



**uThukela Water
Annual Report 2019**

A close-up photograph of parched, cracked earth in shades of brown and tan. The cracks are deep and irregular, forming a network across the surface. A few small, dark pebbles and a single dried, curled leaf are scattered among the fissures. The overall texture is rough and brittle, emphasizing the theme of drought.

**When the well is dry,
we will know the worth
of water.**

~ Benjamin Franklin

Contents:

Organisational Profile

Chairperson's Report

Managing Directors Report

Corporate Governance

Strategy, Performance & Sustainability

Performance Review

Report of the Auditor General

Annual Financial Statements

Performance Scorecard



**uthukela
water**

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“Nothing is softer or more flexible than water, yet nothing can resist it.”

-Lao Tzu



Organisational Profile

uThukela Water
Annual Report 2019



Introduction

uThukela Water (Pty) Ltd was initially the first Municipal entity which provided a full spectrum of bulk and reticulation water and sanitation services, and in this case, on a regional basis to its three fully owned shareholders, namely Amajuba District Municipality (DC25), Umzinyathi District Municipality (DC24), and Newcastle Municipality. Following a Section 78 assessment undertaken in 2011, the Entity has transferred the water reticulation services back to the municipalities, and now only operates as a bulk water services provider to the shareholders. uThukela Water has established itself to be an industry leader with emphasis on a high quality water product, and prides itself on this achievement. The Company provides bulk water from its Ngagane and Biggarsberg water plants and services approximately 250 000 households. The company's head office and laboratory facilities are situated in Newcastle.

Our Business Focus

uThukela Water (Pty) Ltd's business focus is on the provision of quality bulk water services to its shareholders for distribution by them directly to customers. The Entity also provides local laboratory services to the municipalities at affordable prices.

Company Size

Asset value: R 943 788 004

Operational Budget for FY 2017: R 136 876 564

Capital budget for FY 2017: R Ad Hoc

Total staff compliment: 76

Establishment

Between 1997 and 2000, all municipalities in the previous Umzinyathi and uThukela regions as well as other organs of civil-society-based organisations, non-government organisations, organised business, agriculture, industry and labour participated in the uThukela Water Board study. This was made possible with the assistance from DWS and the Australian government (AUSAID). The result of the study was a formation of a water utility called uThukela Water Partnership (TWP) in September 2001. The Entity was changed to a bulk water services provider as a result of a Provincial Cabinet decision dated 6 June 2013, which became effective from 1 July 2013.

Company Identity

In November 2003 uThukela Water (PTY) Ltd was incorporated as a result of the conversion from uThukela Water Partnership to a company with limited liabilities. A 30-year strategic plan (SP2030) was designed to model various options to better the Company to effectively execute its mandate.

uThukela Water Institutional Structures

- The Shareholders Committee
- Board of Directors
- Leadership Committee (LEADCO)
- Management Committee (MANCO)



Uthukela Water Institutional Structure

The Leadership Committee of uThukela Water (PTY) Ltd comprises of senior managers of the Company inclusive of the Managing Director.

Shareholders Representatives Committee

The Shareholders Committee comprises of three Mayors and the Municipal Managers of the shareholding Water Services Authorities. The Shareholders Meetings represents the collective interests of the shareholding municipalities of uThukela Water (PTY) Ltd.

Management Committee (MANCO)

The Management Committee comprises of senior managers. The primary function of the MANCO of uThukela Water is to ensure horizontal coordination of activities and functions within various functional centers. MANCO ensures that the Company's plans and policies are effectively implemented.

Our services provisioning and deliverables focus as provided in the Strategic Plan 2030 (SP2030) which was approved by the shareholders, are as follows:

- Safe bulk drinking water for all our shareholder municipalities to distribute to their customers and rural participants (farmers and remote industries)
- Raw bulk water to farmers and industries outside the developed areas
- Recognises affordable yet effective environmental and catchment management
- Creating and sustaining a pristine environment
- Being an important participant in the economy
- Being a world-class recognised utility for doing more with less
- Projecting a model example for capacity-building and empowerment
- Optimal deployment of appropriate and focused technologies, including information technology and systems
- Having a dynamic, pulsating, young professional workforce
- Facilitating unique sourcing deployment
- Facilitating resourcing at agreed risk
- Being a leader in digital workflow processes

uThukela Water Institutional structures

Comprises of two Non-Executive Directors and two Executive Directors and the CFO.



uThukela Water (PTY) LTD

Section 87 of the Municipal Systems Act.
Multijurisdictional Water Services Provider
(WSP)

Shareholder parent municipal % shareholding

Newcastle Municipality
Water Services Authority (WSA)

34%

Amajuba District Municipality
Water Services Authority (WSA)

33%

Umzinyathi District Municipality
Water Services Authority

33%

PRIMARY ACTIVITIES

Section 89 of Municipal Systems Act
32/2000 and WSP agreement

OPERATIONAL AND CUSTOMER SERVICES

Supply sustainable bulk water services
to uThukela Water shareholders

ENGINEERING AND SCIENTIFIC SERVICES

Provide specialist technical, scientific and engineering
support to the organisation

FINANCE

Support the organisation with financial plans
and sustainable financial management

CORPORATE AND HUMAN RESOURCES

Support with human resource information and
communication technology and property services

MANAGING DIRECTORS OFFICE AND COMPANY SECRETARIAT

Provide integrating function for strategy
execution and performance, monitoring, governance,
legal, risk and stake holder management

Mission

The provisioning of quality bulk water services, and related laboratory and environmental services.

From raw water sources (boreholes, rivers and dams) emanating mainly from the Ntshingwayo/Chelmsford dam and the Buffalo and Ngagane rivers, and purified at the Ngagane and Biggarsberg bulk water works.

Strategic Intent

As a bulk water services provider, we will provide the services on behalf of, and in agreement with, the Water Services Authorities (municipalities) who distribute to the customer which includes community households, industries, businesses, agriculture, government institutions and other users.

We may also provide water and related services beyond the area of jurisdiction, on the condition that those services will create benefits for the uThukela Water stakeholders.

- Safe bulk drinking water for all customers and compliance with all relevant legislation
- Raw water to farmers and industries outside of the formal areas
- Implement continuous improvement processes in order to minimise tariff increases
- Important participant in the regional economy
- Recognised as a world class utility
- A model example for capacity-building and empowerment
- Cost-effective implementation of appropriate and focused technologies, including information technology and systems
- A motivated energetic, committed, creative and innovative professional team.
- Integrated effective information systems
- Adherence to the concepts of total cost of ownership, value of ownership and risk of ownership. (TCO, TVO, TRO)
- Performance management to be based on self management concepts linked to organisational performance management

uThukela Water will adhere to sound business and corporate governance principles.

Vision

“uThukela Water, your partner in growth” / “Amanzi o Thukela umngani wakho enthuthukweni”

Values

Integrity
Trust
Transparency
Accountability
Teamwork
Professionalism
Passion



Customer, Operation and Engineering Services Information

Customer Services Information

The customers of uThukela Water may be defined as the Shareholder Municipalities, who reticulate the water to that portion of the region's households, industries, businesses and the institution receiving water services (water and sanitation) from the Company via the reticulation infrastructure of the Municipalities.

The Municipalities control and run a customer care department which filters bulk water queries and reports directly to the Entity for attention. Customer care consumer queries are dealt with directly by the Municipalities.

The Customer care department comprises of three sections which deal with various customer-care-related issues:

Billing Section

The Entity bills the Municipalities for bulk water only, and the municipalities in turn bill their water customers directly for water consumed.

24HR Call Centre

Customer complaints are logged through a properly-publicised 24hr call centre. Each complaint is investigated and feedback is given either directly to individual customers or if bulk-related, or to the Entity.

Shareholder Rights

- Accurate measurement of water produced and sold
- The right to quality, clean, good and safe drinking water
- Have the right to error-free billing
- Right to prompt and efficient service
- The right to a reliable, efficient and effective water service

Communications Section

- Support Municipalities to conduct on-going market surveys, questionnaires and interviews to determine the ever-changing needs of customers and industry growth demands.
- Ensures that communication between the Entity, shareholders, customer care and customers is always a bipolar process allowing for effective interaction, and providing and opportunity for feedback.

Shareholder Responsibilities

- Pay for bulk water services provided
- Be water-conservation-conscious and apply water demand management principles
- Monitor and control Entity's budget and operational activities
- Support and provide bulk water governmental grants and other grants to the Entity
- Adhere to acts, by-laws and water restriction notices



Operations Centre Information

Operations within uThukela Water is centered in Newcastle from which the bulk water works at Ngagane (outside Newcastle) and Biggarsberg (outside Dundee) are operated.

Water Purification

Operations and maintenance of water purification plants (WPPs), produce approximately 150 mega-litres of potable water per day, with technology ranging from borehole abstraction points, raw water river extraction and dam water extraction, to formal process-based water purification plants.

Bulk Water

Operations and maintenance of bulk water supply, including at pump stations, reservoirs, rising mains and in excess of 30 kilometres of gravity and pumped mains.

The Ngagane Water Works has a design capacity of 108 mega-litres per day, and is currently operating at 100 mega-litres per day.

Plans are in place to increase this capacity to 150 mega-litres per day in order to meet current and future demands.

This plant delivers bulk water for the areas of Newcastle, Madadeni, Osizweni, Brakfontein, Kilbarchan, Eskom Village, Ballengeich and the rural areas of the Amajuba District Municipality.

The Biggarsberg plant has a design capacity of 19, 3 mega-litres per day and is currently operating at 15, 84 mega-litres per day.

Plans are also afoot to increase this plant's capacity, but these are restricted by the availability of sufficient and sustainable raw water sources.

The Company's Master Plan does address this matter and makes recommendations to source water higher up in the Drakensberg catchment areas to augment the scarce water supplies in the Umzinyathi area.

The Biggarsberg plant supplies water to the areas of Dundee, Glencoe, Sithembile, Wasbank, Hattinghspruit and certain rural areas.

Both water plants achieved Blue Drop status determined in terms of national norms and standards and denote the high quality of water delivered to the municipalities from these plants.



Engineering Centre Information

The functions of the Engineering Services Centre are defined in the draft Water Services Provider Agreement, and include the application of professional engineering discipline of water services – “river to tap” for optimal delivery in short, medium and long term horizons utilising the concept of minimum total-cost-of-ownership and maximum use of resources.

Planning activities are carried out in partnership with the Operations Service Centre, the Water Services Authorities and national government departments.

The provision of water services to shareholders and the overall management, operations and maintenance of services are carried out in terms of the policies established by the Water Services Authorities.

These include prioritisation within funding constraints, and matching levels of service with affordability levels, as well as required income streams and tariff levels.

The Engineering Centre is moving towards optimisation through the application of technology, as far as the availability of finance permits, both in carrying out its own professional responsibilities and in the design, implementation and operations of service.

The GIS unit is the most obvious current face of the application of modern technology, which provides an efficient service to many of the departments of uThukela Water.



Chairperson's Report



uThukela Water
Annual Report 2019

Overview

It is with great pleasure that I present this 15th annual report prepared by the Board, which report covers the period from 1 July 2018 to the end of June 2019. It is part of the process that, I as the Chairman elect of the interim Board, have implemented in order to ensure that uThukela Water remains fully compliant with all aspects of legislation, and that it becomes a leader in the water industry. The focus and drive are geared towards strategic planning for optimum use of scarce water resources, and thereby adding value to the government's development priority of achieving sustainable livelihoods in our country.

The annual report submitted herewith, encapsulates the performance of uThukela Water, in line with its key performance objectives and targets as are set out in the WSP/WSA business plans and agreements, limited annual budgets, and performance management plans, prepared by the partners to these agreements, which are closely aligned to key strategic plans and programmes of the government. These strategic plans and programmes include the National Development Plan, (NDP) the fourteen strategic outcomes of the government of the RSA, local initiative outputs cascaded to the Department of Water Affairs and Sanitation, the National Water Resource Strategy, (NWRS) and focus areas for Water Authorities in the medium term strategic framework (MTSF). The Board has all the necessary skills and structures in place to properly implement these programs.

Institutional Change and Status

The institutional status of the Company is still waiting on events, and the Minister of Water Affairs and Sanitation, released a press communique in the Sunday Tribune of 15 July 2018, to the effect that, the intended and gazetted single water board for KZN Natal (GG 41237 dated 10 November 2017), has temporarily been shelved, until the rationalisation of the water sector has been reconsidered by the new National Cabinet.

The proposed new KWAZULU Natal Water Board incorporating the Umgeni and Mhlathuze water Boards and whole of the KZN Natal Province has therefore effectively been put on hold for now, and this Board will continue to serve the region as the interim Bulk Water Services Provider to the Water Service Authorities of Newcastle, Umzinyathi and Amajuba, in terms of a Provincial Cabinet directive dated 7 June 2012.

A copy of the press release is copied hereunder for information purposes and should provide clarity in this regard and end any speculation regarding these mergers.

This gap has created the time and opportunity for the Board, its parent municipalities and all stakeholders to urgently meet and re-strategize on the way forward concerning bulk water services.

No Mhlathuze, Umgeni merger

GIVEN MAJOLA

DEPARTMENT of Water and Sanitation (DWS) Minister Gugile Nkwinti has resolved not to merge Mhlathuze and Umgeni Water.

Umgeni Water said the decision would end speculation about the future of the two KwaZulu-Natal-based water boards until rationalisation of the water sector was reconsidered after careful consideration of all relevant factors. Preparations for the change would be discontinued.

The bulk water provider to

the province's six municipalities, including eThekweni, said in the short- to medium-term it would intensify efforts to expand coverage through the provision of services to municipalities that faced service delivery challenges or when asked by the provincial government or DWS to intervene as implementing agent.

University of Zululand economics Professor Irshad Kaseeram said the rationalisation was intended to make it easier for the well-established Umgeni Water to participate in the bond market. This would benefit the area served by Mhlathuze Water

in the north where there had been water supply problems.

Kaseeram said with mergers, sometimes investors worried their investment would be threatened, or they might inherit new debt.

"The new minister might have thought of that and determined it would be better not to rationalise."

Nkwinti is reported to have applied his mind to the panel report on board appointments concluded in January and deemed it prudent that Umgeni Water start the process from scratch.

"In compliance with provisions

of the Water Services Act, the nomination process will start again with an advertisement calling for nominations and a closing date for the submission of names towards the end of this month.

"The advert will be published in various English and isiZulu-medium print media. A selection panel will be constituted to consider nominations and make its recommendations to the minister of Water and Sanitation, ideally before the end of September."

The new board is expected to be in place by November, adhering to corporate governance requirements.



The Way Forward, Strategy and Bulk Water Master Planning.

It is a sad indictment, that although the bulk water master has been in place since 2012, that little or no capital investment has been invested into this program due to a lack of capital availability/allocation by the WSA's to the ailing and ageing infrastructure. The municipalities are struggling financially and do not have enough resources to invest into their bulk water infrastructure.

I personally convened a special bulk water master planning session with all the WSA's and water stakeholders in this region in early October 2018, in a concerted effort to kick start and get going with this process. This region has not spent any significant capital on its ageing and failing infrastructure in the last ten (10) years, and this is significant cause for alarm.

Subsequent to this, the interest and commitment has not been acted upon by the role players, and it can be deduced that it is not due to a lack of interest, but purely for financial reasons. The warning signs are there, this region cannot indefinitely ignore the vital importance of its development planning responsibilities. The Board has over the years reported in its annual reports the lack of capital development investment, and this has particularly over the past 10 years been limited to around R 10 million per year



The dis-favourable financial position of the municipalities in this region is hampering the implementation of the developmental planning responsibilities of all concerned. It leads to general apathy in the planning divisions, poor turnout and support at vitally important planning sessions and causes frustration and delay which takes away focus from the main objectives.

In 2006 when I was appointed as the interim Administrator of the entity, the envisaged development costs to bring this region into line with its development objectives was approximately R 10 Million, today, due to these incessant delays, the cost can easily be estimated to have escalated to about R 30 -50 million. Just think about the effect of these increasing costs on the future tariffs and the affordability thereof, it's frightening.

I have always proactively goaded the entity to push hard with the master plan initiatives and to make this a priority at all management and interactive stakeholder sessions and meetings. Unfortunately, the joint planning sessions are poorly attended, if attended at all by the municipalities. I also ensured that the finance engineering and operational staff attended external National Treasury initiated privatization training exercises that promotes and expands on the available options for infrastructure financing and development for local government operations.

There are some exciting financial options available that offer the chance to implement developmental plans without affecting current operations and current cash reserves. Innovative financial frameworks must be developed and discussed at the various stakeholder meetings and utilised with available capital grant inflows to give impetus to initiating the urgent developmental needs.

It is unfortunate that one of the Shareholder municipalities has still not endorsed the Regional Bulk Water Master Plan Feasibility study (aligned to the Provincial Universal Axis Plan) commissioned by the Amajuba District Municipality, and consequently the Board has decided to press on with its approved bulk water master plan in the interests of bulk water service delivery. History will unfortunately judge the region severely if it does not press on with these plans and develop and submit financial plans to ensure the implementation of necessary infrastructure development projects.

A business plan to construct a new 100-150 mega litre water treatment plant at the Ntshingwayo dam has been completed and submitted for approval and funding. The second major project currently receiving attention is the siting of a new dam/s in the region. These two projects alone will ensure the security of the regions water resources and the effective regional distribution of bulk water to all areas within the jurisdiction of the Board. They will also replace the need for the management of the smaller and more costly water treatment plants that currently exist and struggle on uncertain water resources.



Prevailing drought conditions

The year under review witnessed the easing of one of the worst droughts ever experienced in the region, and certainly in the last 120 years, and many lessons were learnt regarding the high risk of operating an aged and fragile water infrastructure and installations. The fragility and risk of these water infrastructure were severely exposed by the stresses of the drought and many ad-hoc emergency repair works had to be carried out to keep it functional and operational. This is a dangerous and unacceptable situation and the implementation of the bulk water services master plan can simply not be delayed any further.

Very late seasonal rainfalls again came to the rescue as dam levels were again approaching critical levels just before the long winter months. The Ntshingwayo dam level rose from approximately 69 % to 85 % within days, and the local Umzinyathi dams from 5 % to around 60 % on average, during this period. These good rains have prevented the imposition of any serious water restrictions, except for the Umzinyathi DM area, where some major capital projects are required to increase the bulk water flows to the Biggersberg plant.

The Umzinyathi DM municipality has received grant funding to upgrade the Tayside high lift pumps, to increase the capacity of the flocculation settlement dams, and to upgrade the sand filters at the plant. The municipality has chosen to procure and appoint the contractors through their own SCM procedures and will hand the project supervisory roll over to the entity, to jointly implement, hopefully in the current year.

What must specifically be noted, is the state of the support dams in the Umzinyathi area, these dams do not have the capacity, or are not sufficiently stocked, to augment the Biggersberg water demands from the Buffalo river. The Buffalo river system is very unstable and must, particularly in the winter months, be augmented from the Ntshingwayo and Zaaihoek dams, failing which it cannot function on normal rainfall, springs, tributaries and other flows.

A natural flow of around 250 mm, as measured at the Tayside weir, is required throughout the year to serve the agricultural and human needs in the region alone.

The National Water Institute released its CPC/IRI early monthly official ENSO forecast rainfall probabilities for the forthcoming year, see below, and these predictions are alarming and serve to warn that the current drought is far from over, and that the below average rainfalls can be expected to persist during the forthcoming rainy season.

CPC/IRI Early-Month Official ENSO Forecast Probabilities

Season	La Niña	Neutral	El Niño
JJA 2018	0%	71%	29%
JAS 2018	1%	53%	46%
ASO 2018	2%	41%	57%
SON 2018	2%	33%	65%
OND 2018	3%	28%	69%
NDJ 2018	3%	26%	71%
DJF 2019	3%	27%	70%
JFM 2019	3%	31%	66%
FMA 2019	3%	34%	63%

Global warming and climate change and its hazardous effects on weather patterns is currently the focus of news worldwide, and one notes the drought affects reflected everywhere in daily and reports of weather related catastrophes such as; the recording of severe record high temperatures, cold blitzes and severe snowfalls, flooding and destruction, wild fires and destruction of habitats, low and empty dam and river levels. Year on since 2015 the global temperatures have climbed to new record highs of around 38 to 45 degrees in some moderate European countries. The illustrations below depict the global warming status worldwide.

The Board has consciously been prepared and planning for these drought effects since 2014, and was instrumental in managing and ensuring that all dam and river levels were closely monitored in conjunction with all users and stakeholders, thereby ensuring that the water resources were effectively and efficiently utilised, and that there was minimal disruption to the water users and the local economy.

There has been no letting down of the guard, and the water balancing and control systems in place, have been continually maintained and operated throughout and are still in place, despite the lifting of the water restrictions. These monitoring controls will remain sensitive to the water management strategies imposed by the Board and Stakeholders, global warming announcements, and weather prediction warnings. The days of excess, uncontrolled, and ad lib water use, are over, and a more serious approach to water management needs to be adopted at all levels.

Having all of this in mind, and heeding the warnings and predictions, it is time for all stakeholders to come together and jointly prepare the necessary financial plans to launch the bulk water master planning initiatives. Reliance can no longer be placed on National Government Grants as the sole funding source for infrastructure development, this source is simply not sustainable and requires local funding support and initiatives.

It is also a known fact that National government is no longer building water storage dams and that it has prioritised the Western Cape region as the only dam building project on its current program. It is up to the Regional Water Service Authorities and stakeholders to pool their resources and financial capabilities and to secure their own water resources. The region does have the financial capabilities to do so if it aligns its water tariff structures to those of modern water service providers that base their tariffs on the real cost of providing the services.

The Region has the capacity and capability to develop a financial plan that takes account all available water capital and grant funding, and together with its potentially powerful consumer base develop an affordable tariff structure that that can fund its needs over the longer term.

The region currently charges an average domestic water tariff of around R10 to R 12 per kilo litre, which tariff purports to recover both bulk and reticulation water service costs. The paying customer base excludes a large portion of the water consumers, and a free basic water allocation of 6 Kilo litres is granted to all consumers irrespective of status. Industrial and Commercial customers are not charged a scientifically calculated and sensitive economic charge. Reticulation water losses exceed 50% of water purchased, there is a major problem with beyond the water meter losses, theft of water and unmetered consumers. The water tariffs are in urgent of need of complete revision and they are not representative, fair and equitable, and do not cover the costs of providing the services, least provide for future capital development.

In modern Water Service Development areas, the water tariffs are equitably, economically and fairly structured, taking into cognisance the requirements of section 74 of the Municipal Systems Act 32/2000, in so far as it relates to; user pay principles, tariff must reflect costs of rendering the service, be financially sustainable, provide for surcharges on tariffs to accommodate capital and special developmental needs, promote the local economy through cross subsidization, and the economical effective and the efficient use of resources.

Water service delivery and water quality

Despite the many challenges encountered during the severe drought conditions, the fluctuating river levels, flooding at times, and the consequent high algae and water turbidity levels, bulk water operational effectiveness, efficiency, and performance was maintained and achieved at all times, with little or no unplanned interruptions in bulk water supply. Bulk water losses were effectively kept at below 10%.

Water quality always complied with the SANS 241(2015) standards, and the table below depicts the average compliance for all determinants for the year under review.

Ngagane and Biggersberg Water Treatment Plant water quality results.



Determinand	Risk	Unit	Ngagane		
			No. of results	Required Compliance	Compliance
Microbiological determinands					
E.coli count	Acute health	Count per 100 mL	290	≥99%	100.00%
Cryptosporidium spp	Acute health	Count per 10 L	2	≥99%	100.00%
Giardia spp	Acute health	Count per 10 L	2	≥99%	100.00%
Total Coliforms	Operational	Count per 100 mL	295	≥95%	99.66%
Heterotrophic Plate Count	Operational	Count per mL	291	≥95%	100.00%
Somatic Coliphages	Operational	Count per 10 mL	1	≥95%	100.00%
Physical and aesthetic determinands					
Colour	Aesthetic	mg/L Pt-Co	44	≥95%	100.00%
Conductivity at 25°C	Aesthetic	mS/m	292	≥95%	100.00%
Total Dissolved Solids	Aesthetic	mg/L	291	≥95%	100.00%
Turbidity	Operational	NTU	378	≥95%	92.33%
Turbidity	Aesthetic	NTU	378	≥95%	100.00%
pH at 25°C	Operational	pH units	378	≥95%	99.74%
Chemical determinands - macro					
Free Chlorine	Chronic health	mg/L	377	≥97%	100.00%
Monochloramine	Chronic health	mg/L			
Nitrate	Acute health	mg/L	72	≥99%	100.00%
Nitrite	Acute health	mg/L	72	≥99%	100.00%
Combined nitrate plus nitrite	Acute health		72	≥99%	100.00%
Sulphate	Acute health	mg/L	73	≥99%	100.00%
Sulphate	Chronic health	mg/L	73	≥97%	100.00%
Fluoride	Chronic health	mg/L	72	≥97%	100.00%
Ammonia	Aesthetic	mg/L	2	≥97%	100.00%
Chloride	Aesthetic	mg/L	2	≥97%	100.00%
Sodium	Aesthetic	mg/L	2	≥97%	100.00%
Zinc	Aesthetic	mg/L	2	≥97%	100.00%
Chemical determinands - micro					
Antimony	Chronic health	µg/L	2	≥97%	100.00%
Aluminium	Operational	µg/L	71	≥95%	100.00%
Arsenic	Chronic health	µg/L	2	≥97%	100.00%
Barium	Chronic health	µg/L	2	≥97%	100.00%
Boron	Chronic health	µg/L	2	≥97%	100.00%
Cadmium	Chronic health	µg/L	2	≥97%	100.00%
Total Chromium	Chronic health	µg/L	2	≥97%	100.00%
Copper	Chronic health	µg/L	2	≥97%	100.00%
Cyanide (recoverable)	Acute health	µg/L	2	≥99%	100.00%
Iron	Chronic health	µg/L	72	≥97%	100.00%
Iron	Aesthetic	µg/L	72	≥95%	100.00%
Lead	Chronic health	µg/L	2	≥97%	100.00%
Manganese	Chronic health	µg/L	71	≥97%	100.00%
Manganese	Aesthetic	µg/L	71	≥95%	100.00%
Mercury	Chronic health	µg/L	2	≥97%	100.00%
Nickel	Chronic health	µg/L	2	≥97%	100.00%
Selenium	Chronic health	µg/L	2	≥97%	100.00%
Uranium	Chronic health	µg/L	2	≥97%	100.00%
Chemical determinands - organic					
Total Organic Carbon	Chronic health	µg/L	2	≥97%	100.00%
Total Trihalomethanes (combined)	Chronic health		2	≥97%	100.00%
Chloroform	Chronic health	µg/L	2	≥97%	100.00%
Bromoform	Chronic health	µg/L	2	≥97%	100.00%
Dibromochloromethane	Chronic health	µg/L	2	≥97%	100.00%
Bromodichloromethane	Chronic health	µg/L	2	≥97%	100.00%
Microcystin (Total)	Chronic health	µg/L	2	≥97%	100.00%
Phenols	Aesthetic	µg/L	2	≥95%	100.00%

Determinand	Risk	Unit	Biggarsberg		
			No. of results	Required Compliance	Compliance
Microbiological determinands					
E.coli count	Acute health	Count per 100 mL	180	≥97%	100.00%
Cryptosporidium spp	Acute health	Count per 10 L	1	≥97%	100.00%
Giardia spp	Acute health	Count per 10 L	1	≥97%	100.00%
Total Coliforms	Operational	Count per 100 mL	181	≥93%	100.00%
Heterotrophic Plate Count	Operational	Count per mL	181	≥93%	100.00%
Somatic Coliphages	Operational	Count per 10 mL	1	≥93%	100.00%
Physical and aesthetic determinands					
Colour as mg/L	Aesthetic	mg/L Pt-Co	35	≥93%	100.00%
Conductivity at 25C in mS/m	Aesthetic	mS/m	181	≥93%	100.00%
Total Dissolved Solids as mg/L	Aesthetic	mg/L	181	≥93%	100.00%
Turbidity in NTU	Operational	NTU	303	≥93%	99.66%
Turbidity in NTU	Aesthetic	NTU	303	≥93%	100.00%
pH at 25C in pH units	Operational	pH units	303	≥93%	100.00%
Chemical determinands - macro					
Free Chlorine	Chronic health	mg/L	303	≥95%	100.00%
Monochloramine	Chronic health	mg/L			
Nitrate	Acute health	mg/L	63	≥97%	100.00%
Nitrite	Acute health	mg/L	63	≥97%	100.00%
Combined nitrate plus nitrite	Acute health		63	≥97%	100.00%
Sulphate	Acute health	mg/L	63	≥97%	100.00%
Sulphate	Chronic health	mg/L	63	≥95%	100.00%
Flouride	Chronic health	mg/L	63	≥95%	100.00%
Ammonia	Aesthetic	mg/L	1	≥93%	100.00%
Chloride	Aesthetic	mg/L	1	≥93%	100.00%
Sodium	Aesthetic	mg/L	1	≥93%	100.00%
Zinc	Aesthetic	mg/L	1	≥93%	100.00%
Chemical determinands - micro					
Antimony	Chronic health	µg/L	1	≥95%	100.00%
Aluminium	Operational	µg/L	63	≥93%	100.00%
Arsenic	Chronic health	µg/L	1	≥95%	100.00%
Barium	Chronic health	µg/L	1	≥95%	100.00%
Boron	Chronic health	µg/L	1	≥95%	100.00%
Cadmium	Chronic health	µg/L	1	≥95%	100.00%
Total Chromium	Chronic health	µg/L	1	≥95%	100.00%
Copper	Chronic health	µg/L	1	≥95%	100.00%
Cyanide (recoverable)	Acute health	µg/L	1	≥97%	100.00%
Iron	Chronic health	µg/L	63	≥95%	100.00%
Iron	Aesthetic	µg/L	63	≥93%	100.00%
Lead	Chronic health	µg/L	1	≥95%	100.00%
Manganese	Chronic health	µg/L	62	≥95%	100.00%
Manganese	Aesthetic	µg/L	62	≥93%	100.00%
Mercury	Chronic health	µg/L	1	≥95%	100.00%
Nickel	Chronic health	µg/L	1	≥95%	100.00%
Selenium	Chronic health	µg/L	1	≥95%	100.00%
Uranium	Chronic health	µg/L	1	≥95%	100.00%
Chemical determinands - organic					
Total Organic Carbon	Chronic health	µg/L	1	≥95%	100.00%
Total Trihalomethanes (combined)	Chronic health		1	≥95%	100.00%
Chloroform	Chronic health	µg/L	1	≥95%	100.00%
Bromoform	Chronic health	µg/L	1	≥95%	100.00%
Dibromochloromethane	Chronic health	µg/L	1	≥95%	100.00%
Bromodichloromethane	Chronic health	µg/L	1	≥95%	100.00%
Microcystin (Total)	Chronic health	µg/L	1	≥95%	100.00%
Phenols	Aesthetic	µg/L	1	≥93%	100.00%



To achieve results so consistently throughout the year, is a meritorious achievement, and it attests to the dedication and hard work applied by all levels of operation. The result is that the WSA's have the highest quality water in South Africa to supply to their paying customers.

The Budgets and bulk water service delivery

The year continued to witness some political instability with consequent financial market instability, escalating fuel price increases, unfortunate price knock on effects, fluctuating interest rates and sure signs of a weakening economy. These factors have a direct impact on the costs of producing bulk water services, and with the Board already operating on a shoestring and partly funded budget, it just became more difficult to operate.

Although water is an essential basic human requirement, it has always been a hard sell and a difficult balancing act amidst the financial constraints experienced by the WSA's with their own basket of services to fund.

Historically, and as a direct result of these financial constraints and affordability factors, the Newcastle municipality again cut its 2019 bulk water services operational budget by nearly R 28 Million. The Entity was consequently forced to cut and adjust its budget accordingly.

The Newcastle municipality entity bulk water services budget excludes a provision for the payment of the Department of Water Affairs and Sanitation's raw water charges. (excluded by the municipality from the Entity water services budget, but included within the municipalities own budget) The entity was consequently forced to adjust its bulk water volumes to be supplied to the municipality from 92 mega litres per day, to 72 mega litres per day, in order to balance the budgets.

This volume adjustment seriously affected the municipalities ability to effectively control its reticulation distribution and an urgent request was made to the entity to reinstate the original volumes, and an undertaking was made that the municipality would make the requisite budget adjustments to rectify the budget deficit. The supply was accordingly reinstated and the municipality, as part of its 2018 budget adjustment process, increased its allocation to the entity by R 12 million. The balance of the shortfall related to the departments raw water charges, which the municipality budgeted for in their own budget, and undertook to pay this amount over to the department directly.

The situation had not subsequently improved, and the Newcastle municipality in its 2019 budget, again effected the same cut of nearly R 29 million. The entity has again reduced its supply volumes accordingly from 92 to 80 mega litres per day. This is a difficult and insufficient level of supply, and the municipality is currently revisiting its budget to adjust the shortfall. The worrying factor is that the municipality is not making good on its commitment to directly pay the Department for its raw water charges. These charges are billed directly to the entity, and currently remain unpaid.

The Amajuba District municipality have followed a similar path to the Newcastle municipality, and have also approved a reduced budget of just over R 3 million. The Board consequently adjusted the municipalities bulk water volumes from 15 mega litres per day, to 12 mega litres. This is also a difficult and unacceptable level of supply and routinely causes water shortages in their reticulation systems. It is hoped that these matters will be rectified with the next adjustment budget cycle.

The Umzinyathi District municipalities approved ITS 2019 bulk water service budgets based on their bulk water volume demands and calculated at the annually approved bulk water tariff. This is in line with the bulk water services agreement and the correct practice to follow in the industry.





No annual capital budget to fund any capital projects let alone the master planning development needs was provided for by any of the municipalities. This is an unfortunate practice and is not sustainable and must be addressed immediately failing which the future water tariff may be severely compromised.

The Boards revenue is linked to a recoverable bulk water tariff of R 3, 15c/per kilo litre, which tariff is well below the industry norm of around R 7, 50 c/per kilolitre. The tariff does not contain any depreciation cost recovery or any capital element to enable the Board to properly manage the maintenance refurbishment and replacement of exiting and required capital water infrastructure.

The bulk and reticulation water tariffs should be calculated at the real cost of providing and sustaining these services.

A bottle of commercially bottled water is scientifically calculated and marketed at the cost and profit of merchandising it, and we all know what a bottle of this water costs, approximately R 10 to R 15 for 300 millilitres, yet, people are reluctant to pay for the same or better quality of water at R 3, 15 cents per kilolitre. (1000 litres)

If the costs of a commercial bottle of water is extrapolated at R 10 per bottle and compared with the cost of municipal water, it equates to paying R 3 334 per kilolitre of water.

The depictions below highlight the inefficiencies of the current water pricing structures.

Sadly, the many challenges facing Local Government today in delivering a basket of services, is causing municipalities to base their water service budgets and allocations on other factors and not assigning water services the priority that it requires i.e.; their own particular financial circumstances and challenges, their budgeting for a fair and affordable allocation to bulk water services, and their individual WSA interpretation of their water service roles and responsibilities. The regional concept, pooling of capital and financial resources, sharing of costs and teaming of scarce technical expertise, to deliver on the massive challenge of infrastructures upgrade and maintenance, is financially and technically the right way to approach to effectively eradication water service backlogs, and to meet the current and future demands thereof.

Bulk water loss management

Bulk water loss management is high on the agenda of the Board and forms a focal and strategic goal on the performance and risk charter.

Bulk water losses were managed around an average of 10% during the year, and this is a real value added and meritorious achievement considering the age of the plant and infrastructures. Although the loss is acceptable in term of the Industry norm, it is still possible with the right investment, to reduce the loss to a more technically acceptable level of around 5%.

The Newcastle municipality has applied grant funding received in the current year, and is currently in consultation with the entity, carrying out maintenance on the main Ngagane bulk water supply steel line to the Ngagane water plant. The cost of this project is approximately R 80 million. This will help to curb and reduce the bulk water losses even further and enhance the supply capacity from the plant.

The municipality is cognisant of its own reticulation water losses and is planning to invest funding into this system over the next few years to bring the losses to some normality, and in so doing ease up on their bulk water demands, and better utilise their water allocations for where the need is most. i.e. savings in costs and future developments.

Performance and risk management

I have no doubt that the fully interactive Performance Management System implemented by the Board some three years ago, was instrumental in the achievement of the Boards clean audit status. The system incorporates all staff at every level, and it focus is on a balanced scorecard with enhanced service delivery output.

The performance results of the 2019 year are included as part of this report and attest to the high standard of work carried out by all concerned. The staff operate under very difficult and restrained circumstances. With adequate operational and capital budget funding in place, I have no doubt that this Board will contribute immensely to the National and Provincial and Regional water development plans.

The Board was nearly unable to honour its performance linked notch bonus payments to its staff for the 2019 financial year due to the poor payment and outstanding bulk water service payments from some of the municipalities. This is an acceptable situation and carries high risks for the Board and water supply in the region. The matter is being carefully monitored and managed with a view to getting the municipalities to honour their bulk payments to the entity, without any delays.

Risk Management

The Board has a Risk Management Plan and Strategy in place that ensures that all risks are identified, categorised, mitigated and managed within a carefully designed matrix.

Risks are escalated to the right levels within the structure and then managed as best as possible within the financial and governance capabilities of the Board.

The significant and most important risks that it is currently dealing with areas, the non-payment, going concern issue, the lack of adequate budget provision, and no master plan developmental investment.



Good governance

The Board's governance structures are currently operating effectively, and an oversight role in this regard is provided to the Board and Shareholders by Internal and External Audit and the Audit and Risk Committee. The Board has achieved regular unqualified audit reports with the latest 2018 audit resulting in good audit outcomes.

The focal area for the Entity going forward, is to maintain this high standard it has set for itself, and to jointly with its WSA's push its master plan development initiatives to the project implementation stages.

Laboratory service

The Board provides a laboratory service to its shareholders, local industry and government department. It charges a minimal R 0, 02 cents per kilolitre levy for these services rendered to the municipalities, and fixed cost related tariff for the other commercial users.

The Laboratory is accredited by the Department of Water Affairs and Sanitation and all sample analyses carried out by the Lab is counter checked for quality and assurance by the NLA and SABS water quality proficiency testing procedures.

Uninterrupted service delivery

I am very proud to say, that despite extremely stressful and difficult operational circumstances, the Board and Management, did at all times, try and do its best to ensure that there were no or minimal water service disruptions, although on occasions, it came perilously close to this.

There were no instances of planned or un-planned bulk water service interruptions during the year that exceeded the predetermined maximum disruption objective of 24 hours.

This is a service standard that the Board will not compromise on and values very highly.

Investment into bulk water services

The investment required to stabilise the current infrastructure, and to implement new infrastructure development projects in line with the bulk master plan, in order to meet the current and future demands of the serviced and un-serviced areas, remains a challenge, and it is not feasible, financially prudent, or defensively wise, to postpone it to a future time, as it will affect the affordability of the tariff in future years. The risks are well known and documented in the various Water Services Strategies, Master Plans, Risks Assessments and WSA Sector Plans developed by the parties.

These plans and infrastructure upgrades cannot and should not be delayed indefinitely and my instructions are that the business plans to proceed with many of the most important projects must take precedence and be submitted for approval and funding as a matter of extreme urgency.

The total funding required to implement the bulk water master plan may be considered high at about R 20 to 30 Billion, but this should not be a deterrent, as a properly structured, planned and financed approach over the next 20 to 50 years, could prove to be effective and affordable. There is no alternative, the bulk water systems need to be upgraded and developed if the water needs of the region are to be stabilised and be sustainable.



Bulk water metering and billing integrity

Bulk water supply meters are regularly checked, and or replaced, in order to ensure accurate bulk water metering and the integrity of the bulk water billing system. Accurate readings also enhance water balancing and reconciliation and is forewarning in managing and minimizing bulk water losses. Improved and modern industry approved bulk water monitoring systems are continuously being considered as a management tool to control water leaks and tampering on the main lines.

Commitment to bulk water delivery

The vital role played by the entity over the years has not always been properly appreciated, and the efficiency and effectiveness of the shared services initiative has on many occasions come under question, sometimes fairly, but often without the review of all information relative to how the water sector functions.

I am confident, that as time has progressed, that the entity has openly displayed its absolute dedication to water service delivery and its loyalty to its shareholders. This has led to the much-improved current working relationships, and the greater unison in the work environment. We are serving our communities collectively, and with their best interest's paramount.

