Maphumulo Local Municipality, KwaNyuswa Village within Ndwedwe Local Municipality, Nadi (Vulindlela Area) in Pietermaritzburg, Snathingi, Inadi and Imbali in Msunduzi Local Municipality, Camperdown within Mkhambathini Local Municipality, Dalton in Mshwathi Local Municipality, Ophatheni within Richmond Local Municipality and Isthunswana at Impendle. The purpose of the workshops was to give educators insight into the services offered to schools by Umgeni Water as well as the link to the curriculum. Umgeni

Water offers an extended learning opportunity to learners as well as support to educators by means of the teaching and learning support educational resources.

ADOPT-A-SCHOOL PROGRAMME:

The schools identified are adopted for a period of four years. The distribution of the 21 adopted schools includes five schools within UMgungundlovu District Municipality, two schools within Harry Gwala District Municipality, six schools in eThekwini Metropolitan Municipality, one school in Ugu District Municipality and seven schools within ILembe District Municipality.

Activities implemented at these schools included Arbor Week awareness coupled with 96 trees planted. Wetlands and Water Week visits included talks, audit, clean-ups and presentations. Msinsi Hazelmere Dam sponsored Cottonlands Primary with netball and soccer sports kits.

The continued COVID-19 Pandemic restrictions did not deter the Education Team from spreading water and environmental responsibility and sustainability messages to the public. Various messages related to health and hygiene, environmental sustainability and water conservation were also shared with the public via our social media platforms.

INSTITUTIONAL SUPPORT AND DEVELOPMENT (ISD)

Institutional Support and Development (ISD) is one of the vehicles that the organisation is using to engage more broadly with the community and in ways that promote participation and collaborated decision making. This is due to the realisation that the organisation cannot solve complex problems without the combined efforts of the community it serves. Whilst there has been improvement and less project disruptions due to the early involvement of ISD and the Social facilitation teams, there is much work to be undertaken in the rollout of strategies that will ensure community buy-in when it comes to local business participation.

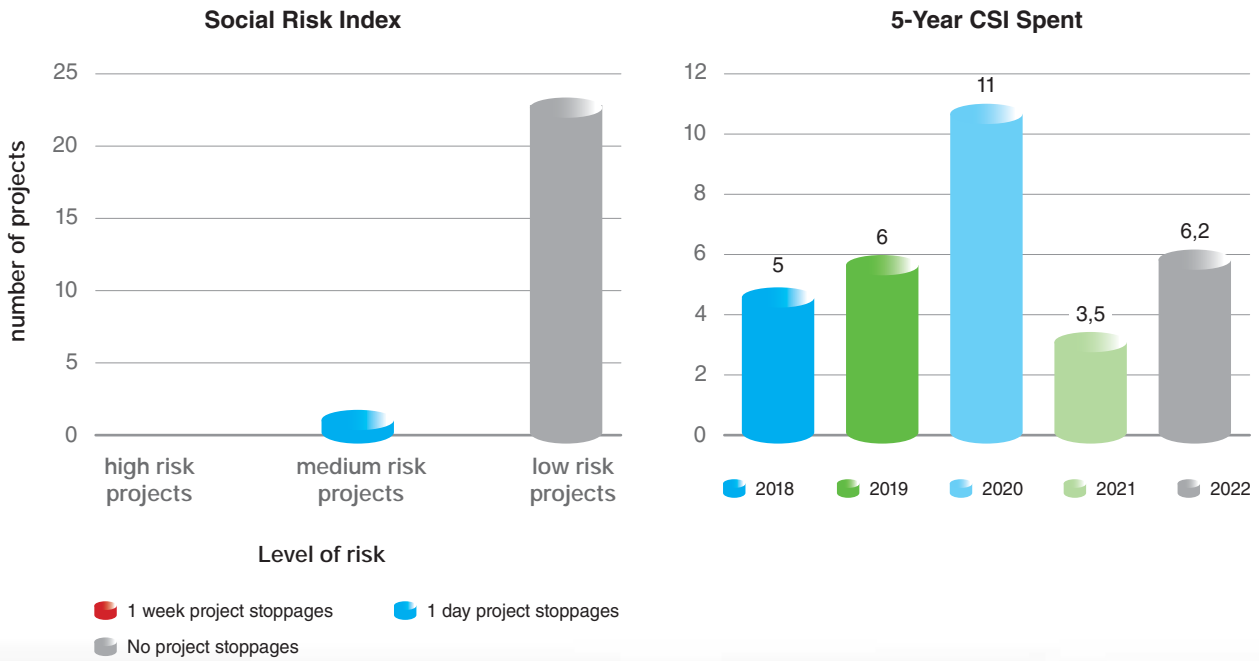
During this financial year, more than twenty five (25) projects were supported by ISD. Twenty-two (22) of the projects were managed successfully without any stoppages. More than 395 locals benefitted as local labour whilst more than 40 local companies participated in local business opportunities that were created during this reporting period.

There is a significant improvement in terms of overall community buy in due to the representative community structures like the Project Liaison Committees. There is an 88% success rate, which is expected to improve due to planned strategies aimed at capacity building local business entities to give them more information and skills to participate and learn more about business. The presentation below shows that there is a significant decrease on work stoppages which reduces costs overruns and due to project delays.

CORPORATE SOCIAL INVESTMENT (CSI) PROGRAMME

During the reporting year, the total CSI investment was R6.2 million. This represents an increase of 86% compared to that of the previous year.

Figure 10.4 below outlines the CSI 5-year spend.



SPRING GROVE WTW



Umgeni Water supported 17 projects during 2021/2022 financial year. Of the 17 projects, 10 had been approved in the previous financial years 6 approved in the year under review and one legacy project. **Table 10.5** below shows projects supported in the reporting year.

Table 10.5: Umgeni Water 2020/21 CSI Projects

PROJECT NAME	DESCRIPTION	FOCUS AREA	SPEND	BENEFITING DISTRICT	STATUS
Siyajabula High School	Construction of toilets and drilling of borehole for drinking water	Public Health and Community Support	R0	eThekwini Metro	Service Provider appointed
Esidumbini Primary School	Construction of toilets and drilling of borehole for drinking water	Public Health and Community Support		iLembe District Municipality	Service Provider appointed
Lukhasa Secondary School	Construction of toilets and drilling of borehole for drinking water	Public Health and Community Support		iLembe District Municipality	Service Provider appointed
Support for Lebogang Mashigo	Education support for an orphaned learner who was adopted by Umgeni Water	Education, Training and Skills Development	R18 000.00	uMgungundlovu District Municipality	Sponsorship is ongoing.
Mandosi Combined School	Construction of toilets and water supply for the school	Public Health and Community Support	R500 465.61	eThekwini Metro	Service Provider appointed
Duzi Adopt a River	Rehabilitation of 7.3 km of riparian zone along the Darvill loop	Environmental Conservation	R500 000.00	uMgungundlovu District Municipality	Project complete. Due to Covid-19, there were a lot of disruption in work.
Phantane Athletics Club	Financial support for a township based athletics club	Public Health and Community Support	R600 000.00	eThekwini Metro	Project complete
Ncalane Family House	Construction of a house for the Ncalane Family who lost 7 family members in a drowning incident	Public Health and Community Support	R1 000 080.00	iLembe District Municipality	Project complete
Support for Nomfundo Ncalane	Educational assistance for Nomfundo Ncalane	Education, Training and Skills Development	R36 700.00	iLembe DM	On going until Nomfundo Completes her studies.
uMzinyathi Water Tankers	2 water tankers for wards 6 & 7	Public Health and Community Support	R414 000.00	uMzinyathi DM	Project Complete
UKZN RunRes Project	Construction of Dewat Sanitation System for a school in Vulindlela area	Public Health and Community Support	R500 000.00	UMgungundlovu DM	On going. The project was delayed due to Covid-19 and issues in the community
Water Tankers dor eThekwini Water and Sanitation	Assistance with Water Tankers during Durban Heights water crisis	Public Health and Community Support	R500 000.00	eThekwini Metro	Project Complete
Water Tankers for Ngcolosi Community	Assistance with water tankers after the April 2022 floods	Public Health and Community Support	R1 000 000.00	eThekwini Metro	Project Complete
Water Tankers for UMDM	Assistance with water tankers after the floods	Public Health and Community Support	R500 000.00	UMgungundlovu DM	Project Complete
KwaNgcolosi Flood Relief	Assistance with blankets, food parcels, trauma counseling, etc for KwaNgcolosi families	Public Health and Community Support	R267 215.00	eThekwini Metro	Counseling is still on going
Mandela Day	Various Mandela Day activities by UW Divisions	Various focus areas	R353 404.42	Various WSAs	On going
Nungwane Legacy Project Phase 2	Provision of sanitation solutions for schools in the Nungwane area	Education, Training and Skills Development	R0	eThekwini Metro	Service provider appointed

11.0

CONSERVING OUR NATURAL RESOURCES

11.1 ENVIRONMENTAL SUSTAINABILITY, INCLUDING WATER RESOURCES ADEQUACY

MANAGEMENT APPROACH

The environment constantly undergoes multiple changes, changes that are occurring over different temporal and spatial scales. As a result, it is vital that natural resources are managed in a sustainable manner. Adequate supplies of raw water resources are paramount to Umgeni Water, which together with reliable sources of energy, water treatment chemicals and other resources are crucial for sustainability of the water business.

The entity, therefore, is steadfast in protecting, conserving and using and sustaining these resources efficiently.





MOOI RIVER

Environmental management programmes and plans are embedded in all components of the water business lifecycle, namely, during planning, construction, operation and decommissioning. Umgeni Water has classified its environmental management programmes as Corporate, Operational or Integrated Environmental Management:

- Corporate Environmental Management focuses on aligning the business activities to environmental sustainability and promoting a shift towards the state of a green economy;
- Integrated Environmental Management focuses on identification, mitigation and implementation of management plans for potential environmental impacts associated with infrastructure developments.

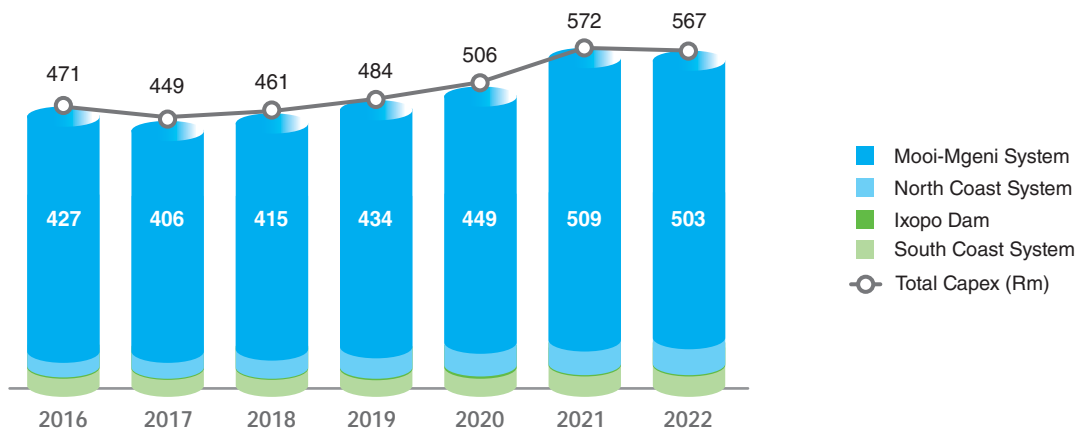
Umgeni Water, as a public water services entity in South Africa, complies with all mandatory environmental disclosure requirements. Notwithstanding this, the entity continues to improve alignment of environmental indicators with other national and internationally accepted indicator disclosure requirements, including the Global Reporting Initiative (GRI) and King IV Report on Corporate Governance, in terms of materiality and relevance. Relevant aspects include materials, including chemicals and water resources, energy efficiency, greenhouse gas emissions, carbon footprint mapping, biodiversity and waste management.

WATER RESOURCES ADEQUACY

Umgeni Water leverages water sector partnerships and collaborations to respond to the challenges facing the region including water availability, redistribution, demand management and drought and impact of climate change. Its core business function is to treat and supply bulk potable water – a business highly dependent on the availability of sustainable water resources. The reconciliation between water resource availability and water demand is, therefore, of primary importance to the entity and forms an integral part of the infrastructure planning process. Understanding what water resources are available to the entity, both current and future resources, and what factors affect the assurance level of these resources is crucial to balancing supply with customer demand and maintaining supply sustainability into the future.

The primary water sources used by the entity is distributed across four major water resource systems, namely, the Mgeni System (Mooi and Mgeni rivers), the North Coast System (uMdloti, iMvutshane, uThukela and uMvoti rivers) and the South Coast System (Nungwane, Mzimayi, uMuziwezinto and Mhlabatshane rivers). Total water withdrawal by source is shown in **Figure 11.1**.

Figure 11.1 Water Withdrawal by Source (million m³)



In the reporting period, progress was made with the following water resource dam developments:

- The feasibility study of Smithfield Dam (DWS) which is Phase 1 of the uMkhomazi Water Project, was completed in 2015 and construction is anticipated to be completed by 2030;
- Hazelmere Dam raising (DWS) for which construction is expected to be completed in 2022;
- The detailed design of Ngwadini Dam (UW) which is part of the Lower uMkhomazi Scheme, was completed in 2021, with construction completion planned for 2025.

CLIMATE CHANGE AND WATER RESOURCES

The natural climate is the prime determinant of water resources availability, whether surface or groundwater. Sufficient water that is fit for purpose is key to the business of Umgeni Water. During the year under review, Umgeni Water implemented the organisational Climate Change Response Policy. The main purpose of the policy is to provide a framework for Umgeni Water's just transition to a climate resilient and lower carbon water entity. The objectives of the policy are to:

- Provide a co-ordinated and integrated Umgeni Water response to Climate Change and its impacts on all aspects of the water value chain;
- Manage climate change impacts effectively through implementing interventions that reduce the organisation's vulnerability, build its resilience and adaptive capacity to the impacts of climate change; and
- Assist Umgeni Water contribute fairly to the global efforts to stabilise greenhouse gas emissions to a level that avoids anthropogenic interference with the climate system and enables sustainable development.

During 2021/2022 a climate change implementation plan was implemented. This plan is integrated to the overarching Umgeni Water sustainability implementation plan. The plan incorporates targets for both mitigation and adaptation responses, where the mitigation targets are aimed at reducing the organisation's greenhouse gas emission, while the adaptation initiatives responds directly to water resource sustainability and are aimed at building the organisation's adaptive capacity and resilience to the impacts of climate change, that is the projected wet spells, dry spells, , reduced streamflows, impacts on water quality and impacts on ecological infrastructure.

The adaptation initiatives that were implemented of the implementation plan included the implementation of Umgeni

Water flood early warning system as part of the flood management plan, particularly the high river level procedure. This included daily monitoring of flood parameters i.e. forecast rainfall from the South African Weather Service (SAWS), observed rainfall, dam levels, flow or discharge below dams and antecedent precipitation index. At the beginning of spring of the period under review, flood simulations/drills were undertaken for 12 Umgeni Water systems. This was done with key operational staff in order to ensure preparedness for effective response in case of a flood event. The flood simulations assisted with an effective response during the extreme weather events of April 2022.

During the April 2022 floods, flood alerts or early warnings were issued to dam operational staff and these were triggered by the SAWS weather alerts that were forecasting "disruptive rainfall leading to localised flooding of susceptible informal settlements, low lying areas and bridges were expected along coast and adjacent interior". The relevant alert codes were communicated as per Umgeni Water high river level procedure.

WASTEWATER REUSE

Umgeni Water is piloting a reuse plant at its Darvill Wastewater Treatment Works. The 2 MI/d direct reuse demonstration plant comprises a conventional water treatment works to provide high-pressure wash water followed by an advanced treatment process plant. The plant is to be used for evaluating the effectiveness of reuse processes and for demonstration to communities on the benefits of wastewater reuse to applicable potable water standards. Implementation is delayed and was expected to be completed in 2021 together with the Darvill WWTW upgrade project.

RAW WATER QUALITY

The status of raw water quality per resource is shown in **Table 11.1 and Figure 11.2**. Water quality risks in Umgeni Water supply catchments arise from factors including: eutrophication (nutrient enrichment and its associated threats including algal blooms, taste and odours and aquatic weed infestations), faecal contamination and associated pathogen risks, suspended solids and chemical constituents (including iron and manganese). This impacts on treatability, chemical usage and other cost implications, and may contribute to final water non-compliance with the South African National Standard Drinking Water specification (SANS 241: 2015). Source and raw water quality monitoring is undertaken to assess and mitigate treatability risks, optimise raw water quality and provide early warning of adverse raw water quality that can be expected at the water treatment works.

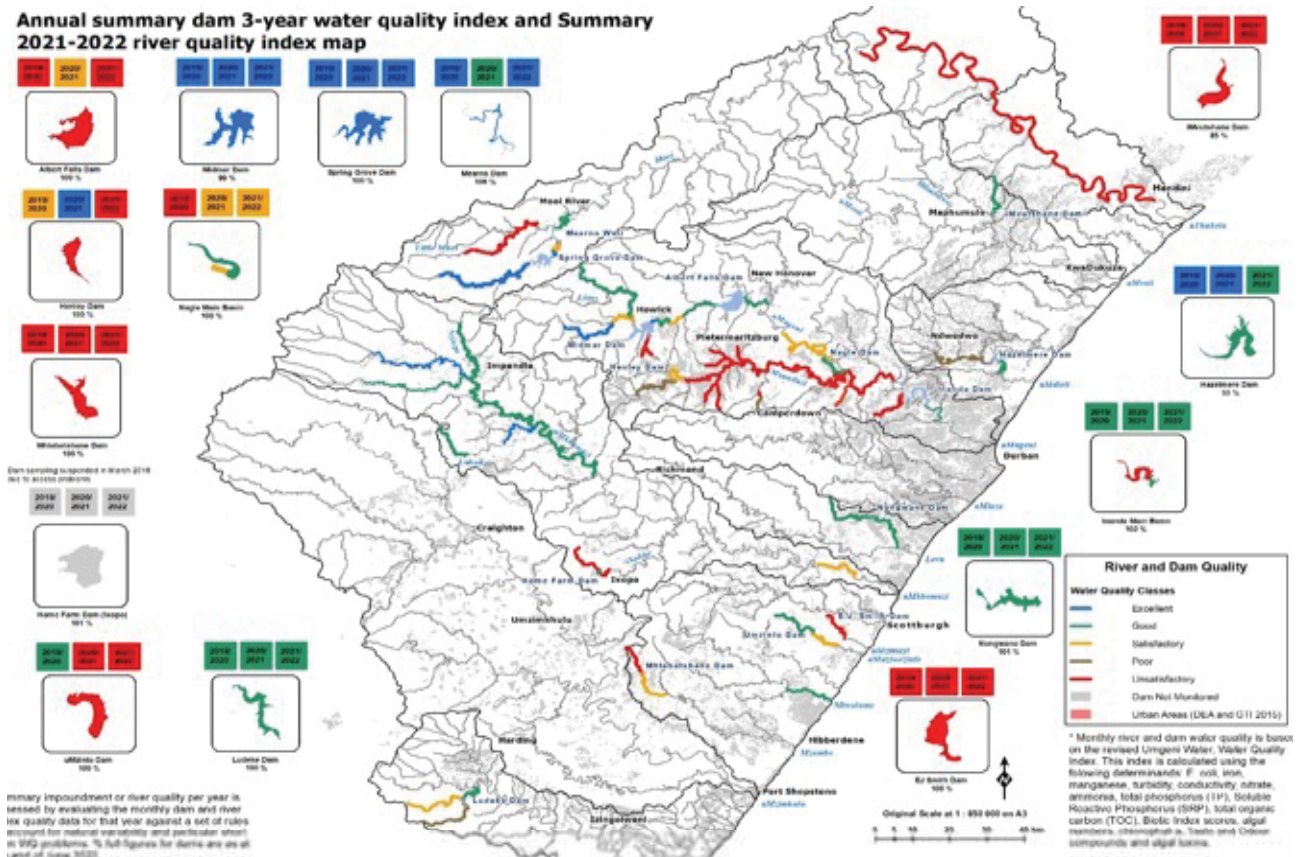
Table 11.1: Resource Water Quality

SYSTEM	CATCHMENT	IMPOUNDMENT/ ABSTRACTION	ABSTRACTION WATER QUALITY STATUS AND TRENDS					COMMENTS
			2018	2019	2020	2021	2022	ADVERSE RAW WATER QUALITY
Inland & Central Coast	Mooi	Spring Grove Dam	Excellent	Good	Excellent	Excellent	Excellent	-
		Mearns Dam	Excellent	Good	Excellent	Good	Excellent	-
	uMgeni	Midmar Dam	Good	Good	Excellent	Good	Excellent	-
		Albert Falls Dam	Moderate	Unsatisfactory	Unsatisfactory	Satisfactory	Unsatisfactory	The Albert Falls impoundment showed unsatisfactory water quality status due to elevated algal counts <i>E. coli</i> , algal counts and geosmin associated with catchment rainfall events and elevated nutrient loadings.
		Nagle Dam	Good	Excellent	Unsatisfactory	Satisfactory	Good	-
		Inanda Dam	Good	Poor	Good	Good	Unsatisfactory	Inanda Upper Dam showed unsatisfactory water quality status due to elevated Chlorophyll a associated with high algal numbers as a result of elevated nutrient concentrations from the uMsunduzi catchment.
North Coast	uMdloti	Hazelmere Dam	Excellent	Good	Excellent	Excellent	Good	-
	uMvoti	iMvutshane Dam & River abstraction	Good	Unsatisfactory	Unsatisfactory	Unsatisfactory	Unsatisfactory	iMvutshane Dam showed unsatisfactory water quality status due to elevated algal count (particularly taste & odour algae), <i>Anabaena</i> , <i>E. coli</i> , soluble iron, manganese, total organic carbon and turbidity associated with catchment inputs.
	uThukela	River abstraction	Unsatisfactory	Unsatisfactory	Unsatisfactory	Unsatisfactory	Unsatisfactory	Raw water abstracted from the uThukela River (Lower Thukela) showed unsatisfactory water quality status due to elevated <i>E. coli</i> , <i>Giardia</i> , iron, manganese, total organic carbon and turbidity associated with catchment rain / erosion events and human and animal activities in the catchment. The Sundumbili Town sewer network and sewage pump stations just upstream of the WTW are thought likely to be a significant part of the problem affecting the Lower Thukela WTW
South Coast	iLovu	Nungwane Dam	Good	Satisfactory	Good	Good	Good	-
	uMzimayi	EJ Smith Dam	Unsatisfactory	Unsatisfactory	Unsatisfactory	Unsatisfactory	Unsatisfactory	EJ Smith Dam and associated raw water showed poor water quality status due to elevated algae, algal count, <i>E.coli</i> , total organic carbon, chlorophyll 'a', 2-MIB and turbidity associated with catchment run-off and sewer inputs from Umzinto town.

Table 11.1: Resource Water Quality

SYSTEM	CATCHMENT	IMPOUNDMENT/ ABSTRACTION	ABSTRACTION WATER QUALITY STATUS AND TRENDS					COMMENTS
			2018	2019	2020	2021	2022	ADVERSE RAW WATER QUALITY
South Coast	uMhlabatshane	Mhlabatshane Dam	Unsatisfactory	Unsatisfactory	Unsatisfactory	Unsatisfactory	Unsatisfactory	Mhlabatshane Dam showed unsatisfactory water quality status due elevated <i>E. coli</i> , soluble iron, total organic carbon and turbidity associated with rainfall events as well as contaminated catchment runoff and erosion problems.
	uMzinto	uMzinto Dam	Moderate	Good	Good	Unsatisfactory	Unsatisfactory	UMzinto dam showed unsatisfactory water quality status due to elevated <i>E.coli</i> , <i>Cryptosporidium</i> , <i>Giardia</i> , manganese, total organic carbon, iron and turbidity associated with intensive agricultural uses in the catchment and some run-off from rain events.
	uMtamvuna	Ludeke Dam	Moderate	Good	Good	Good	Good	-
	uMthwalume	uMthwalume River abstraction	Good	Unsatisfactory	Unsatisfactory	Satisfactory	Unsatisfactory	Raw water abstracted from uMthwalume River (Mthwalume Raw) showed unsatisfactory water quality status due to elevated <i>E. coli</i> , <i>Giardia</i> , soluble iron and turbidity associated. catchment run-off from rainfall events.
	Ixopo	Home Farm Dam	Unsatisfactory	The water supply at Ixopo Dam cannot be directly monitored by boat due to low dam leves and presence of weeds.	The water supply at Ixopo Dam cannot be directly monitored by boat due to low dam leves and presence of weeds.	The water supply at Ixopo Dam cannot be directly monitored by boat due to low dam leves and presence of weeds.	Unsatisfactory	The water supply at Ixopo Dam still cannot be directly monitored by boat at present however, the raw water being supplied from the dam to the water treatment process showed unsatisfactory water quality status due to elevated iron and manganese, total organic carbon, <i>Cryptosporidium</i> , <i>Borzia</i> and <i>Anabaena</i> , associated with ongoing sewer problems in the Ixopo town. Algae is also present in some numbers, but as the dam is full and spilling, the good flushing is helping to reduce the presence. A major problem was experienced with a submerged aquatic weed growing profusely next to the dam wall and being sucked into the nearby floating abstraction, resulting in the raw water pumps blocking and several periods when water could not be supplied to the town.

Table 11.1: Resource Water Quality



Catchment water quality management plans include:

- Monitoring of water resource quality to assess raw water treatability;
- Assessing risks associated with deteriorating trends in eutrophication, chemical contamination, pathogens and turbidity;
- Engaging in catchment management activities to influence resource quality and quantity objectives that will balance environmental objectives and safeguarding consumer health;

- Monitoring and improving the quality of waste discharges from operational sites.

The Department of Water and Sanitation (DWS), as the custodian of South Africa's water resources, is kept informed of the quality, trends and potential risks associated with raw water resources.

CATCHMENT WATER QUALITY INTERVENTIONS

In response to the water quality issues highlighted under the raw water quality section, the table below, lists the interventions that are currently being implemented to improve the raw water quality at catchment level.

WATER RESOURCE	INTERVENTION	BUDGET	TARGET	ACTUAL		COMMENT	
Mgeni System/ Inanda Dam	1	Active participation in CMFs: Upper Mgeeni and Msunduzi	N/A	Quarterly	Quarterly	√	Active participation and inputs at Upper Mgeni CMF and Msunduzi CMF
	2	Darvill upgrade to improve effluent quality discharged to Msunduzi River.	120 m	30 July 2022	On track	√	Project anticipated to be completed by end of July 2022
	3	Appoint PSP for construction of artificial wetland as a tertiary wastewater effluent treatment process.	±40 m	31 Dec 2022	Achieved	√	The PSP to construct the artificial wetland has been appointed.
	4	Appoint PSP to develop a catchment specific management plan (Mooi-Mgeni).	R200 000	30 June 2022	Achieved	√	Service provider has been appointed and PSP to commence work during Q4.
	5	Appoint PSP to implement ecological infrastructure interventions: Msunduzi-Baynespruit wetland assessment	R200 000	30 June 2022	Achieved	√	Service provider has been appointed and PSP to commence work during Q4.
	6	Investigation of interventions for municipal sewer and pumpstation maintenance issues through the sewer infrastructure working group.	N/A	30 June 2022	Report provided	√	Sewer hotspot areas identified and reported to CMF, Municipality, IMISA and DWS. DWS to strengthen compliance and enforcement. IMISA to instruct Municipalities to ring fence sewer maintenance budget and Municipalities to address maintenance. Umgeni Water EXCO/CE to please also escalate the issue to the Minister highlighting the impacts on water supply and the need to ring-fencing sewer maintenance budget.
	7	Establishment of a Sand Mining Working Group (SMWG).	N/A	30 June 2022	SMWG Established	√	Working Group established, stakeholder engagement undertaken and awareness created at Umgeni water affected communities.
	8	Investigate and implement sand mining interventions		30 June 2022	Interventions investigated identified .	√	Interventions investigated and stakeholder engagement undertaken. Recommendations for procuring private security company services to stop and monitor all sand mining activities and Umgeni water sites made to Operations and Security Services. Awareness creation was undertaken at with Umzinto TAs.
Ixopo Home Farm Dam	1	Appoint PSP for Ixopo Home Farm Dam wetland Assessment for restoration	R250 000	30/06/2022	Appointed Mar 2022	√	Service provider appointed during Q3. Work has commenced and will continue into 2022/2023
iMvutshane Dam	1	Complete catchment assessment (2021/2022)	N/A	31/03/2022	Achieved	√	Catchment assessment complete. Management plan in 2023.
	2	Develop Catchment Specific Management Plan with stakeholders (Q4: 2022/2023)	TBC	2022/2023	N/A	N/A	

CATCHMENT WATER QUALITY INTERVENTIONS

In response to the water quality issues highlighted under the raw water quality section, the table below, lists the interventions that are currently being implemented to improve the raw water quality at catchment level.

WATER RESOURCE	INTERVENTION	BUDGET	TARGET	ACTUAL		COMMENT	
iMvutshane Dam	3	Active participation in Lower or Upper Mvoti CMF	N/A	As scheduled by DWS	Achieved (ongoing)	√	Q4 meeting was held on 17/05/2022 and the Maphumulo land use impacts on the Dam including the Maphumulo Hospital WWW were tabled and Ilembe DM to look at the plant effluent discharges.
	4	Water quality assessment of the Maphumulo Hospital WWTW	TBC	2022/2023	N/A	N/A	Subject to appointment of CM resources (approved for 2023)
Lower Thukela	1	Complete catchment assessment (2021/2022)	N/A	31/03/2022	Achieved	√	Catchment assessment complete.
	2	Develop Catchment Specific Management Plan with stakeholders (Q4: 2022/2023)	TBC	2022/2023	N/A	N/A	Management plan in 2024 – after the catchment water quality modelling study.
Umzinto Dam	1	Complete catchment assessment (2021/2022)	N/A	31/03/2022	Achieved	√	Catchment assessment complete. Management plan in 2024 after the catchment modelling study.
	2	Active participation in Mzimayi CMF	N/A	As scheduled by DWS	N/A	√	Active participation at Mzimayi CMF. No meeting held in Q4 due stakeholders unavailability.
Umzinto Dam	3	Investigate Sand Mining interventions through the Sand Mining Working Group.					Interventions investigated and stakeholder engagement undertaken. Recommendations for procuring private security company services to stop and monitor all sand mining activities and Umgeni water sites made to Operations and Security Services. Awareness creation was undertaken at with Umzinto TAs.
Mhlabatshane Dam	1	Investigate / identify existing platforms suitable for catchment management activities.	N/A	30/06/2022	Achieved	√	iXobho Irrigation Board / Water User association identified as a potential platform and Umgeni Water is a member of this structure.
	2	Complete catchment assessment (2021/2022)	N/A	30/06/2022	Achieved	√	Catchment assessment complete. Management plan in 2024
EJ Smith Dam and Mzimayi River	1	Complete catchment assessment (2021/2022)	N/A	31/03/2022	Achieved	√	Catchment assessment complete. Management plan in 2024
	2	Develop Catchment Specific Management Plan with stakeholders (Q4: 2022/2023)	TBC	2023/2024	N/A	√	Integrated catchment management plan has been developed. The plan is already being implemented.
	3	Active participation in Mzimayi CMF	N/A	Quarterly	Quarterly	√	Active participation and inputs at previous CMF. No CMF held in Q4 due to unavailability of quorum.

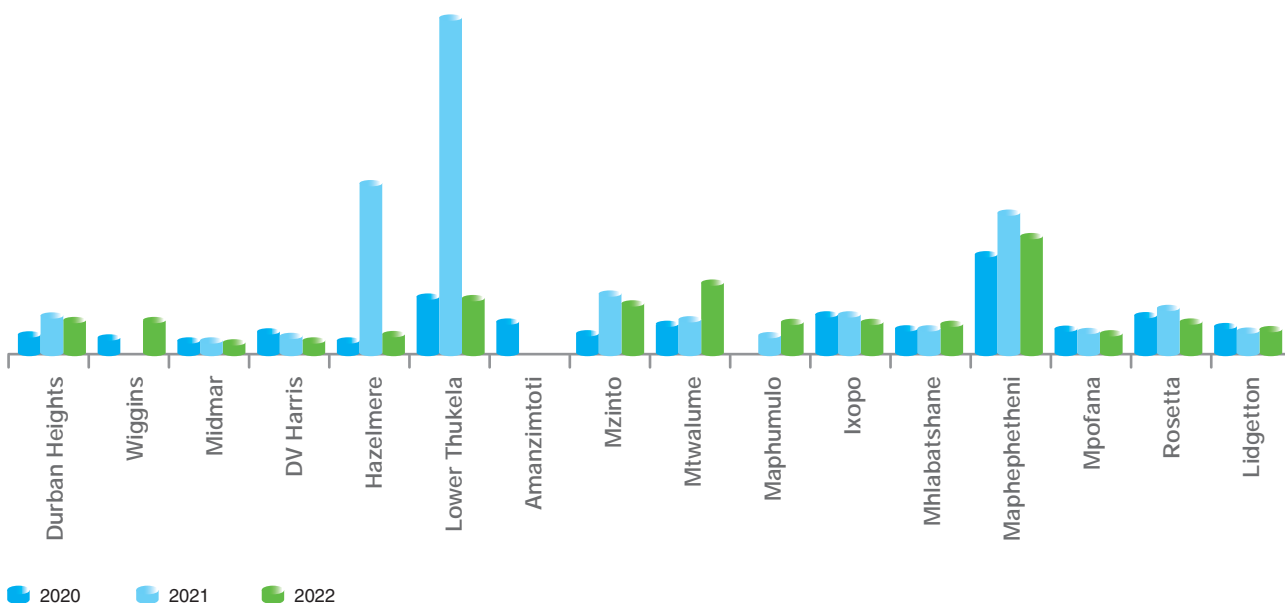
WATER LOSS MANAGEMENT

Umgeni Water strives to use the water abstracted from resources assiduously. Water balancing and water loss management measures are in place per treatment system. Overall, water loss levels have been maintained below the entity's target level of 5% over the years. Water loss trends are shown in **Figure 11.3 below**.

The systems with losses above 5% are as follows:

- Water losses at Lower Thukela WTW were at 27.1%. These are due to technical malfunctions for which investigations are in progress. The plant is currently operating at 69% capacity.

Figure 11.3: Water Losses



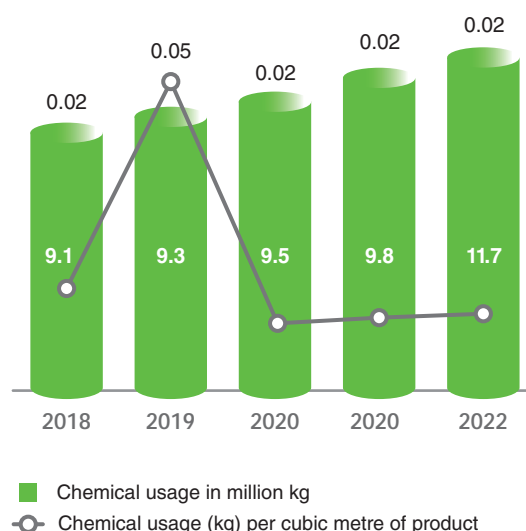
MATERIALS USAGE AND EFFICIENCY

Water is the most significant input material for Umgeni Water, as described in the previous section, followed by energy, which is discussed below. In addition, Umgeni Water has a high reliance on water treatment chemical resources and is, therefore, committed to improving the usage efficiency thereof.

CHEMICALS USAGE AND EFFICIENCY

The chemical usage trend for the past five years is presented in **Figure 11.4**. During the current assessment period, Umgeni Water utilised a total of 11.7 million kg of water treatment chemicals. There is an increase in the chemical usage compared to the previous year. The reason for the increase in the chemical usage could be as a result of the treatment of high volumes of raw water with unsatisfactory quality associated with floods and catchment activities. Water treatment chemicals were used to ensure that the quality of the potable water was of acceptable standard and that the quality was maintained to the point of use

Figure 11.4: Chemical Usage and Efficiency Trends



Umgeni Water has implemented various initiatives to optimise the use of water treatment chemicals. These include:

- Testing the effectiveness of water treatment chemicals for each raw water system / plant. This informs the selection of the optimal treatment chemical and therefore prevents inefficiency / unnecessary usage;
- Monthly chemical optimisation audits to ensure that optimal use of treatment chemicals is maintained and to facilitate a prompt response should a problem be identified through the monthly sampling;
- Monitoring and evaluation of the water treatments process per plant, which identifies areas of process improvement and operational efficiency;
- Monitoring and assessing seasonal variation of the water column / dam levels to assess levels with optimal raw water quality;
- Participating in catchment management activities and forums and contributing to the information base, including provision of water quality data. This influences decisions on catchment land use activities and more sustainable development.

ENERGY USAGE, CARBON FOOTPRINT AND EMISSIONS REDUCTION INITIATIVES

Carbon footprint can be described as the total amount of carbon dioxide and other greenhouse gas (GHG) emissions (expressed as carbon dioxide equivalents or CO₂e) for which an organisation or site is responsible for or has control over, resulting from business activities. The entity's carbon emissions are shown in **Figure 11.5**.

Umgeni Water wants to take full ownership of all emissions that it can control, influence and reduce. Scope 1 emissions refer to direct emissions that Umgeni Water can control, whereas scope 2 and 3 emissions are indirect emissions controlled by third party organisations. **Table 11.2** shows the GHG Emissions for scopes 1, 2 and 3.

Umgeni Water's direct CO₂ emission (Scope 1) contributions emanate mainly from vehicles, boats, generators and methane production from anaerobic wastewater treatment process

(Figure 11.5). Indirect GHG emissions are largely due to the usage of purchased electricity (Scope 2) and to a lesser extent flights and the use of hired vehicles (**Table 11.2**).

The entity's carbon footprint is predominantly caused by electricity consumption, which is one of the main inputs to water and wastewater treatment processes. The total electricity usage for the reporting period was 124 million kWh as depicted in the Electricity usage and efficiency trends in **Figure 11.6**.

Figure 11. 4: Electricity Usage and Efficiency Trends

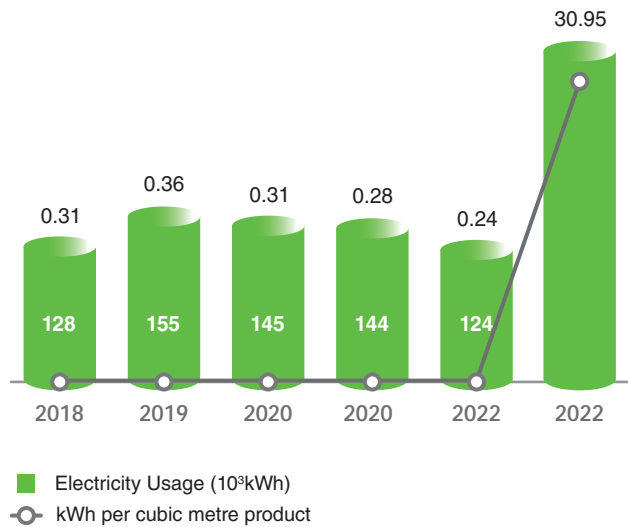
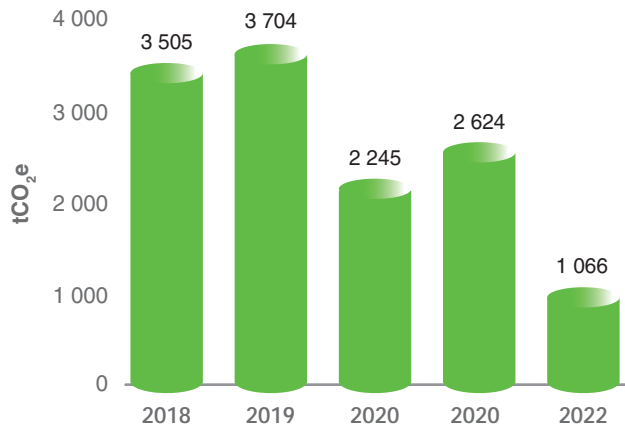


Figure 11.5: Umgeni Water's direct carbon emissions (CO₂e)



CATCHMENT WATER QUALITY INTERVENTIONS

In response to the water quality issues highlighted under the raw water quality section, the table below, lists the interventions that are currently being implemented to improve the raw water quality at catchment level.

EMISSION TYPE	ACTIVITY	TONS OF CO2 EQUIVALENTS PER ACTIVITY				
		2018	2019	2020	2021	2022
Direct (Scope 1)	Combustion: Generators, Cars, boats & Mobile Plant Methane from Anaerobic wastewater treatment	2 071	2 303	2 112	1 442	1 066
		1 434	1 401	132	1 182	-
Indirect (Scope 2)	Electricity	153 076	143 332	142 166	123 228	15 752 648
Indirect (Scope 3)	Travel: Air & Car Hire	2 494	425	327	305	-
TOTAL		159 075	147 461	144 738	126 157	15 753 714

DATA UNAVAILABLE FOR THE REPORTING PERIOD

Umgeni Water is in the process of investigating and implementing initiatives to reduce its carbon footprint. The main initiative that is proposed for implementation is the development of an electricity cogeneration plant at Darvill WWTW that will utilise the methane produced at this plant to produce electricity. Preliminary studies indicate that energy produced from this system can reduce the Darvill WWTW's energy demand by approximately 40%. Other initiatives to reduce and offset the organisation's emissions form part of the Organisation's Environmental Sustainability Plan.

GREEN BUILDING

Umgeni Water's objective of greening its operational and future infrastructure is driven and supported by its desire to shift towards environmental sustainability. Green buildings not only reduce or eliminate negative impacts on the environment by using less water, energy or natural resources, but may also have a positive impact on the environment by generating their own energy or by increasing biodiversity. Key drivers of the need for green building include climate change, energy, water security, waste reduction, healthy working environments and biodiversity.

As a water utility, Umgeni Water can play a significant role in the green building sector through its comprehensive Capital Expenditure Programme, which involves the provision of vital infrastructure required to enhance assurance of water supply. Therefore, Umgeni Water has since developed a Green Building Policy with the following objectives:

- To facilitate the adoption of Green Buildings principles and construction techniques into all types of development;
- To influence development to achieve improved sustainable outcomes;
- To advocate for a more sustainable approach;

- To demonstrate leadership in commitments to sustainable development.

This policy will provide a framework to structure the approach to achieving sustainable design outcomes, commitment and minimum requirements for its implementation.

One of the projects that have been identified for Green Star Certification is the Lower uMkomaas Bulk Water Supply Scheme which is a scheme that will serve eThekweni Metropolitan Municipality and Ugu District Municipality. The planned infrastructure comprises the raw water infrastructure and the bulk water treatment works. The administration building situated at the water treatment works is earmarked for certification.

INTEGRATED CATCHMENT MANAGEMENT

In 2019 Umgeni Water Executive Committee and Board identified the deterioration in the quality of catchment water resources and the associate impacts of climate change as a key strategic risk. This deterioration impacts on the quality and quantity of raw water resources which are paramount to Umgeni Water's core business of sustainable water supply. Implications include supply limitation, high water treatment costs, high infrastructure design costs, decreased affordability by customers, non-payment for water services by customers and several other risks. The source of the problem of poor catchment health stems from several factors including, poor land use management practices, poor mindset and behaviour of water users towards water resources, lack of pollution reduction/prevention from source, lack of coordination of water resource management at catchment level, lack of compliance and enforcement by authorities, lack of institutional capacity within the governmental departments that are mandated for environmental and water resource protection and lack of integration between water users/stakeholders.

These issues are a symptom of a failure of traditional water resource management approaches in which water resource management was highly centralised and did not encourage an holistic approach to water resource management where there is:

- participation of all water users/stakeholders including communities in water resource management decision making.
- coordinated development and management of water, land and related resources to maximise socio-economic welfare without compromising the sustainability of vital ecological infrastructure and the associated ecosystem services
- every water user is responsible for managing their water use and prevent/minimise/treats pollution at source.

In response to the serious and urgent challenge of deterioration of catchment health, Umgeni Water established a Catchment Management unit within its scientific Services Division in 2019. The primary mandate of the unit/department is to work with other stakeholders (internal and external) mitigate catchment health and climate change risk through adopting an holistic and integrated approach to catchment or water resource management. This will be ensured through:

- Undertaking catchment and land use impact assessments on water resources to understand sources of pollution and impact of different water users/land users.
- Establishing strategic partnerships and collaborations with key stakeholders and water users including the Department of Water and Sanitation; Department of Fisheries, Forestry and Environment (Natural Resource Management); Economic Development, Tourism and Environmental affairs; Department of Agriculture and Rural Development (Land Care); Department of Science and Innovation; South African National Biodiversity Institute water user associations; Irrigation Boards; Farmers; Catchment Management Forums; Non-governmental Organisations, private sector, research institutions and local communities to ensure integrated catchment management and treatment of problems from source.
- In collaboration with stakeholders, developing and implementing catchment management and ecological infrastructure restoration and management plans for raw water quality enhancement; wetland restoration and management; aquatic weeds management; soil erosion restoration and grassland rehabilitation; terrestrial alien invasive plant management; flood management; catchment water quality modelling; catchment monitoring and management using citizen science, satellite remote sensing and drone innovation.

- Adopting a community and ecosystems based approach to catchment management and ecological infrastructure restoration, where communities are empowered to participate in water resource protection and restoration through the implementation of catchment health and ecological infrastructure interventions and at the same time get employment opportunities to support their livelihoods and contribute to poverty eradication. This approach also ensures awareness and education
- Supplementing built up or grey infrastructure with ecological infrastructure interventions i.e. rehabilitation of wetlands and grasslands upstream of water supply dams and rehabilitation of wetlands and construction of artificial wetlands downstream wastewater treatment plants to enhance water quality and improve response to heavy rainfalls and extreme weather events.
- Active participation at catchment management forums and other stakeholder engagement platforms for water resource management to
 - discuss water resource management issues;
 - understand spatial distribution of water resource management challenges;
 - understand what interventions are required, who is implementing what and where;
 - identify opportunities for collaboration to expand the scale of interventions, share costs, avoid duplication, maximise benefits and mitigate tradeoff;
 - to influence prioritisation of interventions so that strategic water resources are prioritised for water resource protection and water quality enhancement; and
 - encourage great effort of other stakeholders and identify opportunities to support where possible.
- Undertaking research on what other water utilities locally and globally are doing to mitigate catchment health risk and draw lessons for the purpose of enhancing our response.
- Influencing development and implementation of water resource management related policy and legislation.
- Support authorities strengthen their policy implementation and compliance and enforcement regulatory roles on water resource management and environmental management.
- Support the Department of Water and Sanitation implement sector reforms that were realised in the National Water Act to enable integrated water resource management.

The catchment management initiatives undertaken by Umgeni Water during the 2021/2022 period are discussed on the next page.

CATCHMENT /LAND-USE ASSESSMENTS

Catchment Assessments and landuse assessments are an essential tool in assisting Umgeni Water catchment managers target their resources and select and implement the right measures in the right places. catchment assessments assist in providing answers to the following questions:

- What exactly is causing the unsatisfactory or poor water quality in the downstream rivers and dams i.e.elevated turbidity, nitrogen, phosphorus, ammonium, or a combination causing the impact?
- Where, when and how exactly are the issues arising?
- What is the particular land use or water use activity responsible for those impacts?
- How can the problem be resolved?
- What strategies and measures are available?
- If the above is still not clear, what further assessments and specialist input is required?

The following catchment assessments were undertaken during the period under review:

- Inanda catchment assessment
- Albert Falls – Nagle Dam catchment assessment
- Nungwane catchment assessment
- Imvusthane catchment assessments
- Mthwalume catchment assessment
- Midmar catchment assessment
- Mooi catchment assessment
- Lower Thukela catchment assessment
- Umzinto - Mzimayi catchment assessment
- Mahlabatshane catchment assessment and
- Home Farm Dam catchment assessment

Overall outcomes of the catchment assessments indicated that the main land use and water uses types that affects catchment health within Umgeni Waterarea of operation include discharges from waterwater treatment works, discharges from poorly maintained sewer infrastructure (sewer leaks, blocked and surcharging manholes), nutrient inputs from intensive agricultural runoff, poor solid waste management, terrestrial and aquatic alien invasive plant infestation, poor mindset and behaviour of water users towards water resources, ecological infrastructure transformation to agricultural lands, land degradation, poor development and spatial planning, chemical spillages from industries, location of sewer infrastructure i.e. pumstations in relation to water resources, illegal sand mining, soil erosion associated with catchment runoff, urbanisation and the associated poor sanitation services, unsustainable livestock farming, crop production and land degradation.

RECOMMENDATIONS FROM THE ASSESSMENTS INCLUDE THE FOLLOWING:

- development of integrated catchment specific management plans with inputs from all relevant stakeholders.
- establishment of strategic relationships and partnerships with key staholders, targeting those with catchment management and environmental/biodiversity management mandates as well as those with direct impacts on water resources. The partnerships should be aimed at solving issues from the source as wel as implementing intervotions that can improve the impacts of poor catchment health.
- collaboration with municipalities to upgrade and repair sewer and wastewater treatment infrastructure.
- investigation of potential ecological infrastructure that can be restored upstream of strategic resource.
- encourage controlled and rotational grazing and other sustainable land use management practices to local communities and farmers.
- Implementation of sand mining interventions at the Umgeni Water dams by Operations through UW Security Services. A motivation with recommendations was submitted to the Operations division to request Security Services to identify and stop all sand mining activities at UW dams. Illegal sand-miners are armed and threatening and therefore an armed security force is required to identify and stop all illegal sand mining activites at Umgeni Water operated sites.
- Ensuring active participation at catchment management forums and other stakeolder engagement platforms for integrated water resource management.
- collaboration with stakeholders and local communities to develop and implement integrated management plans both terrestrial and aquatic alien invasive vegetation.
- appoint a service provider undertake catchment water quality modelling for all Umgeni Water dams to undertand the impacts of surrounding land use on water resource quality and to implement practical recommendations from specialists.

BIODIVERSITY MANAGEMENT – AQUATIC ALIEN INVASIVE WEEDS MANAGEMENT

Well-managed and sustainable water resources are critical to Umgeni Water's core function of providing sustainable potable water supply. Alien aquatic weeds invading various water resources pose a significant risk to water quality and quantity. The aquatic weeds of main concern in Umgeni Water impoundments and rivers include Water Hyacinth (Pntederia

crassipes); Water lettuce (*Pistia stratiotes*); Kariba weed (*Salvinia molesta*); Parrots feather (*Myriophyllum aquaticum*) and Honwort (*Ceratophyllum demersum*). These free-floating and submerged aquatic plants are extremely difficult to control in eutrophic waters due to their exponential growth rate and invasion in the riverine environments. To ensure the effective management of these invasive weeds, interventions are implemented both in the upstream catchments as well as at the infested Umgeni Water operated dams. In the upstream catchments, involvement of Non-Governmental Organisations, Community Based Organisation, Non-Profit Organisations organisations and Working for Water are critical in implementing control work. At Umgeni Water operated dams, the main method of management is biocontrol (herbicide spraying and manual removal are considered as and when required in the critical parts of the dams where there is zero tolerance for any infestation due to strategic water abstractions that must not be interrupted. For ease of management, dams are categorized into management zones which then allows implementation of suitable management methods in each of the zones i.e. Inanda Dam is categorised into three management zones namely:

- the Upper Dam Management Zone where the main management method is active biocontrol mass release and monitoring for effectiveness (floating boom to be installed here to prevent infestation from spreading to the downstream management zones.
- Mid Dam Management Zone, where the method of management is active biocontrol release, herbicide spraying by boat if needed (excluding at the riparian zones) and manual removal of stragglers where feasible.
- the Main Basin Management Zone where the method of management is active herbicide spraying of all plants including the riparian zone and manual removal of stragglers since this is a no tolerance zone for infestation.

