uThukela Water (Pty) Ltd

Draft Annual Report

2023


If there is magic on this planet,
it is contained in water.
~ Loren Eiseley ~

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- Overall achievement on the execution of the WSA/WSP SLA.
- Achieved a Blue Drop water quality status.
- There is need to improve operational efficiency, on the control of water losses.

Organisational Profile

Who we Are

uThukela Water (Pty) Ltd is a municipal owned entity established in September 2001, then called uThukela Water Partnership. Its establishment was birthed from a study commissioned by the Department of Water and Sanitation (DWS) and the Australian government (AUSAID) between 1997 and 2000. The outcome of the study was made possible by the active participation of various stakeholders, including, all municipalities in the previous uMzinyathi and uThukela regions, organs of civil-society-based organisations, non-government organisations, organised business, agriculture, industry, and labour.

The entity was changed from its original form to a bulk water services provider because of a Provincial Cabinet decision dated 6 June 2013, which became effective from 1 July 2013. The entity is duly registered with the Commission for Intellectual Property Councill under registration number 2003/029916/07.

VISION	MISSION	VALUES
Where we intend to be	Means towards the realisation of our vision	Standards that define our day-to-day operations
"uThukela Water, your partner in growth" / "Amanzi o Thukela, umngani wakho enthuthukweni"	**The provisioning of quality bulk water services and related laboratory 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.**	**Integrity** **Trust** **Transparency** **Accountability** **Teamwork** **Professionalism** **Passion**

Where we Operate

uThukela Water prides itself in that it is the first municipal entity to provide a full spectrum of bulk and reticulation water and sanitation services on a regional basis, covering three shareholding municipalities, namely: Amajuba District Municipality (DC25), uMzinyathi District Municipality (DC24), and Newcastle Local Municipality. The entity`s Head office and Laboratory facilities are situated in Newcastle.

The above maps portray the geographic coverage of uThukela Water service area. Note: only Endumeni Local Municipality is covered in the uMzinyathi District Municipality.

Operations within uThukela Water are centred in Newcastle (Ngagane WTP) and Dundee (Biggarsberg WTP). Table 1 below provides high-level baseline information on the two Plants.

Table 1: Summary of baseline information on Ngagane and Biggarsberg Plants.

Plant	Design Capacity	Production	Service Areas	Status	Vision
Ngagane Water Works	115 mega-litres per day	100.8 mega-litres per day	Newcastle, Madadeni, Osizweni, Brakfontein, Kilbarchan, Eskom Village, Ballengeich and the rural areas of the Amajuba District Municipality.	Blue Drop	To increase this capacity to 150 mega-litres per day to meet current and future demands, subject to the availability of appropriate resources.
Biggarsberg Plant	100 mega-litres per day	14.51 mega-litres per day	Dundee, Glencoe, Sithembile, Wasbank, Hattinghspruit and certain rural areas.	Blue Drop	To increase the Plant`s capacity, subject to the availability of sufficient and sustainable raw water sources.  Company`s Master Plan recommends sourcing additional water from high-up in the Dranskensberg to augment water supply in the uMzinyathi area.

What we Do

uThukela Water (Pty) Ltd's business focus is on the provision of quality bulk water services to its shareholders, as well as providing bulk water services to farmers and industry within its area of jurisdiction. The entity also provides water laboratory services to the municipalities and the public.

Consequent to a 2011 Section 78 assessment, the entity transferred the water reticulation services back to the municipalities, and now only operates as a bulk water services provider to its shareholders, farmers, and industry. uThukela Water has established itself to be an industry leader in as far as the production of quality water is concerned. The entity provides bulk water from its Ngagane and Biggarsberg Water Treatment Plants and services approximately 250 000 households.

The provision of water services to shareholders, and the overall management and operations of services are carried out in terms of the policies established by the Water Services Authorities (WSAs). Noting the funding constraints, this requires stringent prioritisation, matching levels of service with affordability levels as determined by the income streams and bulk water sales tariffs.

WATER PURIFICATION

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

BULK WATER SERVICES

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

ENGINEERING SERVICES

- Operates from the Engineering Services Centre.
- Functions include the application of professional engineering discipline of water services – “river to tap” for optimal delivery in the short, medium and long term horizons.
- Utilises the concept of minimum total cost of ownership and maximum use of resources. -
- Planning activities carried out jointly with the Operations Service Centre, the Water Services Authorities and national government departments.
- Reliance on the Geographic Information System and technology based applications.

Strategic Intent

The entity`s strategic intent is derived from its Shareholder approved Strategic Plan 2030 (SP2030), whose strategic deliverables are:

- Safe bulk drinking water for the shareholder municipalities to distribute to their customers.
- Raw bulk water to farmers and industries outside the developed areas.
- Recognising affordable, yet effective environmental and catchment management.
- Participation in the regional 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.
- Having a dynamic, pulsating, and young professional workforce.
- Facilitating unique sourcing deployment.
- Implementing continuous improvement processes to minimise tariff increases.
- Adherence to the concepts of total cost of ownership, value of ownership and risk of ownership (TCO, TVO, TRO).
- Employee performance management based on self-management concepts linked to organisational performance.

As a bulk water services provider, we will provide the services on behalf of, and in agreement with, the WSAs, who further distribute to their customers, i.e., community households, industries, businesses, agriculture, government institutions, etc.

With the aim to improve value proposition, we may also provide water and related services beyond the current area of jurisdiction.

Institutional Structures

The uThukela Water leadership and management structures comprise of four key committees, namely: Shareholders Committee, Board of Directors, Executive Management Committee, and Management Committee.

With a quest to thrive for a more coordinated approach to the regional bulk water infrastructure challenge and to promote intergovernmental relations between municipalities, the shareholders resolved to establish an accounting officers technical forum that should foster a joint and coordinated planning.

uThukela Water Institutional Structures

Shareholders Committee

Comprises of the Board of Directors, the Mayors, and the Municipal Managers of the shareholding Water Services Authorities.

Represents the collective interests of the entity shareholding municipalities.

Board of Directors

The current Board was appointed by the shareholders on 15/03/2022, comprising of 4 independent members. The shareholder municipalities are represented in the board by their Mayors and Municipal Managers.

It guides the company policy direction, provides oversight on management performance, and holds the executive accountable.

Executive Management Committee (EMC)

Comprises of the Managing Director, senior managers of the entity, inclusive of the Managing Director.

Responsible for policy and strategy implementation.

Accountable to the Board through the Managing Director.

Management Committee (MANCO)

Comprises of middle level managers.

Its primary function is to ensure horizontal coordination of activities and functions within various functional centres.

MANCO also ensures that the entity’s plans and policies are effectively implemented.

uThukela Water (Pty) Ltd.

Section 87 of the Municipal Systems Act.

Multijurisdictional Municipal Entity

Shareholder parent municipal % shareholding

Newcastle Municipality
Water Services Authority (WSA)

34%

Amajuba District Municipality
Water Services Authority (WSA)
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

Synopsis of Shareholder Matters

The relationship between the Shareholders and uThukela Water is governed by the Articles of Association, Memorandum of Association, and the WSA/WSP Service Level Agreement (SLA) between the `Parties`. The SLA provides for the rights, obligations, and responsibilities of both parties, as depicted in table 2 below.

Table 2: High-level summary of key shareholder matters

Shareholders Rights	Shareholders Responsibilities	uThukela Water`s obligation	Communication and Customer Care Imperatives
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	Pay for bulk water services provided. Be water conservation conscious and apply water demand management principles. Monitor and control the entity's budget and operational activities. Support and provide bulk water governmental grants and other grants to the Company. Adhere to legal prescripts, by-laws, and water restriction notices.	See section "What we Do" in page 6 of this report.	Maintenance of effective communication between the entity, shareholders and customers that provides for feedback mechanisms. The customers of uThukela Water are the shareholder municipalities, who reticulate the water to their jurisdictional areas via their own reticulation infrastructure networks. The municipalities administer customer care departments that filter bulk water queries and reports to the entity where necessary. Billing: The entity bills the municipalities for bulk water only, and the municipalities in turn bill their water customers directly for the water consumed.

Board Chairperson's Report

Board Chairperson`s Report

I am pleased to present this 19th annual report for uThukela Water (Pty) Ltd for the 2022/23 financial year. This is the first report wherein the current board had a full financial year to exercise oversight over the affairs of the entity. This presented an opportunity for the board to have a full overview of the entity`s performance over the financial year, and thereby enabling it to discharge its fiduciary duties over the affairs of the entity.

As known, the annual report encapsulates the performance of entity in line with its key performance objectives and targets as set out in the entity`s business plan. Notably, the year under review has been challenging for the entity, but we have registered significant progress in key areas.

On financial performance-

The board has noted that the entity`s revenue and cash flow have significantly declined from the previous financial year. This is mainly attributable to the fact that the operations of the entity are not adequately funded by the shareholder municipalities. For example, the bulk water tariff approved by shareholder municipalities for the financial year was fixed at R4.43 per kilolitre, with an additional R0,02 per kilolitre for laboratory services for Newcastle and Amajuba Municipalities. This is well under the industry potable water tariff norm of R7,50 per kilolitre.

For this reason, I would like to advocate for the reconsideration of the costing model of the water delivery business.

By the end of the 2022/23 financial year, the entity`s total outstanding trade creditors amounted to R475.2 million, of which R449.2 million (94.53%) was outstanding for over 120 days. The major unpaid creditor is the Department of Water and Sanitation (DWS) for bulk raw water purchases amounting to R457.7 million (96.30%). The entity has not been able to pay DWS due to cash flow issues. When the entity starts receiving payments towards arrear debt from shareholder municipalities, it will start to adequately honour the DWS.

On service delivery-

Albeit the financial constraints, we have managed to deliver on the entity`s strategic intent to the shareholder's satisfaction, and even beyond expectations in some instances. This achievement was due to several factors, including our focus on operational efficiency and our strong client relationships. The Board ensured that the entity fulfilled its mandate to supply potable water that meets the SANS 241: 2015 drinking water standards to our municipalities.

The entity produced more than its budgeted water volumes for the financial year, supplying Newcastle Local Municipality and uMzinyathi District Municipality over and above their budgeted supply volumes. The board has noted with concern that the entity only managed to supply 85% of its predetermined budgeted bulk water volumes to the Amajuba District Municipality. This is because the municipality does not have a dedicated reservoir. I am happy that Amajuba will soon commission its reservoir, which would be a solution to this problem.

On governance-

I would like to thank the shareholders for appointing a new board of directors towards the end of 2021/22. This board comprises of professionals who possess a diverse pool of expertise and experience required for a governing body of an entity such as uThukela Water. This has enabled it to execute its mandate in a diligent and professional manner. The board has ensured that the entity is governed in a transparent, fair, sound, and accountable manner, in conformity to good governance principles.

The board's governance practices, meeting schedules, committee structure, shareholders' engagement mechanisms, and decision-making processes, are well defined, and the board continues to conduct its business effectively and efficiently. We are proud of our commitment to good corporate governance.

Further, the board has established an effective audit committee and internal audit function that supports it to play oversight over the performance of the entity, particularly on sound financial management, legislative compliance, and adherence to service standards. I am pleased with the performance of both the audit committee and internal auditor. However, the board has noted that their terms of office have extended beyond the regulated term of office. it is for this reason that the Managing Director has been mandated to correct this within the second quarter of the 2023/24 financial year.

On performance management-

The board commends management on the entity`s performance results for the year under review. We are however concerned on the failure to meet the predetermined targets on these strategic objectives:

- Managed stakeholder relations,
- Ensuring good corporate governance,
- Improved service delivery,
- Increased water resource sustainability, and
- Communicating company performance to stakeholders and public through WSAs.

Also, we are alert to, and will pay more focussed attention to, areas of concern that the Auditor-General of South Africa has raised during the audit. We will closely monitor management`s improvement and corrective measures to the under-performance on the highlighted strategic objectives as well as the action plan to redress the AGSA findings.

Challenges

Aged infrastructure: owing to the state of the infrastructure, the repairs and maintenance costs show a general upward trend over the years. During the year under review, the repairs and maintenance cost amounted to over 75% of total expenditure. However, this is not a true reflection of the state of the assets, as expenditure has been curtailed due to lack of funding. Without appropriate funding, it is almost impractical to implement a planned maintenance programme.

Compounding this challenge is the growing water demand that has proven the need for infrastructure upgrades and the construction of additional water treatment plants. This is articulated in the Bulk Water Infrastructure Master Plan for the region.

Water losses: the poor state of infrastructure, combined with inadequate water services management mainly at reticulation, significant water volumes are lost out of the system, with some losses not even accounted for. This is a huge set back to the already stressed system. I urge both the WSAs and the entity to urgently come up with plans to curb the water losses challenge.

Inadequate funding: as identified by its 30-year Strategic Plan (SP2030) and the Bulk Water Services Infrastructure Master Plan, the entity needs over R5,5 billion to address the current bulk water infrastructure challenges. Over the years, budgets have been requested from WSAs to fund capital projects; however, no capital budget was approved by any of the shareholders. Instead, there has been more budget cuts amid the challenges. This has a significant impact on our ability to sustain operations.

Having noted this, the board has set aside capital funding in the 2023/24 financial year and beyond, albeit it being far from adequate to address the infrastructure challenges. It is saddening to observe that even when our dams are full, government is unable to reliably deliver the much-needed water service to our residents. This scenario is globally brought about by, amongst others, inadequate response to the climate change phenomena, dwindling reservoirs, deteriorating water quality at source, the ever-increasing water demand, maladministration, inadequate capacity, and underfunding.

The challenge requires us to think deeper about how we are going to ensure a continued and sustainable supply of water to our residents, amidst the challenges faced. The board has mandated the Managing Director to think out of the box and come up with unconventional ways to address the environmental and technical challenges associated with the water service delivery chain, from extraction, bulk water provision, and through to reticulation.

Acknowledgments

I would like to thank the mayors of the shareholder municipalities for their unwavering support to the entity, my fellow board members, and our UTW and shareholder-employees for their commitment to the performance and sustainability of the entity. Your commitment has enabled us to do relatively well under the prevailing challenging circumstances.

Looking ahead, we are confident that we will continue growing and succeeding. We have a strong team in place, and we are focused on executing our strategic plan. We believe the future is bright for our uThukela Water, and we are excited to share our journey with all the shareholders and stakeholders.

BOARD CHAIRPERSON
DR AS MOKOENA

Managing Director's Report

The Year under review

It is with pleasure to present the annual report for the year ending 30 June 2023.

The activities of the year under review reflect focused business planning and reinforcement of a relationship between us as a child entity and our three shareholders in the context of a multi-jurisdictional municipality.

Doing the basics right

The consecutive thirteen years of unqualified audit opinion, provision of uninterrupted service with limited resources for the past twenty years and the awarding of 4 Blue Drop awards by the Department of Water and Sanitation is remarkable. The entity has the best performing HR standard in strategic HR Management, HR Standard Risk Management, HR standard Performance Management, HR Standard Learning and Development as well as the HR Audit Overall Public Sector Winner 2017/2018 by the SABPP in its 2017/2018 audit year. This is an resounding reflection of the entity`s adherence to good governance principles.

Bulk Water Production

Our establishment mandate is to provide shareholder municipalities with quality bulk water, as during the year under review, this was implemented as outlined in table 3.

Table 3: Volumes Supplied to shareholder municipalities.

Shareholder Municipality	Annual Volumes Supplied in Kilolitres
Newcastle Local Municipality	35976127 KL
uMzinyathi District Municipality	5639698 KL
Amajuba District Municipality	4466858 KL

The entity intends to increase the capacity of our Ngagane Water Purification Plant from its design production of 105 megalitres of water per day to 153 megalitres. This is over and above the long-term plan contained in our bulk water master plan of constructing a new dam in the Northern catchment area to augment the current production to Newcastle and Amajuba areas. The Biggarsberg plant has a leverage of increased bulk water production since it produces 15.84 megalitres per day with a design capacity of 19.3 megalitres per day.

Product Quality

During the year under review, the entity has supplied excellent quality bulk water to its WSAs, with water quality across all determinants of SANS 214:2015 Drinking Water Standards exceeding 99% consistently.

It is also important to highlight that even at reticulation by the WSAs, the water is subjected to various monitoring measures in the context of SANS 214:2015 Drinking Water Standards.

Further, the entity provides the laboratory monitoring services to both the Newcastle and the Amajuba municipalities for their reticulated water.

Bulk Water Losses

Bulk water losses on the bulk water mains, plants, and installations were restricted to about 3.45% during the year. Maintaining losses at this low level is a remarkable achievement, particularly under the difficult financial circumstances in which the entity operates, coupled with the aged condition of the bulk water infrastructure, and the lack of funding to replace it.

Financial State

The administration of the entity has been fully supported by the Board in engaging shareholder municipalities, particularly on the issue of inconsistent payments for supplied water volumes. While it is understood that the shareholder municipalities have financial constraints, the entity has an obligation to deliver on.

The historical debt amounting to R482 634 409 owed to DWS remains a liability and exacerbated by the inability of the shareholder municipalities to conform with the payment plans adopted by themselves in the shareholders meeting of 02 November 2022. These payment plans were a roadmap of the entity towards engaging DWS on the manner in which the debt shall be settled, with due regard to commitment by respective shareholders.

The entity is part of the government’s stride to acquire clean audits. This is evidenced by the recorded improvements on our ICT, governance and compliance, stakeholder management, financial administration, and engineering services.

Performance Management

The entity is in the process of aligning its performance management system with the Local Government Municipal Systems Act: Municipal Performance Regulations for Municipal Managers and Managers directly accountable to Municipal Managers, 2006, in order to enhance compliance. This process involves reviewing the entity`s performance management policy to fully align with the Regulations.

In order to ensure that the entity is meeting its strategic objectives and key deliverables agreed to in its service level agreement with each of its shareholders are being met, the entity also aligns itself, as far as practically possible to the local government: municipal planning and performance management regulations, 2001.

At an institutional level, the pre-determined objectives as set by the entity in the context of the mandate by shareholder municipalities are:

1. Manage stakeholder relations.
2. Communicate performance to all stakeholders and public through WSA’s.
3. Ensure good corporate governance.
4. Increase financial sustainability.
5. Improve service delivery.
6. Increase water resource sustainability.
7. Maintain Water Infrastructure.

Human Capital

The entity has a sound human resources and labour relations agenda which deals with all matters relating to the conditions of service for local government, employee capacity building, recruitment, and appointments. There are adequate human resources systems and statutory fora to process all matters requiring specific resolutions in areas of responsibility in place.

Conclusion

We will continue to strive for continued service excellence and quality and work towards achieving all the objectives set out in business plans. It is our desire to fully service our shareholders and assist them with knowledge and the management of their water reticulation to ensure that end-users are serviced with minimal interruptions.

With its turnaround strategies, the Board has ensured that the entity has gone from strength to strength and is making a meaningful contribution to the development of sustainable communities in the region.

I am indeed grateful for the contributions and partnerships which made it possible to achieve these commendable results and would like to convey my gratitude to:

- All Board members, past and present, and particularly to the Chairperson, Dr AS Mokoena. The board`s strides towards clearing the going-concern cloud that has been evident is surmountable.
- EMC and all employees, who have worked tirelessly, sometimes under difficult conditions to keep the ship afloat and steered in the right direction.
- Our shareholder municipalities, their Councils and officials who also endured frustrating times of dealing with community complaints and concerns, we thank them for their support and for the way in which they have continued to deliver the same excellent services to their communities.

- The Office of the Premier for its continued support and for always holding the interests of all parties and communities at heart.
- Finally, DWS for its guidance, assistance, and being readily available to us.

Managing Director
Nkosi WB

Audit Committee Report

Audit Committee Report for the year ending 30 June 2023

Background

uThukela Water`s Audit Committee has been established in line with Section 166 of the Municipal Finance Management Act 56 of 2003. The Audit Committee serves the purpose of being an independent advisory body that assist the uThukela Water Board and the Accounting Officer in carrying out their responsibilities.

Membership of the Audit Committee

The committee comprises of three (3) members, and they are: -

1. Mr S Majola : Audit Committee Chairperson
2. Mr. I. Simjee : Audit Committee Member
3. Mr A. Jordan : Audit Committee Member

The Audit Committee consists of independent members, who by virtue of the requirements of the Municipal Finance Management Act 56 of 2003 and in terms of its approved Terms of Reference are required to meet at least four times a year. This translates to one meeting per quarter. The Committee met 3 times during thisfinancial year and the members' attendance was as follows:

Name of Member	Number of Meetings
• Mr S Majola	3
• Mr I Simjee	3
• Mr A Jordan	3

Audit Committee Responsibility

We report that we have performed our responsibilities for the 2022/23 financial year in terms of Section 66 of the Municipal Finance Management Act No 56 of 2006. We further report that we conducted our affairs in compliance with the Audit Committee Terms of Reference.