During my term in office over the past 12 years, I have ensured that the Shareholders have received maximum benefit from access to;

- (a) Well managed and implemented administrative procedures, documentation and information dissemination, regular convening of Board and Shareholder meetings to oversee the functioning of the entity, the functioning of technical, financial and other committees to steer a co-ordinated water service delivery approach, the compliance by the entity with national and local government legislation, WSA and own policies and the WSP draft agreements in place. Good audit outcomes and high-level assurance to Board and Shareholders. Effective Performance and risk management systems in place.
- (b) Well managed, efficient and effective Finance department that accounts to all shareholders on a monthly basis providing live and up to date financial, budget and forecast information. Timorous rendering of financial information and grant funding accounts to facilitate service rendering and ensure application and implementation of budgets. Clean financial audit reports have been received from the Auditor General since the 2008 financial year. Implementation of the modern and interactive MSCOA financial system that aligns all expenditure categories with the municipalities.
- (c) Well managed and accountable Supply Chain Management system linked to the Central Data Base system of National Treasury, an interactive Payroll and Human Resources system, and an IT sections and control that augments the efficient and effective delivery of services.
- (d) Well managed and effective operations, engineering and scientific department, which delivers a good, consistent, conserved, high quality water service to the Shareholder municipalities, and has the capacity to innovatively improve and develop, minimise failure and reduce risk to the shareholders.

I have confidence that the entity is properly and adequately geared to deal with all the challenges of a modern-day water services delivery institution.



State of the Business

The 2018 Annual Financial statements and Annual Report together with the predetermined objectives and completed scorecards were presented to the Office of the Auditor General as prescribed by section 121 of the MFMA 56/2003.

The Board prides itself in having achieved a clean audit status, and in so doing provide the Shareholders with the necessary assurances that it conducts its business activities within its legislative framework and that it operates within good governance structures.

Generally;

- Bulk water services are rendered consistently and uninterrupted,
- Bulk water quality is of an exceptionally high standard, complying with SANS241 (2015),
- water production costs and water losses are kept to the minimum, and are well within industry norms,
- budgets are well and carefully managed under very difficult constraints,
- debts are collected regularly, depending on WSA own cash flows,
- creditor payment cycles are maintained within 30 days,
- Risks are identified, regularly monitored and managed,
- Performance is measured and efficiencies rewarded, and,
- in the absence of an approved capital budget, infrastructures are maintained as best as possible within financial constraints, and ad-hoc funding is obtained from the municipalities for urgent projects.

Constraints and impediments that are preventing the smooth flow of business include;

- The lack of adequate capital investment in the bulk water infrastructures to ensure sustainable and affordable bulk water delivery in the short medium and long term.
- Operational budget is still not adequately and fully funded by a comprehensive and sustainable bulk water tariff.
- Non-payment issues around the bulk raw water tariff levied by the Department of Water Affairs and the longer-term financial risks associated therewith.
- Slow payment by some of the municipalities of their bulk water accounts and the withholding of grants and transfers leading to delays with the implementation of projects and water service delivery objectives.

These documented risks have unfortunately been a stumbling block since the establishment of the entity way back in 2004, and although much progress has been made recently with turning this situation around, it has had the effect of delaying the business of incremental bulk water infrastructure development and refurbishment. The effects of these adverse delays will be felt far into the future, and without any substantial government grant support, will pressure the future bulk water tariff to fund these un-avoidable and necessary episodic replacements, upgrades and developments.



Board Performance

Board Business Cycle

A Board business plan has been developed, continually upgraded with time, and has been implemented and aligned to the legislative mandate of uThukela Water, which both guides the Board on the business it has to discharge and ensures that the Board, as the accounting authority for its operations, complies with the highest legislative framework within which the organisation operates.

Strategy

The organisations strategy and business plans are clearly outlined and detailed and are aligned to the National, Provincial and WSA policies and objectives and best business practice within the sector.

Legislative compliance

The Board is approaching its task of vigorously complying with all its requirements in terms of the Companies Act 71/2008, Water Services Act 108/1997, Municipal Finance Management Act 56/2003, Municipal Systems Act 32/2000 and Public Audit Act 25/2004 and, concurs with the principles of good governance as set out in the King 111 report.

The Board, with the assistance of its Audit Committee, is able to exercise its oversight duties in line with its delegation of authorities to senior and other management role players, and hence it as a consequence hereof, can retain effective control over and ensure the continuity of and minimum disruption of operational efficiency and uninterrupted service delivery by monitoring progress and outcomes.

Strategic, financial, organisational and legal compliance matters are at the centre of focus to the Board and it sees its role here as pivotal to enhancing the efficiency and effectiveness of the organisation. Progress with the implementation of organisational strategy is regularly monitored through strategic review sessions.

Evaluation

Interim Board members performance evaluations are conducted through a combination of self-assessment and peer review. The performance of the Board and of all its Committee's, as a collective, are alternatively assessed and reviewed with a view to optimal efficiency. A proper and effective Institutional and Departmental Performance Management System that cascades right down to all levels of staff is in place, and is certainly contributing to enhanced performance, including the formulation of appropriate training and developmental plans.

I, as the Chairperson of the Board, do regularly report to the MEC of COGTA on the alternative evaluations and results of uThukela Water and do in consultation with the Shareholders and all role players formulate and develop action plans to meet the challenges presented. Areas of high risk to the Board and cases of serious service delivery shortcomings are taken up directly with the affected parties thereto and interim solutions sought while broader solutions are enquired directly with the Department of Water Affairs who appraises the reports and makes recommendations accordingly.

As the time of the Interim Board reaching its conclusion, it is my intention to prepare a legacy report in the interests of continuity, and this will be made available to the new incoming Board. The purpose of the legacy report is to encapsulate the pitfalls, obstacles, successes, failures, achievements and challenges of the previous Boards, including the Interim Board, during their terms of office.



Challenges Opportunities and Focus

Rural Development

Although 25 years into a new democracy, rural development is still an area that poses the biggest challenge to water institutions in our country, and it requires innovative thinking and pooling of all available scarce resources to make in-roads into and to eradicate huge historical backlogs in basic service delivery that exists. The government has invited state owned enterprises to become part of its initiatives to achieve a better quality of life for all by providing basic services including safe drinking water to rural areas. This has subsequently been translated into a priority area for concentration over the next 5 years.

uThukela Water and its Shareholder municipalities, having split bulk and reticulation services, are now in a better position to properly support this initiative and implement their bulk and reticulation water services master and strategic plans to identify, fast track and commission new projects that will specifically serve the special needs of the rural communities.

In meeting with the challenges of these national initiatives, uThukela Water and its Shareholder municipalities, will have to explore how they can further develop their roles in, contributing to rural development in line with this policy to upscale social and economic infrastructure in these areas. To ignore the reality that there are still communities out there that do not have any access to basic services, is unthinkable, and this situation cannot under any circumstances be left in abeyance. The challenges must be met upfront and with conviction.

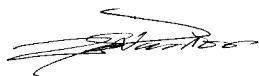
Institutional

History, economic facts and best practices will reveal that the current model of providing services on a regional basis is the best means of efficient and effective use of scarce resources, and the most successful way of implementing a fair and justifiably equitable tariff policy. I have no doubt that the proposed new or reconstituted broadened water service institution that will follow, will strengthen and reinforce the National government's intention of creating a strong and economically viable water services institution. Ultimately the best benefit to the community should be the paramount objective.

In the interim, the current Board will continue to acclimatise and familiarise itself with its duty of providing services from carefully planned strategic perspectives. The Board will also further deliberate on the governments focus on rural development.

Acknowledgements

- Further details relating to my report are contained in the Annual Report for the 2017/2018 Financial Year, a copy of which has been circulated to all parties and interested persons.
- I acknowledge the following with a deep sense of appreciation:
- The Minister of DWS and her very capable and supportive department, especially the KZN Regional Office,
- The Premier of KZN, the MEC of COGTA KZN and her very capable and supportive department
- The Mayors and Officials of the parent municipalities of Newcastle, Amajuba and Umzinyathi DM's.
- Previous and current Board members for their commitment and support.
- The Acting MD, Executives and Employees of uThukela water who have worked tirelessly under difficult and challenging circumstances but remain resolute and steadfast in serving the communities of this region.



MR PSNAIDOO (INTERIM CHAIRPERSON OF THE BOARD)



Managing Directors Report



uThukela Water
Annual Report 2019

Managing Directors Report

The Year in Review

The activities under the year in review reflect the set of plans, strategic objectives, pre-determined objectives and targets that formed the shareholders compact agreement with uThukela Water in the 2019 financial year. The finer details of these plans and strategies are set out in the operational and capital budget submissions, institutional performance objectives and targets, the bulk water master plan, the Business Plan and the risk management plan.

The entity completed another year in which it successfully achieved its performance and good governance objectives, as measured against the shareholder compact agreements and in terms of legislation, but unfortunately, due to the negative financial situation that the shareholder municipalities currently find themselves in, essential and necessary bulk water service delivery payments were unduly withheld by the municipalities to fund their own worsening cash shortages. This resulted in an unacceptable situation where the municipalities fell up to 6 months in arrear with their bulk water payments as at 30 June 2019. Bulk water service delivery in the region was consequently seriously threatened, and the Board and management was forced to take drastic action, to at least stabilize the situation, whilst obtaining payments from the municipalities, to ensure the continuation of the water services.

These are perilous circumstances to work under, particularly as the water budgets are already underfunded and under recovered, and, further exasperated by no capital replacement funding being provided by the WSA's since 2013 to meet the identified and acknowledged master plan prerequisites of a sustainable bulk water service. These circumstances have to change, and water service developmental requirements need to be methodically accorded the attention that it demands, failing which an "ESKOM" like bail out situation may be inevitable sometime in the near future, or alternatively, the drastic imposition of an impromptu and unpopular big hike in the water tariffs to remedy the situation.

Despite all these challenges, the Board has remained heedful, it has got on with the job at hand confirming its readiness to its shareholders throughout, by availing itself to regular performance monitoring, risk analyses and external oversight review, and accordingly creating a value chain/platform, and a comprehensible catalyst, to trigger the unfeigned planning and developmental needs of water services in the region. The opportunity is available, however, it is not being seized and steered in terms of the endorsed planning initiatives.



Doing the basics right

The Board prides itself in doing the basics right, it is a good premise to work from, good business practices, controls, reporting and oversight provides the framework for a successful operation.

The Board and management are ever conscious of, and are focused on, delivering a good quality, uninterrupted, and economically viable cost effective bulk water service, that seeks to create an environment for inclusive cohesive participation, team work, proper planning and regular interaction at all levels within the water chain.

- Regular monitoring and assurance is provided to Board, Shareholders and Stakeholders through; Internal audit, Audit Committee, Shareholder performance evaluations and external audit reviews,
- Quarterly structuring and setting up of high level strategic and operational planning sessions with all stakeholders,
- Integrity of bulk metering and billing information and the timorous submission of accounts,
- Application of vigorous debt collection strategies under very difficult conditions and in the current circumstances where some of the WSA's are in financial crisis,
- Maintaining a good credit record and the payment of creditor accounts on a 30 day payment cycle,
- Statutory and regulatory submission of business plans, master planning documentation, operational and capital budgets and tariff models to decision makers for attention,
- There are good communication structures in place and regular Board, Shareholder, Stakeholder, administrative, financial and operational meetings are scheduled,
- There are proper administrative practices and financial controls in place that result in good governance, compliance with legislation, procedures and policies, and sound financial management practices,
- There is a system of judicious cash management of scarce resources in place,
- Uninterrupted bulk water service delivery is provided to customer Shareholders with minimum or no disruption to services,
- Water quality standards are measurable with the best in the Country, and on average result in 100% compliance with SANS241 Standards,
- Bulk water losses are carefully monitored, controlled and managed resulting in excellent results and an average water loss for the year of 8,35%.
- The structuring of a multi-faceted bulk water tariff that provides for a capital recovery element to fund future infrastructural developmental requirements.
- Effective and a broad performance management evaluation of all levels of staff with reward incentives in place for excellence. The Entity scored a 92,8% scorecard for the 2019 year,
- Regular risk identification, assessment, monitoring and management preventing unplanned events. High level risks are escalated to risk owners and managed effectively.



Obtrusive challenges

Affordability and the lack of adequate capital funding has once again been the single most damaging impediment to the bulk water operational and developmental objectives of this region.

The same old habitual repetitive cycles of; poor-payment for bulk water services, imposition of affordability based budgets, the lack of or no provision of capital funding to implement necessary upgrades and replacement projects, just keeps on replicating against a background of deteriorating financial circumstances in the municipalities.

The key progressive challenges highlighted in the Boards business plans, bulk water master plan, key performance objectives, budget plans, and, strategies and risk management plans, go largely ignored, and it appears that as long as there is a current service being delivered, these matters can be held in obedience. This is tantamount to a limited short-termism approach, and will in the future impact on the tariff and cost of water services.

The significant challenges and impediments to effective and efficient bulk water service delivery are;

- The obligation and responsibility to pay for bulk services rendered timorously and in accordance with documented agreed terms of payment, i.e. 30 days from date of invoice.
- Aligning the entity and municipal bulk water operational and capital budgets based on the real cost of providing the water services, the developmental infrastructure needs, and tariff and equitable and fair tariff.
- The urgency and importance of pressing ahead with the bulk water services master plan and formulating a financial model that will be a catalyst to the implementation the plan.
- Clearly establishing the responsibility for bulk water infrastructure development on the bulk water installations, i.e. entity to manage and control all projects if municipality follows procedures and appoints contractors, and the entity takes full responsibility for all procedures and appointments of contractors in cases where the entity is appointed as the implementing agent by the municipality.

These same critical issues have bedevilled the entity since inception in 2004, and, have prevented it from effectively fulfilling its developmental objectives to the water service authorities and their communities in terms of the Integrated development plans and the shareholder agreements in place.

Performance management

In order to achieve its goals, the Board annually encapsulates its major outcomes for sustainable value creation within its pre-determined performance objectives and targets, and accordingly measures its results against these targets, in a determined effort to ensure its progression and the current sustainability of bulk water services. These areas include;

- Manage stakeholder relationships...engendering understanding and support for water service budgets, water service levels volumes and quality, bulk tariffs, capital investment, risk management and water resource master planning and adequacy and finally, the need to timorously pay and recover the costs of water services.
- Communicate performance to all stakeholders...regular reliable and interactive reporting and communication, enabling all stakeholders to make informed and responsive feedback to challenges in the region.
- Institutional arrangements...a professionally well managed dedicated institutional structure governed by a unitary Board with clear separate roles and responsibilities from the Managing Director and Senior Management, executing their statutory legal duties with integrity and enterprise, with established LEADCO, Audit and Risk Committee, Capital projects and Procurement Committees, HR and Remuneration Committee, to provide feedback and assurance to stakeholders.
- Ensure good corporate governance...compliance with statutory legislation, water services provider agreements, and maintenance of effective internal controls, procedures and policies, and the regular review thereof.
- Sustainable financial management...achieved by understanding the water business and its current and future life cycle costs, maintaining a balance between debt necessity, and or utilisation, and asset replenishment requirements for future sustainability of water services. Carefully managing operating expenditures and collecting revenue driven by an industry measured sustainable and affordable bulk water tariff.
- Sustainable bulk water volumes and water quality assurance...achieved by working together to ensure that water resources and abstractions are carefully managed, optimized, shared, planned and treated to the required SANS241 standards.
- Asset management...achieved by understanding and performing regular asset condition assessments and including them within an asset replacement and maintenance program, having regard to life cycle costs and acceptable risk levels, and submitting business plans and budgets to address the issues. Funding issues are a major concern, and all efforts are co-ordinated to minimise disruptions and other negative consequences, these are our best efforts under the circumstances and will have corollary effects in the long term.

The attached detailed performance management scorecard reflects the results of the entities achievements against these and other predetermined objectives.

From the results, it is clear that the entity under its restrictive conditions, currently operates at a very high standard, and that it is ready to accept the challenge of expanding its capacity to deliver on the greater bulk water needs of the region.



Financial status

Working with very restricted and underfunded budgets, and with no capital funding, has been a real challenge for this entity. This has been further exasperated by slow payment of the bulk water service accounts by defaulting municipalities. This has forced the entity to, at times, put a hold on spending and budgets, purely to ensure an uninterrupted water supply.

The Statement of Financial Performance in the 2019 Annual Financial Statements of the entity reflects a small surplus, a reduced cash and investment holding due to poor payment of R 14 million, and an a consequential increased short term debtors book of R 74 million. The debt seriously challenged the entities ability to render services post 30 June 2019 and the Board had to take drastic action to recover some of the debt to carry on with operations.

The big creditor reflected in the balance sheet of R 273 million relates to the non-payment of the Department of Water Affairs and Sanitations raw water charges. This matter is being dealt with directly with the Department with a view to finalising the unresolved tariff issues and the structuring of a payment plan with the relevant WSA's and the Department.

The entity is debt free and has leverage off a sound balance sheet with a net asset value of approximately R 1 billion to raise capital for bulk water infrastructure development.

Bulk water production

The design capacity of the Ngagane water purification plant in Newcastle is 115 Mega litres of purified water per day, and this plant is currently delivering approximately 100 mega litres of water per day. This plant supplies the areas of Newcastle, Osizweni, Madadeni, Braakfontein and Kilbarcahn, the Eskom village and Ballengeich, and the Amajuba District areas of Emadlangeni, Buffalo flats Alcockspruit and Steildrift. There is in terms of the bulk water master plan, plans afoot to increase the design capacity of this plant to 153 Mega litres per day, and or, to build a new 100 mega litre water plant at the Ntshingwayo dam. The bulk water master plan also proposes to construct a new dam higher up in the northern catchment area to augment the existing supply to Newcastle and Amajuba.

The Biggersberg plant at Dundee has a design capacity of 19, 3 Mega litres of purified water per day, and is currently delivering approximately 15, 84 Mega litres per day. This plant supplies the areas of Dundee, Glencoe, and Sibongile. In terms of the bulk water master plan, there are plans to supply this area from the proposed new water plant at the Ntshingwayo dam.

Bulk water losses

Bulk water losses on the bulk water mains, plants and installations was restricted to about 8,50 %, during the year and this compares very favourably with losses experienced by other water institutions ranging from 20 to 50%.

Maintaining losses at this low level is a very good achievement particularly under the difficult financial circumstances in which the entity operates, and the age and existing condition of the bulk water infrastructure, and the lack of funding to replace it.



Financial performance

This year once again witnessed an improved and disciplined financial performance from uThukela Water. A break-even operational status was obtained, and this despite very tight financial and budgetary limitations that were imposed.

The persistent drought and major repairs on the main Ntshingwayo bulk lines, reduced bulk water volumes supplied, and played a significant role in affecting the Board's projected revenues, reducing them by approximately 10% overall. Besides having to seriously adjust and curtail expenditures accordingly, innovative and constructive methods of right sizing the budget had to be contrived. Simultaneously, in the absence of a capital budget, virement had to be applied in order to release operational budget savings for the purposes of replacing seriously redundant, furniture, equipment and vehicles to the value of approximately R 3 million. These actions were absolutely necessary in order to ensure that business processes were not interrupted.

The payment for monthly Bulk water services billed to the municipality's, was again a matter of concern and frustration, and to make matters worse, the situation deteriorated during the year. The Newcastle municipality continued to default on its payments, and was 6 months in arrear at year end. The Amajuba District municipality also continued to default on its payments and was also 6 months in arrear as at year end. The Umzinyathi District municipality is up to date with its payments as at year end. The slow payment for services rendered has a direct effect on plans and programs and leads to delays and routine maintenance not being carried out.

It must be stated quite categorically and without fear of contradiction, that the management and Board of this entity, has done everything correctly and possible, to ensure that it collects its revenues. The reality is that the municipalities are, due to their financial predicaments, unable to timorously honour their commitments to the Board tmorously.

The old, pre- December 2012, WSA (Umzinyathi and Amajuba DM) 'parked' water services debt of R 78 million, is still unresolved, and as previously reported, is inextricably tied up with the non- payment of the Department of Water Affairs and Sanitation raw water charges. There are negotiations taking place with all parties concerned to find a solution to this matter.

The Board has continued to strive towards its audit preparedness, in line with the governments drive to achieve "clean audits", by improving and developing its administrative, financial, operational, IT and other controls necessary to achieve this purpose in the shortest possible time. It has ensured that;

- It has updated to the Municipal Standard Chart of Accounts (mSCOA) in line with its WSA Shareholders and all other municipal users. The new financial system enables a standard set of reports, continuous, effective and timeous financial reporting to management and the Board in order to permit informed decisions.
- Upgraded its payroll and Human Resource accounting and information systems to be mSCOA compliant in order to timorously and effectively manage and deal with staff, payroll and third party payment issues.
- Implemented an IT Strategy, master plan and Disaster Recovery Plan for the organisation ensuring alignment with modern day and best business practices.
- The Inventory and SCM modules have been upgraded and replaced with modern mSCOA software that enables proper stock control and acquisition and disposal processes as regulated by the MFMA 56/2003, and the SCM database is linked to the National Treasury database.



- The operations Department has implemented a modern Water management maintenance information system (WIMS) that allows the department to properly track and manage the Board's water maintenance and capital replacement programmes.
- The Internal Audit functions have been out-sourced to a goal orientated local Audit Company, and a revised Risk assessment and internal audit charter has recently been developed taking into cognisance the Company's current operational and capital risks.
- Regular composition and quarterly sittings of the Audit Committee meetings to deal with matters as required by the MFMA 56/2003, and to give assurance to the Board and Stakeholders.
- Performance Management is implemented at Institutional level and is cascaded right from senior management down to the lowest level in the organisation in terms of the Local Government Systems Act 32/2000.
- All bulk water and sanitation costs and particularly those relating to ESKOM and DWA have been revisited and audited with a view to establishing their correctness and efficiencies. Major cost savings in this regard have been passed on to the shareholders.

A more in depth and detailed analyses of the financial results and ratios of the Board for the 2018 financial year are indicated in the Financial Review section of this report.

The entities total revenue accrued for the year amounted to R 145 million (2018: R 116 million), and included in this figure is an amount of R 128 million (2018: R 114 million) which relates to Bulk water sales raised for the year, an amount of R 2,1 million (2018: R 1,1 million) in respect of external investment interest income received and accrued, an amount of R 14,5 (2018: R 15,5 million) in respect of capital grant income, and finally an amount of R 187 K (2018: R 116 K) in respect of miscellaneous revenues accrued.

It is pleasing to report that the total staff costs, as measured against total budgeted expenditure, equates to 22 %, and this is well within the accepted norm of 35% for the industry. Depreciation provided on capital assets amounts to R 78, 8 million (2018: R 105, 5 million), and this charge is not recovered in the bulk water tariff from the municipalities, but is recovered against the capital grant contributions paid by the municipalities and reflected as their shareholding in the entity. Only depreciation provided on assets funded by external loan is charged to the Statement of Financial Performance. By accounting for the depreciation charges accordingly, it is ensured that the consumer is not "double taxed" by having to pay for a service twice. The effects of the worldwide economic meltdown are no doubt being felt in the local economy and the impact hereof is reflected in the increased costs of production and service delivery, particularly those charges relating to Eskom, DWA raw water costs and the high prices of fuel, oil and chemicals. Some of the increased costs are well in excess of inflationary expectations, and the alarming fact is that, these increases are not being passed on but are being absorbed by the water budgets. This is an unhealthy situation and will impact on service delivery in the short and medium term. Whilst it is understood that the shareholders have their own financial challenges and constraints to deal with, it should not be done at the expense of water services. The entity itself is severely curtailed in this regard, as it is solely reliant on its water recovery Bulk tariff, and has no other sources of revenue.

The Board's cash flows were steady during the year and very carefully managed to ensure that there were no service disruptions. Despite the non-payment issues creditor payments were maintained within 30 day cycles and the only deviations from this policy related to late capital grants transfers regarding drought emergency funding projects.



The cash coverage is sufficient to carry the Entities operational expenses for a period of approximately two months. If all current bulk water debts are paid up and maintained, the Entity is able to fund 5 to 6 months of its operational expenses and be in a position to meet any unforeseen crisis that may occur.

It is very clear that the Board is absolutely dependent on regular and timorous payment of its bulk water accounts, and that water services are at high risk should these not be forthcoming.

The Board has always consciously dedicated itself to water service provision and its main focus areas, challenges and benefits passed to all stakeholders can briefly be summarized as follows;

Main areas of focus;

1. Dealing with raw water resource constraints, including impact of climate change through proper planning for sustainable infrastructure. Bulk Infrastructure Master planning.
2. Introducing innovative solutions to respond to the high unit operating and maintenance costs of Bulk infrastructure caused by volatile price increases in economic driver costs such as chemicals, electricity and fuels and oils.
3. Ensuring improved training interventions to ensure adequate skills for our operations in the light of the country wide skills shortage (e.g. process controllers and artisans).
4. Improving monitoring of operations to ensure early detection of problems such as interruptions of Bulk raw and purified lines and supplies.
5. Improving cost recovery through correction of metering data and early detection systems (incl. illegal connections)
6. Continuous improvement drive to emulate best practice.
7. Improvements in corporate governance
8. Providing solutions to water supply challenges in “implementation ready” format awaiting funding.

Challenges;

1. Low unit expenditure compared to industry norm, no capital levy implementation or depreciation cost recovery from shareholders.
2. No capital budget implementation and Infrastructural regional planning, and pooling of scarce financial resources,
3. Increased raw water debt as a result of budget exclusion,
4. Repairs and maintenance less than 8 % of infrastructure value despite ageing infrastructure.
5. No funding for the replacement and upgrade of the infrastructure.
6. High water losses in some WSA areas, mostly beyond the meter.
7. Some costs (e.g. water treatment chemicals, electricity and fuel) are increasing at a rate much higher than guidelines given on acceptable budget increases.
8. Institutional restructure delayed filling of senior positions.
9. Slow payment or delays with of Bulk water invoices.
10. Signing of revised Bulk water agreements and finalization of bulk water entity for the region.
11. Prevailing drought conditions and effects to ageing and ailing infrastructure.

Benefits to Shareholders, stake holders and customers

1. Pooling and sharing of scarce human resources.
2. Lower unit costs of well- run organ of state.
3. Water resource constraints require regional rather than local stand-alone solutions (planning, implementation and operations).
4. Good track record regarding refurbishment of bulk water infrastructure has set industry standard.
5. Control and sharing of a single bulk water tariff as opposed to a volatile locally driven economic based tariff that also depends on the cost of water locality and resourcing.



Customer Satisfaction

The entity is a customer driven and focused organisation, and this mandate is clearly provided and chartered for, in the Bulk WSP agreement presented. The guiding principles encapsulated therein promote adherence to the “Batho Pele” principles of good governance and customer service. The principles embrace; the delivery and supply of value for money services, good quality and a reliable services, right up to the end user. The high SANS241 high water quality standards achieved by uThukela Water on behalf of its WSA Shareholders, attests to the superior and high quality bulk water services delivered from both the bulk water plants at Ngagane and Biggersberg.

These superb achievements, were attained, and are being maintained, on shoe string budgets, and at very limited cost to the shareholders. Sheer dedication and hard work are the milestones by which these successes can be measured.

Regular communication and engagement with our municipalities ensures that we continue to remain responsive to our customer needs, and consequently we maintain compliance with our WSP principles.

Product Quality

The Entity prides itself in the excellent drinking water quality provided to its Shareholder municipalities throughout the year. Laboratory water analyses and test results on average has exceeded 99% of Department of Water Affairs SANS241 standards for all determinants at all times.

These excellent results have been achieved against a background of poor investment into the maintenance and the ailing and aging water infrastructures. The Regional Bulk Water Services Master Plan identifies the short, medium and long term requirements to safeguard and secure the future of the water infrastructures, but unfortunately due to cash flow restraints of the Shareholder municipalities, and a lack of access to the capital markets to obtain the necessary funding, the care of and preservation of the assets for current and future generations is obviously being seriously neglected.

Although business plans in terms of the bulk water master plan have been submitted, no major infrastructure upgrades have been carried out in the last 10 years, due to a lack of capital grant funding, and or, the approval of other funding sources to the Board, to properly carry out its mandates and its National, Provincial and Regional strategic water service objectives.

uThukela Water continued to respond well to water service WSA demands despite the difficult financial constraints within which it has had to operate. Bulk water quality standards measured in terms of the SANS241 standards remained well above 99% for all determinants throughout the year.

The prevailing drought conditions played havoc with the raw water quality and additional chemicals, not normally utilised, had to be acquired in order to quell the impacts of stagnant and polluted water.

A reliable and constant Bulk water supply was made available to the WSAs, 30 million mega litres to the Newcastle municipality, 4,5 million mega litres to the Umzinyathi DM and 5, 1 million mega litres to the Amajuba DM, who in turn supplied approximately 43 million mega litres to its paying customers.

The regular water monitoring and statistical analyses results is detailed in the scientific report and graphs contained in the operational and scientific report.

The Board also provides the Newcastle municipality with regular monitoring and measurement of its reticulated water standards. The Umzinyathi and Amajuba District municipalities utilise a private service provider for this purpose.

uThukela Water prides itself and strives for service excellence regarding the quality of its potable water supplied, and its laboratories are well equipped to ensure that there is no compromise in its service quality. The environment is also an important consideration in all matters of water planning and implementation.



Stakeholders Understanding and Support

The entity is constantly striving to ensure strategic effectiveness by complying with all the requirements of its WSP objectives and principles, the relevant National, Provincial, local legislation and policies, and it is, with limited financial resources available to it, making every effort to ensure that the benefits of its effective and efficient operations, are received by the member municipalities and ultimately, the municipal customers. It is the intention of the entity to further its community and stakeholder participation, by widely publicising the results indicated in these reports through the public media, and by assisting its Shareholders, wherever possible, in undertaking road shows into the various community areas.

Infrastructure Stability

One of the major benefits of cost sharing is the regional approach to planning for water distribution, and the entity strives to ensure that its capital and maintenance programmes are aligned to those of its WSA's, the government and provincial strategic plans. Its water demand projections, are regularly updated, based on WSDP's prepared by the parent municipalities, and trends in the supply and demand patterns.

One major challenge that directly affects the stability and sustainability of the region's water services infrastructure is the lack of adequate budget allocations based on the costs of production and channelled and available government grant funding to fully implement the Strategic Water Services Master Plan. The budgets and plans intend providing a long term solution to water provision in the area, and also the provision of a safe, and affordable water service with sustainable infrastructure, over the whole area comprising of some 26000 km². The plan transcends over WSA boundaries, and eliminates the continued utilisation of expensive ancillary, ad hoc, and standalone water plants.

The existing ageing infrastructure has been successfully maintained to an extent, but the only viable option, is to give focus to the objectives of the master plan, and to implement this plan, with the single objective of sustainable water services for the whole region well into the future.

The status quo is simply not sustainable in the longer term, and if one looks at the capital investment injected into water infrastructure with the entity during the current year of some R 5 million, it is simply inadequate, and does not address the real infrastructure requirements of the region of some R 10 Billion. The Financial Report shows graphically the disinvestment in bulk water services over the past 10 years from approximately R 150 Million per year to just barely over R 2, 5 Million per year in the current year.

A unified approach and pooling of all water revenue and government grants is required in order for any inroads to be made into resolving the water backlogs and demands of the region in the future.

Water Resource Adequacy

The region is blessed with good water resources, although the current drought has served to highlight the vulnerabilities in this regard, and in the Newcastle area raw water requirements are extracted from the Ntshingwayo/Chelmsford dam, Ngagane River and the Buffalo River. These water resources have adequately served the developed areas of Newcastle, Osizweni, Madadeni, Durnacol and Dannhauser for many years. They however are not enough to sustain the increase in demand beyond the short to medium term.

The Umzinyathi area is not blessed with good sustainable natural water resources, and relies on the Blood and Buffalo rivers for its main raw water requirements, and these water sources, although perennial, are not sufficient to ensure a constant supply of raw water to meet the demands of the area. The water services master plan addresses this problem, and proposes solutions that will meet with the current and future water demands.



The ultimate goal of uThukela Water, and or, it's, successors, will obviously be to link up the many rural developments which are spread far and wide and throughout the jurisdiction of uThukela water, and to link them to a major regional bulk water supply infrastructure, which infrastructure, will in turn be linked to a sustainable raw water supply source.

The unacceptably high, “beyond the meter” water losses, currently being experienced in some of the areas of supply, and particularly in the Newcastle east, West, Madadeni and Osizweni areas, needs to be checked as a matter of urgency, as it is causing severe water losses and community frustration through water rationing and restrictions in these areas. It is estimated that at least 15 Mega litres per day is being lost in these areas.

Water conservation and water demand management is an area that is prioritised by the Board and its parent municipalities, together with all upstream and downstream partners, and these need to be aligned with National and Provincial initiatives that will diversify the water mix, which should include water reuse and reclamation.

Community Sustainability

We have, within our limited and scarce financial resources available, continued to diversify any available capital funding programmes, and to promote these towards ensuring that the bulk water expansions backlogs are addressed, especially in the areas mentioned above, where unreliable and unsustainable water resources are utilised as an interim measure.

With the transfer of reticulation and the smaller local bulk water plants back to the municipalities with effect from the 1 July 2013, many of these responsibilities will be returned to the WSA's directly. However, the longer term vision should be to focus attention on the Bulk Water Master Plan, and to eradicate these smaller and un-economically viable and unsustainable water plants, and to link them to the major water producing plants and more sustainable water resources.

Our approach, as a water service provider, and our investment in water and sanitation projects, utilising the local community, is to optimise employment opportunities and to provide development opportunities to emerging and BEE compliant contractors. We also continually provide institutional support to emerging contractors by assisting them to improve their CIDB levels of competency and thereby improving their chances at competing for the bigger contracts.

The Board has a long standing commitment to conservation of natural resources and has in place key environmental sustainability indicators applicable to its water business, and is aligned to best business practices. We regularly assess our indicators for eco-efficiency, including water, energy and material consumption. The increases noted in these indicators over the past few years are mainly attributable to, demand, extra chemical dosing to disinfect new schemes commissioned, poor raw water quality, and the above average inflation cost increases imposed by ESKOM, DWAF and chemical suppliers due to high and fluctuating fuel and oil prices. We are cognisant of environmental regulations and monitor all impending projects and our test results regularly to ensure compliance and high quality standards at all times.



Operational Optimisation and Resiliency

The entity places great emphases on effective and efficient governance and management structures to implement its strategy, and it has made great strides to ensure that in cases where there has been any deficiency in the past, that this is adequately addressed. Its key support systems have been and are continually assessed with a view to ensuring operational competence at all times. Key focus areas are operational systems, Infrastructure and asset management where we have a fully compliant GRAP asset register in place, Infrastructure planning and GIS systems, billing and metering systems, up to date financial and treasury systems, HR and Payroll systems, a central SCM system that supports all purchasing and acquisitions and other governance and control systems that will enhance risk management, corporate performance and strategy systems.

Employee and Leadership Development

There is a sound human resource strategy in place that supports management to operate effectively in consultation with staff and Union statutory bodies. A moratorium on the appointment of new staff, and to the revision and restructuring of the fixed staff establishment, pending the composition of the new Bulk water institution, has certainly impeded advances in the HR strategy, but as the entity develops, innovative measures have been implemented to ensure that there is no disruption of activities.

A pool of Process Controllers has been trained and developed over the past year that will ensure that the entity can upgrade its process control staff at the water plants and have available at all times a fully trained and qualified pool of competent officials to carry out the functions at the water plants.

The Board has a study assistance policy and program in place that enables staff to study and better their qualifications. This leads to a competent staff and the creation of a suitably qualified staff trained specifically in their field of expertise which in turn directly benefits the Board.

Communication and the sharing of information with the WSA parent municipalities, and management's ability to steer these initiatives, has also received much attention as part of improving the information systems.

Recruitment of suitably qualified and well skilled professionals in the water sector has always been a challenge in the un-urbanised areas, and the Board has a programme in place, that provides opportunities' for study and a bursary scheme to attract and improve the adequacy of staff and to build a pool of graduates and trainees that will meet its immediate and future demands.

Future Financial Viability – going concern

The Board has achieved a good audit outcome from the Auditor General, and has finally dispelled any doubts and uncertainties that may have previously existed, about the Boards ability to effectively and efficiently manage its own affairs in a proper and accountable manner.

The Board's financial results reflect its resolve and determination to deliver a high class and affordable product, albeit with limited available financial resources. Its bulk cost indicator is well within the industry norm, and is a catalyst for increased investment.

The Balance sheet, post reticulation transfer, certainly highlights the reduced activities and value of the entity, but also indicates positively on the viability and exposure of the entity as a risk, and as a going concern. There can be no doubt that once the WSA outstanding debt matter is resolved, simultaneously with the DWA Creditor, the Balance sheet will appear very attractive to the incoming Bulk water services provider.



The formulation and development of short, medium and long term financial plans that are aligned to the budgets and IDP's of the Shareholders, and consequently the real needs of the communities, is receiving high priority on the planning front, and is necessary to ensure that all communities are serviced with their basic constitutional needs.

The current practice of annually allocating popular fixed inflationary increments to budgets and tariffs is counterproductive and falls far short of good service delivery objectives. The implementation of a Bulk water tariff cost recovery strategy is the way forward and the way in which to manage future water costs.

The Board's cash flow, has through strict control of budgets, cash and expenditures, been adequately maintained, and no disruptions to any services or creditor payment cycles has been experienced during the year.

The financial success of uThukela Water is encouraging for the parent municipalities, and its communities, and it should instil confidence that a sustainable and effective service delivery mechanism is in place.

Conclusion

We will continue to strive for continued service excellence and quality, and work towards all targets and objectives set out in our joint strategic and business plans, and ensure that the WSA's and the new, or re-constituted bulk water services institution, inherits a well- run and organised business that contributes to continued sustained water service delivery.

The Board with its turnaround strategies has ensured that this Entity has gone from strength to strength and is making a meaningful contribution to the development of sustainable communities in the region, and now finds itself in the position to contribute to the future of sustained water services.

I am indeed grateful for the contributions and partnerships which made it all possible to achieve these commendable results and would like to thank the following:

- All Board members, past and present, and particularly to the Chairperson, Mr Dan Naidoo, who has worked tirelessly without any reward to bring this entity back into focus and on track to serve the objectives of its parent bodies,
- LEADCO and the employees of the Board, who have worked tirelessly, sometimes under very difficult and negative circumstances to keep the ship afloat and steered in the right direction,
- Suppliers and service providers who have had to endure some difficult times with us,
- The WSA municipalities, their Councils and officials who also endured frustrating times of dealing with community complaints and concerns without themselves being in control of the situations, we thank them for their support and for the way in which they have continued to deliver the same excellent services to their communities themselves,
- The Premier's office for their continued support and for holding the interests of all parties and communities at heart at all times, and
- Finally, the Department of Water Affairs, for their guidance, assistance and direction, particularly during the difficult drought situation.



MR LL CUNHA (ACTING MANAGING DIRECTOR)



Corporate Governance



uThukela Water
Annual Report 2019

Corporate Governance

Overview

The Organization, despite experiencing many teething problems associated with a new business, continues to commit to the principles of good corporate governance as per the Municipal Systems Act 32/2000, the Municipal Finance Management Act 65/2003, the Water Services Act 108/1997, the Companies Act 61/1973 and the King 111 Report, and strives for a sound balance between performance, value creation and resource utilization. This balance is enabled through the organization's strategic objectives and balanced achievements as indicated in the scorecards.

Performances of the Organization's objectives were measured by comparing it to the key targets and indicators as set out in the Entity's annual Business and Budget Plans. Accountability in terms of the Municipal Systems Act is maintained by reporting on the activities and scorecards, thereby measuring the performance.

Board Appointment and Composition

uThukela Water (Pty) Ltd is a multijurisdictional water utility that was established in terms of section 87 of the Municipal Systems Act 32/2000 and was wholly owned by the following parent municipalities (WSAs) with the indicated shareholding allocation:

Newcastle municipality:	34%
Umzinyathi District municipality:	33%
Amajuba District municipality:	33%

The shareholding of the municipalities in the Company was legally registered on 11 September 2007.

The composition of the Board of uThukela Water (Pty) Ltd since inception in 2004 is detailed hereunder, and shows the changes up to and including 30 June 2013.

The current Interim Board was appointed by the MEC for Local Government, Housing and Traditional Affairs, on 6 June 2012. The members currently serving on the board are as follows:

Mr P.S. Naidoo	Board Member (Independent Chairman of the Board)
Mrs H.B. Krishnan	Board Member (GM - Municipal Finance - COGTA)
Mr M. Msiwa	Board Member (Independent)
Mr A. Evetts	Board Member (Manager - Infrastructure of COGTA)
Mrs A. Masefield	Board Advisor (Special Member - Acting Provincial Head of DWG)

Municipal Managers - Newcastle - Amajuba - Umzinyathi.



CV of Mr P.S. (Dan) Naidoo (Chairman of the Board)

Mr Naidoo, holds a Bachelor of Science Degree (Hons) in Water Utilization Engineering.

He is currently a Senior Executive of Umgeni Water with in excess of 28 years of water operations management experience. Mr Naidoo was seconded by Umgeni Water to assist the Provincial Government at the intervention at uThukela Water in 2008.



Mr L. L. Cunha (Acting Managing Director)

Mr Cunha has a specialist IAC (SA) Diploma in local government Finance and Administration and is an Associate member of CIGFARO (SA) and has in excess of 40 years hands on municipal experience in a senior capacity.

He is also Local Government Recovery Specialist and has worked hand-in-hand with the Department of Co-operative Governance and Traditional Affairs and the Development Bank of Southern Africa in several turnaround projects, where he has successfully assisted several struggling municipalities to move from precarious financial situations to clean audit reports.