The alien aquatic weeds management interventions undertaken in the year included:

- Regular site inspections and implementation of integrated methods of management (Biocontrol is the primary method and other methods are only considered as and when required) at infested catchments and dams to achieve a target of $\geq 80\%$ (12/15) sites with low residual risk of infestation.
- Undertaking boat surveys for Inanda Dam, Albert Falls, Ixopo Home Farm Dam and E.J Smith Dam.
- Development and implementation of integrated catchment management plans for aquatic weeds infestation Inanda Dam, Ixopo Home Farm Dam and E.J. Smith Dam in collaboration with the Umgeni Water internal stakeholders (Operations and Water and Environmental Services) Centre for Biological Control of Rhodes University, Msinsi

Holdings, DFFE and Duzi-Umgeni Conservation Trust. The management plans outline the procedures for the monitoring, control and the management approaches that are being adopted to control the infestation. Interventions aim to treat the problem at source and also treat the symptoms of the problem. Targets and interventions that were implemented during the period under review included

- Regular inspections at all Umgeni Water operated dams. Providing support to the Municipalities for sewer infrastructure monitoring to monitor nutrient loading impacts on eutrophication of infested dams.
- Calculation of nutrient loadings and trophic status of infested or high risk sites and assessment of trends.
- Liaison with DFFE and relevant stakeholders to support weed management efforts in the upstream catchment of the infested or vulnerable dams.
- Establishment, operation and maintenance of the Inanda Dam biocontrol mass rearing facility.
- Mass release of biocontrol agents at Inanda Dam.
- Procurement/sourcing of herbicide for operations spraying.
- Awareness creation just before the DUSI Maratho Canoe on the implementation of interventions at Inanda Dam.
- Appointment of contractors to undertake herbicide spraying at Ixopo Home Farm Dam and Inanda Dam.
- Herbicide spraying and removal of stragglers – near the abstraction points
- Operation and maintenance of the Lynnfield Park biocontrol mass rearing facility
- Assessment (field and desktop using Macrophyte viewer) and preparation/updating of status maps
- Continuous aquatic weeds research and training in collaboration with the CBC of Rhodes University
- Impoundment shoreline boat survey with the support from CBC of the Rhodes University.
- Appointment of a service provider to breed and supply relevant biocontrol agents to ensure sufficient supply for release at upstream catchments and infested dams.
- Drone survey assessing weed infestation status at Inanda Dam
- Communication to external stakeholders catchment Management Forums
- Active participation in KZN Aquatic Weeds Working Group, and provision of feedback to DFFE.
- Undertaking monthly progress meetings with Umgeni Water Aquatic Weeds Management Working Group consisting of internal and external stakeholders to support the implementation of interventions.

BIODIVERSITY MANAGEMENT – TERRESTRIAL ALIEN INVASIVE PLANT MANAGEMENT

Similar to aquatic alien weeds, terrestrial alien weeds infestation in riparian zones have significant impacts on sustainable water supply. The national environmental legislation on biodiversity management requires state-owned entities to put in place measures to control, monitor and eradicate terrestrial alien weeds. Umgeni Water in partnership with Msinsi developed and implemented a plan to remove terrestrial alien weeds at Umgeni Water operational sites specified in Table 11.3

RESERVE/SITE	HECTARES REMOVED (HA)
Albert Falls Dam	511.1
Spring Grove Dam	106
Hazelmere Dam	90.77
Inanda Dam	141.57
Nagle Dam	423.41
Mvutshane Dam	148
Nungwane Dam	102
Darvill WWTW	60
EJ Smith Dam	48
Mzinto Dam	55
Ixopo (aquatics)	18
Mhlabatshane	36
Upper Mkomazi	13

INVESTMENT IN ECOLOGICAL INFRASTRUCTURE

Ecological infrastructure can be defined as the nature-based equivalent of built or hard infrastructure. It refers to ecosystems that function naturally to deliver invaluable services to people and the environment including enhanced water quality and improved quantity, soil erosion management, climate regulation and disaster risk reduction. Ecological infrastructure includes catchments, rivers, wetlands, groundwater resources, inland and coastal areas, nodes and corridors of natural habitats, which together form a network of interconnected natural structural elements in the landscape.

Unfortunately assessments indicate that the majority of important ecological infrastructure upstream of Umgeni Waters strategic dams is seriously modified as a result poor land management practices and lack of awareness on the importance of ecological infrastructure in water supply and disaster reduction. As a result these green infrastructures are not able to provide the expected ecosystem services in their current degraded. Furthermore, South Africa is a water-stressed country that is also facing the impacts of cycles of severe droughts and extreme flood events that are projected to increase in frequency, intensity and magnitude with the

impacts climate change, especially in the eastern coastal areas where Umgeni Water area of operation is located. Investment in ecological infrastructure rehabilitation and restoration, therefore, plays a significant role in providing services that supplements and at times substitutes built infrastructure solutions underpin socio-economic development. Well managed ecological infrastructure can increase the resilience of water resources to the human impacts as well as the impacts of climate change since green infrastructures such as wetlands and grasslands has the ability to enhance water quality, improve water quantity, buffer human settlements and built infrastructure against extreme events of floods and droughts, playing a cost-effective role in disaster risk reduction.

Management and protection of ecological infrastructure ensures sustainable water availability, and therefore is as fundamental to Umgeni Water's business as grey or engineered infrastructure development. As part of its commitment to integrated catchment management, Umgeni Water, therefore, considers investment in ecological infrastructure management as one of the key drivers for achieving the objectives of integrated water resource management which are to ensure coordinated management of water resources in order to achieve water resources protection, efficient use, conservation, control and sustainable management. Umgeni Water's initiatives on investment in ecological infrastructure are aligned to national government priorities and the National Development Plan objectives. This also includes the key principles that guide investment in ecological infrastructure as recommended by the South African National Biodiversity Institute (SANBI). The ecological infrastructure related initiatives undertaken by Umgeni Water in the year include:

WETLAND RESTORATION AND MANAGEMENT

Umgeni Water updated the desktop wetland assessment undertaken in 2019/20 that included the identification of strategic I wetlands within Umgeni Water area of operation. The study also involved the assessment of the present ecological status of the identified wetlands and prioritisation for implementation of interventions. The assessment revealed that the majority of wetlands within Umgeni Water strategic catchments fall under the category C, D, E and F in terms of the present ecological status and this implies that these wetlands are characterised by high level of degradation that is associated with loss of natural habitat, biota and basic ecosystem function. The wetlands that were found to be highly degraded are located in the following quaternary catchments: Mooi River (V20A-D), Midmar (U20B and C), Msunduzi River (U20J and U20H), Karkloof (U20D) Ixopo (U10K), Nungwane (U70D), and uMdloti (U30A).

The prioritised wetlands for detailed assessment and restoration includes the Darvill Waste Water Works Constructed Wetlands,

Mpophomeni Waster Water Works Wetland, Sobantu Wetland at Baynespruit, the Ixopo Home Farm Dam wetland assessment and a feasibility study for a constructed wetland at the Mzimayi inflow to the EJ Smith Dam. The rationale for this prioritisation has been the location of these wetlands in relation to the bulk water supply strategic water resources (Inanda Dam, Midmar Dam, Ixopo Home Farm Dam and EJ Smith Dam) that are compromised by upstream landuse practices and need to be supplemented by ecological infrastructure interventions that ensure sustainable supply of water that is fit for purpose.

In parallel to the broader wetland status assessment, Umgeni Water, in collaboration with the Durban University Technology, is undertaking a research project to determine the potential of constructed floating wetlands to improve water quality in nutrient-rich environments. In this project, floating wetlands are piloted using a variety of plant species in several aquatic environments. Project implementation commenced in March 2021 and modest technology was used to identify the most appropriate non-invasive plant species that can improve water quality in nutrient enriched aquatic environments. The first results for the project are expected in the second quarter of the 2021/2022 year. If the project is successful, the floating wetlands approach will be implemented in other strategic areas where interventions are required.

In addition to the rehabilitation work and the development of rehabilitation strategies, Umgeni Water, in collaboration with the Durban University Technology, is undertaking a research project to determine the potential of constructed floating wetlands to improve water quality in nutrient-rich environments. In this project, floating wetlands are piloted using a variety of plant species in several aquatic environments. Project implementation commenced in March 2021 and modest technology was used to identify the most appropriate non-invasive plant species that can improve water quality in nutrient enriched aquatic environments. If the project is successful, the floating wetlands approach will be implemented in other strategic areas where interventions are required.

SOIL EROSION MANAGEMENT: THE UPPER MKHOMAZI CATCHMENT RESTORATION

The Department of Water and Sanitation in collaboration with Umgeni Water and the Trans-Caledon Tunnel Authority plans to implement the Mkomazi-Mgeni Transfer Scheme to augment water supply in the Mgeni System so water demands from eThekwin metro and surrounding areas can be met. The major challenge is that the catchment upstream of the proposed Smithfield Dam in the Mkomazi

River is unlike any other in the greater uMgeni River Basin. Much of it is already highly degraded, especially in areas under communal tenure and a significant proportion of the remainder is at very high risk of future similar degradation. Technical experts have generated a number of scenarios related to the rate of sediment deposition that might occur in the proposed dam and the most reasonable scenario indicate that the dam would lose about half of its volume to sediment over 100 years.

In addition, highly turbid due to sedimentation and siltation will contribute significantly to an increase in purification costs. Climate change, bringing both droughts and more intense rainfall events to this area, is likely to accelerate erosion and subsequent dam sedimentation and further increase turbidity. Population demographics for the Mkomazi area show that 68% of people living in the area have no formal income and 10% earn less than R3500 per month. Women are particularly vulnerable with 8755 female-headed households of which about 3492 are reliant on unprotected water sources. Many households survive by supplementing social grant and transfer payments with small-scale stock and crop production. Umgeni Water has therefore taken an initiative to collaborate with stakeholders to engage in an upper-catchment scale intervention that conserves and/or restores this landscape. In addition to improving water security and reducing the cost of water provision this initiative creates significant direct and indirect economic opportunities to local residents and improve biodiversity with associated ecosystem benefits. This proposed intervention is of considerable magnitude and is costly. However, it is anticipated that the benefits of successful conservation and restoration will, over the long term, far outweigh the costs. The dam itself (estimated cost at R30 billion) is likely to deliver limited local economic opportunities and most benefits will accrue from upstream protection rather than from the dam itself. First phase of the project was completed in 2020 and phase 2 commenced in the latter part of 2020 and will be finished towards the end of 2023, then phase 3 will follow. Phase 2 is a continuation from phase 1 and focuses on the implementation of the plan that was developed during phase 1.

The overall objective of this project is use nature based solutions to address the severe land degradation and invasive alien plant infestation in the Upper Mkhomazi Catchment so as to improve water security, the livelihood prospects of local residents and biodiversity outcomes. This is being achieved through implementation of catchment management and ecological infrastructure interventions at degraded areas located upstream of the proposed Smith Field Dam.

ECOLOGICAL INFRASTRUCTURE FOR WATER SECURITY PROJECT (EI4WS) - UMGENI WATER-SOUTH AFRICAN NATIONAL BIODIVERSITY INSTITUTE COLLABORATION

The Ecological Infrastructure for water security project is a five year \$7.2 million (approximately R90 million) worth investment from the Global Environment Facility (GEF) with considerable cofinance from various South African partners. The Department of Environmental Affairs is the National focal point for this project, the Development bank of South Africa (DBSA) is the Implementing Agent for the GEF and SANBI is the project executing agency. The Project aims to transform the way people think about, value and invest in water and ecosystems, and will lead to increased investment in the management of ecological infrastructure in the future.

The project acknowledges the reality that, South Africa's water security depends not only on our built water infrastructure, but also on well managed land in our catchments. Healthy wetlands, grasslands, rivers and groundwater ecosystems in the landscape will make our future more water secure. These are ecological infrastructure that can generate and deliver significant improvements in water quantity and quality if we look after them. Investing in ecological infrastructure in conjunction with built infrastructure, will deliver more clean water from our land. Investments are particularly important in strategic water source areas where ecological infrastructure assets are under-protected and slowly, or sometimes rapidly degrading.

There is an urgent need to bring investment in the management, maintenance and restoration of ecosystems into the planning, financing and development in the water sector. Such investments will create more jobs and advance our nation's developmental agenda, especially in face of a changing climate. Designed in close consultation with the Department of Water and Sanitation (DWS), the project supports the implementation of the National Water Resource Strategy and it is included as part of the Call to Action in the Water and Sanitation Master Plan. Project implementation is through a suite of partnerships involving several other public, private and civil society organisations, such as the DWS, the Water Research Commission, WWF-SA and recently Umgeni Water.

The project was launched at the DBSA as a development finance institution with the ability to take the country's natural capital into account in development financing. This project themed "Nature for Water" foregrounds nature based solutions to the water challenges we face in the 21st century and places South Africa at the forefront of this work globally and has taken important steps towards demonstrating the return

on investment in ecological infrastructure in terms of actual water-related benefits in South Africa over the long term. Finally, the EI4WS project is about ensuring living landscapes that deliver more water to communities and cities. Unlocking this potential will contribute towards South Africa's National Development Plan, our National Infrastructure Plan, it will support the implementation of the National Water Resource Strategy and contribute to meeting the Sustainable Development Goals.

During 2021/2022, Umgeni Water signed a collaboration agreement with SANBI to lead and implement component 2.2 of the project under the theme "Enhanced organizational capacity and investment in ecological infrastructure in the Greater uMgeni catchment to improve water resource management" on outcome 2.2.2 that is looking at determining the full costs of rehabilitation and maintenance of water related ecological infrastructure and determining the associated Compliance Monitoring and Enforcement (CME) in order to support the mainstreaming of ecological infrastructure into the financing of water resource management and development.

Umgeni Water scope of work includes the following:

- Undertake studies to the eligibility for catchments to implementing the Waste Discharge Charge System
- Develop detailed costing from the Water Resource Management Area, including the Catchment Management Strategy implementation; CME and Waste Discharge Charges to better calculate the costs of EI protection, rehabilitation and maintenance and compliance management in the Water Resource Management Charge.
- Investigate the full cost of water for different water user groups in the catchment and explore opportunities within the water value chain to ensure equitable allocation of full costs of water amongst different users.
- Review offsets as part of the mitigation hierarchy, compensation and value add examples to develop guidance, that may be used in EIAs, EMPs, licenses, pricing structures, tariffs and safeguards of financial institutions.
- Development of a plan for the monitoring and evaluation of the rehabilitation of the Mpophomeni Mthinzima wetland (DFFE-Working for Wetlands project) which includes the use of citizen science and implementation of an "Enviro-champs" model or similar model that capacitates and empowers local youth.

Umgeni Water has made considerable investments in this project through

- allocating human resources (1 Catchment Scientist, 1 Ecological Infrastructure Coordinator, 5 graduate trainees, legal advisor and a project accountant); and office The project commenced towards the end of 2021 and is anticipated to be completed in 2024.

- providing office space for the SANBI Ecological Infrastructure Coordinator for the Pongola-Mthamvuna Water Management Area
- providing office furniture for the SANBI personell
- Access to telephone and internet for Ecological Infrastructure Coordinator: Pongola-uMzimkhulu WMA
- Access to data sets owned by Umgeni Water required to produce the deliverables outlined in Annexure B of the UW-SANBI collaboration agreement.
- providing water quality monitoring and lab services / analyses
- Taking water from a water resource (water abstractions);
- Storing water (raw waterstorage in a dams);
- Impeding or diverting the flow of water in a watercourse (river or wetland crossing or construction of a dam or weir);
- Discharging waste or water containing waste into a water resource through a pipe, canal, sewer, sea outfall or other conduits (discharges from WWTW and WTW to the river);
- Disposing of waste in a manner which may detrimentally impact on a water resource (sludge solids disposal);
- Altering the bed, banks, course or characteristics of a watercourse (river or wetland crossing or construction of a dam or weir);
- Engaging in a controlled activity (Irrigation with wastewater/ sludge).

WATER USE COMPLIANCE: LICENCE STATUS

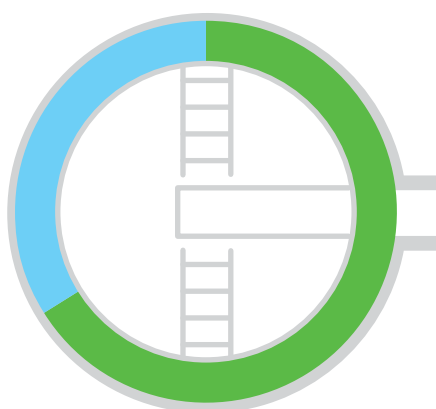
The National Water Act, Act No 36 of 1998 (NWA), requires that water-use licences are obtained before any water-use activity or development can be undertaken. Water use is defined as undertaking activities that have an impact on a water resource. The impact may be on the amount of water in the resource, the quality of water in the resource and the environment surrounding the resource. Section 21 of the NWA lists 11 water uses as requiring a water-use licence before they can be undertaken. Of the 11 listed water uses, only seven are applicable to Umgeni Water and include:

Water users can include any entity or individual whose operations trigger the water uses that are listed in section 21 of the NWA. To ensure compliance with the requirements of the NWA, the water-use licence status and compliance was monitored and quarterly reporting was undertaken. This included developing and implementing action plans to obtain outstanding licences and compliance with the conditions of the existing authorisations.

The status of water use licence applications for CAPEX Projects (new infrastructure development projects) is presented in the figure below:

CAPEX PROJECTS

WUL APPLICATION STATUS FOR CONSTRUCTION



- Authorised: **66%**
- WULA Submitted to DWS - Not yet Authorised
- Directive Obtained - WULA submitted Not Yet Authorised

CAPEX PROJECTS

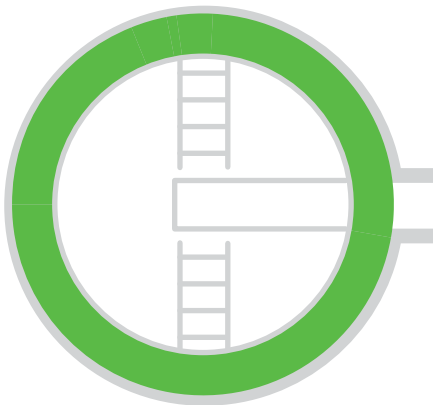
WUL APPLICATION STATUS FOR OPERATIONS



- Authorised: **58%**
- WULA Submitted to DWS - Not yet Authorised
- Directive Obtained - WULA submitted Not Yet Authorised
- In Planning - WULA not yet Submitted: **42%**

The Status of Water Use Licences for Operational Water Uses (existing water uses) is presented in the figure below:

ABSTRACTIONS AND STORAGE FOR PORTABLE WATER TREATMENT



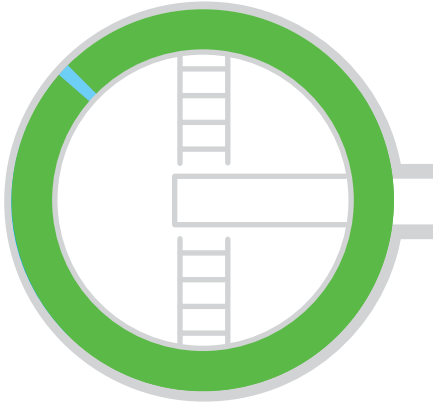
- Authorised: 11 (100%)
- Not Authorised
- In Planning Phase

DISCHARGES FROM WATER TREATMENT WORKS



- Authorised: 4 (36%)
- Not Authorised: 7 (64%)
- In Planning Phase

DISCHARGES FROM WASTEWATER TREATMENT WORKS



- Authorised: 10 (91%)
- Not Authorised: 1 (9%)
- In Planning Phase

WASTEWATER TREATMENT SLUDGE DISPOSAL



- Authorised: 91%
- Not Authorised: 9%
- In Planning Phase

CATCHMENT PARAMETER MONITORING USING REMOTE SENSING AND CITIZEN SCIENCE TECHNOLOGY AND INNOVATION

Catchment parameter monitoring is a fundamental component of water supply services. Umgeni Water catchment parameter of interest include water quality, hydrology (rainfall, river level, streamflow and evaporation), land use change, soil erosion (sediments), river health, wetland health and climate data. However, existing catchment monitoring is sparse, difficult to obtain and variable in content and accuracy. Remote Sensing (satellite imagery and drone technology) and Citizen Science technology and innovation presents an opportunity for closing the existing data and information gaps, since these innovations can provide data over a wide area. These innovations present a huge potential for improved spatial coverage yet they are currently largely restricted to the research domain. Umgeni Water in collaboration with stakeholders undertakes a numbers of remote sensing and citizen science projects and initiatives.

The remote sensing projects that were undertaken during the period under review include the following:
operationalising water Quality Monitoring Using Satellite Imagery – A feasibility Study

This study was undertaken in collaboration with Geoterra Image as and used Sentinel-2 satellite image and Umgeni Water in-situ water quality data using Inanda Dam and Nagle Dam as pilot studies. The study focused on the following water quality parameters:

- chlorophyll-a
- turbidity and
- algal concentration (Phycococynin and Cynobacteria).

The primary objectives of the study were to:

1. Identify algorithms that could represent the targeted water quality parameters using spectral data sources from satellite imagery;
2. Verify the capability of such algorithms to generate quantitative estimates of the targeted water quality parameters.

The results of the study confirmed the feasibility of using 20m Sentinel-2 to generate qualitative and quantitative representations of chlorophyll-a and Turbidity levels in dams with acceptable modelling and calibration accuracies, using published water quality algorithms. The study highlighted that a final analytical step is still required to determine appropriate concentration threshold values necessary to reliably separate the modelled chlorophyll-a and turbidity levels and ensure correct spatial representations of each characteristic.

For algal concentration, the study indicated that further work is required to demonstrate the feasibility of using sentinel-2 image to detect levels of algal concentration. The results indicated that use of published algal count algorithms on Sentinel-2 imagery does not generate the suitable levels

of quantitative accuracy to support quantitative operational use. As such, the study recommended repeating the algal analyses component of the study using Sentinel-3 image data as the next necessary step.

CATCHMENT PARAMETER MONITORING USING UNMANNED AERIAL VEHICLES – FEASIBILITY STUDY

This project was undertaken in collaboration with the Institute of Natural Resources and the Cape Peninsula University of Technology. The primary aim is to investigate the feasibility of using drone technology to undertake catchment parameter monitoring. The scope of work includes undertaking a literature review and undertaking a trial flight over the selected pilot sites. The catchment parameter of interest for this project includes the following:

- Suspended solids in rivers;
- Chlorophyll-a in rivers;
- Aquatic weeds at Inanda Dam;
- Sewer leaks.

The literature review was completed in June 2021, while the trial flight was undertaken in July 2021. The results of the study indicates that:

CATCHMENT PARAMETER MONITORING USING CITIZEN SCIENCE: AMANZI ETHU NOBUNTU EMPLOYMENT STIMULUS INITIATIVE

The Amanzi Ethu Nobuntu initiative is a multistakeholder citizen science project that is a presidential employment stimulus initiative led by the Department of Science and Innovation and implemented by DUCT. For phase 1 of this initiative Umgeni Water provided co-funding for 20 environmental champions that were working at two Baynesspruit sites. The project provided employment to more than 300 young people for three months. The citizen science tools that were utilised in the project included the following:

- Water Clarity Tube;
- Transparent Velocity Head Rod;
- Mini-SASS;
- Field Survey app.

As part of this project Umgeni Water provided co-funding to update the State of the Rivers Report (SOR) for the Mooi-Mngeni Catchment. The SOR is an important catchment management reference and was last updated in 2002. This initiative afforded an opportunity for the Umgeni Water catchment management graduate trainees to be seconded to the project and received capacity building on undertaking the situational and gap analysis, water quality sampling and Water Quality Index. The final State of Rivers Report will be available in 2022.

For phase 2 of AEN which took place during 2021/2022, Umgeni Water in Collaboration with institute of Natural Resources (INR) supported 70 Enviro Champs and placed them under the Upper Mkhomazi initiative.

MSINSI HOLDINGS SUSTAINABLE LAND AND RESOURCE MANAGEMENT

Msinsi Holdings SOC Ltd, a wholly-owned subsidiary of Umgeni Water, is mandated to manage the land and biodiversity of the areas around the dams owned or managed by Umgeni Water in a manner that balances the divergent factors of local community development provision of recreational facilities for the public and water resources/biodiversity protection.

These reserves are located at:

- Spring Grove Dam;
- Albert Falls Dam;
- Nagle Dam;
- Inanda Dam;
- Hazelmere Dam.

The following sites have been incorporated into the scope of Msinsi for implementing catchment management interventions associated with alien invasive plant eradication:

- Nungwane Dam;
- Imvutshani Dam;
- Mhlabatshane Dam;
- Umzinto Dam;
- EJ Smith Dam;
- Darvill Wastewater Treatment Works;
- Ixopo Dam (aquatic weeds).

Detailed management plans for each of the reserves in line with industry best practice have been completed and form the basis for all operations in the reserves. In the past year, Msinsi succeeded in protecting the habitats and ensuring an ecological sustainable and protected water environment through implementing its resource management plans which focused on:

- The management of the game and species according to the carrying capacity of each reserve;
- Local community development;
- Recreation for the public;
- Grassland management;
- Pollution control within purchase areas;
- Removal of alien invasive plants (terrestrial and aquatics).

The ecological balance was managed effectively during this period through the implementation of Reserve Management Plans. In particular, carrying capacity was managed to ensure sustainability of wildlife populations and measures to mitigate poaching, which has been a significant threat to the reserve wildlife, were put in place.

Security patrols are conducted as per a patrol plan to identify and mitigate security risks to the reserves including ensuring reserve fence lines are in good condition.

Msinsi Holdings continues to be seen as a significant player in the conservation and tourism sector in KwaZulu-Natal. The state-owned company will continue to ensure that ecosystem services provided by water and environmental resources continue to be sustainable.

Stakeholder engagement successfully created value for Msinsi's operations and the communities at large during this reporting period. As a result, there was no interruption of Msinsi's operations as a result of community instability in the neighbouring areas.

Msinsi continued providing environmental education targeting surrounding communities. A total of 82 environmental education initiatives in areas of water conservation environmental awareness and commemoration of environmental special days were implemented.

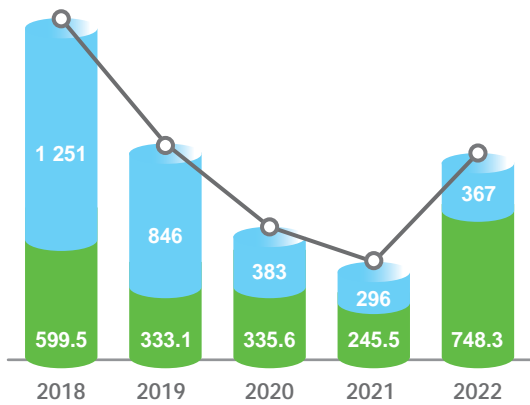
Sourcing labour within the communities around Msinsi operations created job opportunities for the communities, with a total of 1058 temporary jobs created during the reporting period.

In partnership with other stakeholders, six graduates, in-service trainees and interns received training opportunities in fields ranging from Hospitality to Human Resources Management. Msinsi Holdings is planning to sustain its training programmes to continue to contribute to skills development, particularly for the youth from neighbouring communities.

WASTE MANAGEMENT

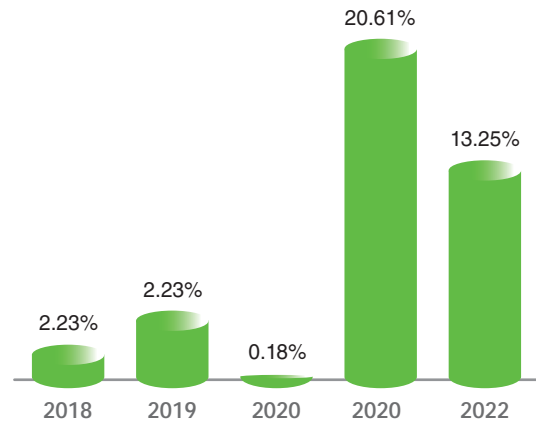
Umgeni Water has solidified its commitment to conserve scarce natural resources and reduce the environmental impacts of its operational activities through environmental sustainability initiatives. The initiatives aim to transform the organisation from the typical wasteful linear economic model (of take-make-use-dispose) to an economic model that enables economic growth, while aiming to optimise the operation chain in a more sustainable approach. Waste minimisation was identified as one of the crucial initiatives in reducing the amount of waste that is disposed at landfill sites. A notable increase in the hazardous waste was observed during the reporting period, this increase might be due to the Covid Regulations, that resulted in an increased volume of the hazardous waste. The total amount of waste that was produced is 1115 kg per million m³ and 13.25% of the waste was recycled (**Figure 11.7 and 11.8**)

Figure 11.7: Waste Produced



■ General Waste (kg per million cubic metres)

Figure 11.8: Per Cent Waste Recycled



WATER TREATMENT RESIDUES AND WASTE WATER SLUDGE

The management of Water Treatment Residues (WTRs) and wastewater sludge forms an integral component of the core business of Umgeni Water. Current sludge management practices include on and off-site disposal and river discharges. However, these practices are not sustainable because of the environmental impacts associated with on-site disposal, the limited landfill space and the impact of the river discharges on the aquatic ecosystem. Moreover, the current sludge management practices have posed challenges in recent years from changes in the environmental legislation, with additional requirements for expensive landfill liners and leachate management at all landfill sites. This triggered the need for Umgeni Water to develop a comprehensive Sludge Management Plan (SMP) for its operational sites.

The WTRs will be applied to agricultural land as a soil conditioner whilst the wastewater sludge will be used as organic compost. Wastewater sludge contains organic matter and nutrients that can provide soil benefits. Planned work is to design and pilot a long-term solution that will transform both management of WTRs and wastewater sludge from a liability into an asset on a commercially representative scale.

ENVIRONMENTAL PERFORMANCE OF OPERATIONAL SITES

Annual environmental audits are undertaken at operational sites the objectives, which are:

- To assess whether the site complies with all applicable environmental legislation and regulations;
- To assess internal policy and procedural compliance in relational to environmental management;
- To assess the status of energy consumption, waste

management and biodiversity management at the site and alignment with corporate environmental sustainability initiatives;

- To recommend mitigation measures to address areas of non-conformance.

Operational environmental audits were conducted at 24 sites for 2021/2022. Out of 48 findings, 6 findings were rated major.

RISK RATING	NO. OF FINDINGS	%
Minor	42	86
Major	6	14
TOTAL	48	100

ENVIRONMENTAL FINDINGS AT A CORPORATE LEVEL RELATED TO:

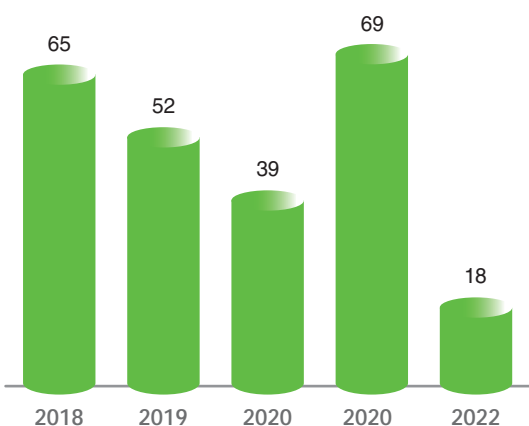
- Non-compliances against Water Use Licences (WUL) in terms of annual sharing of the required information with the Regional Head, investigation of efficient techniques to conserve water, annual dam safety evaluations and development and implementation of biomonitoring programmes;
- Non-compliances against General Authorisations (GA) in terms of registration of wastewater discharge activities into a water resource;
- The absence of discharge licences, WUL or General Authorisation at some of the newly acquired sites and some of the existing WTWs;

Mitigation measures and action plans have been instituted to address these findings

ENVIRONMENTAL INCIDENTS

In the year under review, there were 18 environmental incidents recorded for the 2021/2022 financial year (69 incidents in 2021). This indicates a decrease in the number of incidents from the previous year. Figure 11.9 provides the comparative analysis for the past five years.

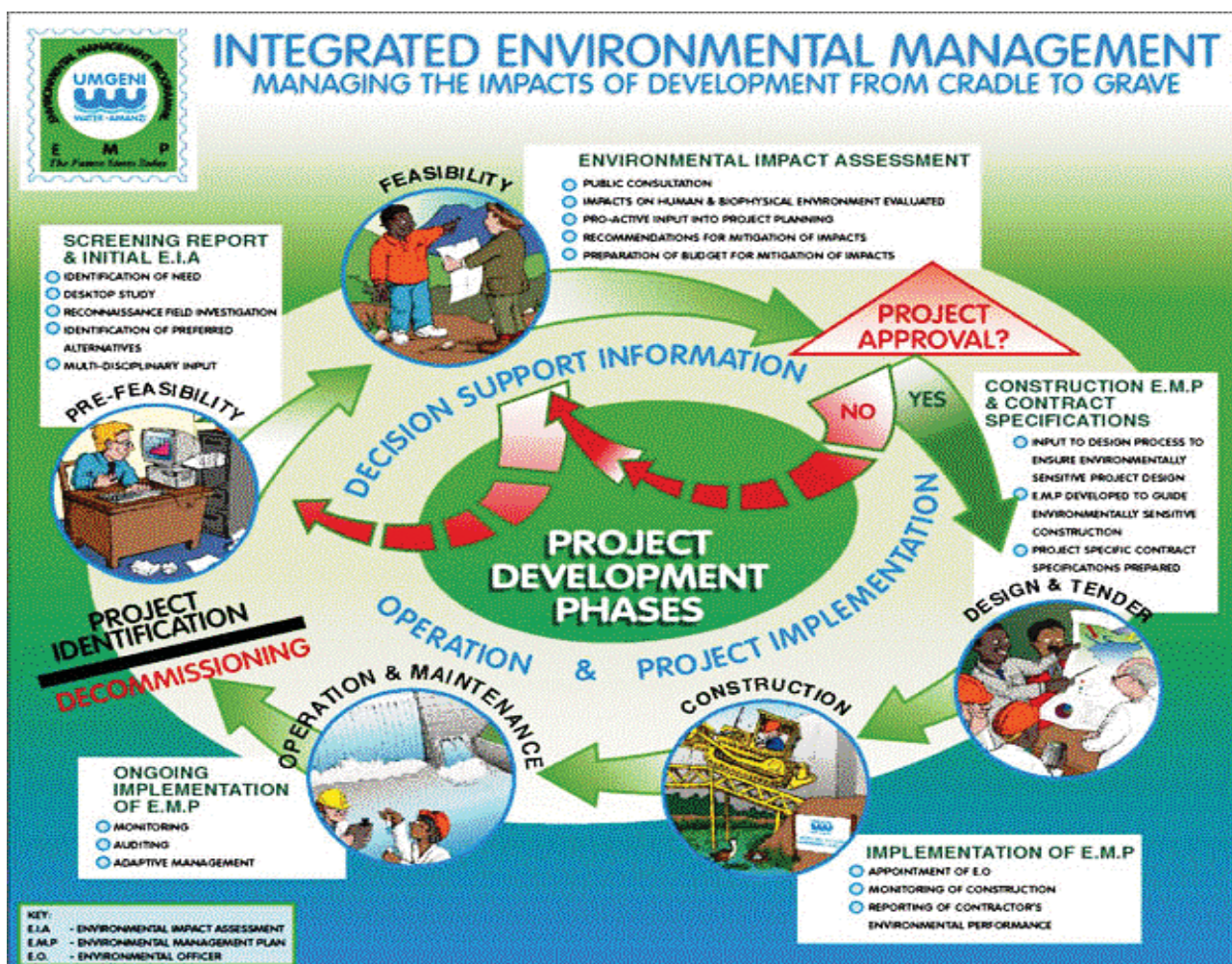
Figure 11.9: Environmental Incidents



INTEGRATED ENVIRONMENTAL MANAGEMENT

Umgeni Water’s core business function is to provide water services - water supply and sanitation services - to other water services institutions. Business relies highly on the natural resource, which is freshwater resources, although there has been measures to venture into other sources of water. In this regard, the natural environment is core to Umgeni Water. The assessment and management of environmental aspects, which could arise from the development of new infrastructure projects, is managed through the integrated environmental management system (IEM).

The IEM is a philosophy that is concerned with finding the right balance between development and the environment and provides an overarching framework for the integration of environmental assessment and management principles into environmental decision-making. IEM has various tools, which can be applied at different stages of the activity life cycle such as planning, design, construction, operations and closure. They include conducting environmental screenings, environmental impact assessments (EIAs), Environmental Management Plans (EMPs), auditing, and specialist inputs.



Umgeni Water utilises the EIA tool governed by the provisions of the National Environmental Management Act, 107 of 1998 (NEMA) which stipulates that projects triggering listed activities as stipulated in the regulations are required to obtain an environmental authorisation (EA) either through a basic assessment (BA) or a scoping and full environmental impact assessment process (EIA). Where project developments do not trigger listed activities as defined in the Act, the environmental screening and EMP tools are utilised to ensure that all the potential environmental impacts emanating from project implementation are eliminated or minimised to acceptable levels. There are currently 22 projects in the planning, design or procurement phase, which are being managed through the IEM System. The details of some of the projects is depicted in **Tables 11.6** below.

Table 11.6: Environmental Authorisation status for key Bulk Infrastructure Projects

PROJECT NAME	PROJECT PHASE	EA STATUS REQUIREMENTS
uMkhomazi Water Project Phase 1	Design	EA amendment application
Lower uMkhomazi BWSS	Design	EA amendment application
UMzimkhulu BWSS	Planning	EIA application
Vulindlela BWSS	Design	EA amendment application
Lower Thukela BWSS Phase 2	Tender for Construction	EA obtained
UMshwathi BWSS Phase 4: Southern Ndwedwe	Tender for Construction	EA obtained
UMshwathi BWSS Phase 6	Design	EA amendment application
Construction of Guaging Weirs (Mvutshane, EJ Smith and Umzinto Dams)	Tender for Construction	EA obtained
Abstraction Weir on the Hlimbitwa River	Design	EIA application
Greater Mpofana BWSS: Phase 1	Construction	EA obtained
Greater Mpofana BWSS: Phase 2	Planning	EIA application
Darvill Constructed Wetland	Construction	EA obtained
Eshowe BWSS	Planning	EIA Application
Mhlabatshane Phase 2	Design	EA amendment application
Maphumulo Phase 3: 6ML WW	Design	EIA Application
Darvill WWW upgrade and Co-generation	Construction	EA obtained
South Coast Phase 2A & B	Construction	EA obtained
Umbumbulu Project	Construction	EA obtained
Hilton N3 Corridor WWTW	Construction	EA obtained

The last quarter of this year saw large areas within KwaZulu-Natal suffering the impacts of the devastating floods. Some of Umgeni Water's infrastructures were impacted by these floods, necessitating the need for emergency repairs. To curtail the delays from the protracted environmental application processes, engagements with the key environmental authorities was undertaken to obtain emergency authorisations which were granted to allow emergency repair work to commence.

There were 11 projects in the construction phase that were monitored for compliance against the Environmental Management Plans by the environmental control officers, environmental site officers and environmental scientists. The overall environmental performance has been satisfactory, however, minor non-compliances were identified and mitigation measures implemented timeously. Non-compliance were noted in the areas highlighted below:

- Delays in the commencement of rehabilitation resulting in contravention of the environmental authorisation conditions;
- Spillages of hazardous chemicals on the ground which lead to ground or table water pollution;
- Improper waste management on site in contravention of the environmental authorisation;
- Alien weed infestations impacting on biodiversity.

Due to community dissatisfaction, the implementation plan for the rehabilitation of the impacted wetland on the Bruntville project has been delayed. Umgeni Water is still awaiting the outcome of the interventions by the Department of Water and Sanitation and the Local Municipality structures so that the approved plan can be implemented as per the requirements of the directive received



MPHOPHOMENI WWTW

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ENABLING OUR PEOPLE

12.1 LEADERSHIP AND EMPLOYEE DEVELOPMENT

MANAGEMENT APPROACH

Umgeni Water promotes and encourages ethical behaviour and decision-making by all employees, Board Members and stakeholders. This is facilitated through a Code of Ethics. During the reporting period, the Ethics Committee monitored and assessed the following activities of Umgeni Water:

LABOUR AND EMPLOYMENT MATTERS, INCLUDING:

- Human capital and workforce matters: recruitment and selection, succession and coaching, health and safety, HIV awareness, wellness programmes, disciplinary and dispute resolution processes, training and development.

SOCIAL AND ECONOMIC DEVELOPMENT, INCLUDING:

This includes Umgeni Water's standing in terms of the goals and purposes of:

- The 10 principles set out in the United Nations Global Compact Principles and OECD recommendations regarding corruption, including human rights, child and forced labour, environment, anti-corruption, bribery, extortion and transparency;
- The Employment Equity Act, No 55 of 1998;
- The Broad-Based Black Economic Empowerment Act, No 53 of 2003.

GOOD CORPORATE CITIZENSHIP, INCLUDING:

- Promotion of equality, prevention of unfair discrimination and measures to address corruption;
- Corporate social contribution and development of the communities in which Umgeni Water conducts its business;
- Impartial/objective sponsorship, donations and charitable giving.

THE ENVIRONMENT, HEALTH AND PUBLIC SAFETY, INCLUDING:

- Impact of Umgeni Water's activities, products and services.

CONSUMER RELATIONSHIPS, INCLUDING:

- Umgeni Water's policies and record relating to advertising, public relations and compliance with consumer protection laws.





WATER SAMPLING AT DARVILL

LABOUR PRACTICES AND DECENT WORK

The entity's goals and human resources needs are mutual, compatible and strongly interdependent and Human Resources policies seek to ensure a competent, motivated and engaged workforce.

EMPLOYMENT

The workforce profile is shown in **Table 12.1** and **Figure 12.1**.

- The entity seeks to maintain a workforce that enables it to deliver quality services to all stakeholders;
- All employees are based in KwaZulu-Natal and within commuting distance from all operational sites;
- All full-time and fixed-term contract employees are provided with several benefits, including membership of provident fund or retirement fund, housing allowance and medical aid;
- All female employees are entitled to maternity leave. During the reporting period, 14 female employees qualified for 100% maternity leave benefits, 83% returned to work after their leave and 17% are still on leave.

SUCCESSION, MENTORING AND COACHING

The Succession Planning Policy focuses on executing a systematic and multi-dimensional workforce management and succession strategy that promotes Umgeni Water as an employer of choice, supports career growth and development of talent at all levels of the organisation and optimises organisational performance to ensure the continuity and success of Umgeni Water operations and service delivery to communities. The goals / strategies include:

- a) Attracting talent to the organisation
 - Graduate Development Programmes
 - Updated processes relating to recruitment
- b) Ensuring Leadership is developed to meet Existing and Future Challenges
 - Management Development Programme
 - Leadership Development Programme
 - Executive Development Programme

The annual target is set based on the premise that a Division has an employee who is about to retire and occupies a critical position that in order for skills transfer and retention of institutional memory to happen; a succession planning route is followed.

Table 12.1 2021/2022 workforce by employment type/category, and race and gender is shown for the permanent establishment for (a) parent company and (b) wholly-owned subsidiary.

(a) Umgeni Water (Permanent Establishment)

OCCUPATIONAL CATEGORY	TOTAL	MALE				FEMALE			
		AFRICAN	COLOURED	INDIAN	WHITE	AFRICAN	COLOURED	INDIAN	WHITE
Top management *	6	4	0	0	0	1	0	1	0
Senior management	29	10	2	6	3	5	0	2	1
Professionally qualified and experienced specialists and mid-management	280	102	7	28	11	101	4	21	6
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	487	229	5	32	8	184	6	21	2
Semi-skilled and discretionary decision-making	197	181	2	0	0	12	0	2	0
Unskilled and defined decision-making	37	24	0	0	0	13	0	0	0
Total	1036	550	16	66	22	316	10	47	9

* Top management consists of Executives on five-year fixed-term contracts

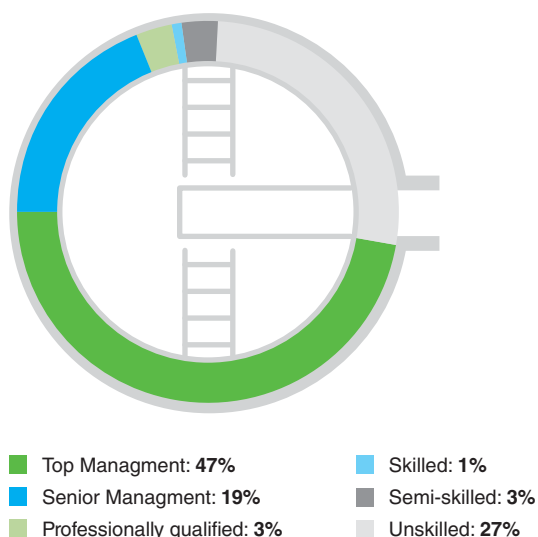
(b) Msinsi Holdings SOC Ltd (Permanent Establishment)

OCCUPATIONAL LEVELS	MALE				FEMALE				FOREIGN NATIONALS		TOTAL
	A	C	I	W	A	C	I	W	MALE	FEMALE	
Top management* (P4)	1	0	0	0	0	0	0	0	0	0	1
Senior management (P5)	0	0	0	0	2	0	0	0	0	0	2
Professionally qualified and experienced specialists and mid-management (P6-8)	3		0	0	3	0	1	0	0	0	7
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents (P9-12)	12	0	0	0	20	0	0	0	0	0	32
Semi-skilled and discretionary decision-making (P13-15)	31	0	0	0	10	0	0	0	0	0	41
Unskilled and defined decision-making (P16)	19	0	0	0	22	0	0	0	0	0	41
TOTAL PERMANENT	66	0	0	0	57	0	1	0	0	0	124

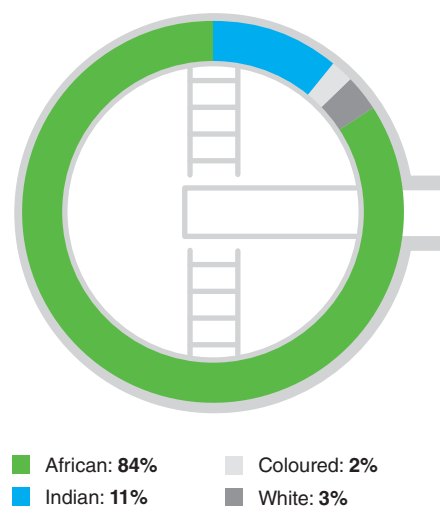
* Top management consists of the Managing Director on a five-year fixed-term contract

Figure 12.1: Employment in 2021/2022 showing (a) category, (b) race, (c) gender, (d) age and (e) disability

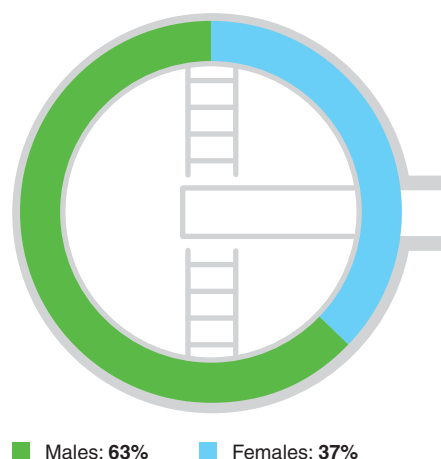
(a) Employment status (Parent) by Category



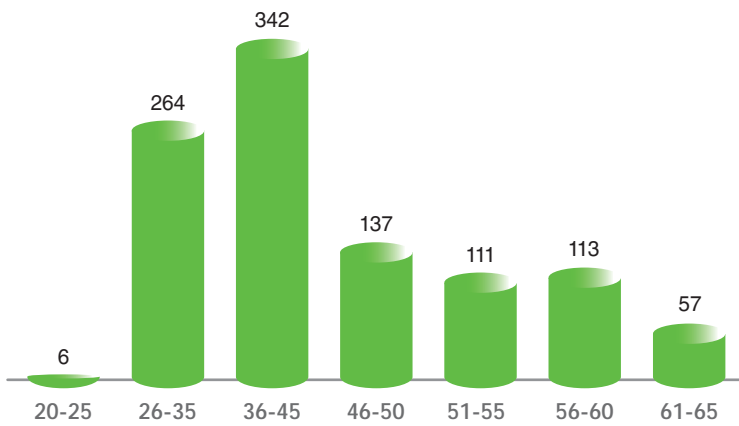
(b) Employment status (Parent) by race



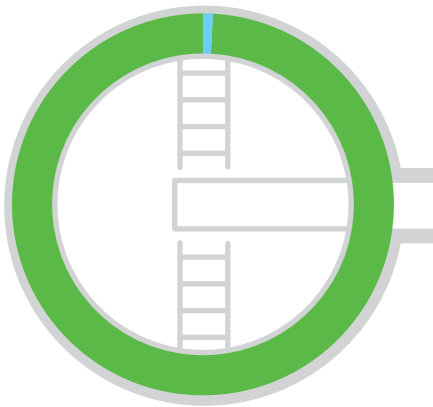
(c) Employment status (Parent) by gender



(d) Age Profile (Parent)



(e) Employee Disability Profile (Parent)



■ Total Employees: 99%
 ■ Disability: 1%

Table 12.2 Summary of staff numbers as at 30 June 2022

STAFF NUMBERS	TOTAL
Parent permanent	1 036
Msinsi permanent	124
Group permanent	1 160
Group fixed-term contracts	183
Group Total	1 343

RECRUITMENT AND TURNOVER

In the reporting period the entity recruited 111 employees, comprising:

- 30 (thirty) permanent employees;
- 57 (fifty-seven) contract employees; and
- 24 (twenty-four) graduates, interns and in-service trainees.

Terminations were 44 including:

- 12 (twelve) resignations;
- 3 (three) natural deaths;
- 1 (one) abscondment;
- 11 (eleven) early retirement;
- 13 (thirteen) normal retirements;
- 4 (four) because of medical boarding.

The entity's labour turnover percentage for the year is 1,96% and is below the industry benchmark of 8%.

LABOUR/MANAGEMENT RELATIONS

Umgeni Water strives to create an environment in which employees feel valued and support the organisation's values, strategies and priorities. The rights and well-being of all employees are safe-guarded and protected through alignment of corporate policies with relevant legislation and regulations. Specifically, with its union, NEHAWU, the entity has in place a Collective Agreement that is maintained. Currently, 69% of the total workforce are union members and 51% are within the collective bargaining unit.

Quarterly Union-Management meetings were held in the reporting period, excluding special meetings that were held to provide more timely feedback. The collective agreement serves as the minimum terms of engagement, as the entity is committed to information sharing and to providing reasonable response at all times to organised labour regarding any significant operational changes that affect employees. During the engagement sessions, management actively engaged labour regarding concerns raised and sought to achieve resolution of issues without any stand-offs.

OCCUPATIONAL HEALTH AND SAFETY

Umgeni Water places great importance on the protection of Health and Safety and welfare of its employees, contractors and other stakeholders and firmly believes in risk prevention and the promotion of Health and Safety in the workplace, as these are key factors that improve job quality, working conditions, competitiveness and sustainability of operations. Health and Safety is a way of doing business and it is not the responsibility of a single person or department but a collective effort where every employee is responsible for playing their part.