The Effectiveness of Internal Controls

The MFMA requires that the entity's systemof internal controls be designed to provide cost effective assurance that assets are safeguarded and liabilities and working capital are effectively managed. In line with this, the Internal Auditors conducted their reviews to assess if the system of internal controls of the entity were effective or not. The Audit Committee monitored the implementation of recommendations of both the internal auditors and Auditor-General. We can report that management adopted the recommendations proposed and most of them have been implemented and others are in progress.

Internal Audit

The entity has an external service provider who provides the internal audit services to the entity. Audit committee approved the internal audit plan for 2022/23financial year as required by the International Internal Audit (IIA) Standards. We can report that internal audit conducted all the reviews as per the internal audit plan. An external assessment of internal audit was done in the previous financial year to ensure that it complies with the international internal audit standards.

The areas of concern that were raised by the external assessor were addressed and others are in progress of being finalised. The implementation plan for these issues will be monitored by the Audit Committee in the following financial year, i.e. 2023/24.

The committee will also continue monitoring the implementation of internal auditor's recommendations by management to improve internal controls, financial reporting and financial management.

Financial Reporting

The monthly Municipal Finance Management Act's section 71 reports for the period July 2022 through to June 2023 were reviewed by the committee and the following comments should be noted:

- Cost of inventory consumed was higher than the budgeted amount as at the end of June 2023 by R11.6M. This could result in unauthorised expenditure.
- A saving of R4.1M for contracted services was noted at the end of the year.
- Entity generated R6.8M more revenue than was budgeted.
- Debtors book relating to debt owed by WSAs continues to increase especially uMzinyathi's.
- Payment arrangements by the WSAs and the entity were entered into.
- The entity continued to reduce the trade and payables from the third quarter during the year under review.
- Owing to the poor payments received from the WSAs, the payment arrangement for the Department of Water and Sanitation's loan was in most cases not honoured by the entity.

We recommend that:

- Adequate reasons should be provided for all unfavourable variances for external auditors.
- Management should review expenditure on inventory consumed to verify that it is correctly allocated to this vote.
- The payment arrangements by the entity and the WSAs are noted, compliance to the payment arrangements should be monitored.
- The entity should continue to settle its debts to reduce the trade creditors balance.

- Funds should be made available for the entity to carry out capital maintenance of the infrastructure.
- The practice of financing capital expenditure with operational budget is a repetition of what was the case also in 2021/22 (prior year). There is a risk of cementing this inappropriate practice as a "culture" and it is requested that management avoid this.

Performance Management System

There have been some improvements in this area on the issues that we previously raised. These include the quarterly performance assessments which are now being undertaken with senior management to assess their performance. Also, remedial plans for the targets that were not met are provided. Going forward, we recommend that all the targets set be achieved.

Risk Management and Compliance

The entity's Risk Management Committee (RMC) deals with matters of risk management and it has been fully effective in the management of risks within the entity. The RMC should update the risk register with emerging risks as identified by the internal auditor and implement plans to address those risks.

Operations of the Entity

With all the financial constraints that the entity is facing, we commend it for meeting its service delivery outputs which are:

- Meeting its production targets,
- Providing water of high quality, and
- Keeping water loses at minimal levels.

Our concerns in this area however remain, and these include:

- Aging infrastructure that needs to be replaced.
- Unavailability of the capital budget limits the entity to undertake capital projects.
- Water losses equate to money and if the entity can reduce these, more funds can be available for the entity to carry out its mandate.
- We therefore recommend WSAs to settle their monthly bills timeously and also to make adequate funds available to the entity for its capital projects.

Corporate Governance

We appreciate the relationship the committee has had with the uThukela Water Board and we hope the relationship will yield results in ensuring that the entity achieves its objectives and clean administration. We recommend that the Board considers this report, and where clarities are sought, the audit committee will provide them.

Conclusion

The Committee would like to commend the management team led by the Accounting Officer and uThukela Water Board of Directors for the support given to the committee, and we would like to reassure it that we are committed to work with it to improve the entity`s internal controls to achieve its objectives.

Mr S Majola,
For the Audit Committee.

Company Secretary's Report

Purpose

The entity`s Company Secretary (CS) is responsible for ensuring that the entity complies with all applicable corporate governance laws and regulations. The CS plays a pivotal role in supporting the functionality of the Board of Directors, fostering that its affairs are conducted professionally, and ensuring that it has the information and resources it needs to make informed decisions.

Corporate governance

As a municipal entity, uThukela Water's corporate governance framework is based on the local government legislative prescripts, the Companies Act 71 of 2008, and its incorporation Articles of Association. The entity`s compliance to these legislative prescripts is monitored by the shareholders of the entity (Newcastle, Amajuba, and uMzinyathi municipalities).

Further, the entity shareholders have a duty to ensure that the entity does not deviate from the purpose of its establishment. In doing so, they periodically meet to discuss and vote on important corporate matters affecting the entity. For the year under review, shareholder meetings were held as follows:

DATE OF MEETING	MATTERS CONSIDERED
15 February 2023	Remuneration of the Board of Directors.
07 March 2023	Motion of no confidence against a member of the board.
30 May 2023	Approval of the multi-year business plan of uThukela Water (Pty) Ltd. Medium-term budget for 2023/24 – 2026/27 financial years. Approval of the finance related policies of the entity.

The second layer of the entity`s governance framework is the board, whose role is to provide oversight and strategic guidance to the entity and report back to the shareholders on its performance. The board is responsible for setting the entity`s vision and policies and ensuring adherence to good governance principles.

The board is responsible for holding executive management accountable for the implementation of the entity`s strategic objectives. In the performance of its duties, the board held its meetings for the 2022/23 financial year as follows:

- 2022: 07 July, 12 July, 22 July, 26 August, 29 September, 23 November, 07 December, and 29 December.
- 2023: 18 January, 31 January, 01 March, 30 May, and 27 June.

The board has established an audit committee to assist it in carrying out its corporate governance responsibilities. The audit committee held three meetings instead of the legislated four for the year under review as follows:

Date of meeting	Matters considered
29 August 2022	Draft Annual Financial Statements, 2021/22
	Draft Annual Performance Report, 2021/22
	Internal Audit Report on the draft Annual Financial Statements, 2021/22
21 February 2023	Mid-Year Budget Assessment
	Mid-Year Performance Report
	AGSA Management Report Action Plan
	Internal Audit Plan Status Update
	Risk Oversight Quarter 2 Report
	Follow Up on Supply Chain Management Review
	SCM Review with emphasis on UIFW
	Finance Quarter 2 Report
	SCM Quarter 2 Report 2

	Human Resource Management Quarter 2 Report Engineering Quarter 2 Report
20 June 2023	Finance Quarter 3 Report SCM Quarterly Quarter 3 Report Engineering Quarter 3 Report Risk Oversight Quarter 3 Report Preparations for the Annual Financial Statements and the Draft Annu Performance Report Progress on the appointment of the Audit Committee Confirmation of the Internal Audit and Committee Charters

Compliance

The entity 's Board of Directors and management team are committed to ensuring that it complies with all applicable laws regulating municipal entities. Notably, its compliance register depicts a generally compliant entity.

Further, the entity has implemented several policies in order to ensure that it complies with all applicable corporate governance laws and regulations. The policies include:

- Budget Policy;
- Creditors, Audit Committee Members and Staff Payment Policy;
- Delegated Powers of Authority;
- Performance Management Policy;
- Remunerations Policy;
- Staff Recruitment and Selection Policy;
- Risk Management Policy; and
- Fraud Prevention Plan.

Significant changes

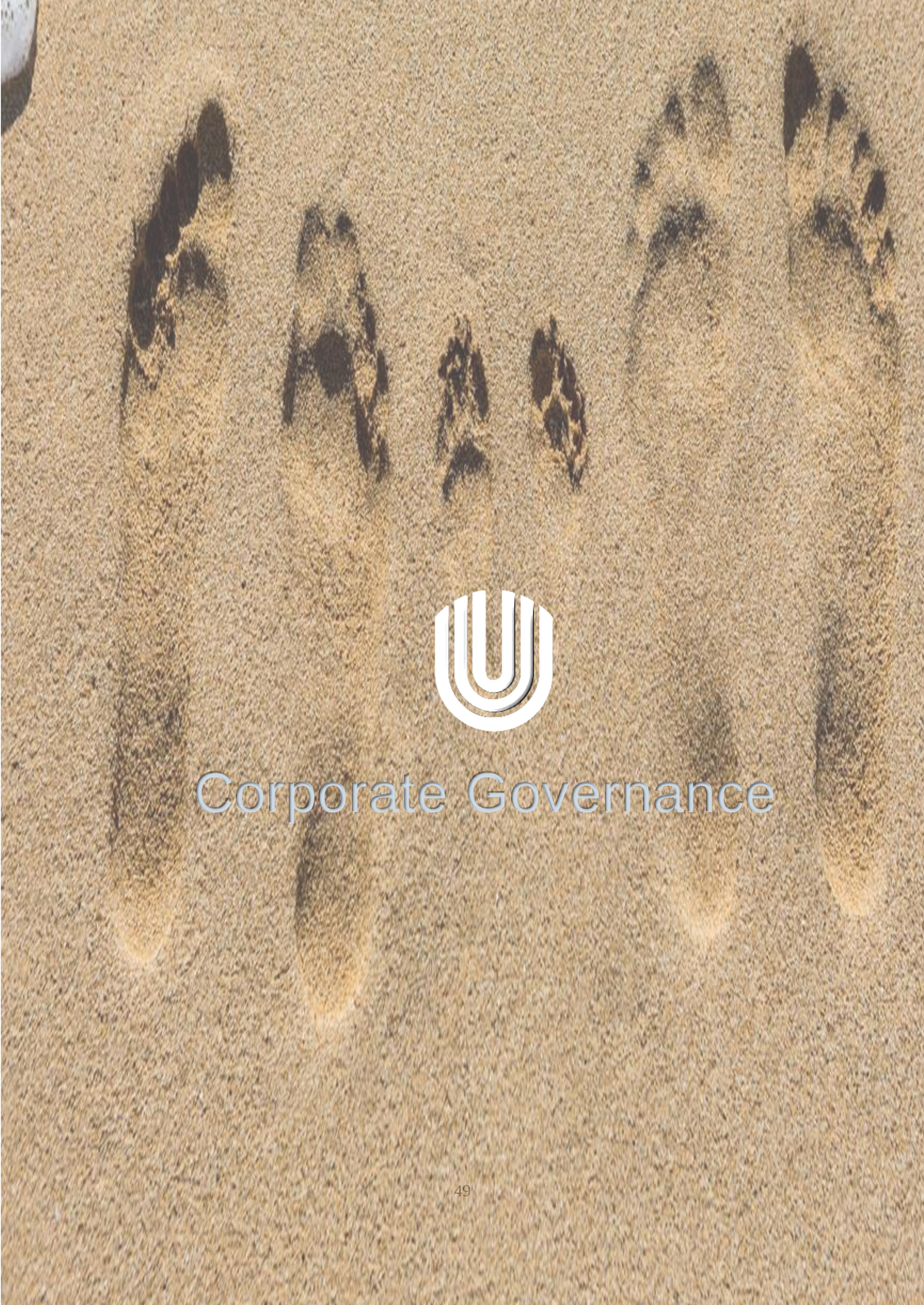
There has been no significant changes to the entity`s corporate structure and governance arrangements during the financial year. However, a new Board of Directors of the entity was appointed. Further, there was a change in the composition of the newly appointed board. The shareholders of the entity terminated the directorship of one board member, Mr EM Zungu, and replaced him by Mr ME Mpungose.

On the side of executive management team, the Board has appointed a new Managing Director, Mr WB Nkosi and a Company Secretary, Mr MI Khoza, during the year. The board also appointed an acting Chief Financial Officer, Mr BN Khumalo, who is seconded from one of its shareholders, the Newcastle Municipality.

Looking ahead

uThukela Water's Board of Directors, together with the executive management team, are committed to ensuring that the entity is managed in a responsible, transparent, accountable, and compliant manner. The entity will continue to thrive to develop and implement policies and procedures to sustain its legislative compliance and improve on its governance practices.

Mzamani Khoza
Company Secretary



Corporate Governance

Corporate Governance

uThukela Water (Pty) Ltd continues to strive to adhere to the principles of good corporate governance as stipulated in the Municipal Systems Act 32 of 2000, the Municipal Structures Act 117 of 1998, the Municipal Finance Management Act 56 of 2003, the Water Services Act 108 of 1997, and the Companies Act 71 of 2008.

Entity Shareholding

uThukela Water (Pty) Ltd is a multijurisdictional water service utility that was established in terms of Section 87 of the Municipal Systems Act and is wholly owned by the following parent municipalities as follows:

- Newcastle Local Municipality : 34% shareholding
- uMzinyathi District Municipality : 33% shareholding
- Amajuba District Municipality : 33% shareholding

Board Composition and Structure

The Board of Directors is responsible for the overall governance of the entity. It is responsible for setting the entity's strategy, overseeing its execution, and ensuring that it complies with all applicable laws and regulations.

The board of uThukela Water (Pty) Ltd is composed of four independent non-executive directors. The directors are independent in that they do not have any business interests in the entity that could conflict with their duties as its directors. The shareholders are represented in the board but the Mayors of the shareholder municipalities. As and when required, the Municipal Managers, and any other official of the shareholder municipalities are requested to participate in the board activities.

The board is chaired by an independent non-executive director. The Chairperson is responsible for leading the board and ensuring that it operates effectively. The current board was appointed by the shareholders on the 15th of March 2022 as follows:

Dr AS Mokoena, Chairperson
Mr TJ Mphela
Mr EM Zungu (directorship terminated)
Mr PM Ngcobo

Out of the drive to enhance the entity`s corporate governance, the shareholders resolved to terminate the directorship of Mr. E Zungu on 07 March 2023, and replaced him by Mr PM Mpungose.

Since their appointment, the entity`s board has demonstrated adequate capacity to lead and guide the affairs of the entity. The board members are suitably qualified for the job. Below are the summary profiles of the members of the board:

Dr AS Mokoena

Dr Mokoena is a revered businessman, former Director General, academic, scholar, board member of various organisations, mentor, community leader, with many awards under his belt. He has a wealth of experience in business as well as in government. His summary profile is as follows:

Qualifications	Work experience
• Diploma in Computer Science – Rand Afrikaans University (1980) • B. Comm (Accounting) – University of the North (1983) • Post Graduate Diploma in Service Industry Management – • Wharton Business School (University of Philadelphia) • MBA – University of the Witwatersrand (1989) • Post Masters Certificate in Leadership Coaching – Wits Business School (2009) • Doctor of Business Administration (Knowledge Management) – University of Liverpool (2019) • Post Graduate Diploma in Corporate Governance (Cum Laude) – Monash University (2020)	• Director-General – Department of Home Affairs • Consultant & Chief Executive Officer – FCAK • Chairman of the South African Basketball Association • NED & Chairman of REMSEC – Jo'burg Roads Agency • Secretary General - Basketball South Africa • REMCO Chairman – Premier Soccer League • Board Chairman & CEO – Mavambo ITS • Board Chairman – Johannesburg Roads Agency • Board Chairman – Basketball National League • Board Chairman – Sepatake Corporate Solutions (Pty) Ltd • Chairman and Chief negotiator for Basketball unification

Mr. TJ Mphela

Mr Mphela holds a B.proc Degree and is an admitted Attorney with Right of Appearance in High Court. His career history entails the following:

- 1999 – 2001 – Y.T Mbatha & Partners, Article Clerk
- August 2001 to March 2002, Professional Assistant
- April 2002 to September 2002, E.A Jadwat & Co. Attorneys- Professional Assistant
- October 2002- September 2004, Legal Aid South Africa- Professional Assistant
- October 2004 – February 2006, T.J Mphela Attorneys – Director
- February 2006 – October 2015, Southey- Mphela Incorporated - Director
- November 2015- current, J Mphela Attorneys Inc- Director

Mr PM Ngcobo

Qualifications	Work experience
-Bachelor of Education with Honors from the University of the Witwatersrand -Further Diploma in Education in Mathematics from the University of the Witwatersrand -Natural Science and Technology for Intermediate Phase and Grade 7 from Embury Education and Training Centre -Diploma in Eductaion from PROMAT COLLEGE, in association with the University of Natal - Senior Certificate	PL1 Teacher for Hholwane CP PL1 Teacher for Velaphi Hing PL1 Teacher for Ngubevu CP PL1 Teacher for Dundee Junior Secondary PL1 Teacher for Nocomboshe CP Deputy Principal of Mhlumba PP Principal of Mhlumba PP Tutor at University of KwaZulu Natal

Mr EM Zungu

Qualifications	Work experience
• Municipal Finance Management Programme form the University of Pretoria • Stormanship Course from the University of Witwatersrand Technology Centre • Telephonic Communication Skills Course • Sales Manager Course from Metropolitan Life • Colour Systems Training Course • Senior Certificate from Xolani High School	• Member of the KwaZulu Natal Provincial Legislature and whip of the Parties • Sales Consultant for ITEC • PR Councilor for Newcastle Municipality • Sales of Office Equipment for Nashua • Sales Manager for Metropolitan Life • Storeman for Malvern Engineering Works • Stock Clerk for Newfern Engineering

Mr EM Mpungose

Qualifications	Work experience
BSC Degree from the University of Qwaqwa, North Campus	• PL1 Teacher for Malambule High School • PL1 Teacher for Steadville High School • HOD in the Science Department for Sebenzakusakhanya High School • Deputy Principal for Sebenzakusakhanya High School • Principal for Sicelukukhanya High School

The Roles and Responsibilities of the Board

Guided by the Municipal Systems Act, the MFMA, the Companies Act and other relevant pieces of legislation, uThukela Water`s board has a clear and well-defined set of roles and responsibilities that are enshrined in the entity's board charter and Articles of Association. The key roles and responsibilities include:

- Setting the vision of the entity.
- Setting the entity's strategy and overseeing its implementation.
- Approval of the entity`s policies.
- Approving the entity's annual budget and financial statements.
- Ensuring that the entity is well capacitated to implement its strategy, including appointing and overseeing senior executives.
- Ensuring that the entity complies with all applicable laws and regulations.
- Protecting the interests of all stakeholders: shareholders, employees, customers, and suppliers.

Board Committees

The board has established an audit committee and charged it with the responsibility of overseeing the entity's financial reporting and internal controls.

During the year under review, the board has initiated the process of appointing a Financial Misconduct Disciplinary Board (FMDB) that would be an independent advisory body to the board. The FMDB would be responsible for investigating allegations of financial misconduct and to monitor the institution`s disciplinary proceedings against alleged transgressors.

Delegation of Authority

A comprehensive delegation of authority framework governs the authority levels for the board and executive management committee (EMC). These are exercised through the board and the EMC as well as senior management officials in their individual capacities. This framework assists the board to discharge its duties with proper accountability and responsibility. The Board reviews the framework regularly.

The Internal Audit Function

The entity`s internal audit function is outsourced to an independent audit firm, whose purpose, authority, and responsibility is defined in a charter approved by the board in line with stipulations of the Institute of Internal Auditors, and the MFMA.

The internal auditor provide assurance to management, the Audit Committee, the board, and external auditors on the appropriateness and effectiveness of internal controls. With this, the board is empowered to conduct reviews on the accuracy, reliability, and credibility of statutory financial reporting.

Internal Controls

uThukela Water has established a comprehensive system of internal controls. The internal controls are designed to ensure the reliability of the entity's financial and performance reporting and the prevention and treatment of financial and administrative irregularities.

Risk Management

uThukela Water has a robust risk management framework in place. This framework is designed to identify, assess, and manage its risks.

The entity's risk management framework is overseen by the board's audit committee, which regularly reviews the risk management procedures and make improvement recommendations to the board.

Director`s Fees

The principles and procedures that are used to determine the fees payable to the members of board are set out and approved by the shareholders in line with the legislative framework governing local government.

Disclosure and Transparency

uThukela Water is committed to high standards of disclosure and transparency. The entity publishes a detailed annual report that includes information on all aspects of its governance practices and financial performance.

Fraud Prevention

The board acknowledges its responsibility to ensure that the entity 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. The plan is yet to serve before the board for approval and thereafter implementation.

The plan has been developed to help prevent and respond to incidents of fraud, corruption, and any other administrative irregularities.

Conclusion

uThukela Water`s Board of Directors is committed to maintaining high standards of ethical leadership and corporate governance. The board believes that good corporate governance is essential for the entity`s long-term success.

Executive Management Profile

uThukela Water is led by a team of experienced and qualified executives who are committed to its success. The profiles of its Executive Management Team are summarised here below:

Mr. Wiseman Bonginkosi Nkosi - Managing Director

Mr. Nkosi joined uThukela Water as the Managing Director in 2022, after serving as the Municipal Manager of the Dannhauser Municipality. He also worked as a Manager: Support Services at the AbaQulusi Municipality as well as the Manager of Corporate Services of the Utrecht Municipality to mention a few.