Mr C. Dhliwayo - Acting Engineering Manager

Qualifications: BSc. Engineering Honours (1999)
University of Zimbabwe
MSc. Water Resources & Engineering
Management (2006) (University of Zimbabwe)
Post Grad Diploma Project Management (2015)
(Management College of Southern Africa)
Currently pursuing Master of Business Administration.

Mr Dhliwayo Joined uThukela Water (Pty) Ltd as a planning and Design Engineer in February 2010 after serving the Government of Zimbabwe for 9 years as a Chief Provincial Engineer in the Ministry of Water and infrastructural Development. Appointed to the position of Acting Engineering Manager in July 2013. Currently the Acting Executive Director Operations and Engineering since February 2017.



Board Meetings

An annual general meeting and quarterly general meetings of the Board and shareholders are held with attendance by the non-executive Board members, shareholder representatives and senior Executive Directors. The Entity's Strategy, Business Plan, monthly activity reports, Audit Reports, Annual Financial Statements, budgets and other reports are discussed and approved at the quarterly general meetings. Special Board and Ad-Hoc Committee meetings are called at the request of the Chairperson as required.

MEETING DATES FOR THE 2018/ 2019 FINANCIAL YEAR

	DATE HELD	MEETING REFERENCE №	DESCRIPTION / COMMENTS
BOARD	September 2018	B-03-2018	
	27 MARCH 2019	B/06 – FY 2018/19	
	26 JUNE 2019	B/07 – FY 2018/19	
	18 December 2018	B-3-2018	
SHAREHOLDERS	20 June 2018	SH/01-2018	
	26 June 2019	SH/02-2019	
LEADERSHIP COMMITTEE	30 July 2018	RG – 009	
	30 August 2018	RG – 0011	
	28 Sep 2018	RG – 0013	
	11 Sep 2018	RG – 0014	
	30 Oct 2018	RG – 0015	
	27 Nov 2018	RG – 0016	
	19 Dec 2018	RG - 0017	
	31 January 2019	SES – 01	
	05 February 2019	SES - 02	
	09 April 2019	SES – 03	
	23 May 2019	SES- 04	
	20 June 2019	SES -05	
	30 July 2019	SES – 06	



Audit Functions

The Board's external audit is conducted under the auspices of the Office of the Auditor General utilizing local accounting expertise. The Board also reviews the accuracy, reliability and credibility of statutory financial reporting.

The external auditors independently audit and report on the financial statements to ensure that the statements comply with GRAP.

Internal audit is an independent outsourced assurance function, the purpose, authority and responsibility of which is formally defined in a charter approved by the Board in line with stipulations of the Institute of Internal Auditors, the MFMA and good governance.

The internal auditors provide assurance to management, the Audit Committee, the Board and external auditors on the appropriateness and effectiveness of internal controls.

Procurement Adjudication Committees

This Committee is constituted in terms of the Board's Supply Chain Management Policy and comprising of five independent Senior Managers, assisting the Board in considering the recommendations of its separate Evaluation Committee, and in making procurement decisions to approve contracts and tenders within its delegated authority. The committee also makes recommendations concerning the amendment of the procurement policies and ensures that the Entity's SCM procedures are equitable, transparent, competitive and cost effective. Contracts which exceed the Committee's delegation of authority are referred to the Managing Director for a final decision.

Leadership Committee (LEADCO)

LEADCO structure includes the Managing Director, Director Operations, the Chief Financial Officer, the Manager Human Resources, the Manager Customer Services and the Manager ERP Services.

The committee was established to assist the Managing Director in guiding the overall direction of the business and to exercise executive control. Meetings are held weekly and its task is to assist with the effective management of the day to day operations of the business.

Board Remuneration

The current incumbent Interim Board Members are not remunerated by the Company.

The previous Board members were remunerated out of Company funds, and a dispute concerning the remuneration approved by them and paid to them, accordingly, is currently being investigated by the MEC's office.

Delegation of Authority

A comprehensive delegation of authority framework governs the authority levels for the Board and management. These are exercised through the Board and LEADCO as well as Senior Management Individual Capacities. This framework assists the Board to discharge its duties with proper accountability and responsibility. The Board reviews the framework regularly.



Fraud Prevention

The Board acknowledges its responsibility to ensure that the organisation conducts its business in a fair, transparent and ethical manner. A proper risk assessment was conducted and a Fraud Prevention Plan was formulated during the year, and will shortly serve before the Board for approval and implementation. The plan has been produced to prevent and respond to incidents of fraud, corruption or any other irregularities. The Province of Kwazulu-Natal has established a fraud hotline which is adequately advertised and is available to all and sundry.

Strategy, Performance and Annual Report

Our annual report is viewed by the organization as an important element of our strategic execution system, and as a valuable instrument to view and showcase our performance over a specific period of time. It is a statutory requirement in terms of Section 126 of the MFMA 56/2003, which requires mandatory disclosure of annual performance against our Business Plan.

Simultaneously, the opportunity is used within the statutory reporting framework to align to best practice corporate performance / sustainable reporting.

This report therefore is the means by which we communicate to all our shareholders and their customers, regulatory bodies, investors, employees and civil society our annual performance and progress towards moving our policies, plans and processes, and our water and sanitation service products in a direction that supports sustainable development.

Scorecards for Financial and ERP Systems, Customer Services and Public Relations, Operational and Developmental and Human Resources are presented at the beginning of each chapter.



Strategy, Performance & Sustainability



uThukela Water
Annual Report 2019

WATER QUALITY MANAGEMENT

Access to safe drinking water is essential to health and a fundamental need considered to be a basic human right. uThukela Water and its laboratory is obligated to providing quality tap water to its customers by ensuring that the drinking water supplied by its water treatment plants comply with the recommended guidelines as stated in the South African National Standard (SANS 241:2015) for Drinking Water. The water quality monitoring programme continues to provide required information that meets legislative requirements, water treatment process requirements, and it considers the risks that have formerly been identified in the system rendering water quality management efficient and effective.

uThukela Water Laboratory is committed to providing accurate, reliable and professional services to internal and external customers. The laboratory is undergoing a process of improving its Quality Management System that is based on ISO/IEC 17025:2017 requirements. Significant progress has been made in updating all documentation including the quality manual, policies and procedures in the year under review. A quality gap assessment was also conducted and is currently used as a tool to drive the gradual implementation of the improved quality management system. Moreover, an exercise was undertaken to upgrade standard operating procedures and streamline laboratory processes to improve efficiency. In doing so customers can be assured that the laboratory is competent to produce credible results. The targeted future goal is to fulfil all the requirements of ISO/IEC 17025:2017 and be a South African National Accreditation System (SANAS) accredited facility which will ensure that services rendered occur in line with national and international quality standards thus bolstering customer confidence.

To complement this quality management system the laboratory participates in two proficiency testing schemes, the South African Bureau of Standards (SABS) Water Check and the National Laboratory Association (NLA) Water Microbiology Proficiency Testing Schemes where it continues to improve its performance in terms of accuracy and precision when compared to other laboratories.

In order to integrate different processes such as amongst others; sample tracking, data entry, sample scheduling and generating certificates of analysis a Laboratory Information Management System (LIMS) is currently being tested and refined, this will enable the laboratory to improve traceability, data security and turn-around times. In addition to assuring the quality of bulk water produced, the Laboratory provides water testing and sampling services to municipalities, ensuring alignment in meeting their Blue Drop and Green Drop requirements. Water resource surveillance is also conducted to ensure wastewater discharges are not harmful to the environment and downstream users. uThukela Water Laboratory also monitors industrial effluent discharges into Municipal Wastewater Reticulation Network as a result pollution is minimized and controlled.



POTABLE WATER QUALITY PERFORMANCE

The South African National Standard (SANS 241:2015) for Drinking Water advocates a structured and risk based systematic approach to the management of drinking water. In 2018/2019, uThukela Water demonstrated its commitment to its customers by providing safe, clean drinking water. The quality of water produced was evaluated against the following five risk categories of the SANS 241:2015:

1. Acute Health Microbiological: determinant that poses an immediate unacceptable microbiological health risk if present at concentration values exceeding the numerical limits
2. Acute Health Chemical: determinant that poses an immediate unacceptable chemical health risk if present at contamination and exceed specified limits
3. Chronic Health: determinant that poses an unacceptable health risk if ingested over an extended period if present at concentration values exceeding the numerical limits.
4. Operational: determinant that is essential for assessing the efficient operation of treatment systems and risk to infrastructure
5. Aesthetic: determinant that taints water with respect to taste, odour or colour and does not pose any unacceptable health if present at concentration values exceeding the numerical limits.

Ngagane Water Purification Plant

The Ngagane Water Purification Plant continued to supply good quality potable water during this financial year, maintaining the compliance of various risk categories above 99% except for operational category with achieved more than 97% as shown in graph 1. The operational non-compliances were attributable to slightly increased turbidity levels and total coliforms as displayed in table 1. While we strive to exceed the stipulated targets, this can be challenging to attain due to varying quality of source water.

Graph 1: Bulk Potable Water Quality Compliance per risk category for Ngagane Water Purification Plant

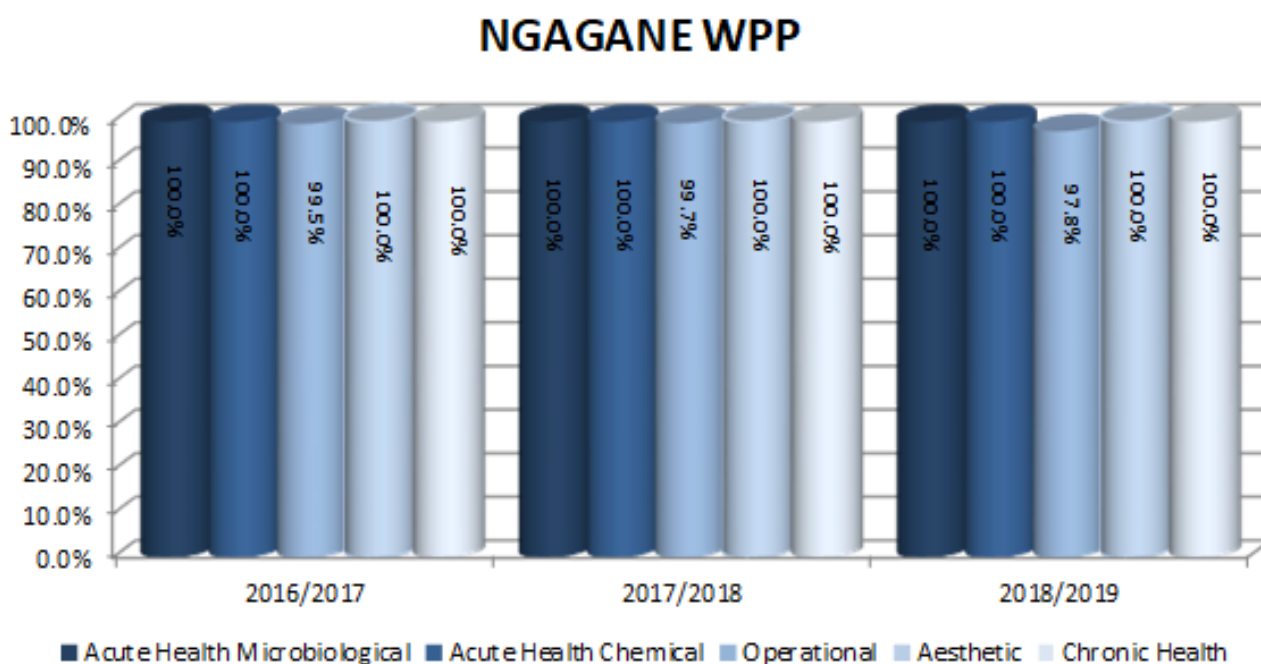


Table 1: Bulk Potable Water Quality Compliance per determinant based on SANS 241:2015: Ngagane Water Plant.

Determinand	Risk	Unit	Ngagane		
			No. of results	Require d Compliance	Compliance
Microbiological determinands					
E.coli count	Acute health	Count per 100 mL	290	≥99%	100.00%
Cryptosporidium spp	Acute health	Count per 10 L	2	≥99%	100.00%
Giardia spp	Acute health	Count per 10 L	2	≥99%	100.00%
Total Coliforms	Operational	Count per 100 mL	295	≥95%	99.66%
Heterotrophic Plate Count	Operational	Count per mL	291	≥95%	100.00%
Somatic Coliphages	Operational	Count per 10 mL	1	≥95%	100.00%
Physical and aesthetic determinands					
Colour	Aesthetic	mg/L Pt-Co	44	≥95%	100.00%
Conductivity at 25°C	Aesthetic	mS/m	292	≥95%	100.00%
Total Dissolved Solids	Aesthetic	mg/L	291	≥95%	100.00%
Turbidity	Operational	NTU	378	≥95%	92.33%
Turbidity	Aesthetic	NTU	378	≥95%	100.00%
pH at 25°C	Operational	pH units	378	≥95%	99.74%
Chemical determinands - macro					
Free Chlorine	Chronic health	mg/L	377	≥97%	100.00%
Monochloramine	Chronic health	mg/L			
Nitrate	Acute health	mg/L	72	≥99%	100.00%
Nitrite	Acute health	mg/L	72	≥99%	100.00%
Combined nitrate plus nitrite	Acute health		72	≥99%	100.00%
Sulphate	Acute health	mg/L	73	≥99%	100.00%
Sulphate	Chronic health	mg/L	73	≥97%	100.00%
Flouride	Chronic health	mg/L	72	≥97%	100.00%
Ammonia	Aesthetic	mg/L	2	≥97%	100.00%
Chloride	Aesthetic	mg/L	2	≥97%	100.00%
Sodium	Aesthetic	mg/L	2	≥97%	100.00%
Zinc	Aesthetic	mg/L	2	≥97%	100.00%
Chemical determinands - micro					
Antimony	Chronic health	µg/L	2	≥97%	100.00%
Aluminium	Operational	µg/L	71	≥95%	100.00%
Arsenic	Chronic health	µg/L	2	≥97%	100.00%
Barium	Chronic health	µg/L	2	≥97%	100.00%
Boron	Chronic health	µg/L	2	≥97%	100.00%
Cadmium	Chronic health	µg/L	2	≥97%	100.00%
Total Chromium	Chronic health	µg/L	2	≥97%	100.00%
Copper	Chronic health	µg/L	2	≥97%	100.00%
Cyanide (recoverable)	Acute health	µg/L	2	≥99%	100.00%
Iron	Chronic health	µg/L	72	≥97%	100.00%
Iron	Aesthetic	µg/L	72	≥95%	100.00%
Lead	Chronic health	µg/L	2	≥97%	100.00%
Manganese	Chronic health	µg/L	71	≥97%	100.00%
Manganese	Aesthetic	µg/L	71	≥95%	100.00%
Mercury	Chronic health	µg/L	2	≥97%	100.00%
Nickel	Chronic health	µg/L	2	≥97%	100.00%
Selenium	Chronic health	µg/L	2	≥97%	100.00%
Uranium	Chronic health	µg/L	2	≥97%	100.00%
Chemical determinands - organic					
Total Organic Carbon	Chronic health	µg/L	2	≥97%	100.00%
Total Trihalomethanes (combined)	Chronic health		2	≥97%	100.00%
Chloroform	Chronic health	µg/L	2	≥97%	100.00%
Bromoform	Chronic health	µg/L	2	≥97%	100.00%
Dibromochloromethane	Chronic health	µg/L	2	≥97%	100.00%
Bromodichloromethane	Chronic health	µg/L	2	≥97%	100.00%
Microcystin (Total)	Chronic health	µg/L	2	≥97%	100.00%
Phenols	Aesthetic	µg/L	2	≥95%	100.00%

Biggarsberg Water Purification Plant

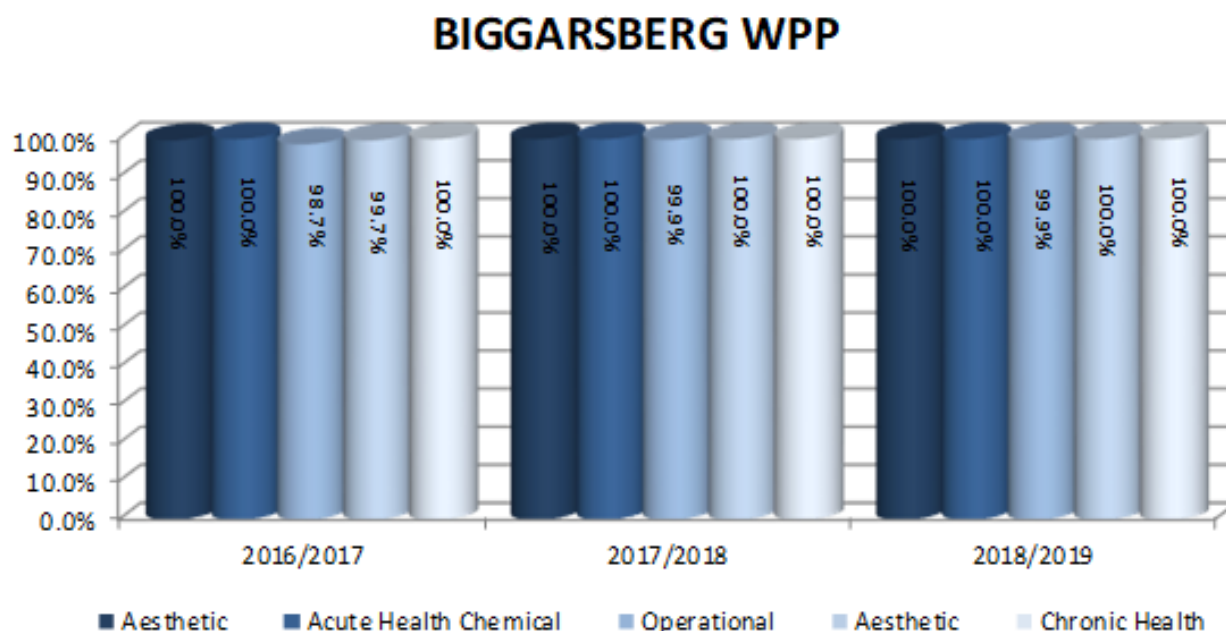
The Biggarsberg Water Purification Plant again achieved excellent performance. The water produced by the plant met the stringent SANS 241:2015 requirements as displayed on graph 2 and table 2 below. Across all risk categories a compliance of above 99% was achieved, variances on the operational risk category was due to high turbidity levels.

Table 2: Bulk Potable Water Quality Compliance per determinant based on SANS 241:2015: Biggarsberg Water Plant.

		Biggarsberg			
Determinand	Risk	Unit	No. of results	Required Compliance	Compliance
Microbiological determinands					
E.coli count	Acute health	Count per 100 mL	180	≥97%	100.00%
Cryptosporidium spp	Acute health	Count per 10 L	1	≥97%	100.00%
Giardia spp	Acute health	Count per 10 L	1	≥97%	100.00%
Total Coliforms	Operational	Count per 100 mL	181	≥93%	100.00%
Heterotrophic Plate Count	Operational	Count per mL	181	≥93%	100.00%
Somatic Coliphages	Operational	Count per 10 mL	1	≥93%	100.00%
Physical and aesthetic determinands					
Colour as mg/L	Aesthetic	mg/L Pt-Co	35	≥93%	100.00%
Conductivity at 25C in mS/m	Aesthetic	mS/m	181	≥93%	100.00%
Total Dissolved Solids as mg/L	Aesthetic	mg/L	181	≥93%	100.00%
Turbidity in NTU	Operational	NTU	303	≥93%	99.66%
Turbidity in NTU	Aesthetic	NTU	303	≥93%	100.00%
pH at 25C in pH units	Operational	pH units	303	≥93%	100.00%
Chemical determinands - macro					
Free Chlorine	Chronic health	mg/L	303	≥95%	100.00%
Monochloramine	Chronic health	mg/L			
Nitrate	Acute health	mg/L	63	≥97%	100.00%
Nitrite	Acute health	mg/L	63	≥97%	100.00%
Combined nitrate plus nitrite	Acute health		63	≥97%	100.00%
Sulphate	Acute health	mg/L	63	≥97%	100.00%
Sulphate	Chronic health	mg/L	63	≥95%	100.00%
Fluoride	Chronic health	mg/L	63	≥95%	100.00%
Ammonia	Aesthetic	mg/L	1	≥93%	100.00%
Chloride	Aesthetic	mg/L	1	≥93%	100.00%
Sodium	Aesthetic	mg/L	1	≥93%	100.00%
Zinc	Aesthetic	mg/L	1	≥93%	100.00%
Chemical determinands - micro					
Antimony	Chronic health	µg/L	1	≥95%	100.00%
Aluminium	Operational	µg/L	63	≥93%	100.00%
Arsenic	Chronic health	µg/L	1	≥95%	100.00%
Barium	Chronic health	µg/L	1	≥95%	100.00%
Boron	Chronic health	µg/L	1	≥95%	100.00%
Cadmium	Chronic health	µg/L	1	≥95%	100.00%
Total Chromium	Chronic health	µg/L	1	≥95%	100.00%
Copper	Chronic health	µg/L	1	≥95%	100.00%
Cyanide (recoverable)	Acute health	µg/L	1	≥97%	100.00%
Iron	Chronic health	µg/L	63	≥95%	100.00%
Iron	Aesthetic	µg/L	63	≥93%	100.00%
Lead	Chronic health	µg/L	1	≥95%	100.00%
Manganese	Chronic health	µg/L	62	≥95%	100.00%
Manganese	Aesthetic	µg/L	62	≥93%	100.00%
Mercury	Chronic health	µg/L	1	≥95%	100.00%
Nickel	Chronic health	µg/L	1	≥95%	100.00%
Selenium	Chronic health	µg/L	1	≥95%	100.00%
Uranium	Chronic health	µg/L	1	≥95%	100.00%
Chemical determinands - organic					
Total Organic Carbon	Chronic health	µg/L	1	≥95%	100.00%
Total Trihalomethanes (combined)	Chronic health		1	≥95%	100.00%
Chloroform	Chronic health	µg/L	1	≥95%	100.00%
Bromoform	Chronic health	µg/L	1	≥95%	100.00%
Dibromochloromethane	Chronic health	µg/L	1	≥95%	100.00%
Bromodichloromethane	Chronic health	µg/L	1	≥95%	100.00%
Microcystin (Total)	Chronic health	µg/L	1	≥95%	100.00%
Phenols	Aesthetic	µg/L	1	≥93%	100.00%



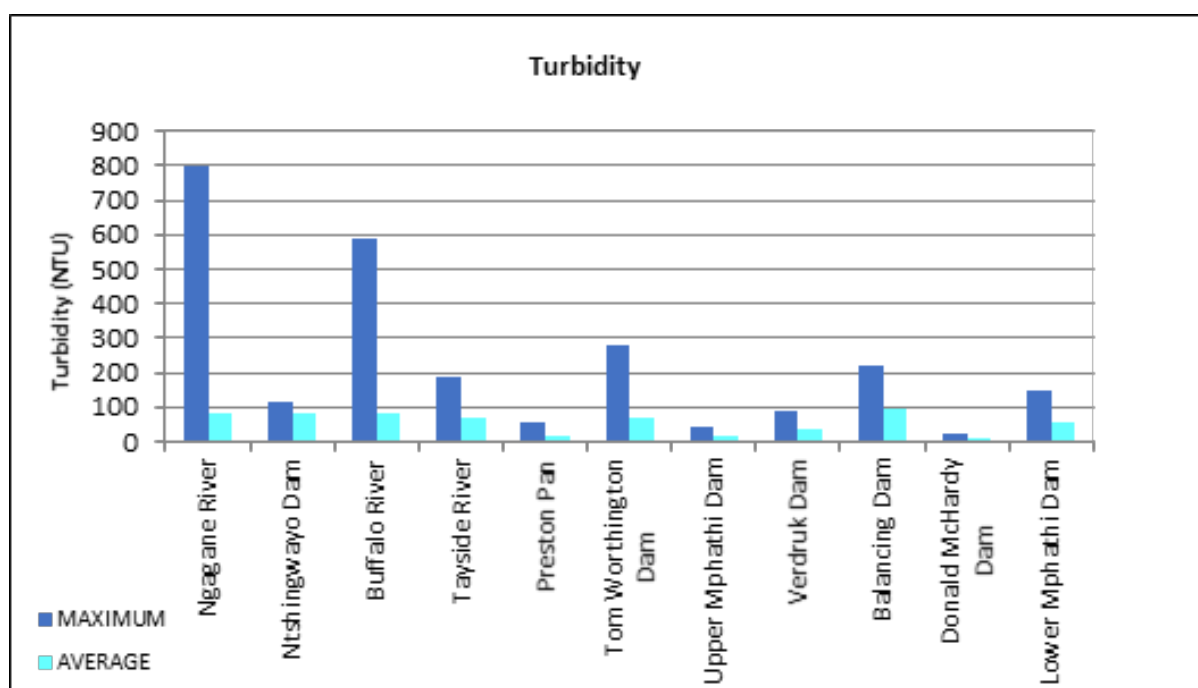
Graph 2. Bulk Potable Water Quality Compliance per risk category for Biggarsberg Water Purification Plant



RAW WATER QUALITY

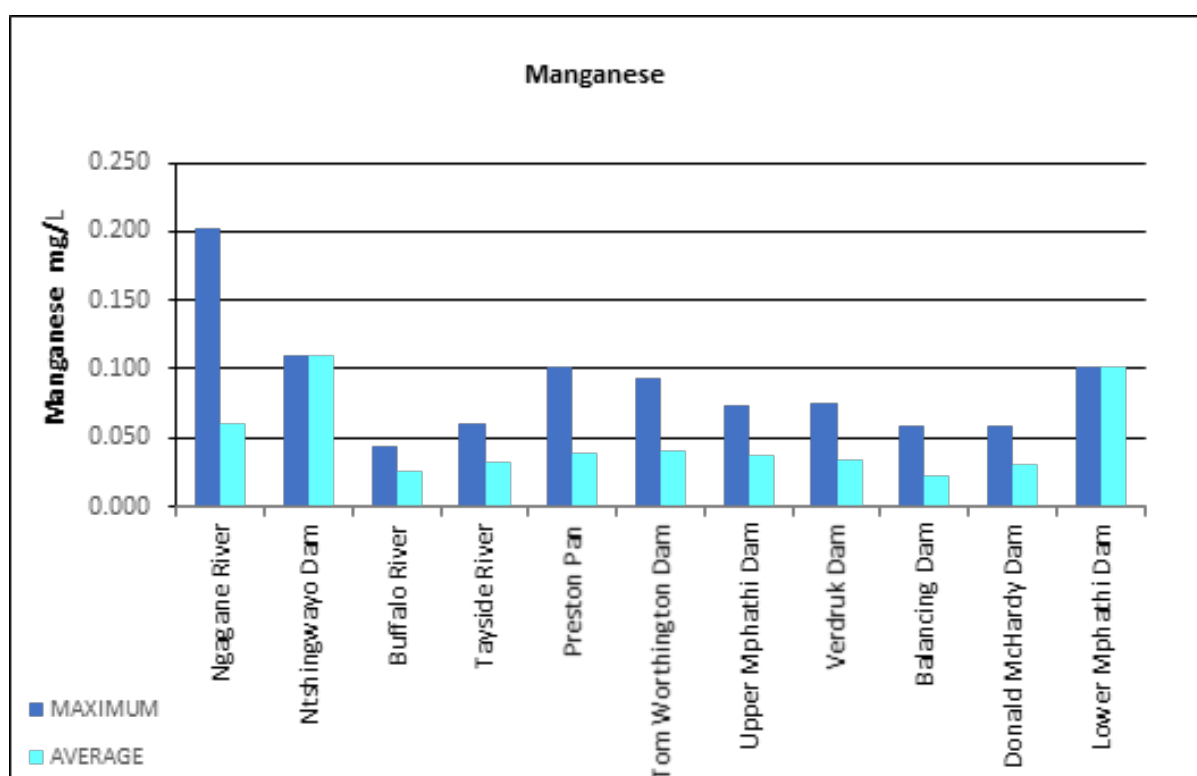
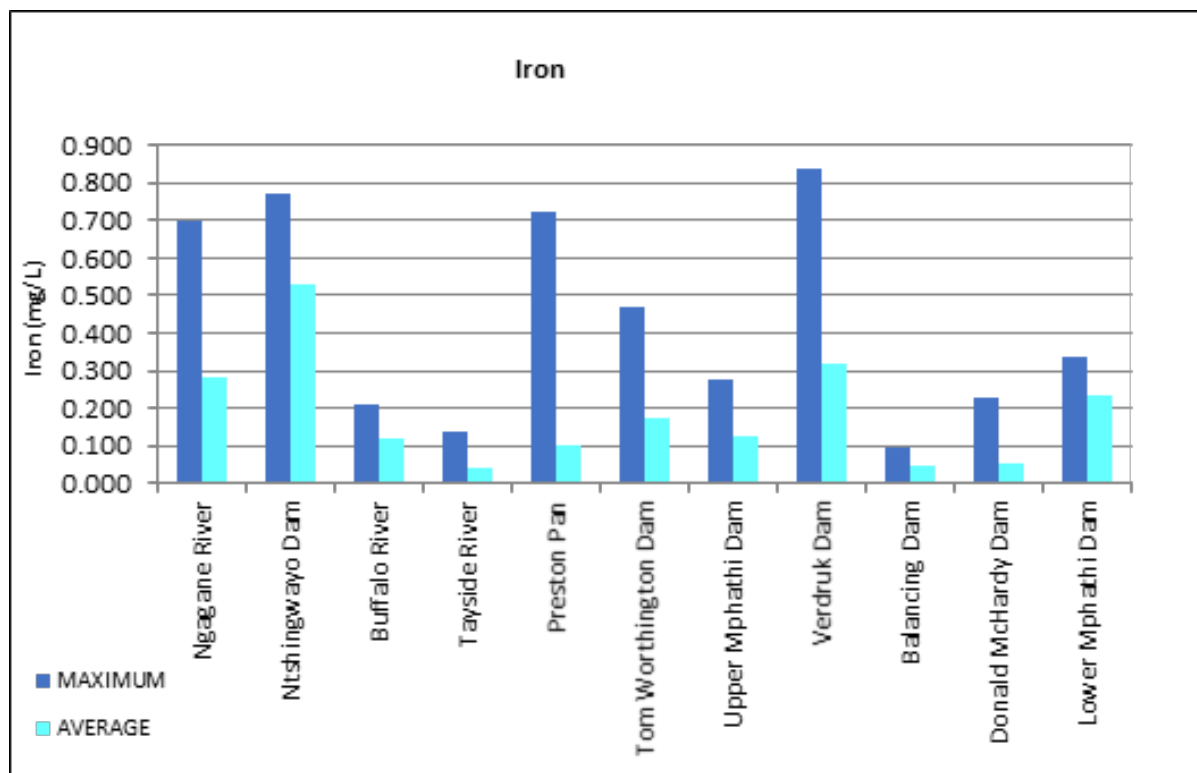
Surface water sources are vulnerable to potential pollution problems with migration of contaminants into the intake. As water travels over the surface or through the ground, it dissolves naturally occurring minerals and picking up material resulting from the presence of animals or from human activities, compromising source water quality as can be seen below in graph 3 showing high turbidity levels. Such variability can pose a serious challenge to water treatment.

Graph 3: Turbidity levels



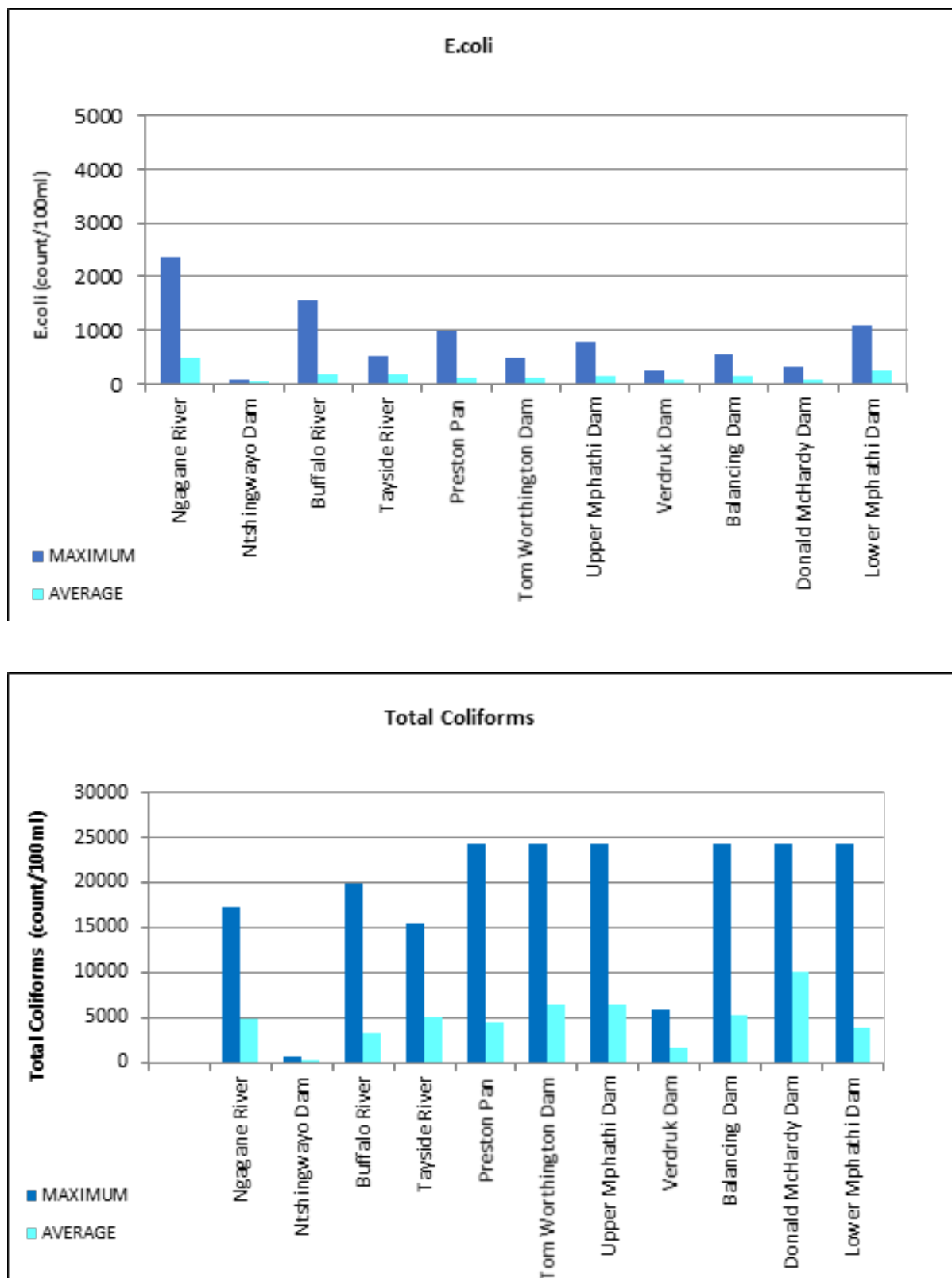
The environmental impacts that affect the raw water sources in this region are mostly land that has been contaminated by mining effluent and industrial pollutants. Chemical contamination from old mines cause elevated levels of iron and manganese. There was general improvement in the quality of the raw water especially the iron and manganese levels at the Ntshingwayo Dam and Ngagane River as displayed in graph 4 and 5 below.

Graph 4 & 5. Iron and Manganese



The graphs below display some of the risks associated with the water source quality resulting from animals or from human activities.

Graph 6 & 7. E. coli and Total coliforms



To abate all these risks mentioned above all these water sources are continuously monitored, and the abstraction volumes and treatment process are proactively managed.

OPERATIONS

Introduction

The Operations function at uThukela Water is responsible for the core business of the company, potable water supply at agreed water volumes to the set compliance standards. Water is abstracted from raw water sources, dams and rivers, the pumping and/or gravity feed of raw water to plant inlets, the purification of raw water and the supply of bulk water to demand reservoirs. The function includes the operations and maintenance of raw and final water pump stations, raw and potable bulk pipelines and water purification plants, reservoirs and associated infrastructure.

Water purification plants operated and maintained by uThukela Water includes the Ngagane Water Purification Plant in the Newcastle area (Amajuba WSA) and Biggarsberg Water Purification Plant in the Endumeni area (uMzinyathi WSA).

RAW WATER SOURCES

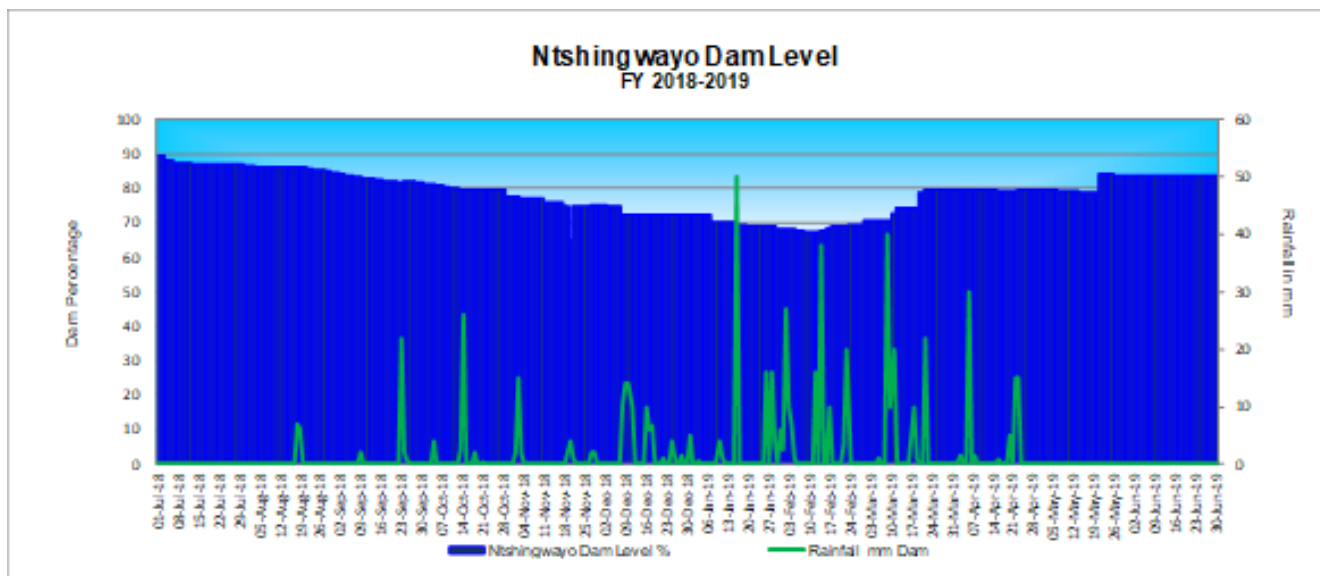
The main sources of raw water supply for the area is the Ntshingwayo dam, Ngagane River and Buffalo River. The Buffalo River is one of the ten identified free flowing rivers in KZN, it flows undisturbed from its source to the confluence with another river. It is not a very reliable source as it is seasonal dependant. The Ngagane River level drops too low during drought periods and does not produce a consistent supply volume. During dry periods, releases are made from Ntshingwayo Dam to augment water in the Buffalo system.

Ntshingwayo Dam

The main source of raw water supply to the Ngagane Water Purification Plant is the Ntshingwayo Dam and the Buffalo River, the Ngagane River is used to supplement water to the Ngagane Plant.

Ngagane Water Purification Plant receives resource water from the Ntshingwayo Dam via two gravity pipelines. The Ngagane River is the 2nd resource, via the Ngagane River pump station and the 3rd resource is the Buffalo River, Schurwepoort weir. An average daily supply volume of 80 Mℓ /day are received from Ntshingwayo Dam. The Buffalo River's average supply volume is 25 Mℓ /day and the Ngagane River pump station supplies on average 20 Mℓ / day with one pump operational and 35 Mℓ /day with two pumps operational

GRAPH 7: NTSHINGWAYO DAM



Buffalo River

The Buffalo River (Tayside weir and pump station) is the main raw water source for Biggarsberg Water Purification Plant and can deliver a daily supply volume of 15 Mℓ/day. The Buffalo River supplies 90% of the required raw water volumes to the plant. Six dams in close proximity to the plant augment the river supply. These dams are the Upper and Lower Mpathi Dam, Tom Worthington and Verdruk Dams, Donald McHardy Dam and Preston Pan.

The catchment area received rain from August 2018 to September 2019, amounting to 598.55 mm. The Ntshingwayo dam levels lowest point was at 67.4% in February 2018. The average of the dam level for the past financial year was 78.7%, lower compared against last financial years average of 85.3%. The Buffalo River maintained a stable flow for the reporting period, although water releases from Ntshingwayo Dam and Zaaihoek dam were requested during the fourth quarter.