The entity's commitment is driven by:

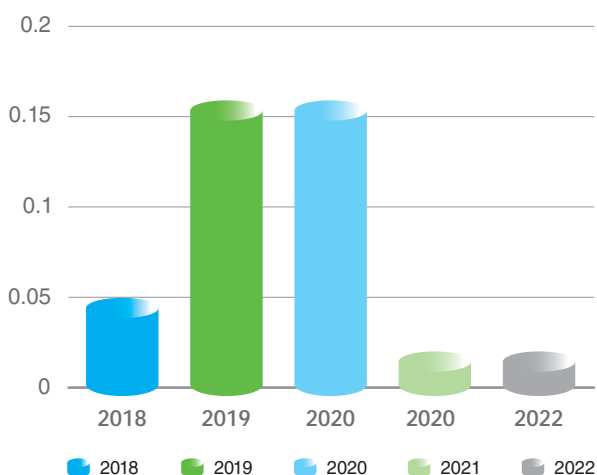
- Acknowledging that while we operate in an inherently high-risk industry, we cannot ignore our moral and legal obligation to safeguard the well-being of our people and community and other stakeholders;
- The introduction of a safety article by the Chief Executive to demonstrate leadership and commitment;
- By ensuring that employees understand the hazards and risks associated with their activities;
- By prioritising and addressing and mitigating Health and Safety risks;
- Our approach is that to health and safety comes first at all times and that there are no shortcuts;
- Our continuous efforts to create a culture where every employee understands the importance of working safely and can go home safe and healthy to their family after every shift;
- Ongoing supervision and inspections by supervisors and line management;
- Introduction of site Health and Safety IMBIZOs to promote Health and Safety Awareness amongst all employees;

- By instilling our beliefs and culture to our employees and relevant stakeholders, that a safe site is a productive site and that safety and production go hand in hand;
- Maintaining the health and safety of our employees, as well as within the communities in which we operate;
- Promoting Dam Safety awareness to schools and communities, which are located within the Dams;
- Scheduled compliance audits are conducted on all sites to ensure maximum SHEQ compliance, and these include management audits to instil participative leadership;
- Continuously providing resources, information, training, equipment, systems and other support to all individuals as they have a role to play; to enable all to understand their role, to work safely, healthily, and to participate in improving performance overall and minimise business impact upon the environment;
- The migration from an Operations Division SHEQ policy to a Co-operate SHEQ policy. This further strengthened our top management leadership commitment.

Umgeni Water applies international, as well as South African standards across the organisation. The entity also drives programmes to support it in complying with relevant legislation and regulations that govern its operations and operating environment. In this regard, the organisation has retained its OHSAS 18001 accreditation and duly awarded ISO 9001:2015 accreditation. To maintain the integrity and continuous improvement of this system, regular SHE legal compliance audits were conducted by an independent, competent and accredited service provider.

One of the measures adopted by Umgeni Water in measuring its safety performance is the Disabling Injury Frequency Rate (DIFR). There was a noticeable increase in the number of disabling incidents recorded in the year compared with previous years. Our final DIFR was recorded at 0.02. **(Figure 12.2)**

Figure 12.2: Disabling Injury Frequency Rate (DIFR)



Calculation of disabling incident frequency rate (DIFR) is as follows: The total number of fatal injury cases, permanent disability cases, lost workday cases, restricted workday cases, health fatality cases, irreversible diagnosed disease cases and reversible diagnosed cases times 200 000 divided by the number of rolling man-hours worked over the exposure period.

SKILLS DEVELOPMENT

Every year, Umgeni Water compiles and submits a Workplace Skills Plan and Annual Training Report to Energy and Water Sector Education Training Authority (EWSETA), which guides the implementation of skills and development initiatives through the identification of the skills needs of the entity and ensures the effectiveness of skills development plans. The skills development programmes include:

- Employee training and development;
- Assisted education programme;
- Learnership and apprenticeship programmes;
- Bursary programme;
- Graduate trainee and Internship programmes; and,
- Leadership Development.

SKILLS AUDIT & CAPACITY BUILDING FRAMEWORK

The Umgeni Water Skills Audit provided the entity with a five-year multi-layered competency framework that guides the identification of skills development gaps, scarce and critical skills and prioritisation of training and development initiatives to support the entity's continuity. For this reporting period, the entity is on year three of the implementation plan.

For the reporting period, the entity continued with the application of the approved three-layered Capacity Building Framework that offers a simplified and systematic approach to organisational capacity building to aid the implementation and evaluation of capacity building programmes. that is individual, organisational and environmental levels.

TRAINING AND DEVELOPMENT

The implementation of training and development initiatives is aligned with the Skills Development Act 97 of 1998 and other related legislation for purposes of developing the workforce skills requisite in order to improve the quality of life, productivity and competitiveness, and delivery of social services. Furthermore to respond to the water sector skills requirements.

For the 2021/2022, the entity witness a slight increase in trainings offered as compared to the previous reporting cycle due to the COVID-19 pandemic restrictions. Due to the limited resources and adherence to COVID-19 safety precautions, training interventions were conducted. **Table 12.3** provides an overall number of employees trained per occupational category, hours spent per gender and total hours per occupational category for FY 2021/2022. Training hours per gender is detailed in **Figure 12.3 (a)**, with **Figure 12.3(b)** highlighting training spent over a five-year period.

Table 12.3: Training Hours per Occupational Level, Gender and Per Employee in 2021/2022

OCCUPATIONAL LEVELS	TOTAL EMPLOYEES TRAINED	TOTAL FEMALE	TRAINING HOURS FEMALE	TOTAL MALE	TRAINING HOURS MALE	TOTAL HOUR PER CATEGORY
Top Management.	8	3	38	5	304	342
Senior Management	32	8	98	24	304	402
Professionally Qualified and Experienced Specialists and Mid-Management	191	77	1 897	114	2 367	4 264
Skilled Technical and Academically Qualified Workers, Junior Management, Supervisors, Foreman and Superintendents	334	134	5 198	200	5 437	10 635
Semi-Skilled and Discretionary Decision-making	132	12	832	120	5 552	6 384
Unskilled and Defined Decision-making	109	49	1 591	60	1 857	3 448
Total	806	283	9 654	523	15 821	25 475

Details pertaining training hours spent per gender are presented in Figure 12.3 (a), with Figure 12.3(b) highlighting training spend over a five-year period.

Figure 12.3 (a): Training Hours by Gender

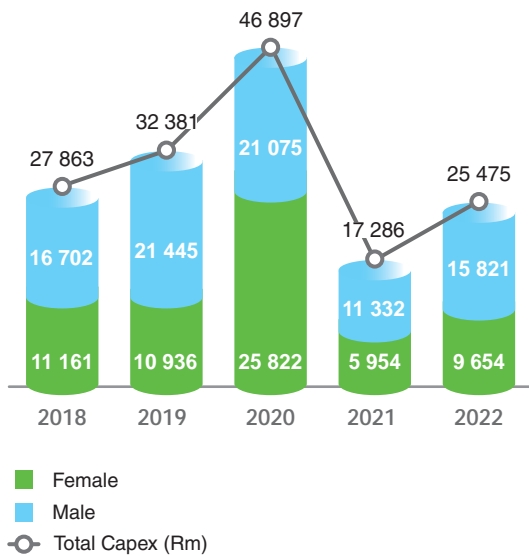
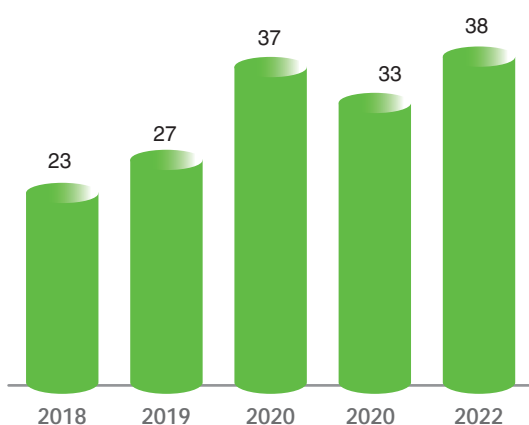


Figure 12.3 (b): Training Spend (Rm)



LEADERSHIP, LEARNERSHIP AND APPRENTICESHIPS

At Umgeni Water, skills development remains an essential enabler for employees to excel in their individual and organisational roles to deliver on the entity's mandate.

As part of the continued endeavours to strengthen organisational leadership capacity; two Executives enrolled for an Executive Leadership Development Program at Gordon Business School and University of Cape Town (GetSmarter) respectively. A three multi-layered assessment was adopted focusing on key areas namely; behaviour change, attitudinal and technical

skills. The outcomes of the capacity impact assessment report will be used as baseline for the design and decision-making on future Leadership Development initiatives.

A total of 11 employees have been enrolled for the Management Development Program (MDP) at various accredited institutions. The purpose for enrolment is to equip the newly appointed with new set of skills and current individuals who are already occupying leadership roles within the entity with the required knowledge and ability to drive change and organisational mandate, ensure achievement of Vision 2050 and organisational sustainability. The MDP program further aims to assist with the achievement of short and long term goals of the organisation.

The Learnerships and Apprenticeships programme provided training, development and exposure to both internal and external candidates. A total of 58 apprentices were enrolled in the apprenticeship programme and received theoretical training at Amajuba TVET College and Shukela Training Centre in the Electrical, Boilermaking, Instrumentation, Motor Mechanics and Mechanical Engineering trades. During this period, learners further received practical work exposure from various operational sites within the entity as per the requirements of the programme. For this period, 9 learners in the above-mentioned trades have completed their trade tests and were deemed to be competent as Artisans and appointed as junior artisans for a two-year period in order for them to gain experience that is in line with the minimum requirements of the artisan positions.

Umgeni Water assessed the skills and competency levels of internal personnel against requirements of Draft Regulation 17 of the Water Services Act for Blue Drop and Green Drop certification and developed a multi-year training plan to fill the skills and competency gaps. The internal positions include Superintendent, Process and Quality Technicians, Senior Operator, Operator and Process Controller positions. In the reporting period a total of 380 Process Controllers were enrolled in either the Learnership Programme or in N3 Water and Waste Treatment and various courses in water and wastewater treatment.

ASSISTED EDUCATION

The organisation continued to provide employees with financial support to further their studies in disciplines related to the entity's core and support business for improved performance to meet the current and future skills needs through the Assisted Education Programme (AEP). For the period under review, 37% of employees enrolled in formal qualifications that respond directly to critical and scarce skills needs. The qualifications ranges from NQF level 6 to NQF level 10, consisting of under graduate and post graduate qualifications.

UMGENI WATER YOUNG PROFESSIONALS

The existence of Umgeni Water Young Professionals (UWYP) proves the entity's ongoing acknowledgement and support towards initiatives aimed at developing the youth. Since the inception of UWYP in 2014, the forum has an active membership of 180, consisting of employees below the age of 35. The UWYP is a solution-oriented platform that aims to cultivate professional development, leadership and social responsibility among the entity's young workforce.

The forum continues to aim at being a catalyst in supporting the organisation to achieve its vision and mission, be the proponent of continuous learning, growth and collaboration, and being a key partner to enable the organisation to achieve efficiency gains through innovation and use of best-fit technology. Aligned with Umgeni Water's growth strategy; the forum's operational model is underpinned by its constitution, strategy and the following objectives:

- To create enabling environment for professional growth through affiliation and registration;
- To encourage active community and social responsibility participation;
- To create a solid professional and social networking the young professionals in the organisation;
- To empower Umgeni Water Young Professionals (UWYP) through skills development, resources and information-sharing.

During the reporting period the UWYP initiated and advocated for different Initiatives that were seen being key to the progress and continuous success of the forum. These initiatives were borne of engagements with different internal and external stakeholders.

Notable activities completed by UWYP in the year include:

- Participation in the Non-Revenue Water Management knowledge exchange webinar between eThekweni MM, the City of Yokohama, Japan, Yokohama Waterworks, Management Bureau which was hosted as part of the South African Local Government Association and Japan International Cooperation Agency (JICA) collaboration;
- Planning and successfully convening a Professional Development Webinar targeting employees aged 35 and younger, with the purpose of encouraging increased professional registration across a wide array of professional bodies;
- Partnered with the Young Water Professionals and Bremen Overseas Research and Development Association in

successfully convening Virtual Career Guidance and Mentoring sessions for Grade 12 learners across various schools in the Pietermaritzburg area;

- Sponsored a public special needs school catering for children with intellectual learning challenges in Pietermaritzburg with educational support materials, as part of Youth Month commemoration;
- Participation at the National Youth Indaba convened by the Department of Water and Sanitation to shape the discourse of youth participation in the water sector
- Finalised detailed planning and set up of a virtual Book Club, that is to entice continued learning and growth through assimilation of written knowledge for the entity's young workforce. The Book Club will be fully operational in the first half of 2022/23.

BURSAR, GRADUATE AND IN-SERVICE TRAINEE PROGRAMMES

Umgeni Water's graduate trainee programme aims to expose trainees to a practical working environment that puts structured learning into practice in order to equip beneficiaries with applicable competencies to allow development of a pool of qualified, skilled and experienced candidates for future employment. In the reporting period, the entity had 53 graduates enrolled in the engineering, science and other required professional fields and 40 in-service trainees.

A total 18 interns were contracted for a two-year internship programme in multi-disciplinary fields across the organisation. The duration of the internship program was extended to two years to allow adequate workplace exposure and for interns to meet the minimum requirements for entry-level positions.

Umgeni Water continued its bursary programme and funded 17 bursary students through the Bursary Scheme with students enrolled at various universities in disciplines of Civil Engineering, Mechanical Engineering, Electrical Engineering, Chemistry, Microbiology and Computer Science - Cyber Security.

The entity in partnership with National Treasury continued to implement the graduate development programme of engineers, technologists, process support and technicians with specific emphasis on meeting the skills shortages in municipalities in the province.

In the reporting period, 39 Graduates were developed under the National Treasury Graduate Development Programme. These graduates are expected to be professionally registered by 2024.

KEY MEMBERSHIPS AND ASSOCIATIONS

Umgeni Water employees subscribe to a wide range of memberships and associations (Table 12.4). These straddle governance and risk, water, science and engineering, natural resources, social impact management, business, finance and accounting, and occupational health and safety, among others. The memberships ensure employees keep abreast in fields of expertise and participate in sector knowledge-sharing.

Table 12.4: Key Membership and Associations

CATEGORY	MEMBERSHIPS
Governance and Risk	Institute of Directors in Southern Africa (IoDSA) Institute of Risk Management South Africa (IRMSA) Ethics Institute of South Africa (EthicsSA) Institute of Internal Auditors (IIA) Information Systems Audit and Control Association (ISACA) Compliance Institute of South Africa Association of Arbitrators Corporate Counsel Association of South Africa Association of Arbitrators and Corporate Counsel Association of South Africa
Financial and Business	South African Institute of Chartered Accountants (SAICA) Association of Corporate Treasurers of Southern Africa (ACTSA) Chartered Institute of Management Accountants (CIMA) South African Institute of Professional Accountants (SAIPA) National Business Initiative (NBI) Durban Chamber of Commerce and Industry (DCCI) Pietermaritzburg Chamber of Business (PCB) Chartered Institute of Purchasing (CIPS) SA Accounting Academy (SAAA)
Product Quality, Infrastructure Stability, Research, Innovation, Science and Technology	Water Institute of Southern Africa (WISA) South African Association of Water Utilities (SAAWU) International Desalination Association South African Institute of Agricultural Engineers South African Institute of Mechanical Engineers International Association of Hydrological Sciences American Water Works Association (AWWA) International Water Association (IWA) Engineering Council of South Africa (ECSA) South African Institute of Civil Engineers (SAICE) Construction Industry Development Board (cidb) South African Institute of Chemical Engineers (SAIChE) Project Management Institute South African Council for Planners South African Planning Institute South African National Committee on Large Dams (SANCOLD) The Association of SA Quantity Surveyors Concrete Society of Southern Africa NPC South African Council for the Project and Construction Management Professions (SACPCMP) The Southern African Institute of Mining and Metallurgy (SAIMM) South African Geomatics Council American Chemical Society (ACS) South African National Standards

KEY MEMBERSHIPS AND ASSOCIATIONS ...CONTINUED

Table 12.4: Key Membership and Associations ...continued

CATEGORY	MEMBERSHIPS
Community and Environmental Sustainability, Science and Technology	International Association for Impact Assessment (IAIAsa) South African Council for Natural Scientific Professions (SACNASP) Institute of Waste Management
Employee and Leadership Development, Operational Resilience, Operational Optimisation	Institute of Information Technology Professional of South Africa (IITPSA) South African National Standards Association (SABS) South African Institute of Draughting Electrical Contractors' Association NACE International South African Right of Way Association (SARWA) Institute of Safety Management. Fire Protection Association of South Africa South African Board of People Practice (SABPP) South African Nursing Council(SANC) South African Reward Association(SARA) South African Society of Occupational Health Nursing Practitioners (SASHON) Chartered Institute for Purchasing and Supply (CIPS) State-Owned Entities Procurement Forum (SOEPF) Society of South African Archivists (SASA) Library and Information Association of South Africa (LIASA) South African Institute of Occupational Safety and Health (SAIOSH) Toastmasters International The Association for Office Professionals of South Africa (OPSA)

PERFORMANCE, ALIGNMENT TO STRATEGY AND REMUNERATION

Umgeni Water continues to implement successfully a three-component performance management system in the organisation. The system ensures that all employees have conceptual knowledge, and an understanding of the role and purpose of their jobs with line of sight to the entity's strategy and performance objectives and targets.

The Board of Umgeni Water assesses the entity's performances against predetermined objectives on a quarterly and annual basis, while formal employee performance assessments are undertaken twice a year.

The Remuneration Policy and Strategy are aligned to the Performance Management Policy in order to ensure that the performance management process at Umgeni Water is development orientated and intended to cultivate effective human resources management and career development. As a result, appraisals are constructively used to provide feedback and coaching to individual employees concerning their job performance.

Through this structured performance management system, Umgeni Water ensures implementation of its strategic goals through skilled, competent, motivated and engaged employees, while recognising and rewarding good performance.

DIVERSITY AND EQUAL OPPORTUNITY

Umgeni Water's workforce by employment type/category, race and gender is shown in **Table 12.1** and **Figures 12.1**. The organisation annually submits an Employment Equity Plan to the Department of Labour and prepares quarterly equity reports to track the status of its workforce diversity against its plan. Umgeni Water does not discriminate between men and women in terms of remuneration. Table 12.5 outlines the remuneration ratio of women to men by Occupational Category.

Table 12.5: Ratio of Remuneration of Women to Men by Occupational Category

OCCUPATIONAL LEVELS	2017	2018	2019	2020	2021	2022
Top Management.	0.8	0.9	0.8	0.8	1.0	0.9
Senior Management	1.0	1.0	1.0	1.0	1.0	0.9
Professionally Qualified and Experienced Specialists and Mid-Management.	0.8	0.9	0.9	0.9	0.9	0.9
Skilled Technical and Academically Qualified Workers, Junior Management, Supervisors, Foreman and Superintendents.	0.9	0.8	0.9	0.9	0.9	0.9
Semi-Skilled and Discretionary Decision-making.	0.8	0.7	0.9	0.7	0.8	0.6
Unskilled and defined decision-making*	1.0	0.7	1.0	0.7	0.7	-

*Unskilled labour has been outsourced to co-operatives as part of set asides for Previously Disadvantaged Groups

HUMAN RIGHTS

INVESTMENT AND PROCUREMENT PRACTICES

Umgeni Water is an entity of the State that is committed to a system of acquisition of goods and services that is fair, equitable, transparent, competitive and cost-effective and promotes the objectives of Broad-Based Black Economic Empowerment.

Awareness continues to be built amongst the entity's employees through requesting mandatory disclosures of interests in support of fair, equitable, transparent and competitive procurement practices.

Performance with participation goals set for the reporting period may be found in the Economic Empowerment Chapter of this Annual Report.

The entity remains confident that it is contributing to effective economic transformation that will benefit the sector as a whole.

CHILD AND FORCED LABOUR

Umgeni Water, as a state-owned entity, subscribes fully to National Legislation that ensures a healthy and safe work environment for its employees. The entity's Human Resources Policies comply and are in line with the Labour Relations Act (Act No 66 of 1995), Basic Conditions of Employment Act (Act No 75 of 1997) and their relevant Codes of Good Practice. The entity is also aligned to the United Nations Global Compact Principles and OECD recommendations in this regard. Umgeni Water does not practise child and forced labour.

NON-DISCRIMINATION

In the year, zero incidents of discrimination were reported.

INDIGENOUS RIGHTS

Umgeni Water subscribes fully to the Bill of Rights in terms of the Constitution of the Republic of South Africa (Act 108 of 1997). During the year, there were zero reported incidents of violation of rights of indigenous people in any aspect of the organisation's business.

HUMAN RIGHTS REMEDIATION

Zero grievances related to human rights issues / contraventions were filed.

13.10

IMPROVING RESILIENCE

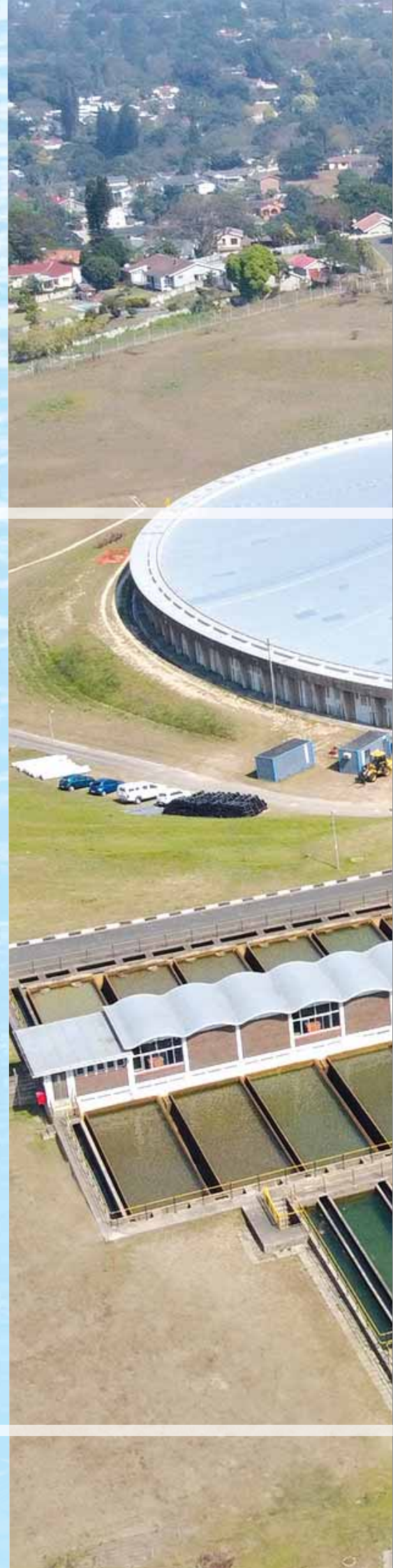
13.1 ISO 17025 ACCREDITED LABORATORY SERVICES ASSURING WATER QUALITY

Four modern ISO/IEC 17025-accredited laboratories make up the entity's Laboratory Services. They are Chemistry, Microbiology, Hydrobiology and Soil Chemistry Testing, all with a long-established reputation of meeting international standards. Highly-skilled and dedicated scientists, technicians and laboratory support staff, utilising modern analytical techniques enable this facility to provide a world-class service 365 days a year.

During the year, the laboratory supported core business activities through:

- Providing assurance that the entity produces potable water that complies with drinking water standards;

- Assuring that treated effluent complies with wastewater and effluent discharge limits;
- Assuring, via the above, public health protection from water-borne diseases and water-related health impacts;
- Undertaking research and development and generation of scientific data for new infrastructure developments;
- Supporting/auditing water treatment for process selection and optimisation;
- Undertaking catchment and river health monitoring to assess the status of water resources and quality of raw water supply;
- Immediate provision of early warnings and alerts to stakeholders when a breach of quality standards is detected and ensuring that the incident-management protocol is followed to contain and remedy the breach.
- Maintaining analytical results database which allows all Umgeni Water users access to over 30-years of test results for trend forecasting. This is critical for construction of dams, water and wastewater treatment works and other capital projects.





DURBAN HEIGHTS WTW

Water samples from the entire supply system (catchment to consumer) are collected by a team of dedicated well-trained sampling officers daily throughout Umgeni Water's operational area, and are assessed in terms of physical, chemical and microbiological characteristics, as per SANS 241 standard requirements. The sampling activities are also governed and guided by ISO 9001 accreditation standard, which they have to conform to.

The analytical results are produced within specified times that form part of Service Level Agreements with end users. Supported by LabWare Laboratory Information Management System (LIMS), water quality results are captured, validated, stored and reported timeously. Laboratory Services generates 20 000 to 30 000 analytical results per month from its four accredited laboratories, split as follows: Chemistry, approximately 16 000; Microbiology, 4 000; Hydrobiology, 450 and Soil Chemistry, 100. The laboratories generated about 323 830 test results in this financial year. Direct access to the results is also provided to external users via the Electronic Water Quality Management System (eWQMS), the IRIS Blue Drop System (BDS) and the IRIS Green Drop System (GDS).

In addition to assuring the quality of bulk water produced, Laboratory Services provides water testing and sampling services to municipalities and various private sector clients. This valuable service supports and assists municipalities to improve their IRIS Blue and Green Drop compliance.

As an ISO 17025-accredited laboratory, Umgeni Water laboratory has to constantly keep up with the requirements of the standard, in order to maintain its accreditation status against the ISO 17025:2017 Management System. As such, the laboratory completed its transition to the new version of the standard and maintained its accreditation status with ongoing successful third party evaluation indicating major efforts and commitments to the standard, thus achieving and enhancing customer and stakeholder quality assurance.

One of the key requirements of an ISO 17025-accredited laboratory like Umgeni Water's is that the results that are produced from accredited methods must be validated and authorised by a Technical Signatory who is assessed and deemed competent by SANAS, before release to both internal and external customers. Responding to this requirement, the laboratory is aiming to have at least two or more Technical Signatories for each accredited method.

Despite COVID-19 challenges, Laboratory Services together with Sampling Services continued to implement robust strategies

in place to ensure business continuity and uninterrupted availability of credible water quality data, thus consistently ensuring water quality compliance and public health.

13.2 INFORMATION AND COMMUNICATION TECHNOLOGY

ICT GOVERNANCE

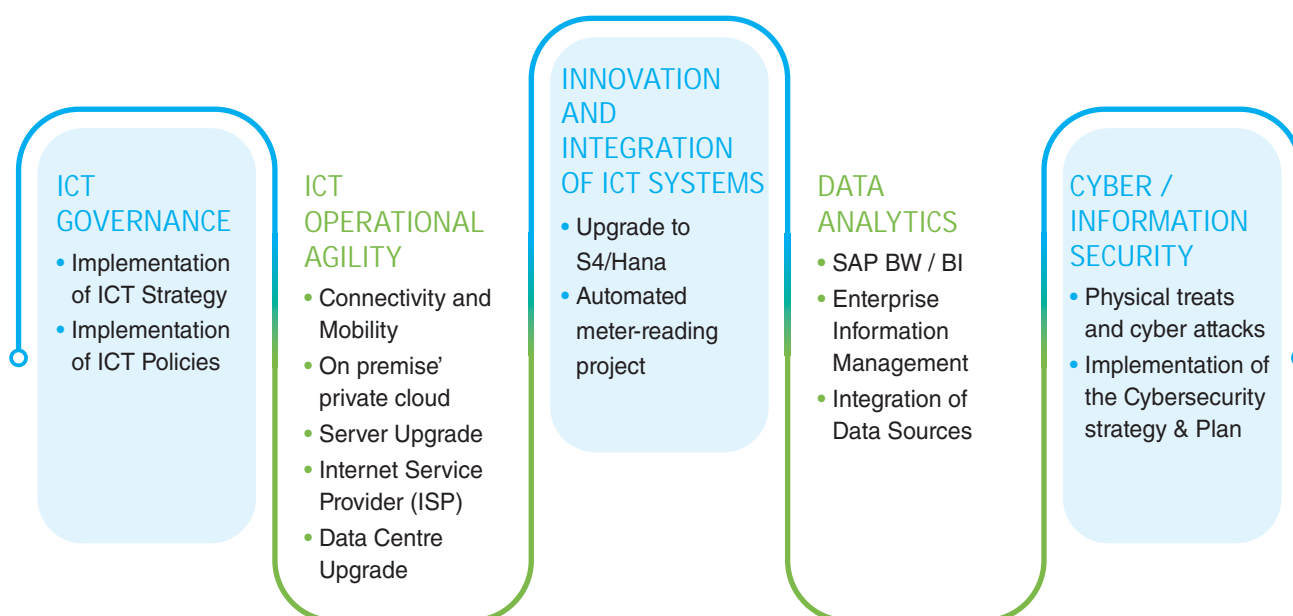
In line with King IV Report on Corporate Governance for South Africa 2016, the purpose of ICT Governance is to support the organisation to achieve its strategic objectives. The Board has delegated this function through the Innovation, Technology & Information (ITI) Committee to exercise this oversight role. The ICT Steering Committee manages the governance of ICT and reports quarterly to the ITI Committee.

The Board through its strategy has approved the Digital Transformal process as a key thrust.

Digital transformation (**Figure 13.1**) is the integration of digital technology into all areas of a business resulting in fundamental changes to how businesses operate and how they deliver value to customers. In this regard, the Information Communication and Technology (ICT) department will ensure the delivery of a collaborative and integrated service to Umgeni Water via an organisational centric approach to Digital Transformation. The mechanism of driving Digital Transformation is the implementation of the ICT Strategy.

Umgeni Water has in place an approved ICT strategy, which sets out its requirement to improve the overall technology and information management capability of Umgeni Water. This includes strategies for changing how the technology and information services of Umgeni Water will be managed in future. ICT will continue to implement its strategy for future ICT planning and investment, providing a sound basis for investment decisions across Umgeni Water. The ICT Strategy was aligned to the Government Wide Enterprise Architecture (GWEA) framework as prescribed by the Department of Public Service and Administration (DPSA). The ICT Strategy will be reviewed during F22/23 to incorporate input from all the Board subcommittees which was established to excellerate the digital transformation programme for the organisation.

Figure 13.1 – Digital Transformation



ICT OPERATIONAL AGILITY

In support of the business objectives of bulk water provision, the availability and reliability of systems are of utmost importance. In this regards, a drive to standardise connectivity and ensure a maximum uptime at all Umgeni Water sites; the organisation has opted for fibre optic cables for fixed line connectivity. This will further prepare the organisation for 4G and 5G connectivity.

ICT is in the process of building its own “on premise” private cloud to securely host all corporate data. This will ensure that Umgeni Water’s critical data is not housed outside the borders of South Africa and is compliant with relevant data regulatory requirements. Extranet which would be a portal for Board and External facing data sharing will also form part of this private cloud facility.

In a connected world, the Internet of Things (IoT) the enhancement of Mobility via Skype for business and video conferencing is an essential business tool. Umgeni Water would continue to roll out these mobility tools in order to speed up business decisions and reduce costs and time of employees.

ICTs engagement with the Independent Communications Authority of South Africa (ICASA) to extend the Broadband

License is in its advanced stages. This will provide the platform for the establishment of Umgeni Water as an Internet Service Provider (ISP).

ICT has upgraded its Data Centre, which has the capacity to act as a bureau hosting facility for public sector entities.

INNOVATION & INTEGRATION OF UMGENI WATER BUSINESS SYSTEMS

Umgeni Water took a decision to consolidate its operating environment by implementing an ERP system in 2017. The Enterprise Resource Planning (ERP) system namely: SAP has been supporting and enabling the business successfully. However, the system is now due for an upgrade to S/4Hana due to the end of support life of the existing software version. This upgrade would also include the identified SAP enhancements as per the approved ICT Strategy.

Umgeni Water’s meter reading process is currently captured monthly. Any breaks in the system are only detected at month-end i.e. burst pipe, leaking pipe, etc. In a drive for efficiency and to support the operational business the automated meter-reading project will allow meters to be read at any determined regular intervals and compromised thresholds flows will be flagged automatically.

DATA ANALYTICS

The Board, EXCO and Management require data and insights in order to make quick informed business decisions. To achieve this, ICT is supporting the business to harness their diverse data sources in one platform, having a single source of the truth.

The SAP Business Warehousing/Business Intelligence (BW/BI) Reports and Dashboards project was implemented and went live during 2020 in order to support Management decision-making and Corporate Reporting requirements. This will ensure improved levels of data integration, consistent, reliable information across the business value chains, as well as the single version of the truth across operational areas. The integrity of the system will also be from a trusted data source.

Information is the most valuable resource in the digital world. Umgeni Water has embarked on an Enterprise Information Management (EIM) project to move from a paper base to an electronic medium in preparation for digital transformation. The completion of the implementation of Digital Signatures has enhanced business processes and efficiencies.

To ensure the Integration of Data Sources; Umgeni Water has embarked on a “data architecture analysis” to review all business systems for identifying integration points in preparation for data digital transformation. This will ensure delivery of data across the spectrum of data subject areas and data structure types in the enterprise, to meet the data consumption requirements of all applications and business processes. These types of data will include, Business Systems, SCADA, Drone Data, Spatial, Sensors and 3rd Parties, etc.

INTEGRATED SECURITY

In a drive to protect people, assets and reputations, physical security technology will ensure that ICT supports security in the business by integrating technology and security to produce an integrated security solution. The integration of Physical Guarding and Technology will enable the security guards to be more pro-active in responding to security threats and risks. The merger of these functions will also enhance the integration of systems, that is Access Control and CCTV.

Umgeni Water is mindful that with new technologies in the world of 4IR, that is Big Data, Internet of Things, Artificial Intelligence, Machine Learning, Robotic, etc. the organisation is more prone to cyber attacks. Cybersecurity is critical to the safeguarding of Umgeni Water’s information in a digitalised environment. ICT will ensure the continuous implementation of effective cybersecurity measures to protect and safeguard

Umgeni Water assets. In this regard ICT has upgraded its Information Security Infrastructure to the latest CISCO technology, that is routers, switches and firewalls both on Corporate and Operational network (SCADA). ICT recently developed a Cybersecurity Strategy & Plan which will be implemented over the next 24 months.

In order to protect Umgeni Water’s critical assets and infrastructure, Umgeni Water identified three key Operational sites namely, Durban Heights, Wiggins and Midmar to obtain National Key Point (NKP) certification. ICT assisted in project managing the NKP certification requirements as it has implication on both physical assets and technology.

13.3 RESEARCH, DEVELOPMENT AND INNOVATION

Umgeni Water recognises the crucial role of Research, Development and Innovation in the socio-economic development of any society. To this end, Umgeni Water has designed a multi-disciplinary research programme that will enable the organisation to harness 21st Century Science, Technology and Innovation of the 4th Industrial Revolution to improve service delivery.

The key aims and objectives of the research programme include:

Scientific Excellence:

- Develop innovative scientific and technical solutions to mitigate the water security risk (quality, quantity, sustainability), to protect human health, environmental health, and aquatic ecosystems, to the benefit of society;
- Keeping abreast of new research trends and emerging technologies of relevance and publicise research results through various platforms (lectures, conferences, scientific journal publications).

Stakeholder Value Creation: Improve product quality, reduce costs, increase efficiencies and productivity by harnessing 4IR and business process innovation.

Operational Resilience: Adapting to changes in the operating environment. Investigate the use of alternative water sources and evaluating equipment to optimise the current water treatment processes.

Human Capital Development:

Developing research capacity and institutional knowledge.

Risk Mitigation:

- Water Security (quality, quantity, sustainability);
- Human Health;
- Environment Health;
- Aquatic Ecosystems.

In the year under review, the entity has continued with its plans for the construction of a centralised research facility (laboratories) mandated to drive its research agenda and build greater institutional knowledge. The facility is intended to serve as a special-purpose knowledge hub and a key enabler for studies on the so called Contaminants of Emerging Concern (CECs) in potable water and environmental samples, water/wastewater sludge testing and classification, and to carry out microbial genomic studies.

The organisation is currently upgrading the Process Evaluation Facility at Wiggins Water Works. This facility will be built in accordance with the new green building policies and guidelines. This building will be one of the first green buildings for Umgeni Water.

There are currently three evaluation projects underway, looking at solid-liquid separation and zeta potential. These project outcomes, if positive, will allow the equipment to be implemented at Umgeni Water operational sites allowing for improved process efficiency.

The organisation has established links and collaborates with academic institutions and researchers worldwide to complement studies undertaken within the organisation.

There is currently a Memorandum of Agreement with the University of Birmingham. This collaboration will allow Umgeni Water to test the use of biotechnology (Daphnia) to treat final effluent to the new stringent quality legislation is moving towards. This project will be used to validate the claim that Daphnia systems are more economic and less operator intensive than conventional membrane treatment.

A contract between the National Research Fund, University of Pretoria and Umgeni Water, is in the process of being finalised. This contract is to establish a new University of Pretoria research chair.

Funding of the Umgeni Water Chair of Water Resources Research and Innovation continued as our contribution in support of research, and Human Capital Development.

The collaboration with the University of KwaZulu-Natal and Durban University of Technology has proven hugely successful. Post-graduates undertaking studies in water resources management and related studies were the main beneficiaries. In the 2021/2022 fiscal year, two students graduated with Msc (Chemistry) and Msc (Chemical Engineering) degree: (1) Role of

Semi-conductors in mediating organic oxidation transformations (2) Chemical oxygen demand (COD) fractionation for process modelling considerations and optimization.

One student graduated with a doctoral degree in chemical engineering: (1) Application of synthesized zeolite membrane systems in water desalination.

UW funded three Post-doctoral fellowships, eight PhD(s) and fifteen MSc students through the Chair for Water Resources Management.

RESEARCH PUBLICATIONS IN THE FISCAL YEAR 2021/2022 FUNDED BY UW UNIVERSITY OF KWAZULU-NATAL:

- Adeleke, V.T., Madlala, N.E., Adeniyi, A.A., and Lokhat, D. (2022). Molecular Interactions Associated with Coagulation of Organic Pollutants by 2S Albumin of Plant Proteins: A Computational Approach, *Molecules* 27 (2022) 1685.
- Burnett, M. J., O'Brien, G. C., Jewitt, G., Downs, C. T. (2021). Temporal and spatial ecology of an iconic *Labeobarbus* spp. in a socio economically important river. *Environmental Biology of Fishes*. <https://doi.org/10.1007/s10641-021-01140-5>.
- Burnett, M. J., O'Brien, G. C., Sonamzi, B., Wepener, V., Downs, C. T. (2021). Temporal movement of free swimming fishes and their response to environmental variables in some of the rivers of Kruger National Park, South Africa. *Environmental Biology of Fishes*. <https://doi.org/10.1007/s10641-021-01178-5>.
- Evans, W., Downs, C. T., Burnett, M. J., O'Brien, G. C. (2021): Assessing fish community response to water quality and habitat stressors in KwaZulu-Natal, South Africa, *African Journal of Aquatic Science*, DOI: 10.2989/16085914.2021.1952158.
- Loots, I., Smithers, JC and Kjeldsen, TR. 2022. Quantifying the influence of urban development on runoff in South Africa. *Urban Water Journal*, DOI: 10.1080/1573062X.2022.2027472 14.

INSTITUTE FOR WATER AND WASTEWATER TECHNOLOGY, DURBAN UNIVERSITY OF TECHNOLOGY

- Amoah, I., Pillay, I., Abunama, T., Awolusi, O., Pillay, K., Ramlal, P., Kumari, S., Bux, F. Effect of selected wastewater characteristics on estimation of SARS-COV-2 viral load in wastewater, *Environmental Research*
- Amoah, I., Pillay, I., Deepnarian, N., Awolusi, O., Pillay, K., Ramlal, P., Kumari, S., Bux, F. Detection of SARS-COV-2 RNA on contact surfaces within shared sanitation facilities, *International Journal of Hygiene and Environmental Health*

- Amoah, I, Pillay, I, Abunama, T, Awolusi.O, Pillay, K, Ramlal, P, Kumari, S, Bux, F. Monitoring changes in COVID-19 infection using Wastewater-Based Epidemiology: A South African Perspective, *Science of the Total Environment*, 786 (2021), 147273
- RT-LAMP: A cheaper, simpler and faster alternative for the detection of SARS-COV-2 in wastewater, *Food and Environmental Virology*

FACULTY OF ENGINEERING AND BUILT ENVIRONMENT, DURBAN UNIVERSITY OF TECHNOLOGY

- Jwara, T, Musonge, P, Bakare, B.F. Chemical Oxygen Demand Characterization of Wastewaters Containing Mixed Effluents. *International Journal of Engineering Research and Technology*. ISSN 0974-3154, Volume 15, Number 1 (2022), pp. 68-77 © International Research Publication House
- Isa, Y.M., Mohammed, U.A., Musamali, R., Anekwe, I.M. (2022). Water Treated Promoted Catalysts for the Conversion of Ethanol to Hydrocarbons. *Sustainable Energy-Water-Environment Nexus in Deserts*. *Advances in Science, Technology & Innovation*. Springer, Cham

Current research projects (**Table 12.1**) undertaken by subject matter specialists within the entity are expected to yield both economic and non-economic benefits with significant gains in intellectual capital, improved water security, improved water quality and a better life for society.

Table 13.1: Current research funded by Umgeni Water and progress

RESEARCH TOPICS	PROJECT OBJECTIVES	% PROGRESS AS AT 30/06/2022
New technology for wastewater treatment and management that can be adopted for the removal of impurities/contaminants	<ul style="list-style-type: none"> • To study the application of biochar composites with carbon nanomaterials/magnetic materials for the removal of emerging contaminants (ECs) from wastewater 	25
Characterization of chlorine and antibiotics-resistant bacterial pathogens	<ul style="list-style-type: none"> • Isolation and characterization of chlorine- and antibiotic-resistance bacterial pathogens using culte and molecular- based techniques. • Studies on the molecular mechanisms underlying chlorine and antibiotic-resistance among identified bacterial pathogens. • Assessment of biofilm formation among waterborne bacterial pathogens and control assays. • Development of rapid identification methods for waterborne bacterial pathogens 	60
Modelling small and large-scale interventions to limit soil erosion and improve the quality of water flowing into the proposed Smithfield Dam on the Umkhomazi River	<ul style="list-style-type: none"> • To review possible measures to limit soil erosion • To review models suitable for assessing the impacts of the measures on erosion and sediment yield. • To select and apply a model to simulate sediment yield at various scales in the catchment upstream of the proposed Smithfield Dam. • To evaluate the performance of the model using available erosion data in the catchment, or data obtained from the literature. • To use the model to assess the impact of various interventions to limit sediment deposition in the proposed Smithfield Dam 	25
The use of activated carbon for the removal of pharmaceutical compounds in the effluent from a decentralized water treatment system	<ul style="list-style-type: none"> • To evaluate a number of different activated carbons produced from different feed stocks for use as adsorbents in wastewater treatment plants (focusing in pharmaceutical compounds) 	50
Optimization of Direct Potable Water Re-use (DPR) and Rural Sanitation Strategy and Demonstration	<ul style="list-style-type: none"> • Direct Water Re-use (DWR) of reclaimed water: Process optimization and life cycle costing • Provide strategic solutions to sanitation challenges in the rural and currently unversed areas 	60

Table 13.1: Current research funded by Umgeni Water and progress ...continued

RESEARCH TOPICS	PROJECT OBJECTIVES	% PROGRESS AS AT 30/06/2022
Development of solar thermal drying technologies for the treatment of faecal sludge from on-site sanitation facilities and sewage sludge from wastewater treatment plant	<ul style="list-style-type: none"> • Complete building of pilot scale prototype • Test the device under a wide range of scenarios • To observe the dryer performance in terms of time • To reduce the water mass of a simulated sludge within multiple operating configurations. Different operating conditions would vary values such as fan speed, cloud cover, etc. • Obtain the optimum operating conditions, and the related data on the drying rates of the device • Make modifications to the systems if necessary, and if deficiencies are found during testing • If time permits, testing the device for efficacy with real human sludge 	80
Eel recruitment and fish movement in the Lower Thukela	<ul style="list-style-type: none"> • Evaluate water quality, flows and habitat alterations of the Thukela River and Estuary associated with the LTBWSS and the impact of these changes to the wellbeing of the local river and estuary ecosystem, using fish, invertebrates and plants as ecological indicator. • Evaluate the use of the fishway by fish and invertebrates and characterisation of the efficiency of the facility and any possible optimisation opportunities and/ or risks to the migration of ecological important organisms in the region. 	86
Monitoring of environmental stressors in real time and remotely using the behavioural ecology of selected fish species in Southern Africa	<ul style="list-style-type: none"> • Evaluate the behavioural response of Yellowfish to water quality and flow changes in the uMngeni River below Howick. • Use the behavioural response of Yellowfish to monitor the well-being of the water quality and flow in the uMngeni River below Howick in real time remotely. 	100
Developing an equity and equality assessment method for water resources allocation in South Africa	<ul style="list-style-type: none"> • To review the subjects of equity and equality with respect to its application in water resources management. • To develop a methodology for assessing equity and equality for the fair allocation of water resources. • To develop a system of equity and equality indicators for the fair allocation of water resources. • To investigate the plausibility of the method as it will be applied to selected WMAs areas, including UW 	60
Quantitative Analysis of Selected Pharmaceuticals and Illicit Drugs in the Darvill Wastewater Treatment Plant	<ul style="list-style-type: none"> • To develop and validate a method for extraction, clean-up, qualitative and quantitative analysis of illicit drugs, pharmaceuticals and their respective metabolites present in wastewater samples; • To analyse for illicit drugs, selected pharmaceuticals and their respective metabolites via the use of High Pressure Liquid Chromatography (HPLC) and Liquid Chromatography – Mass Spectrometry (LC – MS); • To establish the removal efficiency of drugs, pharmaceuticals and their metabolites based on the current removal process within the WWTP, and; • To estimate potential environmental effects that the effluent may have on aquatic ecosystems. 	75
Mathematical modelling of the activated sludge treatment process at Darvill Wastewater Works	<ul style="list-style-type: none"> • Microbial growth has been determined as non-linear, and the identification of a second steady state would allow for a push of an unsteady system towards a second steady state for more efficient processing. The overall aim is to identify multiple steady states of microbial growth for 3 species for efficient water treatment. • The project aims to understand the system dynamics of 3 microbial species using growth and death rates to establish metabolic processes. This system dynamics will enable the development of a model. The growth and death rates in conjunction with flow rates will assist to determine microbial concentrations in treatment tanks. Once the concentrations are estimated, more efficient tank reaction rates can be determined. 	80

Table 13.1: Current research funded by Umgeni Water and progress ...continued

RESEARCH TOPICS	PROJECT OBJECTIVES	% PROGRESS AS AT 30/06/2022
Finding the significance of miniSASS as a citizen science tool and linking it to Resource Quality Objectives (RQOs)	<ul style="list-style-type: none"> Investigate if river sites are compliant with the set RQOs using SASS. Investigate if miniSASS and the velocity plank can assist in implementing and monitoring the RQOs. Find the technical relationship between citizen science and RQOs. Investigate whether citizens could engage with the enforcement of RQOs through citizen science tools. 	50
Detection of wastewater cyanotoxins and measurements of microcystins	<ul style="list-style-type: none"> Commercially available Enzyme-Linked Immunosorbent Assay (ELISA) test kits are one of the most commonly utilised cyanotoxins testing methods, since they do not require expensive equipment or extensive training to run. Semi-quantitative field screening ELISA kits are available for the presence or absence of cyanotoxins. Although they provide rapid results, ELISA kits generally have limitations in specificity and are not congener- specific. Methods that utilise liquid chromatography combined with mass spectrometry (LC-MS) can precisely and accurately identify specific toxic microcystin congeners together with their metabolites. To develop a chromatographic analytical method for determination of cyanotoxins and microcystins congeners in Darvill wastewater treatment plant Qualitative and quantitative determination of cyanotoxins concentration levels in Darvill wastewater treatment and reclaimed water using LC-MS and HPLC-PDA methods. To establish the efficiency of treatments methods to remove cyanotoxins 	75
Development of a predictive mass balance model of flocculant consumption in water treatment systems	<ul style="list-style-type: none"> The outcome of the project will be to determine a system to enable Umgeni Water to reduce the amount of chemicals (Cl and flocculant), as well as estimate the optimal amount of chemicals (Cl and flocculant), required in the water purification process while still maintaining optimal water purity. This will entail evaluating whether an algorithm will be suitable to undertake this prediction. The intention is to develop a template system that can be applied to multiple sites by amending certain basic operating parameters relating to plant capacity. 	95
The development of Mass Spectrometry techniques in sludge analysis and the evaluation of advanced semiconductors in waste remediation	<ul style="list-style-type: none"> To develop sludge analysis techniques using advanced MS techniques Development of strategies to implement machine learning techniques for large dataset analyses upon qualitative method developments using LC-MS, and photocatalytic remediation of sludge contaminants with the identification and detection of 'smaller molecules' post reaction. 	20
Monitoring of the efficiency of the artificial fish barrier on the Mooi River upstream of Inchbrakie Falls and environmental performance of the facility	<ul style="list-style-type: none"> Evaluate the fish communities and population structures within the Spring Grove Dam. This will include evaluation of the biology and ecology of the dam and its fish communities, which will contribute to an understanding of the trends in community and population structures associated with the operation of the dam. Evaluate the operation of the fish barrier in the context of the Operations and Maintenance Plan and establish the efficiency of the structure in achieving the intended purpose of preventing the migration of Smallmouth bass up the Mooi River from Spring Grove Dam. Characterise the fish communities and associated populations structures in the Moor River upstream of the fish barrier, below the barrier and below Spring Grove Dam, and evaluate the risk of, and consequences of invasion of the upper Mooi River by <i>M.dolomieu</i>. Provide dam fisheries management and monitoring recommendations. 	95

The average percentage progress is fairly good: approximately 65 ± 25%, ranging from 20 up to 100%.

13.4 RISK MANAGEMENT

Umgeni Water defines risk as all sources of uncertainty that could, positively or negatively, affect the entity's ability to achieve its strategic objectives and outcomes. Risk management at Umgeni Water is guided by an Integrated Risk Management Framework and the risk management process is aligned to strategy, which ensures a focused and integrated process of risk management in the entity.

The entity has six strategic risks as presented in **Table 12.2** below, which are sorted by descending risk score, linked to strategic objectives and indicating their appetite/tolerance positions. One risk is outside both risk appetite and risk tolerance, four risks are outside risk appetite but within risk tolerance and the remaining risk is within both risk appetite and risk tolerance.

Five out of six strategic risks (83%) have been managed to a level of equal to or above reasonable ($\geq 55\%$) overall response effectiveness as presented in **Figure 13.1**.