His academic qualifications include:

Name of Institution	Mangosuthu University of Technology
Qualification	National Diploma in
Course	Public Management
Name of Institution	University of South Africa
Qualification	B-TECH
Course	Labour Relations Management
Name of Institution	University of Pretoria
Qualification	Municipal Finance
Course	Municipal Finance Management Programme

Mr. Bongumenzi Ntandoyenkosi Khumalo - Acting CFO

Mr. Khumalo joined the entity in June 2023, after he was seconded as CFO from one of our parent municipalities, Newcastle Local Municipality.

Mr. Khumalo started his journey in municipal financial management in 2008 as a creditors Clerk for the Okahlamba Municipality. He later joined the Newcastle Local Municipality as a Budget Accountant in 2012 and is currently the Acting Director: Budget and Reporting for the municipality.

Mr. Khumalo is a registered Professional Accountant and brings to the entity a wealth of knowledge in municipal financial management.

His academic qualifications include:

- National Diploma: Accounting - Durban University of Technology
- B TECH Cost and Management Accounting – Durban University of Technology
- Certificate Programme in Management Development for Municipal Finance – University of Witwatersrand
- Municipal Finance Management Programme – University of Pretoria
- Bachelor of Accounting Science – University of South Africa
- Post Graduate Diploma in Business Administration- University of Kwazulu Natal.

Mr. Clever Taurai Dhliwayo - Acting Executive Director Operations and Engineering Services

Mr. Dhliwayo joined the entity 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, he is currently the Acting Executive Director Operations and Engineering since February 2017.

His academic qualifications include:

- 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)
- Master of Business Administration. (2019), Management College of Southern Africa
- Certified Public – Private Partnership Practitioner (CP3P) (2000856050)

Mr. Mzamani Isaac Khoza – Company Secretary

Mr. Khoza joined the entity as Company Secretary in May 2023. Mr. Khoza has vast experience in local government. His experience includes but not limited to being, a Senior Project Consultant for the RSA National Disaster Management Centre, Manager Environment and Waste Management at the Greater Giyani Municipality, Manager Capacity Building, Research and Development for the Department of Cooperative Governance, Manager Disaster Management for the Greater Giyani Municipality, Director Community Services for the Geater Giyani Municipality. Operations Manager Strategic Support in the office of the Chief Executive Officer of Johannesburg Roads Agency.

His academic qualifications include:

- Bachelor of Environmental Sciences – University of Venda
- Masters in Disaster Management – University of the Free State
- SAMTRAC – NOSA
- Master of Business Administration – University of Limpopo
- Municipal Financial Management Programme – University of Pretoria

Going Concern Assessement, 30 June 2023

Introduction

The Reporting Framework: GRAP 1 paragraph 27 stipulates that when preparing financial statements, management shall assess the entity's ability to continue as a going concern. Financial Statements shall be prepared on a going concern basis, unless there is an intention to liquidate the entity or to cease its operations, or if there is no realistic alternative but to do so.

When management is aware, in conducting its assessment, of material uncertainties relating to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern, those uncertainties shall be disclosed in the annual financial statements. If the annual financial statements are not prepared on a going concern basis, the same must be disclosed together with the basis on which the annual financial statements are prepared and the reasons why the entity is not regarded as a going concern.

This report seeks to provide an assessment of what management and the board have done to reach a conclusion that the entity will continue to operate as a going concern. The assessment reflected on the period of consideration, the implications for the entity's failure to continue as going concern, the financial health as at the reporting date, expected cash flows as well as the strategies that the entity intends to implement to be able to improve its financial health in the near future.

Period of assessment

The financial statements of the entity have been prepared on the basis that the entity will continue to operate as a going concern for the period of at least 12 months from the reporting date, being 01 July 2023 to 30 June 2024. Given other long-term strategies that the entity is planning to undertake, the assessment also highlights some of the strategies as well as the financial implications thereof for a period beyond 12 months. Management will also consider key events and conditions expected to affect its assessment during the period of consideration.

Going concern status

As at 30 June 2023, the annual financial statements of the entity presented an undesirable state of affairs. Although the entity`s balance sheet showed an accumulated surplus of R212 539 336, it has a deficit of R184 528 924. Deficits were also incurred in the past two financial years. The entity continues to incur losses associated with the continuing accumulated deficits. Tables 4 and 5 present the entity`s deficits and accumulated surpluses for the past three years.

Table 4: Surplus or deficit for the past three years

Component	**2023**	**2022**	**2021**
Surplus/(deficit) for the year	(R 184 528 924)	(R 93 402 486)	(R 127 149 807)

Table 2: Accumulated surplus for the past three years

Component	**2023**	**2022**	**2021**
Accumulated surplus/ (deficit)	R 212 539 336	R 397 068 160	R 511 552 592

Net current assets and liabilities

The current assets of the entity were recorded at R128 103 306 (2022: R194 270 123), while current liabilities were recorded at R519 894 502 (2022: R476 399 661). This represents a current ratio of 0.25, which is below the National Treasury accepted norm of 1.5. This implies that the current assets are not adequate to cover liabilities over the next financial year.

Consideration was however given during the assessment that the bulk of the amount reported under trade and other payables from exchange transactions of R518 594 418, included an amount of R482 634 409 owed to the Department of Water and Sanitation, whose payment the entity has failed to honour to date. This is attributable to the entity not receiving regular payments from its shareholder municipalities.

Operating deficit

The operating deficit of the entity is reported at R184 528 924 (2022: R93 402 486). The current deficit indicates that the revenue generated by the entity is not adequate to cover the expenditure for the same year. The key cost drivers have been identified as employee costs, operating expenses, depreciation (non-cash), and contribution to provision for bad debts (non-cash).

Bank balance at year-end

The entity recorded cash and cash equivalents of R 1 119 492 (2022: R19 800 255) at the end of the financial year. This amount will not be adequate to cover the amount of R 518 594 418 required to cover the short-term obligations (payables from exchange transactions).

Creditor-payment period time

The assessment has also revealed that the creditor-payment period is above the stipulated period of 30 days. This is mainly due to the long outstanding creditor status of the Department of Water and Sanitation. The entity plans to start to adequately service the debt and thereafter negotiate write-off of its interest once it starts receiving regular payments from the shareholder municipalities.

Debtor-payment period

Significant delays were recorded on the processing and paying of invoices in the year under review, making the entity`s debtor-payment to be way above the legislated period of 30 days. This is due to the long outstanding debtors in relation to the entity`s shareholders. Meetings have been held with the shareholders to discuss the outstanding debt and payment arrangements in order to try to improve the cash flow of the entity.

Cash flow projections

According to GRAP 1 paragraph 29, the degree of consideration of whether the entity is still a going concern on the facts in each case, and assessments of the going concern assumption are not predicated on the solvency test usually applied to business enterprises. There may be circumstances where the usual going concern tests of liquidity and solvency appear unfavourable, but other factors suggest that the entity is nonetheless a going concern, such as:

- in assessing whether or not an entity is a going concern, the power to levy rates or taxes may enable some entities to be considered as a going concern even though they may operate for extended periods with negative net assets; and
- for an individual entity, an assessment of its statement of financial position at the reporting date may suggest that the going concern assumption is not appropriate. However, there may be multi-year funding agreements, or other arrangements, in place that will ensure the continued operation of the entity.

In the case of uThukela Water, it is notable that the entity is owed over R300 million by the shareholder municipalities combined, a debt that they have pledged to pay over the next few years. Although the financial health of the entity appears to be unfavourable as elaborated above, the nature of conditions under which the entity operates dictates that the entity can continue to operate as a going concern.

Implications of failure to operate as a going concern

The main implication of the failure of the entity to continue as a going concern will be the failure of the entity to provide bulk water service to its WSA. This will have a direct impact on the wellbeing of the citizens. Risks associated with the entity`s failure to operate as a going concern have been identified as follows:

- Failure to pay creditors within legislated timeframes.
- Failure to pay employee-related costs and board members’ fees.
- Failure to obtain credit from financial institutions.

- Failure to provide adequate maintenance of municipal infrastructure.
- A reduction in the entity's net asset value.

Conclusion

The going concern assessment shows that, albeit the challenges that it faces, the entity will be able to generate adequate revenue to cover all payments over a period of the next twelve months. The assessment clearly indicates the challenges that the entity is facing. While the entity is aware of its ability to continue as a going concern, management has taken a cautious approach by putting measures and strategies to ensure that its cash flows are improved and strictly monitored.

As part of imploring the shareholders to improve their financial contributions to the entity, the management of uThukela Water (Pty) Ltd continuously engage the senior management of the WSAs to pray them to honour their invoices as well as to service the historical debt. To date, the entity is not aware of any matter that may cast doubts on its ability to operate as a going concern beyond the period of the assessment.

MANAGING DIRECTOR
NKOSI WB
DATE:

ICT Governance

Introduction

uThukela Water is dedicated to harnessing advanced technologies, particularly information and communication technology (ICT), to enhance its operations, provide high-quality services, and ensure long-term sustainability. Herein is an overview of uThukela Water's ICT department for the fiscal year.

ICT Strategy

At uThukela Water, the primary focus remains on the strategic utilization of technology to modernise water management processes, boost operational efficiency, and elevate service delivery. Our ICT strategy aligns closely with our overarching business strategy to achieve these objectives.

ICT Governance

Our ICT governance principles are cantred on prudent risk management. We understand the importance of safeguarding sensitive data and maintaining compliance with evolving data privacy regulations. We have established robust governance mechanisms to ensure the responsible and secure management of ICT resources.

ICT Investments

Throughout the fiscal year, it's important to note that uThukela Water has made relatively limited investments in its ICT infrastructure. However, recognising the critical need for improvement, the organization is now poised to increase its commitment to strategic ICT investments. This includes dedicating resources to maintain and upgrade our server infrastructure, network systems, and a range of ICT and business solutions.

Investing more substantially in ICT will yield numerous benefits for the entity, including:

- Enhanced Efficiency: Increased investments will enable the streamlining of workflows and the reduction of manual processes, ultimately leading to improved operational efficiency.
- Data Accuracy: Greater resources dedicated to ICT will facilitate the automation of processes, resulting in enhanced data accuracy and integrity, which is paramount for effective decision-making.
- Enhanced Responsiveness: With increased ICT investments, uThukela Water will be better equipped to respond promptly and effectively to the dynamic challenges in water management, ultimately leading to improved service delivery.

ICT Achievements

Despite facing significant challenges, including the absence of capital investments, and operating within a constrained budget, uThukela Water has admirably maintained its ICT operations throughout the fiscal year. However, it is crucial to acknowledge that the current state of affairs is far from sustainable.

The ICT department has demonstrated resilience and resourcefulness in sustaining its functions. However, the constraints have underscored the urgency of addressing the department's financial needs to ensure long-term viability and effectiveness in supporting the organisation's objectives.

ICT Challenges

Despite our successes, several challenges persist, such as:

- Budget Constraints: One of our foremost challenges lies in addressing our aged ICT infrastructure due to limitations in our capital budget. Aging infrastructure poses risks, including increased maintenance costs, system vulnerabilities, and decreased operational efficiency. To mitigate these risks, we are exploring strategies to optimize resource allocation.

- Data Privacy and Cyber-security: since we manage sensitive data, we continuously adapt to evolving data privacy regulations. In today's interconnected world, the risk of cyber threats looms large. the entity must take a proactive stance in safeguarding its ICT assets and sensitive data. It should implement robust cybersecurity measures to protect against breaches, continuously monitor threats, and educate its workforce on best practices.

- Skills Gap: The rapid pace of technological advancements necessitates ongoing efforts to upskill our workforce. We are committed to keeping our team up to date with the latest ICT trends.

  Currently, the ICT department comprises of a Chief Technology Officer, a Systems Engineer, and an IT Service Engineer. This staff establishment is far from desirable adequate capacity requirements to run an efficient ICT function.

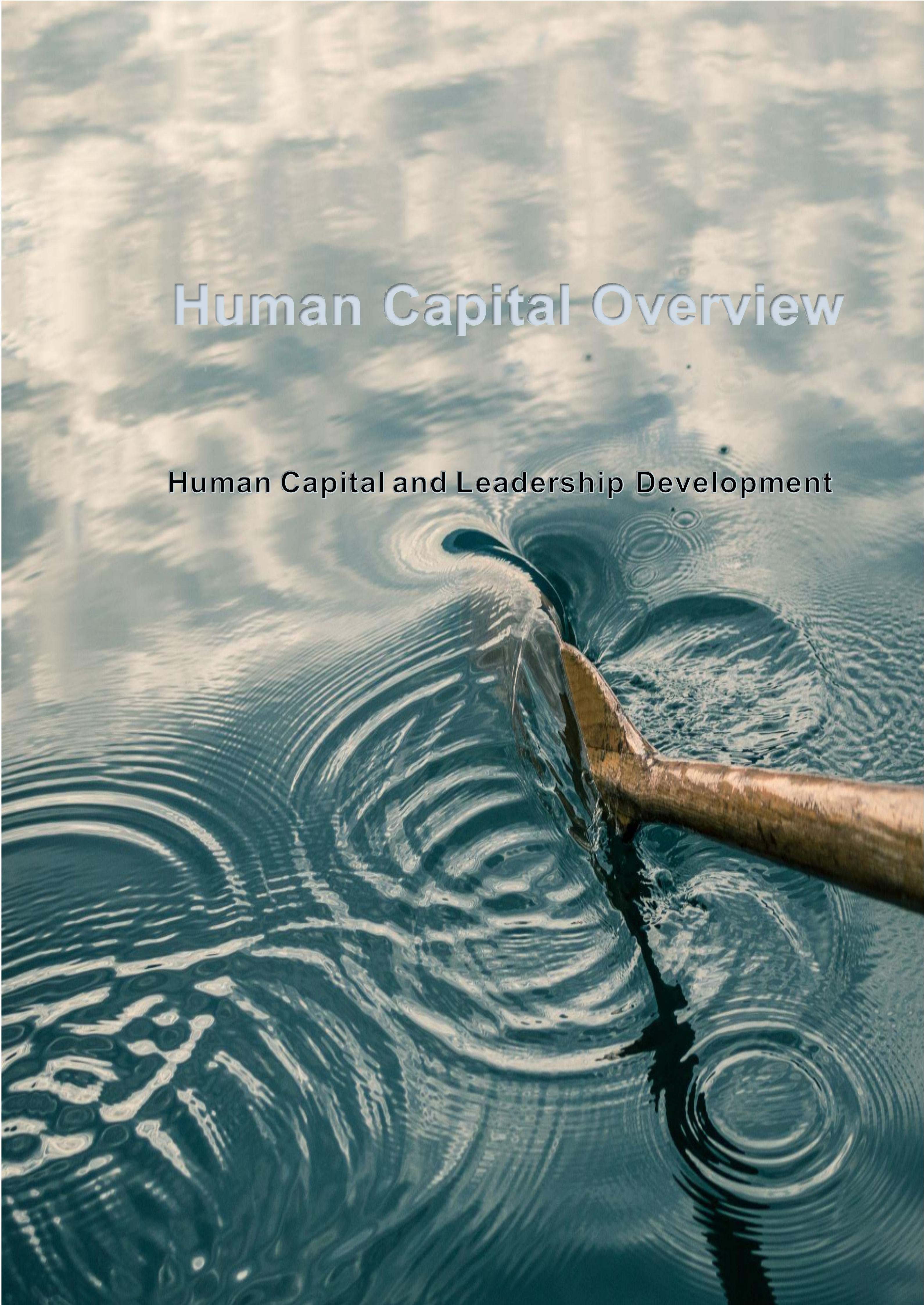
Conclusion

The entity is steadfast in embracing ICT as a core component of its operations. It remains dedicated to leveraging on technology to enhance its customer service and ensure the sustainable delivery of a high-quality water service.

Looking ahead, our focus extends to addressing the challenges of insufficient capital budget, fortifying our cybersecurity measures, and adopting cloud-based solutions. By actively navigating these challenges and seizing opportunities for innovation, we are poised to further enhance our ICT initiatives in the coming year.

Human Capital Overview

Human Capital and Leadership Development



Introduction and Executive Summary

This Human Capital (HC) Report seeks to provide an overview of the human resource (HR) initiatives, accomplishments, and challenges faced during the 2022/2023 financial year. It also aims to highlight the strategic contributions made by the HR department in supporting the entity's goals and objectives.

Notably, uThukela Water`s staff compliments comprise of 93 employees. Through its HR department, the entity strives to create a positive work environment that fosters employee engagement, development, and productivity through enabling policies and procedures.

HR Department in a Glance

The HR department consists of five employees, comprising of the HR Manager, HR Admin Officer, Training and Development Administrator, and two Office Administrators. These officials are responsible for managing various HR functions, including talent acquisition, employee relations, performance management, training and development, compensation and benefits, HR compliance and risk management, and employee wellness. The human resource strategy supports the overall entity strategy by:

- Ensuring the adequate supply of skills to meet the strategic goals and objectives of the entity, i.e., getting the right people with the right skills at the right time.

- Keeping up with social, economic, legislative, and technological trends that might have an impact on human resources.

- Remaining flexible to ensure that the organisation can manage changes relating to the operating environment.

- Entrenching and maintaining the entity`s corporate values.

Workforce Profile

Our workforce consists of 85 employees with 61% being males and 39% females. The company's age distribution indicates that 38.6% of our staff are below 40 years, 40% are between the ages of 40 and 55 years, and 14.7% are between the ages of 55 and 64 years, which is the retirement age.

Headcount

Number of positions	97
Total Head Count	85
Number of Vacancies	12

Talent Acquisition

The Board took a resolution to remove the moratorium on the filling of vacant positions in 2022. Subsequent to that resolution, two senior officials have been appointed, being the Managing Director who was appointed in October 2022, and the Company Secretary who was appointed in May 2023. The CFO position is currently filled with a seconded incumbent from Newcastle Municipality, whilst the Executive Director of Operations and Engineering is filled on an acting capacity. These appointments will help the entity comply with various legislations, improve efficiencies, and promote good corporate governance.

Another significant change was the resignation of the Laboratory Manager soon after the passing away of the Laboratory Analyst. Whilst these losses dealt a heavy blow to the entity, means were made to temporality fill the positions to ensure that operations were not thwarted.

Employee Retention

The entity employs several retention strategies to ensure the retention of skills. The current employee turnover rate is 1%, which is remarkably low. The entity undertakes the following initiatives to retain its talent:

- Conducts exit interviews to gather feedback from departing employees and identify areas for improvement. This information is then used to make necessary changes to address any recurring issues and enhance retention strategies continuously.

- Employees with potential are identified for succession planning and development. Clear career paths and opportunities for advancement within the organisation are laid out.

- Training programs and mentorship opportunities are offered, and internal job postings to support employee development and progression as we understand that employees are more likely to stay with a company if they see the potential for personal and professional growth.

Performance Management

The entity has a performance management system that is guided by both legislation and best practice. The entity sets annual performance targets from SDBIP, this is followed by the MDs KPAs, and cascades down to the lowest employee in the organisation. Every individual employee's KPI is designed and linked to the organisational performance targets. Performance evaluations are done quarterly. Feedback is given to the employee for them to improve in areas of underperformance.

Notably, the entity`s performance management policy has recently been reviewed to facilitate the establishment of performance evaluation committees for senior management performance evaluations. All staff continue to commit themselves to the organisational performance management system, thus ensuring the achievement of the entity`s strategic objectives. The performance related reward system is used to encourage positive performance and as an employee retention strategy. The entity also understands that recognising and rewarding employees for their contributions is crucial in boosting morale and increasing retention.

Training and Capacity Development

Employees are encouraged to further their knowledge on the positions they hold and to develop themselves for career advancement. The entity complies with the SETA requirements by preparing and submitting Workplace Skills Plans and Training Reports to the relevant SETA annually. This enables it to receive discretionary grants from the relevant SETAs. The entity continues to capacitate its staff through its study assistance programme.

Currently, there are 12 employees that are at various levels of completion of their respective studies. This leads to a competent staff complement and the creation of a pool of suitably qualified staff that are trained for their jobs and career advancements.

Further, the entity has a vigorous programme aimed at resolving the technical skills shortages. Through this programme, the entity has trained 7 artisans and has provided in-service training opportunities to 7 local trainee students and has absorbed some of them as permanent employees.

Other initiatives undertaken to develop and enhance staff knowledge undertaken include workshops, seminars, online courses, and mentoring programs. This helps employees feel valued and motivated, increasing their loyalty and offering to the organisation.

Research and Development

The entity has an established research and development (R&D) programme, whose aim is to help solve work-based technical and administrative gaps. The types of R&D programmes that the entity is implementing include basic research, applied research, and technological development.

For the year under review, the entity has funded the continuing research being conducted by Mr. S Buthelezi, Mr Omesh Singh, and Mr. M Sibisi, who are conducting basic research in the public sector discipline.
It is envisaged that their research will contribute towards enhancing the entity`s

process optimisation, resource management, technology adoption, human factors engineering, and performance measurement.