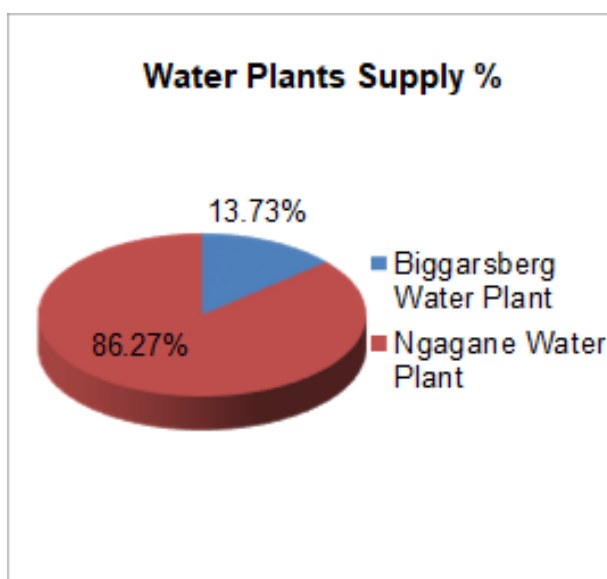
BULK WATER SUPPLY VOLUMES

A total of 42 398 mega litres (Mℓ) of potable water were supplied to the three Water Services Authorities during the 2018/2019 financial year by the two Bulk Water Purification Plants. A 4.54% increase from the previous year's total supply volumes. Severe drought conditions were experienced and water restriction of up to 20% were imposed in the Endumeni area until the end of the financial year, due to very low levels of the local Endumeni dams

Amajuba consumption volumes decreased by 2.88% this financial year compared to the previous year. Newcastle consumption volumes increased by 7.97% and uMzinyathi decreased by 6.33% compared to FY2017/2018 volumes.

Ngagane Water Purification plant is the major contributor to the total supply volumes, it contributes 86.27% and Biggarsberg Water Purification Plant contributed 13.73% of the total bulk water supply volumes.

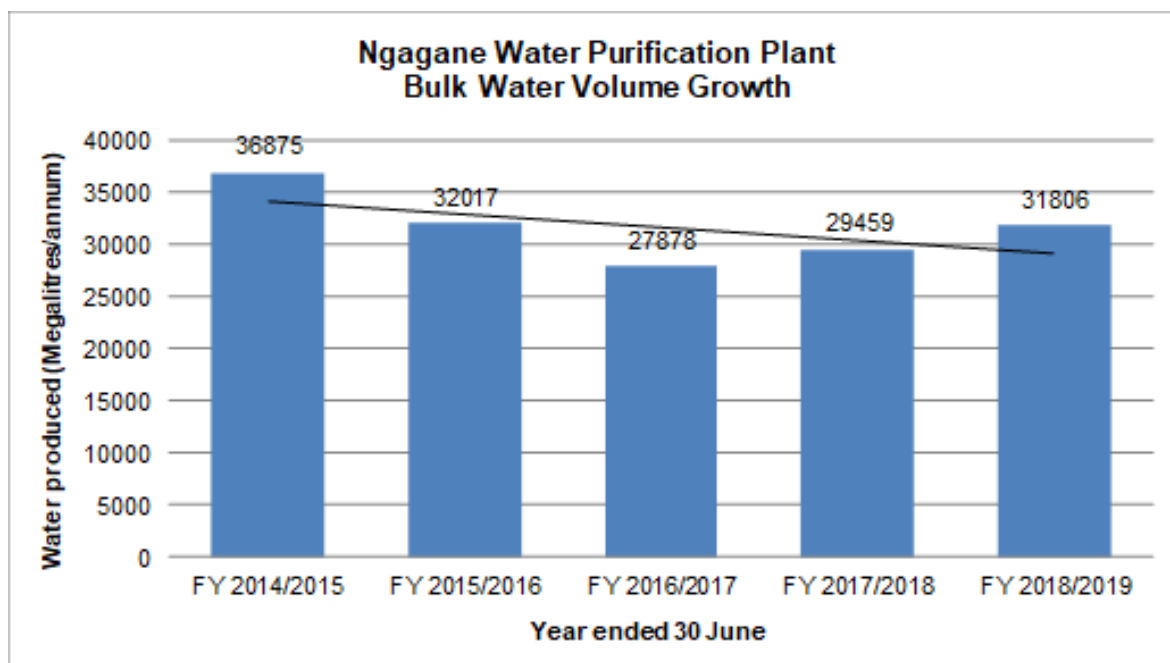
Graph 7: Bulk Water Plants contribution percentage to the total supply volume



Ngagane Water Purification Plant

Water produced at the Ngagane Water Plant amounted to 31806 Mℓ for the 2018/2019 financial year. The plant operated at an average daily supply volume of 101 Mℓ/day. The Ngagane Water Plant's past five years annual supply volume trend is illustrated in graph 8 below.

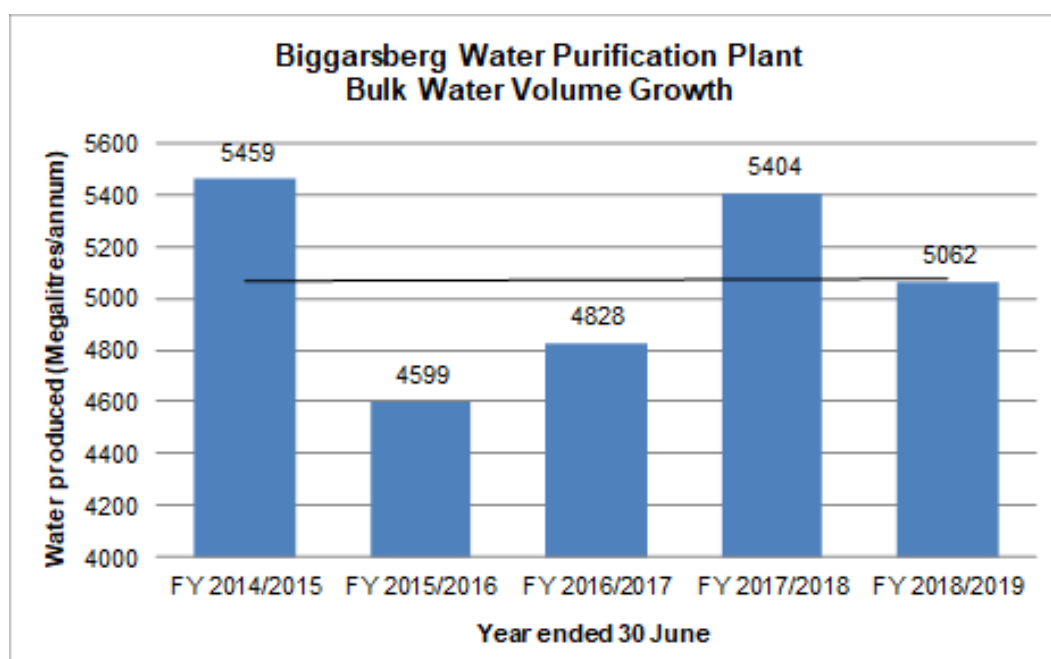
Graph 8: Annual Ngagane Plant Production Trends in Megalitres (Mℓ)



Biggarsberg Water Purification Plant

Water produced at the Biggarsberg Water Plant amounted to 5062 Mℓ for the 2018/2019 financial year. A daily average supply volume of 15.37 Mℓ/day was supplied for the year. The plant's past five-years supply volume trend is illustrated in graph 9 below.

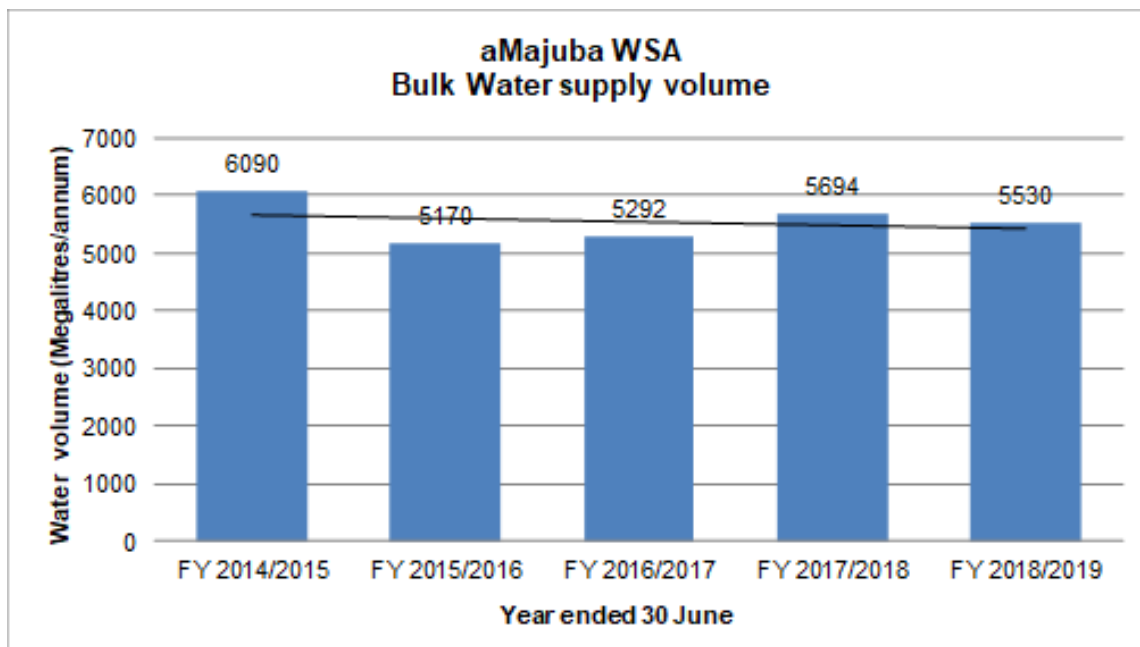
Graph 9: Annual Biggarsberg Plant Production Trends in Megalitres (Mℓ)



Amajuba Water Supply Area

Amajuba supply area receives bulk water from both Ngagane and Biggarsberg Plants. A total supply volume of 5530 Mℓ was received in the 2018/2019 financial year. This amounts to a daily average supply volume of 11.20 Mℓ/day. Graph 10 indicates the supply volumes over the past five years for the combined Amajuba supply area.

Graph 10: Annual Amajuba WSA Consumption Trends in Megalitres (Mℓ)



WATER LOSS

uThukela Water prides itself in continues improvement of potable water supply, it therefore recognises the importance of efficient and effective water loss control in the bulk system. The main aim is to save a precious and valuable resource and increase the efficiency of the existing supply system.

The water loss control strategy can only be effective if it is a continues activity forming part of the utilities vision. The commitment and dedication at all levels within the utility determines the success of the strategy. Water loss management is achieved with:

- Formulation of a water loss management plan.
- Continues flow monitoring which includes bulk meter accuracy assessment, meter readings and replacements plan.
- Data capturing and logging of flow and level readings as well as permanent remote data logging and recording on plant scada systems.
- Permanent system leak monitoring through actual inspections, flow readings and supply volume calculations.
- Water balance calculations and minimum night flow analysis.

The existing ultrasonic flow meter readings functions provides a Daily Flow Dashboard with Meter readings reports (excel format) and Graphed flow trends, Line pressure trends, Battery power, Antenna power trends and Events Logs of each meter. These functionalities are used by the Operations and Maintenance teams and used for billing purposes.

Proposals for the upgrading of the current plants scada systems and live real-time off-site data availability were investigated, but not yet rolled out due to budget constraints.

Water loss is calculated over the entire system from raw water abstraction to potable supply points, demand reservoirs.

The total water loss percentage for the entire uThukela Water utility is 8.35% for the FY 2018/2019.

The Ngagane water plant systems water loss percentage is 9.17% for the period under discussion, a decrease from last year's 10.97%. The water loss over the Biggarsberg Water plant and supply area amounted to 2.93%, the same as the previous financial year. The water loss is calculated from the plant raw water inlet to the bulk metered supply points, the raw water supply lines are excluded from the water loss calculations. A meter replacement program is being out rolled to allow accurate and consistent flow meter readings for accurate water loss calculations over the raw water supply lines.

MAINTENANCE MANAGEMENT

Sustainable bulk water services provision by uThukela Water is largely asset dependent. Properly designed, managed and maintained infrastructure will support good social and economic stability. The repairing or replacing of assets is costly therefore effective maintenance of assets involves making provision for on-going cost on a planned basis and trends to limit asset failure. The implementation of effective maintenance management strategies ensures that infrastructure and asset stability is maintained.

Asset Maintenance Planning is aimed at ensuring that assets remain productive at the lowest possible long-term cost and involves:

- A detailed functional analysis of maintenance needs that meet the required service delivery outcomes
- The development of maintenance strategies
- The institution of procedures to ensure adequate control of the implementation of a maintenance plan

During the past year new asset installations, refurbishments and upgrades have resulted in and contributed to an increase in performance, reduced costs and life span extension of asset components. The drive to have assets perform at an optimum level was given high priority. This was achieved by the utilization of a Maintenance Plan which also incorporates an asset grading system.



Asset Maintenance

It is necessary to formulate a purposeful asset maintenance strategy to direct the maintenance of assets towards optimal results. A maintenance plan is of key importance in the strategic management of assets over its useful lifespan.

The objective of this strategy is to develop maintenance and minor works plans for assets, which correlate and quantify the maintenance requirements for service delivery, asset performance standards and risk management for all assets as defined/segmented in the asset strategy

The following benefits were derived from the Maintenance Management System namely:

- The minimization of breakdown time
- Improvement in total availability of the system with optimum capacity
- Extended useful life of asset and equipment
- Safety of personnel and assets

A grading system based on asset assessment was implemented in order to establish the nature of action required regarding maintenance being conducted, refurbishments and the upgrading of assets and infrastructure.

Maintenance activities included:

- Reconditioning of pumps and motors
- Replacement of valves
- Performing condition monitoring at pump stations
- Cleaning and repairs of clarifiers
- Installation of safety signage.
- Repairs of burst pipes
- Repairs, calibration and replacement of flow meters and ultrasonic level indicators.
- Filter and filter equipment refurbishment and replacement.
- Vehicle repairs and services.
- Buildings and grounds refurbishment and repairs.

Examples of maintenance activities performed in FY 2018/2019

Ngagane Water Purification Plant



Reconditioning a Split-casing pump at Ngagane Water Purification Plant



Installation of a new lockable lid for a valve chamber on the Ntshingwayo raw water pipeline



Installation of a new Motor Control Centre for the A-Pump no: 2 at the Ngagane water plant.



Installation of new electronic flow meters at the Ngagane Water Purification Plant



Repairing of the GRP Pipeline from the Ngagane Water plant to Braakfontein reservoirs



Installation of a new Elevated tank at the Kilbarchan pump station.



Installation of a new Gearbox on Clarifier no:3 at the Biggarsberg Water Plant



Planned maintenance carried out at the Verdruk pump station



Pigging of the Tayside raw water pipeline.



Inspection and servicing of the Tayside High Lift pump station.



Installation of a reconditioned pump at the Upper Mpathi pump station.

ENGINEERING FUNCTION

The Engineering Department is mandated to identify, initiate, coordinate, negotiate, plan and manage the strategic direction regarding the growth of the business of uThukela Water in terms of infrastructure and resources, and to assess and advise on the bulk water supply systems performance and raw water resource utilisation and availability.

The department is also responsible for developing, implementing and maintaining a Safety, Health, Environment and Quality Management System/ program for uThukela water to ensure continual improvement of the SHEQ system and compliance with SHEQ related statutory and regulatory requirements.

PROJECTS

The organisation does not have a capital budget. Projects are carried out from time to time on an adhoc basis using OPEX. However, in the year under review, the organisation managed to secure funding from both Newcastle Municipality and uMzinyathi District Municipality to carry out identified projects.

NEWCASTLE

Newcastle funded three projects in the year under review:

- Ngagane Water Treatment Plant Emergency Upgrade- pipe Manifold.
- Ngagane Water Treatment Plant Emergency Upgrade- Reservoir refurbishment and
- Refurbishment of DN 700 pc pipeline and 4n° cross connections to parallel DN 600 steel pipeline

Ngagane Water Treatment Plant Emergency Upgrade- Pipe Manifold

The objectives for this project were:

- To retrofit and augment pipe work at Ngagane pump station pipe manifold.
- Comply with EPWP requirements regarding labour intensive construction methods as far as possible to create job opportunities and to develop skills.
- Comply with the OHS-act.



The scope of work for this project entailed retrofitting and augmenting pipe work at Ngagane WTP pump station pipe manifold.

This project comprised:

The installation of a new 400 mm diameter steel pipe connection between the B-pumps manifold and the 400 mm diameter supply pipeline towards the Braakfontein Reservoirs and modifications to existing pipework and valves.

New 400mm \varnothing steel connecting pipework was manufactured, supplied and installed from the B-pumps manifold to connect to the existing 400mm \varnothing steel pressure main towards Braakfontein. The concrete pump station wall was cut and reinstated to suit the 400 \varnothing pipe installation. A new connection was made outside the pump station building in the chamber on the existing 400 \varnothing Braakfontein Reservoirs supply pipeline. Installation included all fittings and valves.

One existing 400 \varnothing valve was replaced with a new 400 \varnothing butterfly valve (double flanged, drilled T16 C/W gearbox and 2-meter extended spindle and hand wheel) with dismantling/ restraint flange adaptor. 2 x 600 \varnothing existing valves were replaced with new 600 \varnothing butterfly valves (double flanged, drilled T16 C/W gearbox and 2-meter extended spindle and hand wheels) with dismantling/ restraint flange adaptors. 1 x 900 \varnothing existing valve was replaced with a new 900 \varnothing butterfly valve (double flanged, drilled T16 C/W gearbox and 2-meter extended spindle and hand wheel) with dismantling/ restraint flange adaptor.

This project also sought to install cathodic protection on a 500m stretch of steel pipeline from the plant to the Ngagane river pump station. The pipe was badly corroded resulting in persistent pipe burst along its joints. The project also allowed for the installation of a third Ngagane River pump for pumping raw water from the Ngagane River to the plant to augment flow from Ntshingwayo along the raw water pipelines which was successfully commissioned delivering 310l/s.

The total cost of this project including professional fees was R3,784,135.07 including VAT.





Ngagane Water Treatment Plant Emergency Upgrade- Reservoir refurbishment

The objectives of the employer are:

- To refurbish the Ngagane reservoirs by replacing the water proofing on the joints.
- Comply with EPWP requirements regarding labour intensive construction methods as far as possible to create job opportunities and to develop skills.
- Comply with the OHS-act.

The scope of work for this project entailed refurbishing of three (3) potable water concrete reservoirs.

This project comprises:

The cleaning of the reservoirs, preparation and replacement of the water proofing for three concrete reservoirs at the Ngagane Water Purification Plant.

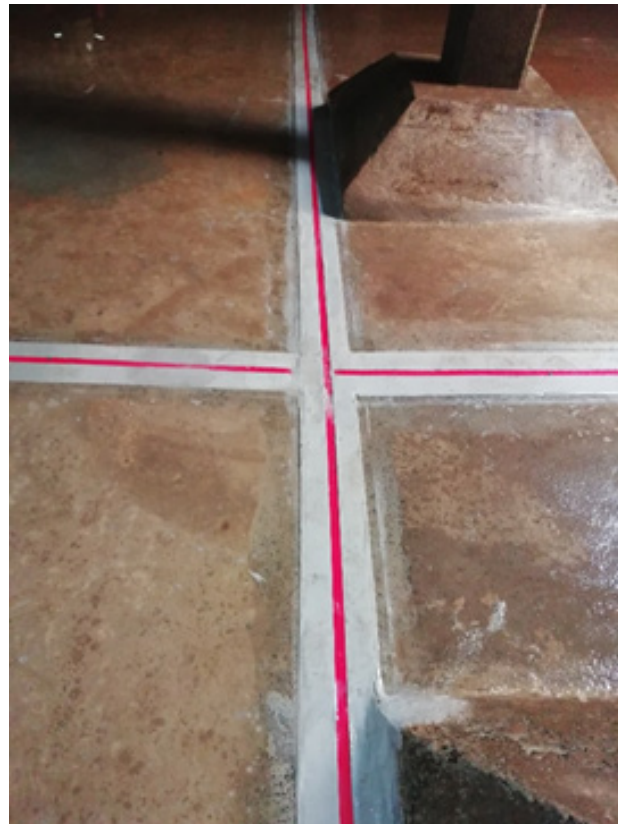
A. CLEANING AND REMOVAL OF SILT

Cleaning and drying of each of the three reservoirs at the Ngagane Water Purification Plant was done for site inspection and refurbishment works. The floor areas needed to be sound and dry (below 4% moisture) and wall areas needed to be sound and dry (below 12% moisture) before sealing could commence, (where applicable for certain coatings) in strict accordance with the supplier's specifications.

B. SEALING OF RESERVOIRS

Surface preparations of the reservoir areas included scabble/grinding and removal of the existing seals and joint water proofing. Joints were sealed in accordance with the drawings using Sika Primer 3 & Seal Sikaflex Pro 3 i-cure 20mm x 10mm or similar approved. A 2mm thick and 150mm wide Sikadur Combiflex Joint Sealing system with bandage, was applied.

It was also identified that Reservoir 4 under plant one had leaks that needed to be attended to. Remedial action involved the replacement of 2 X 300mm diameter butterfly valves and the removal of sluice gate. The total cost of this project including professional fees was R 5 746 358.13 including VAT.



uMzinyathi District Municipality

uMzinyathi funded one project in the year under review: Refurbishment of Tayside Abstraction Works.

As a result of the increased demand on the Biggarsberg WTP as well as the increasing frequency in failure of the low lift/abstraction pumps at the Tayside abstraction works, uThukela Water was intent on refurbishing the existing electrical mechanical installation to reduce the amount of downtime and value of repairs. In addition, a third pump was installed increasing the pumping capacity to the systems ultimate design point.

The scope and extent of work comprises the following broken into civil and electrical / Mechanical portions.

Civil Works:

- Installation of fencing around the existing low-lift pumping station and sludge drying bed property including 2 by vehicle and pedestrian gates. (Approximately 600m)
- Replacement of fencing around the high lift pumping station. Including new vehicle and pedestrian gates. (Approximately 480m)
- Repair of the existing sludge drying bed.

Electrical and Mechanical works:

- Supply and installation of 3 No. new Axial Flow Pumps complete.
- Discharge manifold for the above pumping sets.
- Electrical panels for the above including new incomer, VFD's and telemetry output point.
- Replacement of approximately 50m of 500mm dia. steel pipework.

The project also addressed a sanitation problem at the pump station. The scope of work for this included:

- Installation of waste collection septic tank suited for underground waste storage including access manhole.
- Replacement of sewer pipe from site bathroom to sanitation tank.

The total cost of this project including professional fees was 6,965,370.34 including VAT.





SHEQ

OHS Surveys/audits

OHS surveys help the organisation to evaluate employee exposures to hazardous chemical substances, physical agents as well as unsafe workplace practices in the workplace environment, as required by legislation. The goal of a health and safety audit is to assist in the continuous improvement of an organisation's OHS procedures. In line with this, the department through the SHEQ Manager has conducted several OHS surveys as well as two audits in the year under review.

The surveys resulted in the organisation identifying and categorising waste and prescribing the way and manner in which different waste materials are to be disposed. Colour coded bins were procured in which different categories of waste was to be stored.

The audits revealed areas that need immediate attention and as such an action plan was compiled to address the findings of these audits. This also tied into an action plan that was devised that sought to address findings that were identified in the gap analysis exercise that was conducted in the previous financial year.

SHEQ Plan

A Safety Plan is a written document that describes the process for identifying the physical and health hazards that could harm workers, procedures to prevent accidents, and steps to take when accidents occur. The organisation has a comprehensive plan that encompasses an injury and illness prevention program and is also specific to particular activities, hazards and pieces of plant, equipment and machinery. It is revised annually and as and when the need arises (especially when we experience incidents or accidents). This written safety plan is our organisation's blueprint for keeping workers safe.

SHEQ Training

Safety, Health, Environment, Quality and SHEQ training courses, training sessions present an opportunity for company employees to understand health and safety issues surrounding the workplace. The department through the SHEQ Manager developed a training matrix which the organisation follows diligently, SHEQ champions, SHEQ representatives and SHEQ Executives are continuously trained and developed to keep abreast of latest amendments to relevant legislation and trends.

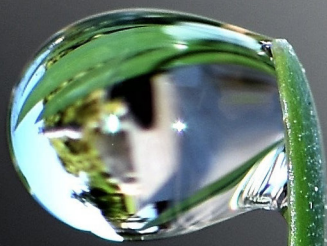
Licences for operators of different equipment and machinery are regularly updated/renewed. Training in specific areas such as transportation of hazardous material, fuel etc. is an ongoing exercise for company employees.

Incidents/Accidents

The second half of the year under review saw an increased in the number of incidents. One incident occurred in December, two in April and 1 in May. Full scale investigations were conducted and in the first incident an independent investigator was appointed. Her findings were tabled to LEADCO and an action plan was drawn to curb these and prevent recurrence



Financial Performance



uThukela Water
Annual Report 2019

Five Year Financial Review

	2018	2017	2016	2015	2014
Capital Expenditure	3 145 868	6,911,637	9,245,732	6,903,974	6 725 140
Total capital transfers recognised	-	2,553,079	4,137,324	1,677,922	1,432,164
Borrowing	-				
Accumulated Funds	3 145 868	4,358,558	5,108,408	5,226,052	5,292,976
Total sources of capital funds	3 145 868	6,911,637	9,245,732	6,903,974	6,725,140
Financial Position					
Total current assets	99,307,362	61593909	51,188,565	120,265,814	194,571,821
Total non current assets	965 994 728	1, 068,165554	1,166,688,047	1,262,199,707	405,193,721
Total current liabilities	262 509 545	235 142 680	188,345,015	158,803,330	135,360,384
Total non current liabilities	10 492 040	10,257,209	10,939,758	8,771,295	8,205,908
Accumulated funds and share capital	792 300 506	844359574	1,018,591,838	1,214,890,896	456,199,250
Cash Flows					
Net cash from (used) operations	19,308,280	11,397,703	7,885,942	7,154,477	13,255,591
Net cash from (used) investing	-3,927,556	-6,911,637	9,245,732	-6,903,974	(6,725,140)
Net cash from (used) financing					
Cash and cash equivalents at year end	15,380,724	4,486,066	-1,359,790	250,503	6,530,451



Five Year Financial Indicators/Ratios

	2019	2018	2017	2016	2015
Capital Expenditure	14,510,842	3,927,556	6,911,637	9,245,732	6,903,974
Total capital transfers recognised	14,510,842	-	2,553,079	4,137,324	1,677,922
Borrowing		-			
Accumulated Funds		3,927,556	4,358,558	5,108,408	5,226,052
Total sources of capital funds	14,510,842	3,927,556	6,911,637	9,245,732	6,903,974
Financial Position					
Total current assets	112,516,980	99,307,362	59,287,532	51,188,565	120,265,814
Total non current assets	943,779,865	966,000,484	1,068,162,946	1,166,688,047	1,262,199,707
Total current liabilities	294,160,382	1,065,307,847	201,341,481	188,345,015	158,803,330
Total non current liabilities	304,882,220	246,987,120	10,257,209	10,939,758	8,771,295
Accumulated funds and share capital	751,414,220	807,828,686	915,851,789	1,018,591,838	1,214,890,896
Cash Flows					
Net cash from (used) operations	27,280,098	19,308,280	11,397,703	7,885,942	7,154,477
Net cash from (used) investing	12,535,005	-3,927,556	-6,911,637	9,245,732	-6,903,974
Net cash from (used) financing					
Cash and cash equivalents at year end	14,745,093	15,380,724	4,486,066	-1,359,790	250,503



Value Added Statement

	2019	2018	2017	2016	2015
Financial Indicators/Ratios					
Water and sanitation services bulk water sales	128439901	114978266	94664427	87,459,570	81,448,307
Partners short fall contributions	0	0	0	0	-
Total Revenue from capital grants	14510842	0	2553079	5,108,408	3,626,159
Average bulk water cost per Kl produced	3,15	3.15	2.9	2.54	2.49
Operating indicators/Ratios					
Total expenditure over revenue excl depreciation offset	1	1	1	1	1
Net financing costs over revenue					
Personnel Costs					
Personnel ratio to total expenditure	22%	19%	17%	28%	27%
Number of permanent employees at year end	76	76	73	72	71
Ratios					
Current ratio (current assets/current liabilities)	Negative	01:02.5	1.31	1.42	1.32
Debt equity ratio (int bearing debt/cap & reserves)	0	0	0	0	-
Debtors collection period in days (Net debtors/rev * 365)	180	60	60	30	478.70
Debt to asset ratio (Int bearing debt/total assets)	0	0	0	0	-



Financial Overviews in Graphic Form

INTRODUCTION

The review is an analysis of key areas of financial performance, operational results and financial position of the Company and must be read in conjunction with the annual financial statements presented with this report.

HIGHLIGHTS OF FINANCIAL PERFORMANCE

General

The Entity delivers on its mandate to provide bulk water services to its shareholder municipalities under severe financial constraints and trades under difficult circumstances with;

- Curtailed and restricted water budgets due to affordability factors which should in fact not impact on basic water delivery.
- The absence of a capital budget to implement business and bulk water master plans.
- Grant funding not paid directly to entity resulting in delays to water projects.
- Delays with payment for bulk services impacting on cash flows and the ability to operate unrestricted in terms of its goals and objectives.

Solvency and cash flow

Cash flow decreased over the last year from R 28 811 691 to R 14 066 598 due to persistent non-payment by some of the shareholders, and this is barely sufficient to sustain the Entity for a period of two months. Should the municipalities update and pay their current bulk billing accounts up to date, it would bring the Entity into a favourable position enabling it to operate effectively and efficiently as it should be doing under normal circumstances.

Budgets and planning

The alignment of the entities operational and capital budgets and IDP'S/Bulk Water Master Plan to that of the shareholder municipalities and moving towards a volume based bulk tariff driven business has still not been fully realised during the year.

For the water business and model to operate effectively, this is a priority, and must be a short term goal to be achieved by all concerned.

Bulk water tariff

Although the principle of a single Bulk water tariff was approved and applied during the year for Bulk water service cost recovery purposes, the Newcastle municipality did not comply with this volume based tariff, as its budget was not aligned to this cost recovery model, and was accordingly cut to accommodate the affordability factor as opposed to the actual costs of providing these water services. The result of this budget cuts is that no provision was made to pay for the purchase of raw water from the Department of Water Affairs. The Board has correctly accrued these costs in its books of account and is together with the WSA's responsible for the payment of the raw water these charges.



Creditor, Raw water charges, Department of Water Affairs and Sanitation

It will be noted in the balance sheet that there is a substantial amount owing to the Department of Water Affairs and Sanitation for unpaid raw water charges amounting to approximately R 245 million, and this is due to the municipalities not settling their old shortfall debt and current DWA raw water charges. The Minister of Water Affairs raised this matter in Parliament recently where it was highlighted that municipalities are indebted to the Department for over R 3, 3 Billion rand.

This matter is receiving attention at the highest level and it is hoped that it can be resolved in the near future.

Payment for bulk water services

Only the Umzinyathi District municipality is paying for its water purchased based on the bulk water tariff. As aforesaid, the Newcastle and Amajuba DM municipalities are currently paying an unrelated affordable bulk water budget due to their cash flow constraints.

The cost of raw water purchases levied by the Department is in terms of their National Water Pricing Policy, and is an integral cost component of bulk water production.

Bulk water tariff

The bulk water tariff of R 3, 15 cents per kilolitre, measures very favourably against the National norm of about R 8, 50 cents per kilolitre. The Shareholders have unfortunately not accepted the inclusion of a capital element within the bulk tariff structure. The Board has consequently got no capital accumulations to perform necessary and planned refurbishment and upgrades to its old and ailing water infrastructure. This anomaly has been identified and documented in the Boards Risk Management Plan. The municipalities also do not pay depreciation charges to the entity to perform capital replacements.

Capital requirements for infrastructure

A capital budget comprising of most urgent and immediate capital requirements of approximately R 400 million was submitted to the WSA's for approval, unfortunately no capital budget was approved by the shareholders.

Restrictions to implementation of adequate maintenance programs

It must be noted that the bulk water service infrastructures are not being maintained and upgraded in terms of best practices due to the lack of available resources to do so, and the inability due to affordability factors of WSA's to pass on funding to the entity for this purpose.

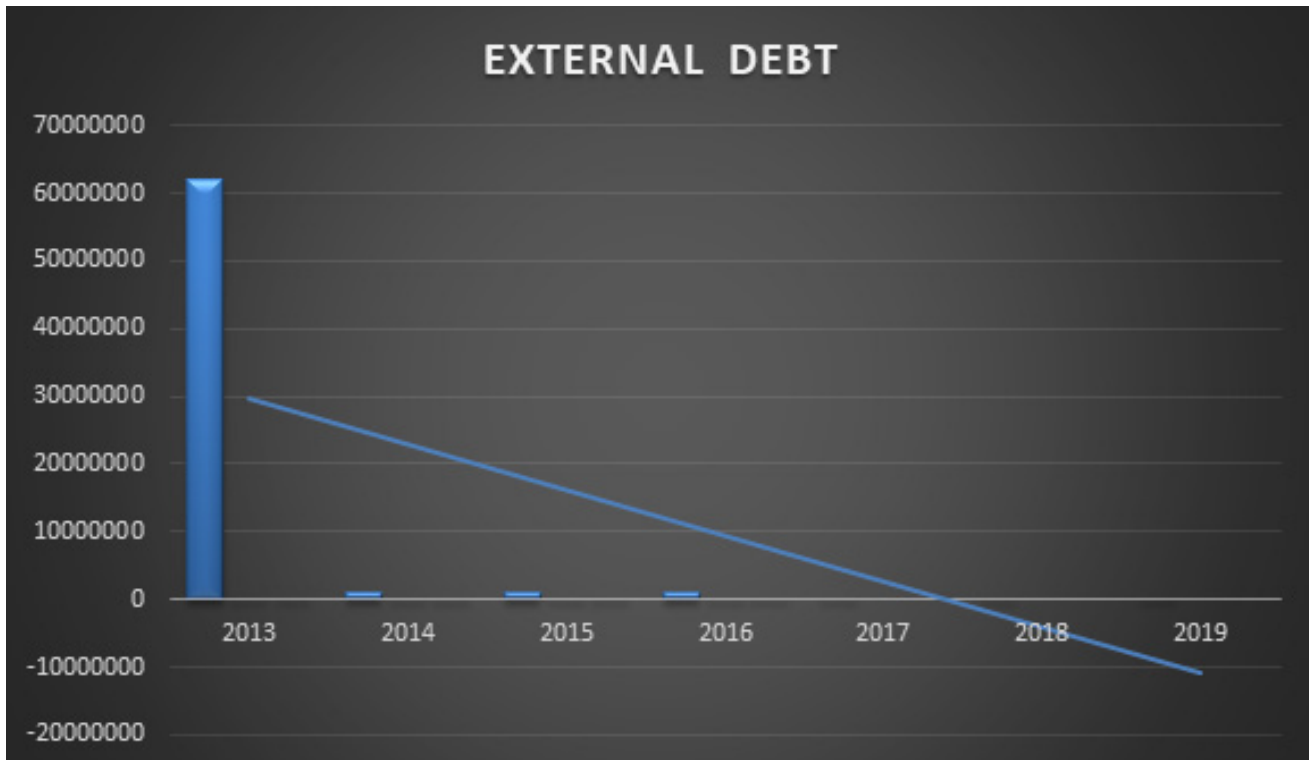
The industry norm for maintenance provision is 7, 5 % of infrastructure asset value. Currently the municipalities do not pay any depreciation charges to the Entity.

Financial indicators and ratios

The following financial ratios and indicators are provided in order to give readers a constructive overview of Bulk water service as performed with available funding during the year under review.



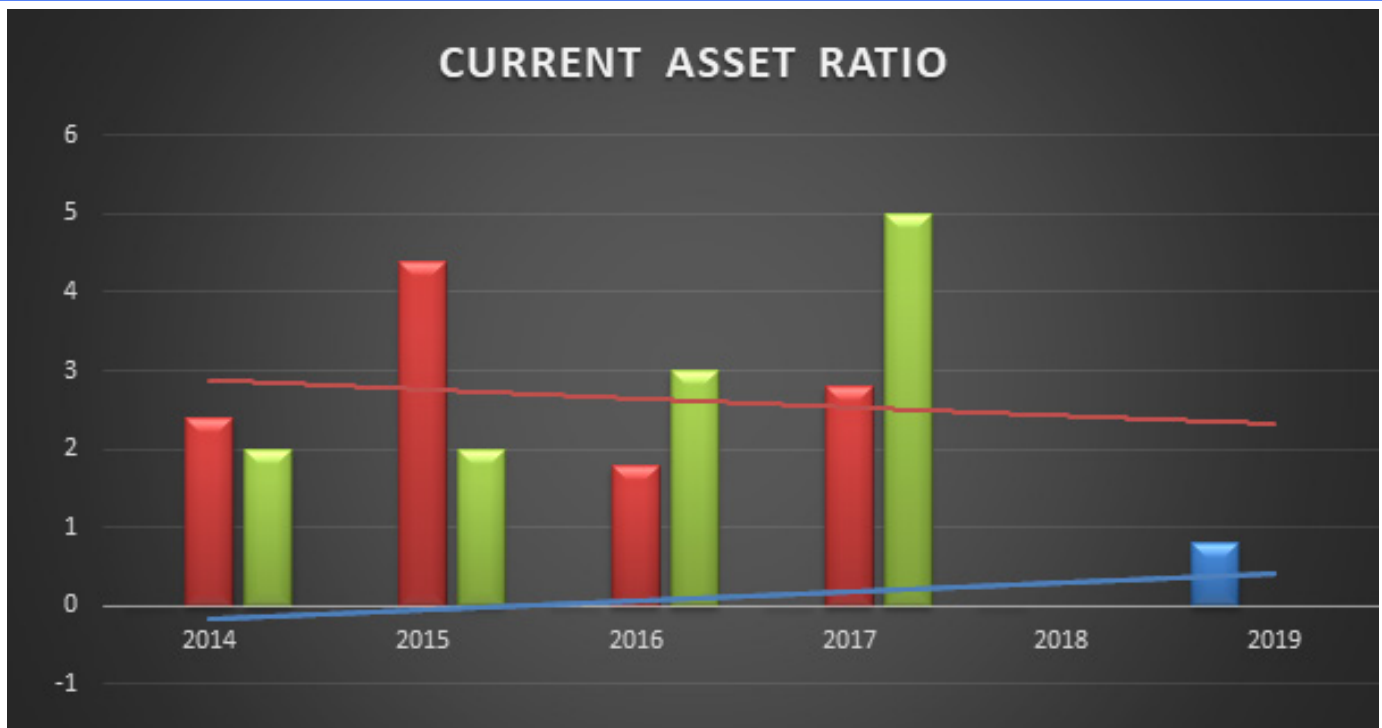
REDUCTION OF THE NET DEBT



The external Entity's external debt was either fully redeemed or transferred back to the municipalities with the transfer of reticulation services back to the municipalities at the end of June 2013.

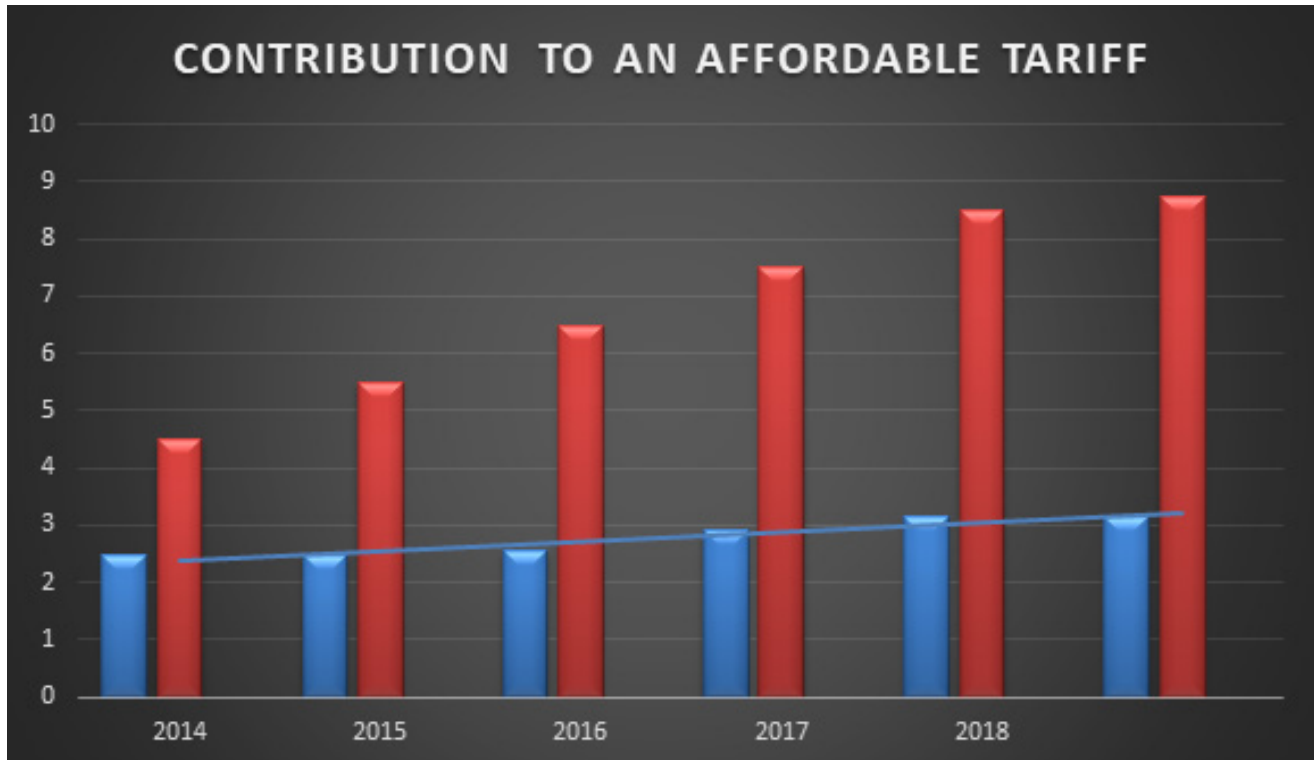
The Entity has the capacity to raise external loan debt off its balance sheet, but unfortunately due to the impending incorporation into a new water structure this avenue has not been pursued.