Figure 13.1: Overall Response Effectiveness

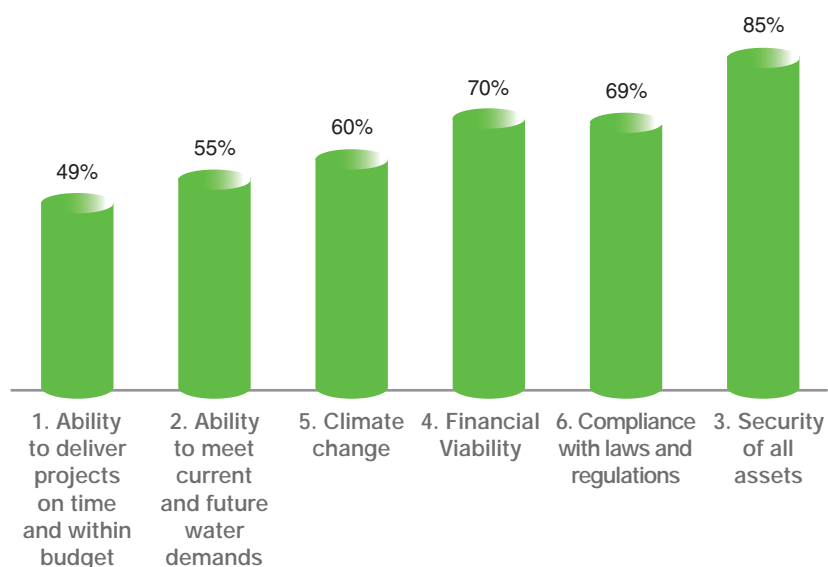


Table 13.2 Strategic Risks as at 30 June 2022

RISK #	RISK NAME, RISK RATING AND RISK SCORE	CAUSE AND CONTEXT AND RISK TREATMENT	STRATEGIC, PERSPECTIVE, OBJECTIVES AND OUTCOMES IMPACTED
1	<p>Ability to deliver projects on time and within budget.</p> <ul style="list-style-type: none"> • Overall Response Effectiveness: Poor 49% • Severity: Major-High : 200 • Probability: 90% Highly probable and / or certain to occur within 1 year • Risk Owner: Executive: Infrastructure Development <div data-bbox="244 667 544 817" style="border: 2px solid orange; padding: 5px; display: inline-block;"> <p>SCORE 180 MEDIUM</p> </div> <p>Risk Appetite and Tolerance</p> <ul style="list-style-type: none"> • Outside Appetite • Within Tolerance 	<p>Cause & Context:</p> <p>Project planning and design phase: Delays in undertaking gate reviews. Different Professional Service Providers undertaking the planning and design. Poor alignment of planning, design and environmental studies. Poor timing of land acquisition.</p> <p>Internal and external budget constraints as a result of re-prioritisation of capex due to tariff reductions, external funding constraints and the re-prioritisation of Umgeni Water's growth strategy.</p> <p>Delay in delivery of ICT products as a result of global supply chain challenges. Dependency on approvals from external stakeholders for facilities' upgrades.</p> <p>Procurement process: Lengthy & bureaucratic procurement processes. Appeals after intention to award. Capability of project managers and lack of support. SCM skill shortage.</p> <p>Project construction phase: Social disruption during construction.</p> <p>All project phases: Changes during design and construction. Lack of commitment from project steering committee members. Ineffective implementation of the project lifecycle process.</p> <p>Project Management: Inadequate project and contract management.</p> <p><i>Treatment Approach: Strategic engagements with stakeholders. The same Professional Service Provider undertaking feasibility and detailed design stages. Investigation of the turnkey project approach. Timeous approvals at preliminary design including land acquisition. Proactive social facilitation especially at the early stages of project initiation. Aligned planning, design and environmental studies. Review of planning, funding and spending of capex. Streamlined procurement process including clarity of tender documentation. Upskilling of tender evaluation teams, SCM staff and project managers. Mandatory attendance of appropriate divisional staff at project steering committee meetings. Efficient and effective gate review processes and improved project/contract management. Development of a single contract management policy addressing relevant areas per division. Undertake on-going training where there is non-compliance.</i></p>	<p>Customer and stakeholder perspective: SO1: Improve Stakeholder Value SO2: Improve Customer Value</p> <p>Process perspective: SO4: Improve Stakeholder Engagement SO7: Increase Customers and Services</p> <p>Organisational Capacity Perspective: SO 12: Increase Supply Security</p> <p>Outcomes: Customer Satisfaction Infrastructure Stability Stakeholder Understanding and Support Community and Environmental Sustainability Operational Optimisation and Resilience Product Quality Water Resources Adequacy Infrastructure Stability</p>

Table 13.2 Strategic Risks as at 30 June 2022 ...continued

RISK #	RISK NAME, RISK RATING AND RISK SCORE	CAUSE AND CONTEXT AND RISK TREATMENT	STRATEGIC, PERSPECTIVE, OBJECTIVES AND OUTCOMES IMPACTED
2	<p>Ability to meet current and future water demands</p> <ul style="list-style-type: none"> Overall Response Effectiveness: Reasonable 55% Severity: Major- Low -: 100 Probability: 65% Even probability and/or could possibly occur within 1-2 years Risk Owner: Executive: Infrastructure Development <div style="border: 2px solid red; padding: 5px; display: inline-block; margin: 10px 0;"> <p style="color: white; font-weight: bold; margin: 0;">SCORE</p> <p style="font-size: 2em; color: white; font-weight: bold; margin: 0;">65</p> <p style="color: red; font-weight: bold; font-size: 1.5em; margin: 0;">LOW</p> </div> <p>Risk Appetite and Tolerance</p> <ul style="list-style-type: none"> Outside Appetite Outside Tolerance 	<p>Cause & Context: Long-term water resources: Delays in the implementation of water resource development projects.</p> <p>Short-term water resources: Drought; Lack of system resilience in the short-term. Delays in developing infrastructure.</p> <p>Infrastructure Adequacy: Mis-managed urbanization, ineffective demand management (demand out-stripping supply).</p> <p><i>Treatment Approach: The focus of intervention is on the Mgeni and South Coast Systems as they are already constrained.</i></p> <p><i>There have been delays in obtaining signed Offtake Agreements for the uMkhomazi Water Project. A political steering committee for this project, Chaired by the DWS DG, was constituted in Dec 2021 to assist in addressing issues at the WSA level.</i></p> <p><i>Integrated planning and implementation for medium and long-term augmentation of systems with stakeholders.</i></p> <p><i>Appeals have delayed the award of the first contracts of the Lower uMkhomazi Bulk Water Supply scheme. Once these have been resolved then the construction of the scheme will proceed. The completion of the first phase of the construction is scheduled for 2025 (first water available).</i></p> <p><i>Controlling water releases. Lobby and support Water Services Authorities to improve water conservation and demand management initiatives.</i></p> <p><i>Embarking on initiatives to improve ecological infrastructure and engaging in multi-stakeholder management initiatives.</i></p>	<p>Customer and stakeholder perspective SO1: Improve Stakeholder Value SO2: Improve Customer Value</p> <p>Financial perspective SO3: Improve Financial Sustainability</p> <p>Increase access to services</p> <p>Process perspective: SO7: Increase Customers and Services</p> <p><i>Manage costs within approved budget</i></p> <p>Organisational Capacity Perspective: SO 12: Increase Supply Security</p> <p>Outcomes: Customer Satisfaction Infrastructure Stability Stakeholder Understanding and Support Community and Environmental Sustainability Operational Optimisation and Resilience Product Quality Water Resources Adequacy Financial viability</p>

Table 13.2 Strategic Risks as at 30 June 2022 ...continued

RISK #	RISK NAME, RISK RATING AND RISK SCORE	CAUSE AND CONTEXT AND RISK TREATMENT	STRATEGIC, PERSPECTIVE, OBJECTIVES AND OUTCOMES IMPACTED
3	<p>Security of all assets.</p> <ul style="list-style-type: none"> • Overall Response Effectiveness: Good 85% • Severity: Moderate-High: 40 • Probability: 65 % Even probability &/or could occur within 1- 2 years • Risk Owner: Executive: Corporate Services <div data-bbox="244 660 528 806" style="border: 2px solid red; padding: 5px; display: inline-block; margin: 10px 0;"> <p style="color: white; font-weight: bold; font-size: 1.2em;">SCORE 26</p> <p style="color: red; font-weight: bold; font-size: 1.5em; margin-left: 10px;">LOW</p> </div> <p>Risk Appetite and Tolerance</p> <ul style="list-style-type: none"> • Outside Appetite • Within Tolerance 	<p>Cause & Context:</p> <p>Physical assets: Breach of/ damage to/ loss of physical assets Illegal settlements, encroachments on properties and servitudes and land claims on prospective servitudes. Service delivery protests affecting site accessibility or causing damage to infrastructure. Remote locations that are difficult to secure, monitor theft and vandalism.</p> <p>Injury and loss of human capital. Personal safety and occupational health and safety hazards. Non-compliance to applicable acts/legislation.</p> <p>Information assets: Loss of/ damage to information assets and resources (non-physical assets). Cyber attacks and social engineering. Sabotage. Inappropriate use or transmission of confidential data. Breach of confidentiality.</p> <p>Sustainability of natural resources: Sustainability of natural resources (air, land, water, energy).</p> <p><i>Treatment Approach:</i> <i>Physical Assets:</i> <i>Implementation of physical security processes and procedures:</i></p> <ul style="list-style-type: none"> • Security contracts are in place, which include a standby tactical team, armed guards at dams, and hourly patrols using the mag touch system. • Perimeter fences and CCTV camera systems. • Chambers and tunnel kiosks are locked to minimise tampering of valves and to prevent entry to chambers. • Housing & Accommodation Policy. • Monitoring of inflows/outflows of raw and potable water pipelines and reservoir to detect reduction in volumes and pressure, which could indicate that there has been tampering with infrastructure. • Planned maintenance, implementation of asset management plans and monitoring of infrastructure by Asset Management staff. • Engagement with stakeholders and communities. <p><i>Implementation of the Occupational Health and Safety Management System (ISO 45001-Clause 7.1): Resources which deal with security of physical and/ or human resources.</i></p> <p><i>Implementation of the Servitude Management Plan.</i></p> <p><i>Information Assets:</i> <i>Implementation of ICT related policies and strategies.</i></p> <ul style="list-style-type: none"> • Cybersecurity: firewalls on the network switches on site. • Microsoft updates (patching of operating systems). <p><i>Sustainability of natural resources:</i> <i>Environmental Sustainability Strategy, and Plan.</i> <i>Status on security of natural resources.</i></p>	<p>Customer and stakeholder perspective SO2: Improve Customer Value</p> <p>Process perspective SO4: Improve Stakeholder Engagement SO8: Improve Product and Service Quality</p> <p>Organisational Capacity Perspective: SO10: Improve The Use of Data and Technology SO12: Increase Supply Security</p> <p>Outcomes: Customer Satisfaction Infrastructure Stability Stakeholder Understanding and Support Community and Environmental Sustainability Operational Optimisation and Resilience Product Quality Water Resources Adequacy</p>


Table 13.2 Strategic Risks as at 30 June 2022 ...continued

RISK #	RISK NAME, RISK RATING AND RISK SCORE	CAUSE AND CONTEXT AND RISK TREATMENT	STRATEGIC, PERSPECTIVE, OBJECTIVES AND OUTCOMES IMPACTED
4	<p>Financial Viability</p> <ul style="list-style-type: none"> • Overall Response Effectiveness: Good 70% • Severity: Moderate-Low: 20 • Probability: 50% Fairly poor and/or could possibly occur within 2 years • Risk Owner: Chief Financial Officer <div data-bbox="245 658 528 801" style="border: 2px solid red; padding: 5px; display: inline-block; text-align: center;"> <p>SCORE 10 LOW</p> </div> <p>Risk Appetite and Tolerance</p> <ul style="list-style-type: none"> • Outside Appetite • Within Tolerance 	<p>Cause & Context:</p> <p>Financial viability of organisation. Tariff increases are not cost reflective. Inappropriate business model to support infrastructure investment and operating costs. Cash flow. Debtor's Collections. Inability to raise funding to support socio-economic infrastructure investments.</p> <p><i>Treatment Approach: Sustainable tariff model for potable water.</i></p> <p><i>Annual tariff review.</i></p> <ul style="list-style-type: none"> • Annual review of Capex program to support the tariff (flexibility of tariff model to defer and reprioritize investments). <p><i>Operating cost plan. Monitoring and reporting on payment plans and cash flows. Developing & implementing revenue enhancement programmes for customers. Grant funding to support social investment projects.</i></p>	<p>Customer and stakeholder perspective</p> <p>SO1: Improve Stakeholder Value</p> <p>SO2: Improve Customer Value</p> <p>Financial perspective</p> <p>SO3: Improve financial sustainability</p> <p><i>Increase access to services</i></p> <p>Process perspective:</p> <p>SO4: Improve Stakeholder Engagement</p> <p>SO5: Improve Governance Processes</p> <p><i>Manage costs within approved budget</i></p> <p>Outcomes:</p> <p>Customer Satisfaction</p> <p>Stakeholder Understanding and Support</p> <p>Community and Environmental Sustainability</p> <p>Operational Optimisation and Resilience</p> <p>Product Quality</p> <p>Financial viability</p>

Table 13.2 Strategic Risks as at 30 June 2022 ...continued

5	<p>Climate change</p> <ul style="list-style-type: none"> • Overall Response Effectiveness: Reasonable 60% • Severity: Minor-high: 10 • Probability: 65% Even probability and / or could occur within 1-2 years • Risk Owner: Executive: Scientific Services <div data-bbox="239 683 526 840" style="border: 2px solid red; padding: 5px; display: inline-block; margin: 10px 0;"> <p style="color: white; font-weight: bold; font-size: 1.2em;">SCORE 7</p> <p style="color: red; font-weight: bold; font-size: 1.5em; margin-left: 10px;">LOW</p>  </div> <p>Risk Appetite and Tolerance</p> <ul style="list-style-type: none"> • Within Appetite • Within Tolerance 	<p>Cause & Context: Climate change results in changing rainfall patterns, increased intensity of storms, more extreme droughts and floods, increased evaporation and decreased runoff in the critical water source catchments.</p> <ul style="list-style-type: none"> • Water availability, infrastructure stability, water security and water quality are threatened, exacerbated by competing demands. • Poor and marginalised communities impacted by climate change. <p>Excessive / sole reliance of fossil fuels for water business. Includes:</p> <ul style="list-style-type: none"> • Electricity for pumping and for water and wastewater treatment processes. • Treatment process associated with direct greenhouse emissions (e.g. methane gas a by-product of waste digestion). • Electricity use in office buildings • Fossil fuel used for transport, business flights, generators and boats. • Contributing to greenhouse gas emissions by dumping waste at landfill sites. <p>Poor condition of ecological systems in key catchments, due to poor land use management, lack of monitoring and coordination of activities, poor behaviour of water users and lack of compliance and enforcement.</p> <p>Historical focus on hard engineering as opposed to soft or “green” engineering solutions to address water management and climate change impacts.</p> <p>Lack of awareness and shared-learning on water related risks of climate change and response to address these, coupled with how measures will benefit people. Climate change affects all life and response requires participation by all people, enterprises, communities and government entities.</p> <p>Lack of institutional climate change policy, planning, funding and financing of climate response interventions.</p> <p><i>Treatment Approach: Reducing Vulnerability and Enhancing Resilience.</i></p> <ul style="list-style-type: none"> • <i>Ensure processes and decisions reduce vulnerability and build resilience and adaptive capacity to the impacts of climate change for Umgeni Water, infrastructure, customers and communities.</i> • <i>Includes flood management plans, drought management plans, modified works design.</i> • <i>Reducing Greenhouse Gas Emissions.</i> • <i>Compute emissions and their materiality, and put in place appropriate emissions reductions interventions.</i> • <i>Water resource protection and climate resilient ecological infrastructure investment.</i> • <i>Collaborate with relevant stakeholders to ensure activities and decisions protect / restore ecosystem functioning.</i> • <i>Ecological infrastructure initiatives are integrated into UW built infrastructure developments.</i> • <i>Influence behavioural change for enhanced climate response.</i> • <i>Create an enabling environment for behavioural change towards climate change and water management, through awareness creation and shared-learning.</i> • <i>Climate Change Response Policy.</i> • <i>Climate Change Response Financing:</i> • <i>Incorporate water related climate change response strategies into organisational financial planning and budgeting (built into various department’s budgets).</i> • <i>Collaborate with and tap into government climate finance and market-based interventions. These include National Treasury’s Green Fund, Carbon Tax and the South African Renewables Initiative, amongst other local mechanisms that are emerging.</i> 	<p>Customer and stakeholder perspective</p> <p>SO1: Improve Stakeholder Value</p> <p>Process perspective</p> <p>SO4: Improve Stakeholder Engagement</p> <p>SO8: Improve Product and Service Quality</p> <p>Organisational Capacity Perspective:</p> <p>SO10: Improve The Use of Data and Technology</p> <p>SO12: Increase Supply Security</p> <p><i>Effective Internal Controls, Compliance and Risk Management</i></p> <p>Outcomes:</p> <ul style="list-style-type: none"> Customer Satisfaction Stakeholder Understanding and Support Community and Environmental Sustainability Operational Optimisation and Resilience Product Quality Water Resources Adequacy
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Table 13.2 Strategic Risks as at 30 June 2022 ...continued

RISK #	RISK NAME, RISK RATING AND RISK SCORE	CAUSE AND CONTEXT AND RISK TREATMENT	STRATEGIC, PERSPECTIVE, OBJECTIVES AND OUTCOMES IMPACTED
6	<p>Compliance with laws and regulations</p> <ul style="list-style-type: none"> Overall Response Effectiveness: Reasonable 69% Severity: Minor-Low 5 Probability: 65% Even probability and / or could occur within 1-2 years Risk Owner: Chief Executive Officer  <p>Risk Appetite and Tolerance</p> <ul style="list-style-type: none"> Outside Appetite Within Tolerance 	<p>Cause & Context: Material misstatements; material irregularities or adjustments to financial statements, inconsistency in performance results against pre-determined objectives.</p> <p>Non-compliance to laws, regulations, policies and procedures as a result of dishonest behaviour and/ or poor performance:</p> <ul style="list-style-type: none"> Ever changing regulatory environment and the agility to adapt to the operating environment. Poor document management system control. <p>Lack of understanding, misinterpretation or non-compliance to procurement processes and contract management, as required by regulations.</p> <p>Treatment Approach: Assurance of compliance:</p> <ul style="list-style-type: none"> On-going assessment of control effectiveness. Compliance to policies and procedures. Combined assurance framework. Proactive policy review process. Regulatory analysis. Delegation of Authority. Root cause analysis of non-compliance and litigations. 	<p>Customer and stakeholder perspective</p> <p>SO1: Improve Stakeholder Value</p> <p>Process perspective:</p> <p>SO5: Improve Governance Processes</p> <p>SO8: Improve Product and Service Quality</p> <p>Effective Internal Controls, Compliance and Risk Management</p> <p>Outcomes:</p> <p>Customer Satisfaction Community and Environmental Sustainability Operational Optimisation and Resilience Stakeholder Understanding and Support Product Quality</p>

In accordance with the Integrated Risk Management risk priority table, risks that are outside the risk appetite and tolerance levels require specific sign-off by the Umgeni Water Board and disclosure in the Annual Report. The entity's divisional risks outside appetite and tolerance are shown in **Table 12.3**.

There are six divisional risks outside both risk appetite and tolerance.

Table 13.3 Divisional Risks outside appetite and tolerance as at 30 June 2022


RISK 1	RISK NAME, SCORE AND STATUS	CAUSE, CONTEXT AND TREATMENT	MAIN STRATEGIC, PERSPECTIVE, OBJECTIVES AND OUTCOMES IMPACTED
1	<p>SCM Process – Tendering Phase Risks</p> <ul style="list-style-type: none"> Overall Response Effectiveness: Poor 40% Severity: Major-High: 200 Probability: 100% Virtually certain and/or already occurred Risk Owner: Chief Financial Officer  <p>Risk Appetite and Tolerance</p> <ul style="list-style-type: none"> Outside Appetite Outside Tolerance 	<p>Terms & conditions/ documents tailored for construction instead of goods & services. Use of generic Service Level Agreements not adequately customised to suit each transaction. Inadequate contracts to address business requirements and inadequate document management. Deviations from contract terms and conditions. Timeous renewal of contracts. Contracts not in place.</p> <p>Treatment Approach:</p> <p><i>All contract approvals aligned to the Delegation Of Authority.</i></p> <p><i>Appropriate contract management provisions included in the standard bidding documents.</i></p> <p><i>Repetitive purchases on eligible items to be placed on contract.</i></p> <p><i>Electronic Contract Management System in SAP for all contracts.</i></p>	<p>Process perspective:</p> <p>SO5: Improve Governance Processes</p> <p>SO6: Improve Internal Efficiency and Effectiveness</p> <p>SO8: Improve Product and Service Quality</p> <p>Outcomes:</p> <p>Stakeholder Understanding and Support Community and Environmental Sustainability Operational Optimisation and Resilience Product Quality</p>


Table 13.3 Divisional Risks outside appetite and tolerance as at 30 June 2022 ...continued

RISK 1	RISK NAME, SCORE AND STATUS	CAUSE, CONTEXT AND TREATMENT	MAIN STRATEGIC, PERSPECTIVE, OBJECTIVES AND OUTCOMES IMPACTED
2	<p>Catchment Water Quality</p> <ul style="list-style-type: none"> Overall Response Effectiveness: Poor 40% Severity: Major-High: 200 Probability: 90% Highly probable and / or certain to occur within a year Risk Owner: Executive: Scientific Services  <p>Risk Appetite and Tolerance</p> <ul style="list-style-type: none"> Outside Appetite Outside Tolerance 	<p>Cause & Context: Polluted runoff from poor land use management, broken and blocked municipal sewers, non-compliant discharges from point sources such as wastewater effluents or illegal discharges from industry.</p> <p>Destruction of ecological infrastructure and substantial reduction in the assimilative capacity / natural ecosystem functioning of water resources. Emerging water quality concerns from impact of personal care products/micro-plastics and pharmaceuticals, including birth control pills or hormones (endocrine disrupters), anti-inflammatories and antibiotics, etc.</p> <p>Treatment Approach:</p> <p><i>UW Group strategy in place for catchment management.</i></p> <p><i>Catchment and raw water quality monitoring and assessments.</i></p> <p><i>Stakeholder engagement and lobbying: Participate in Catchment Management Forums and related advocacy groups. Advocate establishment of Catchment Management Forums in catchments where these do not exist.</i></p> <p><i>Ecological infrastructure assessment and management interventions to improve ecosystem functioning. Initiatives include:</i></p> <ul style="list-style-type: none"> <i>Aquatic alien invasive plant monitoring and management programme.</i> <i>Terrestrial alien invasive plant monitoring and management programme.</i> <i>Wetland establishment / management programme.</i> <i>Soil erosion reduction / management programme.</i> <p>Emerging contaminants:</p> <ul style="list-style-type: none"> <i>Identification and development of analytical techniques for emerging contaminants.</i> <i>Investigation of treatment technologies for emerging contaminants.</i> 	<p>Organisational Capacity Perspective:</p> <p>SO 12: Increase Supply Security</p> <p><i>Increase access to services</i></p> <p>Outcomes:</p> <p>Water Resources Adequacy Infrastructure Stability Community and Environmental Sustainability Operational Optimisation and Resilience</p>
3	<p>Waste Water Quality for Waste Water Treatment Works <10MI/d</p> <ul style="list-style-type: none"> Overall Response Effectiveness: Good 70% Severity: Major-Low: 100 Probability: 80% Likely &/or could occur within a year Risk Owner: Executive: Operations  <p>Risk Appetite and Tolerance</p> <ul style="list-style-type: none"> Outside Appetite Outside Tolerance 	<p>Cause & Context: Utilization versus design capacity at Mpošana Wastewater Treatment Works, Power outage mainly for Howick WWTW, quality of the influent (industrial) for both, High and prolonged down time in both WWTW, which will result in a negative impact on the environment.</p> <p>Treatment Approach:</p> <p><i>Howick Wastewater Treatment Works upgrade anticipated by the end of November 2022.</i></p> <p><i>Mpošana Wastewater Treatment Works upgrade: The detailed design for the plant upgrade was completed in December 2020 and construction is currently on hold due to financial constraints on the Municipality side, which have made it impossible for UW to proceed.</i></p> <p><i>Pending this approval the plant upgrade is anticipated to be completed by June 2024.</i></p> <p><i>Disinfection project (chlorine system) has been completed, further optimisation to allow flow proportional installation is ongoing.</i></p> <p><i>Dewatering project to improve the sludge wasting capacity with a duty/standby facility is still outstanding, it was delayed due to design issues. It is anticipated to be completed by end of December 2022.</i></p>	<p>Process perspective:</p> <p>SO5: Improve Governance Processes</p> <p>SO6: Improve Internal Efficiency and Effectiveness</p> <p>SO7: Increase Customers and Services</p> <p>SO8: Improve Product and Service Quality</p> <p><i>Effective Internal Controls, Compliance and Risk Management</i></p> <p>Outcomes:</p> <p>Product Quality Stakeholder Understanding and Support Community and Environmental Sustainability Operational Optimisation and Resilience</p>

Table 13.3 Divisional Risks outside appetite and tolerance as at 30 June 2022 ...continued

RISK 1	RISK NAME, SCORE AND STATUS	CAUSE, CONTEXT AND TREATMENT	MAIN STRATEGIC, PERSPECTIVE, OBJECTIVES AND OUTCOMES IMPACTED
4	<p>Waste Water Quality for Waste Water Treatment Works treating >10 MI/d.</p> <ul style="list-style-type: none"> Overall Response Effectiveness: Poor 30% Severity: Major-Low 100 Probability: 65% Even probability and / or could occur within 1-2 years Risk Owner: Executive: Operations. <div data-bbox="245 712 528 860"> <p>SCORE 65 LOW</p> </div> <p>Risk Appetite and Tolerance</p> <ul style="list-style-type: none"> Outside Appetite Outside Tolerance 	<p>Cause & Context: Power outages. Construction activities. Quality and quantity of influent which might negatively impact the environment. This might also lead to legal non-compliance with DWS licence, potential for reputational risk and health implications to downstream users contributed to by construction activities.</p> <p>Treatment Approach: Darvill Wastewater Treatment Works upgrade: Darvill Wastewater Works performance has improved to above 90% as unit processes such as the old aeration basin and new inlet works get commissioned. Full commissioning of the plant is anticipated to occur in December 2022. The Darvill project is at 97% completion.</p> <p><i>Short-term mitigation: The Municipality is on call to cover the Darvill power supply and there is a working agreement to prioritize response to power outages at Darvill.</i></p> <p><i>The medium term mitigation is the dual power supply project to the plant from two different primary substations with an auto changer. If the power supply is out on one line, the other line will take over immediately with full capacity capability. The project is current is 75% complete, phase 2 is awaiting resolution of the agreement between Umgeni Water and the Municipality.</i></p>	<p>Process perspective: SO5: Improve Governance Processes SO6: Improve Internal Efficiency and Effectiveness SO7: Increase Customers and Services SO8: Improve Product and Service Quality</p> <p>Effective Internal Controls, Compliance and Risk Management</p> <p>Outcomes: Product Quality Stakeholder Understanding and Support Community and Environmental Sustainability Operational Optimisation and Resilience</p>
5	<p>Credit Risk.</p> <ul style="list-style-type: none"> Overall Response Effectiveness: Good 80% Severity: Moderate-High: 40 Probability: 100% Virtually certain and /or already occurred Risk Owner: Executive: Chief Financial Officer. <div data-bbox="245 1384 528 1532"> <p>SCORE 40 LOW</p> </div> <p>Risk Appetite and Tolerance</p> <ul style="list-style-type: none"> Outside Appetite Outside Tolerance 	<p>Cause & Context: Impact of COVID-19 on the ability of customers to collect from end users and pay water bills to Umgeni Water. Instability in municipality leadership increasing risk of non-payment.</p> <p>Municipalities under administration and financial pressure. Inability of customers to manage their cash flows and make payments on time. Increased credit risk due to new customers in new areas taken over and existing customers, which are behind with payments and in some instances there are contractual disputes.</p> <p>Treatment Approach: Meetings held with customers regarding the payment plans and possible write-off of interest. Inter-government relations framework. Maintenance of a liquidity buffer to mitigate liquidity risk arising from increase in credit risk. Monthly reporting to National Treasury in terms of Section 41.</p>	<p>Customer and stakeholder perspective SO2: Improve Customer Value</p> <p>Financial perspective So3: Improve financial sustainability</p> <p>Process perspective: SO5: Improve Governance Processes</p> <p>Outcomes: Customer Satisfaction Stakeholder Understanding and Support Financial viability Community and Environmental Sustainability Operational Optimisation and Resilience Product Quality</p>

Table 13.3 Divisional Risks outside appetite and tolerance as at 30 June 2022 ...continued

RISK 1	RISK NAME, SCORE AND STATUS	CAUSE, CONTEXT AND TREATMENT	MAIN STRATEGIC, PERSPECTIVE, OBJECTIVES AND OUTCOMES IMPACTED
6	<p>Post Award SCM Risks</p> <ul style="list-style-type: none"> Overall Response Effectiveness: Reasonable 60% Severity: Minor-Low: 5 Probability: 90% Highly probable and / or certain to occur within a year Risk Owner: Executive: Chief Financial Officer.  <p>Risk Appetite and Tolerance</p> <ul style="list-style-type: none"> Outside Appetite Outside Tolerance 	<p>Cause & Context: Procurement process cycle time take too long to finalise.</p> <p>Lack of responsiveness and flexibility in decision-making by SCM process participants, stakeholders and DOA approvers.</p> <p>Insufficient stakeholder interaction between SCM and Divisions/Department heads.</p> <p>Inadequate planning by procurement end users.</p> <p>High frequency of adhoc purchases. Unclear, inadequate selection and award criteria or unskilled, negligent/biased technical evaluation teams leading to non-achievement of planned projects due to appeals.</p> <p><i>Treatment Approach: Reduce procurement process turnaround time.</i></p> <p><i>Quarterly Internal stakeholder engagements.</i></p> <p><i>Checklist to guide SCM compliance to legislation.</i></p> <p><i>Training and Capacity building of SCM practitioners.</i></p> <p><i>SCM policies and procedures in place.</i></p>	<p>Process perspective:</p> <p>SO5: Improve Governance Processes</p> <p>SO6: Improve Internal Efficiency and Effectiveness</p> <p>Outcomes:</p> <p>Community and Environmental Sustainability</p> <p>Stakeholder Understanding and Support</p> <p>Operational Optimisation and Resilience</p> <p>Product Quality</p>

Financial risks are detailed in the annual financial statement section of this annual report.

MITIGATED RISKS

Mitigated risks refer to risks that have been treated to an acceptable level with continual monitoring by Internal Audit to ensure the controls in place are still effective and efficient. There were no strategic risks mitigated.

EMERGING RISKS

Emerging risks refer to those uncertainties that have a potential to affect the organisation meeting its objectives but which an organisation does not fully understand. The entity regularly reviews the internal and external landscapes with a view to identifying emerging risks.

Emerging strategic and divisional risks are constantly monitored and no emerging risks have been identified for the 2021/2022 period.

13.5 BUSINESS CONTINUITY MANAGEMENT

Umgeni Water has a well-established Business Continuity Management Programme, the objective of which is to:

- Protect the business, including its staff and stakeholders, by minimising the impact of a material disruption to critical business activities;
- Understand and communicate the recovery needs of the business and ensure an appropriate recovery capability is provided;
- Recover the business in a planned and controlled manner, meeting the requirements of the business whilst complying with applicable laws, contracts, regulations etc.; and
- Ensure that business continuity is an essential part of business planning and development in order to enhance organisational resilience.

The relevant structures and roles that are required to ensure that the Business Continuity Programme is entrenched and executed within the organisation are mature, continually reviewed and improved, through quarterly scenario/stress-testing of the Crisis Management Plan (CMP), Business Continuity Plans (BCPs) and Emergency Response Plans (ERPs), as an integral component of the Corporate-wide Integrated Risk Management Framework.

The overall direction and management of the Business Continuity Management Programme is steered by the Crisis Management Team (CMT), which is chaired by the Chief Executive and membership comprises the Executive Committee and other senior managers and specialists as required.

The CMT actively provided leadership during the COVID-19 pandemic, ensuring that the organisation adhered to and implemented the relevant health and safety related protocols, whilst continuing to meet contractual obligations of the bulk supply agreements with customers.

The CMT took an active leadership role during the Durban Heights infrastructure failure as well as during the recent floods, ensuring that the relevant ERPs and BCPs were invoked and implemented. There was also continuous stakeholder communication and engagement in conjunction with the major customers throughout these disruptions.

13.6 RECORDING OF PROCUREMENTS BY "OTHER MEANS" AS PER PFMA SCM INSTRUCTION 3 OF 2021/2022

Effective 01 April 2022, the "PFMA SCM Instruction 03 of 2021/2022: Enhancing Compliance Transparency and Accountability in SCM", repealed the requirement of prior approval by the National Treasury related to deviations from normal bidding procedures and the expansion and variations of contracts. The repeal aligns with section 51(1)(iii) of the Public Finance Management Act, 1999, confirming the authority and responsibility of the Accounting Authority to determine an appropriate procurement and provisioning system that is fair, equitable, transparent, competitive and cost effective. The purposes of the instruction note, is to improve compliance, accountability, transparency in the procurement of goods

and services, ensuring value for money and reducing the abuse of the SCM system.

SCM Instruction No 03 of 2021/2022 allows the Accounting Authority to approve the deviation or extension and report only to National Treasury thereafter. This together with other steps taken by the entity will no doubt contribute to improving Umgeni Water's procurement responsiveness to operational demands and will lead to faster commercially orientated procurement practices.

Umgeni Water is cognisant that deviations/procurement by other means should be the exception rather than the norm and should be applied only when absolutely necessary. In that if the entity is frequently requesting approval to deviate from standard procurement processes, it can be an early warning sign that the it is planning its procurement adequately. Over reliance on the use of procurement deviations can also serve as an indication of possible poor governance practices and service delivery issues.

Fifty-Four (54) SCM deviations/procurements by other means were approved by relevant delegated authority where it was not practical or possible to follow normal procurement procedures. These deviations amount to R902 million. The main reasons for the deviations were:

- Use of an existing contract to purchase water treatment chemicals urgently needed in a new service area.
- to engage directly with the original equipment manufacturers (OEMs) and maintenance suppliers of the most critical equipment and services required in the process of water production.
- Urgent appointments where it was impractical to follow normal procurement process for the supply Gases, Laboratory Equipment, Chemical Supplies need for UW's business operations;
- Emergency procurement repair and rehabilitation of infrastructure damages resulting from the April 2022 KZN Flood disaster, and ad-hoc emergency callouts for repairs to breakdowns at various Umgeni Water sites.

Table 13.4 Procurement Deviations for 2021/2022 Financial Year

DESCRIPTION OF PROCUREMENT BY OTHER MEANS	NUMBER OF TRANSACTIONS	VALUE "R"
Limited bid (contract based)	2	498 800
Single Source	3	496 220
Sole Supplier	14	25 454 915
Urgent Cases	18	20 989 011
Emergency procurement	17	854 676 539
Total	54	902 115 486

14-0

FINANCIAL SUSTAINABILITY

“The organisation remained resilient and financial results stable despite the difficult operating environment this past year.”



SPRING GROVE DAM

FINANCIAL REVIEW

1. INTRODUCTION

Umgeni Water business continuity was put to the test in 2022 with the July 2021 civil unrest and the KZN floods in April 2022. However, despite these business interruptions within the operational area of water supply, the organisation remained resilient and the financial results remain stable. Credit risk management continues to be a key strategic risk as many customers have indicated financial distress and are behind on payments for bulk water and bulk waste water services provided.

The group profits for the year reduced by 2% to R1 241m (2021: R1 263m). Gross profit margins also reduced by 1% to 60% (2021: 61%). The decreases were predominantly due to the 10% increase in cost of sales arising from the increases in the main cost drivers combined with the 16% increase in other operating and administration costs, the details of which are set out in section 2 of this report.

Total assets improved by 8% which was mainly driven by the increases in investments on hand, which are fully committed to funding the infrastructure required for water service delivery over the next 3 to 5 years.

Umgeni Water measures its financial performance in terms of its achievement against financial indicators which are aligned to the organisation's strategic objectives and are included in the key performance indicators 2021/2022 section of the annual report, pages 75 to 83.

2. OPERATING PERFORMANCE

2.1. OVERVIEW OF OPERATING PERFORMANCE

2.1.1. YEAR ON YEAR CHANGES OF GROUP OPERATING PERFORMANCE

The group operating profits have reduced by 13% to R921m (2021: R1 058m). The primary business consists of bulk water sales and waste water fees. Bulk water revenue grew by 8% arising from the bulk water tariff increase of 5% combined with a 2.5% sales volume growth. The bulk water direct operating costs increase of 11% arose primarily from the main cost drivers which are discussed further in section 2.1.2. Waste water revenue increased by 14% in line with contractual agreements and the overall loss in the waste water segment resulted from the impairments on waste water projects under construction for which the projected revenues do not recover the capital and operating expenditures for these assets, as well as the estimated credit losses. The impairments are further detailed in section 5.2.

Other operating and administrative expenses increased by 16% and are further discussed under section 2.1.3. The following table summarises the year on year operating financial performance of the group.

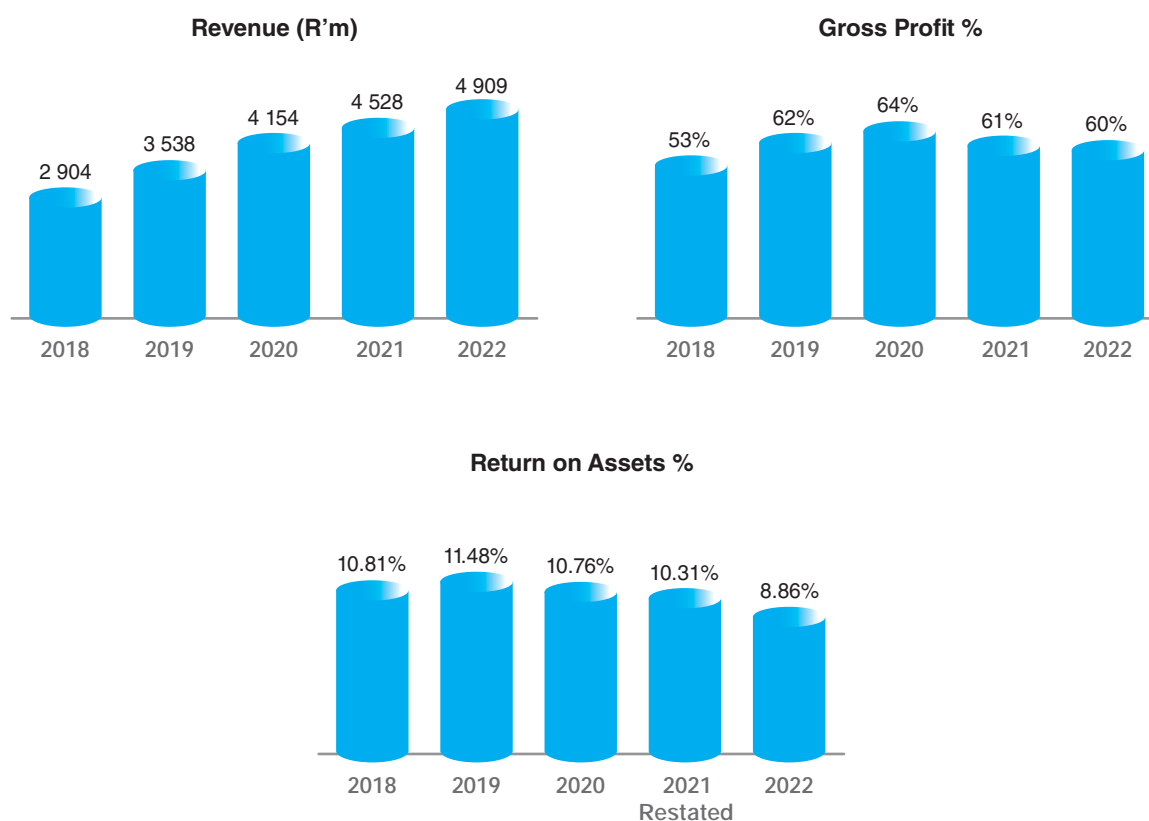
	2022		2021 Restated
	R'000	% change	R'000
Revenue	4 909 454	8	4 528 237
Cost of sales	(1 966 084)	10	(1 788 513)
Gross profit	2 943 370	7	2 739 724
<i>GP%</i>	<i>60%</i>		<i>61%</i>
Other income	13 840	(83)	81 688
Other operating and administration expenses	(2 036 609)	16	(1 762 966)
Profit from operations	920 601	(13)	1 058 446
Net finance income	316 716	59	199 376
Share of profit from associate	4 088	(16)	4 853
Profit before tax	1 241 405	(2)	1 262 675

FINANCIAL REVIEW (CONTINUED)

2. OPERATING PERFORMANCE (CONTINUED)

2.1. OVERVIEW OF OPERATING PERFORMANCE (CONTINUED)

2.1.1. YEAR ON YEAR CHANGES OF GROUP OPERATING PERFORMANCE (CONTINUED)



2.1.2. MAIN COST DRIVERS INCLUDED IN COST OF SALES

The main cost drivers for direct operating costs are chemicals, energy, maintenance, raw water and staff costs which account for 77% (2021: 79%) of cost of sales.

Chemical costs increased by 42% year on year. The increase is due to the average price and usage per kg of 20% and 27% respectively. The Durban Heights, DV Harris & Hazelmere plants contributed to higher usage due to heavy rains impacting on raw water turbidity resulting in higher poly coagulant and PH correction.

Energy costs were 2% higher. The average price increases of 15.2% was offset by credit notes received for Inanda Dam pump station. Usage for Shaft pumps at Durban Heights plant has increased by 19% due to Inanda pump station being offline during the months of May and June and minimal usage in the preceding months. Wiggins highlift pumps usage increased by 20% year on year.

Maintenance costs increased by 3% year on year mainly due to increases in labour costs as workshop operations returned to some normality following lifting of COVID-19 restrictions allowing physical completion of work orders.

Raw and potable water increased by 3%. This was mainly due to the inclusion of KCDM potable water costs for the full reporting period. Abstraction volumes are lower by 0.2% overall driven mainly by Mgeni and Hazelmere systems with Lower Thukela system having higher volumes following the change in supply to the Groutville region which was previously supplied by the Hazelmere system. The average tariff increase for the Mgeni system was 2.3% and 6.5% for the Lower Thukela system.

Direct staff costs increased by 11.4%, the increase over prior year is mainly due to the inclusion of King Cetshwayo District Municipality employees for the full reporting period. The average salary increases were 5.5% for the year under review.

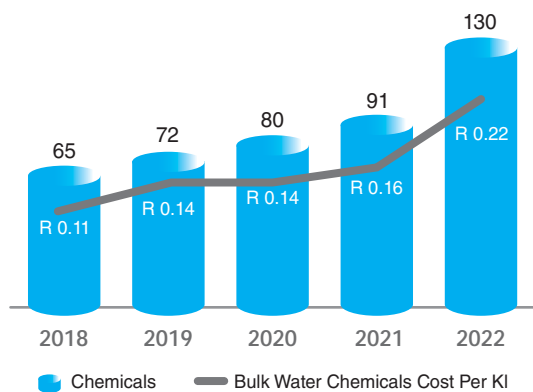
FINANCIAL REVIEW (CONTINUED)

2. OPERATING PERFORMANCE (CONTINUED)

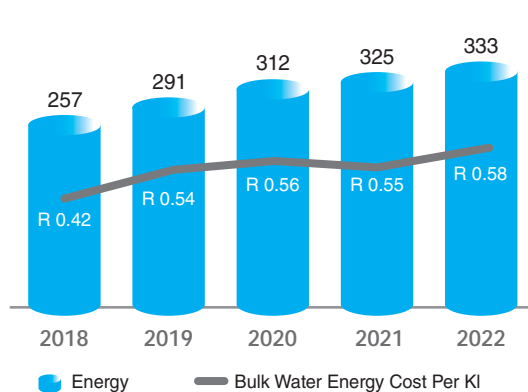
2.1. OVERVIEW OF OPERATING PERFORMANCE (CONTINUED)

2.1.2. MAIN COST DRIVERS INCLUDED IN COST OF SALES (CONTINUED)

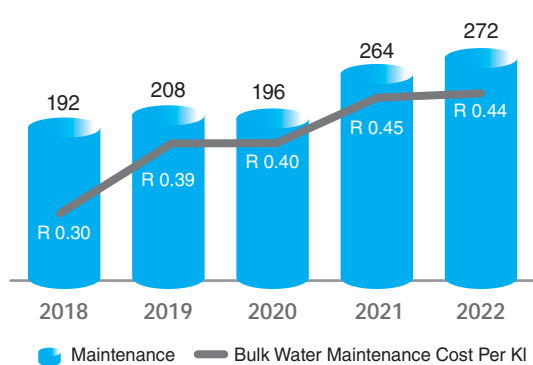
Chemicals (R'm)



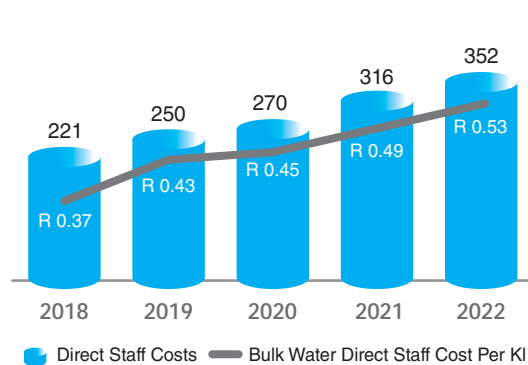
Energy (R'm)



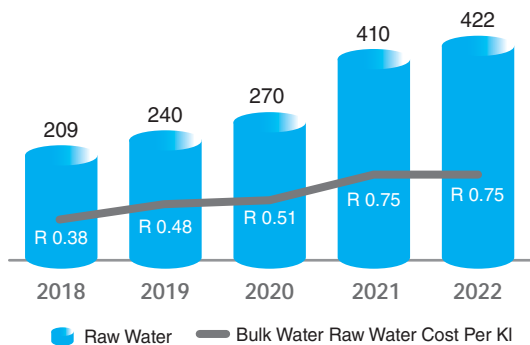
Maintenance (R'm)



Direct Staff Costs (R'm)



Raw Water (R'm)



FINANCIAL REVIEW (CONTINUED)

2. OPERATING PERFORMANCE (CONTINUED)

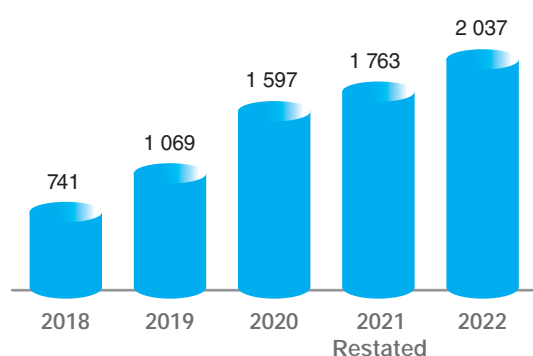
2.1. OVERVIEW OF OPERATING PERFORMANCE (CONTINUED)

2.1.3. OTHER OPERATING AND ADMINISTRATION EXPENSES AND NET FINANCE INCOME

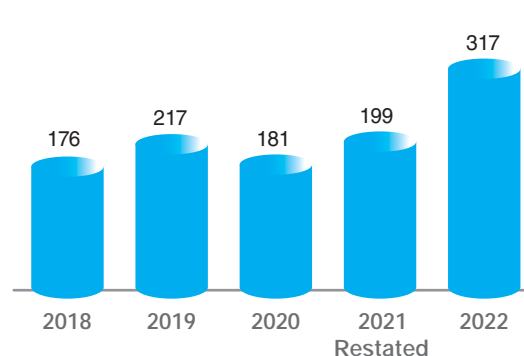
Other operating and administration costs increased by 16% mainly due to increases in credit losses and asset write-offs. The increases in credit losses are reflective of the current operating environment with customers struggling to pay on time resulting in an increase in credit risk. The asset write offs resulting from flood damages totalled R18m whilst the capital work in progress write-offs were R128m of which a significant amount related to defective work on the Darvill upgrade, Uthukela District Municipality assets and other costs that did not meet the asset capitalisation criteria in line with IAS 16.

Net finance income was 59% higher as a result of the increase in interest income earned on investments. Further details on the investment movements are included in section 7 of this report. Interest income for the period was R327m (2021: R249m) while finance costs after borrowing costs capitalised was R10m (2021: R50m). Borrowing costs capitalised to qualifying assets were R117m (2021: R115m).

Other Operating & Admin Costs (R'm)



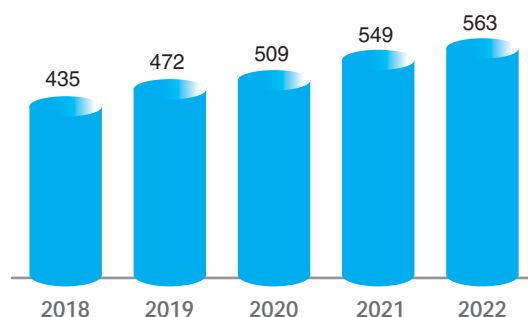
Net Finance Income (R'm)



2.2. BULK WATER SALES VOLUME ANALYSIS

Bulk water sales volumes grew by 2.5%. The main sources of increased sales volumes were from eThekweni Metro Municipality, Msunduzi Local Municipality and King Cetshwayo District Municipality.

Water Sold (KI'm)



FINANCIAL REVIEW (CONTINUED)

2. OPERATING PERFORMANCE (CONTINUED)

2.2. BULK WATER SALES VOLUME ANALYSIS (CONTINUED)

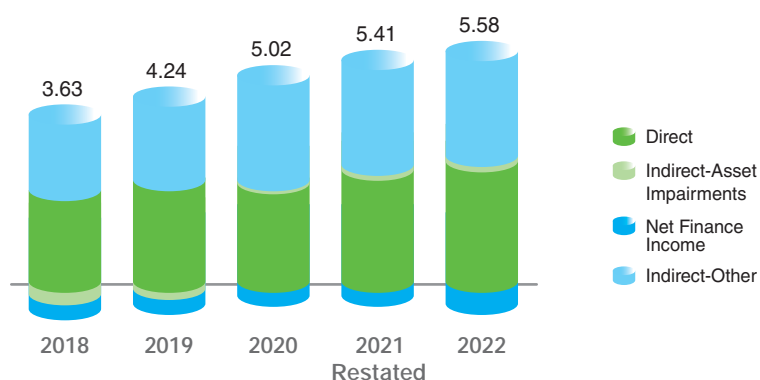
Volume by customer and % change

	2018		2019		2020		2021		2022	
	KI'000	KI'000	% Change	KI'000	% Change	KI'000	% Change	KI'000	% Change	
Ethekwini	314 523	335 724	6.7%	355 835	6.0%	379 325	6.6%	396 623	4.6%	
Other Customers	120 045	136 077	13.4%	153 383	12.7%	169 222	10.3%	165 860	(2.0%)	
Msunduzi	68 433	71 040	3.8%	77 286	8.8%	74 238	(3.9%)	80 844	8.9%	
Umgungundiw	18 797	20 426	8.7%	22 905	12.1%	26 425	15.4%	26 805	1.4%	
Siza	3 458	3 527	2.0%	3 562	1.0%	3 612	1.4%	4 080	12.9%	
Ugu	13 981	13 956	(0.2%)	13 543	(3.0%)	14 272	5.4%	14 566	2.1%	
ilembe	14 182	18 646	31.5%	20 731	11.2%	23 536	13.5%	22 686	(3.6%)	
Harry Gwala	1 066	1 156	8.5%	1 234	6.7%	1 125	(8.8%)	1 230	9.3%	
Uthukela	-	7 192	100.0%	13 998	100.0%	13 874	(0.9%)	-	(100.0%)	
King Cetshwayo	-	-	-	-	-	12 054	100.0%	15 529	100.0%	
Other	129	134	4.0%	124	(7.7%)	86	(30.9%)	120	40.1%	
Total	434 568	471 801	8.6%	509 218	7.9%	548 547	7.7%	562 483	2.5%	

2.3. BULK WATER COST PER KILOLITRE (KL)

The cost of bulk water per KI increased by 3.1% mainly due to the increases in the estimated credit losses, asset impairments and asset write offs under indirect costs, whilst the bulk water sales volumes increased by 2.5%.