The entity has an intension to start negotiating service level agreements with various academic and research institutions in order to enhance its research development base. This is so because it values the pivotal role that research can play in driving continuous improvement in its operational efficiency, and thereby in enhancing productivity, providing evidence-based engineering and administrative solutions.

Compensation and Benefits

The entity understands that offering competitive salaries and comprehensive benefit packages is crucial in attracting and retaining top talent. We endeavour to offer market related salaries through evaluating positions to establish their fair value. The entity`s benefit packages include subsidised medical aid, pension contributions, ill-health, death benefits, and funeral cover.

Employee Wellness

uThukela Water prioritizes employee wellness as it believes that productivity is directly linked to a healthy workforce. Employees are affected by many social traumas and work-related challenges, including financial challenges, health, and stress issues.

To assist employees in this regard, the entity implements programs that support physical, mental, and emotional health through its various employee wellness support policies such as the Condolatory Policy and Employee Assistance Programs.

Further, the entity has partnered with Department of Health for conducting monthly employee general health screening. Additionally, wellness conferences are organised to address employees emotional and physical challenges.

HR Compliance and Labour Relations

The entity continues to comply with the required statutory provisions and related reporting requirements to the statutory bodies.

Local Labour Forum meetings are held monthly to deal with matters of mutual interest. This helps creates a platform for employer-employee representatives' engagements to address labour-related matters before they can escalate. Lastly, the entity conducts internal workshops and roadshows to keep employees updated on the changes in legislation, policies, and conditions of service.

Diversity, Transformation, and Employee Demographics

The entity is committed to diversity and transformation. To achieve this, it compiles an employment equity plan every three years and annually submits employment equity reports to the Department of Labour and holds diversity workshops.

Table 6: Employment Equity Demographics

Males	49
Females	34
Employees with Disabilities	3
Designated Groups	84
None Designated Groups	4

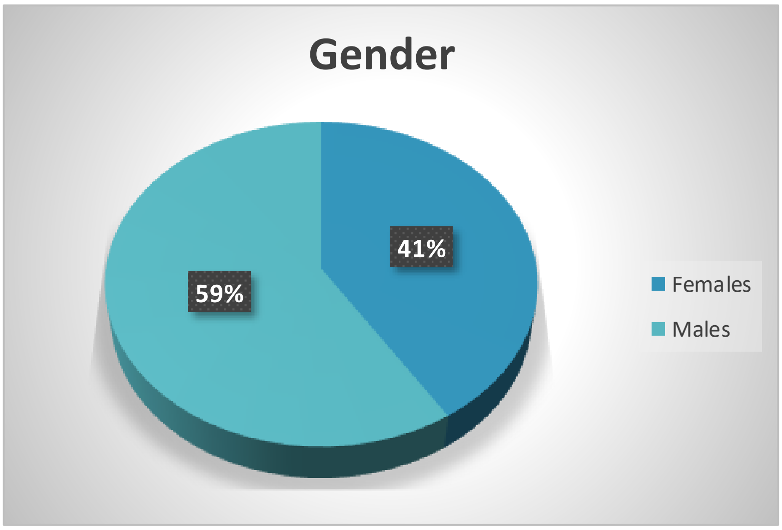


Figure 1: Employment status by gender

Table 7: Equity Statistics

Male

Occupational Levels and Categories	A	C	I	W	FN
Top Management	3	0	0	0	0
Senior Management	1	0	1	2	1
Professionally Qualified	1	0	0	0	0
Skilled Tech & Academically Qualified & Junior Management, Supervisors, Foreman's Superintendents	8	0	2	1	0
Semi-Skilled	19	1	1	0	0
Unskilled	9	0	1	1	0

Females

Occupational Levels and Categories	A	C	I	W	FN
Top Management	0	0	0	0	0
Senior Management	1	0	1	1	0
Professionally Qualified	1	1	0	0	0
Skilled Tech & Academically Qualified & Junior Management, Supervisors, Foreman's Superintendents	5	0	1	2	0
Semi-Skilled	11	1	0	1	0
Unskilled	11	0	0	0	0

Strategy, Performance, and Sustainability

Strategy, Performance and Sustainability

Scientific Services

The supply of safe potable water is an important performance indicator for uThukela Water. The entity`s Laboratory provides assurance that the entity complies with the recommended guidelines of the South African National Standard (SANS 241:2015) for Drinking Water. This is achieved by implementing a water quality monitoring programme that meets legislative requirements, water treatment process requirements and considers the risks that have been identified in the system, rendering water quality management efficient and effective.

uThukela Water Laboratory is the main quality testing facility of the entity. This is a safeguard that uThukela Water can safeguard customer confidence that the water supplied to the Water Service Authorities is indeed safe for human consumption.

The Laboratory is responsible for generating credible water quality data. It 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 do well.

It is the mission of uThukela Water Laboratory to provide accurate, reliable, and professional laboratory services to its customers. The Scientific Services also provides input information to management for decision-making on water quality risks, purification efficiencies and compliance to regulatory requirements. The Laboratory offers sampling services and water quality testing services in the areas of chemistry and microbiology for external customers.

The Laboratory develops test methods that meet SANS 241 analysis requirements, ensuring that the full list of water quality parameters are monitored. Non-complying water quality data is investigated, and follow-up samples taken for verification. The number of samples collected for this reporting period amounted to 4931, covering uThukela Water area of bulk water supply and critical reticulation sampling points.

The percentage compliance of the 55 286 data results produced is presented in tables 7 and 8. No water quality customer complaints were received during the financial year under review.

The drinking water quality delivered by uThukela Water during this financial year met all regulatory standards. All physical, chemical, and microbiological related parameters were compliant with SANS 241:2015 drinking water standards. Water samples were sent to an external, independent, accredited Laboratory to perform the full SANS parameter list analysis on the samples. The results obtained by the reviewers, as assessed against the SANS 241 national standards, indicate that uThukela Water has delivered safe water to the Water Services Authorities. uThukela Water's routine monitoring results compared favourably with the findings of the independent review laboratory.

Raw Water Sources

The raw water sources form part of the Tugela catchment, comprising of four main sources, Buffalo River, Ncandu River, Ingagane River and Nsthingwayo Dam. Of the four, the Buffalo River system is the biggest and is one of the most significantly polluted rivers in the Tugela catchment. The key issues affecting the four major raw water sources of the catchment are discussed hereunder.

Critical concerns affecting the four main Raw Water Sources

Buffalo River

Highly polluted, hence the poor water quality of the river system.

Poor water also caused by -pollution from Ngagane River.
- acid mine drainage from old coal mines and industrial pollution from Newcastle.

Ncandu River

Flows from the high-lying south-western parts of the area and meanders through an important drainage area before it enters Newcastle and joins the Ngagane River.

The water flow in the river is impacted on by forestry and agricultural activities.

Where it enters Newcastle, it is impacted on by urbanisation and the water quality impacted on by industries, especially from Wastewater Treatment Works effluent and sewage spillages.

The river pollution leads to eutrophication, resulting in increased sulphide concentration downstream.

Ingagane River

This river rises in the high-lying south-western parts and flows through highly transformed landscape before it meets the Ncandu River and flows into the Buffalo.

Where the river meanders through the Bosworth and Ballengeich area, it is impacted upon by agriculture, industry, coal mining activities and waste dumps causing poor water quality.

An increased sulphite concentration is recorded where the river meets the Ncandu River.

Ntshingwayo Dam

Dam flows originates from catchment areas higher in the mountains.

Agriculture and forestry impacts on the inflow water quality of the dam.

The Ntshingwayo Dam, the main raw water source's biological water quality, is the best of all the raw water sources.

Turbidity levels averaged below a hundred NTU's during the reported period.

There are several issues that impact source water quality, such as but not limited to; rapidly changing turbidity levels, faecal contamination and associated pathogens; and chemical constituents.

The quality concerns are based on water quality information on the points used for raw water abstraction for drinking water purposes.

To abate these water quality risks, all the water sources are continuously monitored, and treatment processes are proactively managed to ensure that the potable water produced complies with SANS 214:2015 requirements.

Potable water quality performance

The SANS 241:2015 for Drinking Water prescribes a structured and risk based systematic approach to the management of drinking water. As in the previous year, uThukela Water has continued to demonstrate its commitment to its customers by providing safe, clean drinking water. The quality of water produced was evaluated against the following five SANS 241:2015 risk categories:

- Acute Health: Microbiological;
- Acute Health: Chemical;
- Chronic Health;
- Operational; and
- Aesthetic.

Ngagane Water Purification Plant

The Ngagane Water Purification Plant was consistent in the provision of excellent drinking water quality, maintaining compliance above 99% to the risk categories, as presented in figure 2. On occasions, inconsistencies occurred in the operational risk category, when turbidity levels did not comply with the ≤ 1 NTU standard, as displayed in table 7.

Table 7: Bulk Potable Water Quality Compliance per determinant based on SANS 241:2015

Table 7: Ngagane Water Purification Plant 2022/2023.

			Raw Water			Final Water		
Determinand	**Risk**	**SANS241 2015**	**Samples**	**Comply**	**Compliance**	**Samples**	**Comply**	**Compliance**
Microbiological determinands								
E.coli count per 100 mL	Acute health	<=0	62	16	25.81%	307	307	100.00%
Cryptosporidium spp count per 10 L	Acute health	<=0	3	2	66.67%	3	3	100.00%
Giardia spp count per 10 L	Acute health	<=0	3	2	66.67%	3	3	100.00%
Total Coliforms count per 100 mL	Operational	<=10	62	4	6.45%	307	307	100.00%
Heterotrophic Plate Count count per mL	Operational	<=1000	0	0	No Data	307	307	100.00%
Somatic Coliphages count per 10 mL	Operational	<=10	3	3	100.00%	3	3	100.00%
Physical and aesthetic determinands								
Colour as mg/L	Aesthetic	<=15	57	7	12.28%	109	109	100.00%
Conductivity at 25C in mS/m	Aesthetic	<=170	57	57	100.00%	307	307	100.00%
Total Dissolved Solids as mg/L	Aesthetic	<=1200	57	57	100.00%	307	307	100.00%
Turbidity in NTU	Operational	<=1	62	1	1.61%	409	400	97.80%
Turbidity in NTU	Aesthetic	<=5	62	2	3.23%	409	409	100.00%
pH at 25C in pH units	Operational	>=5 ; <=9.7	59	59	100.00%	406	406	100.00%
Chemical determinands - macro								
Free Chlorine as Cl2 in mg/L	Chronic health	<=5	0	0	No Data	406	406	100.00%
Nitrate as N in mg/L	Acute health	<=11	57	57	100.00%	109	109	100.00%
Nitrite as N in mg/L	Acute health	<=0.9	57	57	100.00%	109	109	100.00%
Combined nitrate plus nitrite	Acute health	<=1	0	0	No Data	106	106	100.00%
Sulphate as SO4 in mg/L	Acute health	<=500	57	57	100.00%	102	102	100.00%
Sulphate as SO4 in mg/L	Chronic health	<=250	57	56	98.25%	102	102	100.00%
Flouride as F in mg/L	Chronic health	<=1.5	57	57	100.00%	109	109	100.00%
Ammonia as N in mg/L	Aesthetic	<=1.5	3	3	100.00%	3	3	100.00%
Chloride as Cl in mg/L	Aesthetic	<=300	57	57	100.00%	3	3	100.00%
Sodium as Na in mg/L	Aesthetic	<=200	18	18	100.00%	3	3	100.00%
Zinc as Zn in mg/L	Aesthetic	<=5	3	3	100.00%	3	3	100.00%
Chemical determinands - micro								
Antimony as Sb in ug/L	Chronic health	<=20	3	3	100.00%	3	3	100.00%
Aluminium as Al in ug/L	Operational	<=300	57	57	100.00%	109	109	100.00%
Arsenic as As in ug/L	Chronic health	<=10	3	3	100.00%	3	3	100.00%
Barium as Ba in ug/L	Chronic health	<=700	3	3	100.00%	3	3	100.00%
Boron as B in ug/L	Chronic health	<=2400	3	3	100.00%	3	3	100.00%
Cadmium as Cd in ug/L	Chronic health	<=3	3	3	100.00%	3	3	100.00%
Total Chromium as Cr in ug/L	Chronic health	<=50	3	3	100.00%	3	3	100.00%
Copper as Cu in ug/L	Chronic health	<=2000	3	3	100.00%	3	3	100.00%
Cyanide (recoverable) as CN in ug/L	Acute health	<=200	3	3	100.00%	3	3	100.00%
Iron as Fe in ug/L	Chronic health	<=2000	57	54	94.74%	109	109	100.00%
Iron as Fe in ug/L	Aesthetic	<=300	57	21	36.84%	109	109	100.00%
Lead as Pb in ug/L	Chronic health	<=10	3	3	100.00%	3	3	100.00%
Manganese as Mn in ug/L	Chronic health	<=400	52	52	100.00%	100	100	100.00%
Manganese as Mn in ug/L	Aesthetic	<=100	52	46	88.46%	100	100	100.00%
Mercury as Hg in ug/L	Chronic health	<=6	3	3	100.00%	3	3	100.00%
Nickel as Ni in ug/L	Chronic health	<=70	3	3	100.00%	3	3	100.00%
Selenium as Se in ug/L	Chronic health	<=40	3	3	100.00%	3	3	100.00%
Uranium as U in ug/L	Chronic health	<=30	3	3	100.00%	3	3	100.00%
Chemical determinands - organic								
Total Organic Carbon as C in mg/L	Chronic health	<=10	3	3	100.00%	3	3	100.00%
Chloroform in ug/L	Chronic health	<=300	0	0	No Data	3	3	100.00%
Bromoform in ug/L	Chronic health	<=100	0	0	No Data	3	3	100.00%
Dibromochloromethane in ug/L	Chronic health	<=100	0	0	No Data	3	3	100.00%
Bromodichloromethane in ug/L	Chronic health	<=60	0	0	No Data	3	3	100.00%
Microcystin (Total) as LR in ug/L	Chronic health	<=1	3	3	100.00%	3	3	100.00%
Phenols in ug/L	Aesthetic	<=10	3	3	100.00%	3	3	100.00%
Other								
Alkalinity			54	0	0.00%	66	0	0.00%
Calcium as Ca			15	0	0.00%	12	0	0.00%
Temperature			59	0	0.00%	406	0	0.00%
Total hardness as CaCO3			15	0	0.00%	12	0	0.00%
Magnesium as Mg			15	0	0.00%	12	0	0.00%
Calcium hardness			15	0	0.00%	12	0	0.00%
Magnesium hardness			15	0	0.00%	12	0	0.00%

Drinking Water Quality Compliance - Bulk

Category	Samples	Compliance
Acute Health Chemical Compliance	429	100.00%
Acute Health Microbilogical Compliance	313	100.00%
Aesthetic Compliance	1356	100.00%
Chronic Health Chemical Compliance	880	100.00%
Operational Compliance	1541	99.42%

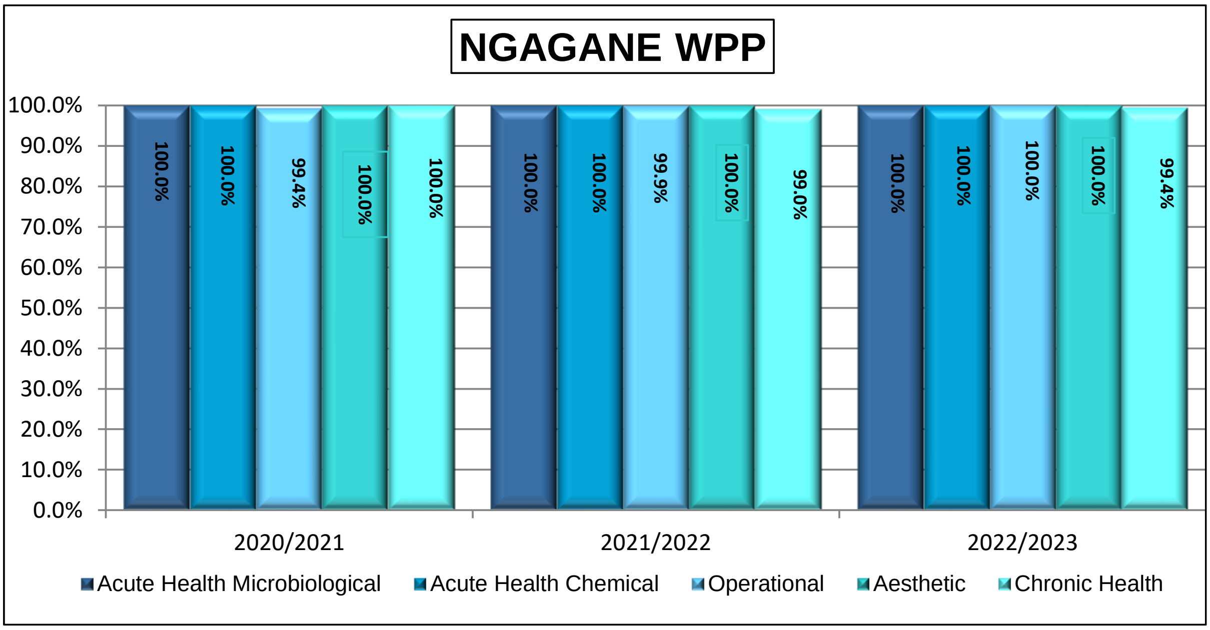


Figure 2: % Bulk Potable Water Quality Compliance per risk category for Ngagane Water Purification Plant

Biggarsberg Water Purification Plant

The Biggarsberg Water Purification Plant continued to supply good quality potable water, maintaining the compliance above 99% of various risk categories, as presented in figure 3. The identified operational and aesthetic non-compliances were attributable to slightly increased turbidity levels and increased manganese levels.

Drinking Water Quality Compliance - Bulk

Category	Samples	Compliance
Acute Health Chemical Compliance	311	100.00%
Acute Health Microbilogical Compliance	184	100.00%
Aesthetic Compliance	908	99.34%
Chronic Health Chemical Compliance	646	100.00%
Operational Compliance	1054	99.81%

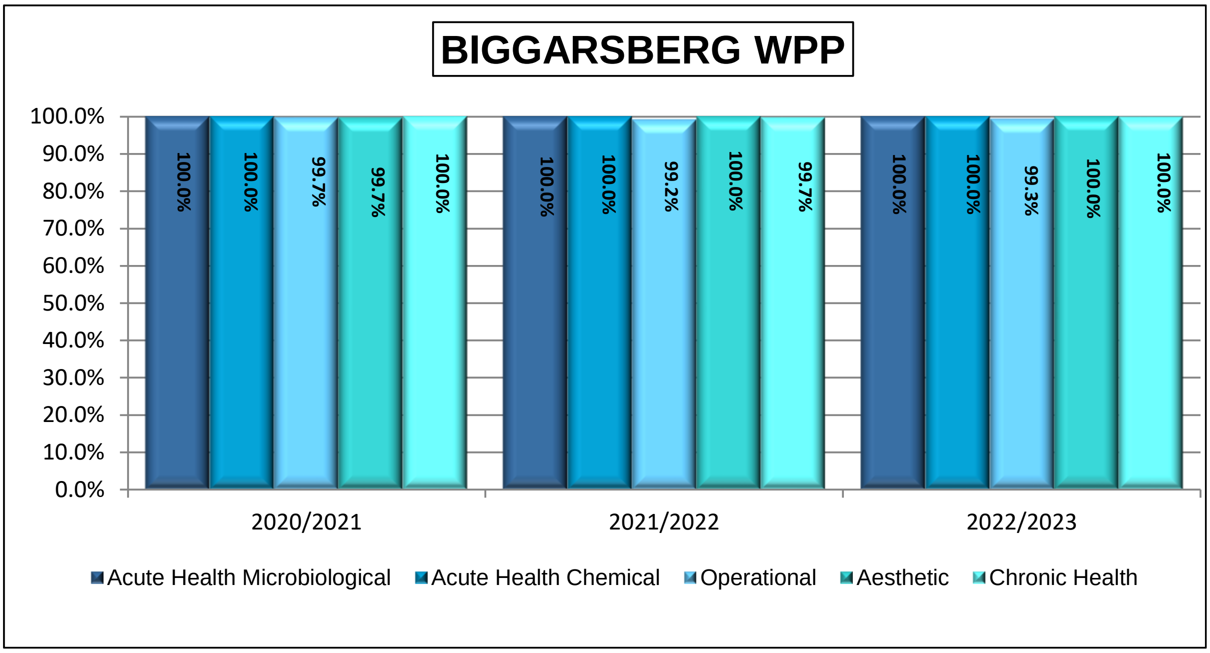


Figure 3: % Bulk Potable Water Quality Compliance per risk category for Biggarsberg Water Purification Plant