CURRENT ASSET RATIO



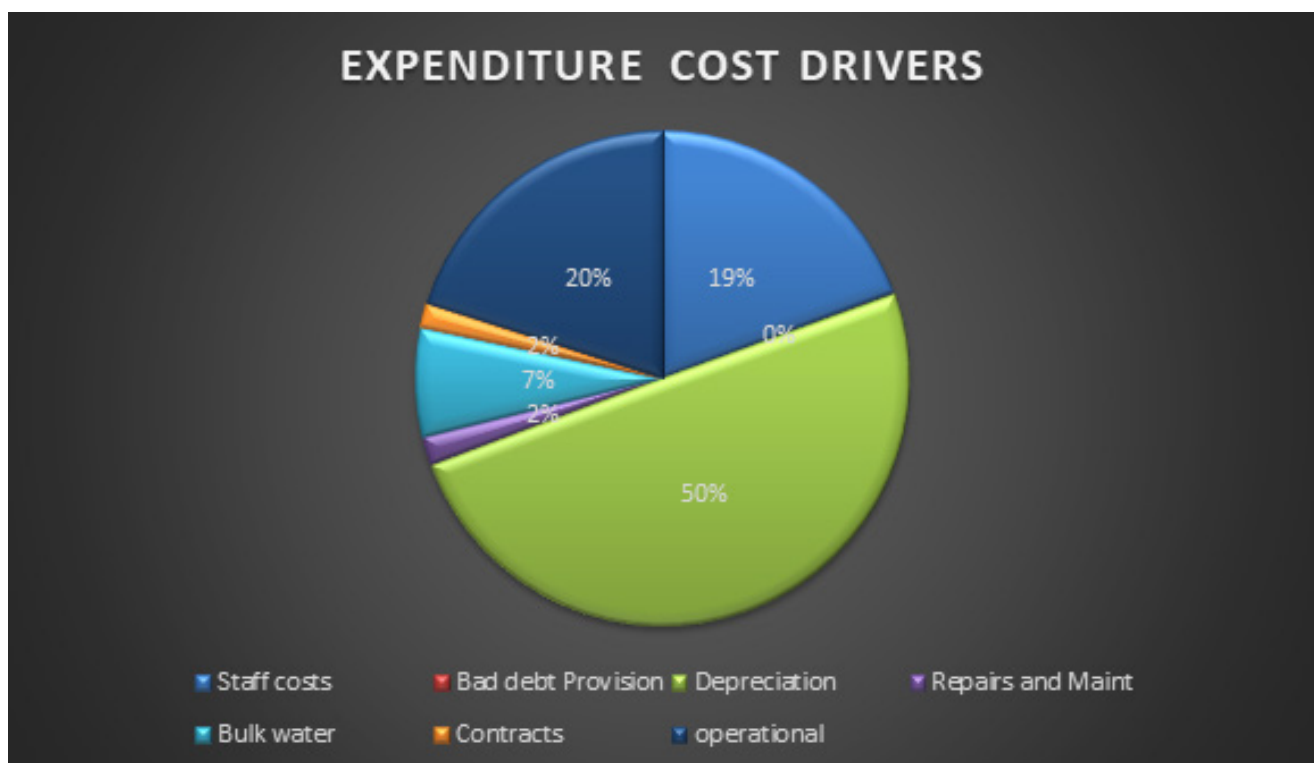
The Entity has a positive current asset ratio if the DWA raw water creditor is excluded from the current liabilities. The Newcastle municipality has not budgeted or paid the entity for these accruals since 2013 and the Umzinyathi and Amajuba municipality have outstanding debts relating to these accruals.

CONTRIBUTION TO AN AFFORDABLE TARIFF



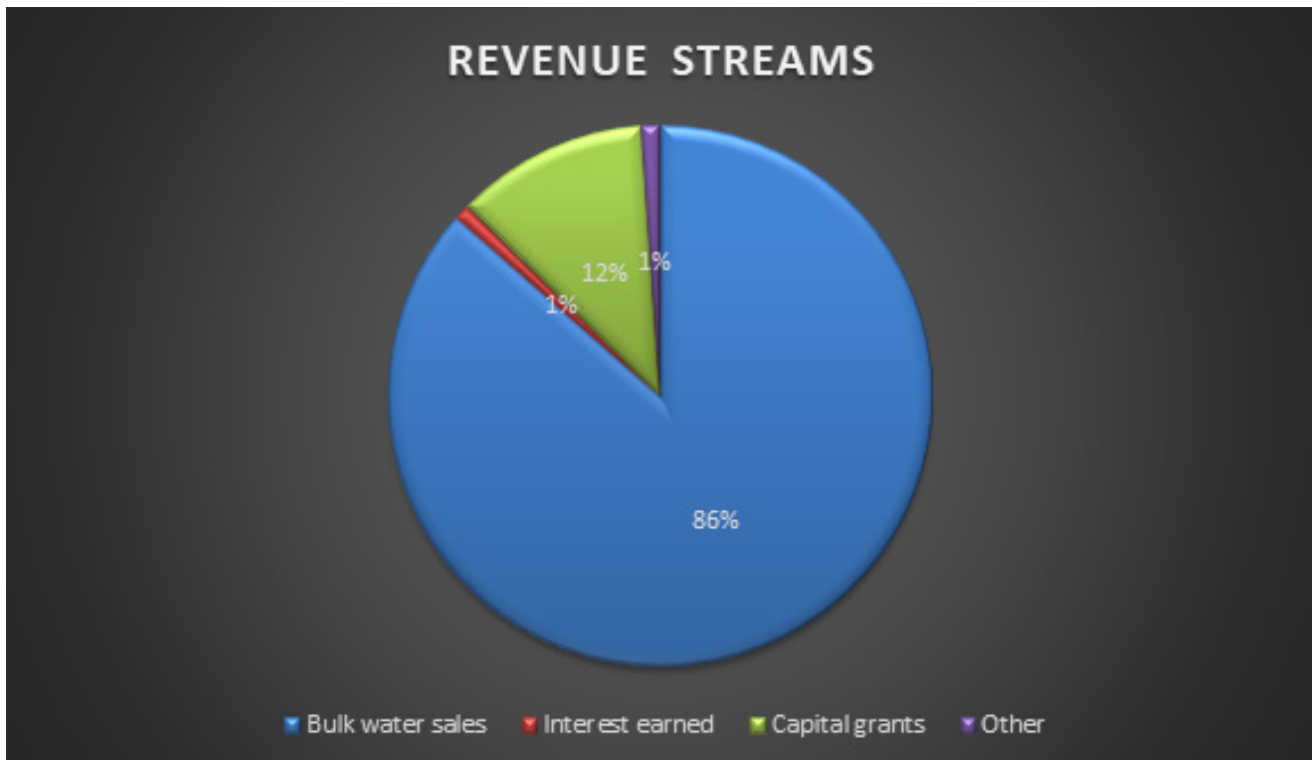
The Boards bulk tariff is well within the industry norm and unfortunately does not include a capital element or include depreciation charges.

EXPENDITURE COST DRIVERS



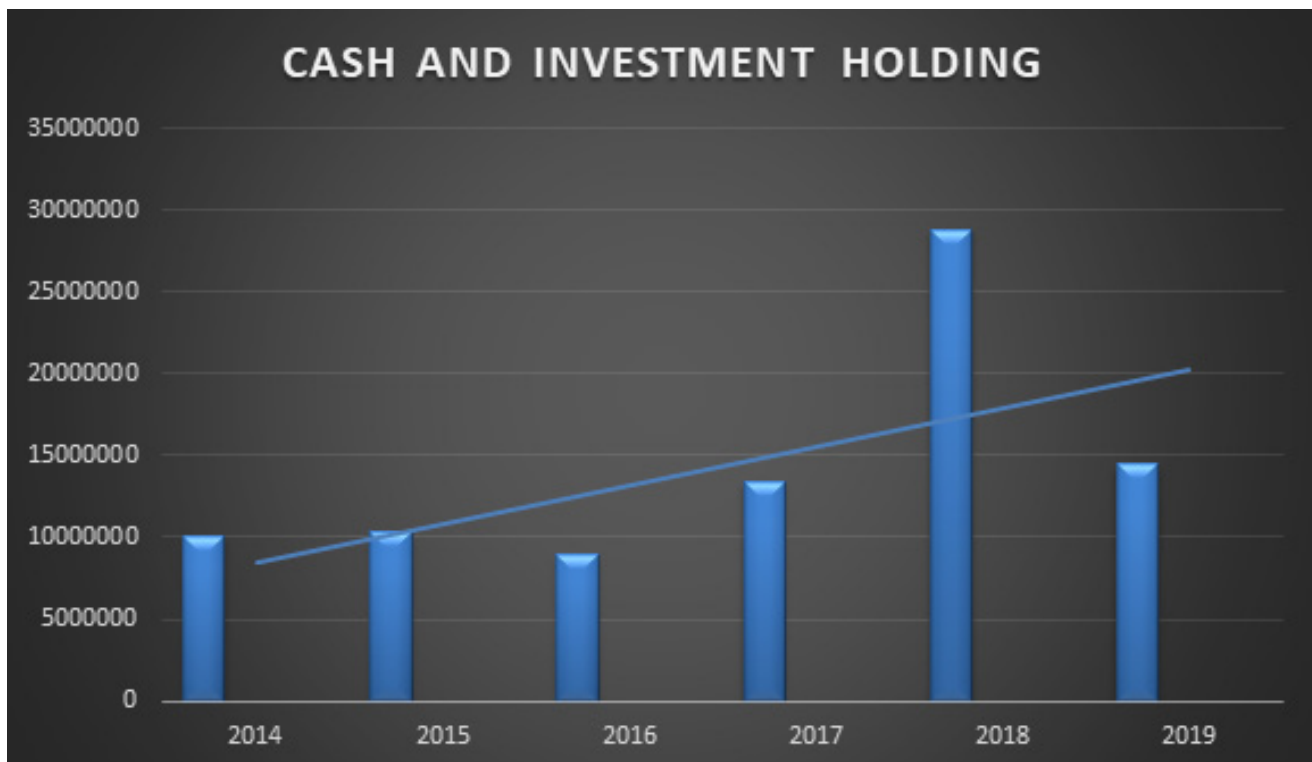
An analyses of expenditure cost drivers

INCOME REVENUE STREAMS



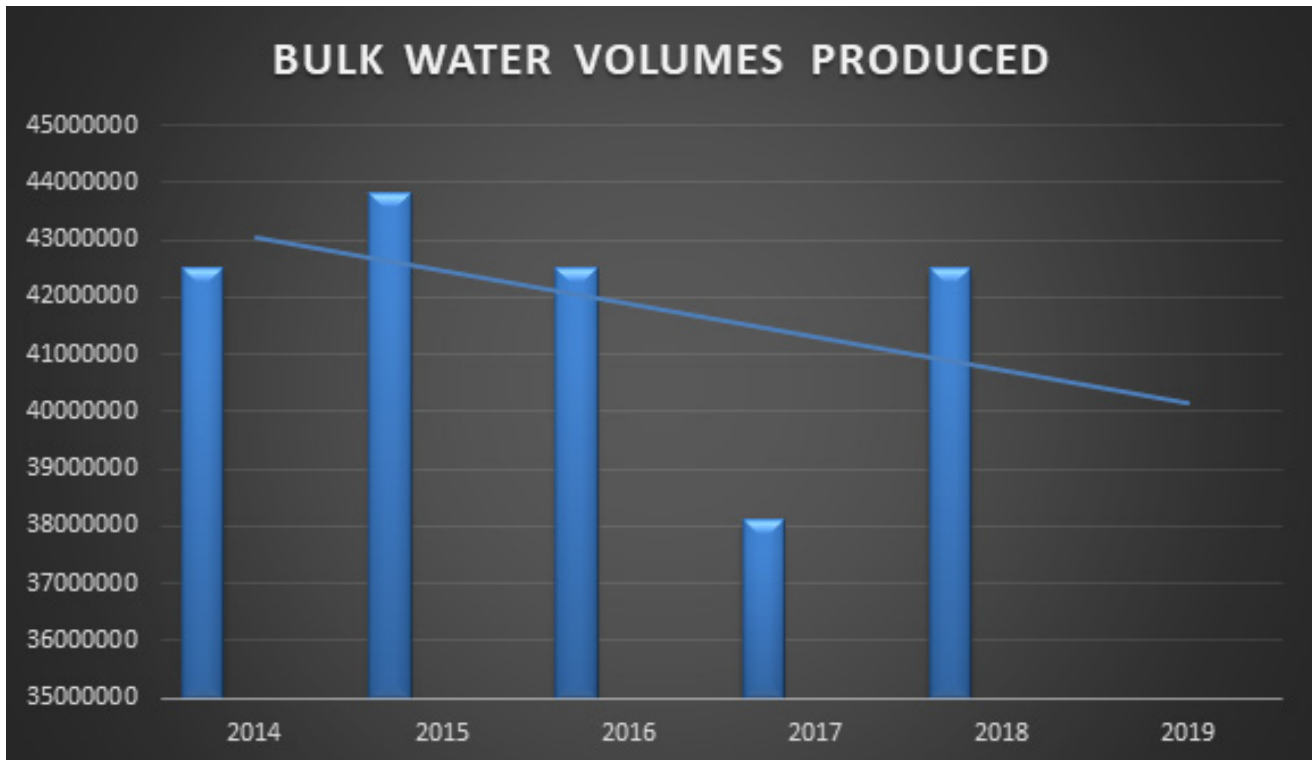
A depiction of the revenue streams of the Entity

CASH AND INVESTMENT HOLDING



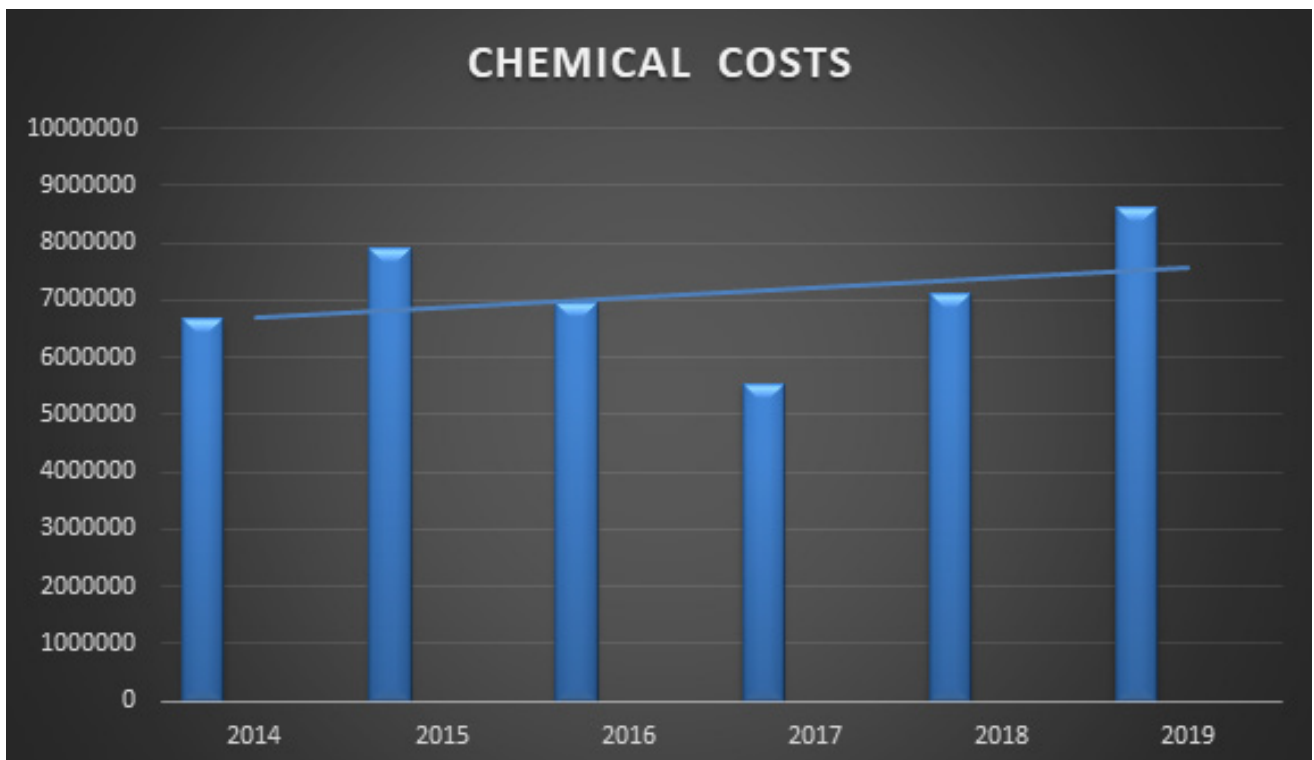
The Entity's cash and investment holding has steadily improved and currently provides cover for 3 months of operations.

BULK WATER VOLUMES PRODUCED



Bulk water volumes showed a downward trend due to the drought experienced from 2015 to 2017 and then a return to normal demands in 2018.

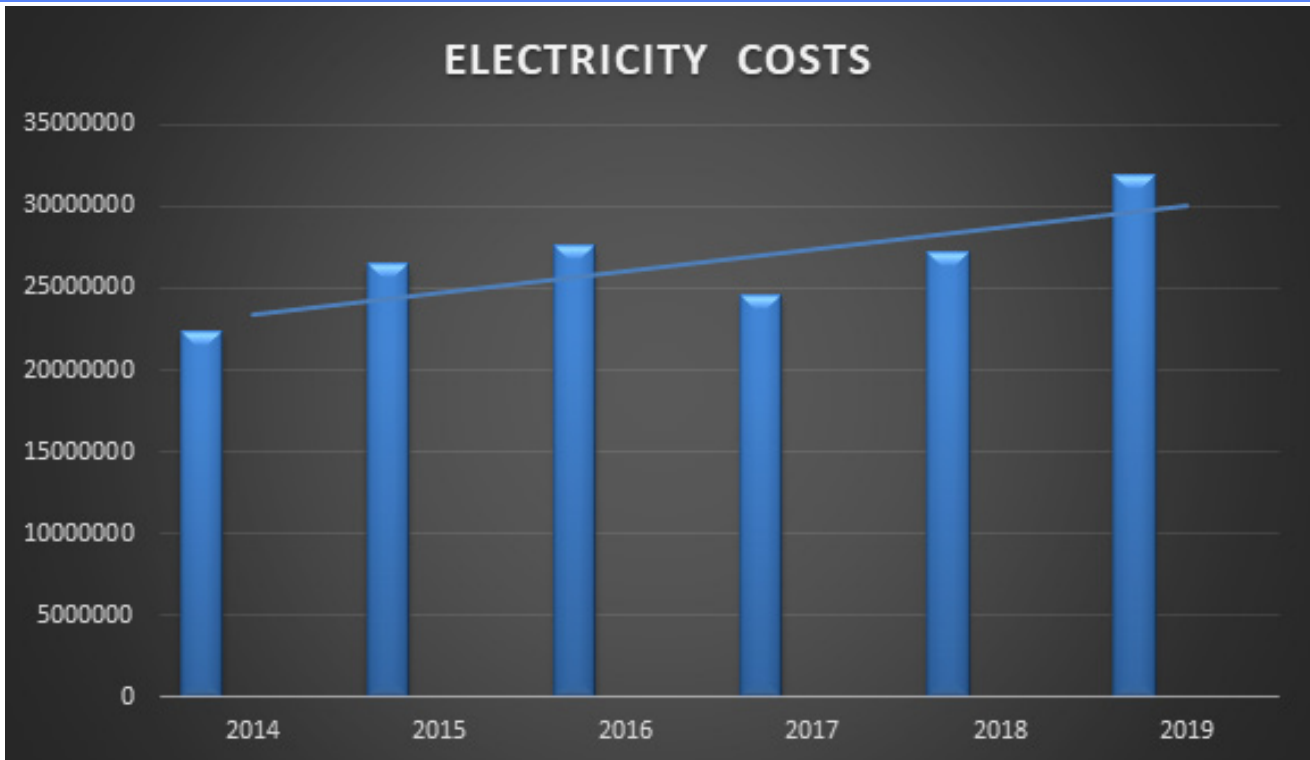
CHEMICAL COSTS



The chemical costs follow the same trend as the bulk water production costs.

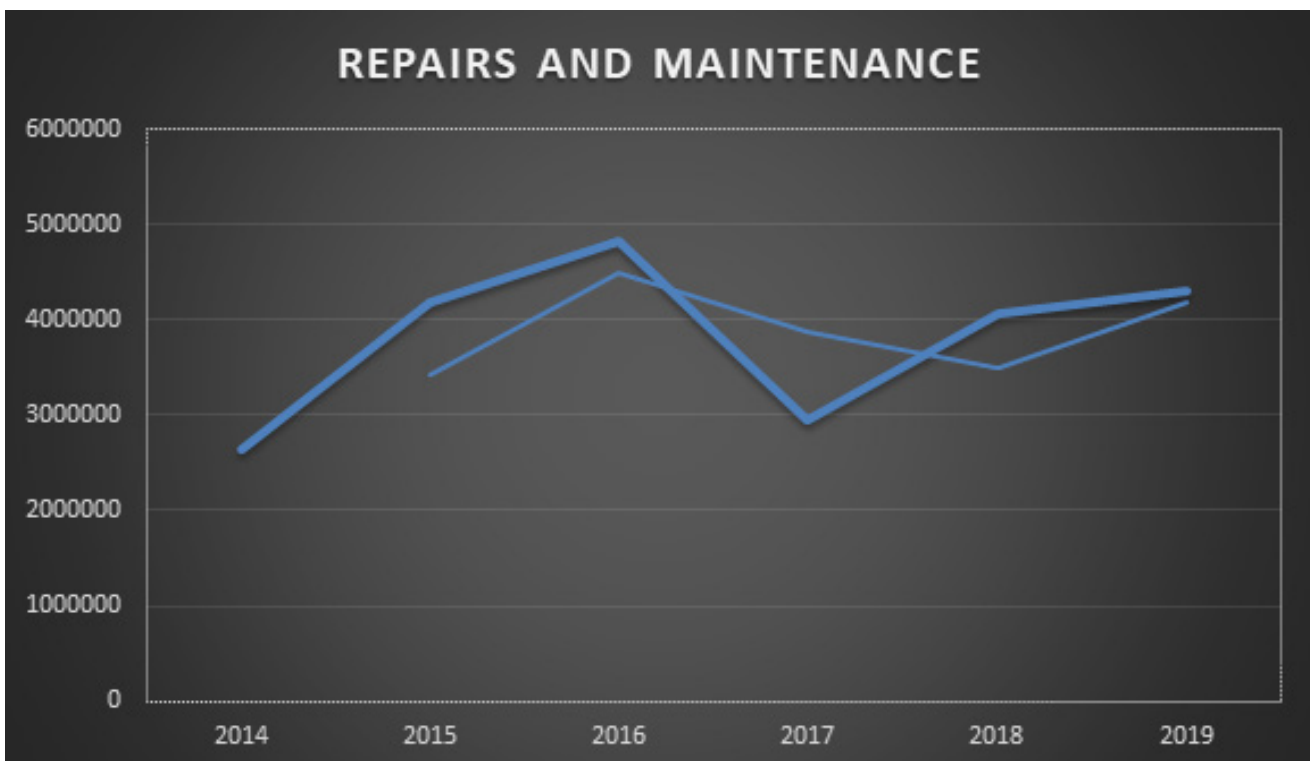


ELECTRICITY COSTS



Energy costs show the same trend as the bulk water volumes and also a steady increase in these costs

REPAIRS AND MAINTENANCE



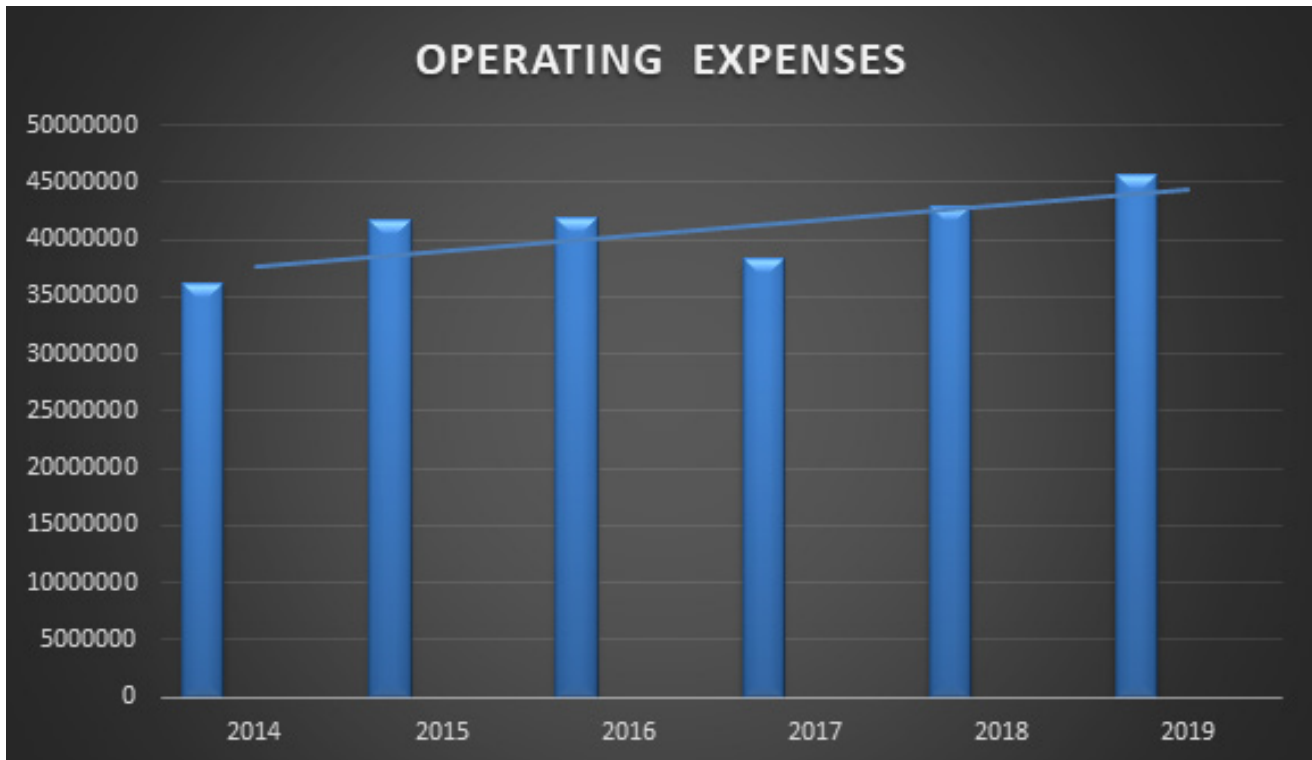
The repairs and maintenance category shows a general upward trend after following the bulk water volume production matrix.

The expenditure in this category should be substantially more taking into account the age and the condition of the water infrastructure.

At 7,5% of total expenditure it should be roughly double the current expenditure and at 7, 5% of asset value it should be roughly R 7, 5 million per year.

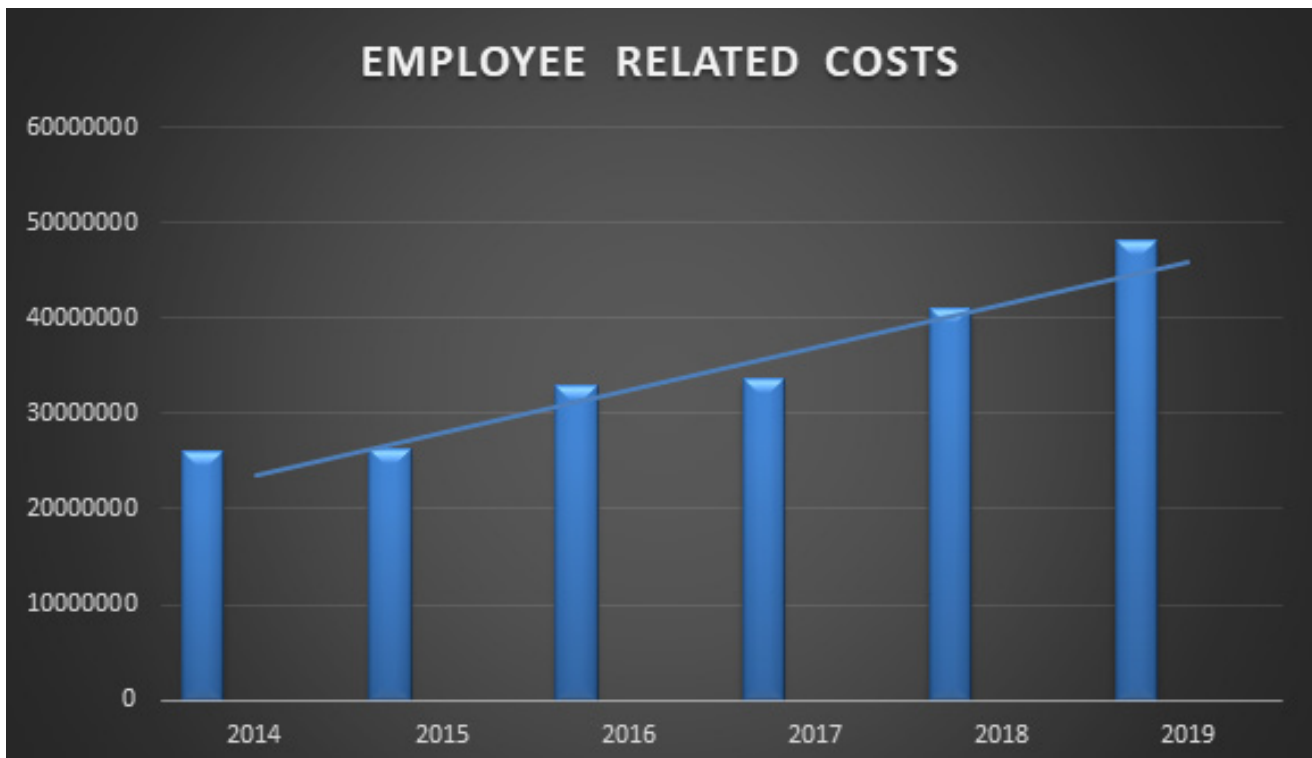


OPERATING EXPENSES



Operating expenses follow the same trend as the bulk water production costs and have remained fairly constant.

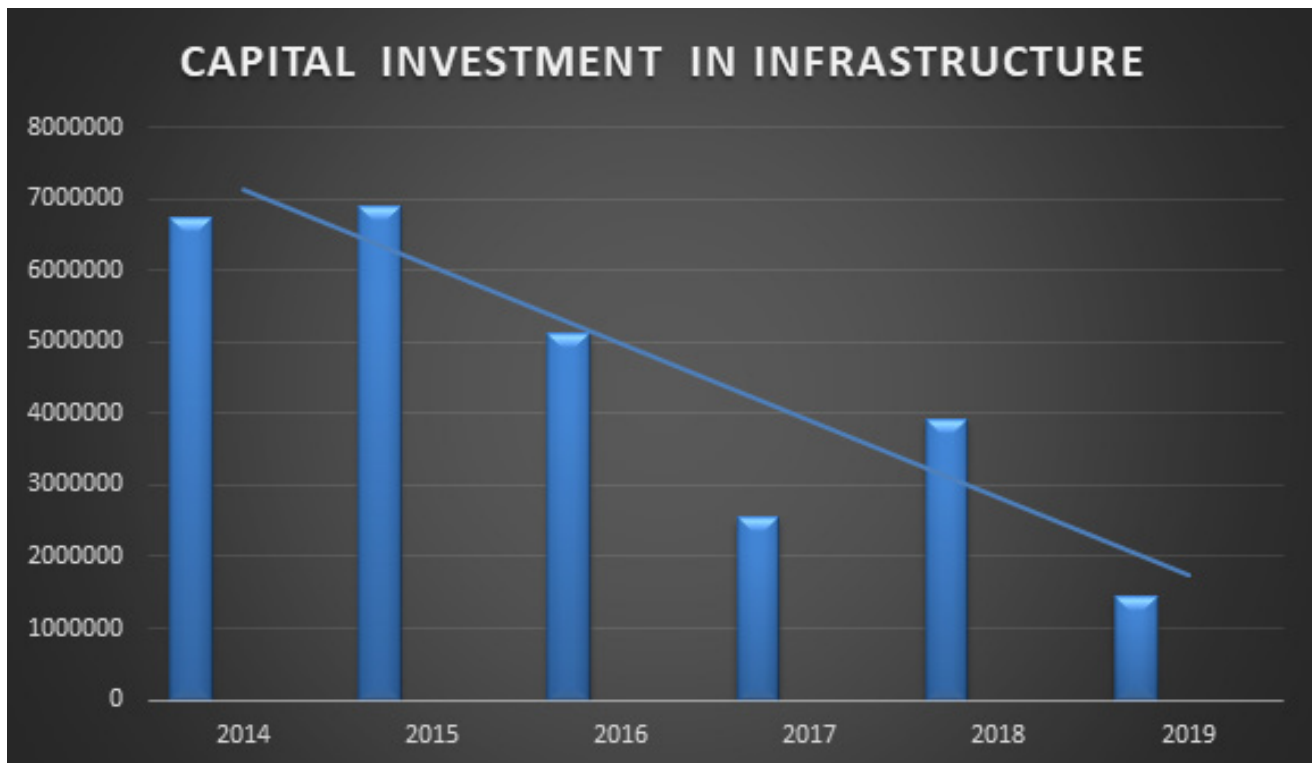
EMPLOYEE RELATED COSTS



Employee related costs have increased by the inflationary rate and also reflect the introduction of the annual performance based incentive scheme applicable to all levels of employees.



INVESTMENT IN CAPITAL AND DEVELOPMENT



Investment into the ageing and outdated bulk water infrastructure has been abysmal considering the bulk water demands of the region.

Less than R 10 Million a year has been invested by the Shareholder municipalities over the last five years. The Bulk Water Master Plan envisages an investment well in excess of R 10 Billion over the next 10 years.

This is an area that requires urgent attention and will be the focus of the Board going forward.

CAPITAL PROJECTS

Capital investment (with the entity) in water service infrastructure has decreased dramatically over the 5 year period depicted in this report. Part of the reason for the disinvestment is due to the transfer back to the WSA's of the reticulation infrastructure as at 1 July 2013, the lack of own tariff raised capital funding by the entity and the lack of capital grant funding from the WSA's.

The tariff funding capital element needs to be considered as a serious option to raise capital funding failing which the dependence on Government grant funding via MIG, MWIG, and the DWA will stifle infrastructure development and continue to be a high risk to the Board and Shareholders.

The Board has proposed several tariff models for consideration which indicate that a simple capital levy of R 1, 00 per kilolitre of water produced and sold will raise approximately R 96 Million per annum for capital upgrades and refurbishment.

The Board has targeted the next financial year to jointly with its shareholders re-strategize and prioritize water capital development requirements and to target key areas of the bulk water master plan for short medium and long term implementation.

The immediate needs are a new water resource and a new water treatment plant to augment the three WSA current water demands.



EXTERNAL LONG TERM DEBT

The Boards current long and short term debt obligations are made up as follows:

	2014/2016	2013	2012	2011	2010	2009	2008	2007
		R	R	R	R	R	R	R
Long term debt	-	54 080 833	54 295 933	64 520 424	51 769 453	53 934 275	60 971 584	67 477 570
Short term debt	-	6 602 814	10 250 405	13 930 739	32 092 996	7 037 309	6 505 986	5 999 183
WSA Internal debt	-	2 159 258	3 093 433	3 093 433	5 510 014	5 438 765	59 083 523	59 083 523
Total Debt	-	62 842 905	67 639 771	81 544 596	89 372 463	66 410 349	126 561 093	132 560 276
Decrease / Increase								
in funding	- 62 842 905	- 4 796 866	- 13 904 825	-7 827 867	22 962 114	-60 150 744	-5 999 183	132 560 276

With the transfer of Reticulation Water Services back to the municipalities with effect from 1 July 2013, all water related asset loans were transferred back to the municipalities. The Development Bank of SA renegotiated the loans and terms with the individual municipalities.

FUNDING REQUIREMENTS

During the initial establishment of the Company in 2004, a 30 year strategic Plan (SP2030) was developed for the delivery of water bulk infrastructure services. This plan has been updated and substituted with a water services master plan during the 2012 year.

The purpose of these documents is to have a reference for the sustainable provisioning of safe, acceptable and affordable water and sanitation services. The estimated total cost of bulk infrastructure required to implement the SP 2030/master plan amounts to R 5, 5 Billion

The Water Services Master Plan is currently being considered for implementation as a matter of urgency as the water resources in the area have reached critical capacities and the current drought has served to further highlight the importance of planning for the future now.

The WSA parent municipalities were initially providing in the region of R100 million pa in capital MIG grant and other grant funds, and besides this funding, the entity is very limited in its limited institutional capacity to augment these funding sources, as it is restricted to the reliance on grant funding from the WSA's for its capital requirements.



BORROWING LIMITS

The Board did have approved external loan facilities in principle with the Development Bank of SA amounting to R 2, 2 Billion, but these were not taken up by the parties concerned due to the impending transfer of reticulation services and the establishment of the new proposed Bulk water entity for the region.

This capacity, and the markets, will be tested once the new entity has been established, which facility would greatly enhance the capability of all concerned to speed up the eradication of Bulk water service backlogs.

RETIREMENT BENEFIT OBLIGATIONS

The scheme is currently unfunded and the Board has recognised its full past service liability in the balance sheet at the actuarial valuation of about R 15 Million.

The provision for these costs is a GRAP accounting standard requirement and is a statutory obligation/disclosure.

FINANCIAL RISK

As is in most companies, the entity is faced with operational and financial risks that need to be effectively managed in order to ensure that any negative impact on the Boards operational and financial performance is identified, minimised, measured and effectively managed.

The Board has a risk management strategy and plan in place, and the plan is regularly updated, monitored and managed at LEADCO, Audit Committee and Board level. The plan rates the risks according to the level of risk it poses to the entity, and details the proposed actions to be taken at the various levels within the organisation, in order to mitigate the effects of and properly control and manage the risk profile.

The highest risks on the matrix are related to the non-payment for bulk water services, underfunded budgets, and the lack of capital investment into the replacement, refurbishment and development of bulk water needs for the region.

The inability of municipalities to from within their own varied basket of services and water revenue be able to afford and take seriously the vast water development needs is seriously impeding development and creating challenges for the Board.

A rethink on these important matters and the possibility of restructuring the water business and tariffs to meet the future demands is essential.



ACCOUNTING POLICIES

The adoption of the new and revised accounting standards and interpretations issued by the International Accounting Standards Board and the International Reporting Interpretations Committee effective for the current year, as noted in the accounting policies, have not led to any changes in the Boards accounting policies.

The Boards accounts are fully GRAP compliant for the 2019 financial year.

The Board has implemented the Municipal Standard Chart of Accounts (mSCOA) with effect from the current financial year and in line with its Shareholder municipalities and all other local government institutions country wide.

FUTURE PROSPECTS

The Board currently, and since 1 July 2013, operates as an interim Bulk Water Services Provider to its Shareholders, and will do so until such time that the Minister of Water Affairs has made a final determination concerning the future institutional arrangements and the composition of a new Water structure that will deliver regional bulk water services in the area.

The current situation is that the Minister of Water and Sanitation Affairs has gazetted the formation of a single water board for the whole of the KZN-Natal province. However, this process has been discontinued and the Minister has referred the matter back to the Cabinet for further consideration and a decision in this regard.

The purpose of a single water board is to Regionalize Bulk water service delivery and thereby achieve, long term regional planning and match this to all available funding sources, assurance of supply, a sustainable bulk tariff for the region, maintain the current status of bulk water service provision, potential efficiency of shared services, sharing of scarce capacity in the region, reduction of overheads and the potential for direct access to regional bulk infrastructure grant funding.



STATEMENT OF DIRECTORS RESONSIBILITY

The Directors acknowledge their responsibility for the preparation of the annual financial statements for the year ended 30 June 2019, which in their opinion, fairly presents the results and cash flows for the financial year and the state of affairs of UThukela Water (Pty) Ltd at the end of the financial year. The annual financial statements set out in this report have been prepared in accordance with International Reporting Standards, and in the manner required by the GRAP standards and the MFMA 56/2003.