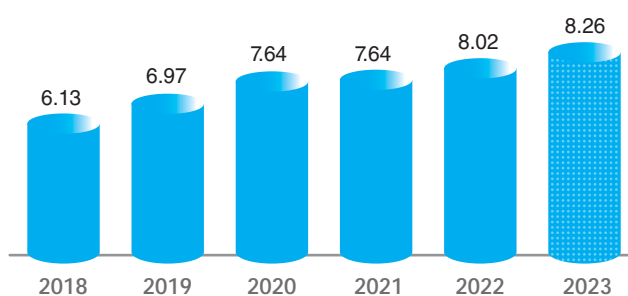
Cost per KI of Bulk Water (R.c)



3. BULK WATER TARIFF

The average Umgeni Water bulk water tariff increase for 2021/2022 was approved at 5% and the bulk water tariff increase for the financial year 2022/2023, effective 1 July 2022, has been approved at 3% after taking into consideration the current economic and operating environment.

Average Tariff per KI (R.c)



FINANCIAL REVIEW (CONTINUED)

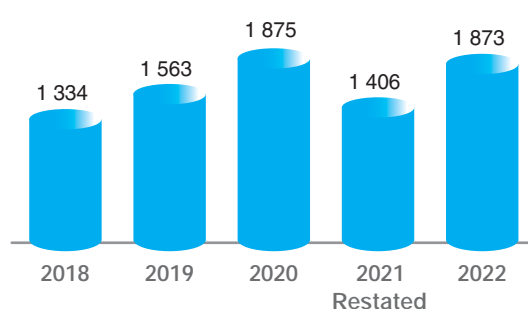
4. CASH FLOW ANALYSIS

Operating cash flows totalled R1 873m (2021 Restated: R1 406m). The 33% increase is primarily due to the increase in cash from operations before the working capital changes, due to reversal of non-cash items of which the estimated credit losses and asset impairments and write-offs constituted a significant portion, combined with an 11% improvement in working capital changes.

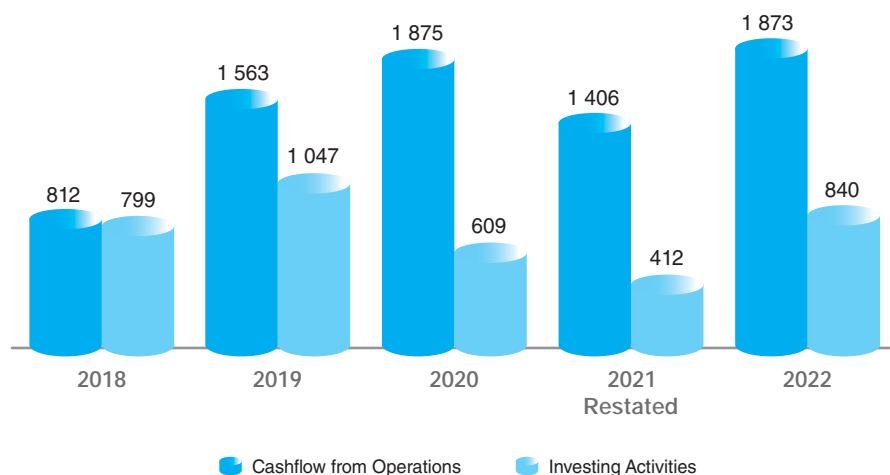
Net cash used in investing activities were R840m (2021 Restated: R412m) consisting of R1 049m (2021 Restated: R792m) additions to property, plant & equipment offset by R200m (2021: R383m) Regional Bulk Infrastructure Grant funding received for development projects, while additions to intangible assets were R1m (2021: R10m).

Net cash used in financing activities totalled R1 006m (2021: R973m) which consisted of R25m (2021: R629m) loan repayments and R61m net interest received (2021: R30m). Investments increased by R1 042m (2020: R373m) as a result of Regional Bulk Infrastructure Grants received and delays in capital expenditure.

Cashflow from Operations (R'm)



Cash Flows from Operations vs Cash Used in Investing Activities (R'm)



5. CAPITAL PROJECTS

The capital expenditure programme is based on Umgeni Water's Infrastructure Master Plan which is aligned to the KZN Bulk Water Supply Plan. The Infrastructure Mater Plan is updated annually and outlines the organisation's future bulk infrastructure requirements to meet the regional demands. The capital infrastructure programme is drawn from this Master Plan and structured according to provincial and local strategic priorities. The capital expenditure programme is estimated at R13 billion for the next 5 years as per the Corporate Business Plan for 2023.

The capital expenditure commitments for the next five years will be funded through a combination of available cash investments, operating cash flows, new debt and Regional Bulk Infrastructure Grants.

For further details on the funding requirements, refer to section 8.1.

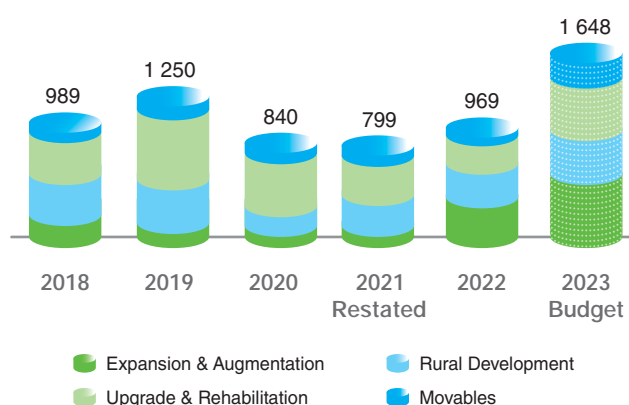
FINANCIAL REVIEW (CONTINUED)

5. CAPITAL PROJECTS (CONTINUED)

5.1. CAPITAL EXPENDITURE

During the year capital expenditure including intangible assets against the targets set for 2021/2022 totalled R969m (2021 Restated: R799m). Details of major projects are included in the infrastructure section of the annual report on pages 98 to 101.

Capital Expenditure - Group (R'm)



5.2. DEVELOPMENT PROJECTS

In response to customer water demands and the need to eliminate water service delivery backlogs, a specific allocation of R5 billion for development projects has been made for the period 2023 to 2027.

Due to their developmental nature, there is a need for government support via subsidy or grant funding for part of the social component of the development projects which cannot be recovered through the existing tariff structure. The social component carried by Umgeni Water is reflected in the statement of profit and loss as impairments. These impairments are recognised during the construction period and reflected in work in progress on a progressive basis.

Developmental projects funding & impairments June 2022

Project	System	Total Projected Cost	Projected funding split		Total Project Cost June 2022	Impairment	2022 Impairment
			Regional Bulk Infrastructure Grant Funding	UW Funding			
		R'000	R'000	R'000	R'000	%	R'000
Impendle	Upper Umgeni	1 418 689	-	1 418 689	18 187	0%	-
Greater Mpofana Phase 1	Mooi	1 106 717	375 061	731 656	656 784	0%	-
Mhlabatshane Sub regional scheme ph2 (Mzimkhulu River)	South Coast	1 520 002	-	1 520 002	20 213	72%	2 059
Maphumulo Bulk Water Supply (Phase 3 and 4)	Upper Mvoti	595 485	31 850	15 357	47 207	39%	18 192
Mpophomeni WWW and Mpophomeni Sewer Outfall	WWW	812 780	-	812 780	315 380	100%	126 865
Trustfeeds WWW	WWW	124 643	-	124 643	124 053	100%	1 447
Ilovu River Raw Water Transfer Pump Station	South Coast	77 612	-	77 612	-	100%	59 745
N3 Corridor WWW	WWW	85 472	-	85 472	33 048	100%	29 230
UMDM WWW WIP Projects	WWW	25 100	-	25 100	25 100	100%	25 100
Total		5 766 499	406 911	4 811 310	1 239 973		262 636

* Total project cost include interest and escalation

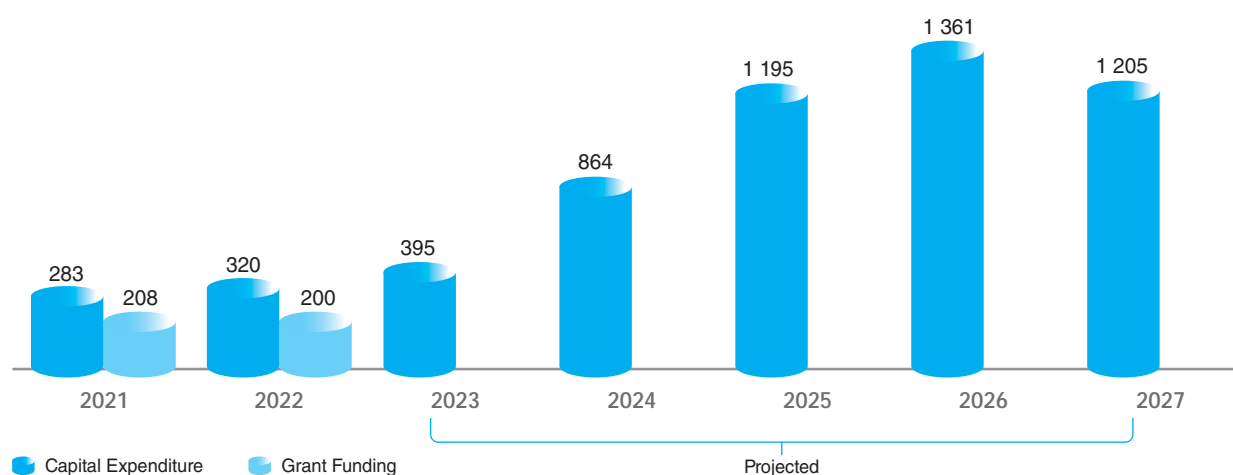
FINANCIAL REVIEW (CONTINUED)

5. CAPITAL PROJECTS (CONTINUED)

5.2. DEVELOPMENT PROJECTS (CONTINUED)

Impairments on development infrastructure commissioned and included under buildings and infrastructure totalled R14m (2021: R66m). Further details on impairments are included in note 9 of the financial statements.

Capital Expenditure On Development Projects and Grant Funding (R'm)



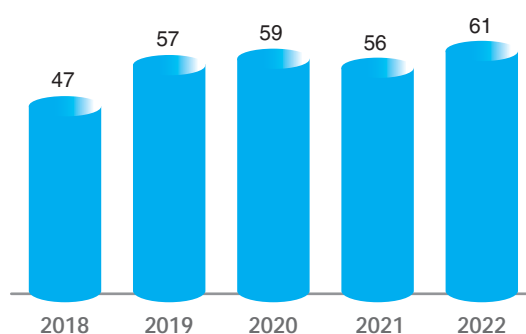
The projected capital expenditure is per the approved 2023 business plan, whilst the projected grant funding is per the latest approved RBIG funding schedule received from the Department of Water and Sanitation.

6. ACCOUNTS RECEIVABLE

Group trade and other receivables totalled R1 139m (2020: R1 148m) which comprises both current and non-current components. Trade debtor's days were 61 (2021: 56) at the end of the reporting period. The allowance for credit losses were R1, 019m (2021: R585m), a 74% increase after taking into account the increase in credit risk as a result of the overdue amounts from bulk customers. The customers in high credit risk are Msunduzi LM, UGu DM, UMDM, UThukela DM and King Cetshwayo DM.

Further details on trade and other receivables are included in note 15 of the financial statements.

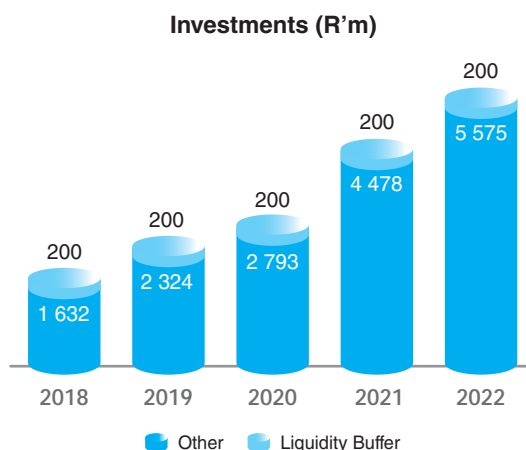
Debtors Days



FINANCIAL REVIEW (CONTINUED)

7. INVESTMENTS

Financial investments totalled R5 775m (2020: R4 678m), a 23% increase due to delays in capital expenditure and Regional bulk infrastructure grant funding received.



8. DEBT MANAGEMENT

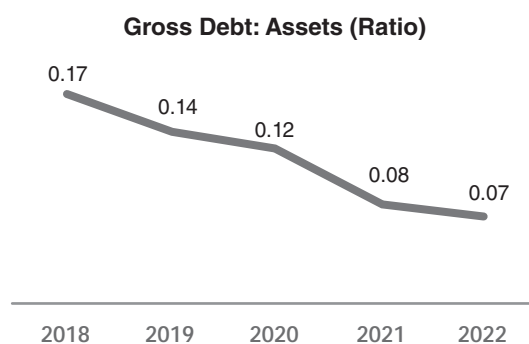
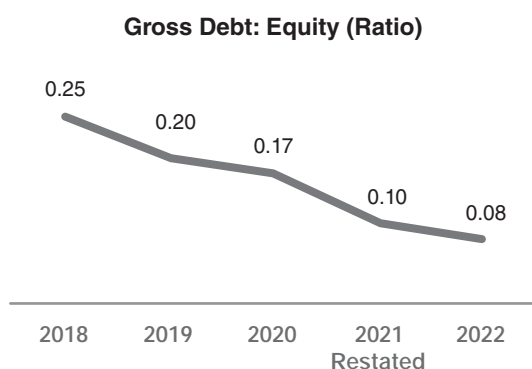
Debt Management is a key focus area at Umgeni Water and is integral to the delivery of sustainable financial business solutions. Umgeni Water targets a debt: equity ratio of 0.50 and an interest rate structure of 70% fixed and 30% variable.

The gross debt: equity ratio improved to 0.08 (2021: 0.09) while the interest rate structure was 91% fixed and 9% variable (2021: 91% fixed and 9% variable). The high fixed rate structure is as a result of the UG26 bond in issue. The gross weighted average cost of capital was 10.79% (2021: 10.55%).

All loan covenant requirements were met during the reporting period.

During the year R25m collectively was repaid towards the EIB loans.

Debt	2022	2021
	R'm	R'm
Long-term	1 083	1 108
Short-term	58	58
Total Debt	1 141	1 166



FINANCIAL REVIEW (CONTINUED)

8. DEBT MANAGEMENT (CONTINUED)

8.1. FUNDING REQUIREMENTS (CONTINUED)

Umgeni Water will continue to fund its operating and capital expenditure requirements in the most cost effective way while diversifying its sources of funding. Umgeni Water's funding sources encompass:

- General banking facilities.
- Development funding institutions include the DBSA and the EIB.
- Issuing short-term and long-term notes under the DMTN Program.
- Bank loans include bridging facilities and revolving credit facilities that can be used in the short term.

As per the Corporate Business Plan for 2023 detailed cash flow forecasts have been prepared for the next five years, taking into account the group's R13 billion planned capital expenditure (unescalated) and is detailed in the table that follows:

Financial year	Short-Term	Medium-Term			Long-Term
	2023	2024	2025	2026	2027
	R'm	R'm	R'm	R'm	R'm
Operational cash flows	1 522	1 883	2 142	2 392	2 656
Capex (Escalated)	(1 648)	(3 398)	(3 475)	(3 301)	(3 352)
Net operating cash (shortfall) after capex	(126)	(1 515)	(1 333)	(909)	(696)
Capex-grants: confirmed	-	-	-	-	-
Net financing activities	51	19	1 633	108	(573)
Annual funding requirements	(75)	(1 496)	300	(801)	(1 269)

The funding requirements in the short to medium term will be funded via operating cash flows, the utilisation of existing financial investments, grant funding and new debt to be raised in 2023/2024. The funding strategy takes cognisance of the funding levels projected in terms of determining the required borrowing limits for the years 2022/2023 to 2026/2027 as well as compliance with the covenants. Further details of the various sources of funding available to Umgeni Water can be found in note 30 of the financial statements.

8.2. BORROWING LIMITS

The borrowing limits for the period 2021 to 2023 were approved by the Minister of Water and Sanitation with the concurrence of the Minister of Finance. The borrowing limits are applicable to the value of gross borrowings, collateral & guarantees exposure and may not exceed the approved limits.

Financial Year	Total Borrowing Limit
	R'm
30 June 2021	1 400
30 June 2022	1 400
30 June 2023	2 017

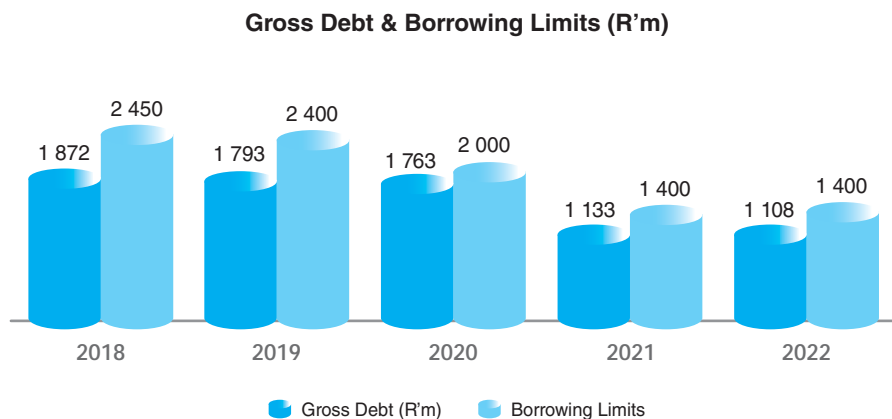
Utilisation of the borrowing limit as at 30 June 2022 was as follows:

Actual gross borrowings	R1 108m
Collateral and guarantees	R 7m
Total actual borrowings	R1 115m
Borrowing limit	R1 400m
Underutilisation	R 285m

FINANCIAL REVIEW (CONTINUED)

8. DEBT MANAGEMENT (CONTINUED)

8.2. BORROWING LIMITS (CONTINUED)



8.4. CREDIT RATINGS

There were no revisions to the credit ratings in the current year.

	Date of rating re-affirmation or change	Long-term Rating	Short-term rating
Standard & Poor's (National Scale)	27 May 2022	zaAAA	zaA-1+
Fitch Ratings	16 November 2021	AA+(zaf)	F1+(zaf)

Standard & Poor's places particular emphasis on the critical role of Umgeni Water to the government and the integral link thereto, whilst Fitch Ratings places more emphasis on Umgeni Water's liquidity position.

9. RETIREMENT BENEFIT OBLIGATIONS

DEFINED BENEFIT PENSION PLAN

In terms of IAS19, the group's retirement benefit plan is in an under-funded position of R48m (2021: R22m) and in terms of the approved accounting policy the full amount has been recognised in the statement of financial position in order to account for this liability. Further details are disclosed in note 25 of the financial statements.

RETIREMENT MEDICAL AID

This scheme is currently unfunded and the group has recognised its full past service liability in the statement of financial position at the actuarial valuation of R364m (2021: R368m). Further details are disclosed in note 25 of the financial statements.

FINANCIAL REVIEW (CONTINUED)

10. FINANCIAL RISKS

As in most companies, Umgeni Water is faced with financial risks that need to be effectively managed in order to ensure that any negative impact on the group's financial performance and position is minimised.

Credit risk remained one of the top strategic financial risks faced by the organisation. All customers assessed with a high credit risk with overdue amounts have been included in the allowance for credit losses. Processes are in place with monitoring at Accounting Authority level to manage this risk and the group will follow the necessary processes as legislated to allow for collection of the overdue amounts whilst managing the service delivery objectives.

The operating environment has been assessed and where municipal customers were considered an increase in credit risk exposure, these were provided for in terms of the potential impact on credit losses to the organisation.

The major financial risks to the organisation and the mitigating strategies are analysed in note 30 on financial risk management to the financial statements and the Corporate Risk Management Framework on pages 155 to 164 of the annual report.

11. LOOKING AHEAD

The organisation will continue with the strategic direction of enabled and innovative growth. The preservation and sustainability of financial resources available to fund the strategic objectives are crucial and dependent on robust financial systems and controls being implemented to prevent deviations from planned expenditure that could impact the financial viability of the organisation.

GROUP FIVE-YEAR KEY PERFORMANCE INDICATORS

	2022	2021 Restated	2020	2019	2018	2021-2022 Movement
	R'000	R'000	R'000	R'000	R'000	R'000
Performance criteria/indicators						
Total revenue (R'm)	4 909	4 528	4 154	3 538	2 904	8,42%
Profit from operations/revenue	0,19	0,23	0,26	0,32	0,34	(19,66%)
Total expenditure/revenue	0,75	0,74	0,70	0,63	0,60	1,42%
Cost of sales/revenue	0,40	0,39	0,36	0,39	0,41	1,39%
Capex spend (R'm) (including intangibles)	969	799	840	1 250	989	21,28%
Bulk water business segment						
Treated water volume sold (Kl'000)	562 483	548 547	509 217	471 801	434 568	2,54%
Raw water volume sold (Kl'000)	593	544	427	454	419	9,02%
Total water sold (kl'000)	563 076	549 091	509 644	472 255	434 987	2,55%
Bulk water tariff 1 - Other Water Service Authority customers (Rc/kl)	8,121	7,734	7,734	7,057	6,207	5,00%
Bulk water tariff 2 - Ethekwini MM (Rc/kl)	7,961	7,582	7,582	6,918	6,084	5,00%
Bulk water tariff 3 - KCDM (Rc/kl)	11,697	11,140	n/a	n/a	n/a	5,00%
WRC levy (Rc/kl)	0,067	0,067	0,067	0,065	0,065	-
Total bulk cost/volume sold (Rc/kl) ⁽¹⁾	5,58	5,41	5,02	4,24	3,63	-
Kl'000 sold per employee ⁽¹⁾	410	405	401	378	353	-
Operating risk indicators						
Working ratio	0,71	0,69	0,65	0,58	0,56	3,49%
<i>Operating costs (excl depreciation and amortisation) divided by revenue</i>						
Rate of return on assets	8,86%	10,31%	10,76%	11,48%	10,81%	(14,04%)
<i>Profit from operations divided by assets (excl investments)</i>						
Gross profit margin ratio	59,95%	60,50%	64,08%	61,48%	58,97%	(0,91%)
Debtors collection period (days) after provision for doubtful debts	61	56	59	57	47	8,93%
<i>Trade and other receivables (excluding amounts not recognised in revenue) divided by revenue (Incl VAT) x 365</i>						
Financial risk indicators						
Current ratio	6,56	4,88	2,61	2,72	2,55	34,47%
<i>Current assets divided by current liabilities</i>						
Interest cover before interest capitalised	7,22	6,40	5,63	5,77	4,83	12,83%
<i>Profit from operations divided by finance costs before interest capitalised</i>						
Debt: equity ratio	0,08	0,10	0,17	0,20	0,25	(11,52%)
<i>Total interest-bearing debt divided by capital and reserves</i>						
Debt :asset ratio	0,07	0,08	0,12	0,14	0,17	(9,57%)
<i>Total interest-bearing debt divided by total assets</i>						

⁽¹⁾ These indicators have been calculated using treated water volumes only.

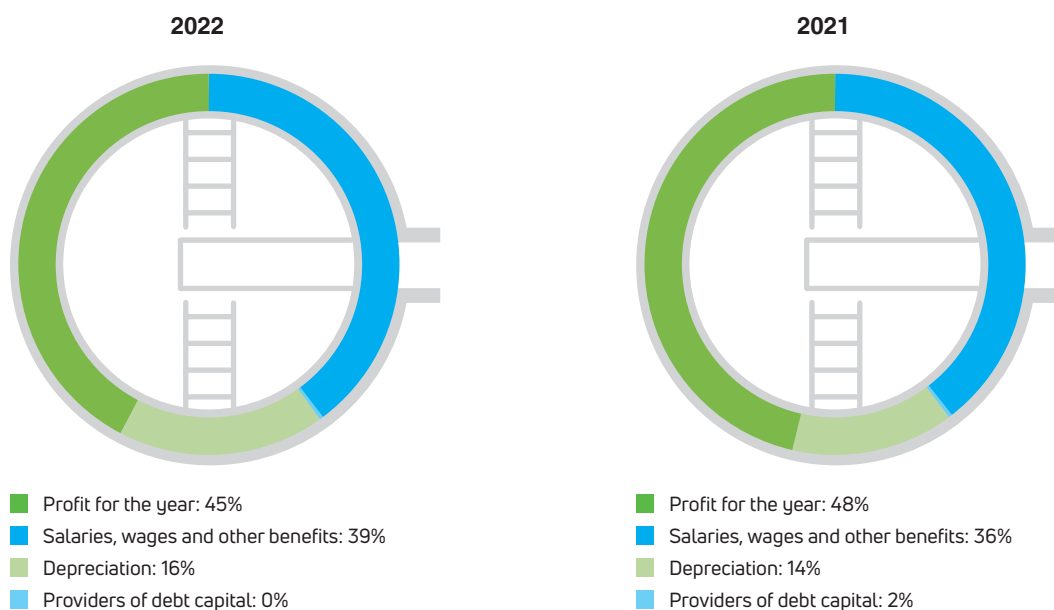
GROUP FIVE-YEAR KEY PERFORMANCE INDICATORS

	2022	2021 Restated	2020	2019	2018
	R'000	R'000	R'000	R'000	R'000
Financial position					
Capital and reserves	13 185 113	11 927 516	10 678 635	9 119 947	7 715 959
Net debt	(4 633 688)	(3 511 392)	(2 487 518)	(1 086 515)	(596 506)
Assets excluding investments	10 388 589	10 267 118	10 021 483	9 864 092	8 770 196
Total interest-bearing debt (nominal value)	1 108 387	1 133 226	1 762 668	1 792 900	1 871 912
Total investments	5 775 386	4 677 895	4 304 719	2 933 144	2 524 446
Total assets	16 163 975	14 945 013	14 326 202	12 797 236	11 294 642
Financial performance					
Revenue	4 909 454	4 528 237	4 154 375	3 538 457	2 903 723
Cost of sales	(1 966 084)	(1 788 513)	(1 492 279)	(1 363 161)	(1 191 532)
Gross Profit	2 943 370	2 739 724	2 662 096	2 175 296	1 712 191
Other income (expenses)	13 840	81 688	13 067	26 179	13 746
Other operating and administration expenses	(2 036 609)	(1 762 966)	(1 596 866)	(1 069 274)	(741 371)
Profit from operations	920 601	1 058 446	1 078 297	1 132 201	984 566
Net finance income	316 716	199 376	181 288	216 592	176 188
Share of profit from associate	4 088	4 853	5 441	5 664	5 285
Profit before taxation	1 241 405	1 262 675	1 265 026	1 354 457	1 166 039
Taxation	(42)	(23)	(31)	(106)	(76)
Profit for the year	1 241 363	1 262 652	1 264 995	1 354 351	1 165 963
Cash flow					
Net cash from operating activities	1 872 604	1 405 931	1 875 365	1 563 404	1 334 123
Net cash used in investing activities	(840 111)	(411 901)	(609 107)	(1 047 016)	(534 449)
Net cash generated (utilised)	1 032 493	994 030	1 266 258	516 389	799 674
Net cash used in financing activities	(1 006 216)	(973 376)	(1 332 307)	(455 651)	(798 499)
Net (decrease) increase for the year	(26 277)	(20 654)	66 049	(60 738)	(1 175)
Net cash (utilised) generated	(1 032 493)	(994 030)	(1 266 258)	(516 389)	(799 674)

VALUE ADDED STATEMENT

For the year ended 30 June 2022

	2022	2021	2020	2019	2018
	R'000	R'000	R'000	R'000	R'000
Gross revenue	4 909 454	4 528 237	4 154 375	3 538 457	2 903 723
Paid to suppliers for materials & services	(2 475 465)	(2 166 971)	(1 734 039)	(1 186 584)	(863 383)
Value added	2 433 989	2 361 266	2 420 336	2 351 873	2 040 340
Income from investments and customers	327 051	249 397	285 917	230 547	177 907
Total wealth created	2 761 040	2 610 663	2 706 253	2 582 420	2 218 247
Salaries, wages and other benefits	1 072 717	926 652	968 990	889 711	804 102
Providers of debt capital	10 335	50 021	104 629	13 955	1 719
Depreciation	436 625	371 338	367 639	324 403	246 464
Profit for the year	1 241 363	1 262 652	1 264 995	1 354 351	1 165 963
Total wealth distributed	2 761 040	2 610 663	2 706 253	2 582 420	2 218 247



EMPLOYEE STATISTICS

	2022	2021	2020	2019	2018	2021-2022 Movement
	R'000	R'000	R'000	R'000	R'000	R'000
Number of employees as at year-end	1374	1 355	1 273	1 250	1 231	1,40%
Gross revenue per employee	3 573	3 342	3 263	2 831	2 359	6,92%
Value added per employee	1 771	1 743	1 901	1 900	1 657	1,65%
Wealth created per employee	2 009	1 927	2 126	2 084	1 802	4,30%

STATEMENT OF DIRECTORS RESPONSIBILITIES AND APPROVAL OF THE FINANCIAL STATEMENTS

The Directors are responsible for the integrity, preparation and fair presentation of the annual financial statements of Umgeni Water and its subsidiaries (the group). The Directors are required by the Public Finance Management Act No.1 of 1999 to keep full and proper records of the financial affairs of the group and its performance against predetermined objectives at the end of the year.

The financial statements set out in this report have been prepared in accordance with International Financial Reporting Standards (IFRS) as approved by National Treasury in terms of section 79 of the Public Finance Management Act No.1 of 1999, as amended, and in the manner required by the Water Services Act No. 108 of 1997. The preparation of financial statements in conformity with IFRS requires management to consistently apply appropriate accounting policies, supported by reasonable and prudent judgements and estimates.

The Directors are also responsible for the oversight of the group's system of internal controls. To enable the directors to meet their responsibilities, the Board sets standards and management implement systems of internal control aimed at reducing the risk of error or loss in a cost-effective manner. These standards include policies, procedures, proper division of responsibilities within a clearly defined framework and effective accounting procedures to ensure an acceptable level of risk. Both management and internal audit monitor controls and actions are taken to correct deficiencies as they are identified.

The focus of risk management in the group is on identifying, assessing, managing and monitoring all known forms of risk across the group. While operating risks cannot be fully eliminated, the group strives to minimise these risks by ensuring that appropriate infrastructure, controls, systems and ethical behavior are applied and managed within predetermined procedures and constraints.

The external auditor is responsible for independently auditing and expressing an independent opinion on the financial statements in accordance with International Standards on Auditing, the Public Audit Act No. 25 of 2004, Public Finance Management Act No.1 of 1999 and the Companies Act No. 71 of 2008. The entity's external auditor, Auditor-General of South Africa, has audited the financial statements after having been provided unrestricted access to all financial records and related data. The Directors believe that all representations made to the external auditor during the audit were valid, appropriate and complete.

Apart from the non-compliance to legislation noted in the SCM processes resulting in irregular expenditure, nothing significant has come to the attention of the Directors to indicate that any material breakdown in the functioning of controls, procedures and systems has occurred during the year under review. The Directors are of the opinion, based on the information and explanations given by management, the internal auditors and the external auditors, that the systems of internal control provide reasonable assurance that the financial records may be relied on for the preparation of the consolidated financial statements and that accountability for assets and liabilities is maintained.

The Audit Committee has evaluated Umgeni Water and the group's financial statements and has recommended its approval to the Directors. The Audit Committee's approval is set out on page 185.

The Directors have reviewed the group's forecast financial performance for the year to 30 June 2023 as well as the longer term business plans and, in light of this review and the current financial position, they are satisfied that the group has access to adequate resources to continue as a going concern for the foreseeable future. The Directors have considered the impact of COVID-19, the July 2021 civil unrest and the April 2022 floods in their review which has not negatively impacted on the financial sustainability of the organisation. Any increase in credit risk has been adequately taken into account in the allowance for credit losses.

In the opinion of the Directors, based on the information available to date, the financial statements fairly present the financial position of Umgeni Water and the group as at 30 June 2022 and the results of its operations and cash flow information for the year then ended.

PREPARATION AND APPROVAL OF FINANCIAL STATEMENTS

The financials have been prepared on a going concern basis under the supervision of the Group Chief Financial Officer, Mr Thamsanqua Mkhwanazi CA (SA). The financial statements set out on pages 198 to 268 were approved by the Accounting Authority on 16 November 2022.



Ms. Ziphozethu Mathenjwa
Chairperson of the Board



Dr Siphon Manana
Acting Chief Executive

REPORT OF THE AUDIT COMMITTEE

REPORT OF THE AUDIT COMMITTEE IN TERMS OF REGULATION 27.1 OF THE PUBLIC FINANCE MANAGEMENT ACT NO. 1 OF 1999, AS AMENDED

The Audit Committee has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter, and has discharged all of its responsibilities contained therein.

The Debt Officer for the period ending 30 June 2022 was Mr. Thamsanqua Mkhwanazi CA (SA).

In the conduct of its duties, the Audit Committee has, inter alia, conducted the following oversight functions:

Financial and non-financial reporting and disclosures

- The adequacy, reliability and accuracy of financial information provided by management;
- the experience, expertise and resources of the Chief Financial Officer and the finance function;
- considered whether the annual financial statements met the fair presentation requirements of the PFMA and International Financial Reporting Standards;
- considered management's assessment of the impact of COVID-19 on the going-concern and the impairment assessments of non-financial and financial assets;
- considered the appropriateness of key judgements, estimates and accounting treatment related to significant transactions in the annual financial statements;
- The committee acknowledged that improvement is required in respect of compliance with applicable laws and regulations. In line with the Board's commitment to ensure proper governance protocols, all of the recommendations in the Auditor-General's report are being implemented so that the governance vision and objectives set by the Board are achieved. Additional legal support being received will strengthen measures already implemented to address the issue of irregular expenditure and consequence management thereof.

Internal control, risk management and compliance with legal and regulatory provisions:

- The effectiveness of the internal control systems;
- the risk areas of the entity's operations covered in the scope of internal and external audits;
- the effectiveness of the system of and process of risk management including the following specific risks:
 - financial reporting;
 - internal financial controls;
 - fraud risks relating to financial reporting; and
 - information technology risks relating to financial reporting;
- the effectiveness of the entity's compliance with legal and regulatory provisions.

Internal and external audit:

- Accounting and auditing concerns identified as a result of internal and external audits;
- the effectiveness of internal audit;
- the activities of internal audit, including its annual work programme, co-ordination with the external auditor, the reports of significant investigations and the responses of management to specific recommendations; and
- the independence and objectivity of the external auditor, the Auditor General.

The Audit Committee is of the opinion, based on the information and explanations given by management and internal audit and discussions with the independent external auditors on the result of their audits, that:

- The internal accounting controls are adequate to ensure that the financial records may be relied upon for preparing the financial statements, and accountability for assets and liabilities is maintained;
- the expertise, resources and experience of the Chief Financial Officer and the finance function are adequate;
- the system and process of risk management and compliance processes are adequate;
- the effectiveness of the combined assurance function is adequate and the internal audit charter was approved by the audit committee and
- is satisfied with the independence and objectivity of the external auditors.

REPORT OF THE AUDIT COMMITTEE (CONTINUED)

REPORT OF THE AUDIT COMMITTEE IN TERMS OF REGULATION 27.1 OF THE PUBLIC FINANCE MANAGEMENT ACT NO. 1 OF 1999, AS AMENDED

Nothing significant has come to the attention of the Audit Committee to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review. The Audit Committee is satisfied that the financial statements are based on appropriate accounting policies, supported by reasonable and prudent judgments and estimates.

In line with the principles of combined assurance as outlined in King IV report on corporate governance, Umgeni Water has developed a combined assurance model which provides a coordinated approach to all assurance activities.

The Audit Committee has evaluated the financial statements of Umgeni Water and the group for the year ended 30 June 2022 and, based on the information provided to the Audit Committee, considers that they comply, in all material respects, with the requirements of the Public Finance Management Act No. 1 of 1999, as amended, and International Financial Reporting Standards. The Audit Committee concurs with the Accounting Authority that the adoption of the going concern premise in the preparation of the financial statements is appropriate. The Audit Committee has therefore recommended, at their meeting held on 09 November 2022 the adoption of the financial statements by the Accounting Authority.



.....
Mr S. Shabalala

Audit Committee Chairperson

DIRECTORS' REPORT

In terms of the Public Finance Management Act No. 1 of 1999, as amended, the Board of Umgeni Water is the Accounting Authority. The Board presents their report for the year ended 30 June 2022.

NATURE OF BUSINESS

Umgeni Water is a state owned business enterprise, established in 1974 to supply potable water in bulk to municipalities within its operational area. Umgeni Water defines its activities in line with the Water Services Act No. 108 of 1997.

The primary activities in terms of section 29 of the Act is to provide water services (potable bulk water supply and bulk sanitation services) to other water services institutions within its area of operation.

In terms of section 30 of the Water Services Act, Umgeni Water also engages in other services that complement bulk water service delivery such as laboratory services, water quality monitoring, environmental management and also provides other support services to water services institutions in order to promote co-operation in the provision of water services.

COMPLIANCE WITH LEGISLATION

The financial statements are prepared in accordance with International Financial Reporting Standards, approved by National Treasury in terms of section 79 of the Public Finance Management Act No. 1 of 1999, as amended, as well as the application of Directive 12 – The Selection of an Appropriate Accounting Framework for Entities as issued by the Accounting Standards Board and the following relevant statutes:

- Water Services Act No. 108 of 1997;
- Public Finance Management Act No. 1 of 1999, as amended (PFMA);
- Public Audit Act, 25 of 2004;

Umgeni Water is not required and has not fully complied with the provisions of the Companies Act No 71 of 2008, as amended. The organisation has, however, incorporated into its processes some aspects of the Act that relate to the accounting records, financial statements and other ancillary matters which may have an impact on the annual financial statements.

GOVERNANCE, COMPLIANCE AND RISK MANAGEMENT

The Board supports the Code of Governance Principles as set out in King IV (King IV). The organisation's policies, procedures and processes are continuously reviewed to ensure alignment with King IV and the Board provides the required oversight and is pleased with the commitment that prevails at all spheres of the organisation in as far as compliance with King IV applicable legislations and regulations is concerned. Where the organisation has not fully complied with a certain principle of King IV applicable legislation or regulation, a rational reason and explanation for such deviation exists and is provided where required.

The Board is responsible for monitoring the risk management process. For further details on corporate governance and risk management, refer to the section on corporate governance detailed on pages 42 to 53 and risk management on pages 155 to 164.

The Board of Umgeni Water will continue to ensure there is full compliance with legislation that seeks to curb wasteful, irregular and fruitless expenditure and promotes good governance. The irregular expenditure identified in the Auditor-General's findings in the prior year pertained to contract variations and changes to scope of works that were apparently not approved by the National Treasury, as required by Instruction Note 3 of 2016/17, and where applicable by other appropriately delegated persons. Investigations conducted in response to the Auditor-General's findings and in terms of the National Treasury Framework for irregular, fruitless and wasteful expenditure have made good progress in unravelling some of the details pertaining to non-compliance regarding approvals and accompanying possible transgressions of the Public Finance Management Act.

The Board is at a stage now where intense examination of these matters has separated possible common errors or deficiencies from issues that could potentially form the basis for disciplinary action and consequence management, including where possible institution of legal action for recovery of monies. During the reporting period, corrective action has been taken against a number of officials for reasons as recommended by investigations conducted and this process is on-going until all identified action against relevant individuals have been taken. This teasing out of issues creates a clearer picture about what motivations are to be made in terms of the National Treasury Framework for condonation. Amendments to the Public Audit Act No 25 of 2004 have become an important guide in assisting the Board through this process.

SHARE CAPITAL AND DIRECTORS' INTERESTS

The entity has no share capital and therefore no director has any equity interest in the organisation.

DIRECTORS' REPORT (CONTINUED)

DIRECTORATE

The Board as constituted during the year under review is set out on pages 54 to 57 of the annual report. Members of the Board and Executive Committee's emoluments are disclosed in note 34 of the financial statements the remuneration report on pages 266 to 267 in terms of regulation 28.1 of the PFMA.

COMPANY SECRETARY AND REGISTERED ADDRESS

The Group Company Secretary, Mr Sbusiso Madonsela, was re-appointed on 1 January 2022.

The registered address of the Group Company Secretary and that of the registered office during the current financial year are as follows:

Business address	Postal address
310 Burger street Pietermaritzburg 3201	PO Box 9 Pietermaritzburg 3200

sbusiso.madonsela@umgeni.co.za

AUDITORS

The Auditor General of South Africa will continue to conduct external audit services to Umgeni Water for the next financial year.

PRICING POLICY

Section 34 of the Water Services Act No. 108 of 1997 states that the water tariff must 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 (including subsidies) over time; and
- reasonable provision for future capital requirements and expansion.

Thus in setting its pricing policy Umgeni Water has committed to the following underlying principles:

- 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; and
- the solvency and sound financial management of Umgeni Water.

In implementing the pricing policy Umgeni Water uses a 30-year tariff model which is based on the cash flow methodology underpinned by a financially viable tariff. As a result of this cash flow methodology the organisation is able to manage its debt level which is the ultimate output of this model.

The annual tariff review process is carried out in terms of the requirements of Section 42 of the Municipal Finance Management Act No.56 of 2003 and Circular 23 issued by National Treasury. This process encompasses the principle of consultation and transparency and aims to assist Umgeni Water's stakeholders with their long term planning.

Umgeni Water bulk water tariff increase for 2022/2023 effective 1 July 2022 has been approved at 3% for all Water Service Authorities. The directors, after full analysis of its projected cash flows including the revision of the five-year capital expenditure programme together with prudent management of controllable operating costs, are of the opinion that the tariff for 2022/2023 will not adversely affect Umgeni Water's gearing levels or its financial sustainability.

DIRECTORS' REPORT (CONTINUED)

	2021	2022	2023
	R/KI	R/KI	R/KI
Bulk Tariff 1: Water Service Authorities			
Base tariff	R 7.734	R 7.734	R8.121
Tariff increase	R0.000	R0.387	R0.244
Umgeni Water bulk tariff	R 7.734	R8.121	R8.365
<i>% increase</i>	<i>0.0%</i>	<i>5.0%</i>	<i>3.0%</i>
Capital unit charge Spring Grove dam*	R1.498	R1.628	R0.000
Mkomazi bulk water supply charge*	R0.155	R0.162	R0.167
New Tariff	R9.387	R9.911	R8.532
<i>% increase</i>	<i>0.0%</i>	<i>5.6%</i>	<i>(13.9%)</i>
Bulk Tariff 2: eThekweni Metropolitan Municipality			
Base tariff	R6.918	R 7.582	R 7.961
Tariff increase	R0.664	R0.379	R0.239
Umgeni Water bulk tariff	R 7.582	R 7.961	R8.200
<i>% increase</i>	<i>0%</i>	<i>5.0%</i>	<i>3.0%</i>
Capital unit charge Spring Grove dam*	R1.498	R1.628	R0.000
Mkomazi bulk water supply charge*	R0.152	R0.159	R0.164
New Tariff	R9.232	R9.748	R8.364
<i>% increase</i>	<i>0.0%</i>	<i>5.6%</i>	<i>(14.1%)</i>
Bulk Tariff 3: King Cetshwayo District Municipality			
Base tariff	R11.140	R11.140	R11.697
Tariff increase	-	R0.557	R0.351
Umgeni Water bulk tariff	R11.140	R11.697	R12.048
<i>% increase</i>	<i>n/a new customer</i>	<i>5.0%</i>	<i>3.0%</i>

* Not applicable to King Cetshwayo District Municipality as these systems are not within customer operational areas.

DIRECTORS' REPORT (CONTINUED)

FINANCIAL PERFORMANCE

The current year was characterised by several economic events with the continuation of the COVID-19 pandemic; the July 2021 civil unrest and April 2022 floods which have all been managed in line with the business continuity plans of the organisation. The COVID-19 pandemic and July 2021 civil unrest did not significantly impact on the operations and all impacts relating to the April 2022 floods were taken into account in the financial statements up until the approval date of the financial statements. The group profits for the year have decreased by 1.7%, which totalled R1 241m (2021: R1 263m). Bulk water revenue grew by 8.2% as a result of the 2.5% growth in bulk water sales volumes combined with the 5% bulk water tariff increase, whilst bulk water direct operating costs increased by 9.9%. This was mainly due to the increases in chemical costs directly associated with the quality of water impacted on by the floods and staff costs due to increases in the establishment combined with the annual wage increases and performance incentives. Total other operating and administrative expenses increased by 15.5% mainly as a result of increases in asset impairments, asset write-offs and credit losses.

Impairments of property, plant and equipment totalled R222m (2021: R184m) whilst asset write-offs totalled R148m (2021: R15m). Impairment of buildings and infrastructure was R14m (2021: R66m) while impairment of projects included in capital work in progress were R208m (2021: R118m). Refer to note 2 of the financial statements for further details on impairments.

Operating cash flows were R1 873m (2021: R1 406m), an increase of 33% year on year. Net cash used in investing activities was R840m (2021: R412m) after the receipt of rural bulk infrastructure grants of R200m (2021: R383m) and net cash used in financing activities was R1 006m (2021: R973m).

During the year capital expenditure including intangible assets totalled R1 050m (2021: R802m). The group's capital commitments are set out in note 9.1. of the financial statements and the funding thereof is discussed in the financial review on page 177.

Loan covenants remain un-breached at financial year end and Umgeni Water remained within its approved borrowing limits of R1 400m. The main loan covenant triggers are: reductions in operating profits; operating cash flows; and accumulated profits and increases in gross borrowings and finance costs. None of these were in the proximity of triggering any breaches in loan covenants for the period under review. Further details on the loan covenants and debt management are included in note 30.1.2. to the financial statements.

Full details of the financial results of the group and company are set out in the financial statements and summarised in the financial review on pages 168 to 179.

SUBSIDIARY AND ASSOCIATE COMPANIES

Umgeni Water is the sole shareholder of Umgeni Water Services SOC Limited and Msinsi Holdings SOC Limited.

There were no changes to subsidiary and associate companies during the year. Further details are set out in note 13 of the financial statements.

EVENTS AFTER THE REPORTING PERIOD

There were no significant events that have taken place from the reporting date to the date of approval of the consolidated annual financial statements.

GOING CONCERN

The directors, having considered all the relevant information, have satisfied themselves that the group is in a sound financial position, it has sufficient liquidity and that it has adequate access to sufficient borrowing facilities to meet its foreseeable cash requirements. There are no indicators that COVID-19 and the KZN floods in April 2022 have negatively impacted on the financial sustainability of the organisation. There are adequate resources to continue operating for the foreseeable future and it is therefore appropriate to adopt the going concern basis in preparing the financial statements. The Executive Authority has indicated his intention to proceed with the Institutional re-alignment for the Water Boards, that was previously reported with regards to a merger of Umgeni Water and Mhlathuze Water. This is not expected to have an impact on the ability of Umgeni Water to continue in operation as a going concern in the next twelve months.

DIRECTORS' REPORT (CONTINUED)

INFORMATION REQUIRED BY THE PUBLIC FINANCE MANAGEMENT ACT NO.1 OF 1999, AS AMENDED

MATERIALITY FRAMEWORK

In terms of Section 28.3.1 of the regulations of the PFMA, for the purposes of materiality and significance, the accounting authority has developed and agreed a framework of acceptable levels of materiality and significance established at 0.5% of gross revenue which equates to R24.5m (2021: R22.6m). Management also apply a qualitative aspect to all errors found.

FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure incurred for the year was R7.4m (2021: R7.4m) which arose primarily from interest on late payments. Further details are set out in note 29 of the financial statements.

IRREGULAR EXPENDITURE

Irregular expenditure incurred during the year totalled R534.9m (2021: R465.6m) which arose due to, non-compliance with legislation relating to deviations, procurement procedures and contract management. Irregular expenditure incurred and relating to the current year contracts totalled R139.1m (2021: R190.9m), whilst irregular expenditure incurred in the current year but relating to prior year contracts was R395.8m (2021: R319.9m). Management has instituted preventative and corrective measures as considered appropriate to improve controls and processes. Further details are set out in note 28 of the financial statements.

FRAUD & FINANCIAL MISCONDUCT

There were allegations of possible fraud; corruption and financial misconduct in the current financial year. These came through the whistle-blowers hotline as well as through the media reports and other written communication addressed to the Board. The Board, through its structures – notably the Social and Ethics Committee, have overseen that investigations into these allegations are instituted, concluded and reported on to the Board timeously. As a standing protocol, once the investigations are concluded the necessary corrective actions must be implemented to ensure that any fraud; corruption and financial misconduct is dealt with in accordance with the relevant legislation and policies of the group, including legal action for recovery of monies where possible. Further details relating to the Board's commitment to good governance relating to the non-compliance matters are included in the governance and risk management section of this report.

PERFORMANCE AGAINST FINANCIAL TARGETS (PARENT ONLY)

The performance of Umgeni Water against the key financial indicators as agreed in the shareholder's compact is illustrated on pages 75 to 83 of the annual report.

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON UMGENI WATER AND ITS SUBSIDIARIES

Report on the Audit of the Consolidated and Separate Financial Statements

Opinion

1. I have audited the consolidated and separate financial statements of Umgeni Water and its subsidiaries (the group) set out on pages 198 to 268, which comprise the consolidated and separate statement of financial position as at 30 June 2022, the consolidated and separate statement of financial performance and other comprehensive income, statement of changes in equity, and statement of cash flows for the year then ended, as well as notes to the consolidated and separate financial statements, including a summary of significant accounting policies.
2. In my opinion, the consolidated and separate financial statements present fairly, in all material respects, the financial position of the group as at 30 June 2022, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No.1 of 1999)(PFMA).

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the consolidated and separate financial statements section of my report.
4. I am independent of the group 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.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key audit matters

6. Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the consolidated and separate financial statements for the current period. These matters were addressed in the context of my audit of the consolidated and separate financial statements as a whole and in forming my opinion, and I do not provide a separate opinion on these matters.

KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN THE AUDIT
<p>Material impairment of infrastructure assets</p> <p>Included in note 9 to the consolidated and separate financial statements were material impairments of R222.20 million (2020-21: R184.32 million) that were raised on significant water infrastructure assets for Umgeni Water. These assets are subject to annual impairment assessments which require significant judgement.</p> <p>The value in use method of valuation is applied to determine the recoverable amount of the water infrastructure assets, which makes use of the future estimated cash flows and other assumptions to determine the recoverable amount.</p> <p>The expected performance of these assets is based on the sales volume demand and the operating cost structure.</p> <p>Key assumptions include the discount rate (gross weighted average cost of capital), cash flows and sales volume demand for significant water infrastructure assets.</p> <p>Future cash flows are estimated and projected over the expected useful life of the assets to reflect the long-term plans for Umgeni Water using key economic indicators such as consumer price inflation, producer price inflation and energy costs.</p>	<p>I obtained an understanding of the process for impairment and the key assumptions and estimates used by management in determining the recoverable amounts.</p> <p>This included testing the reasonableness of the discount rates, cash flows, assets' useful lives as well as other management estimates used in the calculation. The forecasted inputs were assessed to determine whether they were consistent with inputs and judgements included in the rest of the business, including management's forward-looking corporate plan.</p> <p>The completeness of the information supporting the assumptions and estimates was assessed and it was confirmed that assessments were carried out for all infrastructure assets where there was a possibility of reduced cash flows.</p> <p>Having performed an independent assessment of estimates, budgets and calculations, the assumptions and resulting valuations were found to be reasonable.</p>

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON UMGENI WATER AND ITS SUBSIDIARIES (CONTINUED)

Report on the Audit of the Consolidated and Separate Financial Statements (continued)

Emphasis of matter

7. I draw attention to the matter below. My opinion is not modified in respect of this matter.

Material impairments

8. As disclosed in note 16.1 to the consolidated and separate financial statements, material impairments of R451.80 million (2020-21: R174.39 million) were raised by Umgeni Water on trade and other receivables due to debtors not being able to settle outstanding amounts.

Responsibilities of the accounting authority for the consolidated and separate financial statements

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

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

11. My objectives are to obtain reasonable assurance about whether the consolidated and separate 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 consolidated and separate financial statements.
12. A further description of my responsibilities for the audit of the consolidated and separate financial statements is included in the annexure to this auditor's report.