Table 8: Bulk Potable Water Quality Compliance per determinant based on SANS

241:2015

Biggarsberg Water Plant 2022-2023

			Raw Water			Final Water		
Determinand	**Risk**	**SANS241 2015**	**Samples**	**Comply**	**Compliance**	**Samples**	**Comply**	**Compliance**
Microbiological determinands								
E.coli count per 100 mL	Acute health	<=0	101	22	21.78%	180	180	100.00%
Cryptosporidium spp count per 10 L	Acute health	<=0	6	6	100.00%	2	2	100.00%
Giardia spp count per 10 L	Acute health	<=0	6	6	100.00%	2	2	100.00%
Total Coliforms count per 100 mL	Operational	<=10	101	2	1.98%	180	180	100.00%
Heterotrophic Plate Count count per mL	Operational	<=1000	0	0	No Data	180	180	100.00%
Somatic Coliphages count per 10 mL	Operational	<=10	6	5	83.33%	2	2	100.00%
Physical and aesthetic determinands								
Colour as mg/L	Aesthetic	<=15	94	27	28.72%	79	79	100.00%
Conductivity at 25C in mS/m	Aesthetic	<=170	94	94	100.00%	180	180	100.00%
Total Dissolved Solids as mg/L	Aesthetic	<=1200	94	94	100.00%	180	180	100.00%
Turbidity in NTU	Operational	<=1	101	0	0.00%	308	306	99.35%
Turbidity in NTU	Aesthetic	<=5	101	23	22.77%	308	308	100.00%
pH at 25C in pH units	Operational	>=5 ; <=9.7	96	95	98.96%	305	305	100.00%
Chemical determinands - macro								
Free Chlorine as Cl2 in mg/L	Chronic health	<=5	0	0	No Data	306	306	100.00%
Monochloramine	Chronic health	<=3	0	0	No Data	0	0	No Data
Nitrate as N in mg/L	Acute health	<=11	94	94	100.00%	79	79	100.00%
Nitrite as N in mg/L	Acute health	<=0.9	94	94	100.00%	79	79	100.00%
Combined nitrate plus nitrite	Acute health	<=1	0	0	No Data	77	77	100.00%
Sulphate as SO4 in mg/L	Acute health	<=500	94	94	100.00%	74	74	100.00%
Sulphate as SO4 in mg/L	Chronic health	<=250	94	94	100.00%	74	74	100.00%
Flouride as F in mg/L	Chronic health	<=1.5	94	94	100.00%	79	79	100.00%
Ammonia as N in mg/L	Aesthetic	<=1.5	6	6	100.00%	2	2	100.00%
Chloride as Cl in mg/L	Aesthetic	<=300	94	94	100.00%	2	2	100.00%
Sodium as Na in mg/L	Aesthetic	<=200	30	30	100.00%	2	2	100.00%
Zinc as Zn in mg/L	Aesthetic	<=5	6	6	100.00%	2	2	100.00%
Chemical determinands - micro								
Antimony as Sb in ug/L	Chronic health	<=20	6	6	100.00%	2	2	100.00%
Aluminium as Al in ug/L	Operational	<=300	94	93	98.94%	79	79	100.00%
Arsenic as As in ug/L	Chronic health	<=10	6	6	100.00%	2	2	100.00%
Barium as Ba in ug/L	Chronic health	<=700	6	6	100.00%	2	2	100.00%
Boron as B in ug/L	Chronic health	<=2400	6	6	100.00%	2	2	100.00%
Cadmium as Cd in ug/L	Chronic health	<=3	6	6	100.00%	2	2	100.00%
Total Chromium as Cr in ug/L	Chronic health	<=50	6	6	100.00%	2	2	100.00%
Copper as Cu in ug/L	Chronic health	<=2000	6	6	100.00%	2	2	100.00%
Cyanide (recoverable) as CN in ug/L	Acute health	<=200	6	6	100.00%	2	2	100.00%
Iron as Fe in ug/L	Chronic health	<=2000	94	92	97.87%	79	79	100.00%
Iron as Fe in ug/L	Aesthetic	<=300	94	75	79.79%	79	79	100.00%
Lead as Pb in ug/L	Chronic health	<=10	6	6	100.00%	2	2	100.00%
Manganese as Mn in ug/L	Chronic health	<=400	86	85	98.84%	72	72	100.00%
Manganese as Mn in ug/L	Aesthetic	<=100	86	77	89.53%	72	66	91.67%
Mercury as Hg in ug/L	Chronic health	<=6	6	6	100.00%	2	2	100.00%
Nickel as Ni in ug/L	Chronic health	<=70	6	6	100.00%	2	2	100.00%
Selenium as Se in ug/L	Chronic health	<=40	6	6	100.00%	2	2	100.00%
Uranium as U in ug/L	Chronic health	<=30	6	6	100.00%	2	2	100.00%
Chemical determinands - organic								
Total Organic Carbon as C in mg/L	Chronic health	<=10	6	3	50.00%	2	2	100.00%
Chloroform in ug/L	Chronic health	<=300	0	0	No Data	2	2	100.00%
Bromoform in ug/L	Chronic health	<=100	0	0	No Data	2	2	100.00%
Dibromochloromethane in ug/L	Chronic health	<=100	0	0	No Data	2	2	100.00%
Bromodichloromethane in ug/L	Chronic health	<=60	0	0	No Data	2	2	100.00%
Microcystin (Total) as LR in ug/L	Chronic health	<=1	6	6	100.00%	2	2	100.00%
Phenols in ug/L	Aesthetic	<=10	6	6	100.00%	2	2	100.00%
Other								
Alkalinity			88	0	0.00%	37	0	0.00%
Calcium as Ca			24	0	0.00%	7	0	0.00%
Temperature			96	0	0.00%	306	0	0.00%
Total hardness as CaCO3			24	0	0.00%	7	0	0.00%
Magnesium as Mg			24	0	0.00%	7	0	0.00%
Calcium hardness			24	0	0.00%	7	0	0.00%
Magnesium hardness			24	0	0.00%	7	0	0.00%

Operations

The entity`s operations function is responsible for the core business, from raw water abstraction from dam and river water, pumping and/or gravity feed of raw water to plant inlet, 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 abstraction sites

The main sources of raw water supply for the area are 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 the Blood River. It is not a very reliable source as its flows are intermittent and season based. The Ngagane River can also drop to very low levels during drought periods, but it is supplemented by Ntshingwayo Dam releases. During dry periods, releases are made from Ntshingwayo Dam to augment water in the Ngagane and Buffalo rivers.

The Ntshingwayo Dam

The main source of raw water supply to the Ngagane Water Purification Plant is the Ntshingwayo Dam, followed by the Buffalo River, and then the Ngagane River. Ngagane Water Purification Plant receives resource water from the Ntshingwayo Dam via two gravity pipelines: the Ngagane River via the Ngagane Pump Station and the Buffalo River through Schurwepoort weir higher up in the Volksrust area.

An average daily supply volume of 80 Mℓ /day is 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.

The 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 Dam and Verdruk Dam, Donald McHardy Dam, and Preston Pan.

Bulk water supply volumes

A total of 46 082 Mega litres (Mℓ) of potable water was supplied to the three Water Services Authorities during the 2022/2023 financial year by the two Bulk Water Purification Plants. There was a 4.05% increase from the previous year's total supply volumes.

Amajuba District Municipality consumption volumes decreased by 10.87% when compared to the previous financial year. Newcastle Local Municipality and uMzinyathi District Municipality consumption volumes increased by 6.87% and 0.48% respectively when compared to 2021/22 financial year.

Ngagane Water Purification plant is the major contributor to the total supply volumes, with a contribution of 87% against the 13% from the Biggarsberg Water Purification Plant.

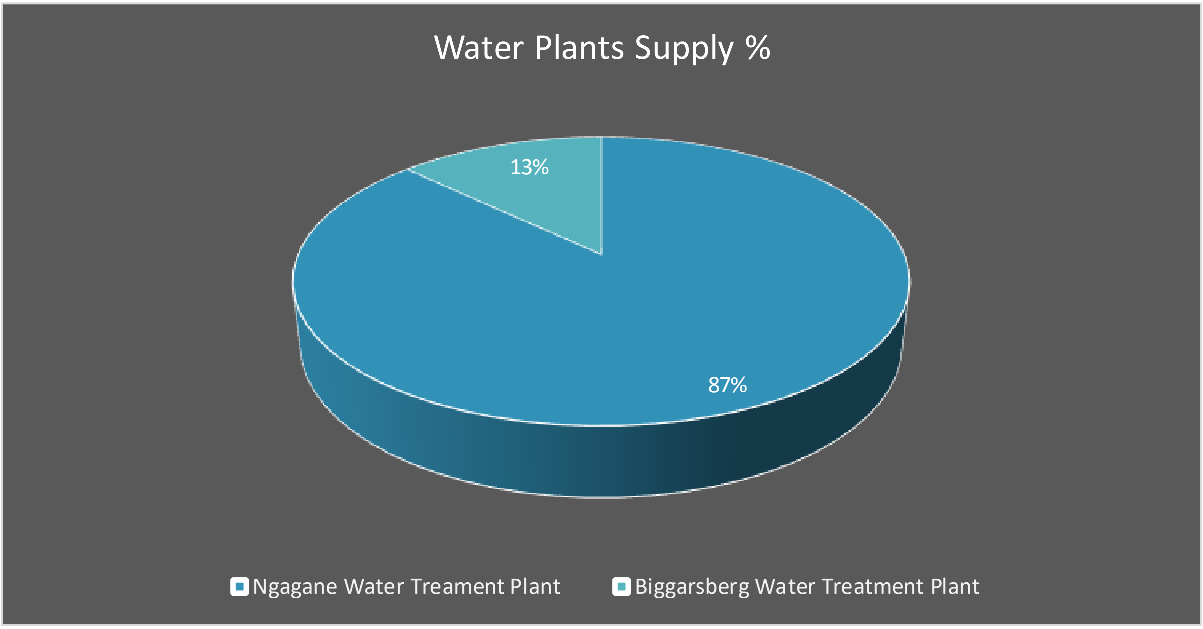


Figure 4: Bulk Water Plants contribution percentage to the total supply volume

Ngagane Water Purification Plant

Water produced at the Ngagane Water Purification Plant amounted to 38 478 Mℓ for the 2022/2023 financial year. The plant operated at an average daily supply volume of 105.42 Mℓ/day. The Ngagane Water Plant's past five years annual supply volume trend is illustrated in figure 5 below.

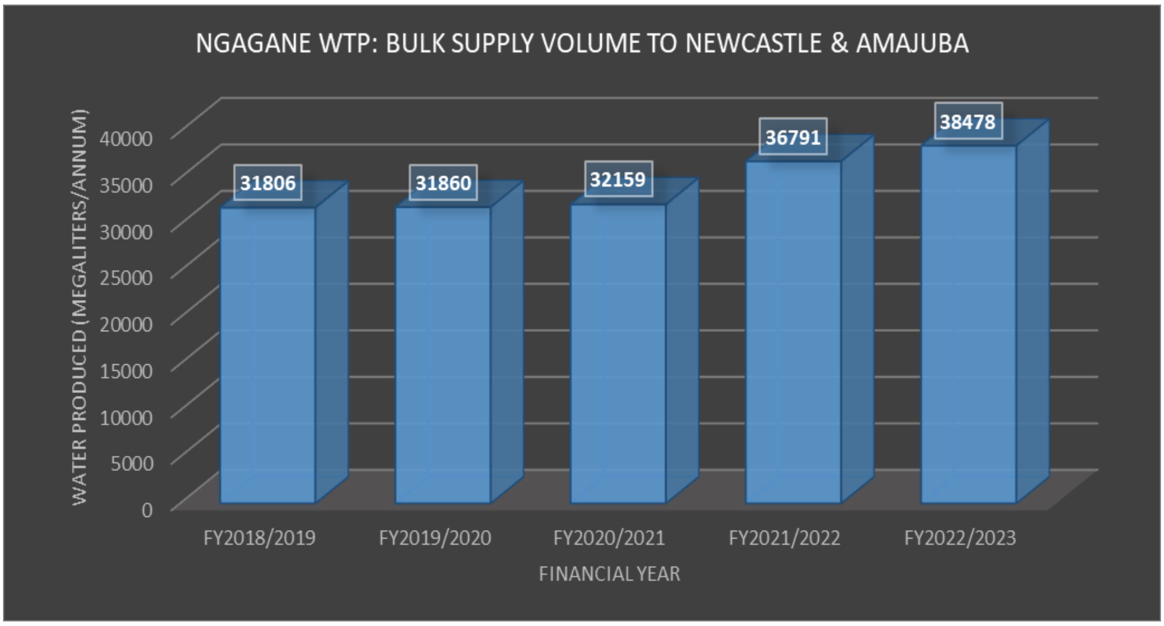


Figure 5: Annual Ngagane Plant Production Trends in Megalitres (Mℓ)

Biggarsberg Water Purification Plant

Water produced at the Biggarsberg Water Plant amounted to 5757 Mℓ for the 2022-2023 financial year. A daily average supply volume of 15.77 Mℓ/day was supplied for the year. The plant’s past five- years supply volume trend is illustrated in figure 6 below.

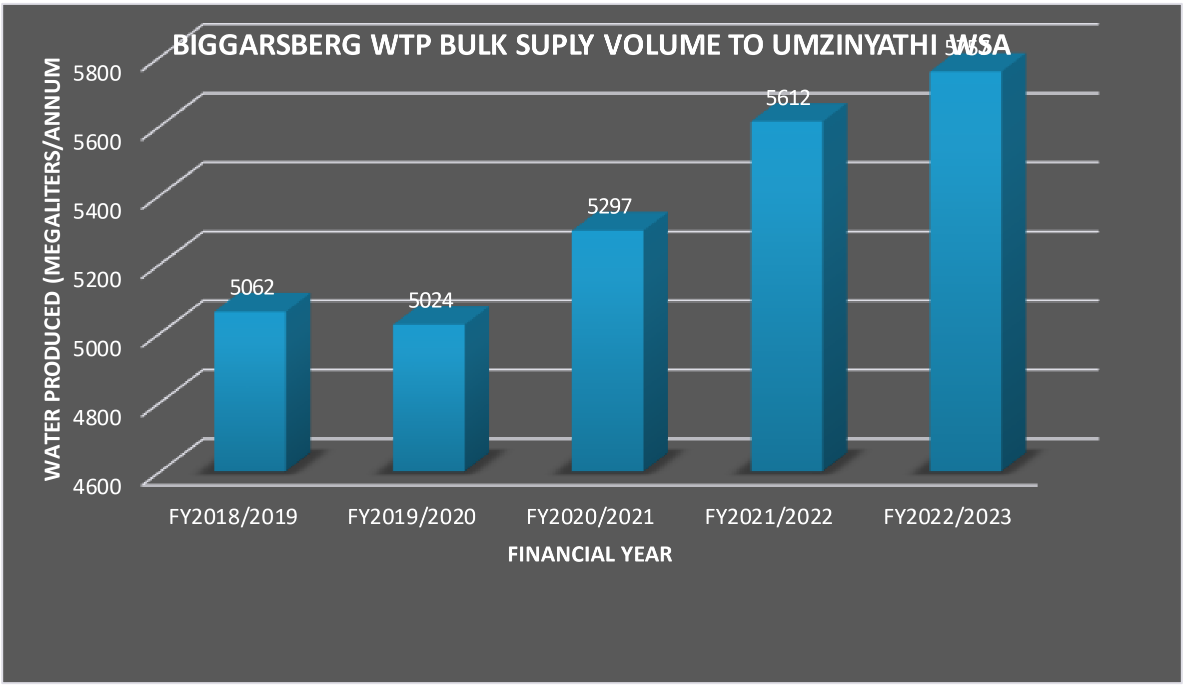


Figure 6: Annual Biggarsberg Plant Production Trends in Megalitres (Mℓ)

Amajuba Water Supply Area

Amajuba supply area receives bulk water from both Ngagane and Biggarsberg Plants. A total supply volume of 4480 Mℓ was received in the 2022-2023 financial year. This amounts to a daily average supply volume of 12.27 Mℓ/day. Figure 7 portrays the supply volumes over the past five years for the combined Amajuba supply area.

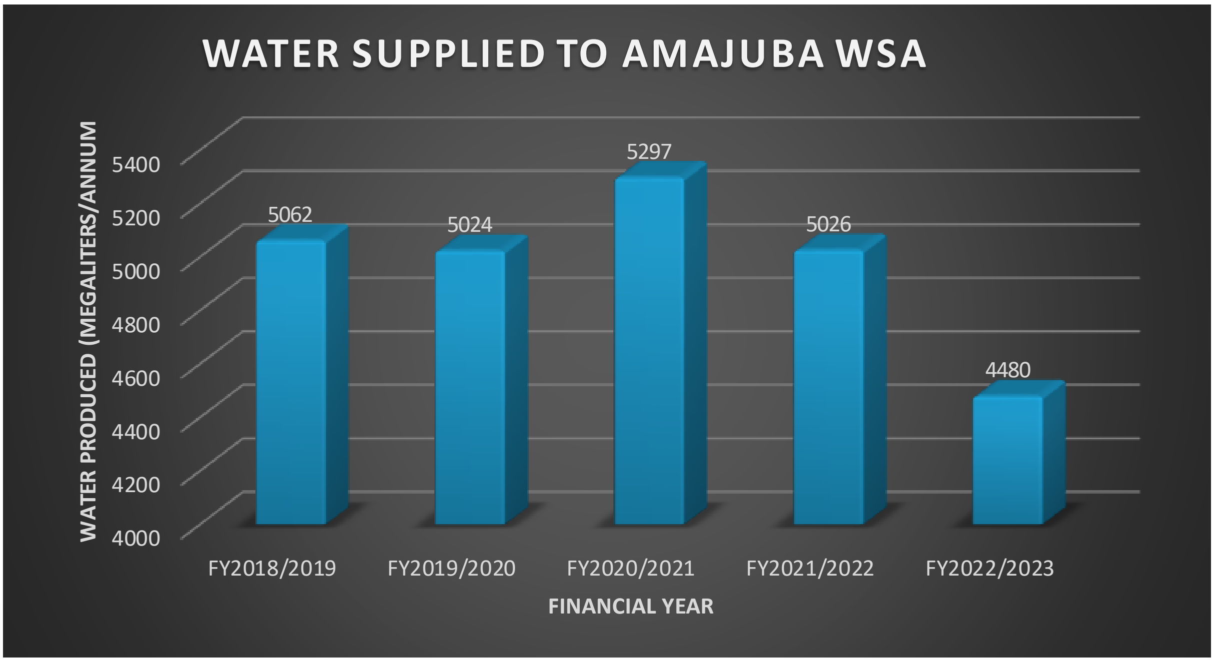


Figure 7: Annual Amajuba WSA Consumption Trends in Megalitres (Mℓ)

Water loss

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

The water loss control strategy can only be effective if it is a continuous activity forming part of the entity`s vision. The commitment and dedication at all levels within the entity determines the success of the strategy.

Water loss management was achievable through:

- Formulation of a water loss management plan.
- Continuous flow monitoring that 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 for running the Plants as well as by the Finance Department for billing purposes.

The current system needs to be rolled out further so that the functionality of these mag flow meters can be used more effectively. Proposals for the upgrading of the current plants Scada systems and live real-time off-site data availability are being investigated.

Water loss is calculated over the entire system from raw water abstraction to potable supply points. The total water loss percentage was 3.45 % in 2022/23, an improvement from last year's 6.19%. The water loss is calculated from the raw water abstraction points to the inlet to the Water Purification Plants, the purification plants process water losses, and to bulk metered supply points and bulk reservoir inlets, where the WSA's metered billing points are. The flow meters are monitored, and a maintenance program is implemented to allow accurate and consistent flow meter readings for accurate water loss calculations over the entire water supply system.

Maintenance management

The key objective of Asset Maintenance Management is to provide a desired level of service in the most cost-effective and sustainable manner. uThukela Water is committed in optimising the utilisation of its assets and recognises that well managed assets play a key role in providing a service delivery that both supports and contributes to social and economic growth.

The objectives of Asset Maintenance Management were formulated within the framework of the overall organisational setup so that the goals of the entity are accomplished. For this, the maintenance objectives ensured that:

- Assets and facilities are in an optimum working condition at the minimum cost.
- The time schedule of delivering to customers is not affected because of non-availability of assets and machinery.
- The performance of assets and facilities is dependable and reliable.
- The maintenance cost is properly monitored in order to control overhead costs at minimum.
- The life of assets and equipment is prolonged while maintaining the acceptable level of performance to avoid unnecessary replacements.

Asset Maintenance

The strategic management of assets covered a wide range of maintenance activities that were performed according to the asset Maintenance Plan, it included in part component replacement, reconditioning, refurbishment of assets as well as the limited procurement of new assets due to no capital budget being available.

The implementation of the Asset Maintenance Strategy succeeded in directing asset maintenance, thereby achieving 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. Some of the benefits derived from the Maintenance Management System include:

- The minimisation 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.

It is noted that an increase in the maintenance repairs on asset infrastructure and bulk water pipelines was recorded. This is attributable to ageing pipelines and infrastructure failures, which has resulted in an increase in corrective maintenance. capital funding is required for the replacement of pipelines and asset infrastructure.