The Directors are also responsible for the systems of internal control. These systems are reviewed on an ongoing basis and the Auditor General's preliminary "dashboard" report for the forthcoming year reflects very positively and is indicative of the enormous improvements made in this regard. "Green" happy faces appear in the report for these reforms. Internal control systems are designed to provide reasonable but not absolute, assurance as to the reliability of the annual financial statements, and to adequately safeguard, verify and maintain accountability of assets and recorded liabilities, and to prevent and detect material misstatement and loss. The systems are implemented and monitored by suitably trained personnel with an appropriate segregation of authority and duties.

The Board is serious about and supports the Government initiative of "operation clean audit" and mapped its structures accordingly and achieved this goal in the 2017 financial year.

The Directors are firm in their belief that based on the information and explanations given by management, the internal auditors and the external auditors, that the system of internal control provides reasonable assurance that the financial records may be relied upon for the preparation of the consolidated annual financial statements.

The external auditors are responsible for reporting on the fair presentation of these annual financial statements. The Auditor General with the assistance of local expertise has audited the annual financial statements after having been provided unrestricted access to all accounting and financial records and related data. The Directors believe that all representations made to the external auditors during their audit were valid, appropriate and complete.

The Directors have reviewed the Board's forecast financial performance for the year to 30 June 2019, as well as the longer term budget, and in the light of this review and the current financial position, they are satisfied that the Board has access to adequate resources, to under the current circumstances, continue as a going concern for the foreseeable future. This does not detract from the fact that the current tariff, debt poor payment, capital funding requirements and budget issues need to be resolved.

This positive sentiment is expressed on the condition that the participating municipalities attend to the pressing issues of proper economic tariff determination, timorous payment of accounts, full payment of raw water production costs and adequate capital infrastructure planning and funding.

APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

The annual financial statements of uThukela Water (Pty) Ltd for the year ended 30 June 2019, have been approved by the Board of Directors and signed on its behalf and presented accordingly to the office of the Auditor General for the statutory audit thereof.

P. S. Naidoo
Chairperson of the Board

F Moola
Act. Chief Financial Officer



Risk Management and Business Continuity

The Board considers risk management as a strategic tool in its management processes, and has committed the entity to a procedure of risk analyses that is aligned to the principles of good corporate governance in terms of the King 111 Report, other supporting legislation and leading Company best practices.

Risk Management Approach and System

Risk management is recognised as an integral part of responsible management and the Board has adopted an enterprise wide approach that is outlined in its Risk Management Policy and Framework. This approach means that all Departments, functions and processes are included in a structured and systematic process of risk management. The Framework consists of the governance structure and Risk Management process aligned to the National Public Sector Risk Management Framework and ISO31000 standards. The Board and its Committees retain an obligation to remain informed not only of the risks to the organisation, but also to the effectiveness of risk management efforts. Internal Audit and the Audit Committee provide the Board with assurance regarding the effectiveness of the risk management processes carried out within the organisation.

Key Strategic Risks

The following key strategic risks have been identified and monitored during the year, and are as a matter of course reviewed annually in accordance with World Economic Forum Global Risks and the IRMSA SA Risk Report.

Fraud Prevention

The Board together with management is committed to establishing and maintaining an honest, open and well intentioned working environment within the organisation and to fight any fraudulent attempts in all the levels of the organisation. Exposure to the risk of fraud is managed by the implementation of a Fraud Prevention Plan and an Anti-Fraud and Corruption Policy.

Ethics contracts are signed by all staff members and a fraud hotline exists to support any possible whistle blowing activities. Management is focused on creating awareness around perceived red flag areas, and internal controls are continually reviewed and strengthened in order to prevent any occurrences of fraud and corruption.

Business Continuity

Risk management also encompasses disaster recovery planning and business continuity management. The Board is committed to ensuring the continuity of its operations in the event of material disruption to its critical activities by ensuring the safety and wellbeing of its employees, contractors, visitors, protecting the environment and society in which it operates, minimising the adverse impact of any possible disruptions on operations and ensuring continuity of critical processes to a predefined and acceptable level.

During the year concerned managed developed a Business Continuity Management Programme and Policy for adoption by the Board which seeks to develop and implement emergency response plans, crisis management plans, and continuity plans for the organisation.



Performance Scorecard



uThukela Water
Annual Report 2019

Introduction

This report serves to table on the annual performance of the entity as at year end 30/06/2019 against its pre- determined objectives planned out in April 2018. (Measurement of performance against the SDBIP of FY2018/2019)

The financial performance of the entity will be reported on separately

Service Delivery Performance Analysis

uThukela Water (Pty) Ltd uphold its mission statement by ensuring excellent and consistent performance across all areas of expertise within the entity.

In April 2018 a pre-determined strategic plan/SDBIP that converts into measurable criteria on how, where and when the strategic objectives and normal business processes of the entity will be achieved and implemented was tabled for the FY 2018/2019.

This plan has since been approved by both the Board of directors as well as the respective parent municipalities of the entity.

Performance Setting

The SDBIP of uThukela Water (Pty) Ltd for the FY 2018/2019 comprised of 7 key strategic objectives. Which were filtered into key performance areas and key performance indicators. The key performance indicators were assigned annual targets and performance is measured against these targets quarterly.

uThukela Water (Pty) Ltd Key Strategic Objectives

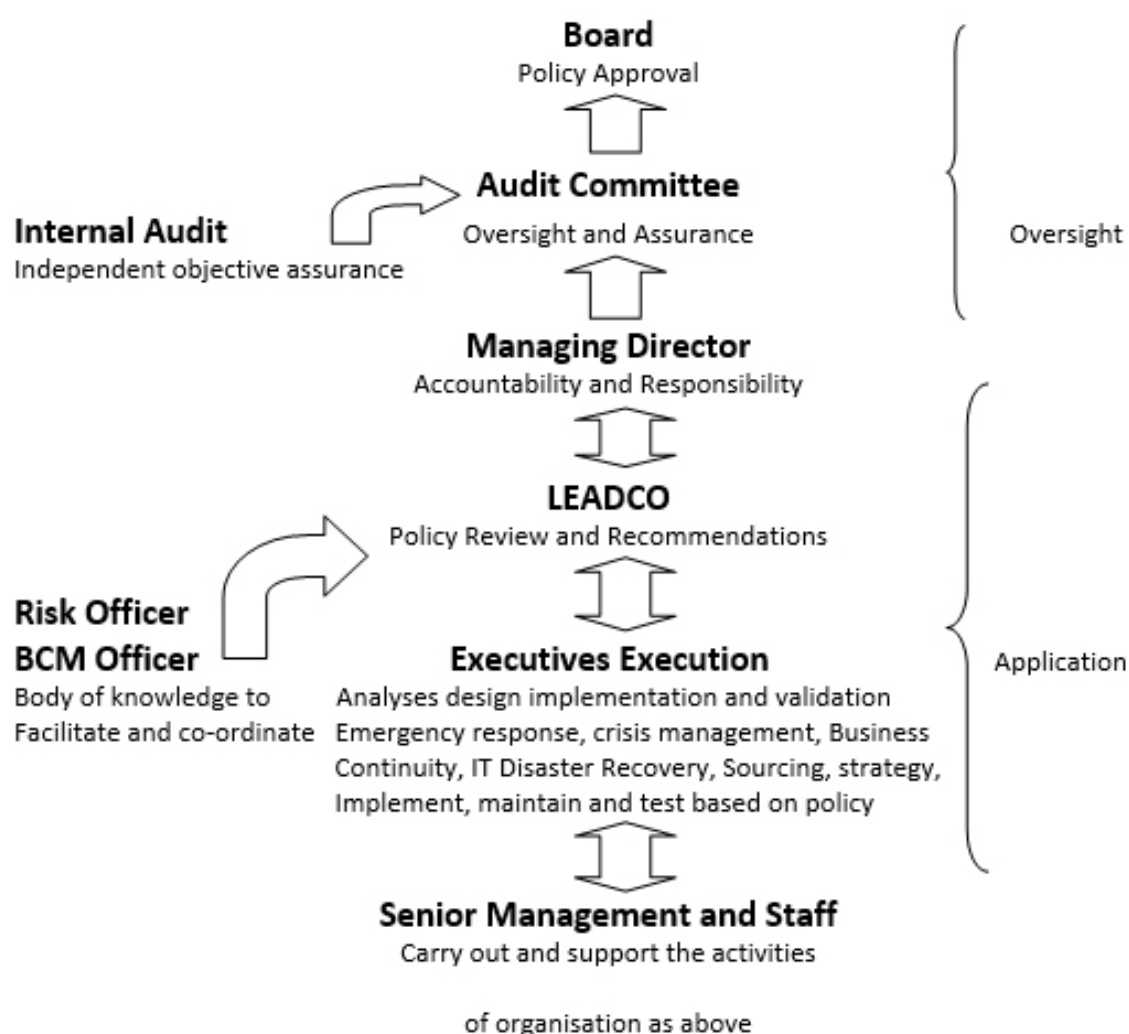


MONITORING PERFORMANCE

The entity's performance is measured as per the performance management policy of uThukela Water (Pty) Ltd. The performance of the entity is measured at the end of every quarter and is carried out by the Chairperson of the Board of Directors Mr. P.S Naidoo

uThukela Water (Pty) Ltd make use of a 4 Point rating scale to measure performance, it is the same rating scale used to measure targets within the SDBIP of the entity.

In accordance with international good practices, management is committed to carrying out and discharging its legal, moral and regulatory accountabilities and responsibilities and even in the event of a disaster occurring. A sound management structure is in place to steer and respond to requests accordingly. The Boards Business Continuity Management structure depicting roles and responsibilities in terms of policy making appears as follows;



Auditor Generals Report

and Annual Financial Statements for the year ending 30 June 2019



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence



uThukela Water
Annual Report 2019

UTHUKELA WATER (PTY) LTD

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

INDEX DETAILS	PAGE NUMBER
General Information	
Directors Report	
Accounting Policies	
Financial Risk Management	
Critical Accounting estimates and judgements	
Report of the Auditor General & Managements Response	
Statement of Financial Position	
Statement of Financial Performance	
Statement of change in net assets	
Cash Flow Statement	
Notes to the Annual Financial Statements	



Annual Financial Statements

uThukela Water (Pty) Ltd

For the year ended: 30 June 2019

I am responsible for the preparation of these annual financial statements, which are set out on pages 3 to 27, in terms of section 126 (2) of the Municipal Finance Management Act, 56 of 2003 and the Companies Act, 71 of 2008 and which I have signed on behalf of the Company.

Managing Director

Date: 30 August 2019

Chief Financial Officer

Date: 30 August 2019

Chairman

Date: 30 August 2019

Province: Kwazulu Natal

AFS rounding: SA Rand only, no cents.

Contact Information

Acting Managing Director: Luiz Lionel Cunha

Acting Chief Financial Officer: Farida Moola

Telephone Number: 034 328 5000

Email Address: luiz.cunha@uthukelawater.co.za

Chairman of the Board: Poovalingum Subramoney Naidoo

Telephone Number: 031 719 7454

Email Address: dan.aidoo@umgeniwater.co.za

Auditor General Contact: Mohammed Mahomedy (CA) SA

Telephone: 033 264 7400

Email Address: mohammedm@agsa.co.za

General Information

Legal form of business

uThukela Water (Pty) Ltd is an interim Water Service Provider operating under Provincial Council authority dated 6 June 2012, and via a water services provider agreement signed with the Shareholder municipalities of; Newcastle, Umzinyathi and Amajuba Districts, in accordance with the provisions of section 78 of the Municipal Systems Act 32/2000, for the purposes of providing Bulk water services to these municipalities. The National Water Minister of Water Affairs and Sanitation via government gazette number 39491 dated 15 December 2015 determined that the Entity will be incorporated into a new single Water Board proposed for the whole of KwaZulu Natal. The due diligence exercise for this purpose is currently being conducted and it is expected that the incorporation will take place within the next two years.

The entity operates as a Bulk water services provider to its controlling Shareholders, and performs no other functions outside the scope of the draft agreement between the parties.

The entity is governed by the provisions of the Companies Act 71/2008, Municipal Finance Management Act 56/2003, Municipal Systems Act 32/2000, Water services Act 108/1997 and the Public Audit Service Act 25/2004.



DIRECTORS REPORT

In terms of the Companies Act, 71/2008, as amended, and read with the Municipal Systems Act 32/2000, as amended, the Board of uThukela Water (Pty) Ltd, is the accounting authority and the bulk water services provider to the municipalities of Newcastle, Amajuba and Umzinyathi District, and the Directors have pleasure in presenting their report for the year ended 30 June 2019.

Nature of business

uThukela Water (Pty) Ltd, is an interim multijurisdictional water entity, originally established in 2003 to provide the whole spectrum of water and sanitation services, and then subsequently with effect from the 1 July 2013, was re-constituted to supply only potable bulk water to its parent municipalities. The activities of uThukela Water are in line with the provisions of the Water Act, Act 108/1997.

The primary activities in terms of section 29 of the Act are:

- (a) To treat raw water and to distribute the treated water via its infrastructure to its Shareholder municipalities.
- (b) To provide Bulk water quality assurance to its Shareholders via its laboratory analyses and measurement in terms of National Water Standards.

In terms of section 30 of the Act, uThukela Water (Pty) Ltd also engages in other services that complement bulk water services such as laboratory services, water quality monitoring and environmental management within the water reticulation systems of the Shareholders, and also acts as an implementing agent for any sphere of government for projects related to water service delivery.

The services are provided on behalf of the following parent municipalities who are also the Water Service Authorities for their respective jurisdictions:

Amajuba District Municipality
Newcastle Municipality
Umzinyathi District Municipality

Compliance with legislation

The annual financial statements are prepared in accordance with the South African Statements of Generally Accepted Accounting Practice (GAAP) including any interpretations of such accounts issued by the Accounting Practices Board, with the effective standards of Generally Recognized Accounting Practices (GRAP) issued by the Accounting Standards Board replacing the equivalent GAAP statements as indicated in the accounting policies of the Board. The requirements of the following relevant statutes were also taken into account when preparing the annual financial statements:

- (a) Water Services Act 108/1997,
- (b) Municipal Finance Management Act 56/2003,
- (c) Municipal Systems Act 32/2000,
- (d) Companies Act 71/2008 and
- (e) Public Audit Service Act 25/2004.

These acts require preparation of the financial information to be in compliance with the Companies Act 71/2008, as amended.



Corporate governance and risk management

The Board supports the principles of the code of Corporate Practices and Conduct as set out in the King III report. The organizations policies, procedures and processes are continuously reviewed to align with King III and the Board provides the required oversight and is pleased with the commitment that prevails at all spheres of the organization in as far as compliance with King III is concerned.

The Board is responsible for monitoring the risk management process.

Share capital and Director's interests

The share capital of the Company has been issued in one hundred (100) ordinary shares, and is valued at R100.

The authorized number of ordinary shares is 10 000, with a par value of R 1 per share.

The parent municipalities (Water Service Authorities) are the sole Shareholders of the company, and their individual shareholding is as follows;

Amajuba District Municipality; 33%

Newcastle Municipality; 34%

Umzinyathi District Municipality; 33%

The details of the shares, and share certificates, are recorded in the Register of Shareholders of the Company, in terms of the provisions of the Companies Act 71/2008, as amended.

The MEC responsible for Co-operative Governance and Traditional Affairs, The Honorable N. Dube, on the 18 June 2012, released a decision of the Provincial Executive Committee taken at a Cabinet meeting held on the 25 April 2012, wherein it was resolved that;

- (a) The section 139 (1) (b) of the Constitution of the RSA, Act 108/1996, intervention institute by the Provincial Executive was terminated with immediate effect, and that the Water Service Authorities would immediately resume and be accountable for water service functions previously assumed by the Provincial Executive of the Province of KZN together with the rights and obligations pertaining to uThukela Water (Pty) Ltd.
- (b) The Directive also governed that in relation to the delivery of water services operated by uThukela Water (Pty) Ltd, that in terms of section 139 (1) (a) of the Constitution, the following orders, amongst others things to be done, would be implemented;



- All retail/reticulation water service functions would be de-centralized and returned to the respective municipalities.
- Bulk water services would be regionalized.
- uThukela Water (Pty) Ltd would continue to provide water services as the Bulk water service provider until such time that the National Minister for Water Affairs makes a decision concerning the future composition of the new or reconstituted Regional Bulk water service authority.
- That uThukela Water (Pty) Ltd would be de-registered in terms of the Companies Act once the Minister of Water Affairs had made a decision regarding the new or reconstituted water service authority.
- That uThukela Water (Pty) Ltd, in the interim, be served by a Transitional Board constituted of the following members;

Mr. D. Naidoo, Executive, Umgeni Water Board, and, who shall remain as the independent Chairperson of the Board.

Mr. B. Ndlovu, the CFO of COGTA.

Mr. M. Msiwa, an independent Board member,

Mr. A. Evetts, Manager: Municipal Infrastructure of COGTA, as a Board member.

Mrs A. Masefield, Acting Provincial Head of the Department of Water Affairs, appointed as an observer.

The Municipal Managers of the three Shareholder municipalities of Newcastle, and the Amajuba and Umzinyathi District municipalities, serving as Board members.

During the financial year, no contracts were entered into in which Directors or Officers of the Company had an interest and which significantly affected the business of the Company.

No special resolutions, the nature of which might be significant to the Shareholder in their appreciation of the state of affairs of the Company, were made by the Company during the period covered by this report.

The future dispensation of the Company

The Minister of Water Affairs and Sanitation has by Government Gazette number 39491 dated the 10 December 2015, declared that in terms of the provisions of the Water Services Act 108/1997, that the extension of the water services will be incorporated into a single water functionary. The mechanism and new functionary has not yet been finalized and determined by the Minister.

Financial performance

The Company balance sheet reflects a net asset worth of R 721 488 332 (2018: R 775 958 936) and is made up as follows;

Share Capital	R	100
Accumulated surplus	R	21 778 904
Asset revaluation Reserve	R	699 709 328

The total net shareholder contributions paid to uThukela Water to date is reflected at R 174 159 523 (2018: R 183 687 396), and is made up of capital contributions to water infrastructure development projects, and excludes bulk water billing payments which are appropriated to accumulated surpluses. The details hereof are reflected in note 13 to the annual financial statements.



There was a net decrease in cash and cash equivalents to R 14 066 598 from (2018: R 28 811 692). Cash receipts shareholder contributions, and accumulated funds assisted the Company to invest R 18 717 785 (2018: R 3 145 868) into property, plant, infrastructure and equipment during the year. The total net capital investment in bulk water service infrastructure, and in respect of property plant and equipment is R 936 160 385 (2018: R 965 994 728)

Statement of Financial Performance, June 2019.

The Statement of Financial Performance for the year under review reflects a trading deficit of R 85 854 860 for the year. (2018: R 108 400 638) However, it should be noted that the deficit is mainly attributable to the raising of depreciation charges amounting to R 77 996 183, which amount is written back via the accumulated surplus account as a result of the municipalities not providing for or paying for these depreciation charges. The Water Service Authorities only provide and pay for cash items in their operational budgets and do not contribute towards any of the non-cash items accounted for.

Statement of Financial Position, June 2019.

The Statement of Financial Position reflects positively and generally indicates that the Board is trading in solvent circumstances, except for the negative asset ratio test, which is directly as a result of the non- payment of the raw water charges billed by the Department of Water Affairs and consequently raised by the Entity, but not paid to the Department, as a result of non-payment by the shareholder municipalities.

The recovery and/or write off of these raw water charges is receiving attention at the highest level.

There were no external borrowings in the year under review.

Capital expenditure and commitments

Capital expenditure for the year including amounts disbursed directly by the shareholders and utilized from accumulated funds and brought into account in the water services balance sheet amounting to R 18 717 785 (2018: R 3 145 868) for property plant and equipment.

The Companies contractual capital commitments are disclosed in note 31 of the financial statements.

Materiality framework

Management for the purposes of materiality works within the framework of acceptable levels of materiality and significance set and established by the Office of the Auditor General.

Fruitless and wasteful expenditure

There was R 65 739 096 of fruitless and wasteful expenditure comprising mainly of interest raised by the Department of Water and Sanitation on outstanding accounts during the year. See note 28.

Irregular expenditure

irregular expenditure was reported during the year under review resulting from non-compliance with the supply chain management policy. These instances will be investigated and reported to the Board.



Fraud and financial misconduct

There were no instances of fraud and financial misconduct in the current financial year. Internal controls are reviewed and improved on continuously.

Performance against financial targets

The performance of uThukela Water against key financial indicators as agreed in the Shareholders compact is illustrated in the performance management scorecards which are reported in the annual report.

The Company scorecard reflects that the Company has performed within targets and objectives as set out in the Business plans and budgets, albeit it under difficult and restrained circumstances.

Events after the reporting period

No material events have taken place after the reporting period and as at the date of this report.

Going concern

The going concern basis has been adopted in preparing the financial statements. The Directors considered the following factors in reaching this opinion:

- Despite the matter of the Shareholder old debt situation having not been resolved, this does not have an effect on the going concern basis of the entity. The outstanding shortfall debt is counter balanced by the non-payment of the DWS raw water charges, as was resolved by the shareholders at a meeting held in December 2012. This matter is being dealt with and negotiated individually by each WSA and directly with the Department. If the WSA's pay their current bulk water accounts, the entity is able to function and deliver Bulk water services, albeit within a severely curtailed operational budget. The lack of capital Investment, however, poses a serious threat to sustainable and uninterrupted water services;
- An adequate surplus exists to cushion the effects of any uncontrolled and/or, unforeseen expenditure which may occur, and there is sufficient reserve to offset the effects of annual depreciation;
- Stable key executive management is in place;
- The budget, although restricted by affordability factors, reflects a continuation of strong financial performance, and,
- The application of a bulk water tariff to recover the expenditures of the Board promotes efficient and sustainable use of water, equitable and affordable access to water supply services and to the solvency and sound financial management of the Company.

D NAIDOO

CHAIRMAN – UTHUKELA WATER (PTY) LTD



FINANCIAL RISK MANAGEMENT

2.1 Credit risk

Potential credit risk mainly consists of short-term investments, cash and cash equivalents and accounts receivable. The risk from short-term investments and other cash items is restricted by transacting only with financial institutions with high credit ratings assigned by international credit-rating agencies. Credit risk with respect to trade receivables is limited to the Shareholders and their municipality's ability to meet their capital grant and trade Bulk water purchase annual Budget commitments to the entity.

2.2 Liquidity risk

uThukela Water (Pty) Ltd manages liquidity risk through proper management of working capital, capital expenditure and actual versus forecasted cash flows.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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

3.1 Impairment of consumer and other debtors

Impairment of receivables is established if there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables. Accordingly, management's assessment of the recoverability is reflected through the creation of a provision for doubtful debts as reflected in the notes to the financial statements.

4. SEGMENTAL INFORMATION

Segmental information in respect of property, plant and equipment is disclosed in Appendix B to the annual financial statements attached.



Report of the auditor-general to the KwaZulu Natal Provincial Legislature and the Council on uThukela Water (Pty) Ltd

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the Uthukela Water (Pty) Ltd set out on pages ... to ..., which comprise the statement of financial position as at 30 June 2019, the statement of financial performance, statement of changes in net assets and cash flow statement for the year as well as the notes to the financial statements, including a summary of significant accounting policies.

2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Uthukela Water (Pty) Ltd as at 30 June 2019, and its financial performance and cash flows for the year then ended in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Companies Act of South Africa, 2008 (Act No. 71 of 2008) (the Companies Act).

Basis for opinion

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

4. I am independent of the municipal entity in accordance with sections 290 and 291 of the International Ethics Standards Board for Accountants' Code of ethics for professional accountants and, parts 1 and 3 of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA codes) as well as the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA codes.

5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of matter

6. I draw attention to the matter below. My opinion is not modified in respect of this matter
Restatement of corresponding figures

7. As disclosed in note 40 to the financial statements, the corresponding figures for 30 June 2018 were restated as a result of an error in the financial statements of the entity at, and for the year ended, 30 June 2019.

Other matters

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



Unaudited disclosure notes

9. In terms of section 125(2)(e) of the MFMA, the entity is required to disclose particulars of non-compliance with the MFMA in the financial statements. This disclosure requirement did not form part of the audit of the financial statements and, accordingly, I do not express an opinion on it.

Unaudited supplementary schedules

10. The supplementary information set out on pages xx to xx does not form part of the financial statements and is presented as additional information. I have not audited these schedules and, accordingly, I do not express an opinion on them

Responsibilities of the accounting officer for the financial statements

11. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the SA Standards of GRAP and the requirements of the MFMA and the Companies Act, and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

12. In preparing the financial statements, the accounting officer is responsible for assessing the uThukela Water (Pty) Ltd's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

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

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

14. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

Report on the audit of the annual performance report

Introduction and scope

15. 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 material findings on the reported performance information against predetermined objectives for selected objective presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.

16. My procedures address the reported performance information, which must be based on the approved performance planning documents of the municipal entity. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.



17. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected objective presented in the annual performance report of the entity for the year ended 30 June 2019:

Objective Pages in the annual performance report

Objective 5: Improve service delivery

18. 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.

19. I did not raise any material findings on the usefulness and reliability of the reported performance information for Objective 5: Improve service delivery.

Other matter

20. I draw attention to the matter below.

Achievement of planned targets

21. The annual performance report on pages x to x includes information on the achievement of planned targets for the year.

Report on the audit of compliance with legislation

Introduction and scope

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

23. The material findings on compliance with specific matters in key legislation are as follows:

Financial statements

24. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA. Material misstatements of current liabilities, equity and disclosure items identified by the auditors in the submitted financial statement were subsequently corrected, resulting in the financial statements receiving a qualified audit opinion.

Expenditure management

25. Reasonable steps were not taken to prevent irregular expenditure, as required by section 95(d) of the MFMA. The value of R25.7 million, as disclosed in note 28, is not complete as management was still in the process of quantifying the full extent of the irregular expenditure. The majority of the disclosed irregular expenditure was caused by awards made to service providers who did not declare their interest through the use of MBD4 forms and deviations that were not approved for cases where less than 3 quotations were obtained.



26. Reasonable steps were not taken to prevent fruitless and wasteful expenditure, as required by section 95(d) of the MFMA. The expenditure disclosed does not reflect the full extent of the fruitless and wasteful expenditure incurred as management was still in the process of quantifying the full extent of the fruitless and wasteful expenditure incurred as indicated in the basis for qualification paragraph. The fruitless and wasteful expenditure was caused by interest charged by the Department of Water and Sanitation for long overdue payments.

27. Value added tax (VAT) was paid to a service provider who did not have a valid tax invoice as required by section 20(4) of the Value Added Tax Act 89 of 1991. This was due to lack of adequate systems in place to ensure that the entity verifies the accuracy of the tax invoice prior to making payments.

28. Money owed by the municipal entity was not always paid within 30 days as required by section 99(2) (b) of the MFMA.

Procurement and contract management

29. Quotations were accepted from bidders who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, as required by SCM regulation 13(c).

30. Some of the goods and services with a transaction value of below R200 000 were procured without obtaining the required price quotations, in contravention of by SCM regulation 17(a) and (c) and the deviation thereon was not approved by the delegated official.

Other information

37. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report and those selected objectives presented in the annual performance report that have been specifically reported in the auditor's report.

38. 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 thereon.

39. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected objectives presented in the annual performance report, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

40. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.



Internal control deficiencies

31. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.

32. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on the annual performance report and the findings on compliance with legislation included in this report.

33. Oversight was not adequately implemented over financial reporting to detect and correct certain errors in the financial statements. The application of policies and legislative requirements were not stringently applied to avoid certain non-compliance and misstatements as reported.

34. Management did not adequately interpret disclosures against the accounting framework to ensure that all transactions adequately met the definition criteria. This led to material misstatements which were subsequently corrected.

Other reports

35. In addition to the investigations relating to material irregularities, I draw attention to the following engagements conducted by a party that could have, an impact on the matters reported in the municipal entity's financial statements, reported performance information, compliance with applicable legislation and other related matters. This report did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.

36. On the 13 December 2018, an independent firm concluded an investigation into alleged procurement irregularities by the service providers and/ or the employees of uThukela Water (Pty) Ltd. Part of the recommendation were to blacklist the affected service providers and to conduct further investigation on some of the contract. Based on further investigation done by the Internal Audit of the entity, no irregularities were identified. The letters were sent to the affected service providers, notifying them about the steps taken by the entity.

37. The Cooperative Governance and Traditional Affairs (COGTA) in KwaZulu Natal commissioned an investigation during the 2018/19 financial year that was to look into various allegations levelled against the officials of the municipal entity. As at the audit report date, this investigation had not been finalised.

Auditor - General

30 November 2019



AUDITOR - GENERAL SOUTH AFRICA
Auditing to build public confidence



UTHUKELA WATER (PTY) LTD
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2019

	Note		2019		2018
			R		R
ASSETS					
Current assets			111,934,609		99,292,996
Inventory	6		121,988		134,663
VAT receivable	11		19,554,619		17,724,329
WSA debtors	4		0		10,106,394
Other receivables from non-exchange transactions	3		3,941,458		3,967,760
Trade and other receivables from exchange transactions	2		74,249,946		38,548,159
Cash and cash equivalents	1		14,066,598		28,811,692
Non-current assets			936,160,385		965,994,728
Property, plant and equipment	7		934,558,652		963,778,958
Intangible assets	8		1,601,732		2,215,770
Total assets			1,048,094,994		1,065,287,724
LIABILITIES					
Current liabilities			316,414,535		278,836,748
Trade and other payables	9		309,896,476		259,968,783
Unspent conditional grants and receipts	9A		683,333		14,281,468
Current portion of staff benefit obligations	10		5,834,726		4,586,498
Non-current liabilities			10,192,126		10,492,040
Service related staff benefit obligations	10		10,192,126		10,492,040
Total liabilities			326,606,661		289,328,788
Net assets			721,488,332		775,958,936
Share capital	12		100		100
Accumulated funds	13		721,488,232		775,958,836
Net assets			721,488,332		775,958,936



UTHUKELA WATER (PTY) LTD
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2019

			Budget		Actual	Actual
	Note		2019		2019	2018
			R		R	R
REVENUE						
Revenue from exchange transactions						
Service charges	14		117,431,972		128,439,901	114,978,266
Revenue from non-exchange transactions						
Interest earned - external investments	15		100,000		2,159,286	1,175,547
Penalties received			-		80,000	-
Shareholder project contributions	16.1, 44		-		13,598,135	1,037,886
Other receipts			740,000		341,802	1,439,424
Total revenue			118,271,972		144,619,124	118,631,123
EXPENDITURE						
Employee related costs	17		(44,297,776)		(48,940,715)	(41,348,370)
Contribution to provision for bad debts	2,3,4		-		(790,873)	(325,547)
Depreciation and amortisation	18		(1,560,857)		(77,996,183)	(105,587,069)
Repairs and maintenance	18a		(13,121,041)		(4,082,027)	(4,066,640)
Bulk water purchases	19		(26,460,239)		(25,804,976)	(14,924,558)
Interest paid/accrued			-		(19,092,155)	(17,465,376)
Contracted services	20		(2,268,478)		(4,269,223)	(3,456,494)
Inventory adjustment	6		-		(12,675)	23,055
Loan charges accrued reversal	45		-		-	3,003,770
Operating expenses	21		(51,487,913)		(49,485,157)	(42,812,588)
Total expenditure			(139,196,304)		(230,473,984)	(226,959,819)
Gain / (loss) on sale of assets	22		-		-	(71,943)
Surplus(deficit) before taxation			(20,924,332)		(85,854,860)	(108,400,638)
Taxation	29					
Surplus(Deficit) for the year			-20,924,332		-85,854,860	-108,400,638



UTHUKELA WATER (PTY) LTD

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2019

Description, Nature and Purpose of Reserve	Note	Share capital invested in Entity by Shareholders in terms of Company	Partner capital grant/own funds transferred to Entity for projects implemented by the Entity				Bulk water billing accrual for water services rendered by the Entity to the Shareholders				Asset Revaluation Reserve, reflects assets at fair value, measured reliably, and carried at revalued amounts	Accumulated Surplus/ (Deficit) reflects accumulated surplus or deficit of the Entity	Total Net Assets reflects net income retained, no dividends are paid
			Umzinyathl	Amajuba	Newcastle	Umzinyathl	Amajuba	Newcastle	Umzinyathl	Amajuba	Newcastle	Excl Partners Contributions	
			R	R	R	R	R	R	R	R	R	R	R
Balance at 30 June 2017		100	93,105,045	11,307,465	86,853,509	0	0	828,001,664				(134,908,208)	884,359,574
Operating (surplus)/deficit - including shareholders contributions												(108,400,638)	(108,400,638)
Increase shareholder contributions	37		6,531,186	0	8,788,169	-	-	-	-	-	-	(15,319,354)	-
Reduction in Shareholder Contributions - Project Funding	13		-	-	-	-	-	-	-	-	-	-	-
Less: Revenue contributions included in accumulated funds	13											-	-
Off- setting depreciation	13		(3,732,325)	(1,241,120)	(3,643,064)	-	-	(92,371,094)				100,987,603	-
Balance at 30 June 2018		100	95,903,906	10,066,345	91,998,613	0	0	735,630,570				(157,640,598)	775,958,936
Operating (surplus)/deficit - including shareholders contributions												(85,854,860)	(85,854,860)
Revaluation surplus													
Acquired assets through partners contribution			378,000	-	1,555,000	-	-	29,450,342					29,450,342
Off- setting depreciation	13		(3,784,937)	(1,251,444)	(4,491,492)	-	-	(65,371,583)				74,899,457	-
Balance at 30 June 2019		100	92,496,969	8,814,902	89,062,121	-	-	699,709,328				(168,596,001)	721,487,418



UTHUKELA WATER (PTY) LTD				
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2019				
	Note	2019		2018
		R		R
CASH FLOW FROM OPERATING ACTIVITIES				
Receipts		104,783,338		108,411,108
Sales of goods and services		92,747,383		100,888,496
Shareholder contributions		10,106,394		5,350,020
Interest received		2,116,232		1,172,887
Other receipts		-186,671		999,705
Payments		(102,749,934)		(89,102,829)
Employee costs		(48,313,853)		(40,870,531)
Suppliers		(54,319,561)		(48,084,382)
Other payments		(116,521)		(147,915)
NET CASH FROM OPERATING ACTIVITIES	24	2,033,404		19,308,280
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment	7&8	(16,778,498)		(3,927,556)
NET CASH FROM INVESTING ACTIVITIES		(16,778,498)		(3,927,556)
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS		(14,745,093)		15,380,723
Cash and cash equivalents at the beginning of the year		28,811,692		13,430,968
Cash and cash equivalents at the end of the year	1	14,066,598		28,811,692
		14,745,093		(15,380,723)



Preamble - Change of Functions

Subsequent to the finalization of the Section 78 (MSA 32/2000) investigation, and the MEC (of COGTA) Ministerial Directive dated 6 June 2012, the Board has been operating as the interim bulk water services provider to the municipality of Newcastle and the Umzinyathi and Amajuba districts, pending a final decision by the Minister of Water Affairs regarding the future dispensation of water services in the region.

The Minister has subsequent to this, by Government gazette number 39491 dated 10 December 2015, declared that in terms the Water Services Act 108/1997, that the extension of the service area of operation of Umgeni Water and Mhlathuze Water has been extended to include the entire area of KwaZulu-Natal Province.

Going concern - The Board continues to provide bulk water services to the municipalities, and sufficiently so in accordance with WSP/WSA signed water services agreements, which agreements determine the business operations, functions, obligations and objectives to be carried out by the Board on behalf of the shareholder municipalities. Annual business plans, operational and capital budgets, Performance Management objectives and Targets are also agreed upfront and measured by the municipalities accordingly.

The latest developments regarding the proposed bulk water services merger, is that the National Minister of Water Affairs and Sanitation, has referred the matter back to Cabinet for further discussion and instruction regarding the proposed new institutional arrangements.

In the interim, and until such time that the new single amalgamated Water Board becomes operational, the interim uThukela Water Board continues to function as a going concern in terms of written contracts in place

Cash and cash equivalents				
	2019		2018	
Cash on hand	12,993		11,254	
Cash at bank	1,058,488		18,887,142	
Cash on call and short notice deposits	12,995,118		9,913,295	
	14,066,598		28,811,692	
uThukela Water (pty) Ltd has the following bank accounts:				
Account Number - Bank Account Description	Cash Book Balance	Bank Statement Balance	Cash Book Balance	Bank Statement Balance
	30 06 2019	30 06 2019	30 06 2018	30 06 2018
Cash at bank				
4059636838 - Absa	96,754	96,754	114,949	114,949
4060280600 - Absa - Customer Care	90,015	90,015	102,938	102,938
061938939 - Standard Bank - Primary Current Account	871,719	871,719	18,669,255	18,669,255
	1,058,488	1,058,488	18,887,142	18,887,142
Cash on call and short notice deposits				
268586055-015 - Standard Notice Deposit	6,748,420	6,748,420	5,699,701	5,699,701
268586055-002 - Standard Notice call Account	4,460,527	4,460,527	2,986,972	2,986,972
92 5753 8348 - Absa - Deposit	1,786,170	1,786,170	1,226,622	1,226,622
	12,995,118	12,995,118	9,913,295	9,913,295
Petty cash	12,993		11,254	
Total Cash and cash equivalents	14,066,598	14,053,606	28,811,692	28,800,437



TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS			
	Gross Balances	Provision for Doubtful Debts	Net Balance
	Gross Balances	Provision for Doubtful Debts	Net Balance
Trade receivables	R	R	R
as at 30 June 2019			
Service debtors			
Water	140,218	(80,753)	59,464
Total	140,218	(80,753)	59,464
as at 30 June 2018			
Service debtors			
Water	355,818	(108,648)	247,170
Total	355,818	(108,648)	247,170
Water : Ageing			
Current (0 – 30 days)	49,169		231,398
31 - 60 Days	10,164		9,791
61 - 90 Days	94		2,969
+ 91 Days	80,792		111,660
Total	140,218		355,818
Total	355,818		207,785

Summary of Debtors by Customer Classification	Consumers	Industrial / Commercial	National and Provincial Government
	R	R	R
as at 30 June 2019			
Current (0 – 30 days)	49,169	-	-
31 - 60 Days	10,164	-	-
61 - 90 Days	94	-	-
91 and over	80,792	-	-
Sub-total	140,218	-	-
Less: Provision for doubtful debts	(80,753)	-	-
Total debtors by customer classification	59,464	-	-

Output Vat of R 7 756,21 is included in the debtor balances - see also note 11 below.



as at 30 June 2019			
Current (0 – 30 days)	231,398	-	-
31 - 60 Days	9,791	-	-
61 - 90 Days	2,969	-	-
91 and over	111,660	-	-
Sub-total	355,818	-	-
Less: Provision for doubtful debts	(108,648)	-	-
Total debtors by customer classification	247,170	-	-

Reconciliation of the doubtful debt provision			
Balance at beginning of the year	108,648		130,661
Provision/(Reversal)	(27,894)		(22,013)
Doubtful debts written off against provision	-		-
Balance at end of year	80,753		108,648
Trade receivables - Bulk Supplies			
Umzinyathi District Municipality	2,689,410		628,986
Newcastle Municipality	61,896,146		27,007,793
Amajuba District Municipality	9,609,729		10,669,013
Sub-total	74,195,286		38,305,792
Less: Provision for doubtful debts	-		-
Total	74,195,286		38,305,792
Reconciliation of the doubtful debt provision			
Balance at beginning of the year	4,803		59,015
Provision/(Reversal)	-		(54,212)
Doubtful debts written off against provision	-		-
Balance at end of year	4,803		4,803
Total Trade Receivables - Bulk Supplies	74,249,946		38,548,159

Output Vat of R 9 677 645,93 is included in the debtor balances - see also note 11 below.



OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS					
Other debtors	2,592,929		1,923,595		
Deposits with suppliers	2,424,365		2,307,844		
Total other debtors	5,017,294		4,231,440		
Less: Provision for bad debts					
Balance at beginning of the year					
Contributions to provision	818,767		1,264,434		
Doubtful debts written off against provision	(6,611)		175,654		
Reversal of provision			(1,176,408)		
Balance at end of year	1,075,836		263,680		
Balance at end of year	3,941,458		3,967,760		

Output Vat of R 271,14 is included in the debtor balances - see also note 11 below.