Report on the Audit of the Annual Performance Report

Introduction and scope

13. In accordance with the Public Audit Act of South Africa 2004, (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for selected objective presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.
14. 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.
15. 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 strategic objective 8 – improve product and service quality, presented in the entity's annual performance report for the year ended 30 June 2022.

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON UMGENI WATER AND ITS SUBSIDIARIES (CONTINUED)

Report on the Audit of the Annual Performance Report (continued)

Introduction and scope (continued)

16. 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.
17. I did not identify any material findings on the usefulness and reliability of the reported performance information for the selected strategic objective.

Other matter

18. I draw attention to the matter below.

Achievement of planned targets

19. The annual performance report on pages 75 to 83 includes information on the achievement of planned targets for the year.

Report on the Audit of Compliance with Legislation

Introduction and scope

20. 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.
21. The material findings on compliance with specific matters in key legislation are as follows:

Financial statements

22. The financial statements submitted for auditing was not prepared in accordance with IFRS, as required by section 55(1)(b) of the PFMA. Material misstatements of disclosures identified by the auditors in the submitted financial statements were corrected, resulting in the financial statements receiving an unqualified audit opinion.

Expenditure management

23. Effective and appropriate steps were not taken to prevent irregular expenditure of R534.96 million disclosed in note 28 to the financial statements, as required by section 51(1)(b)(ii) of the PFMA. The majority of the irregular expenditure was caused by contract extensions not approved by the appropriate delegated authority.
24. Effective and appropriate steps were not taken to prevent fruitless and wasteful expenditure of R7.36 million disclosed in note 29 to the financial statements, as required by section 51(1)(b)(ii) of the PFMA. The majority of the fruitless and wasteful expenditure was caused by interest incurred due to late payments to suppliers.

Consequence management

25. Disciplinary steps were not taken against some of the officials who had incurred and/or permitted irregular expenditure, as required by section 51(1)(e)(iii) of the PFMA.

Procurement and contract management

26. Some of the tenders which failed to achieve the minimum qualifying score for functionality criteria were not disqualified as unacceptable in accordance with 2017 Preferential Procurement Regulation 5(6). Similar non-compliance was also identified in the prior year.

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON UMGENI WATER AND ITS SUBSIDIARIES (CONTINUED)

Report on the Audit of Compliance with Legislation (continued)

Other information

27. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report, which includes the governance reports, directors report and the report of the audit committee. The other information does not include the consolidated and separate financial statements, the auditor's report and the selected objective presented in the annual performance report that has been specifically reported in this auditor's report.
28. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion on it.
29. 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 consolidated and separate financial statements and the selected objective presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
30. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, and if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

Internal control deficiencies

31. I considered internal control relevant to my audit of the consolidated and separate financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on compliance with legislation included in this report.
32. The accounting authority of Umgeni Water did not ensure that action plans were implemented to address previous findings on compliance with legislation, with regard to preparation of financial statements, procurement and investigations into prior year transgressions.

Material irregularities

33. In accordance with the PAA and the Material Irregularity Regulations, I have a responsibility to report on material irregularities identified during the audit and on the status of the material irregularities reported in the previous year's auditor's report.

Material irregularities identified during the audit

34. The material irregularities identified are as follows:

Payment for consultancy services not received

35. A tender for R338.10 million was awarded on the 20 May 2020 to a supplier for social facilitation. Officials of Umgeni Water then accepted invoices submitted by the supplier and processed payments to the supplier without proof of services having been received by the entity. This amounted to an uneconomical use of the entity's resources by the responsible officials in contravention of section 57(b) of the PFMA.
36. The non-compliance resulted in a likely cumulative financial loss of R92.95 million as at 30 June 2022. The accounting authority was notified of the material irregularity on 3 December 2021 and invited to make a written submission on the actions taken or to be taken to address the matter.
37. The accounting authority responded on the 14 March 2022 by disagreeing with the fact that there were any losses incurred on the contract as the accounting authority maintained that goods and services had been received.
38. I referred the material irregularity to the Special Investigating Unit for investigation as provided for in section 5(1A) of the PAA. The SIU completed their assessment of the matter and submitted a motivation on 3 October 2022 to the Department of Justice and Constitutional Development for consideration and the issuing of a Presidential Proclamation to investigate the matter. I will follow up on the status of the matter during the next audit.

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON UMGENI WATER AND ITS SUBSIDIARIES (CONTINUED)

Material irregularities (continued)

Invalid payments for security services

39. Umgeni Water entered into a security contract with a security service provider on 26 November 2018. Umgeni Water further entered into an addendum with the service provider on 25 January 2019. Officials of Umgeni Water accepted invoices and processed payments to the amount of R14.10 million to the supplier without adequate verification of supporting documentation. This resulted in the uneconomical use of the entity's resources by the responsible officials, in contravention of section 57(b) of the PFMA.
40. The non-compliance resulted in a likely material financial loss of R3.41 million for Umgeni Water if the losses are not recovered from the supplier. The accounting authority was notified of the material irregularity on 31 January 2022 and invited to make a written submission on the actions taken or to be taken to address the matter.
41. The accounting authority responded on the 28 February 2022 by disagreeing that there were any losses incurred on the contract as the accounting authority maintained that payments made to the security service provider were based on valid charges.
42. I referred the material irregularity to the SIU for investigation as provided for in section 5(1A) of the PAA. The SIU completed their assessment of the matter and submitted a motivation on 3 October 2022 to the Department of Justice and Constitutional Development for consideration and the issuing of a Presidential Proclamation to investigate the matter. I will follow up on the status of the matter during the next audit.

Overpayment of lease rentals

43. Umgeni Water entered into a lease agreement in March 2017 with a supplier for pipe-storage. This lease commenced six months before the contract was concluded with the supplier. In addition, the lease agreement was for 12.5 hectares of land but what was actually received for use by Umgeni Water was 1.5 hectares being the full size of leased land.
44. Officials of Umgeni Water approved and paid invoices for the lease rentals for six months prior to the commencement of the main contract and based on a lease agreement of 12.5 hectares of land without confirming if the entity received usage of land of that size. This resulted in the uneconomical use of the entity's resources by the responsible officials, in contravention of section 57(b) of the PFMA.
45. The non-compliance is likely to result in a material financial loss of R3.04 million for Umgeni Water if the losses are not recovered from the contractor. The accounting authority was notified of the material irregularity on 3 December 2021 and invited to make a written submission on the actions taken or to be taken to address the matter.
46. The following action has been taken to resolve the material irregularity:
- Management appointed an independent investigator to review all aspects of the contract and related lease payments. The investigators recommended legal action against the persons identified in the irregularity to recover the losses incurred.
 - The accounting authority has appointed attorneys to pursue legal action against the persons involved and to recover the financial losses.
47. I will follow up on the implementation of the planned actions during my next audit.

Interest incurred on late payment to a supplier

48. Umgeni Water awarded tender number 2013/032 for R242.74 million to a supplier. Management did not comply with section 51(1)(a)(i) of the PFMA, by maintaining effective systems over the payment certificates and variation orders relating to the tender resulting in late payments and irregular expenditure.
49. On the 10 November 2021 the Pietermaritzburg High Court ordered Umgeni Water to pay interest of R5.61 million to the supplier. The order was by consent and not defended by Umgeni Water. As a result of the non-compliance, Umgeni Water has suffered a financial loss of R5.61 million.
50. The accounting authority was notified of the material irregularity on 30 September 2022 and invited to make a written submission on the actions taken or to be taken to address the matter.

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON UMGENI WATER AND ITS SUBSIDIARIES (CONTINUED)

Material irregularities (continued)

Interest incurred on late payment to a supplier (continued)

51. The accounting authority responded on the 21 October 2022 with the following actions being taken to resolve the material irregularity:
- The accounting authority has investigated the circumstances surrounding the late payments to the supplier and determined that the interest was incurred due to delays in approval of variation orders by the National Treasury.
 - The accounting authority has approved revised delegations in terms of National Treasury instruction note 3 of 2021-22 to ensure that variation orders are timeously approved.
52. I will follow up on the implementation of the planned actions during my next audit.

Material irregularity in progress

53. I identified a material irregularity during the audit and notified the accounting authority of this, as required by material irregularity regulation 3(2). By the date of this auditor's report, I had not yet completed the process of evaluating the responses from the accounting authority. This material irregularity will be included in the next year's auditor's report.

Status of previously reported material irregularities

Award to incorrect supplier on tender number 2015/220

54. An award of R85.96 million was made in January 2017 to a supplier who was incorrectly evaluated in terms of regulation 10(2) of the Preferential Procurement Regulations of 2011. The non-compliance resulted in a material financial loss of R3.56 million as the supplier's price was higher than the price submitted by the highest scoring bidder.
55. The accounting officer was notified of the material irregularity on 17 March 2021. The following actions have been taken to address the material irregularity:
- A preliminary investigation was concluded in April 2021 by an independent firm appointed by the accounting authority to investigate the irregularities in the contract award as well as the incorrect evaluation thereof.
 - The investigation concluded that the award was irregular and that action should be taken against members present when the tender was evaluated. Based on the outcome of the investigation and the resulting recommendations, the accounting authority appointed a legal firm to conduct a multi-disciplinary investigation into the award and provide legal advice pertaining to the findings made.
 - The second investigation was concluded in November 2021 and management have implemented the actions recommended by the investigators.
56. The material irregularity is resolved.

Other reports

57. In addition to the investigations relating to material irregularities, I draw attention to the following engagements conducted by various parties which had, or could have, an impact on the matters reported in the entity's financial statements, reported performance information, compliance with applicable legislation and other related matters. These reports did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.

Investigations

58. The SIU is investigating alleged irregularities in the management of the affairs of Umgeni Water, which covers the period 2012 to 2019. These investigations were still in progress at the date of this report.
59. The accounting authority requested an independent investigation by a private firm during the year relating to allegations of misconduct related to procurement and contract management. This investigation was still in progress at the date of this report.

Auditor-General

Pietermaritzburg
17 November 2022



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 consolidated and separate financial statements and the procedures performed on reported performance information for selected objective 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 consolidated and separate financial statements as described in this auditor's report, I also:
 - identify and assess the risks of material misstatement of the consolidated and separate 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 Umgeni Water and its subsidiaries 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.
5. From the matters communicated to those charged with governance, I determine those matters that were of most significance in the audit of the consolidated and separate financial statements for the current period and are therefore key audit matters. I describe these matters in this auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in this auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest of such communication.

STATEMENTS OF PROFIT AND LOSS

For the year ended 30 June 2022

	Note	Group		Parent	
		2022	2021 Restated	2022	2021 Restated
		R'000	R'000	R'000	R'000
Revenue	4	4 909 454	4 528 237	4 895 407	4 515 189
Cost of sales	6.1	(1 966 084)	(1 788 513)	(1 966 084)	(1 788 513)
Gross profit		2 943 370	2 739 724	2 929 323	2 726 676
Other income	5	13 840	81 688	13 632	82 104
Other operating and administration expenses		(2 036 609)	(1 762 966)	(2 036 129)	(1 767 744)
Profit from operations	6.1	920 601	1 058 446	906 826	1 041 036
Net finance income		316 716	199 376	315 725	199 017
Interest income	7	327 051	249 397	325 667	248 889
Finance costs	8	(10 335)	(50 021)	(9 942)	(49 872)
Share of profit from associate	13	4 088	4 853	-	-
Profit before taxation		1 241 405	1 262 675	1 222 551	1 240 053
Taxation	6.2	(42)	(23)	-	-
Profit for the year		1 241 363	1 262 652	1 222 551	1 240 053

STATEMENTS OF OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2022

	Group		Parent	
	2022	2021 Restated	2022	2021 Restated
	R'000	R'000	R'000	R'000
Profit for the year	1 241 363	1 262 652	1 222 551	1 240 053
Other comprehensive income:				
Items that will not be reclassified to profit and loss:				
Remeasurement of gains and losses - retirement plans	16 234	(13 771)	16 234	(13 771)
Total comprehensive income for the year	1 257 597	1 248 881	1 238 785	1 226 282

STATEMENTS OF FINANCIAL POSITION

For the year ended 30 June 2022

	Note	Group		Parent	
		2022	2021 Restated	2022	2021 Restated
		R'000	R'000	R'000	R'000
ASSETS					
Non-current assets		9 183 216	9 148 204	9 156 814	9 121 735
Property, plant and equipment	9	8 987 543	8 828 820	8 970 671	8 812 168
Investment property	10	-	-	8 696	8 918
Intangible assets	11	148 988	206 132	148 565	206 018
Biological assets	12	3 415	3 130	-	-
Investment in associate	13.2	10 031	10 858	-	-
Trade and other receivables	16.2	28 458	94 392	28 151	94 169
Right of use assets	23.1	4 781	4 872	731	462
Current assets		6 980 211	5 794 942	6 920 142	5 752 775
Investments - financial assets	14	5 775 386	4 677 895	5 775 386	4 677 895
Inventories	15	26 081	22 155	26 081	22 155
Trade and other receivables	16.1	1 111 032	1 053 458	1 110 874	1 052 522
Bank and cash	17	67 712	41 434	7 801	203
Non-current assets held for sale	9.2	548	1 867	548	1 867
Total assets		16 163 975	14 945 013	16 077 504	14 876 377
EQUITY AND LIABILITIES					
Capital and reserves		13 185 113	11 927 516	13 099 688	11 860 903
Capital	18	442 847	442 847	442 847	442 847
Other comprehensive income reserve		416 876	400 642	416 876	400 642
Accumulated profit		12 325 390	11 084 027	12 239 965	11 017 414
Non-current liabilities		1 915 102	1 829 960	1 911 657	1 826 375
Debt - financial liabilities	19	1 083 548	1 108 387	1 083 548	1 108 387
Contract liabilities	20.1	400 097	314 365	400 097	314 365
Provisions	21	23 469	20 158	23 469	20 158
Lease liability	23.1	3 865	3 873	420	288
Post-retirement benefit obligations	25	393 298	371 817	393 298	371 817
Five-year long service benefit	26	10 825	11 360	10 825	11 360
Current liabilities		1 063 760	1 187 537	1 066 159	1 189 099
Debt - financial liabilities	19	58 150	58 116	58 150	58 116
Provisions	21	106 821	77 351	105 533	75 618
Trade and other payables	22	732 422	891 967	737 322	896 388
Contract liabilities	20.2	139 537	135 049	139 537	135 049
Lease liability	23.1	1 486	1 294	273	168
Post-retirement benefit obligations	25	18 776	17 635	18 776	17 635
Five-year long service benefit	26	6 568	6 125	6 568	6 125
Total equity and liabilities		16 163 975	14 945 013	16 077 504	14 876 377

STATEMENTS OF CHANGES IN EQUITY

For the year ended 30 June 2022

Group - Attributable to equity holders of the parent				
	Capital	OCI Reserve	Accumulated profit	Total
	R'000	R'000	R'000	R'000
Balance as at 30 June 2020	442 847	414 413	9 821 375	10 678 635
Movement for the year				
Total comprehensive income	-	(13 771)	1 262 652	1 248 881
Profit for the year (Restated)	-	-	1 262 652	1 262 652
Other comprehensive income	-	(13 771)	-	(13 771)
Restated balance as at 30 June 2021	442 847	400 642	11 084 027	11 927 516
Movement for the year				
Total comprehensive income	-	16 234	1 241 363	1 257 597
Profit for the year	-	-	1 241 363	1 241 363
Other comprehensive income	-	16 234	-	16 234
Balance as at 30 June 2022	442 847	416 876	12 325 390	13 185 113

Parent				
	Capital	OCI Reserve	Accumulated profit	Total
	R'000	R'000	R'000	R'000
Balance as at 30 June 2020	442 847	414 413	9 777 361	10 634 621
Movement for the year				
Total comprehensive income	-	(13 771)	1 240 053	1 226 282
Profit for the year (Restated)	-	-	1 240 053	1 240 053
Other comprehensive income	-	(13 771)	-	(13 771)
Restated balance as at 30 June 2021	442 847	400 642	11 017 414	11 860 903
Movement for the year				
Total comprehensive income	-	16 234	1 222 551	1 238 785
Profit for the year	-	-	1 222 551	1 222 551
Other comprehensive income	-	16 234	-	16 234
Balance as at 30 June 2022	442 847	416 876	12 239 965	13 099 688

STATEMENTS OF CASH FLOWS

For the year ended 30 June 2022

	Notes	Group		Parent	
		2022	2021 Restated	2022	2021 Restated
		R'000	R'000	R'000	R'000
OPERATING ACTIVITIES					
Cash receipts from customers		4 595 040	4 177 544	4 548 555	4 141 775
Cash paid to suppliers and employees		(2 722 436)	(2 771 613)	(2 691 368)	(2 753 860)
Net cash from operating activities	17.1	1 872 604	1 405 931	1 857 187	1 387 915
INVESTING ACTIVITIES					
Proceeds on disposals of assets		4 932	1 843	4 909	1 842
Receipt of Regional Bulk Infrastructure Grants	9	200 166	382 614	200 166	382 614
Additions to property, plant and equipment	9	(1 049 042)	(792 124)	(1 046 888)	(789 328)
Additions to intangible assets	11	(1 080)	(9 675)	(662)	(9 516)
Dividend received from associate		4 913	5 441	-	-
Net cash used in investing activities		(840 111)	(411 901)	(842 475)	(414 388)
FINANCING ACTIVITIES					
Long-term borrowings repaid	21.1	(24 839)	(629 442)	(24 839)	(629 442)
Lease payments	23.1	(338)	(600)	(245)	(837)
Increase in investments		(1 041 798)	(373 176)	(1 041 798)	(373 176)
Interest received		187 472	216 448	186 088	215 940
Finance costs paid		(126 713)	(186 606)	(126 320)	(186 457)
Net cash used in financing activities		(1 006 216)	(973 376)	(1 007 114)	(973 972)
CASH AND CASH EQUIVALENTS					
Net increase/(decrease) in cash and cash equivalents		26 277	20 654	7 598	(445)
Cash and cash equivalents at 1 July		41 434	20 780	203	648
Cash and cash equivalents at 30 June	17	67 712	41 434	7 801	203

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

1. GENERAL INFORMATION

Umgeni Water is a water board established in terms of Section 28 of the Water Services Act (Act 108 of 1997) and a National Government Business Enterprise as per Schedule 3B of the Public Finance Management Act (Act 1 of 1999), as amended, domiciled in South Africa. The consolidated financial statements comprise that of the Umgeni Water and its subsidiaries (collectively 'the group' and individually 'Parent'). The accounting policies are applicable to both the group and parent entity. The following principal accounting policies were applied by the group for the year ended 30 June 2022.

2.1. BASIS OF PREPARATION AND MEASUREMENT

STATEMENT OF COMPLIANCE

The Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations of those standards, as issued by the International Accounting Standards Board (the IASB), the Public Finance Management Act (Act 1 of 1999), as amended (PFMA) and the Companies Act (Act 71 of 2008).

In terms of section 79 of the PFMA, National Treasury has issued an approval authorising the use of IFRS as the financial reporting framework. In addition, Umgeni Water has applied Directive 12 The Selection of an Appropriate Reporting Framework by Public Entities; issued by the Accounting Standards Board. The directive states that "An entity shall apply International Financial Reporting Standards (IFRS) as its reporting framework if it meets the criteria in paragraph 11. Otherwise it shall apply Standards of GRAP".

Paragraph 11 provides that "In assessing whether an entity shall apply IFRS Standards, it considers whether it meets one of the following criteria:

- (a) the entity is a financial institution;
- (b) the entity has ordinary shares or potential ordinary shares that are publicly traded on capital markets; or
- (c) its operations are such that they are:
 - (i) commercial in nature; and
 - (ii) only an insignificant portion of the entity's funding is acquired through government grants or other forms of financial assistance from government."

Umgeni Water satisfies the criteria in paragraph 11 as its operations are of a commercial nature which aim to provide services to generate profits to self-fund operating and capital expenditure requirements, and only an insignificant portion of the entity's funding is acquired through government grants or other forms of financial assistance from government. Thus the criteria in paragraph 11 (c) are met and Umgeni Water has applied IFRS as its accounting framework in the preparation of the consolidated financial statements.

BASIS OF PREPARATION OF FINANCIAL RESULTS

The Consolidated Financial Statements are prepared using the historic cost basis except for the following items in the statement of financial position:

- Biological assets are measured at fair value less costs to sell; and
- The defined benefit plan obligation and post-retirement healthcare obligation are measured at the projected unit credit method.

The Consolidated Financial Statements are prepared on the going concern basis using the accrual basis of accounting except for cash flow information.

Except as otherwise disclosed, these accounting policies are consistent with those applied in all periods presented in these consolidated financial statements.

CURRENT AND NON-CURRENT CLASSIFICATION OF ASSETS AND LIABILITIES

Current assets are assets that are expected to be realised in the entity's normal operating cycle, held primarily for the purpose of trading, expected to be realised within 12 months after the reporting period or the asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after reporting date. All other assets are non-current.

Current liabilities are those liabilities expected to be settled within the entity's normal operating cycle, held for purpose of trading, due to be settled within 12 months for which the entity does not have an unconditional right to defer settlement beyond 12 months. Other liabilities are non-current.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2022

2.1. BASIS OF PREPARATION AND MEASUREMENT (CONTINUED)

FUNCTIONAL AND PRESENTATION CURRENCY

These Consolidated Financial Statements are presented in Rands, which is the group's functional and presentation currency. All financial information presented in Rands has been rounded to the nearest thousand.

USE OF ESTIMATES AND JUDGEMENTS

CRITICAL JUDGMENTS IN APPLYING THE GROUP'S ACCOUNTING POLICIES

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

ALLOWANCE FOR CREDIT LOSSES

As detailed under the accounting policy for impairment of financial assets, the group recognise a loss allowance for expected credit losses (ECL) on investments measured at amortised cost and trade and other receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

DEPRECIATION OF RIGHT OF USE ASSETS

Depreciation of leased assets is calculated using the straight line method to allocate their cost, net of their residual values over their estimated useful lives being the lesser of the remaining lease term and the life of the underlying asset.

There were no other significant judgments in the process of applying the group's accounting policies.

KEY SOURCES OF ESTIMATION UNCERTAINTY

VALUE-IN-USE CALCULATIONS FOR IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT

The recoverable amount of development infrastructure is determined based on value-in-use calculations. Key assumptions relating to these valuations include the discount rate (gross weighted average cost of capital), cash flows and sales volume demand per scheme. Future cash flows are extrapolated over the useful life of the assets to reflect the long-term plan for the group using the growth rates as projected by the economic indicators (CPI, PPI, energy).

Management determines the expected performance of these assets based on the sales volume demands and the operating cost structure aligned to the system from which water will be drawn. Refer to note 9 for further details on impairments of property, plant and equipment.

RESIDUAL VALUES AND USEFUL LIVES OF PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are depreciated over its useful life taking into account residual values, where appropriate. Assessments of useful lives and residual values are performed annually after considering factors such as technological innovation, maintenance programs, relevant market information, manner of recovery and management consideration. In assessing residual values, the group considers the remaining life of the asset, its projected disposal value and future market conditions. Refer to note 9.

FAIR VALUES OF BIOLOGICAL ASSETS

The carrying amounts of biological assets are recognised at fair value. The fair values of game were determined with reference to market prices as at 30 June 2022. Refer to note 12 for further detail on biological assets.

DEFINED BENEFIT PLANS

The key assumptions relating to the defined benefit plan sensitivity analysis are disclosed in note 25.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2022

2.1. BASIS OF PREPARATION AND MEASUREMENT (CONTINUED)

KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

CALCULATION OF A LOSS ALLOWANCE

When measuring expected credit losses (ECL) the group uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. Further details are included under the impairment of financial assets accounting policy.

No further key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date exist, that management may have assessed as having a significant risk of causing material adjustment to the carrying amounts of the assets and liabilities within the next financial year.

STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS THAT ARE NOT YET EFFECTIVE

AMENDMENTS TO IAS 1:

CLASSIFICATION OF LIABILITIES AS CURRENT AND NON-CURRENT – EFFECTIVE 1 JANUARY 2023

The amendments in Classification of Liabilities as Current or Non-current (Amendments to IAS 1) affect only the presentation of liabilities in the statement of financial position — not the amount or timing of recognition of any asset, liability, income or expenses, or the information that entities disclose about those items. They:

- clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the “right” to defer settlement by at least twelve months and make explicit that only rights in place “at the end of the reporting period” should affect the classification of a liability;
- clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and
- make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

DISCLOSURE OF ACCOUNTING POLICIES (AMENDMENTS TO IAS 1 AND IFRS PRACTICE STATEMENT 2) – EFFECTIVE 1 JANUARY 2023 WHICH AMENDS IAS 1 IN THE FOLLOWING WAYS:

- An entity is now required to disclose its material accounting policy information instead of its significant accounting policies;
- several paragraphs are added to explain how an entity can identify material accounting policy information and to give examples of when accounting policy information is likely to be material;
- the amendments clarify that accounting policy information may be material because of its nature, even if the related amounts are immaterial;
- the amendments clarify that accounting policy information is material if users of an entity’s financial statements would need it to understand other material information in the financial statements; and
- the amendments clarify that if an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information.

In addition, IFRS Practice Statement 2 has been amended by adding guidance and examples to explain and demonstrate the application of the “four-step materiality process” to accounting policy information in order to support the amendments to IAS 1.

Both amendments apply to annual reporting periods beginning on or after 1 January 2023 with earlier application is permitted.

The group does not anticipate the application of the amendments in the future will have a significant impact on the group’s consolidated financial statements, where applicable accounting policy review processes will align with the revision to the Standard and IFRS Practice Statement 2 accordingly.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2022

2.1. BASIS OF PREPARATION AND MEASUREMENT (CONTINUED)

STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS THAT ARE NOT YET EFFECTIVE (continued)

IAS 8 ACCOUNTING POLICIES, CHANGES IN ACCOUNTING ESTIMATES AND ERRORS (REVISED) – EFFECTIVE FOR ANNUAL PERIODS BEGINNING ON/AFTER 1 JANUARY 2023

These amendments introduce the definition of an accounting estimate and include other amendments to IAS 8 to help entities distinguish changes in accounting estimates from changes in accounting policies. The amendments are effective for annual periods beginning on or after January 1, 2023 and changes in accounting policies and changes in accounting estimates that occur on or after the start of that period.

The group does not anticipate the application of the amendments in the future to have a significant impact on the group's consolidated financial statements.

IAS 16 PROPERTY, PLANT AND EQUIPMENT (REVISED) – EFFECTIVE FOR ANNUAL PERIODS BEGINNING ON/AFTER 1 JANUARY 2022

The amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related cost in profit or loss.

The group does not anticipate the application of the amendments in the future will have a significant impact on the group's consolidated financial statements.

IAS 37 PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS (REVISED) – EFFECTIVE FOR ANNUAL PERIODS BEGINNING ON/AFTER 1 JANUARY 2022

The changes in Onerous Contracts — Cost of Fulfilling a Contract (Amendments to IAS 37) specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The group does not anticipate the application of the amendments in the future will have a significant impact on the group's consolidated financial statements.

AMENDMENTS TO IFRS 9 PREPAYMENT FEATURES WITH NEGATIVE COMPENSATION EFFECTIVE FOR PERIODS BEGINNING ON OR AFTER 1 JANUARY 2022

The amendments to IFRS 9 clarifies which fees an entity includes when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

The amendment applies to annual periods beginning on or after 1 January 2022, with earlier application permitted.

The group does not anticipate the application of the amendments in the future will have a significant impact on the group's consolidated financial statements.

IFRS 10 CONSOLIDATED FINANCIAL STATEMENTS AND IAS 28 (AMENDMENTS) SALE OR CONTRIBUTION OF ASSETS BETWEEN AN INVESTOR AND ITS ASSOCIATE OR JOINT VENTURE – NO EFFECTIVE DATE SET AS YET

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the re-measurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted.

The group does not anticipate the application of the amendments in the future to have a significant impact on the group's consolidated financial statements as both subsidiaries are 100% owned by Umgeni Water.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2022

2.1. BASIS OF PREPARATION AND MEASUREMENT (CONTINUED)

STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS THAT ARE NOT YET EFFECTIVE (continued)

ADOPTION OF NEW AND REVISED STANDARDS

There were no new standards or revision to existing standards that had a significant impact on the consolidated group financial statements in the current financial year.

IMPROVEMENTS TO IFRS

A number of standards have been amended as part of the IASB annual improvement project. The group is in the process of considering the relevant amendments to the standards and determining the financial impact on the group.

2.2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF CONSOLIDATION OF FINANCIAL RESULTS

The consolidated financial statements reflect the financial results of the group. All financial results are consolidated by combining like items of assets, liabilities, equity, income, expenses and cash flows of the parent with those of its subsidiaries except for investments in associates, which are included in the group's results as set out below.

ELIMINATION OF INTER-COMPANY TRANSACTIONS

Inter-company transactions, balances and unrealised gains and losses between entities are eliminated on consolidation. To the extent that a loss on a transaction provides evidence of a reduction in the net realisable value of current assets or an impairment loss of a non-current asset, that loss is charged to the statement of profit and loss.

In respect of associates, unrealised gains and losses are eliminated against the investment in the associate, to the extent of the group's interest in these entities.

BUSINESS COMBINATIONS

A business is defined as an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing goods and services to customers, generating investment income or generating other income from ordinary activities. A business may comprise an entity, group of entities or an unincorporated operation including its operating assets and associated liabilities. Business combinations are accounted for using the acquisition method which is the date on which control is transferred to the group. On acquisition date, fair values are attributed to the identifiable assets, liabilities and contingent liabilities. Fair value of all identifiable assets and liabilities included in the business combination are determined by reference to market values of those similar items, where available, or by discounting expected future cash flows using the discount rate to present values. The consideration transferred is the fair value of the group's contribution to the business combination in the form of assets transferred, liabilities assumed or contingent consideration at the acquisition date. Transaction costs directly attributable to the acquisition are charged to the statement of profit and loss except if related to the issue of debt or equity securities.

A non-controlling interest at acquisition date is determined as the non-controlling shareholders' proportionate share of the fair value of the net identifiable assets of the entity acquired.

On acquisition date goodwill is recognised when the consideration transferred and the recognised amount of the non-controlling interests exceeds the fair value of the net identifiable assets of the entity acquired. Goodwill is tested at each reporting date for impairment. To the extent that the fair value of the net identifiable assets of the entity acquired exceeds the consideration transferred and the recognised amount of non-controlling interests, the excess is recognised in the statement of profit and loss on acquisition date.

When an acquisition is achieved in stages (step acquisition), the identifiable assets and liabilities are recognised at their full fair value when control is obtained, and any adjustment to fair values related to these assets and liabilities previously held as an equity interest is recognised in the statement of other comprehensive income or statement of profit and loss as appropriate.

When there is a change in the interest in a subsidiary after control is obtained, that does not result in a loss in control, the difference between the fair value of the consideration transferred and the amount by which the non-controlling interest is adjusted is recognised directly in the statement of changes in equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2022

2.2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BUSINESS COMBINATIONS (continued)

When the group loses control of a subsidiary it derecognises the assets and liabilities and related equity components of the former subsidiary. Any gain or loss is recognised in profit or loss. Any investment retained in the former subsidiary is measured at its fair value at the date when control is lost. The profit or loss realised on disposal or termination of an entity is calculated after taking into account the carrying value of any related goodwill.

SUBSIDIARIES

A subsidiary is an entity controlled by the group.

The group has two subsidiaries which are wholly owned and further details are included in note 13 of the financial statements.

The assets, liabilities, income, expenses and cash flows of subsidiaries are consolidated from the date of acquisition, being the date on which the group obtains control, and continue to be consolidated until the date that such control ceases. Control is achieved when the group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the group controls an investee if and only if the group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

When the group has less than a majority of the voting or similar rights of an investee, the group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangements; and
- the group's voting rights and potential voting rights.

The group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the group obtains control over the subsidiary and ceases when the group loses control of the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those used by the group. All inter-company balances and transactions are eliminated. In the parent financial statements, the parent accounts for investments in subsidiaries at cost.

ASSOCIATES

An associate is an entity over which the group has significant influence and that is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The group has an associate via its subsidiary Umgeni Water Services SOC Ltd. Further details on the associate are included in note 13 of the financial statements.

The financial results of associates are included in the group's results according to the equity method from acquisition date until disposal date. Under the equity method, the investment in associate is initially recognised at cost including transaction costs and the carrying amount is increased or decreased to recognise the group's share of profit or loss of the associate after the acquisition date. The group's share of profits or losses and other comprehensive income are recognised in the statement of profit and loss as equity accounted earnings. Distributions received from associates reduce the carrying amount of the investment. All cumulative post-acquisition movements in other comprehensive income of associates are adjusted against the carrying amount of the investment. When the group's share of losses in associate equals or exceeds its interest in those associates; the group does not recognise further losses, unless the group has incurred a legal or constructive obligation or made payments on behalf of those associates. Goodwill relating to associates forms part of the carrying value of those associates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2022

2.2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ASSOCIATES (continued)

The total carrying value of each associate is evaluated annually, as a single asset, for impairment or when conditions indicate that a decline in fair value below the carrying amount is other than temporary. If impaired, the carrying value of the group's share of the underlying assets of associates is written down to its estimated recoverable amount in accordance with the accounting policy on impairment and charged to the statement of profit and loss as part of equity accounted earnings of that associate.

When significant influence over an associate is lost, the group measures any investment retained in the former associate at fair value, with any consequential gain or loss recognised in profit or loss.

Where the reporting date of an associate differs from that of the group, adjustments are made to the associate's most recent audited financial results for material transactions and events that occur since then to the reporting date of the group.

Where a group entity transacts with an associate of the group, unrealised profits and losses are eliminated to the extent of the group's interest in the relevant associate.

In the parent financial statements, the parent accounts for investments in associates at cost.

OPERATING SEGMENTS AND SEGMENT REPORTING

The group has two reportable segments:

- The primary segment as defined by section 29 of the Water Services Act No. 108 of 1997; and
- other activities as defined by Section 30 of the Water Services Act No. 108 of 1997.

Segment results that are reported include items directly attributable to the segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, head office expenses, assets and liabilities.

PROPERTY, PLANT & EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Land is not depreciated.

Costs include expenditure that is directly attributable to the acquisition of the asset. Works under construction are stated at cost less accumulated impairment losses and grant funding. Cost includes the cost of materials, direct labour, allocated portion of direct project overheads and any costs incurred which is directly attributable to bringing it to its present location and condition. Work-in-progress is commissioned on date of significant completion net of grant funding in accordance with the accounting policy on grant funding.

Servitudes are considered an integral part of the asset and are essential to the operation of the asset and therefore forms part of the cost of the relevant asset. Borrowing costs are capitalised on qualifying assets in accordance with the relevant accounting policy on finance costs.

When property, plant and equipment comprise major components with different useful lives, these components are accounted for as separate items. Expenditure incurred to replace or modify a significant component of plant is capitalised if it meets the recognition criteria and any remaining carrying amount of the component replaced is written off in the statement of profit and loss. All other expenditure is charged to the statement of profit and loss.

Subsequent expenditure is only capitalized if it is probable that the future economic benefits associated with the expenditure will flow to the group.

The carrying amount of property plant and equipment will be derecognised on disposal or when no future economic benefits are expected from its use. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the statement of profit and loss.

Property, plant and equipment are depreciated to its estimated residual values on a straight line basis over its expected useful life. The depreciation methods, estimated remaining useful lives and residual values are reviewed at least annually and adjusted prospectively where appropriate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2022

2.2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PROPERTY, PLANT & EQUIPMENT (continued)

ASSET CATEGORY	ESTIMATED USEFUL LIFE (YEARS)	ESTIMATED RESIDUAL VALUE
Buildings and infrastructure		
Buildings	40	0% - 2%
Dams and weirs	45	0% - 2%
Pipelines	30-45	0% - 2%
Pump stations	10-30	0% - 2%
Reservoirs and intake works	45	0% - 2%
Tunnels	45	0% - 2%
Water treatment works	10-45	0% - 2%
Waste water treatment works	10-45	0% - 2%
Roads works	15-30	0% - 2%
Fences and gates	15	0% - 2%
Temporary and timber structures	25	0% - 2%
Equipment and vehicles		
Plant and equipment, furniture and fittings	5	0% - 10%
Vehicles	5	0% - 10%
Computers	3-5	0% - 10%
ERP Hardware	5	0% - 10%
ERP Software	5	0% - 10%

INVESTMENT PROPERTY

Investment property, which is property held to earn rentals is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at cost less accumulated depreciation and any accumulated impairment losses. The depreciation method and rate is aligned to the buildings class under property plant and equipment. An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised. Rental income earned on investment property is included in other income.

NON-CURRENT ASSETS OR DISPOSAL GROUPS HELD FOR SALE

Non-current assets or disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification except to the extent that there is a delay caused by events or circumstances beyond the group's control and there is sufficient evidence that the group remains committed to its plan to sell the asset (or disposal group).

Where a disposal group held for sale will result in the loss of control of a subsidiary, all the assets and liabilities of that subsidiary are classified as held for sale, regardless of whether a non-controlling interest in the former subsidiary is to be retained after the sale.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2022

2.2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

NON-CURRENT ASSETS OR DISPOSAL GROUPS HELD FOR SALE (continued)

At the time of classification as held for sale, immediately before the initial classification of the asset as held for sale, the carrying amount of the asset is measured in accordance with applicable accounting policy. After classification as held for sale, non-current assets (and disposal groups) classified as held for sale are measured at the lower of the asset's carrying amount and fair value less costs to sell. No depreciation or amortisation is provided on non-current assets from the date they are classified as held for sale.

Upon classification of a non-current asset or disposal group as held for sale it is reviewed for impairment. Any impairment loss is recognised in profit or loss. After classification as held for sale, any impairment loss is calculated based on the difference between the adjusted carrying amounts of the asset/disposal group and fair value less costs to sell. Any impairment loss that arises is recognised in profit or loss.

If a non-current asset or disposal group is classified as held for sale, but the criteria for classification as held for sale is no longer met, the disclosure of such non-current asset as held for sale is ceased. On ceasing classification, the non-current assets are reflected at the lower of:

- The carrying amount before classification as held for sale adjusted for any depreciation or amortisation that would have been recognised had the asset not been classified as held for sale; and
- the recoverable amount at the date the classification as held for sale ceases.

The recoverable amount is the amount at which the asset would have been recognised after the allocation of any impairment loss arising on the cash generating unit as determined in accordance with the group's policy on the impairment of non-financial assets.

Any adjustments required to be made on reclassification are recognised in profit or loss on reclassification.

LEASES

GROUP AS A LESSEE

Right of use assets

The group recognises right of use assets at commencement of the lease when the asset is available for use. The cost of right of use assets comprise of the initial lease liability amount, initial direct costs incurred when entering into the lease less any lease incentive received.

Subsequent to initial recognition right-of-use assets are measured at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any re-measurement of the lease liability.

Depreciation is calculated using the straight-line method over the shorter of the assets estimated useful lives in terms of the accounting policy for that class of asset or the lease term, except for land which is depreciated over the term of the lease.

If the lease transfers ownership of the underlying asset to the group by the end of the lease term or if the cost of the right-of-use asset reflects that the group will exercise a purchase option, the group depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset.

An impairment review is undertaken for any right of use lease asset that shows indicators of impairment and an impairment loss is recognised against any right of use leased assets that is impaired.

Lease liability

The lease liability is initially measured at the present value of the lease payments that have to be paid over the lease term. There are no variable lease payments that would impact on the determination of the lease liability.

The lease payments are discounted using the group's incremental borrowing rate (weighted average cost of capital) if the interest rate implicit in the lease contract is not readily determinable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2022

2.2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

LEASES (continued)

GROUP AS A LESSEE (continued)

Lease liability (continued)

After the commencement date the group measures the lease liability by:

- increasing the carrying amount to reflect interest on the lease liability;
- reducing the carrying amount to reflect lease payments made, and
- re-measuring the carrying amount to reflect any reassessment or lease modifications.

Short-term leases and leases of low-value assets

The group elected to apply exemptions for short term leases that have a lease term of 12 months or less; and for leases for which the underlying asset is of low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

GROUP AS A LESSOR

In case of lease contracts based on which the group is a lessor; each of its leases is classified as either operating or finance lease. Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Rental income is recognised in profit or loss on a straight-line basis over the lease term as other income.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership to the lessee.

INTANGIBLE ASSETS (OTHER THAN GOODWILL)

Research and development

Research expenditure is charged to the statement of profit and loss when incurred. Development expenditure relating to the production of new or substantially improved products is capitalised if the following conditions are met:

- it is technically feasible to complete the intangible asset so that it will be available for use or sale;
- management intends to complete the intangible asset and use or sell it;
- there is an ability to use or sell the intangible asset;
- it can be demonstrated how the intangible asset will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- the expenditure attributable to the intangible asset during its development can be measured reliably.

Development costs that do not meet the criteria are recognised in profit and loss. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred

Intangible assets are amortised to profit or loss from the time it's ready for use on a straight line basis over its useful life.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2022

2.2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INTANGIBLE ASSETS (OTHER THAN GOODWILL) (continued)

Software

Software is carried at cost less accumulated amortisation and impairment. Internally developed and packaged software and the direct costs associated with the development and installation thereof are capitalised and recognised as intangible assets.

Software is amortised in full on a straight-line basis as follows:

- customised software 5 years; and
- shelf software 2 years.

Costs associated with research and development of computer software programs are recognised as an expense as they are incurred as these costs do not meet the criteria for capitalisation. Development costs are capitalised if it meets the criteria for capitalising development expenditure. Costs relating to the license renewals are treated as an expense in the period in which the license is renewed.

The useful lives of intangible assets are reviewed annually and adjusted prospectively if appropriate. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount and are recognised in the statement of profit and loss when the asset is derecognised.

BIOLOGICAL ASSETS

Game stock are measured at their fair value less estimated point-of-sale costs. The fair value of biological assets is determined annually based on market prices of similar age, genies, and genetic merit after considering its highest and best use. All changes in fair values are recognised in the statement of profit and loss in the period in which they arise.

IMPAIRMENT OF NON-FINANCIAL ASSETS

At each reporting date, the group reviews the carrying amounts of its non-financial assets other than inventories to determine whether there is any indication that the carrying value may not be recoverable and whether those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where the asset does not generate cash flows that are independent from other assets, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value-in-use. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using the weighted average cost of capital that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset, or cash-generating unit, is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit, is reduced to its recoverable amount.

An impairment loss is recognised as an expense immediately.

Where an impairment loss, other than for goodwill, subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, not exceeding the carrying amount that would have been determined had no impairment loss been recognised for the asset or cash generating unit, in prior years.

A reversal of an impairment loss is recognised as income immediately.

INVENTORIES

Inventories are stated at the lower of the weighted average cost and net realisable value. Obsolete, redundant and slow-moving inventories are identified and written down to the estimated net realisable value.

Net realisable value is the estimate of the selling price in the ordinary course of business, less the estimated costs of completion, selling and distribution expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2022

2.2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

UMGENI WATER CAPITAL AND GRANT FUNDING

Capital grants for infrastructure received by Umgeni Water are reflected against property, plant and equipment. The grant is recognised in profit or loss over the remaining useful life of the depreciable asset as a reduced depreciation expense.

Government grants towards staff training are recognised as in profit/loss in the periods necessary to match them with the related costs and are deducted in reporting the related expense.

EMPLOYEE BENEFITS

Retirement benefit costs – defined contribution

Contributions to the defined benefit provident fund are recognised as an expense when employees have rendered service entitling them to the contributions.

Retirement benefits – defined benefits

For the defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each reporting period. Actuarial gains and losses are recognised immediately in other comprehensive income in accordance with IAS 19 revised. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight line basis over the average period until the benefit becomes vested.

Defined benefits - pension

The retirement benefit obligation recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, and as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to the present value of available funds and reductions in future contributions to the plan.

The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

Defined benefit - healthcare

Post-retirement healthcare benefits are provided to certain of the group's retirees. The cost of providing benefits is determined using the projected unit credit method with actuarial valuations being carried out at the end of each reporting period. This liability is not matched with any plan assets.

Other long term employee benefits

Other long term employee benefits comprise a five-year long service leave benefit that is either taken as leave or equivalent cash value. The cost of providing benefits is determined using the projected unit credit method with actuarial valuations being carried out at the end of each reporting period. Actuarial gains and losses are recognised immediately in profit and loss in accordance with IAS 19 revised.

Short-term employee benefits

Short-term employee benefits are those that are due to be settled within twelve months after the end of the period in which the services have been rendered. Short-term employee benefits include salaries, bonuses, allowances and other fringe benefits. Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. Remuneration of employees is charged to the statement of profit and loss. The group recognises a liability for leave and performance bonuses which is included in provisions and accrues for other short-term employee benefits if the group has a present legal or constructive obligation to pay the amount and the obligation can be estimated reliably.

PROVISIONS & CONTINGENT LIABILITIES

Provisions are recognised when the group has a present legal or constructive obligation as a result of a past event and it is probable that this will result in an outflow of economic benefits that can be reliably estimated. A contingent liability is disclosed for a possible obligation dependent on a future event, for which the timing of payment is uncertain or the amount cannot be measured reliably.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2022

2.2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FINANCIAL ASSETS

The group classifies its financial assets as financial assets measured at amortised cost. These financial assets relating to investments comprise redemption assets as well as money market funded investments. Other financial assets include trade and other receivables and cash and cash equivalents.

The classification is based on the group's business model to collect cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding over the life of the instruments. Management re-evaluates such designation at least at each reporting date.

Financial assets are recognised on transaction date when the group becomes party to the contracts and thus obtains rights to receive economic benefits and are derecognised when those rights no longer exist. Financial assets are initially measured on transaction date at fair value including transaction costs.

TRADE AND OTHER RECEIVABLES

Trade and other receivables both current and non-current are initially measured at their transaction price as they do not have significant financing components. Subsequent to initial recognition these are measured at amortised cost less any impairment losses.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash on hand. Cash and cash equivalents are subsequently measured at amortised cost less any impairment losses.

IMPAIRMENT OF FINANCIAL ASSETS

The group recognises a loss allowance for expected credit losses (ECL) on investments measured at amortised cost, trade and other receivables as well as cash and cash equivalents. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The loss allowance is recognised in the statement of financial position and the movement is accounted for in profit and loss. Interest income is calculated using the effective interest method on the financial asset's gross carrying amount when the asset is not credit impaired and on the amortised cost when the asset is credit impaired.

Trade receivables

The Group always recognises measures the loss allowance at an amount equal to lifetime expected credit losses for trade receivables, in accordance with IFRS 9's simplified approach. The expected credit losses on these financial assets are estimated using a provision matrix based on the group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. Irrespective of the outcome of the above assessment, the group presumes that the credit risk on trade receivables has increased significantly since initial recognition when contractual payments are more than 90 days past due based on customer payment behaviours.

Short term investments and cash balances

The group's short-term investments and bank balances, which are carried at amortised cost are considered to have low credit risk, and the loss allowance recognised on these assets is therefore limited to 12-months ECLs. Short term deposits and bank balances are considered to be low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term. If the group considers that credit risk on a financial instrument has increased significantly since initial recognition, the expected credit losses are estimated based on the lifetime ECLs. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12 months expected credit losses.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2022

2.2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

IMPAIRMENT OF FINANCIAL ASSETS (continued)

Short term investments and cash balances (continued)

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In applying the forward-looking approach, a distinction is made between:

- Financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk (Stage 1); and
- Financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low (Stage 2).
- Stage 3 covers financial assets that have objective evidence of impairment at the reporting date.

Irrespective of the outcome of the above assessment, the group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the group has reasonable and supportable information that demonstrates otherwise.

DERECOGNITION OF FINANCIAL ASSETS

The entity derecognises a financial asset only when:

- The contractual rights to the cash flows from the asset expire; or
- It transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity; or
- Retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients in an arrangement.

FINANCIAL ASSETS -WRITE OFF

The Group shall derecognise the gross carrying amount and accumulated impairment of a financial asset (partially or in full) when the group has no reasonable expectations of recovering that whole or part of the financial asset, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings or all collection efforts have failed. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss, as a reduction to the impairment loss for the period.

FINANCIAL LIABILITIES

Financial liabilities are initially recognised at the transaction date when the group becomes party to a contract, at fair value, net of transaction costs incurred and are subsequently measured at amortised cost using the effective interest method. Premiums or discounts arising from the difference between the fair value of financial liabilities raised and the amount repayable at maturity date are charged to the statement of profit and loss as finance costs based on the effective interest rate method. Financial liabilities comprise loans as well as trade and other payables.

TRADE AND OTHER PAYABLES

Trade payables are short-term, not interest bearing and are stated at their nominal value.

DERECOGNITION OF FINANCIAL LIABILITIES

The group derecognises financial liabilities when, and only when, the group's obligations are discharged, cancelled or they expire.

EFFECTIVE INTEREST METHOD

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or cash payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2022

2.2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

OFFSET

Financial assets and financial liabilities are only offset if there is a currently enforceable legal right to offset and there is an intention either to settle on a net basis or to realise the asset and settle the liability simultaneously.

FAIR VALUE OF FINANCIAL INSTRUMENTS NOT MEASURED AT FAIR VALUE

A number of the group's financial instruments require the disclosure of fair value even though these assets are not measured at fair value.

When determining the fair value of an asset or liability for disclosure purposes the group uses observable market data as far as possible. Fair values are categorised into different levels in the fair value hierarchy based on inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included in level 1 that are observable for the asset or liability either directly (i.e. prices) or indirectly (i.e. derived from prices); and

Level 3: inputs for the assets and liabilities that are not based on observable market data (unobservable inputs).

REVENUE

The group recognises revenue from the following major sources:

- Sale of potable bulk water
- Treatment of bulk waste water
- Providing other services in the bulk water value chain in terms of Section 30 of the Water Services Act

Revenue is measured based on the consideration to which the group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when its performance obligations are satisfied. Transaction prices are guided by the Pricing Policy of the organisation.

The following major revenue streams and significant judgements made for each revenue stream in applying IFRS 15 were relevant to the group.

Potable bulk water supply

Raw water is abstracted from dams; distributed via bulk water infrastructure to the bulk water treatment plants for treatment processes and stored at reservoirs. The treated Potable water is then distributed via the reservoirs and bulk water pipelines to customers and the bulk meters are the source of transfer of control of the bulk water from Umgeni Water to the customer. This revenue is recognised at a point in time when potable bulk water is metered at these bulk water metering points which is the point at which Umgeni Water satisfies its performance obligation in terms of the bulk water supply contract with its customers. Revenue is recognised based on the water volumes sold at the bulk water tariff approved by the Minister of Water and Sanitation.

Treatment of bulk waste water

Operating and Maintaining: Revenue is recognised at a point in time when performance obligations are satisfied relating to operating and maintaining activities of the bulk waste water works on behalf of the customer according to the agreed upon standards in terms of the contract, when the customer accepts these invoices with supporting schedules. The transaction price is as per the contractual arrangement and based on the actual cost of carrying out these activities plus an agreed mark-up.

Bulk Waste Water treatment: which includes sewage; trade effluent and contaminated storm water: Revenue is recognised at a point in time when waste water is accepted from the municipality and treated to an acceptable standard and released to rivers, in terms of the agreed period of the contract with the customer. The performance obligation is satisfied when the customer accepts these invoices. The transaction price is a fixed fee as per the contractual arrangement and based on the expected costs associated with operating the infrastructure to treat waste water.