Planned and Corrective maintenance activities included the following:

Planned Maintenance	Corrective Maintenance
The installation of a new pump at the Kilbarchan pump station.	**The replacement of the alternator on the standby generator at the Biggarsberg Water Purification Plant.**
Inspection and cleaning electrical panels at the water purification plants and pump stations.	**The repair of electronic flow meters on raw water and potable water pipelines.**
Inspection and load testing of lifting equipment at the water purification plants and pump stations.	**Repair of the potable water pipe leak in the Glencoe pump station at the Biggarsberg Water Purification Plant.**
Electrical transformer oil sampling and oil analysis at water purification plants and pump stations.	**Repairs on the AC Pipeline to the Hilldrop reservoirs.**
Servicing of the standby generator at the Biggarsberg water purification plant.	**Replacement of a filter isolating valve at the Ngagane water purification plant.**

Carrying out the inspection and servicing of pumps, electrical motors and panels at Water Purification plants and pump stations.	**Repairs to the Scada/telemetry system at Water Purification Plants and pump stations was done, thereby restoring communications.**
Cleaning the sump at the Tayside low lift pump station.	**Installation of security doors at the Verdruk pump station.**
Replacement of an air-valve on the GRP pipe-line to the Braakfontein reservoirs.	**Repair Clarifier bridge gearbox at the Biggarsberg water purification plant.**

Examples of maintenance activities performed in FY 2022-2023

Inspection of and cleaning electrical panels at the Ngagane Water Purification Plant

Replacement of panels on the storage tank at the Alcockspruit pump station

Repairing a leak on the Ngagane /Kilbarchan pipeline

Cleaning the sump at the Tayside Low Lift Pump station

Installation of a new pump at the Kilbarchan pumpstation

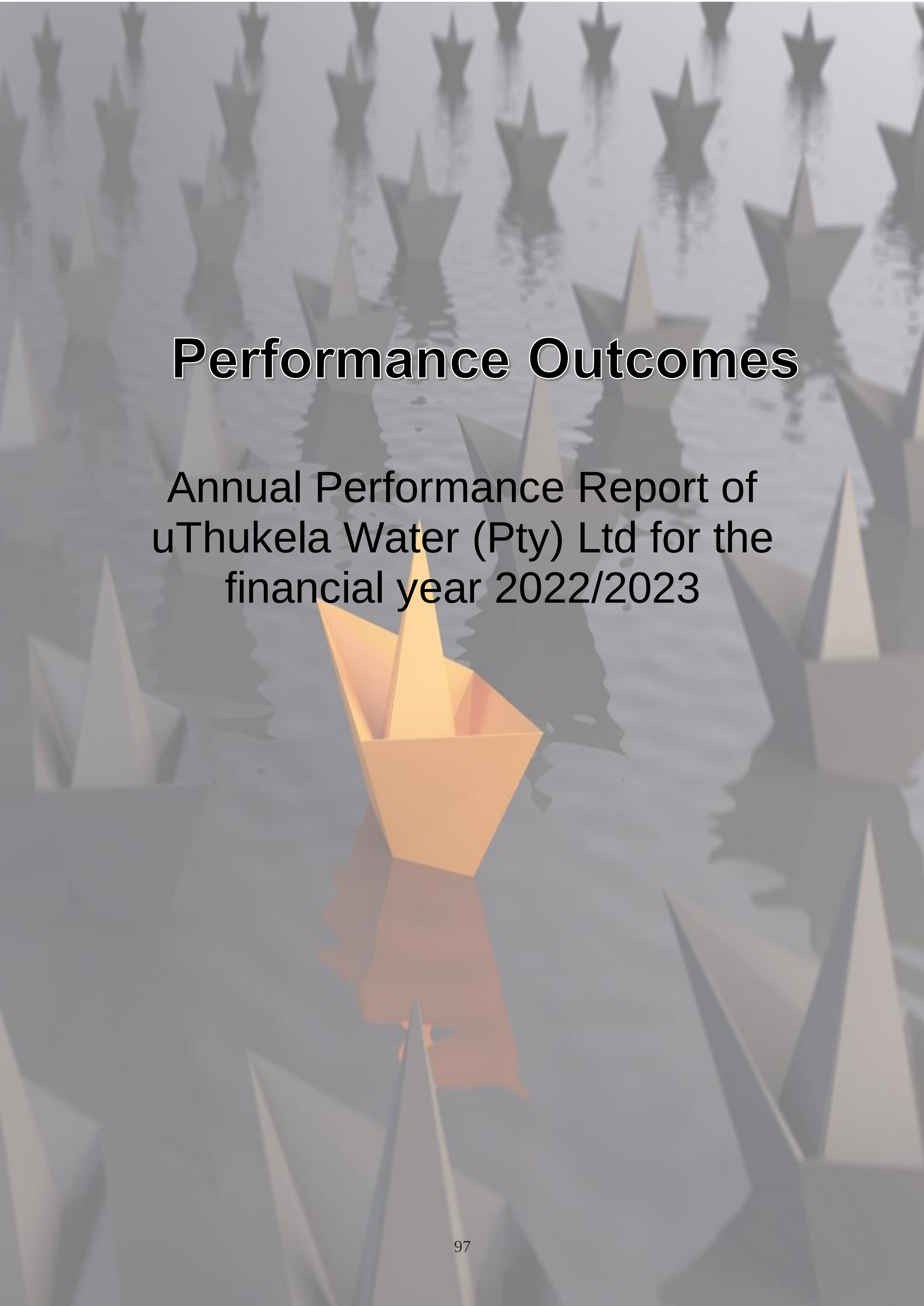
Annual load testing of equipment at Biggarsberg WTP

Installation of a new alternator on the standby Generator at Biggarsberg WPP

Repair work on the balancing tank at the Biggarsberg WPP

Repairing a burst on the Ngagane pipeline

Inspection and servicing of various pumpstations



Performance Outcomes

Annual Performance Report of uThukela Water (Pty) Ltd for the financial year 2022/2023

Introduction

Section 46(1) of the municipal systems act 32 of 2000 requires municipalities to prepare annual reports consisting of performance reports.

This report serves to table the annual performance of the entity as at 30/06/2023 against its pre- determined objectives planned out in June 2022. This report is subject to change during and after the internal audit process, finalisation of the annual financial statements for 2022/2023 as well as the audit outcomes received from the Auditor General South Africa.

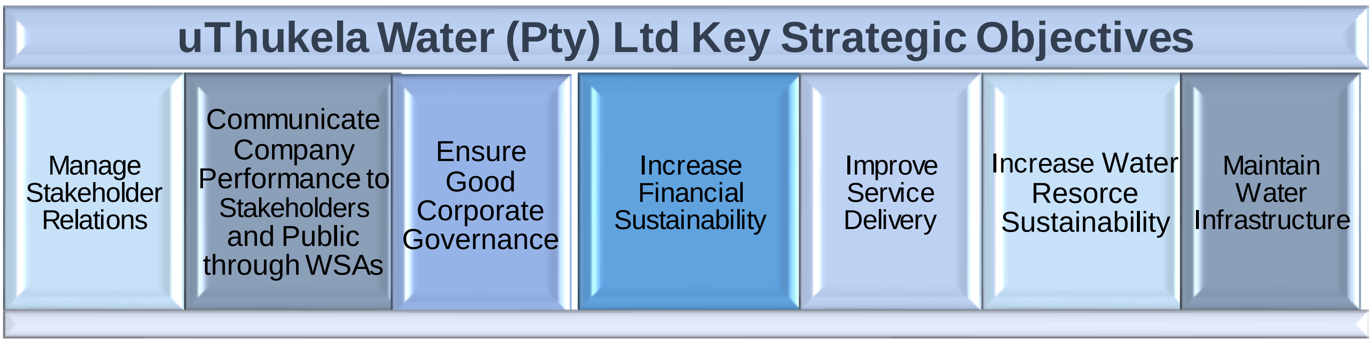
Performance analysis

uThukela Water (Pty) Ltd upholds its mission statement by ensuring excellent and consistent performance across all areas of expertise within the entity. The board approved a pre-determined strategic plan/performance plan in June 2022. The plan translates into measurable criteria on how, where and when the strategic objectives and normal business processes of the entity will be achieved and implemented.

a. Performance Setting

The performance plan of uThukela Water (Pty) Ltd for the FY 2022//2023 comprises of 7 key strategic objectives, that were filtered into key performance areas and key performance indicators.

The key strategic objectives for the financial year 2022/2023



b. Monitoring Performance

The entity`s institutional performance management reporting is guided by both the municipal finance management act 56 of 2003 (MFMA) as well as the municipal systems act 32 of 2000 (MSA).

Section 88(1) of the MFMA requires municipal entities to assess their performance against pre-determined objectives at mid-year, ending 31 December of each year. The outcomes of the assessment must be submitted to the board of directors and parent municipalities by 20 January. Accordingly, the entity prepared a mid-year performance report and submitted it to the board of directors and its three parent municipalities on the 20th of January 2023.

Section 46(1)(a) of the MSA provides for the compilation of the annual performance report. Therefore, this draft annual performance report is compiled to satisfy and comply with this legislation. The report serves to document the annual performance outcomes of the entity and highlight variances in performance outcomes from the prior financial year.

Performance outcomes

Figure 1 below represents the performance outcomes of the entity at year end (30/06/2023). A detailed breakdown of performance outcomes is at the end of this report, presented through a detailed performance dashboard.

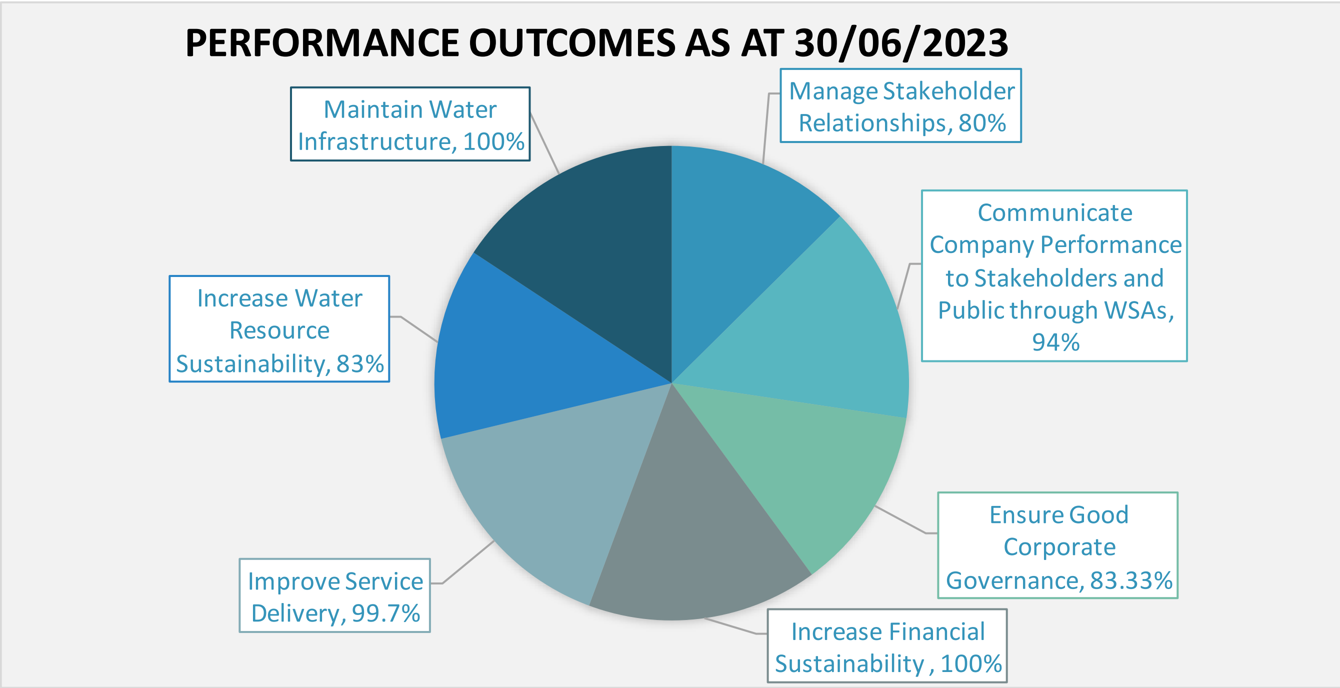


Figure 8: The performance outcomes of the entity against its pre-determined strategic objectives for the FY 2022/2023.

As depicted in figure 1, the entity met all its agreed targets as per the performance plan of the entity for the fy2022/2023 in the key performance areas of the following strategic objectives:

- increase financial sustainability, and
- maintain water infrastructure.

Notably, the entity did not meet its performance objectives in the following strategic objectives:

- Manage Stakeholder Relations,
- Communicate company performance to stakeholders and public through WSAs,
- Ensure Good Corporate Governance,
- Improve Service Delivery, and
- Increase Water Resource Sustainability.

c. Reasons for not meeting performance targets.

The reasons for not meeting the targets in the above objectives are discussed below:

Manage Stakeholder Relations-

The entity did not schedule an Operations, Admin, and Finance meeting between itself and its WSAs in the months of December 2022 and April 2023 due to other competing operational commitments.

The entity was unable to schedule and convene for an Audit Committee Meeting in Quarter 2. However, all quarterly institutional reports have subsequently been presented to the Audit Committee as two meetings took place in the first quarter of FY 2023/2024.

Communicate Company Performance to Stakeholders and Public through WSAs-

The entity did not compile and submit April and May 2023 Section 71 reports to parent municipalities. The June 2023 Section 71 report was however compiled and submitted to the parent municipalities, with information on the April and May 2023 months.

Ensure Good Corporate Governance-

The entity received four (4) material external audit findings from the Auditor General which is above the maximum of three (3) as pre-determined. The findings were mostly of non-compliance with prescribed legislation, an example of which is the entity failed to pay its creditors within the prescribed 30-day cycle, and due to this on some creditor accounts the entity incurred fruitless and wasteful expenditure during the financial year. The entity has drawn up and prioritised the implementation of an action plan to address the Auditor General`s audit findings. The Managing Director monitors the implementation of the plan monthly and is presented to the Audit Committee quarterly.

Improve Service Delivery-

The entity supplied 85% of its predetermined budgeted bulk water volumes to the Amajuba District Municipality. The Amajuba District Municipality does not have a dedicated reservoir. Currently, it shares a reservoir with the Newcastle Local Municipality. Thus, if Newcastle Municipality uses more water, it is often to the disadvantage of the Amajuba District Municipality. The ideal solution for this would be the completion of construction and commission of the Amajuba District Municipality reservoir.

It must be noted that the entity produced more than its budgeted volumes for the financial year, supplying Newcastle Local Municipality and uMzinyathi District Municipality over and above their budgeted supply volumes.

Increase Water Resource Sustainability

The entity only scheduled and convened one meeting to address business continuity planning in the financial year. This was due to operational commitments during the year. The entity will develop an annual meeting calendar to ensure that all important meetings are scheduled, aligned, and prioritised during the next financial year.

Previous year performance analysis versus current financial year

Figure9 depicts the performance outcomes of the entity in its strategic objectives in the previous financial year (2021/2022) versus the performance outcomes of the entity for the current 2022/2023 financial year.

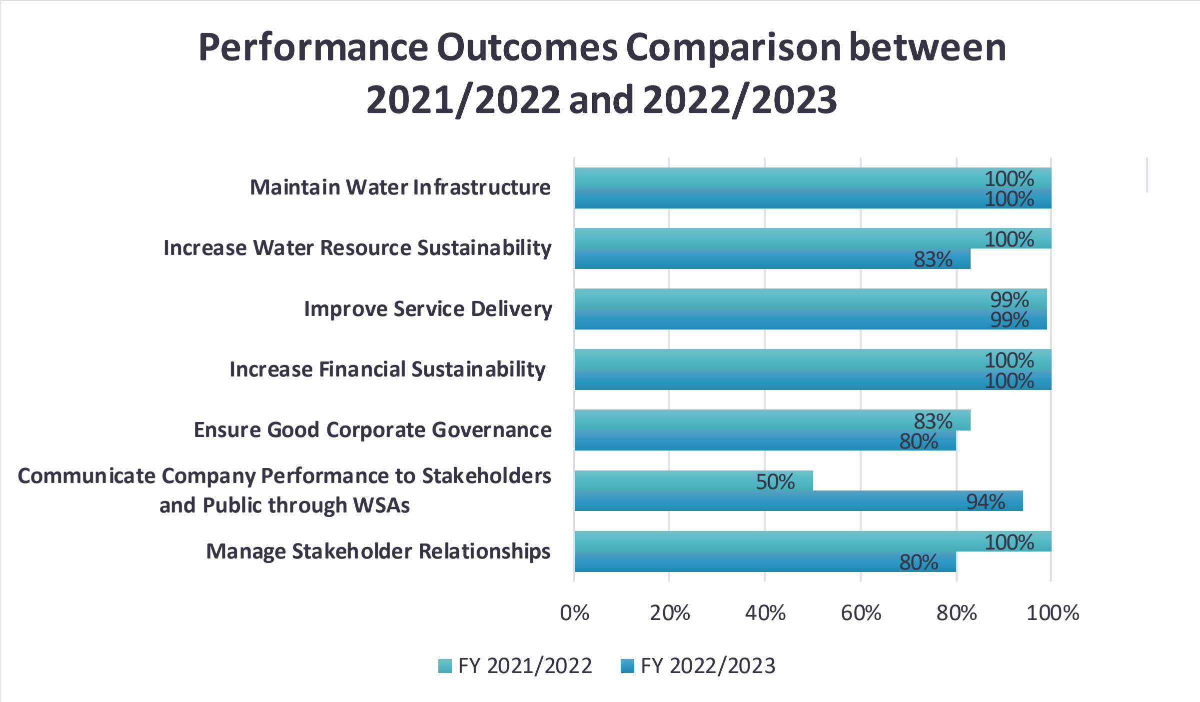


Figure 9: A comparison of performance outcomes of the entity for the current and previous financial year.

Variances in performance outcomes between the current and previous financial year

The performance outcomes variances between financial year 2021/2022 and 2022/2023 are summarised in table 1 below.

Table 8: Performance outcomes variances between 2021/2022 and 2022/2023

Strategic Objective	Variance
Manage Stakeholder Relationships	-20%
Communicate Company Performance to Stakeholders and Public through the WSA's	+44%
Ensure Good Cooperative Governance	-3%
Increase Financial Sustainability	0%
Improve Service Delivery	0%
Increase Water Resource Sustainability	-17%
Maintain Water Infrastructure	0%

Performance Scorecard of the entity for the FY 2022/2023

A full breakdown of the performance of the entity as of the 30th of June 2023 is detailed in the annual performance score card below. Reasons for the performance variances and recommended corrective actions for all areas where the entity failed to meet targets are also discussed in the scorecard

Table 9: annual performance score card

uThukela Water (Pty) Ltd Annual Performance Scorecard FY 2022/2023								
STRATEGIC OBJECTIVES	**KEY PERFORMANCE AREA**	**KEY PERFORMANCE INDICATOR**	**ANNUAL TARGET**	**RESPONSIBILITY**	**ANNUAL ACTUAL**	**TARGET MET/ NOT MET**	**REASON FOR VARIANCE**	**RECOMMENDED CORRECTIVE ACTION**
Manage Stakeholder Relationships	Align Business Plans and Budgets with Municipal IDPs, Budgets & Plans.	Submit an annual business plan to WSA's as per MFMA on the 31st January 2023 To submit an annual budget for 2023/2024 by the 31st January 2023 Schedule one meeting per WSA to align budgets and SDBIPs.	1 Submission of Annual Business Plan per WSA by the 31st January 2023 1 Budget submission per WSA by the 31st January 2023 1 SDBIP Alignment Meeting per WSA to align the 2023/2024 SDBIP of the entity and WSAs	Managing Director	1 Business Plan submitted to WSAs on the 31st of January 2023 1 Draft Budget submission per WSA on the 31st of January 2023 No SDBIP Alignment Meeting	Met Met Not met	SDBIP Alignment was done via email due to time constraints with one parent municipality.	The entity will schedule meetings to align to the SBIPs of uMzinyathi and Amajuba District Municipality in December 2023.