WSA DEBTORS			
Assets Funding	316,676		10,423,070
Umzinyathi District Municipality	316,676		316,676
Newcastle Municipality	-		10,106,394
Revenue Funding	82,763,673		82,763,673
Umzinyathi District Municipality	64,191,401		64,191,401
Amajuba District Municipality	18,572,273		18,572,273
Total WSA Debtors	83,080,349		93,186,743
Total WSA Debtors	93,186,743		83,217,409
There is a Provincial Executive Committee directive that the WSAs in arrears with their shortfall payments must make these good. See also note under section 9 below.			
Less: Provision for bad debts			
Balance at beginning of the year	83,080,349		82,854,230
Doubtful debts written off against provision			
Provision/(Reversal)			226,119
Balance at end of year	83,080,349		83,080,349
	0		10,106,394



INVESTMENTS				
Account Number - Bank Account Description	Cash Book Balance	Bank Statement Balance	Cash Book Balance	Bank Statement Balance
	-		-	
Total Investments	-		-	

INVENTORIES				
Water		121987.8		134662.5



PROPERTY, PLANT & EQUIPMENT						
	Balance at 30-Jun-19	Additions	Transfers	Re-Valuations	Balance at 30-Jun-18	
Assets at 30 June 2019						1,317,803,483
						3,680,868
						48,544,759
Water Infrastructure	1,357,242,869	13,922,220	-	22,851,405	1,320,469,244	2,834,502
Vehicles	5,489,827	950,558	-	1,055,001	3,484,268	
Plant & Equipment	61,303,649	3,617,239	-	5,015,848	52,670,562	1,372,863,612
Furniture, Equipment and Fittings	3,318,751	171,395	-	521,800	2,625,556	
Totals	1,427,355,095	18,661,411	-	29,444,054	1,379,249,630	Balance at 30-Jun-16
Accumulated Depreciation	Balance at 30-Jun-19	Additions		Disposals	Balance at 30-Jun-18	
						193,389,531
						1,192,898
Water Infrastructure	459,187,605	71,448,231		-	387,739,375	12,419,715
Vehicles	2,678,647	544,955		-	2,133,691	974,424
Plant & Equipment	28,737,654	5,031,640		-	23,706,014	
Furniture, Equipment and Fittings	2,192,538	300,945		-	1,891,593	207,976,567
Totals	492,796,444	77,325,771	-	-	415,470,672	
						Balance at 30-Jun-16
Carrying Values at Year End	Balance at 30-Jun-19	Movement	Disposals		Balance at 30-Jun-18	
						1,124,413,952
Water Infrastructure	898,055,263	(57,526,011)	-		932,729,869	2,487,970
Vehicles	2,811,180	405,602	-		1,350,577	36,125,044
Plant & Equipment	32,565,995	(1,414,401)	-		28,964,549	1,860,078
Furniture, Equipment and Fittings	1,126,212	(129,551)	-		733,963	
Totals	934,558,651	(58,664,361)	-		963,778,958	1,164,887,045

The Board carried out a revaluation of all assets during the year in terms of ITS Asset Policy and the provisions of GRAP17. The revaluation became effective from the 1 July 2018.

The revaluation of the water infrastructure assets was carried out by properly qualified and experienced engineering consultants, and the movable assets by properly qualified and experienced assessors. The methodology of the revaluation employed incorporated the following basic principles;

1. Each asset was visually inspected and documented, detailing its condition and fair value assessment.
2. The fair value costs were determined by utilizing the guidelines determined by COGTA for infrastructure asset management in local government, and also having regard to the age and condition of each asset, and in respect of movable assets, the best business practices for establishing the status quo of each asset, its original cost, age and usefulness, depreciation, current values, trade-ins, market values, auction prices and replacement values.
3. Revaluation schedules for all assets were properly certified and signed off as required by legislation and the relevant GRAP standard.



Assets at 30 June 2018	Balance at	Additions	Disposals	Balance at
	30-Jun-18			30-Jun-17
Water Infrastructure	1,320,469,244	178,040	-	1,320,291,204
Vehicles	3,484,268	-	(196,600)	3,680,868
Plant & Equipment	52,670,562	2,935,472	(1,968,685)	51,703,775
Furniture, Equipment and Fittings	2,625,556	32,356	(267,863)	2,861,063
Totals	1,379,249,630	3,145,868	(2,433,148)	1,378,536,910
Accumulated Depreciation	Balance at	Additions	Disposals	Balance at
	30-Jun-18			30-Jun-17
Water Infrastructure	387,739,375	97,188,454	-	290,550,921
Vehicles	2,133,691	443,080	(196,600)	1,887,211
Plant & Equipment	23,706,014	6,389,826	(1,517,689)	18,818,820
Furniture, Equipment and Fittings	1,891,593	563,922	(211,947)	1,535,905
Totals	415,470,672	104,585,282	(1,926,235)	312,792,857
Carrying Values at Year End	Balance at	Additions	Disposals	Balance at
	30-Jun-18			30-Jun-17
Water Infrastructure	932,729,869	(97,010,414)	-	1,029,740,283
Vehicles	1,350,577	(443,080)	-	1,793,657
Plant & Equipment	28,964,549	(3,454,354)	(450,996)	32,884,954
Furniture, Equipment and Fittings	733,963	(531,566)	(55,917)	1,325,158
Totals	963,778,958	(101,439,414)	(506,913)	1,065,744,053
Totals	1,065,744,054	(99,142,990)	-	1,164,887,045
	1,325,158	(534,920)	-	1,860,078
	1,065,744,054	(99,142,990)	-	1,164,887,045



INTANGIBLE ASSETS				
Assets at 30 June 2019	Balance at	Movement	Disposals	Balance at
	30-Jun-19			30-Jun-18
Software	5,014,600	56,375	-	4,958,225
Totals	5,014,600	56,375	-	4,958,225
Accumulated Amortization				
Software	3,412,868	670,413	-	2,742,455
Totals	3,412,868	670,413	-	2,742,455
Carrying Values at Year End				
Software	1,601,732	(614,038)	-	2,215,770
Totals	1,601,732	(614,038)	-	2,215,770
Assets at 30 June 2018	Balance at	Movement	Disposals	Balance at
Software	4,958,225	781,688	(22,000)	4,198,537
Other	-	-	-	-
Totals	4,958,225	781,688	(22,000)	4,198,537
Accumulated Depreciation				
Software	2,742,455	996,032	(17,600)	1,777,038
Other	-	-	-	-
Totals	2,742,455	996,032	(17,600)	1,777,038
Carrying Values at Year End				
Software	2,215,771	(214,344)	-	2,421,500
Other	-	-	-	-
Totals	2,215,771	(214,344)	-	2,421,500

Intangible assets comprise of computer software programmes

Unspent conditional grants and receipts					
Newcastle		610,827			8,675,841
Umzinyathi		72,506			5,605,627
		683,333			14,281,468



TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS					
Trade creditors	302,043,056		251,895,316		
Consumer Debtors - Payments in advance	7,383		3,438		
Other creditors	4,738,748		4,940,169		
Unallocated Receipts	3,107,289		3,129,859		
Total Creditors	309,896,476		259,968,783		
Total Creditors 2019 - Ageing	Current Period	31 - 60 Days	61 - 90 Days	91 - 120 Days	121 and Over
	46,853,473	3,368,432	2,746,332	2,234,488	254,693,752

Include in the above trade creditors figure is an amount of R 294 682 792.42 raised in respect of bulk raw water charges owed to the Department of Water and Sanitation. This amount is subject to the payment by the Water Service Authorities of their bulk water accounts and raw water budgeted costs. Negotiations are currently taking place between uThukela Water, the WSA's the Department to resolve this matter. Input Vat of R 29 937 073,63 is included in the Trade Creditor balances - see also note 11 below. The fair value of trade and other payables approximates their carrying amounts.

SERVICE RELATED STAFF OBLIGATIONS			
Non Current			
Long Service Awards	1,764,879		2,343,804
Post-employment medical benefits	8,427,247		8,148,236
	10,192,126		10,492,040
Current			
Leave pay accrual	4,779,091		4,152,229
Long Service Awards	809,128		185,862
Post-employment medical benefits	246,507		248,407
	5,834,726		4,586,498
Total Provisions	16,026,852		15,078,538
The movement in Leave provisions is reconciled as follows: -			
Balance B/fwd	4,152,229		3,675,760
Increase in provision	1,621,004		1,183,778
Expenditure incurred	(994,142)		(707,310)
as at 30 June	4,779,091		4,152,229

Leave pay accrual

Leave pay accrual is based on the number of hours accruing to the employee at balance sheet date multiplied by the employee's hourly rate of pay. The accrual includes the liability in respect of accumulated leave due to employees previously in the employ of the WSA's prior to transfer to the company which has not yet been paid over to the company.



Long Service Awards

UThukela offers employees LSA for every five years of service completed, starting from five years of service calculated as follows:

Long Service Awards for levels of past service			
Completed Service (in years)		Long Service Bonuses(% of Annual Salary)	Description
5		2.0%	5/ 251 x annual salary
10		4.0%	10/ 251 x annual salary
15		8.0%	20/ 251 x annual salary
Every five years thereafter		12.0%	30/ 251 x annual salary

In the month that each “Completed Service” milestone is reached, the employee is granted a LSA.

Working days awarded are valued at 1/251st of annual salary per day

An actuarial valuation of the future liability for this benefit has been undertaken by an independent firm of Actuaries with the following results

		Year ending 30/06/2018	Year ending 30/06/2019	Year ending 30/06/2020
Opening Accrued Liability		2,191,793	2,529,666	2,574,007
Current-service Cost		241,883	302,466	223,878
Interest Cost		167,997	204,355	167,481
Benefit payments		101,788	(276,618)	-
Total Annual Expense		511,668	230,203	391,359
Past Service Cost		-173,795	-185,862	-809,128.00
Actuarial Loss / (Gain)			-	
Closing Accrued Liability		2,529,666	2,574,007	2,156,238

Key Financial Assumptions				
	Males	Females	Males	Females
Discount rate	7.72%		8.38%	
General salary Inflation	5.15%		6.03%	
Net effective discount rate	2.44%		2.22%	
Average retirement age	63	58	63	58
Mortality during employment	SA85-90		SA85-90	



In service members withdrawing before retirement	Males	Females
Age 20	16%	24%
Age 30	12%	18%
Age 40	8%	10%
Age 50	4%	4%
Age 55	2%	2%

Medical Scheme Arrangements

The Employer offers employees and continuation members the opportunity of belonging to one of several medical aid schemes, most of which offer a range of options pertaining to levels of cover.

Membership Eligibility

Upon retirement, an employee may continue membership of the medical scheme. Upon a member's death-in-service or death-in-retirement, the surviving dependants may continue membership of the medical scheme.

Contribution Rate Structure

Members contribute according to tables of contribution rates which differentiate between them on the type and number of dependants. Some options also differentiate on the basis of income.

Subsidy Policy

In-service members will receive a post-employment subsidy of 60% of the contribution payable. All continuation members receive a 60% subsidy. Widow(er)s and orphans of eligible in-service members are entitled to receive this same subsidy on and after the death in-service of an employee.

Upon a member's death-in-service or death-in-retirement, the surviving dependants will continue to receive the same 60% subsidy.

An actuarial valuation of the future liability for this benefit has been undertaken by an independent firm of Actuaries with the following results

	Year ending	Year ending	Year ending
	30/06/2018	30/06/2019	30/06/2020
Opening Accrued Liability	8,609,181	8,396,642	8,673,753
Current-service Cost	405,655	501,915	349,858
Interest Cost	834,113	796,911	914,049
Benefit payments	(239,713)	(248,407)	(246,507)
Total Annual Expense	1,000,055	1,050,419	1,017,400
Actuarial Loss / (Gain)	(1,212,594)	-773,308	-
Closing Accrued Liability	8,396,642	8,673,753	9,691,153



Key Financial Assumptions						
		Males	Females		Males	Females
Discount rate		10.69%			9.81%	
Health care cost inflation rate		7.99%			7.41%	
Net effective discount rate		2.50%			2.07%	
Average retirement age		63	58		63	58
Proportion continuing membership at retirement		100.00%			100.00%	
Proportion of retiring members who are married		90.00%			90.00%	
Proportion of eligible current non-member employees joining the scheme by retirement		10.00%			10.00%	
Mortality during employment		SA85-90			SA85-90	
Mortality post retirement		PA(90)-1			PA(90)-1	
In service members withdrawing before retirement		Males	Females			
Age 20		12%	24%			
Age 30		5%	15%			
Age 40		3%	6%			
Age 50		1%	2%			
Age 55		1%	1%			

VAT		2019			2018
Debtors Vat Raised - Not Yet Due		(9,684,748)			(6,417,237)
Creditors Invoices Vat Raised - Not Yet Claimed		28,516,743			25,631,641
VAT receivable/(payable)		722,623			(1,490,075)
Total VAT receivable/(payable)		19,554,619			17,724,329

VAT is currently paid and claimed on the receipts and payments basis. Only once payment is received from debtors or made to creditors is VAT paid/claimed to/from SARS - See also notes 2, 3, 4 & 9 above.

As the impairment provision for unpaid debtors includes VAT, the amount provided for debtors - vat raised not yet due - excludes the impaired debtors in the provision above.

SHARE CAPITAL					
Issued ordinary shares		100			100

The authorised number of ordinary shares is 10 000 with a par value of R 1 per share. The company has issued 100 ordinary shares.



ACCUMULATED FUNDS			
Accumulated Funds Surplus(Deficit)			
Balance Beginning Year - Surplus(Deficit)	40,328,266		56,357,811
Surplus/(Deficit) for year	(85,854,860)		(108,400,638)
Off Setting Depreciation /Partners Cont/Reval Reserve	67,305,498		92,371,094
Balance Year End	21,778,904		40,328,266
Asset Revaluation Reserve	735,630,570		828,001,663
Less: Off Setting Depreciation	(35,921,242)		(92,371,094)
Balance Year End	699,709,328		735,630,570
Total Accumulated Funds	721,488,232		775,958,836

Shareholder Contributions			
Shareholder Contributions - Beginning Year	183,687,396		191,266,019
Increase in Shareholder contributions	-		1,037,886
Less: Revenue Funding Incl in Accumulated Funds	-		-
Reduction in Shareholder Contributions - Project Debtors	-		-
Less: Off Setting Depreciation	(9,527,873)		(8,616,509)
Balance Year End	174,159,523		183,687,396
Accumulated Funds Surplus/(Deficit)	21,778,904		40,328,266
Shareholder Contributions - Projects	175,054,637		182,649,510
Umzinyathi District Municipality	85,965,783		89,372,720
Amajuba District Municipality	8,814,902		10,066,345
Newcastle Municipality	80,273,952		83,210,444
Accumulated Funds Surplus(Deficit) -Excluding Shareholder Contributions - Projects	(153,275,733)		(142,321,244)

SERVICE CHARGES			
Sale of water	128,439,901		114,978,266
Total Service Charges	128,439,901		114,978,266

INTEREST EARNED - EXTERNAL INVESTMENTS			
Banks	2,037,765		1,037,632
Deposits Made with Suppliers	121,521		137,915
Total Interest	2,159,286		1,175,547



GRANTS AND SUBSIDIES			
Project funding			
Umzinyathi District Municipality	5,533,121		925,558
Newcastle Municipality	8,065,014		112,328
	13,598,135		1,037,886

EMPLOYEE RELATED COSTS			
Salaries and Wages	30,728,361		26,993,168
UIF, Medical, Pension and Provident Fund	6,919,808		5,505,329
Leave pay	1,621,004		1,183,778
Bonuses	2,388,678		1,882,599
Housing benefits and allowances	2,186,715		2,362,141
Overtime payments	3,683,409		2,518,603
Other	1,412,740		777,416
Long Service and Medical Aid Commitments	-		125,335
	48,940,715		41,348,370



Included in the employee related costs are the following:			
Managing Director			
Annual Remuneration	-		-
Travel, motor car, accommodation, subsistence and other allowances	-		-
Contributions to UIF, Medical and Pension Funds	-		-
Accumulated Leave	-		-
Total	-		-
Chief Financial Officer			
Annual Remuneration	1,203,702		1,227,454
Travel, motor car, accommodation, subsistence and other allowances	90,497		72,685
Contributions to UIF, Medical and Pension Funds	110,221		96,103
Accumulated Leave	126,595		125,899
Total	1,531,015		1,522,140
Heads of Departments			
Operations/Engineering			
Annual Remuneration	1,380,791		1,226,657
Travel, motor car, accommodation, subsistence and other allowances	96,353		94,906
Contributions to UIF, Medical and Pension Funds	164,674		158,932
Accumulated Leave	250,925		358,264
Total	1,892,744		1,838,759
Human Resources Manager			
Annual Remuneration	1,206,328		1,027,147
Travel, motor car, accommodation, subsistence and other allowances	159,774		170,195
Contributions to UIF, Medical and Pension Funds	244,289		219,165
Accumulated Leave	259,526		179,934
Total	1,869,918		1,596,440
Remuneration of directors			
Chairman	-		-
Deputy Chairman	-		-
Other board members	-		-
Total Director's Remuneration	-		-



DEPRECIATION AND AMORTISATION EXPENSE			
Property, plant and equipment	77,325,770		104,591,024
Intangible assets	670,413		996,045
Total Depreciation and Amortisation	77,996,183		105,587,069
BULK PURCHASES			
Water	21,748,791		12,003,115
Water services levy	4,056,185		2,921,443
	25,804,976		14,924,558
CONTRACTED SERVICES			
Professional fees and consultant costs	4,064,937		3,450,674
Legal expenses	204,286		5,820
	4,269,223		3,456,494

Repairs and Maintenance on Property, Plant and Equipment					
Expended		4,082,027			4,066,640



GENERAL EXPENSES

Included in general expenses are the following:-

Advertising	93,282		133,685
Bank charges	81,781		73,928
Board meeting and Chairman's discretionary	188,070		91,936
Chemicals	7,415,020		7,115,939
Cleaning materials	-		448
Communications costs	917,048		630,995
Conferences and seminars	130,278		126,252
Consumables and stores	167,636		91,958
Electricity	31,793,389		27,192,158
Fuel and Oil	852,744		655,913
Forfeited Deposits	5,000		-
Insurance	781,692		575,536
Licensing of Motor Vehicles & Trailers	214,859		148,426
Membership fees	35,648		32,019
Municipal services	167,670		133,987
Postage and courier services	15,145		15,861
Printing and stationery	111,699		154,802
Protective clothing	261,783		169,295
Rental	1,288,081		1,387,239
Safety and security	623,535		395,485
Scada and telemetric costs	53,020		106,488
Software Licenses	640,962		226,272
Staff and other meeting costs	6,003		31,667
Staff Emergency Rations	23,270		9,875
Staff recruitment and relocation costs	30,667		46,662
Subsistence and travel	365,841		351,622
Tools and equipment	445		496
Training	735,748		821,342
Water analysis	2,484,842		2,092,304
	49,485,157		42,812,588

GAIN / (LOSS) ON SALE OF ASSETS

Property, plant and equipment	0		-71,943
Intangible assets	-		-
Total Gain / (Loss) on Sale of Assets	0		-71,943



PROFIT / (LOSS) ON FAIR VALUE ADJUSTMENT			
Property, Plant and Equipment	-		-
Intangible Assets	-		-
Total Profit / (Loss) on Fair Value Adjustment	-		-

CASH GENERATED BY OPERATIONS			
Surplus/(Deficit) for the year	(85,854,860)		(108,400,638)
Adjustment for: -			
Provision Adjustment	914		
Interest accrued	-		
Depreciation	77,996,183		105,587,069
Depreciation Shortfall on sale of assets	-		511,313
Contribution to bad debt provision	790,873		325,547
Contribution to staff benefits provision	948,314		601,803
Interest on outstanding bulk water invoices	-		
Forfeited Deposits			
Decrease/ (Increase) in assets revalue	-		-
Operating surplus before working capital Amendments	(6,118,575)		(1,374,906)
(Increase)/Decrease in Inventories	12,675		(23,055)
Decrease/(Increase) in consumer and other debtors	(26,353,353)		(24,139,167)
(Decrease)/Increase in creditors	49,927,694		29,045,628
(Decrease)/Increase in provisions	(6,611)		(1,176,408)
(Decrease)/Increase in Consumer Deposits	-		-
(Decrease)/Increase in VAT	(1,830,290)		2,694,720
(Decrease)/Increase in Unspent Capital Grants	(13,598,135)		14,281,468
Cash generated by operations	2,033,404		19,308,280

CASH AND CASH EQUIVALENTS			
Cash and cash equivalents included in the cash flow statement comprise the following:			
Bank balances and cash	1,071,481		18,898,397
Cash on call and short notice deposits	12,995,118		9,913,295
Net cash and cash equivalents (net of bank overdrafts)	14,066,598		28,811,692



CHANGE IN ACCOUNTING POLICY

No change in accounting policies during the year

UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

Unauthorised expenditure					
Reconciliation of unauthorised expenditure					
Opening balance	-				-
Unauthorised expenditure current year	-				-
Unauthorised expenditure awaiting authorisation	-				-
Fruitless and wasteful expenditure					
Reconciliation of fruitless and wasteful expenditure					
Opening balance as previously reported					
Correction of prior period error					
Opening balance as restated	-				-
Add: Fruitless and wasteful - current	19,092,155				274
Add: Fruitless and wasteful – prior period identified in current year	46,646,941				-
Less: Amount recoverable - current	-				-
Less Amount recoverable – prior period	-				-
Less: Amounts written-off – current	-				-274
Less: Amounts written-off – prior period	-				-
Closing balance	65,739,096				-
R65 739 096 comprises of interest raised by the Department of Water and Sanitation on outstanding accounts. Negotiations are currently taking place between uThukela Water, the WSA's and the Department to resolve this matter.					
Irregular expenditure					
Opening balance as previously reported	17,925,475				12,291,904
Correction of prior period error					
Opening balance as restated	17,925,475				12,291,904
Add: Irregular expenditure - current	11,351,821				5,633,571
Add: Irregular expenditure – prior period identified in current year	28,125,301				-
Less: Amount recoverable - current	-				-
Less Amount recoverable – prior period	-				-
Less: Amounts written-off – current	-				-
Less: Amounts written-off – prior period	-				-
Closing balance	57,402,597				17,925,475



Irregular expenditure consists of:

Expenditure of R 5 540 098 incurred by the Board relating to the consulting services of LL Cunha and Associates was considered to be irregular by the Auditor General, citing that the Board had not followed a SCM process in this regard.

Expenditure of R 2 093 065 incurred on emergency orders issued in respect of the pump manifold and reservoir refurbishment at the Ngagane Water Plant and in respect of emergency raw water supply to the Biggersberg Water Plant, was considered not to be an emergency by the Auditor General, citing that the Board should have followed a normal SCM process in this regard.

Expenditure of R 31 483 137 relating to the SCM policy whereby suppliers did not submit MBD4 [declaration of interest] forms annually for both current and prior years.

Expenditure of R 360 822 whereby the CFO did not approve reportable deviations. A change in the financial system led to a functionality problem resulting in omitting the CFO approval from the process. This was subsequently corrected

ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL SECTION 27 FINANCE MANAGEMENT ACT			
Contributions to organised local government			
Opening balance			
Council subscriptions	-		-
Amount paid - current	-		-
Amount paid - previous years	-		-
Balance unpaid (included in payables)	-		-



Audit fees			
Audit fees paid during the year	1,620,384		1,138,968
VAT			
VAT input - receivables and VAT output - payables are shown in note 11. During the year all VAT returns were submitted by the due date.			
PAYE			
Opening Balance	-		-
Current year payroll deductions	8,100,348		6,539,712
Amount paid - current year	(8,100,348)		(6,539,712)
Balance unpaid at year end included in creditors	-		-
UIF			
Opening Balance	-		-
Current year payroll deductions	299,915		282,541
Amount paid - current year	(299,915)		(282,541)
Balance unpaid at year end included in creditors	-		-
Medical aid			
Opening Balance	-		-
Current year payroll deductions	2,755,786		2,387,428
Amount paid - current year	(2,755,786)		(2,387,428)
Balance unpaid at year end included in creditors	-		-
Pension and provident fund contributions			
Opening Balance	-		-
Current year payroll deductions	6,840,569		5,737,271
Amount paid - current year	(6,840,569)		(5,737,271)
Balance unpaid at year end included in creditors	-		-



COUNCILLOR'S ARREAR CONSUMER ACCOUNTS			
The following Councillors had arrear accounts outstanding for more than 90 days as at: -	Total	Outstanding less than 90 days	Outstanding more than 90 days
	R	R	R
as at 30 June 2019	-	-	-
Total Councillor Arrear Consumer Accounts	Nil	-	-
as at 30 June 2018	-	-	-
Total Councillor Arrear Consumer Accounts	Nil	-	-
CAPITAL COMMITMENTS			
Commitments in respect of capital expenditure			
- Approved and contracted for			
Infrastructure	683,333		5,605,628
- Approved but not yet contracted for			
Infrastructure			8,675,840
Total	683,333		14,281,468
This expenditure will be financed from:			
- External Loans	-		-
- District Council Grants	-		-
Total	-		-

OPERATING LEASES			
	-770,316.71		
At the reporting date the entity has outstanding commitments under operating leases which fall due as follows:	242941		
Operating leases - lessee			
Within one year	(1,289,701)		(1,466,765)
In the second to fifth year inclusive			(122,717)
After five years	-		-
Total	(1,289,701)		(1,589,483)



Operating Leases consists of the following:

Operating lease payments represent rentals payable by the municipality for its head office property at Lot 600 Newcastle. The current lease expires on 31 July 2019

RETIREMENT PLANS

Defined contribution plans

During the year contributions were made to the following are defined contribution plans: Natal Joint Municipal Pension Fund - Provident Funds SALA pension fund. These contributions have been expensed.

Defined benefit plan

The following are defined benefit plans: Natal Joint Municipal Pension Funds - Superannuation and Retirement funds and Government Employees Pension Fund. These are not treated as defined benefit plans as defined by IAS19, but are accounted for as defined contribution plans. This is in line with the exemption in IAS 19 par. 30 which states that where information required for proper defined benefit plan accounting is not available in respect of multi-employer and state plans, these should be accounted for as defined contribution plans.

In respect of Natal Joint Municipal Pension Funds - Superannuation and Retirement funds regular actuarial assessments are carried out in terms of the fund rules and any actuarial deficit is recovered by a surcharge on all employer members

Employees retirement funding

An amount of R4 909 959 (2018 : R3 909 534) was contributed by Council in respect of Employees retirement funding. These contributions have been expensed and are included in employee related costs for the year.

CONTINGENT LIABILITY			
Claim for damages	Nil		Nil



2019

There were no significant matters to report on

2018

There were no significant matters to report on

CONTINGENT ASSET- Incidents of Fraud

2019

There were no significant matters to report on

2018

There were no significant matters to report on

IN-KIND DONATIONS AND ASSISTANCE

The Municipality received no in-kind donations and assistance

RELATED PARTIES

The nature of the relationship between the company and its shareholders, namely: the Water Service Authorities (uMzinyathi District Municipality, Amajuba District Municipality and Newcastle Municipality) is such that any transactions between the parties are related party transactions. Specific categories of such transactions includes:

Related Parties Transactions			
Project Contributions	-		15,319,354
Umzinyathi District Municipality	-		6,531,186
Newcastle Municipality	-		8,788,169
Less: Bad Debt			-167,103
	-		15,152,251
Bulk Water Services	127,493,013		113,893,116
Umzinyathi District Municipality	15,338,654		17,047,718
Amajuba District Municipality	16,868,714		18,052,392
Newcastle Municipality	95,285,645		78,793,006
Less: Bad Debt	\		54,212
	127,493,013		113,947,328



Year End Balances					
Assets Funding		316,676			10,423,070
Umzinyathi District Municipality		316,676			316,676
Newcastle Municipality		-			10,106,394
Less: Provision for Doubtful Debt		-316,676			-316,676
		-			10,106,394
Bulk Water Services		74,195,286			38,305,792
Umzinyathi District Municipality		2,689,410			628,986
Amajuba District Municipality		9,609,729			10,669,013
Newcastle Municipality		61,896,146			27,007,793
Less: Provision for Doubtful Debt		-4,803			-4,803
		74,190,482			38,300,988
Revenue Funding		82,763,673			82,763,673
Umzinyathi District Municipality		64,191,401			64,191,401
Amajuba District Municipality		18,572,273			18,572,273
Less: Provision for Doubtful Debt		-82,763,673			-82,763,673
		-			-
Sundry [mSCOA System]		875,503			875,503
Umzinyathi District Municipality		191,303			191,303
Amajuba District Municipality		684,200			684,200
Newcastle Municipality		-			-
Less: Provision for Doubtful Debt		-875,503			-
		-			875,503

Key Management Personnel

The nature of the related party relationship entered into by the Board and the consultancy service; LL Cunha and Associates, is detailed hereunder, and herewith this note also sets out the terms and conditions of the written agreement and subsequent written amendments, all transactions relating thereto, any commitments and outstanding balances, if any, entered between the parties.

The Consultancy service was initially introduced to the Board by Provincial Treasury in terms of a section 139 of the Constitution of SA intervention, and the objectives thereof were to provide urgently needed financial support services to the entity, including the performance by Mr LL Cunha of the Acting Chief Financial Officer duties. At the time of the engagement of the consultant, PWC SA, had issued a compilation report regarding the collapse of the financial affairs of the Board, and had proposed an urgent and immediate intervention. Financial statements had not been issued and audits had not been conducted for a period of 6 years, and the Shareholder municipalities were very concerned with the status of the entity, as it impacted quite severely on their own financial affairs. Subsequent to the recovery of the entity to unqualified audit status, and pending the establishment of a new water institution envisaged by Provincial Cabinet resolution dated 7 June 2012, the shareholder municipalities took a resolution and placed a moratorium on the appointment of any new senior management positions by the entity during the transitional phase. In October 2014 the Managing Director of the entity resigned and terminated his services with the Board, and the Board, as an interim arrangement to ensure the continuity of its operational requirements, directed the Acting CFO Mr LL Cunha, to carry the Managing Director responsibilities in addition to those of the CFO position, until otherwise directed, or pending the imminent formation of the new water institution.

Consequent to the delays with the implementation of the Provincial Cabinet decision, and the subsequent Government Gazette Notice published on the 15 December 2015 issued by the National Minister of Water Affairs and Sanitation regarding the formation of the new water institution for KZN- Natal, the Board took a decision to secure, on a relatively short term basis, the interim arrangements concerning the Acting Manager Director responsibilities, and to segregate these duties from the duties of the CFO. The Board consequently amended the termination period of the existing consultancy agreement with Mr LL Cunha to a period of 3 years, with the proviso, that should the new institutional arrangements come into effect within the first year thereafter, that a 6 months-notice period would be applicable to terminate the contract, and a 3 month notice period in any subsequent year thereafter. The amendment also provided for the financial support services to be terminated and to be provided on a written request from the Acting CFO in future. The Board also added an addendum to the contract to provide for 21 annual leave to be provided for the Acting MD in terms of the Basic Conditions of Employment Act 75/1997, and to provide for a performance bonus payment based on a pre-determined scorecard and objectives. There is no specific clause that speaks to the consideration of any settlement and this would obviously have to be negotiated between the parties in terms of normal contractual law.

No guarantees are given or provided for in the agreements except for the performance objectives required by the Board.

There are no expenses or provision created for bad or doubtful debts.

Detailed hereunder are the transactions resulting from these arrangements and contractual obligations for the period reported in the annual financial statements for the year ending 30 June 2019.



		5,540,098			5,633,571
Payments made for contracted services		-			3,412,289
Leave encashment		-			-
Performance bonus		192,186			162,135
Payments for Ad Hoc services to LL Cunha and Associates		5,272,012			1,923,946
Payments for rental accomodation		75,900			135,200

TAXATION

The Company is exempt from the payment of income tax and duties in terms of section 10 (1) (t) (ix) of the Income Tax Act 58/1962

EVENTS AFTER THE REPORTING DATE

Change of Functions

The future of the bulk water services in the region is still being finalised by National Minister of Water Affairs

DEVIATIONS FROM SCM REGULATIONS (SCM Regulation Number 36)					
Emergency procurement		187,549			
Sole supplier – Sulzer		513,217			
Deviation less than R200 000.00		4,317,542			5,916,731

Supply chain deviations from SCM policy listed above were, in terms of section 36 of the municipal SCM regulations, approved by the accounting officer or officials in terms of delgated powers, and noted by the board .

The reasons for the deviations include the following: Acquisition from sole suppliers, non-responsive suppliers, supplies where mechanical units required a strip and quote, acquisitions direct from manufacturers or agents and, where in terms of Board policy, equipment was standardised.

Emergency procurement and circumstances where it is impractical or not possible to follow the official procedure,are assessed in terms of the stipulated criteria by the SCM Bid Adjudication Committee.



RISK MANAGEMENT

Maximum credit risk exposure

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

Management evaluates credit risk relating to consumer debtors and provides for impairment see note above

Liquidity risk

The company's risk to liquidity is related to the timeous payment of bulk water accounts by its shareholding municipalities

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

Interest rate risk

As the company has no significant interest-bearing assets, the company's income and operating cash flows are substantially independent of changes in market interest rates.

COMPARISON WITH THE BUDGET

The comparison of the Municipality's actual financial performance with that budgeted is set out in Appendix D

BULK WATER LOSSES				
Water stock		2018/2019		2017/2018
		ML		ML
Opening balance		42		43
Raw water purchases		48789		45949
Treated water sales		42288		40982
Process water in system		2050		1000
Technical water loss		4451		3967
Closing water stock		42		43



Water losses		ML	(R'000s)	ML	(R'000s)
Opening stock		42	26,250	46	25,493
Units purchased - Newcastle and Amajuba		43,206	27,003,750	39,739	22,023,354
Units purchased - Umzinyathi		5,541	141,850	6,164	157,798
Total units purchased		48,789	27,171,850	45,949	22,206,645
Units sold		42,288	126,864,003	40,982	122,946,015
Unsold process water in system		2,050	6,150,003	1,000	3,000,015
Total loss		4,451	2,047,460	3,967	1,824,820
Comprising of					
Technical losses		4,451	2,761,846	3,967	2,198,511
Total		4,451	2,761,846	3,967	2,198,511
Percentage loss		%		%	
Technical losses		9.12%		8.63%	
Total		9.12%		8.63%	

Bulk water losses are very carefully managed and form part of the Boards performance management monitoring program. The technical water losses of 9,12 % represents the real water losses on the bulk water supply lines from extraction to final treatment, storage and distribution. Considering the condition, age and and the lack of capital infrastructure investment into these assets, the loss is considered acceptable, and within the industry norm of around 15%.

TRANSFERS OF GRANTS AND OTHER FUNDING TO THE ENTITY TO IMPLEMENT CAPITAL PROJECTS ON BEHALF OF THE MUNICIPALITIES

The WSA's are the recipients of all government grants paid in terms of the Division of Revenue Act, and in cases where the Entity is appointed by the municipality to implement any of its capital grant projects, these are done on an implementation basis only, and the relevant municipality reflects the grants and its conditions and reports back to National or Provincial Treasury directly in relation to the requirements of the grants.

In cases where the municipality transfers its own capital funding to the Entity to implement capital projects, these are also carried out as implementing agent only, and these transfers are not conditional grants, except to say that they are for a specific purpose or project as directed by the municipality.



LOAN CHARGE ACCURAL REVERSAL IN STATEMENT OF FINANCIAL PERFORMANCE

Provision of R3 003 769,61 was made in prior years financial statements to pay loan charges, on a loan from Newcastle Municipality for the financing of reticulation assets. With the transfer of the reticulation assets to Newcastle Municipality, the outstanding loan balance was included in the transfer entries as reflected in the 2014 financial statements.

The provision for the payment of the loan charges of R3 003 769,61 remained as a provision in the financial statements until agreement was reached with Newcastle Municipality in 2018, to cancel old outstanding obligations.

As the amount is material it is shown as a separate item in the statement of financial performance so as not to distort the reporting of other items.

CORRECTION OF ERROR AND RESTATEMENT OF COMPARATIVE INFORMATION

Changes were made in the 2019 financial year that affected the 2018 financial year comparative figures, and these adjustments, and the effect it had on the Statement of Financial Position, Statement of Financial Performance, Statement of Net Assets, and notes to the financial statements, are reflected hereunder.

The nature and explanations for the prior year period adjustments is as follows;

Statement of financial position

Vat receivable - The nature of this error was in respect of VAT raised in the 2019 year, but, relating to raw water charges in respect of the 2018 year, and adjusted accordingly.

The VAT receivables was also amended to create a liability for a VAT debtor in respect of LL Cunha and Associates pending the final assessment of VAT inputs claimed.

Other receivables - The nature of this error is to correct the 2018 balance brought forward to include a VAT liability and consequent debtor in respect of LL Cunha and Associates pending the final assessment of VAT inputs claimed.

Trade and other payables - The nature of this error was in respect of raw water charges and interest raised in the 2019 year, but, relating to raw water charges and interest in respect of the 2018 year, and adjusted accordingly.

Unspent conditional grants and receipts - The nature of this error was in respect of grant expenditure incurred in the 2018 year, and the necessary adjustment to grant income, to recognise the grant revenue in the appropriate year, and adjusted accordingly.

Net assets - The nature of this correction of error is reflected in the above changes to the statement of financial position, and the net effect, on the net assets, and accumulated funds.

Statement of financial performance

Shareholder project contributions - The nature of this error was in respect of grant revenue not recognised in the 2018 year when the expenditure was incurred, and, adjusted and recognised accordingly.

Bulk water purchases - The nature of this error was in respect of raw water bulk charges raised in the 2019 year, but, relating to the 2018 year, and adjusted accordingly.

Interest paid - The nature of this error was in respect of raw water interest charges raised in the 2019 year, but, relating to the 2018 year, and adjusted accordingly.

Operating expenses - The nature of this error was in respect of raw water interest charges incorrectly accounted for under operating expenses in the 2019 year, but relating to the 2018 year, and adjusted accordingly.



Statement of Changes in Net Assets

Operating (surplus) deficit, including shareholders contributions - The nature and effect of the multiple changes changes described above resulting in an increased year end deficit from (92 059 068) to (108 400 638).

Notes to the Financial Statements

Note 3 - The note change is to reflect the 2018 balance brought forward to include a VAT liability and consequent debtor in respect of LL Cunha and Associates pending the final assessment of VAT inputs claimed.

Note 9 - The note change reflects the adjustment of the 2018 trade creditors balance to include the raw water charges and interest accrued.

Note 9A - The note change reflects the adjustment to grants recognised in 2018 in respect of expenditures incurred in the 2018 year.

Note 11 - The note change reflects the adjustment in respect of VAT raised on raw water charges in the 2019 year, but, related to the 2018 year the 2018 balance brought forward as well as to include a VAT liability and consequent debtor in respect of LL Cunha and Associates pending the final assessment of VAT inputs claimed.

Note 13 - The note changes reflects the multiple adjustments described above culminating in an increase in the year end deficit from (92 059 068) to (108 400 638)

Note 19 - The note changes reflects the adjustment raw water bulk charges raised in the 2019 year, but, relating to the 2018 year.

Note 24 - The note change reflects the multiple adjustments described above, and their effect on the cash generated by operations, i.e. the increase in the operating deficit, increase in creditors, increase in debtors, decrease in vat receivable and decrease in unspent grants, relative to the 2018 year.

Note 31 - The note change reflects the adjustment to the 2018 capital commitment balance to reflect the recognition of the expenditure in the 2018 year.