Other activities revenue

Other activities consist of other services included in the bulk water value chain such as laboratory services, water quality monitoring, operating and maintenance contracts acting as an implementing agent for any sphere of government for projects related to water service delivery as well as subsidiaries revenue, which includes eco-tourism.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2022

2.2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

REVENUE (continued)

Other activities revenue (continued)

Revenue from acting as an implementing agent is recognised over time on a cost-to-cost method based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. The directors consider that this input method is an appropriate measure of the progress towards complete satisfaction of these performance obligations under IFRS 15. This revenue includes the initial amount agreed in the contract plus any variations in contract work to the extent that they will result in revenue and can be measured reliably. The transaction price is determined based on the type of goods/services to be delivered in accordance with the customer policies for implementing agents' fees where these are entities that are part of the National Government and in accordance with the pricing policy of Umgeni Water. Advances relating to these contracts are recognised as contract liabilities.

Revenue from laboratory services and water quality monitoring is recognised at a point in time when the requested service is completed. The transaction prices are determined in accordance with costs associated to perform these services and are approved annually.

Revenue from eco-tourism is recognised at a point in time when the control of goods has been transferred and title has transferred to the customer, with the exception of the wild card revenue where performance obligations are met over a period of time. The transaction prices are determined in accordance with costs associated to perform these services and are approved annually.

COST OF SALES

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

TAXATION

Umgeni Water and Msinsi Holdings SOC Ltd are tax-exempt entities in terms of Section 10 (1) (cA) (i) of the Income Tax Act and therefore the policy is only in respect of its subsidiary, Umgeni Water Services SOC Ltd and associates.

The income tax charge represents the tax currently payable and deferred tax.

CURRENT TAX

The tax currently payable is based on taxable income for the year. Taxable income differs from profit as reported in the statement of profit and loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

DEFERRED TAX

Deferred tax is the tax expected to be payable or recoverable on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable income, and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. No deferred tax is recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the entity intends to settle its current tax assets and liabilities on a net basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2022

2.2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INTEREST INCOME

Interest income is accrued by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

FINANCE COSTS

Finance costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing cost eligible for capitalisation to those assets.

All other finance costs are reflected in the statement of profit and loss in the period in which they are incurred.

FRUITLESS, WASTEFUL AND IRREGULAR EXPENDITURE

Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is defined as expenditure which was made in vain and would have been avoided had reasonable care been exercised.

Where a transaction, event or condition was undertaken without value or substance and which did not yield any desired results or outcome and careful application, attentiveness and caution was applied to ensure that the probability of a transaction, event or condition not being achieved as planned is being managed to an acceptable level, such transaction, event or condition is recognised as fruitless and wasteful expenditure.

Irregular expenditure

Where expenditure has been incurred that does not comply with any law or regulation, the group recognises that expenditure as irregular expenditure. Irregular expenditure is recognised when it is confirmed and to the extent that the expenditure is recognised in accordance with IFRS.

Irregular expenditure is derecognised when it is either:

- (a) condoned by the relevant authority if no official was found to be liable in law;
- (b) recovered from an official liable in law;
- (c) written-off if it is irrecoverable from an official liable in law; or
- (d) written-off if it is not condoned and not recoverable.

3. OPERATING SEGMENTS AND SEGMENT REPORTING

Umgeni Water has two reportable segments:

- (i) The primary activities as defined by section 29 of the Water Services Act No. 108 of 1997 which is made up of bulk water and wastewater treatment; and
- (ii) Other activities as defined by Section 30 of the Water Services Act No. 108 of 1997. This business segment consists of non-regulated activities which are mainly defined as services that complement bulk water service provision such as laboratory services, water quality monitoring, environmental management and where Umgeni Water acts as an implementing agent for any sphere of government for projects related to water service delivery. Included in this segment are the subsidiaries which meet the definition of other activities in terms of Section 30 of the Water Services Act

Trade debtors comprise bulk water and wastewater sales to municipalities of which eThekweni Municipality R2 876m (2021:R2 876m) and Msunduzi Municipality R 750m (2021:R 750m) which contributes to 81.80% (2021: 81.80%) of revenue. Additional information on the major customers per segment are included in note 16.

Segment results that are reported include items directly attributable to the segment as well as those that can be allocated on a reasonable basis. In the current year the segment report has been summarised to include reportable segments in line with the primary and secondary activities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2022

3. OPERATING SEGMENTS AND SEGMENT REPORTING (CONTINUED)

	Group		
	Primary activities	Other activities	Total
	R'000	R'000	R'000
For the year ended 30 June 2022			
Revenue	4 861 361	48 093	4 909 454
Cost of sales	(1 938 790)	(27 294)	(1 966 084)
Changes in water inventory	480	-	480
Chemicals	(129 999)	-	(129 999)
Depreciation	(373 733)	-	(373 733)
Energy	(332 914)	-	(332 914)
Maintenance	(271 155)	(582)	(271 737)
Raw water	(421 541)	-	(421 541)
Section 30 activities	-	(25 535)	(25 535)
Staff costs	(350 681)	(1 103)	(351 784)
Other direct operating expenses	(59 247)	(74)	(59 321)
Gross profit	2 922 571	20 799	2 943 370
Other income	13 632	208	13 840
Other operating and administration expenses	(1 966 406)	(70 203)	(2 036 609)
Impairments of property, plant and equipment	(222 200)	-	(222 200)
Amortisation	(58 180)	(98)	(58 278)
Depreciation	(55 588)	(1 957)	(57 545)
Asset write offs	(118 245)	-	(118 245)
Staff costs	(526 399)	(53 379)	(579 778)
Credit losses	(462 636)	8 759	(453 877)
Other expenses and recoveries	(523 158)	(23 528)	(546 686)
Profit from operations	969 797	(49 196)	920 601
Interest income	325 667	1 384	327 051
Finance costs	(9 942)	(393)	(10 335)
Share of profit from associate	-	4 088	4 088
Profit before tax	1 285 522	(44 117)	1 241 405
Taxation	6,2	(42)	(42)
Profit for the year	1 285 522	(44 159)	1 241 363
Capital expenditure	1 047 550	2 572	1 050 122
Segment assets	10 222 641	53 380	10 276 021
Interest in associate	-	10 031	10 031
Investments	5 635 849	139 537	5 775 386
Unallocated			102 537
Consolidated total assets			16 163 975
Segment liabilities	1 541 795	139 537	1 681 332
Unallocated			1 297 530
Consolidated total liabilities			2 978 862

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2022

3. OPERATING SEGMENTS AND SEGMENT REPORTING (CONTINUED)

	Group		
	Primary activities	Other activities	Total
	R'000	R'000	R'000
For the year ended 30 June 2021			
Revenue	4 481 601	46 636	4 528 237
Cost of sales	(1 761 814)	(26 699)	(1 788 513)
Changes in water inventory	119	-	119
Chemicals	(91 331)	-	(91 331)
Depreciation	(319 308)	-	(319 308)
Energy	(325 443)	-	(325 443)
Maintenance	(263 310)	(309)	(263 619)
Raw water	(409 541)	-	(409 541)
Section 30 activities	-	(24 712)	(24 712)
Staff costs	(314 510)	(1 220)	(315 730)
Other direct operating expenses	(38 490)	(458)	(38 948)
Gross profit	2 719 787	19 937	2 739 724
Other income	80 655	1 033	81 688
Other operating and administration expenses	(1 677 774)	(85 190)	(1 762 966)
Impairments of property, plant and equipment	(184 320)	-	(184 321)
Amortisation	(53 774)	(137)	(53 911)
Depreciation	(46 332)	(2 531)	(48 863)
Staff costs	(433 082)	(45 432)	(478 514)
Credit losses	(165 936)	(8 129)	(174 065)
Other expenses and recoveries	(794 329)	(28 963)	(823 292)
Profit from operations	1 122 668	(64 220)	1 058 446
Interest income	248 731	666	249 397
Finance costs	(49 586)	(435)	(50 021)
Share of profit from associate	-	4 853	4 853
Profit before tax	1 321 813	(59 136)	1 262 675
Taxation	-	(23)	(23)
Profit for the year	1 321 813	(59 159)	1 262 652
Capital expenditure	798 844	2 955	801 799
Segment assets	10 139 790	69 364	10 209 154
Interest in associate	-	10 858	10 858
Investments	4 542 846	135 049	4 677 895
Unallocated			73 458
Consolidated total assets			14 945 013
Segment liabilities	1 480 868	135 049	1 615 917
Unallocated			1 401 580
Consolidated total liabilities			3 017 497

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2022

4. REVENUE

The group recognises revenue for both goods and services at a point in time and over time in accordance with the accounting policies described on pages 216 to 217 of the financial statements. Revenue is derived from the sale of goods and services within the KwaZulu-Natal Province from the major product/service lines as per the disaggregation of revenue table below.

The group applies the practical expedient in IFRS 15 with regards to the transaction price allocated to performance obligations unsatisfied or partially satisfied. Revenue has been recognised at the amount to which the group has a right to invoice, which corresponds directly to the value to the customer of the group's performance completed to date.

Bulk water revenue comprises 93% (2021: 94%) of total revenue for the group. The average bulk water tariff was R8.14 (2021: R7.73).

DISAGGREGATION OF REVENUE

	Primary activities	Other Activities	Total Parent	Subsidiary	Total Group
	R'000	R'000	R'000	R'000	R'000
For the year ended 30 June 2022					
Revenue from major products/service lines as a result of performance obligations satisfied					
Bulk water sales	4 582 109	-	4 582 109	-	4 582 109
Waste water sales	279 252	-	279 252	-	279 252
Scientific and environmental services	-	9 987	9 987	-	9 987
Operating and Maintenance	-	4 292	4 292	-	4 292
Training and capacity building	-	18 783	18 783	-	18 783
Other	-	984	984	90 619	15 031
	4 861 361	34 046	4 895 407	90 619	4 909 454
Timing of revenue recognition					
At a point in time	4 861 361	14 279	4 875 640	87 681	4 886 749
Over time	-	19 767	19 767	2 938	22 705
	4 861 361	34 046	4 895 407	90 619	4 909 454
For the year ended 30 June 2021					
Revenue from major products/service lines as a result of performance obligations satisfied					
Bulk water sales	4 235 486	-	4 235 486	-	4 235 486
Waste water sales	246 115	-	246 115	-	246 115
Scientific and environmental services	-	9 378	9 378	-	9 378
Operating and Maintenance	-	4 883	4 883	-	4 883
Training and capacity building	-	18 995	18 995	-	18 995
Other	-	332	332	84 540	13 380
	4 481 601	33 588	4 515 189	84 540	4 528 237
Timing of revenue recognition					
At a point in time	4 481 601	14 261	4 495 862	81 553	4 505 923
Over time	-	19 327	19 327	2 987	22 314
	4 481 601	33 588	4 515 189	84 540	4 528 237

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2022

4. REVENUE (CONTINUED)

	Group		Parent	
	2022	2021	2022	2021
REVENUE FROM CONTRACT LIABILITIES	R'000	R'000	R'000	R'000
Revenue recognised that was included in the contract liability balance at the beginning of the period, due to performance obligations satisfied.	19 035	19 363	19 035	19 363
Refer to note 20.2 for the contract liabilities				

5. OTHER INCOME

	Group		Parent	
	2022	2021	2022	2021
	R'000	R'000	R'000	R'000
Sundry income	8 937	77 217	8 749	77 651
Rental income	4 903	4 471	4 883	4 453
Total other income	13 840	81 688	13 632	82 104

Sundry income comprises primarily: Insurance proceeds and income from the sale of tender documents.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2022

6.1. PROFIT FROM OPERATIONS

	Group		Parent	
	2022	2021 Restated	2022	2021 Restated
	R'000	R'000	R'000	R'000
Profit from operations is stated after taking the following items into account:				
Total cost of sales	1 966 084	1 788 513	1 966 084	1 788 513
Changes in water inventory	(480)	(119)	(480)	(119)
Chemicals	129 999	91 331	129 999	91 331
Depreciation	373 733	319 308	373 733	319 308
Energy	332 914	325 443	332 914	325 443
Maintenance	271 737	263 619	271 737	263 619
- Internal labour	133 909	97 754	133 909	97 754
- Other internal costs	13 334	7 116	13 334	7 116
- External maintenance	124 494	158 750	124 494	158 750
Raw water	421 541	409 541	421 541	409 541
Section 30 activities	25 535	24 712	25 535	24 712
Staff costs	351 784	315 730	351 784	315 730
Other direct operating expenses	59 321	38 948	59 321	38 948
Amounts included in operating and admin expenses				
Asset impairments and write-offs	370 598	199 553	370 482	199 553
- Buildings & infrastructure impairments (refer to note 9)	13 916	65 860	13 916	65 860
- Buildings & infrastructure write-offs (refer to note 9)	18 021	1 185	18 021	1 185
- Capital work-in-progress impairments (refer to note 9)	208 284	118 460	208 284	118 460
- Capital work-in-progress write-offs (refer to note 9)	127 929	12 602	127 929	12 602
- Intangible assets write-offs (refer to note 11)	11	1	-	-
- other asset impairments and write-offs	2 437	1 446	2 332	1 446
Amortisation of intangible assets (Refer to note 11)	58 278	53 911	58 180	53 774
Auditors remuneration	8 021	5 429	5 886	4 177
- Audit fees - current year	7 596	5 437	5 461	4 185
- Audit fees - prior year under/(over) provision	425	(8)	425	(8)
Board members' emoluments (note 34)	11 559	6 001	10 897	5 550
Depreciation	57 338	56 297	55 603	56 045
- Property plant and equipment	56 670	55 073	55 073	55 073
- Investment property (refer to note 10)	-	-	222	144
- Right of use Asset (refer to note 23.1)	668	1 224	308	828
Allowance for credit losses	454 151	174 065	453 814	173 990
Financial losses (goods and services not received)	24 811	71 545	24 811	71 545
Fair value adjustment of biological assets (refer to note 12)	(285)	345	-	-
Maintenance	31 628	69 855	27 649	67 346
- Internal labour	7 246	34 654	7 246	34 654
- Other internal costs	722	2 523	722	2 523
- External maintenance	23 660	32 678	19 681	30 169
Profit on disposal of property, plant and equipment	(3 098)	(821)	(3 098)	(684)
Research and Development	5 173	4 346	5 173	4 346
Salaries and other staff costs	579 778	478 514	526 399	433 082

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2022

6.1. PROFIT FROM OPERATIONS (CONTINUED)

	Group		Parent	
	2022	2021	2022	2021
	No.	No.	No.	No.
Number of employees at 30 June				
Permanent	1 153	1 172	1 030	1 050
Fixed term contracts	221	183	221	183
Total number of employees	1 374	1 355	1 251	1 233

6.2. TAXATION

Taxation arose from a 100% owned subsidiary Umgeni Water Services (SOC)Ltd

Taxation expense	42	23	-	-
Reconciliation of taxation				
Accounting profit	4 146	4 864	-	-
Permanent differences	(3 996)	(4 782)	-	-
Profit from associate	(4 088)	(4 853)	-	-
Disallowed expenses	92	71	-	-
Taxable income	150	82	-	-
Taxation expense (@28%)	42	23	-	-

7. INTEREST INCOME

Interest income - investments	242 024	215 940	242 024	215 940
Interest income - other	85 027	33 457	83 643	32 949
Total interest income	327 051	249 397	325 667	248 889

8. FINANCE COSTS

Other	7 695	1 118	7 695	1 118
Bonds	105 749	148 842	105 749	148 842
Leases	463	361	70	212
Loans	13 562	15 031	13 562	15 031
Less: borrowing costs capitalised (refer to note 9)	(117 134)	(115 331)	(117 134)	(115 331)

Interest was capitalised to work-in-progress at the gross weighted average cost of capital of 10.79 %.(2021: 10.55%)

Total finance costs	10 335	50 021	9 942	49 872
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2022

9. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings and infrastructure	Equipment and vehicles	Capital infrastructure work in progress	Total Parent	Total Group
	R'000	R'000	R'000	R'000	R'000	R'000
Year ended 30 June 2022						
Carrying Amount 1 July Restated	3 940	7 042 168	220 878	1 545 182	8 812 168	8 828 820
Cost	3 940	12 585 226	546 231	1 953 969	15 089 366	15 133 870
Accumulated impairments	-	(654 698)	-	(257 915)	(912 613)	(912 613)
Accumulated grant funding	-	(2 310 857)	-	(150 872)	(2 461 729)	(2 461 729)
Accumulated depreciation	-	(2 577 503)	(325 353)	-	(2 902 856)	(2 930 708)
Additions	-	-	38 700	1 008 188	1 046 888	1 049 042
Grant funding	-	-	-	(200 166)	(200 166)	(200 166)
Borrowing costs capitalised	-	-	-	117 134	117 134	117 134
Disposals/Asset write-offs	-	(18 021)	(2 332)	(127 929)	(148 282)	(148 397)
Cost	-	(26 471)	(35 057)	(127 929)	(189 457)	(190 512)
Accumulated depreciation	-	8 450	32 725	-	41 175	42 115
Transfers between asset classes	-	(193)	193	(65)	(65)	(65)
Cost	-	(239)	239	(65)	(65)	(65)
Accumulated depreciation	-	46	(46)	-	-	-
Depreciation charge	-	(382 796)	(52 010)	-	(434 806)	(436 625)
Impairment	-	(13 916)	-	(208 284)	(222 200)	(222 200)
Commissioning	-	61 365	-	(61 365)	-	-
Cost	-	61 365	-	(61 365)	-	-
Accumulated impairments	-	-	-	-	-	-
Accumulated grant funding	-	-	-	-	-	-
Total property, plant and equipment	3 940	6 688 607	205 429	2 072 695	8 970 671	8 987 543
Cost	3 940	12 619 881	550 113	2 889 932	16 063 866	16 109 469
Accumulated impairments	-	(668 614)	-	(466 199)	(1 134 813)	(1 134 813)
Accumulated grant funding	-	(2 310 857)	-	(351 038)	(2 661 895)	(2 661 895)
Accumulated depreciation	-	(2 951 803)	(344 684)	-	(3 296 487)	(3 325 218)
Total property, plant and equipment	3 940	6 688 607	205 429	2 072 695	8 970 671	8 987 543

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2022

9. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Land	Buildings and infrastructure	Equipment and vehicles	Capital infrastructure work in progress	Total Parent	Total Group
	R'000	R'000	R'000	R'000	R'000	R'000
Year ended 30 June 2021 Restated						
Carrying Amount 1 July 2020	3 940	6 369 456	106 057	2 391 113	8 870 566	8 877 779
Cost	3 940	10 978 941	423 133	2 848 982	14 254 996	14 288 620
Accumulated impairments	-	(466 232)	-	(262 061)	(728 293)	(728 293)
Accumulated grant funding	-	(1 883 307)	-	(195 808)	(2 079 115)	(2 079 115)
Accumulated depreciation	-	(2 259 946)	(317 076)	-	(2 577 022)	(2 603 433)
Additions	-	-	158 558	631 145	789 703	801 561
Grant funding	-	(174 609)	-	(208 005)	(382 614)	(382 614)
Borrowing costs capitalised	-	-	-	115 331	115 331	115 331
Disposals/Asset write-offs	-	(1 185)	(1 400)	(12 602)	(15 187)	(15 323)
Cost	-	(10 654)	(18 802)	(12 602)	(42 058)	(43 036)
Accumulated depreciation	-	9 469	17 402	-	26 871	27 713
Transfers	-	-	-	(11 948)	(11 948)	(11 948)
Cost	-	-	-	(11 948)	(11 948)	(11 948)
Accumulated depreciation	-	-	-	-	-	-
Transferred to non-current assets held for sale	-	-	(1 532)	-	(1 532)	(1 532)
Cost	-	-	(16 658)	-	(16 658)	(16 658)
Accumulated depreciation	-	-	15 126	-	15 126	15 126
Depreciation charge	-	(327 026)	(40 805)	-	(367 831)	(370 114)
Impairment	-	(65 860)	-	(118 460)	(184 320)	(184 320)
Commissioning (Restated)	-	1 241 392	-	(1 241 392)	-	-
Cost (Restated)	-	1 616 939	-	(1 616 939)	-	-
Accumulated impairment	-	(122 606)	-	122 606	-	-
Accumulated grant funding	-	(252 941)	-	252 941	-	-
Total property, plant and equipment	3 940	7 042 168	220 878	1 545 182	8 812 168	8 828 820
Cost	3 940	12 585 226	546 231	1 953 969	15 089 366	15 133 870
Accumulated impairments	-	(654 698)	-	(257 915)	(912 613)	(912 613)
Accumulated grant funding	-	(2 310 857)	-	(150 872)	(2 461 729)	(2 461 729)
Accumulated depreciation	-	(2 577 503)	(325 353)	-	(2 902 856)	(2 930 708)
Total property, plant and equipment	3 940	7 042 168	220 878	1 545 182	8 812 168	8 828 820

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2022

9. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Infrastructure consists of: pipelines, dams, weirs, reservoirs, tunnels, pump stations, sludge plants, wastewater treatment works and water treatment works.

Equipment and vehicles consists of: motor vehicles, computer hardware and furniture and fittings. The subsidiaries property, plant and equipment is all classified as equipment and vehicles.

A schedule of land and buildings is available for inspection at the registered office of Umgeni Water. The group has an agreement with its major customer to operate and maintain the South Coast Booster pump station with the option for the customer to acquire the pump station at the end of its useful life of 14 years the asset has a remaining useful life of 5 years. The pump station has a carrying amount of R39m and is used by the customer to guarantee supply to a portion of its operational areas.

Prior period error - Correction of assets commissioned between asset classes

During the current year, the group identified assets totalling R242 million in cost classified as capital work in progress in 2021 that should have been recognised as assets commissioned under buildings and infrastructure. As a result the commissioning cost in 2021 has been restated accordingly to reduce capital work in progress and increase buildings and infrastructure by R242 million respectively. The net impact to property, plant and equipment was nil.

	Buildings and infrastructure	Capital infrastructure work in progress
	R'000	R'000
2021 Commissioning cost prior to correction	1 374 769	(1,374,769)
Prior period error correction	242 170	(242,170)
2021 Restated commissioning costs	1 616 939	(1,616,939)

Change in estimate residual values and remaining useful lives

During the current year residual values and remaining useful lives of some equipment and vehicles were revised based on the age and condition of these assets and the amount expected to be obtained from the sale of these assets at the end of their useful lives. The impact of the change in estimate associated with the residual values and remaining useful lives was an increase in depreciation of R0.52 million (2021: R3.78 million). The cost of the assets that are still in use but have past their useful lives amount to R20.0 million (R2021: R44.2 million)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2022

9. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Impairments & write-offs

Due to the nature of the rural development schemes which serve indigent communities, it is necessary to calculate the recoverable amount of these assets to determine whether there is an indication of impairment. The impairment losses recognised arose from projects/bulk supply schemes relating to the rural development infrastructure where the recoverable amount is less than the carrying amount. The recoverable amount is the estimated value in use using the weighted average cost of capital as at 30 June 10.79% (2021: 10.55%). The recoverable amount of buildings and infrastructure assets impaired in the current year was nil, resulting in the impairment charge disclosed. It was not possible to determine fair value less costs to sell as there was no basis for making a reliable estimate of the amount obtainable from the sale of these assets in an arms length transaction between knowledgeable and willing parties. The impairment losses to work-in-progress were calculated as a pro-rata impairment based on the final projected impairment value.

During the current year assets with a carrying value of R14.4 million were written off as a result of damages due to the floods in April 2022. As at the date of approval of the financial statements insurance claims were still in progress and as a result expected proceeds for these assets have not been quantified. Further details are included in note 31.

SUMMARY OF IMPAIRMENTS

	Accumulated Impairment 30 June 2021	Impairment 30 June 2022	Accumulated Impairment 30 June 2022
	R'000	R'000	R'000
Buildings & infrastructure			
Primary activities			
Maphumulo bulk water supply scheme	363 335	-	363 335
Mhlabatshane bulk water supply scheme	108 045	529	108 574
Mpambanyoni emergency scheme	15 465	-	15 465
Pipeline Ngcebo bulk water	38 774	-	38 774
Other assets	6 473	-	6 473
Trustfeeds WWW	122 606	1 463	124 069
UMDM Waste Water assets	-	11 924	11 924
Total buildings and infrastructure	654 698	13 916	668 614

	Progressive Impairment 2021	Progressive Impairment 2022	Accumulated Impairment 30 June 2021	Impairment / (Impairment reversal) 30 June 2022	Accumulated Impairment 30 June 2022
	%	%	R'000	R'000	R'000
Work in progress					
Primary activities					
Mhlabatshane Bulk Water Supply Scheme	68%	72%	12 736	2 059	14 795
Maphumulo Ph3 and 4	0%	39%	-	17 447	17 447
uThukela DM bulk meters*	100%	n/a	5 933	(5 933)	-
Refurbish of Pumps- Ezakheni*	100%	n/a	44 385	(44 385)	-
Lovu Emergency Scheme*	6%	100%	2 526	59 745	62 271
Mpophomeni WWW and Mpophomeni Sewer Outfall	100%	100%	188 516	126 865	315 381
N3 Corridor	47%	100%	3 818	29 230	33 048
UMDM Waste Water projects	0%	100%	-	23 257	23 257
Total work in progress			257 914	208 285	466 199

*Written off in 2022

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2022

9. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

9.1. CAPITAL COMMITMENTS

	Group		Parent	
	2022	2021	2022	2021
	R'000	R'000	R'000	R'000
Contracted for but not provided for in the financial statements:				
- Commitments in respect of capital expenditure for the expansion, augmentation and upgrades of pipelines and water works:	2 490 426	1 299 254	2 490 426	1 299 254
- Commitments in respect of capital expenditure for intangible assets:	7 048	1 105	8	1 105
Total capital commitments	2 497 474	1 300 359	2 490 434	1 300 359

9.2. NON-CURRENT ASSETS HELD FOR SALE

The assets comprise vehicles and equipment. The assets are approved by the Disposal Committee to dispose via auction. This will ensure that the group obtains optimal value from the disposal of the assets, which is fair, equitable, transparent, competitive and cost-effective. The motor vehicles are to be disposed via an auction at a future date due to COVID-19. Consultations are currently in progress with the appointed auctioneer to undertake the disposal of these assets in 2023. The assets held for sale relate to the primary bulk water segment of the group, with the exception of the subsidiary assets held for sale which fall within the other activities segment.

	Equipment and vehicles	Total Parent	Total Group
	R'000	R'000	R'000
As at 30 June 2022			
Balance as at 1 July 2021	1 867	1 867	1 867
Transferred from Property, plant and equipment	-	-	-
Disposals	(1 319)	(1 319)	(1 319)
Balance as at 30 June 2022	548	548	548
As at 30 June 2021			
Balance as at 1 July 2020	677	677	10 843
Transferred from Property, plant and equipment	1 532	1 532	1 532
Disposals	(342)	(342)	(10 508)
Balance as at 30 June 2021	1 867	1 867	1 867

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2022

10. INVESTMENT PROPERTY

In the prior year Umgeni Water acquired a building from its subsidiary Msinsi Holding (SOC), the transfer of which was concluded in November 2020. The purchase price was settled via offset to the loan owed by Msinsi to Umgeni in terms of the sale agreement. Umgeni water accounts for the investment property using the cost model. The fair value of the building is estimated at R11.2 million as at 30 June 2022 using level 2 input from the municipal rates property valuation roll.

	Parent	Group
	R'000	R'000
Year ended 30 June 2022		
Carrying Amount 1 July 2021	8 918	-
Cost	9 062	-
Accumulated impairments	-	-
Accumulated depreciation	(144)	-
Additions	-	-
Depreciation charge	(222)	-
Impairment	-	-
Total Investment property	8 696	-
Cost	9 062	-
Accumulated impairments	-	-
Accumulated depreciation	(366)	-
Total investment property	8 696	-
Year ended 30 June 2021		
Carrying Amount 1 July 2020	-	-
Cost	-	-
Accumulated impairments	-	-
Accumulated depreciation	-	-
Additions	9 062	-
Depreciation charge	(144)	-
Impairment	-	-
Total Investment property	8 918	-
Cost	9 062	-
Accumulated impairments	-	-
Accumulated depreciation	(144)	-
Total investment property	8 918	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2022

11. INTANGIBLE ASSETS

	Intangible Asset	Work in progress	Total Parent	Total Group
	R'000	R'000	R'000	R'000
As at 30 June 2022				
SOFTWARE				
Carrying Amount 1 July	191 320	14 698	206 018	206 132
Cost	414 863	14 698	429 561	430 583
Accumulated amortisation	(223 543)	-	(223 543)	(224 451)
Additions	-	662	662	1 080
Commissioning	1 543	(1 543)	-	-
Disposals and write-offs	-	-	-	(11)
Cost	(9 732)	-	(9 732)	(9 872)
Accumulated amortisation	9 732	-	9 732	9 861
Transfers from PPE	-	65	65	65
Cost	-	65	65	65
Accumulated amortisation	-	-	-	-
Amortisation	(58 180)	-	(58 180)	(58 278)
Total intangible assets	134 683	13 882	148 565	148 988
Cost	406 674	13 882	420 556	421 856
Accumulated amortisation	(271 991)	-	(271 991)	(272 868)
Total intangible assets	134 683	13 882	148 565	148 988
As at 30 June 2021				
SOFTWARE				
Carrying Amount 1 July	119 483	105 337	224 820	224 913
Cost	289 758	105 337	395 095	396 263
Accumulated amortisation	(170 275)	-	(170 275)	(171 350)
Additions	-	23 024	23 024	23 557
Commissioning	125 611	(125 611)	-	-
Disposals and write-offs	-	-	-	(375)
Cost	(506)	-	(506)	(1 185)
Accumulated amortisation	506	-	506	810
Transfers	-	11 948	11 948	11 948
Cost	-	11 948	11 948	11 948
Accumulated amortisation	-	-	-	-
Amortisation	(53 774)	-	(53 774)	(53 911)
Total intangible assets	191 320	14 698	206 018	206 132
Cost	414 863	14 698	429 561	430 583
Accumulated amortisation	(223 543)	-	(223 543)	(224 451)
Total intangible assets	191 320	14 698	206 018	206 132

Included in intangible assets is the SAP ERP system with a carrying amount of R53.3 million (2021: R83.7 million) with a remaining amortisation period of 1.75 years (2021: 2.75 years) and SAP BI software of R48.3 million (2021: R64.0 million) with a remaining amortisation period of 3.08 years (2021: 4.08 years). Work in progress relates to software.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2022

12. BIOLOGICAL ASSETS

	Group		Parent	
	2022	2021	2022	2021
	R'000	R'000	R'000	R'000
12.1. GAME				
Opening carrying amount	3 130	3 475	-	-
Disposals	-	-	-	-
Fair value adjustment	285	(345)	-	-
<p>The carrying amount was based on an estimated 389 (2021: 467) game, the most significant categories being Buffalo, Giraffe, Zebra and Wildebeest. The fair values of game are based on market related prices and is therefore classified as level 2 fair values in terms of IFRS 13.</p> <p>These assets are not restricted nor are they pledged as security.</p>				
Total biological assets	3 415	3 130	-	-
13. SUBSIDIARIES AND ASSOCIATE				
13.1. INVESTMENTS IN SUBSIDIARIES				
Cost	-	-	30 000	30 000
Accumulated impairment	-	-	(30 000)	(30 000)
Share of post-acquisition reserves	-	-	-	-
Total investments in subsidiaries	-	-	-	-
13.2. INVESTMENTS IN ASSOCIATE				
Cost	2 590	2 590	-	-
Accumulated impairment	-	-	-	-
Share of post-acquisition reserves	7 441	8 268	-	-
Total investments in associates	10 031	10 858	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2022

13. SUBSIDIARIES AND ASSOCIATE (CONTINUED)

Investments in Subsidiaries

Subsidiary	Principal activity	Place of incorporation	Proportion of ownership interest		Proportion of voting power held	
			2022	2021	2022	2021
			%	%	%	%
Umgeni Water Services SOC Limited	Water services	RSA	100	100	100	100
Msinsi Holdings SOC Limited	Land and environmental management	RSA	100	100	100	100

The above entities remained subsidiaries throughout the year.

The impairment in the parent's investment in Msinsi Holdings SOC Ltd was re-assessed in 2022 based on value-in-use calculations using the projected operating cash flows of Msinsi and the weighted average cost of capital as at 30 June 2022 of 10.79% (2021:10.55%).

Umgeni Water continues to provide financial support to Msinsi Holdings SOC Limited to ensure that the company continues to trade in the foreseeable future without any disruption in its business. Msinsi Holdings SOC Limited has an investment of 16.67% in Powaprops 31 (Proprietary) Limited. The investment has been fully impaired in 2013.

Investment in associate of Umgeni Water Services SOC Limited

Associate	Principal activity	Place of incorporation	Proportion of ownership interest		Proportion of voting power held	
			2022	2021	2022	2021
			%	%	%	%
Durban Water Recycling (Pty) Limited	Water recycling	RSA	18.5	18.5	18.5	18.5

Umgeni Water Services SOC Limited has significant influence over Durban Water Recycling (Pty) Limited through the exercise of voting rights due to representation on the board of directors and is thus accounted for as an associate. Durban Water Recycling (Pty) Limited's financial year end is 31 December.

	Carrying amount		Directors' valuation	
	2022	2021	2022	2021
	R'000	R'000	R'000	R'000
Investments in associate of Umgeni Water Services (Pty) Limited				
Durban Water Recycling (Pty) Limited	10 031	10 858	10 031	10 858
Investments held by Msinsi Holdings (Pty) Limited				
Powaprops 31 (Pty) Limited	-	-	-	-
Net Investment	10 031	10 858	10 031	10 858

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2022

13. SUBSIDIARIES AND ASSOCIATE (CONTINUED)

13.2. INVESTMENTS IN ASSOCIATES (CONTINUED)

	2022	2021
	R'000	R'000
Summarised financial information of associates:		
Total non-current assets of associates	-	3 015
Total non-current liabilities of associates	657	2 019
Total current assets of associates	91 942	70 966
Total current liabilities of associates	10 766	13 539
Total capital and reserves	80 519	58 423
Total revenue of associates	91 893	86 719
Total comprehensive income	22 096	26 230
Share of profit for the year of associates	4 088	4 853

14. INVESTMENTS - FINANCIAL ASSETS

	Group		Parent	
	2022	2021	2022	2021
	R'000	R'000	R'000	R'000
14.1. SHORT-TERM INVESTMENTS - FINANCIAL ASSETS				
Financial asset at amortised cost	5 775 386	4 677 895	5 775 386	4 677 895
Financial assets comprise money market investments and redemption assets.				
Refer to note 30 financial risk management and financial instruments for interest rates and maturity profile of investments. The carrying amount of investments approximates its fair value.				
Total other financial assets	5 775 386	4 677 895	5 775 386	4 677 895
14.1.1. ANALYSIS OF REDEMPTION ASSETS AT AMORTISED COST				
Opening Balance	-	523 364	-	523 364
Receipt of capital and interest	-	76 636	-	76 636
Redeemed	-	(600 000)	-	(600 000)
Closing Balance	-	-	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2022

15. INVENTORIES

	Group		Parent	
	2022	2021	2022	2021
	R'000	R'000	R'000	R'000
15.1. STORES	23 419	19 972	23 419	19 972
Pipe inventories	1 227	1 164	1 227	1 164
Maintenance spares	1 434	1 757	1 434	1 757
Chemicals	9 438	6 219	9 438	6 219
Miscellaneous	11 320	10 832	11 320	10 832
15.2. WATER INVENTORY				
Water inventory consists of closing inventory of raw and treated water.	2 662	2 183	2 662	2 183
Total inventories	26 081	22 155	26 081	22 155

16. TRADE AND OTHER RECEIVABLES

16.1. CURRENT

Trade receivables	1 975 681	1 537 333	1 975 681	1 537 333
Less: Allowance for credit losses	(1 019 342)	(585 184)	(1 019 342)	(585 184)
Opening Balance	(585 184)	(410 797)	(585 184)	(410 797)
Written off during the year	17 639	-	17 639	-
Raised for during the year	(451 797)	(174 387)	(451 797)	(174 387)
Sub-total trade receivables	956 339	952 149	956 339	952 149
Sundry debtors	30 882	101 583	30 387	100 373
Amount due from DWS - Capital unit charges	89 613	-	89 613	-
SARS	34 535	-	34 535	-
Less: Allowance for credit losses	(337)	(274)	-	-
Sub-total sundry debtors	154 693	101 309	154 535	100 373
Current trade and other receivables	1 111 032	1 053 458	1 110 874	1 052 522

16.2. NON-CURRENT

The prior year non-current trade receivables includes capital unit charges due by iLembe District Municipality payable over an 11 year period to 2032. In the current year this has been reclassified to current receivables based on final reconciliation of the debt repaid.

The group has corrected the classification of connection deposits from current assets to non-current assets in line with the assets to which these relate which require electricity supply to operate in the long term.

Total trade and other receivables	1 139 490	1 147 850	1 139 025	1 146 691
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Trade debtors are granted credit terms of 30 days from date of invoice to settle outstanding debts. The average credit period for Umgeni Water, at financial year-end, is 61 days (2021: 56 days). Trade receivables to the value of R250 million (R61mil Msunduzi LM; R190mil uGu DM) is expected to be realised beyond the 12 month period and has been fully impaired.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2022

16. TRADE AND OTHER RECEIVABLES (CONTINUED)

The group measures the loss allowance for trade receivables at an amount equal to the lifetime expected credit loss using the simplified approach. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and the analysis of the debtors current financial position adjusted for factors that are specific to the debtors general economic conditions, it operational conditions as well as forward looking information which includes the customers subsequent payments received and possible changes in the macroeconomic conditions and provincial political landscape. The group recognises a loss allowance of 100% against receivable over 90 days past due based on historical experience and current operational and economic conditions unless there is a payment arrangement in place with the customer which is being complied with, or these are received subsequently prior to approval of the financial statements. Amounts past due in excess of 90 days follow legal recovery processes and thus considered an increase credit risk.

The disclosures that follow relate to the parent only as the impact of the subsidiaries are not material to the group.

	Total amount due	Current	30 Days	60 Days	90 Days	120 + Days
	R'000	R'000	R'000	R'000	R'000	R'000
June 2022						
Customer						
eThekweni Metropolitan Municipality	415 745	362 891	1 933	1 813	49 107	-
Msunduzi Local Municipality	542 812	98 618	83 957	91 484	7 613	261 140
uMgungundlovu District Municipality	116 717	33 140	(4 982)	7 932	7 350	73 277
ILembe District Municipality	52 293	22 132	-	-	-	30 161
Siza Water	94 362	6 392	830	1 676	1 714	83 751
UGu District Municipality	276 751	16 387	13 169	13 948	8 666	224 580
Harry Gwala District Municipality	3 540	2 229	541	794	13	(35)
UThukela District Municipality	194 501	-	-	-	-	194 501
King Cetshwayo District Municipality	272 394	27 714	16 796	21 623	15 894	190 368
Retail	636	178	22	3	12	421
Other	5 930	1 064	602	211	211	3 842
Gross carrying amount	1 975 681	570 745	112 867	139 485	90 580	1 062 004
Expected default rate ^{N1}		7,45%	26,44%	25,29%	84,47%	78,64%
Credit loss allowance (default rate x gross carrying amount)	(1 019 342)	(42 528)	(29 842)	(35 270)	(76 512)	(835 190)
Net carrying amount	956 339	528 217	83 025	104 215	14 068	226 814
June 2021						
Customer						
eThekweni Metropolitan Municipality	417 262	417 262	-	-	-	-
Msunduzi Local Municipality	307 108	55 532	92 912	93 759	59 810	5 095
uMgungundlovu District Municipality	130 771	39 508	28 208	30 194	27 935	4 926
ILembe District Municipality	31 279	31 279	-	-	-	-
Siza Water	54 024	4 583	937	899	905	46 700
UGu District Municipality	253 783	16 833	14 565	1 145	1 179	220 061
Harry Gwala District Municipality	3 939	2 223	1 800	-	-	(84)
UThukela District Municipality	238 244	12 801	10 934	12 167	10 779	191 563
King Cetshwayo District Municipality	94 899	19 377	17 650	16 141	15 445	26 286
Retail	542	86	51	2	9	394
Other	5 482	1 070	1 053	177	349	2 833
Gross carrying amount	1 537 333	600 554	168 110	154 484	116 411	497 774
Expected default rate ^{N1}		5,73%	20,21%	23,13%	29,45%	89,76%
Credit loss allowance (default rate x gross carrying amount)	(585 184)	(34 391)	(33 970)	(35 736)	(34 287)	(446 800)
Net carrying amount	952 149	566 163	134 140	118 748	82 124	50 974

N1 - The expected default rate is calculated as: Credit loss allowance amount per ageing bracket ÷ total trade receivables balance per age category.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2022

16. TRADE AND OTHER RECEIVABLES (CONTINUED)

The summary of the impact of expected credit losses is as follows:

	Amount due	Allowance for credit losses	Total 2022	Total 2021
	R'000	R'000	R'000	R'000
Customer				
eThekweni Metropolitan Municipality	415 700	(53 212)	362 488	417 238
ILembe District Municipality	52 293	-	52 293	31 279
Msunduzi Local Municipality	542 812	(89 054)	453 758	299 094
uGu District Municipality	270 823	(212 079)	58 744	32 339
uMgungundlovu District Municipality	116 703	(103 657)	13 046	110 770
Harry Gwala District Municipality	3 263	-	3 263	3 939
Siza Water	94 347	(89 278)	5 069	53 997
uThukela District Municipality	194 501	(194 501)	-	-
King Cetshwayo District Municipality	272 394	(272 394)	-	-
Other bulk customers	636	(427)	209	140
Trade receivables - primary activities	1 963 472	(1 014 602)	948 870	948 796
Trade receivables - secondary activities	12 209	(4 740)	7 469	3 353
Total trade receivables	1 975 681	(1 019 342)	956 339	952 149

A further analysis of financial risk relating to trade receivables is included in note 30.

17. BANK AND CASH

	Group		Parent	
	2022	2021	2022	2021
	R'000	R'000	R'000	R'000
Cash and cash equivalents consist of:				
Bank and cash on hand	67 712	41 434	7 801	203
The carrying amount of bank and cash is held at amortised cost and approximates its fair value.				
All cash reserves are placed with reputable, investment grade financial institutions. The estimated Probability of Default ("PD") rating is zero, therefore an expected credit loss of nil was raised				
The group's outstanding guarantees are disclosed under note 24.				
Total bank and cash	67 712	41 434	7 801	203

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2022

17. BANK AND CASH (CONTINUED)

	Group		Parent	
	2022	2021	2022	2021
	R'000	R'000	R'000	R'000
17.1 RECONCILIATION OF PROFIT FOR THE YEAR TO NET CASH GENERATED FROM OPERATING ACTIVITIES				
Profit for the year	1 241 363	1 262 652	1 222 551	1 240 053
Interest income	(327 051)	(249 397)	(325 667)	(248 889)
Finance costs	10 335	50 021	9 942	49 872
Adjusted for non-cash items:				
Fair value adjustment of biological assets	(285)	345	-	-
Asset impairments and write-offs	370 482	199 507	370 482	199 507
Right of use asset (Lease termination)	-	824	-	46
Amortisation - intangible asset	58 278	53 911	58 180	53 774
Depreciation - PPE	436 625	370 114	434 806	367 831
Depreciation - Right of use asset	657	1 224	297	828
Depreciation - Investment property	-	-	222	144
Loss (Profit) on disposal of property, plant and equipment	(2 955)	(796)	(3 098)	(684)
Increase in provisions and non-current liabilities	69 523	38 500	69 968	39 249
Credit losses	453 877	174 061	453 814	173 990
Income Tax expense	42	23	-	-
Share of profit from associate	(4 088)	(4 853)	-	-
Tax paid	(30)	(23)	-	-
Operating surplus before working capital changes	2 306 773	1 896 113	2 291 497	1 875 721
Working capital changes	(434 169)	(490 182)	(434 310)	(487 806)
Increase in accounts receivable	(364 648)	(461 504)	(360 488)	(455 517)
Decrease in accounts payable	(155 815)	(110 419)	(160 116)	(114 030)
Increase in contract liabilities	90 220	81 800	90 220	81 800
Increase in inventory	(3 926)	(59)	(3 926)	(59)
Net cash from operating activities	1 872 604	1 405 931	1 857 187	1 387 915
18. CAPITAL				
Capital consists primarily of contributions made by the Department of Water and Sanitation	442 847	442 847	442 847	442 847
Total capital	442 847	442 847	442 847	442 847

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2022

19. DEBT - FINANCIAL LIABILITIES

	Group		Parent	
	2022	2021	2022	2021
	R'000	R'000	R'000	R'000
Long-term	1 083 548	1 108 387	1 083 548	1 108 387
Short-term	58 150	58 116	58 150	58 116
Total debt	1 141 698	1 166 503	1 141 698	1 166 503

Debt consists of interest bearing liabilities. Bonds are held at cost whilst bank loans and foreign loans are at amortised cost and are unsecured.

19.1. ANALYSIS OF DEBT HELD AT AMORTISED COST

	Nominal Amount		Interest Rates		Maturity date	Group		Parent	
	2022	2021	2022	2021		2022	2021	2022	2021
	R'000	R'000				R'000	R'000	R'000	R'000
Development Funding Institutions	173 387	198 226				173 959	198 764	173 959	198 764
EIB - Fixed Rate	89 516	101 452	9,08%	9,08%	17/12/2029	89 855	101 803	89 855	101 803
EIB - Variable Rate	83 871	96 774	6,79%	4,69%	15/12/2028	84 104	96 961	84 104	96 961
Bonds	935 000	935 000				967 739	967 739	967 739	967 739
UG26 - Fixed rate	935 000	935 000	11,31%	11,31%	09/03/2026	967 739	967 739	967 739	967 739
Total debt						1 141 698	1 166 503	1 141 698	1 166 503

Refer to note 30 financial risk management and financial instruments for maturity profile and fair value of debt.

Reconciliation of movement in debt for the year

Balance at the beginning of the year:	1 166 503	1 817 201	1 166 503	1 817 201
Loans Capital and Interest repaid	(144 115)	(814 570)	(144 115)	(814 570)
Loan 72	-	(17 873)	-	(17 873)
UG26	(105 749)	(105 749)	(105 749)	(105 749)
EIB 1	(17 489)	(4 779)	(17 489)	(4 779)
EIB 2	(20 877)	(21 968)	(20 877)	(21 968)
UG 21	-	(664 200)	-	(664 200)
Amortised interest	119 310	163 871	119 310	163 871
EIB 1	4 633	4 939	4 633	4 939
EIB 2	8 928	9 973	8 928	9 973
Loan 72	-	117	-	117
UG 21	-	43 093	-	43 093
UG 26	105 749	105 749	105 749	105 749
Total debt	1 141 698	1 166 503	1 141 698	1 166 503

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2022

20. CONTRACT LIABILITIES

Current contract liabilities comprise of section 30 advances, which represents amounts received from customers in terms of the contractual agreements and primarily relate to implementing agent agreements. Performance obligations relating to these contract liabilities will be recognised over time and revenue will be recognised accordingly. Refer to note 4 for revenue recognised relating to performance obligations satisfied.

Non-current contract liabilities includes amounts invoiced in advance which relates to UMkomazi Bulk Water supply charge for water resource infrastructure which will be amortised to revenue over the life of the asset when the asset is capitalised.

	Group		Parent	
	2022	2021	2022	2021
	R'000	R'000	R'000	R'000
20.1. CONTRACT LIABILITIES NON-CURRENT				
Net amount invoiced in advance (Mkhomazi Bulk Water supply)	400 097	314 365	400 097	314 365
20.2. CONTRACT LIABILITIES - CURRENT				
Contract liabilities from contracts with customers:	139 537	135 049	139 537	135 049
Opening balance	135 049	133 308	135 049	133 308
Received during the year	23 523	21 104	23 523	21 104
Recognised in revenue during the year (Refer note 4)	(19 035)	(19 363)	(19 035)	(19 363)
Total contract liabilities	539 634	449 414	539 634	449 414

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2022

21. PROVISIONS

	Legal Provision	Short-term incentive bonus	Long-term Incentive bonus - current	Sub-total current provisions	Long-term Incentive bonus - non current	Total 2022	Total 2021
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Group							
Opening balance	2 308	73 768	1 276	77 352	20 158	97 510	103 831
Provided during the year	83	120 739	12 265	133 087	3 311	136 398	58 503
Utilised/reclassified during the year	(2 391)	(90 967)	(10 260)	(103 618)	-	(103 618)	(64 825)
Closing balance	-	103 540	3 281	106 821	23 469	130 290	97 509
Parent							
Opening balance	2 308	72 035	1 276	75 619	20 158	95 777	102 210
Provided during the year	83	119 734	12 265	132 082	3 311	135 392	57 397
Utilised/reclassified during the year	(2 391)	(89 517)	(10 260)	(102 168)	-	(102 168)	(63 832)
Closing balance	-	102 252	3 281	105 533	23 469	129 002	95 776

The provision for bonus is raised to recognise the performance of employees, which is payable to employees at the Board's discretion in line with the Performance Management Policy.

The long term incentive bonus provision is raised in terms of Umgeni water's performance policy and is based on a five year performance period. Refer to the remuneration report on page 267 for further detail.

Legal claims provisions are raised to the extent that it is probable Umgeni Water will be required to honour obligations. Legal claims consist of employment matters, finalisation of which is expected within the next financial year.

All provisions are raised in the ordinary course of business.

22. ACCOUNTS PAYABLE

	Group		Parent	
	2022	2021 Restated	2022	2021 Restated
	R'000	R'000	R'000	R'000
Trade accounts payable	301 301	181 338	276 612	179 400
Trade accruals	231 384	291 079	229 999	289 255
Bonus Accrual	19 531	18 273	18 412	18 273
Leave Accrual	53 578	51 660	50 400	48 688
Amounts due to related parties:				
- Water purchases & CUC accrual: DWS	74 601	259 079	74 601	259 079
Sundry creditors	50 071	43 466	64 731	55 098
SARS	22 423	47 072	21 517	46 595
Other payables	1 050	-	1 050	-
Trade accounts payable and accruals comprise amounts outstanding for trade purchases.				
Trade and other payables are carried at amortised cost using the effective interest rate method and the carrying amount approximates fair value. These are normally settled within 30 days from date of statement.				
Total accounts payable	753 939	891 967	737 322	896 388

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2022

23. LEASES

23.1. GROUP AS A LEASEE

The group's leased assets include land, buildings and ICT equipment. Information about these assets is included in the table that follows:

	Land	Buildings	ICT equipment	Total Parent	Total Group
	R'000	R'000	R'000	R'000	R'000
As at 30 June 2022					
RIGHT OF USE ASSET					
Carrying Amount 1 July 2021	35	410	17	462	4 872
Cost	112	618	67	797	5 918
Accumulated Depreciation	(77)	(208)	(50)	(335)	(1 046)
Accumulated Impairment	-	-	-	-	-
Additions	137	232	208	577	577
Depreciation	(14)	(289)	(5)	(308)	(668)
Total right of use assets	158	353	220	731	4 781
Cost	249	850	275	1 374	6 495
Accumulated Depreciation	(91)	(497)	(55)	(643)	(1 714)
Accumulated Impairment	-	-	-	-	-
Total right of use assets	158	353	220	731	4 781
As at 30 June 2021					
RIGHT OF USE ASSET					
Carrying Amount 1 July 2020	72	2 930	30	3 032	3 661
Cost	112	3 884	67	4 063	5 007
Accumulated Depreciation	(40)	(954)	(37)	(1 031)	(1 346)
Accumulated Impairment	-	-	-	-	-
Additions	-	-	-	-	4 517
Termination of contract	-	(1 742)	-	(1 742)	(2 082)
Cost	-	(3 266)	-	(3 266)	(3 606)
Accumulated Depreciation	-	1 524	-	1 524	1 524
Depreciation	(37)	(778)	(13)	(828)	(1 224)
Total right of use assets	35	410	17	462	4 872
Cost	112	618	67	797	5 918
Accumulated Depreciation	(77)	(208)	(50)	(335)	(1 046)
Accumulated Impairment	-	-	-	-	-
Total right of use assets	35	410	17	462	4 872

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2022

23. LEASES (CONTINUED)

23.1. GROUP AS A LEASEE (CONTINUED)

	Group		Parent	
	2022	2021	2022	2021
	R'000	R'000	R'000	R'000
LEASE LIABILITIES				
Present value of lease payments	5 351	5 167	693	456
0 - 1 year	1 486	1 294	273	168
1 - 5 years	1 320	1 077	420	288
> 5 years	2 545	2 796	-	-
Total lease liabilities	5 351	5 167	693	456
Maturity analysis - contractual undiscounted cash flows	5 699	5 167	1 066	968
0 - 1 year	1 853	1 294	665	296
1 - 5 years	1 301	1 077	401	672
> 5 years	2 545	2 796	-	-
Total lease liabilities	5 699	5 167	1 066	968
Lease liabilities included in the statement of financial position				
Current	1 486	1 294	273	168
Non-current	3 865	3 873	420	288
Recognised in Profit or loss/Project				
Depreciation	670	1 224	310	828
Interest expense on lease liabilities (included in finance cost)	465	361	72	212
Expense relating to low value included in operating expenses	227	180	227	180
Expense relating to short-term leases included in operating expenses	249	175	249	175
Reconciliation of operating lease commitments				
Opening balance	5 167	3 597	456	2 989
leases recognised/(derecognised) during the year	57	1 809	410	(1 908)
Interest included in finance cost	465	361	72	212
Capital repayments	(338)	(600)	(245)	(837)
Total lease liabilities	5 351	5 167	693	456

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2022

23. LEASES (CONTINUED)

23.2. GROUP AS A LESSOR

Operating leases

At the reporting date, the group had no outstanding commitments under non-cancellable operating leases.