	Schedule and attend regular operational, admin, and financial meetings with parent municipalities.	To coordinate monthly operations, admin, and finance meetings with each WSA	To coordinate 12 Monthly Operations, Admin and Finance Meetings Scheduled with all WSAs	Executive Director: Operations and Engineering	Monthly Meetings scheduled with all WSAs	Not met	Operational Commitments did not allow the entity to schedule meetings in December 2022 and April 2023	The entity to commit to developing an annual meeting planner for meetings with parent municipalities.
	Coordinate Quarterly Board Meetings, Quarterly Audit Committee Meetings and One Annual Shareholder Meeting	To schedule quarterly Board Meetings, Quarterly Audit Committee Meetings and at least 1 Annual Shareholder Meeting	• 4 Board meetings scheduled. • 1 Shareholders meetings scheduled. • 4 Audit Committee meetings scheduled	Managing Director	• 13 Board Meetings • 6 Shareholders Meetings • 3 Audit Committee Meeting (Special Audit Committee Meeting)	Met Met Not met	Due to Operational Commitments and Audit Committee Meeting was not scheduled in Quarter 2	The entity to develop an annual meeting calendar for the Audit Committee meeting for the next financial year, the entity has also had 2 meetings between July and August 2023 to ensure that issues are addressed timeously.
Communicate Company Performance to Stakeholders and Public through WSAs	Submission of Monthly Section 71 Oversight Reports and quarterly performance reports to Shareholders	Compile and submit Monthly Reports to Shareholders. Compile and submit quarterly Performance monitoring templates to all 3 WSA's.	12 Monthly Section 71 Reports 4 Quarterly Performance Monitoring Templates to each WSA	• Chief Financial Officer •Managing Director	• 10 Monthly Section 71 Reports submitted to WSAs (March and April reports not submitted). • 4 Quarterly Performance Monitoring Templates submitted to all WSAs.	Not Met	Due to the resignation of the Acting Chief Financial Officer due to ill-health.	The Chief Financial Officer completed both April and May Reports, however only June reports were subsequently submitted to shareholder municipalities as June reports included April and May activities as the reports are cumulative in nature.

	Submission of Mid- Year Performance Report and Annual Performance Report of the entity as per MFMA	Submit a Mid-Year Performance Assessment Report to all WSA's by the 20th of January 2023. Submit an Annual Performance Report to all Municipalities by the 20th of August 2022.	Submit a Mid-Year Performance Assessment Report to all WSA's by the 20th of January 2023. Submit an Annual Performance Report to all Municipalities by the 20th August 2022.	Managing Director	1 Annual Performance Report submitted to all municipalities on the 20th of August 2022	Met	.	
	Compile Draft Annual Report with input from stakeholders.	Compile and submit Draft Annual Report to the stakeholders and public by the 31st of October 2022	1 Draft Annual Report Compiled and submitted to WSA's by the 31st of October 2022	Managing Director	1 Draft Annual Report compiled and submitted to WSAs by the 31st of October 2022	Met		The Final Annual Report was submitted to all WSAs on the 31st of December 2022, in line with MFMA requirements.
Ensure Good Corporate Governance	Material Audit Findings	Number of material audit findings in the annual audit report equal to 3 or less.	3 or less than 3 Material External Audit Findings	Managing Director	4 Material External Audit Findings	Not met	The entity did not comply with all prescribed legislation during the financial year.	The entity has drawn up an action plan to address the findings from the Auditor General and will prioritise the implementation of the action plan within the entity.

	Manage and Reduce Risks	Perform quarterly monitoring exercises of risk management within the entity Conduct an annual risk assessment for the entity by the 30th June 2023	• 4 Quarterly Risk Oversight Reports Completed • 1 Risk Assessment update for FY 2023/2024	Managing Director	• 4 Quarterly Risk Oversight Reports Completed • 1 Risk Assessment Update for FY 2023/2024 completed.	Met		
	Attract, Retain, and increase organisational skills and capacity	Capacitating staff and developing staff in line with the succession plan. With a total of 50% of all staff in training and development programmes been from the staff highlighted to be developed in terms of the WSP and succession plan	Capacitating staff and developing staff in line with the succession plan. With a total of 50% of all staff in training and development programmes been from the staff highlighted to be developed in terms of the WSP and succession plan	Managing Director	Training and Development Report submitted detailing 66% of all training was in line with the WSP and succession plan.	Met		
	Information Technology Systems	To compile and submit 12 Monthly Information Technology Reports that include the design implementation	To compile and submit 12 Monthly Information Technology Departmental Reports	Managing Director	12 monthly Information Technology Departmental Reports Submitted	Met		

		and management of Technology Infrastructure and systems and the management of Technology Asset.						
	Ensure Compliance with the Occupational Health and Safety Act and Regulation	Submit Quarterly SHEQ Oversight Reports	SHEQ Oversight Reports	Managing Director	4 SHEQ Quarterly Oversight Reports submitted.	Met		
Increase Financial Sustainability	Revenue Management	To invoice debtors within 10 days of each new month for services rendered.	12 Monthly Invoices to each WSA	Chief Financial Officer	12 Monthly Invoices submitted to each WSA within 10 days of each new month.	Met		
	Financial Performance	To produce Annual Financial Statements by the 31 August 2022	1 Set of Entity Annual Financial Statements completed and submitted to the Auditor General by the 31st August 2022	Chief Financial Officer	1 Set of Entity Annual Financial Statements completed and submitted to the Auditor General on the 31st of August 2022	Met		
Improve Service Delivery	To supply agreed bulk water volumes to WSAs	To supply bulk water volumes in terms of WSP / WSA Agreements and budgeted volumes.	• Newcastle 33215000KL • uMzinyathi 5500000KL • Amajuba 5263200KL	Executive Director: Operations and Engineerin g	Newcastle 35976127 KL uMzinyathi 5639698 KL	Met Met	The Amajuba DM shares a reservoir with the Newcastle LM. If Newcastle exceeds its	A designated reservoir for the Amajuba District Municipality is in the process of construction, once the reservoir is commissioned

					Amajuba 4466858 KL	Not met	budgeted volumes, it directly impacts the volumes supplied to the Amajuba DM	and in use, the entity will be able to supply the budgeted volumes to the Amajuba District Municipality.
	To supply quality bulk water in terms of SANS 241:2015	95% compliance of; Acute health, chemical and microbiological, Aesthetic and operational, and Chronic health chemical standards.	95% Water Quality Across all determinants in terms of SANS 241:2015	Executive Director: Operations and Engineering	**Newcastle:** Acute Health Chemical Compliance 100% Acute Microbiological Compliance 100% Aesthetic Compliance 100% Chronic Health Compliance 100% Operational Compliance 99.42% **Biggarsberg:** Acute Health Chemical Compliance 100% Acute Microbiological Compliance 100% Aesthetic Compliance 99.34%	Met		

					Chronic Health Compliance 100% Operational Compliance 99.81%			
	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.	All planned and unplanned maintenance disruptions of bulk water should be less than 24 hours per disruption.	Executive Director: Operations and Engineering	107 Maintenance Disruptions July 2021-December 2022 < 24 hours per disruption.	Met		
	Water Conservation Management	To restrict bulk water losses on raw and potable bulk pipelines to less than 15% per annum	To restrict water loss on total bulk water system raw and potable pipelines to an average of less than 15% per annum.	Executive Director: Operations and Engineering	Total Water Loss 3.45 %	Met		
Increase Water Resource Sustainability	To coordinate the regional bulk water master plan	To coordinate bi-annual meetings of the regional bulk water master plan	• Schedule 2 Meetings	Executive Director: Operations and Engineering	2 Meetings Scheduled	Met		

	Increasing the resiliency of the institution	To coordinate at least 2 business continuity meetings to facilitate the development of entity wide business continuity plans	2 Meetings to develop an Institutional Business Continuity Plan	Managing Director	1 meeting held on the 19th of October 2022 with COGTA: Provincial Disaster Management Centre	Target Not Met		The entity needs to develop an annual calendar for all meetings of the entity to ensure that all meetings are prioritised.
	Regular asset conditional assessments	To annually assess the overall condition of all assets	1 Annual asset conditional assessment	Chief Financial Officer	1 Annual Asset Conditional Assessment Completed	Target Met		
Maintain Water Infrastructure	Maintenance Planning	To update the Annual Maintenance Plan.	1 updated Annual Maintenance Plan	Manager: Engineering	1 Updated Maintenance Plan Jan-Dec 2022 Jan-Dec 2023	Target Met		

REPORT SIGN-OFF-

I, Wiseman Bonginkosi Nkosi, in my capacity as Managing Director of uThukela Water (Pty) Ltd hereby declare that the content contained in this report is complete and accurate to the best of my knowledge. I also confirm that this is a true reflection of the performance of uThukela Water (Pty) Ltd at year end of the 2022/2023 financial year, ending 30 June 2023.

SIGNATURE: ____________________

Financial Performance

This financial report is in line with Section 126 of the MFMA, that requires Accounting Officers of municipal entities to report on the financial performance of their entities and accordingly prepare and submit Board approved annual financial statements to their parent municipalities and the AGSA.

The ensuing sections present a review of an analysis of the key areas of the uThukela Water`s financial performance, operational results, and financial position, which must be read in conjunction with the annual financial statements presented with this report.

Table 10: Graphical Presentation of Financial Performance

Five Year Financial Review					
	2023	2022	2021	2020	2019
Capital Expenditure	**3 040 013**	**1 233 541**	**1 258 341**	**1 648 854**	**18 661 411**
Total capital transfers recognised			-	222 372	13 598 135
Borrowing			-	-	-
Accumulated Funds	3 040 013	1 233 541	1 258 341	1 426 482	5 063 276
Water services: bulk water sales	**205 737 971**	**174 372 947**	**165 403 505**	**148 550 115**	**128 439 901**
Average bulk water cost per Kl produced	4.45	3.92	3.81	3.46	3.03
Financial Position					
Total current assets	224 593 460	194 270 123	157 446 059	151 757 865	111 934 609
Total non current assets	615 799 848	690 207 798	789 451 219	867 454 343	936 160 385
Total current liabilities	530 272 238	476 399 661	423 381 056	370 175 393	316 414 535
Total non current liabilities	11 469 316	11 010 000	11 963 630	9 821 457	10 192 126
Accumulated funds and share capital	**298 651 653**	**397 068 261**	**511 552 592**	**639 215 358**	**721 488 232**
Cash Flows					
Net cash from (used) operations	(15 640 750)	(8 390 288)	10 612 266	7 652 415	2 033 404
Net cash from (used) investing	(3 040 013)	(1 233 541)	(1 258 341)	(1 648 854)	(16 778 498)
Net cash from (used) financing					
Net increase/ (decrease) in cash and cash equivalents	**(18 680 763)**	**(9 623 829)**	**9 353 925**	**6 003 561**	**(14 745 093)**

Table 10: Graphical Presentation of Financial Performance…continued

Financial Indicators/Ratios					
	2023	2022	2021	2020	2019
Employee related costs to total expenditure ratio excl depreciation and debt impairment	31%	29%	33%	32%	32%
Employee related costs to total expenditure ratio incl depreciation and debt impairment	19%	21%	23%	22%	21%
Number of permanent employees at year end	83	84	87	87	91
Repairs and maintenance costs to total expenditure ratio excl depreciation	1.71%	2%	3%	2%	3%
Repairs and maintenance costs to total expenditure ratio incl depreciation	1.30%	1%	2%	1%	2%
Current ratio (current assets/current liabilities)	0.43	0.41	0.46	0.41	0.35

Financial performance highlights

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.
- The absence of a capital budget to implement business and bulk water master plans.
- Funding Model: grant funding not paid directly to company 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

As indicated in table 8 above, the company is not in a healthy financial position. Albeit the high employee related costs of 31% but it is still within the norm of 25% to 40%, the is under expenditure on the maintenance of infrastructure, the entity is currently spending 1% whereas the norm is 8%.

Cash flow decreased over the last year from R 19 800 255 to R1 119 492 owing to consistent non- payment by some of the shareholders. Nonetheless, more funds were invested in short term investments due to the deteriorating shareholder payments to provide a buffer in times of non-payment and this is barely sufficient to sustain the Company for a period of less than 1 month. Should the municipalities update and pay their current bulk billing accounts up to date, it would bring the Company into a favourable position enabling it to operate effectively and efficiently.

Budgets and planning alignment

The alignment of the company's operational and capital budgets, Integrated Development Plans and the 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 model to operate effectively, this is a priority and must be prioritized in the short-term.

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 municipalities are still not adequately paying for the services. This places severe strain on the company to effectively deliver on its mandate.

The Bulk Water tariff of R 4, 45 per kilolitre measures way below the National Norm of about R 9, 75 per kilolitre. The Shareholders have accepted the inclusion of a capital element within the bulk tariff structure, on some capital expenditure such as vehicles, IT equipment, pumps and motors Currently, the company has no means to raise sufficient capital to perform necessary and planned refurbishments and upgrades to its old and ailing water infrastructure and new water infrastructure projects. This anomaly has been identified and documented in the company`s Risk Management Plan. The municipalities also do not pay depreciation charges to the company to perform capital replacements.

Creditors and Raw Water charges

It must be noted in the statement of financial position records a substantial amount owed to the Department of Water and Sanitation (DWS) for unpaid raw water charges amounting to approximately R483 million. This is attributable to the shareholder municipalities not settling their old shortfall debt and current DWS raw water charges.

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.

uThukela Water is currently engaging the Department to finalise outstanding queries and to deal with certain issues pending the formulation of an agreement to settle the arrears.

Payment for bulk water services

All three municipalities have approved their bulk water service operational budgets based on the costs of providing the service and at the cost recovery tariff of R 4,45 per kilolitre. Despite this tariff being too low, municipalities do not pay their monthly billing as contracted (see figure 36 for the rise in the bulk water service debt of the WSAs).

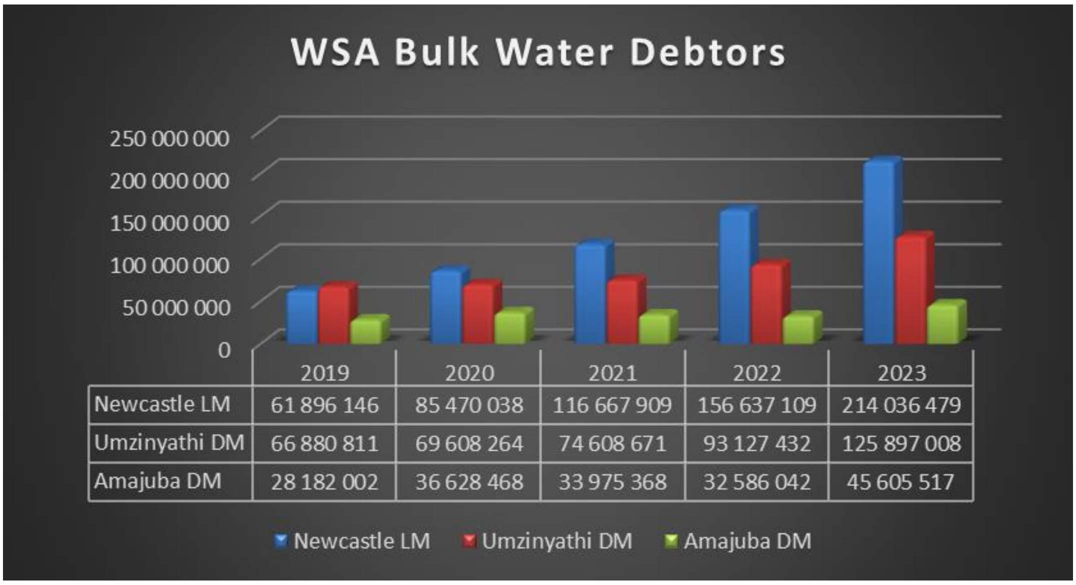


Figure 10: WSA Bulk Water Debt

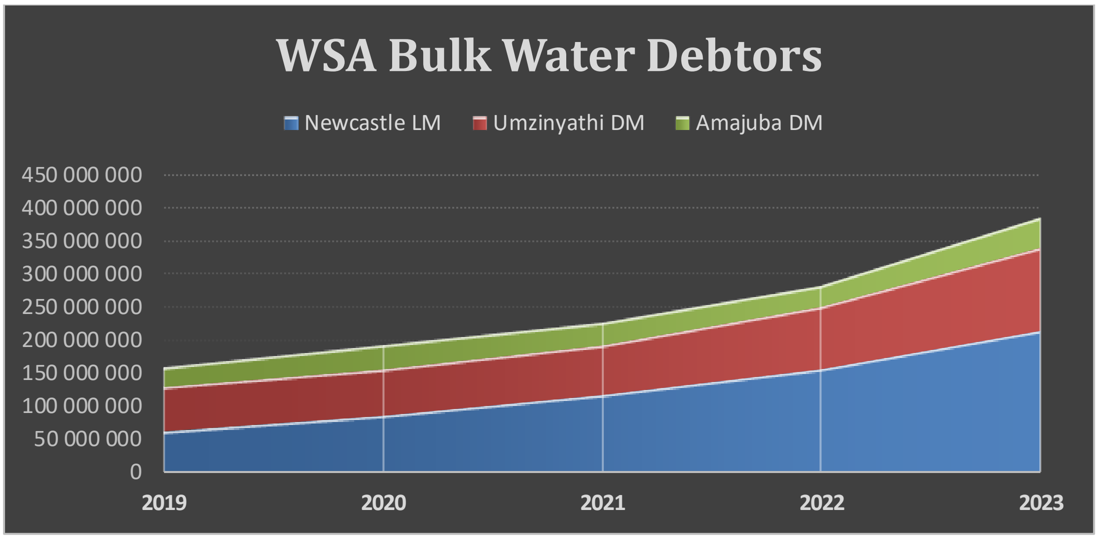


Figure 11: WSA Bulk Water Service Debt

There has been a significant decline in the timeous payment by all three of the shareholders for the bulk water services rendered to them, and this places the company in severe financial distress and is a matter of extreme concern. The lack of payment commitment and uncertainty of when and how much will be received makes it extremely difficult to plan and function effectively and could result in the total collapse of water services in the very near future.

Capital requirements for infrastructure

A capital budget comprising of most urgent and immediate capital requirements of approximately R 332 million was submitted to the WSA's for approval, unfortunately, no capital budget was approved by the shareholders.

Furthermore, full depreciation charges are not provided by the Shareholder municipalities. Currently the municipalities pay minimal depreciation charges to the Company.

Restrictions to implementation of adequate maintenance programs

It must be noted that the bulk water service infrastructure is not being maintained and upgraded in terms of best practices due to shortage of funds. For the year under review, the total actual used on maintenance was R4 273 913, which is 1.30% of the overall expenditure of R327 957 042.

Loans

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

The Utility had capacity to pay off 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 further.

Current Asset Ratio

For the past five years, the current asset ratio has been unfavourable due to the non-payment of the DWS raw water charges by the company (see figure 12 below).

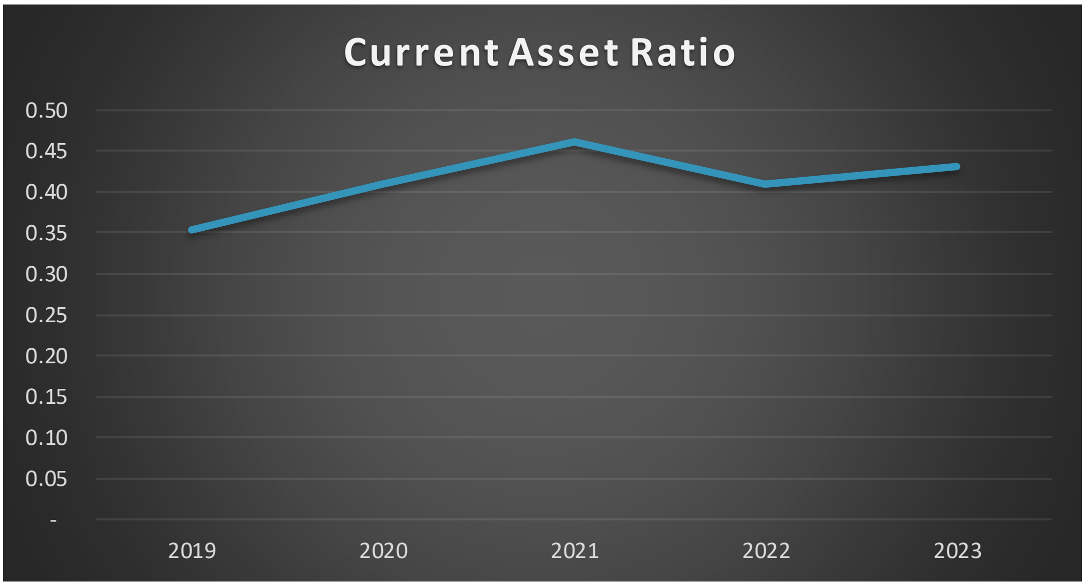


Figure 12: uThukela Water Current Asset Ratio

Contribution to an affordable tariff

As shown in figure 13, the company`s bulk water tariff is well below industry norm and unfortunately does not include a capital element or include depreciation charges.