Details of accounts affected by the changes	Original 2018	Revised 2018	Amount Adjusted
	R	R	R
Statement of Financial Position			
Current assets			
VAT receivable	18,436,651	17,724,329	(712,322)
Other receivables	3,269,804	3,967,760	697,956
Total assets	1,065,302,091	1,065,287,724	(14,367)
Current liabilities			
Trade and other payables	242,603,693	259,968,783	17,365,090
Unspent conditional grants and receipts	15,319,354	14,281,468	(1,037,886)
Total liabilities	273,001,585	289,328,788	16,327,203
Net assets			
Net assets	792,300,506	775,958,936	(16,341,570)
Accumulated funds	792,300,406	775,958,836	(16,341,570)
Total net assets	792,300,506	775,958,936	-16,341,570

Statement of Financial Performance			
Revenue			
Shareholders project contributions	-	1,037,886	1,037,886
Total revenue	117,593,237	118,631,123	1,037,886
Expenditure			
Bulk water purchases	(15,010,204)	(14,924,558)	85,646
Interest paid		(17,465,376)	(17,465,376)
Operating expenses	(42,812,862)	(42,812,588)	274
Total expenditure	(209,580,363)	(226,959,819)	(17,379,456)
Surplus(deficit) before taxation	(92,059,068)	(108,400,638)	(16,341,570)
Statement of Changes in Net Assets			
Operating (surplus) deficit - including shareholders contributions	(92,059,068)	(108,400,638)	(16,341,570)
Net assets	792,300,506	775,958,936	(16,341,570)



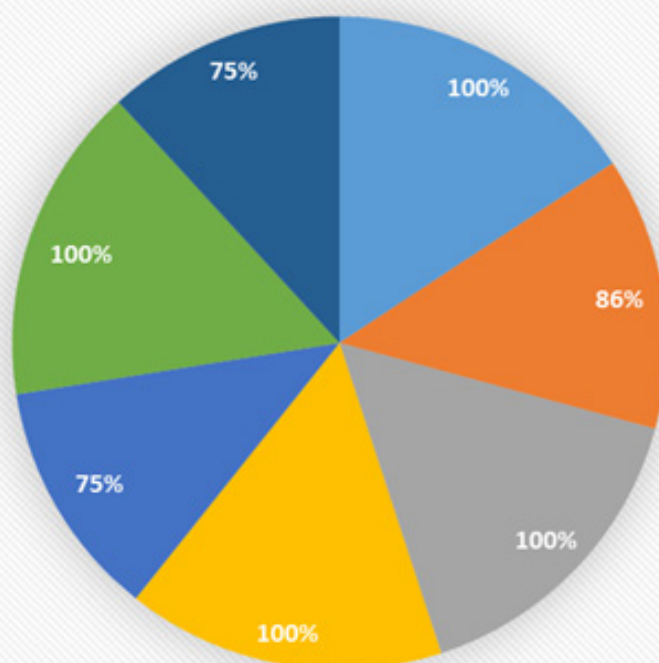
Notes to the Financial Statements			
Note 3			
Other receivables from non-exchange transactions			
Other debtors	3,269,804	3,967,760	697,956
Total other debtors	3,269,804	3,967,760	697,956
Note 9			
Trade and other payables from exchange transactions			
Trade creditors	234,530,226	251,895,316	17,365,090
Total creditors	242,603,693	259,968,783	17,365,090
Note 9A			
Unspent conditional grants and receipts			
Newcastle	8,788,169	8,675,841	-112,328
Umzinyathi	6,531,186	5,605,627	-925,559
Total unspent grants	15,319,354	14,281,468	-1,037,886
Note 11			
VAT			
Creditors invoices VAT raised - not yet claimed	26,343,963	25,631,641	-712,322
Total VAT receivable (payable)	18,436,651	17,724,329	-712,322
Note 13			
Accumulated funds			
Accumulated funds surplus (deficit)			
Surplus (deficit) for the year	-92,059,068	-108,400,638	-16,341,570
Balance year end	56,669,836	40,328,266	-16,341,570
Total accumulated funds	792,300,406	775,958,836	-16,341,570
Shareholders contributions			-
Increase in shareholders contributions	-	1,037,886	1,037,886
Balance year end	182,649,510	183,687,396	1,037,886
Accumulated funds surplus (deficit)	56,669,836	40,328,266	-16,341,570
Accumulated funds surplus (deficit) excluding shareholder contributions - projects	125,979,674	142,321,244	16,341,570
Note 19			
Bulk purchases			
Water services levy	3,007,089	2,921,443	-85,646
Total	15,010,204	14,924,558	-85,646



Note 24			
Cash Generated by Operations			
Surplus/(Deficit) for year	-92,059,068	-108,400,638	-16,341,570
Operating surplus before working capital Amendments	14,966,664	-1,374,906	-16,341,570
Decrease/(increase) in consumer and other debtors	-23,441,211	-24,139,167	-697,956
(Decrease) increase in creditors	11,680,538	29,045,628	17,365,090
(Decrease)/Increase in VAT	1,982,397	2,694,720	712,323
(Decrease)/Increase in unspent capital grants	15,319,354	14,281,468	-1,037,886
Note 31			
Capital commitments			
Approved and contracted for			
Infrastructure	6,643,514	5,605,628	-1,037,886
Total	15,319,354	14,281,468	-1,037,886



uThukela Water (Pty) Ltd Annual Performance Outcomes as at 30 June 2019



- Communicate company performance to stakeholders and public
- Manage stakeholder relationships
- Ensure good corporate governance
- Increase financial sustainability
- Improve Service Delivery
- Maintain, Improve and Increase Water Infrastructure
- Increase Water Resource Sustainability

Rating	Level	Description
1	Unacceptable Performance / Needs Development	Performance does not meet the standard expected for the job. The review / assessment indicates that the employee has achieved below fully effective results against more than half of the performance criteria and indicators as specified in the Performance Agreement. The member has failed to demonstrate the commitment or ability to bring performance up to the level expected in the job despite management efforts to encourage improvement.
2	Not Fully Effective	Performance is below the standard required for the job in key areas. Performance meets some of the standards expected for the job. The review / assessment indicates that the employee has achieved below fully effective results against less than half of the key performance criteria and indicators as specified in the Performance Agreement.
3	Fully Effective	Performance fully meets the standard expected in all areas of the job. The review / assessment indicate that the member has achieved fully effective results against all the performance criteria and indicators as specified in the Performance Agreement.
4	Performance Above Expectations	Performance is significantly higher than the standard expected in the job or far exceeds the standard expected of a member at this level. The appraisal indicates that the member has achieved above fully effective results against more than half of the performance criteria and indicators and fully achieved all others throughout the year.

PERFORMANCE OUTCOMES

The below chart (Figure 1) serves to represent the performance outcomes as at year end (30/06/2019) of uThukela Water (Pty) Ltd. A detailed scoresheet can be found at the end of this report.

The entity managed to meet all its agreed targets as per the SDBIP FY 2018/2019 in the key performance areas of the following strategic objectives:

- Communicate company performance to stakeholders and public
- Ensure good corporate governance
- Increase financial sustainability
- Maintain, Improve and Increase Water Infrastructure





uThukela Water (Pty) Ltd.

ANNUAL PERFORMANCE SCORECARD AS AT 30 JUNE 2019

Strategic Objectives	Key Performance Area	Key Performance Indicator	Budget Reference	Annual Target	Actual Output as at 30/06/2019	Target Met/ Target Not Met	Comments	Performance Score
Manage Stakeholder Relationships	Align Business Plans & Budgets with Municipal IDPs, Budgets & Plans, and National / Provincial Development Objectives	Submission of Business Plan, Budgets and Mid-Year Performance Assessments in terms of the provisions of the MFMA. One Meeting per annum with each Shareholder and Provincial Representative	<ul style="list-style-type: none"> • O0001/IE000 36/F0932/X0 51/R5236/00 1 • O0001/IE000 44/F0932/X0 51/R5236/00 1 • O0001/IE000 43/F0932/X0 51/R5236/00 1 • O0001/IE001 26/F0932/X0 51/R5236/00 1 • O0001/IE015 21/F0932/X0 51/R5236/00 1 • O0001/IE015 23/F0932/X0 51/R5236/00 1 • O0001/IE039 71/F0932/X0 51/R5236/00 1 	<ul style="list-style-type: none"> • Submit an annual business plan to WSA's • Submit a Mid-Year Performance Assessment Report and, a final annual performance report • One meeting per WSA to align budgets and plans 	<ul style="list-style-type: none"> • 1 Annual Business plan submitted on the 18th January 2019. • 1 Mid-Year Performance Assessment Report submitted • One meeting held with Amajuba DM and one Meeting held with Newcastle LM. 	<ul style="list-style-type: none"> • Target Met • Target Met • Target Met 	Failed to meet with uMzinyathi DM.	<ul style="list-style-type: none"> • 3
			<ul style="list-style-type: none"> • O0001/IE015 35/F0932/X0 51/R5236/00 1 • O0001/IE015 26/F0932/X0 51/R5236/00 1 • O0001/IE039 68/F0932/X0 51/R5236/00 1 • O0001/IE015 25/F0932/X0 51/R5236/00 1 • O0001/IE001 25/F0932/X0 51/R5236/00 1 • O0001/IE015 33/F0932/X0 51/R5236/00 1 • O0001/IE000 45/F0932/X0 51/R5236/00 1 • O0001/IE000 40/F0932/X0 51/R5236/00 1 • O0001/IE000 42/F0932/X0 51/R5236/00 1 					

		Committee to align budgets to Municipal IDPs, National and Provincial Plans	<ul style="list-style-type: none"> • O0001/IE015 35/F0932/X0 51/R5236/00 1 • O0001/IE015 26/F0932/X0 51/R5236/00 1 • O0001/IE039 68/F0932/X0 51/R5236/00 1 • O0001/IE015 25/F0932/X0 51/R5236/00 1 • O0001/IE001 25/F0932/X0 51/R5236/00 1 • O0001/IE015 33/F0932/X0 51/R5236/00 1 • O0001/IE000 45/F0932/X0 51/R5236/00 1 • O0001/IE000 40/F0932/X0 51/R5236/00 1 • O0001/IE000 42/F0932/X0 51/R5236/00 1 					
	Schedule and attend regular Operational Admin and Financial meetings with Parent Municipalities	To schedule monthly meetings with all WSA's	<ul style="list-style-type: none"> • O0001/IE000 36/F0932/X0 51/R5236/00 1 • O0001/IE000 44/F0932/X0 51/R5236/00 1 • O0001/IE000 43/F0932/X0 51/R5236/00 1 	<ul style="list-style-type: none"> • 12 Monthly meetings scheduled with all WSA's 	<ul style="list-style-type: none"> • 10 Monthly Meetings scheduled with all WSA's 	<ul style="list-style-type: none"> • Target Not Met 		<ul style="list-style-type: none"> • 3



			<ul style="list-style-type: none"> • O0001/IE001 26/FO932/X0 51/RS236/00 1 • O0001/IE015 21/FO932/X0 51/RS236/00 1 • O0001/IE015 23/FO932/X0 51/RS236/00 1 • O0001/IE039 71/FO932/X0 51/RS236/00 1 • O0001/IE015 35/FO932/X0 51/RS236/00 1 • O0001/IE015 26/FO932/X0 51/RS236/00 1 • O0001/IE039 68/FO932/X0 51/RS236/00 1 • O0001/IE015 25/FO932/X0 51/RS236/00 1 • O0001/IE001 25/FO932/X0 51/RS236/00 1 • O0001/IE015 33/FO932/X0 51/RS236/00 1 • O0001/IE000 45/FO932/X0 51/RS236/00 1 • O0001/IE000 40/FO932/X0 51/RS236/00 1 					
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			<ul style="list-style-type: none"> • O0001/IE000 42/FO932/X0 51/RS236/00 1 					
	Board, Shareholder and Audit Committee Meetings	Quarterly meetings to be scheduled	<ul style="list-style-type: none"> • O0001/IE006 77/FO932/X0 45/RS236/00 1 • O0001/IE008 33/FO932/X0 51/RS236/00 1 • 	<ul style="list-style-type: none"> • 4 Board meetings scheduled • 1 Shareholders meetings scheduled • 4 Audit Committee meetings scheduled 	<ul style="list-style-type: none"> • 4 Board Meetings Scheduled • 1 shareholders Meeting scheduled • 4 Audit Committee Meetings scheduled 	<ul style="list-style-type: none"> • Target Met • Target Met • Target Met 		<ul style="list-style-type: none"> • 3
Strategic Objectives	Key Performance Area	Key Performance Indicator	Budget Reference	Annual Target	Actual Output as at 30/06/2019	Target Met/ Target Not Met	Comments	Performance Score
Communicate Company Performance to Stakeholders and Public	Submission of Monthly Section 71 Oversight Reports and Quarterly Performance Reports to Shareholders	Compile and submit Monthly Oversight Reports and Quarterly Performance Reports to Shareholders	<ul style="list-style-type: none"> • O0001/IE000 36/FO932/X0 51/RS236/00 1 • O0001/IE000 44/FO932/X0 51/RS236/00 1 • O0001/IE000 43/FO932/X0 51/RS236/00 1 • O0001/IE001 26/FO932/X0 51/RS236/00 1 • O0001/IE015 21/FO932/X0 51/RS236/00 1 	<ul style="list-style-type: none"> • 12 Monthly Section 71 oversight reports • 4 Performance Reports 	<ul style="list-style-type: none"> • 12 Monthly Section 71 Reports • 4 Performance Reports Completed 	<ul style="list-style-type: none"> • Target Met • Target Met 		<ul style="list-style-type: none"> • 4



			<ul style="list-style-type: none"> • O0001/IE015 23/F0932/X0 51/R5236/00 1 • O0001/IE039 71/F0932/X0 51/R5236/00 1 • O0001/IE015 35/F0932/X0 51/R5236/00 1 • O0001/IE015 26/F0932/X0 51/R5236/00 1 • O0001/IE039 68/F0932/X0 51/R5236/00 1 • O0001/IE015 25/F0932/X0 51/R5236/00 1 • O0001/IE001 25/F0932/X0 51/R5236/00 1 • O0001/IE015 33/F0932/X0 51/R5236/00 1 • O0001/IE000 45/F0932/X0 51/R5236/00 1 • O0001/IE000 40/F0932/X0 51/R5236/00 1 • O0001/IE000 42/F0932/X0 51/R5236/00 1 					
	Compile Annual Report with	Compile and submit Final	<ul style="list-style-type: none"> • O1336-1/IE00843/F0932/X045/R5236/001/STR 	<ul style="list-style-type: none"> • Compile and submit 1 annual report 	<ul style="list-style-type: none"> • Annual report submitted 	<ul style="list-style-type: none"> • Target met 		<ul style="list-style-type: none"> • 4

	Input from Stakeholders	Annual Report to Stakeholders and Public by 31 st of August each year	<ul style="list-style-type: none"> • O0001/IE007 38/F0932/X0 45/R5236/00 1/STR 	by the 31 st August	on the 31 st of August 2018 via Dropbox to the WSA's			
Strategic Objectives	Key Performance Area	Key Performance Indicator	<ul style="list-style-type: none"> • Budget Reference 	Annual Target	Actual Output as at 30/06/2019	Target Met/ Target Not Met	Comments	Performance Score
Ensure Good Corporate Governance	Compliance with Statutory Company and Local Government Legislation	To ensure compliance with Company, National, Provincial and Local Government legislative guidelines by updating and signing off control sheets on a quarterly basis	<ul style="list-style-type: none"> • O0001/IE000 36/F0932/X0 51/R5236/00 1 • O0001/IE000 44/F0932/X0 51/R5236/00 1 • O0001/IE000 43/F0932/X0 51/R5236/00 1 • O0001/IE001 26/F0932/X0 51/R5236/00 1 • O0001/IE015 21/F0932/X0 51/R5236/00 1 • O0001/IE015 23/F0932/X0 51/R5236/00 1 • O0001/IE039 71/F0932/X0 51/R5236/00 1 • O0001/IE015 35/F0932/X0 51/R5236/00 1 • O0001/IE015 	<ul style="list-style-type: none"> • 4 Quarterly Compliance Control Sheets 	<ul style="list-style-type: none"> • 4 quarterly compliance control sheets signed 	<ul style="list-style-type: none"> • Target met 		<ul style="list-style-type: none"> • 3



			26/F0932/X0 51/RS236/00 1 • O0001/IE039 68/F0932/X0 51/RS236/00 1 • O0001/IE015 25/F0932/X0 51/RS236/00 1 • O0001/IE001 25/F0932/X0 51/RS236/00 1 • O0001/IE015 33/F0932/X0 51/RS236/00 1 • O0001/IE000 45/F0932/X0 51/RS236/00 1 • O0001/IE000 40/F0932/X0 51/RS236/00 1 • O0001/IE000 42/F0932/X0 51/RS236/00 1					
	Manage and Reduce Risks	Carry out an annual institutional risk assessment and perform quarterly monitoring exercises thereof	• O0001/IE000 36/F0932/X0 51/RS236/00 1 • O0001/IE000 44/F0932/X0 51/RS236/00 1 • O0001/IE000 43/F0932/X0 51/RS236/00 1 • O0001/IE001 26/F0932/X0 51/RS236/00 1 • O0001/IE015	• 1 Annual risk assessment • 4 Quarterly Risk Monitoring Reports	• 1 Annual risk assessment conducted on the 16/04/2019 • 4 quarterly monitoring risk report submitted	• Target met		• 3

			21/F0932/X0 51/RS236/00 1 • O0001/IE015 23/F0932/X0 51/RS236/00 1 • O0001/IE039 71/F0932/X0 51/RS236/00 1 • O0001/IE015 35/F0932/X0 51/RS236/00 1 • O0001/IE015 26/F0932/X0 51/RS236/00 1 • O0001/IE039 68/F0932/X0 51/RS236/00 1 • O0001/IE015 25/F0932/X0 51/RS236/00 1 • O0001/IE001 25/F0932/X0 51/RS236/00 1 • O0001/IE015 33/F0932/X0 51/RS236/00 1 • O0001/IE000 45/F0932/X0 51/RS236/00 1 • O0001/IE000 40/F0932/X0 51/RS236/00 1 • O0001/IE000 42/F0932/X0 51/RS236/00 1					
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	Attract, Retain and increase organisational skills and capacity	Training and development of Staff in line with the institutions succession plan, career pathing, talent management, performance intervention, WSP	<ul style="list-style-type: none"> • O0001/IE00036/F0932/X051/RS236/001 • O0001/IE00044/F0932/X051/RS236/001 • O0001/IE00043/F0932/X051/RS236/001 • O0001/IE00126/F0932/X051/RS236/001 • O0001/IE01521/F0932/X051/RS236/001 • O0001/IE01523/F0932/X051/RS236/001 • O0001/IE03971/F0932/X051/RS236/001 • O0001/IE01535/F0932/X051/RS236/001 • O0001/IE01526/F0932/X051/RS236/001 • O0001/IE03968/F0932/X051/RS236/001 • O0001/IE01525/F0932/X051/RS236/001 • O0001/IE00125/F0932/X051/RS236/001 	<ul style="list-style-type: none"> • Capacitating staff and developing staff in line with the succession plan. With a total of 80% of all staff in training and development programmes been from the staff highlighted to be developed in terms of the WSP 	<ul style="list-style-type: none"> • > 80% of staff highlighted to be developed in terms of the WSP have received training in FY2018/2019 	<ul style="list-style-type: none"> • Target met 	<ul style="list-style-type: none"> • 4
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			<ul style="list-style-type: none"> • O0001/IE01533/F0932/X051/RS236/001 • O0001/IE00045/F0932/X051/RS236/001 • O0001/IE00040/F0932/X051/RS236/001 • O0001/IE00042/F0932/X051/RS236/001 				
	Information Technology Systems	Functional modern-day and live IT systems that generate management and stakeholder information.	<ul style="list-style-type: none"> • O0001/IE00036/F0932/X051/RS236/001 • O0001/IE00044/F0932/X051/RS236/001 • O0001/IE00043/F0932/X051/RS236/001 • O0001/IE00126/F0932/X051/RS236/001 • O0001/IE01521/F0932/X051/RS236/001 • O0001/IE01523/F0932/X051/RS236/001 • O0001/IE03971/F0932/X051/RS236/001 • O0001/IE01535/F0932/X051/RS236/001 	<ul style="list-style-type: none"> • 12 Monthly IT Reports 	<ul style="list-style-type: none"> • 12 Monthly reports completed 		<ul style="list-style-type: none"> • 3

			<ul style="list-style-type: none"> • O0001/IE015 26/FO932/X0 51/RS236/00 1 • O0001/IE039 68/FO932/X0 51/RS236/00 1 • O0001/IE015 25/FO932/X0 51/RS236/00 1 • O0001/IE001 25/FO932/X0 51/RS236/00 1 • O0001/IE015 33/FO932/X0 51/RS236/00 1 • O0001/IE000 45/FO932/X0 51/RS236/00 1 • O0001/IE000 40/FO932/X0 51/RS236/00 1 • O0001/IE000 42/FO932/X0 51/RS236/00 1 • O0001/IE007 38/FO932/X0 45/RS236/00 1 • O0001/IE000 59/FO932/X1 46/RS236/00 1 • O0001/IE007 09/FO932/X0 52/RS236/00 1 • O0001/IE006 50/FO932/X0 52/RS236/00 1 					
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			<ul style="list-style-type: none"> • O1555- 1/IE00650/FO 932/X052/RS 236/001 • O0001/IE007 95/FO932/X0 52/RS236/00 1 • O0001/IE001 19/FO932/X0 51/RS236/00 1 • O0001/IE001 21/FO932/X0 51/RS236/00 1 • O0001/IE007 76/FO932/X0 52/RS236/00 1 • O0001/IE007 84/FO932/X0 52/RS236/00 1 • O000 1/IE00767/FO 932/X052/RS 236/001 					
Strategic Objectives	Key Performance Area	Key Performance Indicator	Budget Reference	Annual Target	Actual Output as at 30/06/2019	Target Met/ Target Not Met	Comments	Performance Score
Increase Financial Sustainability	Good Financial Management based on Sound Accounting, Supply Chain Management and Economic Principles with good internal	Number of material external audit findings in the Annual Audit Report to be less than 3 findings.	• O0001/IE005 67/FO932/X0 49/RS236/00 1/FIN	• < 3 Material External Findings	• Zero material Audit findings	• Target met		• 4

	controls							
	Revenue Management	To invoice debtors within 10 days of each new month for services rendered.	<ul style="list-style-type: none">• 00001/IE00036/F0932/X051/RS236/001• 00001/IE00044/F0932/X051/RS236/001• 00001/IE00043/F0932/X051/RS236/001• 00001/IE00126/F0932/X051/RS236/001• 00001/IE01521/F0932/X051/RS236/001• 00001/IE01523/F0932/X051/RS236/001• 00001/IE03971/F0932/X051/RS236/001• 00001/IE01535/F0932/X051/RS236/001• 00001/IE01526/F0932/X051/RS236/001• 00001/IE03968/F0932/X051/RS236/001• 00001/IE01525/F0932/X051/RS236/001• 00001/IE001	<ul style="list-style-type: none">• 12 Monthly Invoices per WSA	<ul style="list-style-type: none">• 12 Monthly invoices per WSA Submitted within 10 days of each new month	<ul style="list-style-type: none">• Target met	<ul style="list-style-type: none">• 3	

4310

			<div>25/F0932/X051/RS236/001</div> <div>• 00001/IE01533/F0932/X051/RS236/001</div> <div>• 00001/IE00045/F0932/X051/RS236/001</div> <div>• 00001/IE00040/F0932/X051/RS236/001</div> <div>• 00001/IE00042/F0932/X051/RS236/001</div>				
	Financial Performance	To produce Annual Financial Statements by the 31 August each year	<div>• 00001/IE00036/F0932/X051/RS236/001/FIN</div> <div>• 00001/IE00044/F0932/X051/RS236/001/FIN</div> <div>• 00001/IE00043/F0932/X051/RS236/001/FIN</div> <div>• 00001/IE00126/F0932/X051/RS236/001/FIN</div> <div>• 00001/IE01521/F0932/X051/RS236/001/FIN</div> <div>• 00001/IE01523/F0932/X051/RS236/001/FIN</div> <div>• 00001/IE03971/F0932/X051/RS236/001/FIN</div> <div>• 00001/IE015</div>	<div>• Annual Financial Statements by the 31st August</div>	<div>• Annual Financial Statements produced by the 31st August 2018.</div>	<div>• Target Met</div>	<div>• 4</div>



			35/F0932/X0 51/R5236/00 1/FIN •O0001/IE015 26/F0932/X0 51/R5236/00 1/FIN •O0001/IE039 68/F0932/X0 51/R5236/00 1/FIN •O0001/IE015 25/F0932/X0 51/R5236/00 1/FIN •O0001/IE001 25/F0932/X0 51/R5236/00 1/FIN •O0001/IE015 33/F0932/X0 51/R5236/00 1/FIN •O0001/IE000 45/F0932/X0 51/R5236/00 1/FIN •O0001/IE000 40/F0932/X0 51/R5236/00 1/FIN •O0001/IE000 42/F0932/X0 51/R5236/00 1/FIN •O0001/IE008 30/F0932/X0 49/R5236/00 1/FIN •O1336- 1/IE00843/F0 932/X045/R5 236/001/STR •O0001/IE006 85/F0932/X0 45/R5236/00 1/STR				
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Strategic Objectives	Key Performance Area	Key Performance Indicator	Budget Reference	Annual Target	Actual Output as at 30/06/2019	Target Met/ Target Not Met	Comments	Performance Score
Improve Service Delivery	To supply agreed bulk water volumes to WSAs	To supply uninterrupted bulk water volumes in terms of WSP / WSA Agreements and budgeted volumes.	•O0001/IE005 23/F0932/X1 46/R0399/00 1 •O0001/IE005 77/F0932/X1 48/R0399/00 1 •O0001/IE005 34/F0932/X1 48/R0399/00 1 •O0001/IE007 38/F0932/X0 45/R5236/00 1 •O0001/IE006 11/F0932/X0 35/R0399/00 1 •O0001/IE000 36/F0932/X0 51/R5236/00 1 •O0001/IE000 44/F0932/X0 51/R5236/00 1 •O0001/IE000 43/F0932/X0 51/R5236/00 1 •O0001/IE001 26/F0932/X0 51/R5236/00 1 •O0001/IE015 21/F0932/X0 51/R5236/00 1 •O0001/IE015 23/F0932/X0 51/R5236/00	• Newcastle 34675000KL • uMzinyathi 560000 KL • Amajuba 5660000 KL	• Newcastle 31806425KL • uMzinyathi 5062261KL • Amajuba 5530726KL	• Target Not Met	Major Maintenance of the bulk water pipelines of the entity was carried out throughout the year.	• 4

			<ul style="list-style-type: none"> • 00001/IE039 71/F0932/X0 51/RS236/00 1 • 00001/IE015 35/F0932/X0 51/RS236/00 1 • 00001/IE015 26/F0932/X0 51/RS236/00 1 • 00001/IE039 68/F0932/X0 51/RS236/00 1 • 00001/IE015 25/F0932/X0 51/RS236/00 1 • 00001/IE001 25/F0932/X0 51/RS236/00 1 • 00001/IE015 33/F0932/X0 51/RS236/00 1 • 00001/IE000 45/F0932/X0 51/RS236/00 1 • 00001/IE000 40/F0932/X0 51/RS236/00 1 • 0000 1/IE00042/F0932/X051/RS236/001 				
	To supply quality bulk water in terms of SANS 241:2015	95% compliance of Acute health, chemical and	<ul style="list-style-type: none"> • 00001/IE000 36/F0932/X0 51/RS236/00 1 • 00001/IE000 44/F0932/X0 51/RS236/00 1 	<ul style="list-style-type: none"> • 95% Water Quality Across all determinants in terms of SANS 	<ul style="list-style-type: none"> • Ngagana WPP Acute Health Chemical Compliance 100% 	<ul style="list-style-type: none"> • Target met 	<ul style="list-style-type: none"> • 4

	microbiological, Aesthetic and operational, and Chronic health chemical standards.	<ul style="list-style-type: none">• 00001/IE000 43/F0932/X0 51/RS236/00 1• 00001/IE001 26/F0932/X0 51/RS236/00 1• 00001/IE015 21/F0932/X0 51/RS236/00 1• 00001/IE015 23/F0932/X0 51/RS236/00 1• 00001/IE039 71/F0932/X0 51/RS236/00 1• 00001/IE015 35/F0932/X0 51/RS236/00 1• 00001/IE015 26/F0932/X0 51/RS236/00 1• 00001/IE039 68/F0932/X0 51/RS236/00 1• 00001/IE015 25/F0932/X0 51/RS236/00 1• 00001/IE001 25/F0932/X0 51/RS236/00 1• 00001/IE015 33/F0932/X0 51/RS236/00 1• 00001/IE000 45/F0932/X0 51/RS236/00 1	241:2015	<ul style="list-style-type: none">• Acute Health Microbiological Compliance 100%• Aesthetic Compliance 100%• Chronic Health Chemical Compliance 100%• Operational Compliance 97.81%• Biggarsburg WPP Acute Health Chemical Compliance 100%• Acute Health Microbiological Compliance 100%• Aesthetic Compliance 100%• Chronic Health Chemical Compliance 100%• Operational Compliance 99.90%			
		<ul style="list-style-type: none">• To develop a laboratory accreditation plan as per the SANS 17025		<ul style="list-style-type: none">• Draft Laboratory Accreditation plan has been developed			

			<ul style="list-style-type: none"> • 00001/IE00040/F0932/X051/RS236/001 • 00001/IE00042/F0932/X051/RS236/001 • 00001/IE00034/F0932/X148/R0399/001 • 00001/IE00005-1/IE00005/F0932/X148/RS236/001/LAB 		d.			
	Reliability of Bulk Water Supply	To minimise unavoidable or planned maintenance interruptions of bulk water supply to less than 24 hours in any one instance.	<ul style="list-style-type: none"> • 00001/IE00036/F0932/X051/RS236/001 • 00001/IE00044/F0932/X051/RS236/001 • 00001/IE00043/F0932/X051/RS236/001 • 00001/IE00126/F0932/X051/RS236/001 • 00001/IE01521/F0932/X051/RS236/001 • 00001/IE01523/F0932/X051/RS236/001 • 00001/IE03971/F0932/X051/RS236/001 • 00001/IE01535/F0932/X051/RS236/001 	<ul style="list-style-type: none"> • All planned and unplanned maintenance disruptions of bulk water should be less than 24 hours per disruption. 	<ul style="list-style-type: none"> • All planned and unplanned maintenance disruptions of bulk water < 24 hours per disruption. 	<ul style="list-style-type: none"> • Target met 	Please see water disruption register for 2018/2019 due to extensive maintenance all interruptions cannot be captured	<ul style="list-style-type: none"> • 3

			<ul style="list-style-type: none"> 51/RS236/001 • 00001/IE01526/F0932/X051/RS236/001 • 00001/IE03968/F0932/X051/RS236/001 • 00001/IE01525/F0932/X051/RS236/001 • 00001/IE00125/F0932/X051/RS236/001 • 00001/IE01533/F0932/X051/RS236/001 • 00001/IE00045/F0932/X051/RS236/001 • 00001/IE00040/F0932/X051/RS236/001 • 00001/IE00042/F0932/X051/RS236/001 • 02523-1/IE00651/F0932/X148/RS236/001 • 02158-2/IE00651/F0932/X148/R0399/001 • 02158-1/IE00651/F0932/X148/RS236/001 					
	Water	To restrict	<ul style="list-style-type: none"> • 00001/IE000 	<ul style="list-style-type: none"> • To restrict 	<ul style="list-style-type: none"> • Total 	<ul style="list-style-type: none"> • Target 		<ul style="list-style-type: none"> • 4

	Conservation Management	bulk water losses on raw and potable bulk pipelines to less than 1.5% per annum	36/F0932/X0 51/RS236/00 1 • O0001/IE000 44/F0932/X0 51/RS236/00 1 • O0001/IE000 43/F0932/X0 51/RS236/00 1 • O0001/IE001 26/F0932/X0 51/RS236/00 1 • O0001/IE015 21/F0932/X0 51/RS236/00 1 • O0001/IE015 23/F0932/X0 51/RS236/00 1 • O0001/IE039 71/F0932/X0 51/RS236/00 1 • O0001/IE015 35/F0932/X0 51/RS236/00 1 • O0001/IE015 26/F0932/X0 51/RS236/00 1 • O0001/IE039 68/F0932/X0 51/RS236/00 1 • O0001/IE015 25/F0932/X0 51/RS236/00 1 • O0001/IE001 25/F0932/X0 51/RS236/00 1 • O0001/IE015	water loss on total bulk water system raw and potable pipelines to an average of less than 1.5% per annum. • To develop a WCDM plan	water loss for FY 2018/2019 9.12% • Water Loss Incident Report Compiled, Water Loss Task Team Appointed to monitor water losses on bulk pipelines quarterly	met		
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			33/F0932/X0 51/RS236/00 1 • O0001/IE000 45/F0932/X0 51/RS236/00 1 • O0001/IE000 40/F0932/X0 51/RS236/00 1 • O0001/IE000 42/F0932/X0 51/RS236/00 1 • O2523- 1/IE00651/F0 932/X148/RS 236/001 • O2158- 2/IE00651/F0 932/X148/RS 399/001 • O2158- 1/IE00651/F0 932/X148/RS 236/001					
Strategic Objectives	Key Performance Area	Key Performance Indicator	Budget Reference	Annual Target	Actual Output as at 30/06/2019	Target Met/ Target Not Met	Comments	Performance Score
Increase Water Resource Sustainability	To coordinate the regional bulk water master plan	To coordinate quarterly meetings of the regional bulk water master plan	• O0001/IE000 36/F0932/X0 51/RS236/00 1 • O0001/IE000 44/F0932/X0 51/RS236/00 1 • O0001/IE000 43/F0932/X0 51/RS236/00 1 • O0001/IE001 26/F0932/X0 51/RS236/00	• 4 Meetings	• 4 Meetings Scheduled	• Target met		• 3



			<ul style="list-style-type: none"> • O0001/IE015 21/F0932/X0 51/RS236/00 1 • O0001/IE015 23/F0932/X0 51/RS236/00 1 • O0001/IE039 71/F0932/X0 51/RS236/00 1 • O0001/IE015 35/F0932/X0 51/RS236/00 1 • O0001/IE015 26/F0932/X0 51/RS236/00 1 • O0001/IE039 68/F0932/X0 51/RS236/00 1 • O0001/IE015 25/F0932/X0 51/RS236/00 1 • O0001/IE001 25/F0932/X0 51/RS236/00 1 • O0001/IE015 33/F0932/X0 51/RS236/00 1 • O0001/IE000 45/F0932/X0 51/RS236/00 1 • O0001/IE000 40/F0932/X0 51/RS236/00 1 • O0001/IE000 42/F0932/X0 51/RS236/00 				
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			<ul style="list-style-type: none"> • O0001/IE007 38/F0932/X0 45/RS236/00 1 • O0001/IE000 59/F0932/X1 48/RS236/00 1 • O0001/IE005 84/F0932/X0 45/RS236/00 1 • O0001/IE006 04/F0932/X0 45/RS236/00 1 • O0001/IE001 19/F0932/X0 51/RS236/00 1 • O0001/IE001 21/F0932/X0 51/RS236/00 1 • O1416- 1/IE00080/F0 932/X101/RS 236/001 • O1416- 1/IE00081/F0 932/X101/RS 236/001 • O0001/IE005 59/F0932/X0 45/RS236/00 1 • O0001/IE005 93/F0932/X0 45/RS236/00 1 • O0001/IE005 95/F0932/X0 51/RS236/00 1 • O0001/IE007 58/F0932/X0 51/RS236/00 				
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			<ul style="list-style-type: none"> • O0001/IE00635/F0932/X01/RS236/001 • O0001/IE0001/IE00609/F0932/X051/RS236/001 					
	Increasing the resiliency of the institution	Disaster recovery planning	<ul style="list-style-type: none"> • O0001/IE00036/F0932/X051/RS236/001 • O0001/IE00044/F0932/X051/RS236/001 • O0001/IE00043/F0932/X051/RS236/001 • O0001/IE00126/F0932/X051/RS236/001 • O0001/IE01521/F0932/X051/RS236/001 • O0001/IE01523/F0932/X051/RS236/001 • O0001/IE03971/F0932/X051/RS236/001 • O0001/IE01535/F0932/X051/RS236/001 • O0001/IE01526/F0932/X051/RS236/001 • O0001/IE03968/F0932/X051/RS236/001 	<ul style="list-style-type: none"> • 4 Disaster Recovery Planning Meetings to develop an Institutional Disaster Recovery Plan 	<ul style="list-style-type: none"> • 2 Disaster Recovery Planning Meetings held 	<ul style="list-style-type: none"> • Target Not Met 	2 Draft Emergency Response Plans submitted, currently in the process of revision for submission to LEADC O.	<ul style="list-style-type: none"> • 3

Page 17

			<ul style="list-style-type: none"> • O0001/IE01525/F0932/X051/RS236/001 • O0001/IE00125/F0932/X051/RS236/001 • O0001/IE01533/F0932/X051/RS236/001 • O0001/IE00045/F0932/X051/RS236/001 • O0001/IE00040/F0932/X051/RS236/001 • O0001/IE0001/IE00042/F0932/X051/RS236/001 					
	Regular asset conditional assessments	To annually assess the overall condition of all assets	<ul style="list-style-type: none"> • O0001/IE00036/F0932/X051/RS236/001 • O0001/IE00044/F0932/X051/RS236/001 • O0001/IE00043/F0932/X051/RS236/001 • O0001/IE00126/F0932/X051/RS236/001 • O0001/IE01521/F0932/X051/RS236/001 • O0001/IE01523/F0932/X051/RS236/001 	<ul style="list-style-type: none"> • 1 Annual asset conditional assessment 	<ul style="list-style-type: none"> • 1 Annual Conditional Assessment Carried Out 	<ul style="list-style-type: none"> • Target met 		<ul style="list-style-type: none"> • 3



			<ul style="list-style-type: none"> • O0001/IE039 71/F0932/X0 51/R5236/00 1 • O0001/IE015 35/F0932/X0 51/R5236/00 1 • O0001/IE015 26/F0932/X0 51/R5236/00 1 • O0001/IE039 68/F0932/X0 51/R5236/00 1 • O0001/IE015 25/F0932/X0 51/R5236/00 1 • O0001/IE001 25/F0932/X0 51/R5236/00 1 • O0001/IE015 33/F0932/X0 51/R5236/00 1 • O0001/IE000 45/F0932/X0 51/R5236/00 1 • O0001/IE000 40/F0932/X0 51/R5236/00 1 • O0001/IE000 42/F0932/X0 51/R5236/00 1 • O0001/IE000 1/IE00567/F0 932/X049/R5 236/001 					
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	Maintenance Planning	To highlight the operational and capital requirements in the Annual Maintenance Plan.	<ul style="list-style-type: none"> • O0001/IE000 36/F0932/X0 51/R5236/00 1 • O0001/IE000 44/F0932/X0 51/R5236/00 1 • O0001/IE000 43/F0932/X0 51/R5236/00 1 • O0001/IE001 26/F0932/X0 51/R5236/00 1 • O0001/IE015 21/F0932/X0 51/R5236/00 1 • O0001/IE015 23/F0932/X0 51/R5236/00 1 • O0001/IE039 71/F0932/X0 51/R5236/00 1 • O0001/IE015 35/F0932/X0 51/R5236/00 1 • O0001/IE015 26/F0932/X0 51/R5236/00 1 • O0001/IE039 68/F0932/X0 51/R5236/00 1 • O0001/IE015 25/F0932/X0 51/R5236/00 1 • O0001/IE001 25/F0932/X0 51/R5236/00 1 	<ul style="list-style-type: none"> • 1 Annual Maintenance Plan highlighting operational and capital requirements 	<ul style="list-style-type: none"> • Annual Maintenance Plan Completed and submitted 	<ul style="list-style-type: none"> • Target Met 	<ul style="list-style-type: none"> • 3
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			<ul style="list-style-type: none"> • O0001/IE015 33/F0932/X0 51/R5236/00 1 • O0001/IE000 45/F0932/X0 51/R5236/00 1 • O0001/IE000 40/F0932/X0 51/R5236/00 1 • O0001/IE000 42/F0932/X0 51/R5236/00 1 • O0001/IE000 48/F0932/X0 51/R5236/00 1 • O0001/IE000 59/F0932/X0 51/R5236/00 1 • O0001/IE000 64/F0932/X0 51/R5236/00 1 					
Strategic Objectives	Key Performance Area	Key Performance Indicator	Budget Reference	Annual Target	Actual Output as at 30/06/2019	Target Met/ Target Not Met	Comments	Performance Score
Maintain, Improve and Increase Water Infrastructure	Sourcing of Funds	To produce 2 Business Plans that feed into the Multi-Year Budget to address the maintenance and capital needs.	<ul style="list-style-type: none"> • O0001/IE000 36/F0932/X0 51/R5236/00 1 • O0001/IE000 44/F0932/X0 51/R5236/00 1 • O0001/IE000 43/F0932/X0 51/R5236/00 1 • O0001/IE001 26/F0932/X0 51/R5236/00 1 • O0001/IE015 21/F0932/X0 51/R5236/00 1 • O0001/IE015 23/F0932/X0 51/R5236/00 1 • O0001/IE039 71/F0932/X0 51/R5236/00 1 	<ul style="list-style-type: none"> • Complete 2 Business Plans per Annum 	<ul style="list-style-type: none"> • Business Plan for the Ntshingwayo Bulk Water Scheme Completed • Business Plan for the construction of Ncandu Dam 	<ul style="list-style-type: none"> • Target met 		<ul style="list-style-type: none"> • 3

			<ul style="list-style-type: none"> • O0001/IE015 35/F0932/X0 51/R5236/00 1 • O0001/IE015 26/F0932/X0 51/R5236/00 1 • O0001/IE039 68/F0932/X0 51/R5236/00 1 • O0001/IE015 25/F0932/X0 51/R5236/00 1 • O0001/IE001 25/F0932/X0 51/R5236/00 1 • O0001/IE015 33/F0932/X0 51/R5236/00 1 • O0001/IE000 45/F0932/X0 51/R5236/00 1 • O0001/IE000 40/F0932/X0 51/R5236/00 1 • O0001/IE000 42/F0932/X0 51/R5236/00 1 • O0001/IE007 38/F0932/X0 45/R5236/00 1 • O0001/IE000 59/F0932/X0 48/R5236/00 1 • O0001/IE005 84/F0932/X0 51/R5236/00 1 					
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			45/R5236/00 1 •O0001/IE006 04/F0932/X0 45/R5236/00 1 •O0001/IE001 19/F0932/X0 51/R5236/00 1 •O0001/IE001 21/F0932/X0 51/R5236/00 1 •O1416- 1/IE00080/FO 932/X101/RS 236/001 •O1416- 1/IE00081/FO 932/X101/RS 236/001 •O0001/IE005 59/F0932/X0 45/R5236/00 1 •O0001/IE005 93/F0932/X0 45/R5236/00 1 •O0001/IE005 95/F0932/X0 51/R5236/00 1 •O0001/IE007 58/F0932/X0 51/R5236/00 1 •O0001/IE006 35/F0932/X1 01/R5236/00 1 •O000 1/IE00609/FO 932/X051/RS 236/001				
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uthukela water

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Reg. No. 2003/029916/07**

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