The group as the lessor - rental income

The group owns a number of properties on the plants, where an insignificant portion of the property is rented out. The properties are insured as part of property, plant and equipment and deposits are held for the duration of the lease to mitigate the any risk associated with the underlying asset. Rental income of R4.9m (2021: R4.5m) was earned.

	Group		Parent	
	2022	2021	2022	2021
	R'000	R'000	R'000	R'000
At the reporting date, the group had contracted with tenants for the following future minimum lease payments.				
0 - 1 year	1 271	2 184	2 117	2 184
1 - 5 years	2 331	3 667	2 578	3 667
> 5 years	-	-	-	-
Total group as a lessor	3 602	5 851	4 695	5 851
24.1. CONTINGENT LIABILITIES & GUARANTEES				
Guarantees				
Guarantees have been given by certain financial institutions in respect of payments to utility service providers.	7 369	7 369	7 369	7 369
Contingent Liabilities				
The contingent liabilities relate to possible obligations on supplier contracts of which both the amount and timing of cash outflows are uncertain.	31 219	17 054	31 219	17 054
Total contingent liabilities & guarantees	38 588	24 423	38 588	24 423

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2022

25. POST-RETIREMENT BENEFIT OBLIGATIONS

	Group & Parent	
	2022	2021
	R'000	R'000
All the Umgeni Water retirement benefit plans are governed by the Pension Funds Act (No. 24 of 1956) of South Africa. All full-time employees are compelled to belong to either the defined benefit or the defined contribution plan.		
Summary of net liabilities for post-retirement benefit obligations:		
Defined benefit plan (refer note 25.2.)	48 402	21 832
Post-retirement healthcare benefits (refer note 25.3.)	363 672	367 619
Total post-retirement benefit obligations	412 074	389 451
Liability current	18 776	17 634
Liability non-current	393 298	371 817

	Group		Parent	
	2022	2021	2022	2021
	R'000	R'000	R'000	R'000

25.1. DEFINED BENEFIT CONTRIBUTION

The total cost charged to income represents the group's portion of the contribution payable to the provident fund scheme. At reporting date all amounts due and payable to this scheme had been paid.

	38 031	35 825	34 316	32 441
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25.2. DEFINED BENEFIT PLAN

The Umgeni Water Retirement Fund was established on 1 December 1985 and was closed to new members with effect from 6 February 2007.

The scheme is funded and actuarially valued every year. The effective date of the most recent valuation is 30 June 2022. The assets of the Umgeni Water Retirement Fund are held separately from those of the entity in a trustee administered fund, registered in terms of the Pension Funds Act, 1956. (Act 24 of 1956)

The fair value of the plan is arrived at after considering the following:

	Group & Parent	
	2022	2021
	%	%
Key assumptions used in the actuarial valuation were as follows:		
Discount rate	12,50%	11,60%
Inflation rate	7,50%	6,50%
Expected rate of salary increases	8,50%	7,50%
Future pension increase	5,00%	4,30%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2022

25. POST-RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

25.2. DEFINED BENEFIT PLAN (CONTINUED)

	Group & Parent	
	2022	2021
	R'000	R'000
Amounts recognised in profit/loss in respect of the defined benefit plan are as follows:		
Current service cost	26 696	24 449
Interest on obligation	104 125	106 473
Expected return on plan assets	(99 765)	(104 700)
Past service cost	-	8 226
Total included in staff costs in statement of profit and loss	31 056	34 448
Amounts recognised in other comprehensive income in respect of the defined benefit plan are as follows:		
Net actuarial loss	19 864	12 582
Total included in statement of other comprehensive income	19 864	12 582
The amount included in the statement of financial position arising from the group's obligation in respect of its defined benefit plan is as follows:		
Present value of funded defined benefit obligation	937 195	902 885
Fair value of plan assets	(888 793)	(881 053)
Net liability in statement of financial position	48 402	21 832
Movement in the net liability recognised in the statement of financial position is as follows:		
Net liability at start of year	21 832	108
Net expense recognised in the statement of profit and loss	31 056	34 448
Net expense (income) recognised in the statement of other comprehensive income	19 864	12 582
Company contributions	(24 350)	(25 306)
Net liability at end of year	48 402	21 832
Movements in the defined benefit obligation for the year:		
Defined benefit obligation at beginning of year	902 885	803 965
Current service cost	26 696	24 449
Member contributions	9 112	9 554
Interest cost	104 125	106 473
Actuarial (gain)	(30 141)	18 363
Benefits paid	(68 829)	(61 455)
Risk premiums	(4 966)	(4 892)
Past service cost	-	8 226
Expenses	(1 687)	(1 798)
Defined benefit obligation at end of year	937 195	902 885
Movements in the present value of plan assets in the current period were as follows:		
Fair value of plan assets at beginning of year	881 053	803 857
Interest on plan assets	99 765	104 700
Member contributions	9 112	9 554
Employer contributions	24 350	25 306
Actuarial (loss)/gain	(50 005)	5 781
Benefits paid	(68 829)	(61 455)
Risk premiums	(4 966)	(4 892)
Expenses	(1 687)	(1 798)
Fair value of plan assets at end of year	888 793	881 053
Actual Return on Assets	49 760	110 481

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2022

25. POST-RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

25.2. DEFINED BENEFIT PLAN (CONTINUED)

	Group & Parent	
	2022	2021
	%	%
Key assumptions used in the actuarial valuation were as follows:		
The major categories of plan assets and the expected rate of returns at the end of the reporting period are as follows:		
Cash	8,38%	13,35%
Equity	43,86%	24,60%
Bonds	21,95%	28,34%
Property	4,36%	2,80%
International	19,09%	16,10%
Other	2,36%	14,81%
Total	100,00%	100,00%

Percentages reflected in 2022 are based on June 2021 asset composition

The group expects to make a contribution of R26.4m to the defined benefit plan during the next financial year.

An analysis of the impact of changes in the underlying assumptions used in the actuarial valuation are presented in the table that follows:

Sensitivity Factor	Accrued Liability				
	Central Assumption	Increase		Decrease	
		%	R'000	%	R'000
1% change in discount rates	12,50%	(9,00%)	(83 884)	12,40%	116 279
1% change in inflation rates	7,50%	10,10%	94 243	(7,70%)	(72 152)
1% change in salary increase rate	8,50%	5,90%	54 857	(4,20%)	(39 626)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2022

25. POST-RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

25.3. POST-RETIREMENT HEALTHCARE BENEFITS

The scheme is unfunded and the group has recognised its full past service liability. Actuarial valuations are done annually. The effective date of the most recent valuation is 30 June 2022.

Employees who joined Umgeni Water after 28 February 2002 cannot elect to join this scheme.

	Group & Parent	
	2022	2021
	%	%
Key assumptions used in the actuarial valuation were as follows:		
Discount rate	12,40%	11,90%
Expected rate of increase in medical indices	8,90%	8,70%

	Group & Parent	
	2022	2021
	R'000	R'000
Amounts recognised in profit and loss in respect of the post-retirement healthcare costs are as follows:		
Current service cost	5 296	5 316
Interest on obligation	42 797	44 968
Total included in staff costs in statement of profit and loss	48 093	50 284
Amounts recognised in other comprehensive income in respect of the post-retirement healthcare costs are as follows:		
Actuarial (gain) loss	(36 098)	1 189
Total included in statement of other comprehensive income	(36 098)	1 189
The amount included in the statement of financial position arising from the group's obligation in respect of its post-retirement healthcare obligations is as follows:		
Opening balance	367 619	330 879
Net expense recognised in the statement of profit and loss	48 093	50 284
Company contributions	(15 942)	(14 733)
Net (income) expense recognised in the statement of other comprehensive income	(36 098)	1 189
Liability at end of year	363 672	367 619
Movements in the post-retirement healthcare obligation in the current period were as follows:		
Projected benefit obligation at beginning of year	367 619	330 879
Current service cost	5 296	5 316
Interest cost	42 797	44 968
Actuarial (gain) loss	(36 098)	1 189
Employer contributions	(15 942)	(14 733)
Projected benefit obligation at end of year	363 672	367 619

The group expects to make a contribution of R19.8m to the post retirement medical aid during the next financial year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2022

25. POST-RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

25.3. POST-RETIREMENT HEALTHCARE BENEFITS (CONTINUED)

An analysis of the impact of changes in the underlying assumptions used in the actuarial valuation are presented in the table below:

Sensitivity Factor	Accrued Liability				
	Central Assumption	Increase		Decrease	
		%	R'000	%	R'000
1% change in medical aid inflation rates	8,90%	13,00%	47 255	(10,80%)	(39 446)
1 year change in expected retirement age	60 years	(2,20%)	(7 989)	2,80%	10 300
1% change in discount rate	12,40%	(10,40%)	(37 876)	12,60%	45 922

The information presented above is as per the latest valuation, which was performed on 30 June 2022.

The risks faced by the company as a result of the post-employment retirement benefits obligation are as follows:

- Inflation: the risk that future CPI Inflation is higher than expected and uncontrolled;
- longevity: the risk that pensioners live longer than expected and thus their pension benefit is payable for longer than expected;
- open-ended, long-term liability: the risk that the liability may be volatile in the future and uncertain;
- future changes in legislation: the risk that changes to legislation with respect to the post-employment liability may increase the liability for the company;
- future changes in the tax environment: the risk that changes in the tax legislation governing employee benefits may increase the liability for the company;
- perceived inequality by non eligible employees: the risk of dissatisfaction of employees who are non eligible for a post-employment healthcare subsidy;
- administration: administration of this liability poses a burden to the company; and
- Enforcement of eligibility criteria and rules: The risk that eligibility criteria and rules are not strictly or consistently enforced.

26. FIVE YEAR LONG SERVICE BENEFIT

The liability for the employee long service leave benefit arises when qualifying employee remains in the employ of the organisation for at least 5 years. This benefit excludes the Senior Managers and Executives on the long term incentive bonus benefit. This benefit aims at retaining employees and skills for at least 5 years and more. The employee has the option to commute the full benefit to cash or a full 30 days leave to be taken within a specified period or a combination of the both options being 50% cash and the remainder as leave.

The liability has been determined via an actuarial valuation performed as at 30 June 2022.

Key assumptions used in the actuarial valuation were as follows:	Group & Parent	
	2022	2021
	%	%
Discount rate	7,80%	5,50%
Inflation rate	5,60%	3,70%
Salary increase rate	6,60%	4,70%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2022

26. FIVE YEAR LONG SERVICE BENEFIT (CONTINUED)

	Group & Parent	
	2022	2021
	R'000	R'000
Amounts recognised in profit and loss are as follows:		
Current service cost	5 956	5 145
Interest on obligation	1 074	841
Current year loss	703	3 225
Total included in staff costs in statement of profit and loss	7 733	9 211
Movement in the liability recognised in the statement of financial position is as follows:		
Liability at beginning of year	17 485	16 496
Net expense recognised in the statement of profit and loss	7 733	9 211
Company paid benefits	(7 825)	(8 222)
Net liability at end of year	17 393	17 485
Liability current	6 568	6 125
Liability non-current	10 825	11 360

27. RELATED PARTIES

The group is wholly owned by its shareholder, the Department of Water and Sanitation. Umgeni Water is a schedule 3B public entity in terms of the Public Finance Management Act.

Government related parties include national departments (including the shareholder), constitutional institutions (schedule 1 of the Public Finance Management Act), public entities (schedule 2 and 3 of the Public Finance management Act) and local government (including municipalities). The list of public entities in the national sphere of government is provided by National Treasury on its website www.treasury.gov.za. It also provides the names of subsidiaries of the public entities.

Related parties of Umgeni Water comprise of:

- The two 100% owned subsidiaries (Msinsi Holdings SOC Ltd and Umgeni Water Services SOC Ltd);
- the associate Durban Water Recycling Pty Ltd of the group;
- post retirement benefit plans for the benefit of the employees, refer to note 26;
- Key management personnel of Umgeni or its shareholder and close family members of the related parties. Key management personnel for Umgeni Water include the group's Board of directors and the executive management (EXCO) and their remuneration is disclosed in note 34.

IAS 24 Related Party disclosures provides government related entities an exemption which eliminates the requirements to disclose information that is costly to gather and of less value to users. The group applies the exemption in respect of its relationship with government related entities at national and local levels of government.

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. Amounts receivable from related parties are included in the simplified approach for trade and other receivables. All related party transactions are carried within normal trade conditions. The following transactions were carried out with related parties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2022

27. RELATED PARTIES (CONTINUED)

	Group		Parent	
	2022	2021	2022	2021
	R'000	R'000	R'000	R'000
Revenue: Sale of goods and services				
Revenue: Section 30				
National Department	252	220	252	220
Sundry Income				
Subsidiary	-	-	1 040	671
Cost of sales				
National Department	291 721	292 387	291 721	292 387
Section 30				
National Department	252	199	252	199
Other operating and administration expenses				
Subsidiaries and associates	-	-	76 572	71 492
Finance Income				
Subsidiaries and associates	-	-	-	158
Work-in-progress: Grant funding for rural development projects				
National Department	200 166	382 614	200 166	382 614
Investments in subsidiaries				
Subsidiaries and associates	10 031	10 858	-	-
Trade and other receivables				
National Departments - Capital unit charge	89 613	-	89 613	-
Other payables				
Subsidiaries and associates	-	-	17 574	15 183
National Departments	74 601	259 079	74 601	259 079
Raw water purchases accrual	74 601	69 087	74 601	69 087
Capital Unit Charge recovery	-	77 619	-	77 619
Capital Unit Charge accrual	-	112 373	-	112 373
28. IRREGULAR EXPENDITURE				
Opening balance 1 July	1 408 977	943 424	1 403 021	937 847
Prior period error correction	-	(45 606)	-	(45 606)
Add: irregular expenditure relating to current year	139 179	191 059	139 128	190 884
Add: Current year expenditure relating to irregular contracts identified in the prior year	342 886	319 896	342 886	319 896
Add: Irregular expenditure relating to the prior year identified in current year	52 944	204	52 944	-
Less: amounts transferred to receivable/recovered	-	-	-	-
Less: amounts condoned by appropriate authority	-	-	-	-
Closing balance	1 943 986	1 408 977	1 937 979	1 403 021

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2022

28. IRREGULAR EXPENDITURE (CONTINUED)

Details of irregular expenditure

Incident	Condoning Authority
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Year ended June 2022

Deviations approval noncompliance (R108m)

- **R2.3m** – Noncompliant approvals of deviations from competitive bidding for transactions concluded during 2021/22.
- **R105m** – incurred from prior year non-compliant deviations from competitive bidding and incorrectly awarded as sole source.

Procurement Procedures & Contract management (R427m)

Tender award procedure discrepancies (R286m)

- **R86m** – Procurement legislation non-compliance from current year tender awards.
- **R200m** – Procurement legislation non-compliance in respect of prior year tender awards.

Contract Management noncompliance to National Treasury's SCM instruction note 3 of 2016/2017 (R141m)

- **R44.7m** – Noncompliant contract extensions above 15% threshold incurred in current year.
- **R40.8m** – Noncompliant contract extensions above 15% threshold for prior years.
- **R55.8m** – Accrued from noncompliant contract variation approvals in excess of 20%/R20m.

Noncompliant contract extensions or variations exceeding threshold were approved internally by Umgeni Water as opposed to seeking National Treasury authorisation. The noncompliances gave rise to some of the irregular expenditure identified during year under review, emanating from historical variations/extensions approved between 2016-2021.

The Board and National Treasury in terms of Irregular Expenditure framework instruction no.2

Year ended June 2021

Deviations approval noncompliance (R232m)

- **R77m** – Deviation irregularities relating to transactions concluded during 2020/21 for noncompliant approval of deviations from competitive bidding and incorrectly awarded as sole source.
- **R155m** – incurred from prior year non-compliant deviations from competitive bidding.

Procurement Procedures & Contract management (R279m)

- **R139m** – Procurement legislation non-compliance in respect of tender awards.
- **R140m** – Contract variation approvals not complying with Treasury's SCM instruction note 3 of 2016/2017.

Variations exceeding threshold approved internally by Umgeni Water as opposed to seeking National Treasury authorisation.

The above noncompliance's giving rise to irregular expenditure detected during year under review emanated from historical contracts variations approved between 2016-2021.

Prior period error R46m

- The above prior period error relates to the incorrect inclusion of VAT on the expenditure incurred corrections to the amounts incurred.

The Board and National Treasury in terms of Irregular Expenditure framework instruction no.2

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2022

29. FRUITLESS AND WASTEFUL EXPENDITURE

	Group		Parent	
	2022	2021	2022	2021
	R'000	R'000	R'000	R'000
Opening balance 1 July	12 679	5 269	12 652	5 236
Fruitless and wasteful expenditure incurred in the current year	7 367	1 756	7 362	1 744
Fruitless and wasteful expenditure incurred in the prior year but identified in the current year	-	5 698	-	5 698
Less: amounts written off/recovered by appropriate authority	(2 168)	(44)	(2 151)	(26)
Less: amounts transferred to receivable	-	-	-	-
Closing balance	17 878	12 679	17 863	12 652
Analysis of fruitless and wasteful expenditure				
Remuneration from 20 th August 2017 to 19 th August 2019	5 226	5 226	5 226	5 226
20 th August 2017 to 19 th Aug 2018	2 613	2 613	2 613	2 613
20 th August 2018 to 19 th Aug 2019	2 613	2 613	2 613	2 613
Fines and penalties	158	-	158	-
Financial losses	6 469	6 308	6 469	6 308
Interest paid	6 025	1 145	6 010	1 118
Total fruitless and wasteful expenditure	17 878	12 679	17 863	12 652

Details of fruitless and wasteful expenditure

Incident	Details
Remuneration paid in terms of a settlement agreement	The Board entered into a settlement agreement with a former Chief executive as at 30 th June 2017, which included the settlement of remuneration to the contract extension period to August 2019.
Financial losses	Financial losses arose from the investigations concluded on a contract for which information was misrepresented, resulting in an overpayment for goods and services delivered.
Penalty	The penalties relates to damages on hired vehicles and losses on accommodation.
Interest	Relates primarily to interest charged by contractors on late payment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2022

30. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

30.1.1. CAPITAL MANAGEMENT

	Group		Parent	
	2022	2021	2022	2021
	R'000	R'000	R'000	R'000
Capital and reserves is consistent with the prior year and consists of:				
Capital	442 847	442 847	442 847	442 847
Accumulated profit	12 325 390	11 084 027	12 239 965	11 017 414
Other comprehensive income	416 876	400 642	416 876	400 642
Total	13 185 113	11 927 516	13 099 688	11 860 903
Total interest bearing debt	1 141 698	1 166 503	1 141 698	1 166 503

30.1.2. DEBT MANAGEMENT

Debt management strategies

Umgeni Water's treasury strategy focuses on solvency and debt management through the cash flow tariff model, after taking into account the long-term business plans, water demand curves, and future capital expenditure. The liability curve and debt redemption is then actively managed:

- (a) By targeting an optimal debt level;
- (b) by asset liability matching, through a redemption strategy framework which pro-actively manages liquidity and refinancing risk associated with large debt maturities such as bonds;
- (c) within approved borrowing limits; and
- (d) by maintaining an external credit rating.

(a) Optimal debt level

Umgeni Water strives to be within an optimal debt level by not exceeding a gearing ratio of 0.50 and maintains a target debt interest rate structure of 70% fixed and 30% floating which aims to minimise volatility of both the tariff and statement of profit and loss.

	Group		Parent	
	2022	2021	2022	2021
	R'000	R'000	R'000	R'000
Gross Debt - Nominal amount (Refer note 19)	1 108 387	1 133 226	1 108 387	1 133 226
Interest Rate Structure				
Fixed	91%	91%	91%	91%
Floating	9%	9%	9%	9%

	Group		Parent	
	2022	2021	2022	2021
Gearing Ratio	0,08	0,09	0,08	0,10

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2022

30. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

30.1.2. DEBT MANAGEMENT (CONTINUED)

Debt management strategies (continued)

(b) Asset and liability management

Asset and liability matching focuses on two components:

- The first being the matching of maturity dates of financial assets and liabilities whereby financial assets will be used to repay debt on its maturity. This will typically be applied in a redemption strategy.
- The second component is whereby surplus cash (cash after operating expenditure and interest cost) is matched to debt redemption or specific funding requirements.

Taking the business environment and market conditions into account, the following framework is used in managing the redemption portfolio build-up over the years preceding the redemption of the bond. Prior to redemption, the entity must have provided for at least:

- 10% of the capital value 3 years before redemption;
- 40% of the capital value 2 years before redemption;
- 75% of the capital value 1 year before redemption;
- the balance is funded during the year of maturity.

(c) Managing debt within approved borrowing limits

The borrowing limits for the period 2021 to 2023 were approved by the Minister of Water and Sanitation with the concurrence of the Minister of Finance and are as follows:

	2023	2022	2021
	R'000	R'000	R'000
Borrowing Limit			
Not exceed as at 30 June	2 017 000	1 400 000	1 400 000
Total	2 017 000	1 400 000	1 400 000

The borrowing authority is further subjected to Umgeni Water adhering to the following additional requirements:

- A gearing limit of 50% calculated as follows: interest-bearing debt relative to total equity;
- A minimum cash interest cover (CIC) ratio of three (3) times;
- A minimum debt service cover ratio (DSCR) of one (1) time;
- Umgeni Water submits quarterly progress reports to the Asset and Liability Management division on the Borrowing Programme and Funding Plan, including utilisation of the borrowing authority; and
- Umgeni Water submits bi-annual reports to the Asset and Liability Management division on the progress of major capital expenditure projects and the project plans for the upcoming 6 months. If there are any delays in the projects, the entity should provide reasons for such delays.
- All loan covenants were met for both financial years presented.

	Group & Parent	
	2022	2021
	R'000	R'000
Utilisation of borrowing limits		
Borrowing limit	1 400 000	1 400 000
Gross borrowings (refer to note 19)	(1 108 387)	(1 133 226)
Collateral and guarantees (refer to note 24)	(7 369)	(7 369)
Unutilised borrowing limits	284 244	259 405

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2022

30. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

30.1.2. DEBT MANAGEMENT (CONTINUED)

Debt management strategies (continued)

(d) Maintaining an external credit rating

The ability of Umgeni Water to raise debt at competitive interest rates is significantly dependant on the external credit rating issued by a Ratings Agency. The credit rating is maintained through protection of operating cash flows by anticipating adverse market and business conditions and continuous monitoring of strategies devised to counteract the adverse market conditions.

Umgeni Water's national credit ratings are as follows:

Rating Agency	Review date	Details	Long-term rating	Short-term rating
Standard & Poor's	27/05/2022	Affirmed rating	zaAAA	zaA-1+
FitchRatings	16/11/2021	Affirmed rating	AA+(zaf)	F1+(zaf)

30.2. FINANCIAL RISK MANAGEMENT

Umgeni Water's exposure to risk, its objectives, policies and processes for managing the risk and the methods used to measure it have been consistently applied in the years presented, unless otherwise stated. The Corporate Treasury function provides services to the business, co-ordinates access to domestic financial markets, monitors and manages the financial risks relating to the operations of Umgeni Water through the short, medium and long-term funding strategy, and highlights the risk implications of various financial transactions.

The use of financial derivatives is governed by Umgeni Water's policies approved by the Board of directors, which provide written principles on foreign exchange risk, interest rate risk, credit risk, and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. Umgeni Water does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The principal financial risks to which Umgeni Water is exposed as a result of its financial instruments are:

- Credit risk (which includes counterparty risk);
- liquidity risk; and
- market risk (interest rate risk)

30.2.1. CREDIT RISK

Credit risk is the risk of financial loss to the group if a customer or other counterparty to a financial instrument fails to meet its contractual obligations.

Credit risk arises principally from the group's receivables and investment securities. Credit risk concentration will result in Umgeni Water being exposed to counter party failure. This has the potential to impact on the organisation's ability to remain within its optimal debt level.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	Group		Parent	
	2022	2021	2022	2021
	R'000	R'000	R'000	R'000
a) Investments	5 775 386	4 677 895	5 775 386	4 677 895
b) Trade and other receivables	2 124 634	1 733 308	2 123 832	1 731 875
c) Cash and cash equivalents	67 712	41 434	7 801	203

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2022

30. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

30.2. FINANCIAL RISK MANAGEMENT (CONTINUED)

30.2.1. CREDIT RISK (CONTINUED)

a) Investments

According to its Investment Policy Umgeni Water will manage investment credit risk by:

- Conducting transactions only with counter parties and issuers who satisfy soundly based and acceptable assessment processes, and only after formal limits have been set;
- same-day settlement limits will be set wherever possible and/or strict settlement procedures set and adhered to, and
- continuous monitoring of the credit quality of counterparties.

Concentration of credit risk is managed by setting credit limits at counterparty-specific level. The credit limit calculation is based on 5% of shareholders funds but subject to a maximum limit of R2 500m as approved by the Board, and limited to parties where 5% of shareholders funds exceeds R1 000m. The group limits its exposure to credit risk by investing only with counterparties with a national long-term rating of A and short-term rating of F1 and better. Utilisation of the credit limit is measured in terms of risk weighting except in the case of zero coupon bonds where credit limit utilisation is based on current market value.

Short term deposits and bank balances are considered to be low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term. Credit ratings are used to determine whether credit risk on an instrument has significantly increased since initial recognition. Where there has been no significant increase and the instrument remains of investment grade quality, no credit risk impairment adjustment is made.

Maximum credit risk exposure to Umgeni Water:

The table below shows Umgeni Water's credit exposure to the approved counterparties in context of the credit limits assigned to each counterparty and the nominal value of the investment placed with each counterparty as 30 June.

Financial Instruments

Counterparty	Credit Limit	Group & Parent	
		2022	2021
	R'000	R'000	R'000
Non-current financial assets			
Nedbank Limited	2 000 000	-	-
ABSA Bank Limited	1 500 000	-	-
First Rand Bank Limited	1 500 000	-	-
Current financial assets		5 775 386	4 677 895
ABSA Bank Limited*	1 500 000	1 324 237	954 318
First Rand Bank Limited	1 500 000	763 761	1 001 877
Standard Bank of South Africa Limited	1 500 000	1 052 712	976 699
Nedbank Limited*	2 000 000	1 743 595	1 164 021
Nedgroup Money Market Fund Limited	500 000	433 816	278 883
Stanlib Money Market Fund Limited	500 000	457 265	302 096
Corporation for Public Deposits	3 000 000	-	-
Total		5 775 386	4 677 895

* The notional limits were not breached in June 2022 and were within Board approved limits. The maximum exposure to credit risk on investments was R5.671 million (2021: R4.629million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2022

30. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

30.2. FINANCIAL RISK MANAGEMENT (CONTINUED)

30.2.1. CREDIT RISK (CONTINUED)

b) Trade and other receivables

The management of credit risk in relation to trade and other receivables is summarised as follows:

- Umgeni Water aims to minimise loss caused by default of customers through specific policies and procedures; and
- compliance with these policies and procedures are the responsibility of the Chief Financial Officer and Financial Manager. Monitoring of compliance with these policies is carried out by internal audit. All known risks are required to be fully disclosed and accounted for and are provided for in the allowance for credit losses. Credit risk relating to bulk supply water service authorities is managed in terms of the contractual arrangements and legislation applicable to organs of state.

In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are bulk or commercial customers, their aging profile and existence of previous financial difficulties. The group has exposure to customer concentration risk with two customers (EThekweni Metro Municipality and Msunduzi Local Municipality) who collectively total 49% (2021: 47%) of the gross trade receivables.

The average credit period allowed is 30 days from invoice date. Interest is charged at prime rate on debtors over 30 days from date of invoice.

The group measures the loss allowance for trade receivables at an amount equal to the lifetime expected credit loss using the simplified approach. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and the analysis of the debtors current financial position adjusted for factors that are specific to the debtors general economic conditions as well as the assessment of operating conditions which includes its political landscape; geographical dispensation e.g. rural or urban community as these affect the municipalities ability to pay, as well as forward looking information. Further to this any communications/ correspondence issued to customers with regards to penalties to be applied to services as per the signed contracts with customers. The group has recognised a loss allowance of 100% against receivable over 90 days past due based on historical experience and current operational and economic conditions, or where legal recovery processes are being pursued and thus considered an increase credit risk.

Monitoring exposure

Umgeni Water monitors exposures on an on-going basis utilising various reporting tools and flagging potential risks which are reported to National Treasury in terms of Section 41 of the Municipal Finance Management Act. The following reports are used to monitor credit risk:

- Age analysis reports; and
- status report for significant overdue debtors.

The maximum exposure to credit risk for trade and other receivables at the reporting date is disclosed in note 16.

Lifetime Expected Credit Losses

Refer to note 16 for expected credit losses on trade and other receivables.

	Group & Parent	
	2022	2021
	R'000	R'000
Analysis of the ageing of financial assets (trade receivables) which are past due but have not been impaired:		
30 days	428 123	385 986
60 days	83 025	134 140
90 days	104 215	118 748
120+ days	14 068	82 124
	226 814	50 974

The group believes that the unimpaired amounts that are past due by more than 30 days are still recoverable, based on the customer payment behaviour, subsequent receipts and analysis of customer credit risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2022

30. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

30.2. FINANCIAL RISK MANAGEMENT (CONTINUED)

30.2.1. CREDIT RISK (CONTINUED)

b) Cash and Cash Equivalents

The group held cash and cash equivalents of R68m at 30 June 2022 (2021: R41m). The following represents the group's maximum credit exposure on these assets.

Counterparty	Group		Parent	
	2022	2021	2022	2021
	R'000	R'000	R'000	R'000
Cash	67 469	41 434	7 776	203
First Rand Bank Limited	59 693	41 231	-	-
Nedbank Bank Limited	7 776	203	7 776	203
Total	67 469	41 434	7 776	203

The remaining balance of R244K (2021: R108K) for the group and R25K (2021: R32K) for the parent represents petty cash in Rands per thousand for which there is no credit risk attached.

Guarantees

At 30 June 2022 the group had R7 369m (2021: R7 369m) of guarantees outstanding and this represents the maximum exposure to the group.

Collateral

At 30 June 2022 the group has no collateral held as security.

30.2.2. LIQUIDITY RISK

Liquidity risk is the risk that the group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the group's reputation.

Mitigation approach

To mitigate liquidity risk, Umgeni Water has the following measures in place:

- Monitoring the level of contractual cash flows of financial assets and compared to those of financial liabilities.
- Short-term funding facilities to meet on-going cash requirements for which facility options are in place with four banks.
- A domestic medium note programme, which has been established allowing for longer dated debt such as bonds to be issued with relative ease.
- A redemption strategy framework, which provides guidelines for managing the risks associated with refinancing large debt maturities (such as UG21 and UG26 bonds), and
- Management of debt within approved borrowing limits by National Treasury.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2022

30. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

30.2. FINANCIAL RISK MANAGEMENT (CONTINUED)

30.2.2. LIQUIDITY RISK (CONTINUED)

30.2.2.1 Liquidity risk inherent in contractual cash flows

The following table details the group's expected maturity for its financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Umgeni Water anticipates that the cash flow will occur in a different period.

Group					
	Weighted average effective interest rate	1 year	1-5 years	>5 years	Total
		R'000	R'000	R'000	R'000
Financial Assets					
June 2022					
Fixed interest rate instruments	n/a	-	-	-	-
Variable interest rate instruments	5,73%	5 893 310	-	-	5 893 310
Trade and other Receivables	n/a	1 845 857	278 777	-	2 124 634
Total		7 739 167	278 777	-	8 017 944
June 2021					
Fixed interest rate instruments	n/a	-	-	-	-
Variable interest rate instruments	4,27%	4 697 622	-	-	4 697 622
Trade and other Receivables	n/a	1 639 139	94 169	-	1 733 308
Total		6 336 761	94 169	-	6 430 930

The group and parent figures remain the same with immaterial difference relating to the subsidiary.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2022

30. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

30.2. FINANCIAL RISK MANAGEMENT (CONTINUED)

30.2.2. LIQUIDITY RISK (CONTINUED)

30.2.2.1 Liquidity risk inherent in contractual cash flows (continued)

The following tables summarises Umgeni Water's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which Umgeni Water can be required to pay. The table includes both interest and principal cash flows which may differ from the carrying values of the liabilities at the reporting date.

Group					
	Weighted average effective interest rate	1 year	1-5 years	>5 years	Total
		R'000	R'000	R'000	R'000
Financial Liabilities					
June 2022					
Fixed interest rate instruments	11,12%	125 542	1 320 880	33 903	1 480 325
Variable interest rate instruments	6,79%	18 517	67 899	21 293	107 710
Trade and other payables	n/a	626 316	-	-	626 316
Total		770 375	1 388 779	55 198	2 214 351
June 2021					
Fixed interest rate instruments	11,09%	126 626	1 430 963	49 361	1 606 951
Variable interest rate instruments	4,69%	17 341	68 514	37 096	122 951
Trade and other payables	n/a	627 708	125 520	-	753 228
Total		771 675	1 624 997	86 457	2 483 129

The group and parent figures remain the same with immaterial difference relating to the subsidiary.

30.2.2.2 Primary source of funding and unused facilities

The primary source of funding to meet Umgeni Water's requirements are revenue, cash inflows from maturing financial assets purchased, debt issued in the market and other loans. The following sources of funding are available to Umgeni Water to meet its short, medium and long-term funding requirements and will supplement the primary liquidity sources under stress conditions:

(a) Domestic Medium Term Note Programme (DMTN)

Umgeni Water has established a Domestic Medium Term Note Programme to issue bonds to meet long term capital expenditure funding requirements. The programme has an authorised amount of R4 000m, and is a useful funding tool in terms of the following:

- Refinancing the duration of the stock of debt;
- refinancing the fixed to floating ratio of the debt book;
- meeting short-term liquidity requirements; and
- filling gaps in the debt maturity profile.

The UG26 was issued at a total nominal value of R935m at a fixed rate of 11.31% on 09 March 2016, under the DMTN Programme. The unutilised portion of the programme as at the 30 June 2022 is R3 065m.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2022

30. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

30.2. FINANCIAL RISK MANAGEMENT (CONTINUED)

30.2.2. LIQUIDITY RISK (CONTINUED)

30.2.2.2. Primary source of funding and unused facilities (continued)

(b) General banking facilities

Umgeni Water has the following committed and uncommitted bank facilities available:

	Group & Parent	
	Committed	Uncommitted
	R'000	R'000
Type of facility		
General Banking facility	20 000	30 000

(c) Bank Loans

This method of funding allows Umgeni Water to refinance short-term debt into longer-term debt with the view of achieving greater asset/liability matching.

30.2.3. INTEREST RATE RISK

Interest rate risk is the risk that changes in interest rates cause a reduction/increase in net profit for Umgeni Water. Umgeni Water is exposed to interest rate risk as funds are borrowed at both fixed and floating interest rates. Borrowings issued at floating interest rates exposes Umgeni Water to cash flow interest rate risk.

Mitigation approach

The risk is managed by maintaining an appropriate mix between fixed and floating rate borrowings: 70% fixed to 30% floating interest rate profile.

	Recommended Ratio	Group & Parent	
		2022	2021
		R'000	R'000
Ratio of fixed to floating interest rate			
Fixed	70%	91%	91%
Floating	30%	9%	9%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2022

30. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

30.2. FINANCIAL RISK MANAGEMENT (CONTINUED)

30.2.3. INTEREST RATE RISK (CONTINUED)

At reporting date the interest rate profile of the group's interest bearing financial instruments is as follows:

	Group & Parent	
	2022	2021
	R'000	R'000
Fixed rate instruments		
Financial assets	-	-
Financial liabilities	(1 024 516)	(1 036 452)
Net position	(1 024 516)	(1 036 452)
Variable rate instruments		
Financial assets	5 775 386	4 677 895
Financial liabilities	(84 105)	(96 774)
Net Position	5 691 281	4 581 121

Sensitivity Analysis

A sensitivity analysis to a change in interest rates has been performed based on the exposure to interest rates for both derivatives and non-derivative instruments at the reporting date. For floating rate liabilities and investments, the analysis is prepared assuming the amount of liability and investment outstanding at the reporting date was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonable possible change in interest rates. The sensitivity analysis assumes that all other variables remain constant and has been prepared on the same basis for the prior year.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the group's profit for the year ended 30 June 2022 would decrease/increase by R7.7m (2021: R12.5m)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2022

30. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

30.4. ACCOUNTING CLASSIFICATIONS AND FAIR VALUES

The following tables show the carrying values and the fair value of financial assets and liabilities, including the fair value hierarchy. It does not include fair value information for financial assets and liabilities not measured at fair value if the carrying amount is a reasonable approximation of the fair value.

	Group		Parent	
	2022	2021	2022	2021
	R'000	R'000	R'000	R'000
CARRYING VALUES				
Non-current financial assets				
Financial assets at amortised cost	28 458	94 169	28 151	94 169
Trade and other receivables	28 458	94 169	28 151	94 169
Current financial assets				
Financial assets at amortised cost	6 982 588	5 801 814	6 894 061	5 759 647
Money market investments	5 775 386	4 677 895	5 775 386	4 677 895
Trade and other receivables	1 139 490	1 082 485	1 110 874	1 081 549
Cash and cash equivalents	67 712	41 434	7 801	203
Financial Liabilities				
Held at amortised cost	1 768 014	1 972 972	1 755 603	1 988 155
Long and short-term debt	1 141 698	1 166 503	1 141 698	1 166 503
Accounts payable	626 316	753 228	613 905	761 098

Except as detailed below, the directors' consider the carrying values of the financial assets and financial liabilities recorded at amortised cost in the financial statements to be a reasonable approximation of their fair values.

	Fair Value Hierarchy Level	Group		Parent	
		2022	2021	2022	2021
		R'000	R'000	R'000	R'000
FAIR VALUES					
Long and short-term debt	Level 2	(1 177 007)	(1 292 377)	(1 177 007)	(1 292 377)

Financial instruments not measured at fair value

Financial Instrument	Valuation Technique	Significant unobservable inputs
Long-term and short term debt	Discounted cash flow analysis	N/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2022

31. CONTINGENT ASSETS

There are insurance claims in progress for the reporting period relating to the KZN floods in April 2022 which caused damage to some of the infrastructure. The agreements of losses informing the insurance proceeds were not yet quantified as the date of approval of the financial statements. As a result the contingent asset relating to the amount receivable could not be quantified in the financial statements.

32. PRIOR PERIOD ERROR

During the year costs of R26m included in capital work in progress that were not directly attributable to the construction of the respective assets were identified to be written off. This has resulted in a correction to the capital work in progress asset write offs for the prior period with a corresponding adjustment to the accumulated profit.

Supplier invoices previously accrued for in 2021 which were subsequently in dispute for payment in 2022, resulted in the contingent liabilities and accruals for the prior period requiring a correction. As a result, the prior period contingent liabilities were understated by R17m, the accruals were over stated by R13m with a corresponding adjustment to accumulated profits. The impact of these prior period errors in the financial statements are summarised as follows:

	2021
	R'000
Property, plant and equipment - capital work in progress reduction in additions	(26 353)
Property, plant and equipment - capital work in progress additions	374
Intangible asset work in progress write-offs	(374)
Trade payables - trade accruals	13 234
Decrease in accumulated profit	(13 119)

32. SUBSEQUENT EVENTS

There are no significant events that have occurred that have a material impact on the disclosures in the financial statements.

33. GOING CONCERN

The directors, having considered all the relevant information, have satisfied themselves that the group is in a sound financial position, it has sufficient liquidity and that it has adequate access to sufficient borrowing facilities to meet its foreseeable cash requirements. There are no indicators that COVID-19 and the KZN floods in April 2022 have negatively impacted on the financial sustainability of the organisation. There are adequate resources to continue operating for the foreseeable future and it is therefore appropriate to adopt the going concern basis in preparing the financial statements. The Executive Authority has advised on the intention to proceed with the Institutional re-alignment for the Water Boards, that was previously reported with regards to a merger of Umgeni Water and Mhlathuze Water. This is not expected to have an impact on the ability of Umgeni Water to continue in operation as a going concern in the next twelve months.

34. REMUNERATION REPORT

REMUNERATION COMMITTEE

The Human Resources and Remuneration Committee assisted the Board during the year in applying:

- the policy set by the Department of Water and Sanitation for the remuneration of the Board of directors and the Chief Executive (CE); and
- the Remuneration Policy approved by the Board for the Executives.

REMUNERATION STRUCTURE

The remuneration structure of EXCO comprises of the following components:

- Guaranteed amount:**

The guaranteed amount comprises a fixed cash portion and compulsory benefits such as medical aid and retirement that altogether comprise the total cost to company.

- Short term incentive bonus:**

The short term incentive bonus rewards the achievement of individual predetermined performance objectives and targets.

- Long term incentive bonus:**

The long term incentive bonus is designed to attract, retain and reward the Chief Executive, Executives and Senior Managers at grade level 4 for meeting the organisational objectives set by the Board and the Shareholder.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2022

34. REMUNERATION REPORT (CONTINUED)

DIRECTORS' AND EXECUTIVES' EMOLUMENTS

					2022	2021
	Fees for services/salary	Allowances & Bonuses	Expense allowances	Retirement contributions	Total	Total
	R'000	R'000	R'000	R'000	R'000	R'000
Non-Executive Board Members						
Ms. Z.B. Mathenjwa (Chairperson) ^{N1}	1 249	-	11	-	1 260	65
Ms. N.B. Chamane ^{N1}	639	-	4	-	643	21
Mr. V.G. Reddy ^{N1}	686	-	4	-	690	36
Mrs. M. Ndlovu ^{N1}	669	-	3	-	673	49
Mr. S. Shabalala ^{N1}	796	-	7	-	803	45
Mr. T. Nkhahle ^{N1}	634	-	4	-	637	21
Adv. S. Chamane ^{N1}	668	-	4	-	671	52
Mr. W.L. Mapena ^{N1}	754	-	7	-	761	62
Prof. T. Mthembu ^{N1}	755	-	7	-	763	51
Mr. M.E. Zakwe ^{N1}	686	-	3	-	689	49
Ms. B. Zulu ^{N1}	644	-	4	-	648	38
Mr. S. Badat ^{N1}	655	-	1	-	656	38
Mrs. L. Ngcobo ^{N1,N2}	470	-	6	-	475	467
Mr. M. Mzobe (Chairperson) ^{N2}	271	-	4	-	275	739
Mr. T.J. Tselane ^{N2}	160	-	2	-	162	470
Mr. V.V. Ndara ^{N2}	123	-	1	-	124	378
Ms. P. Ntombela ^{N2}	151	-	1	-	153	440
Ms. S.F. Getyeza ^{N2}	151	-	1	-	152	440
Adv. M.T. Magigaba ^{N2}	142	-	1	-	144	403
Mr. B.I. Dladla ^{N2}	132	-	1	-	133	375
Mr. S.J. James ^{N2}	151	-	1	-	153	432
Mrs. U.P. Mhlophe ^{N2}	146	-	1	-	147	419
Mr. M.B. Ngubo ^{N2}	162	-	2	-	165	461
Total Non Executive Board Members	10 897	-	78	-	10 975	5 550
Executive Board Member						
Mr T Hlongwa (CE) ^{N3}	-	2 856	43	-	2 899	2 167
Total -Parent	10 897	2 856	121	-	13 874	7 718
Msinsi Holdings (SOC) Ltd						
Non-Executive Board Members	629	-	-	-	629	451
Total Subsidiaries	629	-	-	-	629	451
Total Group	11 526	2 856	121	-	14 503	8 168
Exco Members						
Mrs. M. Pillay	1 694	668	68	411	2 841	4 262
Mrs. N. Mkhize ^{N4}	502	525	-	-	1 027	4 009
Mr. S. Mjwara	1 710	1 028	4	-	2 742	2 427
Dr. S. Manana	1 710	2 901	-	-	4 610	2 427
Mr S. Dube	1 748	317	83	290	2 439	948
Ms. N. Makhubu	1 697	316	38	-	2 051	821
Mr T. Mkhwanazi	750	190	-	124	1 064	1 552
Mrs. K. Singh ^{N5}	605	780	53	164	1 602	-
Mr. M.O. Dlamini ^{N6}	867	212	66	-	1 144	-
Total Exco	9 810	5 945	194	825	16 775	16 446

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2022

34. REMUNERATION REPORT (CONTINUED)

LONG-TERM INCENTIVE BONUS

In terms of the approved Remuneration Strategy, Umgeni Water aims to attract and retain talented high performing employees who can contribute technically, operationally and financially at a higher than average level, solving problems for customers and finding solutions that will contribute to the overall profitability of the organisation whilst operating in a safe and responsible manner. As a result remuneration consists of a variable pay portion is made up of Short-term incentives (STIs) and Long-term incentives (LTIs). It is designed to reward performance and productivity based on the achievement of specific annual performance criteria. The qualifying criteria for Variable Pay will always be conditional upon set performance outcomes/criteria and is not guaranteed and will always remain at the Board's discretion.

Performance linked to the long-term incentive is only applicable to the Chief Executives, General Managers, Senior Managers graded level 4. The available variable pay is calculated on a maximum of 20% of the audited surplus after considering the covenant level for infrastructure sustainability. The available variable pay shall be apportioned with 70%/30% split to reflect the higher risk associated with the Executive team. Therefore, 70% of the available long-term performance bonus will be divided equally between the Chief Executive and Executives and the 30% divided equally between Grade 4 Senior Managers.

In terms of the Umgeni Water Performance Management Policy, the long-term incentive bonus, based on variable pay, is payable when the following conditions are met:

- Executives and Senior Managers who consistently achieve a performance rating above 75% qualify for a long term bonus.
- The pay-out of the long term performance bonus is calculated in accordance with an AD VALOREM schedule which reflects the cumulative incentive earned up to that point and only a given percentage is applied to be paid out, i.e. as follows:
 - a) Year 2 = 30% of incentive earned
 - b) Year 4 = 50% of incentive earned at that point
 - c) Year 5 = 85% of the incentive earned at that point is paid out
- Should an employee leave employment of Umgeni Water before the payout stage, they do not qualify to receive the payout that would have been due if they had stayed.
- In the event that an Executive's contract comes to an end and the employee is not offered a contract renewal, they shall be entitled to receive the full payout due at the end of their 5 year performance contract.

Conditions met were approved by the board in February 2021, as a result the following long term incentive bonuses have accrued to Executives:

Name	Designation	Opening Balance 1 July 2021	Accrued/ (Reversed)	Sub-total 30 June 2022	Utilised 2022	Total provided 30 June 2022
		R'000	R'000	R'000	R'000	R'000
Mr T Hlongwa	Chief Executive	7 249	(4 508)	2 741	(2 741)	-
Mrs. M. Pillay	Executive: Scientific Services	3 795	5 180	8 975	-	8 975
Mrs. N. Mkhize	Chief Financial Officer	3 075	(3 075)	-	-	-
Mr. S. Mjwara	Executive: Infrastructure Development	3 061	5 143	8 204	-	8 204
Dr. S. Manana	Executive: Corporate Service	1 761	5 058	6 819	(2 018)	4 801
Total Executives		18 941	7 798	26 739	(4 759)	21 980
Total Management		3 393	6 879	10 272	(5 502)	4 770
Long - term incentive bonus provided		22 334	14 677	37 011	(10 261)	26 750

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2022

34. REMUNERATION REPORT (CONTINUED)

SERVICE CONTRACT PERIOD OF EXECUTIVES

Executives	Designation	Date first appointed by the Board	Date last re-appointed	Date due for re-appointment/ Contract terminated
Mr T Hlongwa	Chief Executive	01 July 2018	n/a	26 October 2020
Mrs. M. Pillay	Executive: Scientific Services	01 December 2018	n/a	01 December 2023
Mrs. N. Mkhize	Chief Financial Officer	05 December 2018	n/a	06 October 2021
Mr. S. Mjwara	Executive: Infrastructure Development	01 November 2018	n/a	01 November 2023
Dr. S. Manana	Executive: Corporate Service	01 June 2019	n/a	01 June 2024
Mr S. Dube	Executive: Operations	01 February 2021	n/a	31 January 2026
Ms. N. Makhubu	Chief Audit Executive	01 February 2021	n/a	31 January 2026
Mr. T. Mkhwanazi	Chief Financial Officer	01 February 2022		31 January 2027

Umgeni Water Executives are also appointed, from time to time, as directors in the wholly owned subsidiaries and associate companies of Umgeni Water. No remuneration was received by the directors from the subsidiaries for the services rendered in the current and prior year. Details of the directorship are as follows:

SUBSIDIARY NON-EXECUTIVE DIRECTORS (EMPLOYED AS EXECUTIVES IN UMGENI WATER)

Executives	Designation	Date first appointed by the Board	Msinsi Holdings SOC Limited	Umgeni Water Services SOC Limited	Resignation date
Mr M Cele	Non Executive Director	07 June 2019	N/A	√	N/A
Mrs. M. Pillay	Non Executive Director	01 January 2019	√	N/A	N/A
Mrs. N. Mkhize	Non Executive Director	07 June 2019	√	√	N/A
Dr. S. Manana	Non Executive Director	07 June 2019	N/A	√	N/A

N¹: Served as Board members for the 2019/2020 financial year and their contract ended on the 31st of July 2020 and reinstated on the 1st of November 2021.

N²: Appointed as part of the Interim Board on 1 August 2020, contracts ended on the 30th of October 2021.

N³: Resigned on 26th October 2020, paid 30% of Long Term Incentive Bonus in 2021/2022 financial year.

N⁴: Mrs N Mkhize was the Chief Financial Officer, appointed as the Acting Chief Executive from 02 November 2020, she resigned on the 6th of October 2021.

N⁵: Mrs K. Singh acted as Chief Financial Officer from 01 July 2020 to 31 January 2022.

N⁶: Mr M.O. Dlamini acted as Chief Executive from 01 December 2021 to 30 June 2022.



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GRI CONTENT INDEX

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