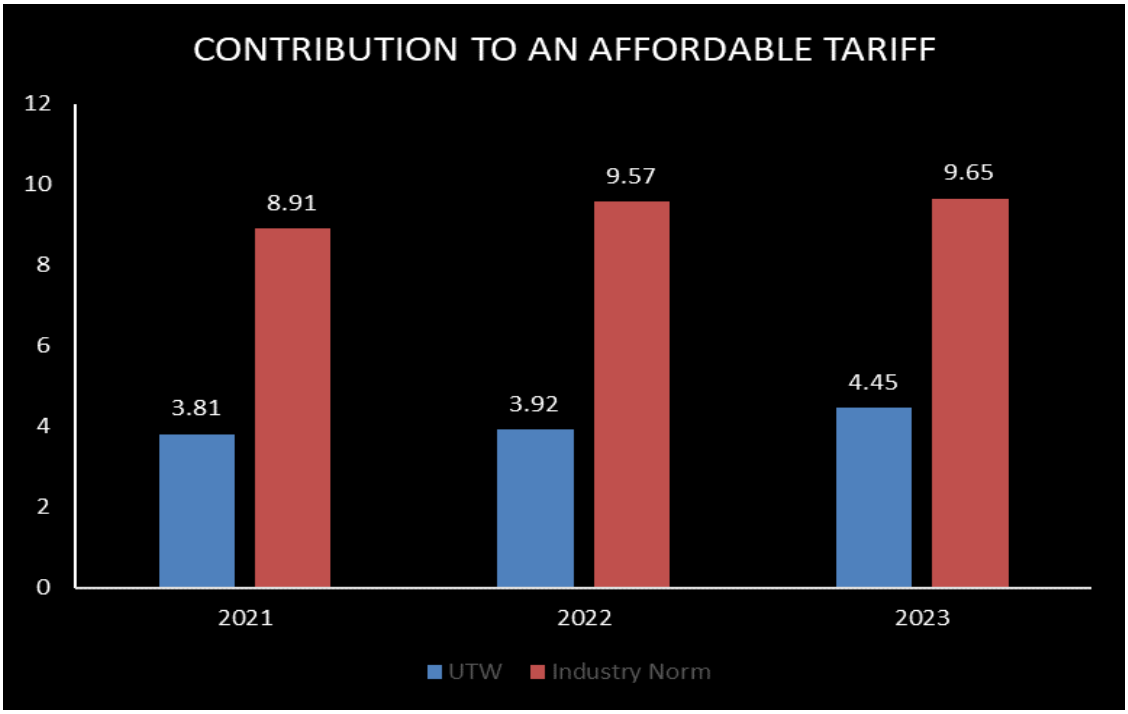


Figure 13: Comparison between uThukela Water bulk tariff with that of Industry Norm

Income categories

A depiction of the revenue streams of the Company is depicted by the diagram below.

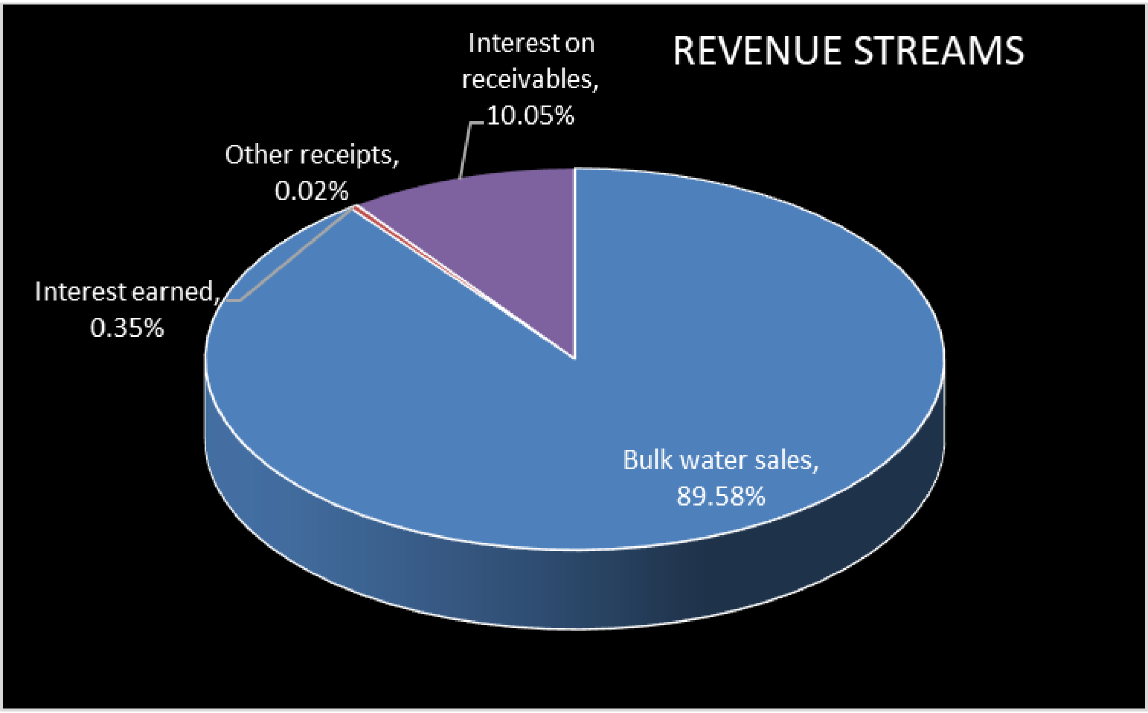


Figure 14: percentage contribution of the main company revenue streams

Cash and Investment Holding

The Company's cash and investment holding has been strained due to non-payment by the municipalities and it currently provides cover for less than 1 month of operations.

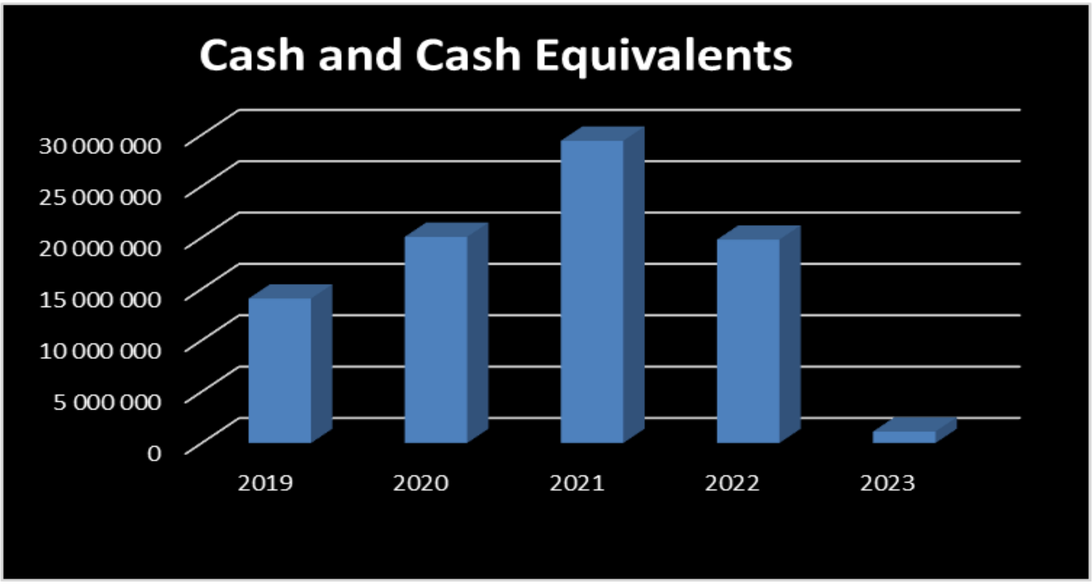


Figure 15: uThukela water cash and investment holding

Expenditure Cost Drivers

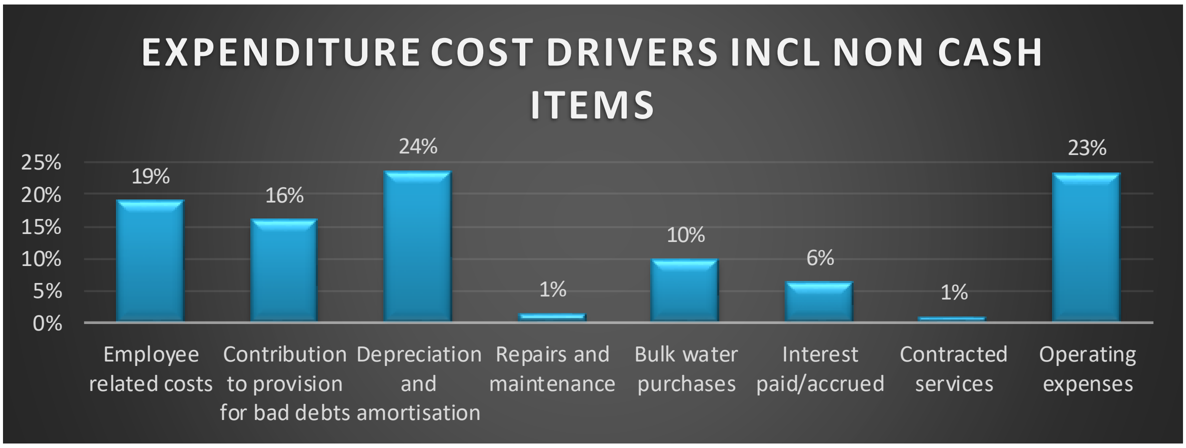


Figure 16: uThukela water expenditure cost drivers

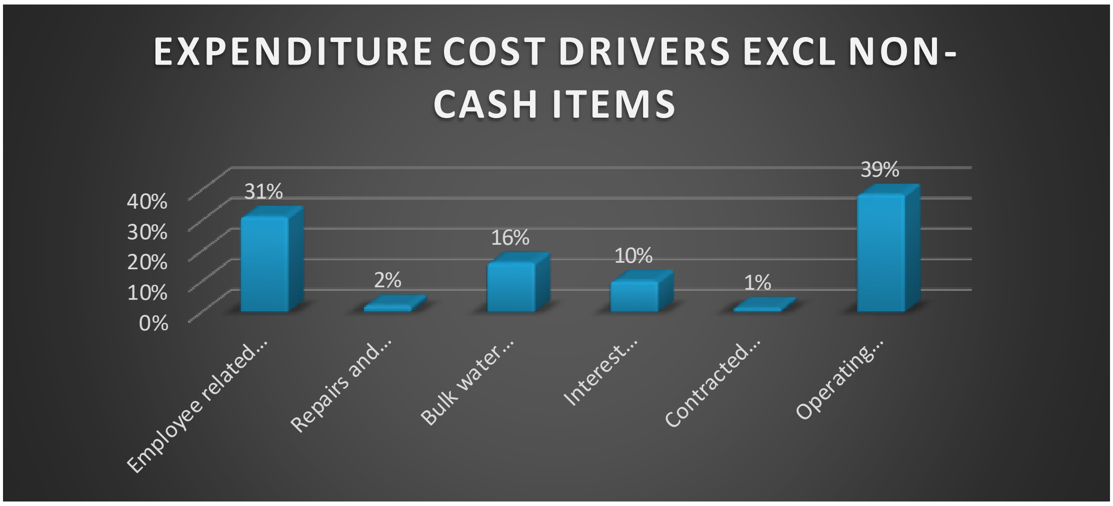


Figure 17: uThukela Water expenditure cost drivers excluding non-cash items

An analyses of expenditure cost drivers.

The main expenditure cost drivers for uThukela Water are chemicals, electricity, repairs and maintenance, employees, and bulk water purchase costs. Figure 18 and table present a summary analysis of the company`s cost drivers.

	2019	2020	2021	2022	2023
Chemicals	7 415 020	6 293 529	8 176 203	8 354 705	10 711 769
Electricity	31 793 389	37 924 168	39 787 833	45 101 236	52 708 525
Repairs and Maintenance	4 082 027	3 106 037	5 177 110	3 948 601	4 273 913
Employee related costs	48 940 715	52 754 301	58 215 964	58 813 133	61 974 345
Bulk water purchases	25 804 976	27 749 518	30 267 399	27 264 702	32 141 230

Figure 18: uThukela water cost drivers without depreciation

Table 11: An analysis of uThukela Water cost drivers

Cost Driver	Analysis
Chemical Costs	Follow the same trend over the years, except for 2022, as the bulk water volume and had increased by the inflationary rate.
Electricity Costs	Energy costs show a sharp increase in the 2021/2022 and 2022/23 FY.
Repairs and Maintenance	This category shows a general upward trend after following the bulk water volume production matrix. The expenditure in this category should be substantially more considering the age and the deteriorating condition of the water infrastructure. At 1,7% of total expenditure, it should be 8% current expenditure, it should be substantially higher than what it is currently. Expenditure has been curtailed due to poor payments from the WSA's.
Employee Related Costs	Employee related costs have shown a steady increase over the past five years.
Raw Water Purchases	Raw water costs follow the general upward trend of the potable water volumes production.

Investment in Capital Development Projects

Investment into the ageing and outdated bulk water infrastructure has always been minimal considering the bulk water demands of the region. Less than R 5 million a year, except for 2019 (R 18.6 million invested), has been invested by the Shareholder municipalities over the last five years (figure 19).

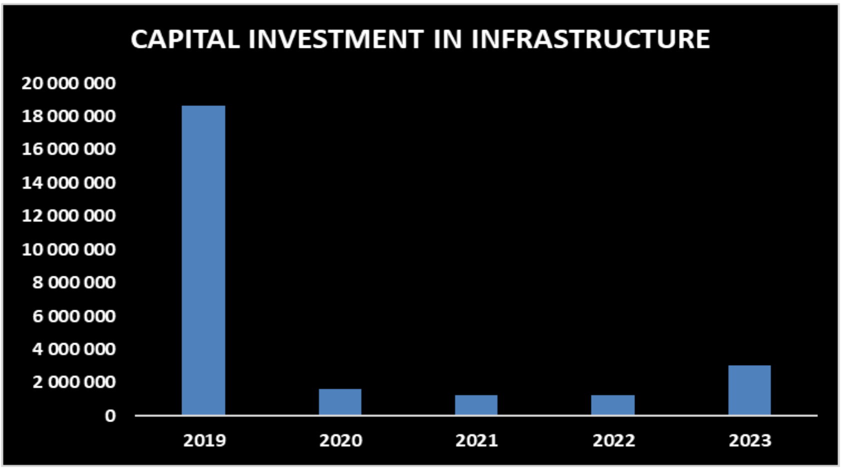


Figure 19: Capital Infrastructure Investment over five years

In order to adequately address the infrastructure challenges, the Bulk Water Master Plan envisages an investment well in excess of R 15 billion over the next 10 years. This area requires urgent attention and will be the focus of the Board going forward.

Capital Projects

As already discussed, capital has decreased dramatically over the past five years. The reason for the disinvestment in infrastructure development is due to the retention of bulk water grants by the municipalities, non-payment by the municipalities and the lack of a capital element within the bulk water tariff to fund the company's necessary capital refurbishments and upgrades.

The tariff capital element needs to be considered as a serious option to raise capital funding. Dependency on Government grant funding (i.e. MIG, MWIG, and the DWS) will further stifle infrastructure development. The inadequate capital investment is a high risk are for the Entity and Shareholders.

As part of the solution to this challenge, several tariff models have been proposed, including a capital levy of R 1, 00 per kilolitre. This has the potential to raise approximately R 46 million per annum.

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 identified in the bulk water master plan for short, medium to long-term implementation. One key intervention would be the construction of a new water resource and a new water treatment plant to augment the three WSA current water demands.

Funding Requirements

Along with the registration of the Company in its current form in 2004, a 30-year Strategic Plan (SP2030) was developed for the delivery of water bulk infrastructure services.

The purpose of the SP2030 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 drought in 2017 has served to further highlight the importance of planning for the future now.

The company is very restricted in its limited institutional capacity to raise funding sources, as it is confined to the reliance on grant funding from the WSA's for its capital requirements.

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 12 million.

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

Financial Risk

The company faces fundamental operational and financial risks that need to be effectively managed to ensure that any negative impact on its operational and financial performance is identified, minimised, measured and effectively mitigated.

The Board has approved a risk management strategy and plan in place, and the plan is regularly updated, monitored, and managed at EMC, Audit Committee and Board level. The plan rates the risks according to the level of threats they pose to the company and outlines 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

It is concerning that the adoption of the new and revised accounting standards 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 company`s accounting policies.

Despite this concern, the company`s accounts are fully GRAP compliant for the 2023 financial year. The Utility has implemented the Municipal Standard Chart of Accounts (mSCOA) with effect from 2018.

Various finance and employee related policies have been developed and are reviewed by the Board on an annual basis. The Board has put in place mechanisms to monitor the implementation of the policies.

Statement of Directors' Responsibility

The Directors acknowledge their responsibility for the preparation of the annual financial statements for the year ended 30 June 2023, which in their opinion, fairly presents the results and cash flows for the financial year and the situation 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 of 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 smilies"* reflect in the report for these reforms.

Internal control systems are designed to provide reasonable but not absolute assurance on the reliability of the AFS and to adequately safeguard, verify and maintain accountability of assets and recorded liabilities as well as detect and correct material misstatements. The systems are implemented by suitably trained personnel with appropriate segregation of authority and duties.

uThukela Water is equally serious about and supports the government`s "operation clean audit" initiative. It has thus set administrative structures accordingly and has as a result achieved clean audit in the 2017/18 financial year, with unqualified audit opinions in the 2018/19, 2019/20, 2020/21 and 2021/22 financial years respectively.

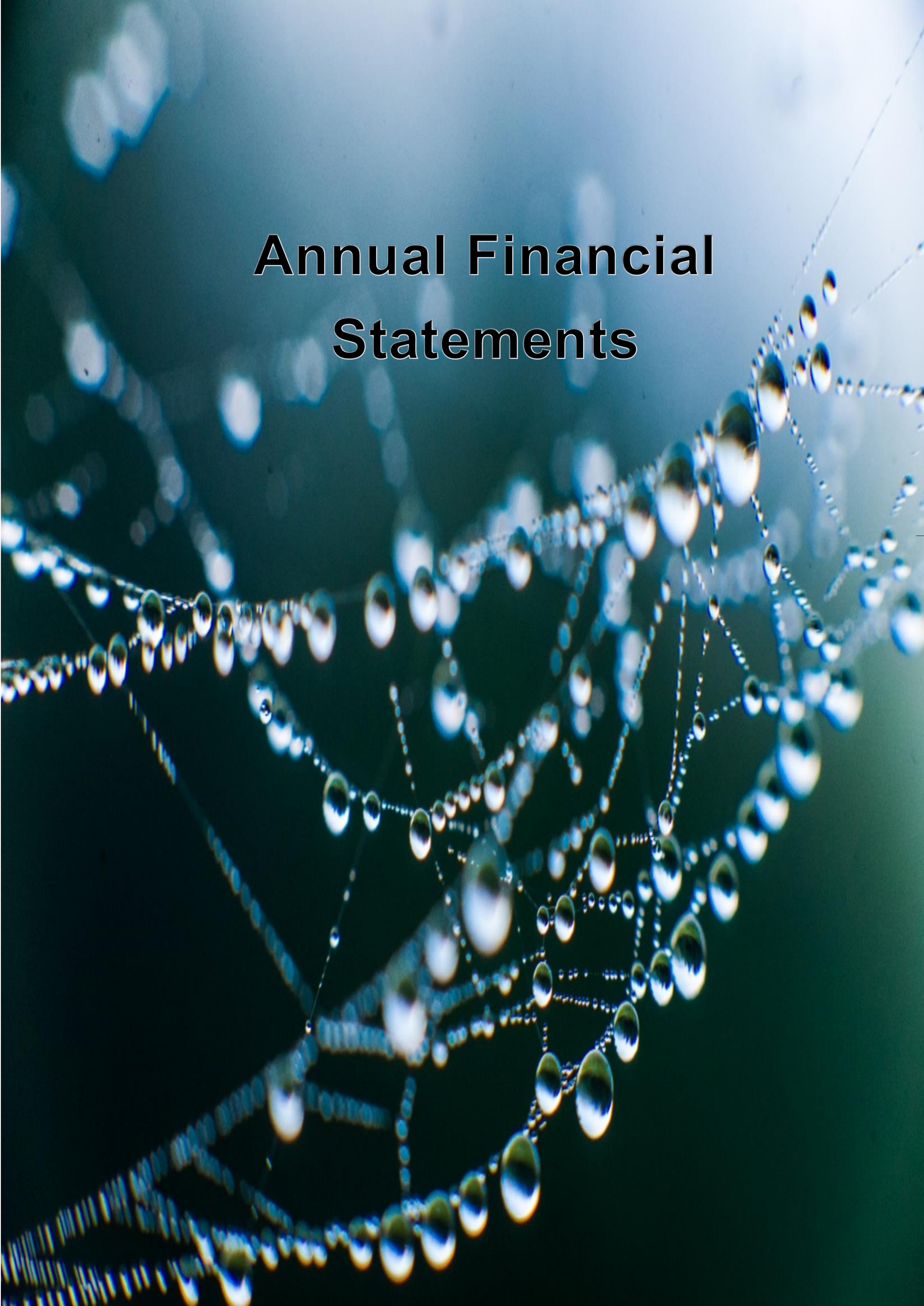
The Directors are firm in their belief that based on the information and explanations given by management, the internal auditors and the external auditors, that the system of internal control provides reasonable assurance that the financial records may be relied upon for the preparation of the consolidated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

The AGSA reports on the fair representation of the AFS. Therefore, the AGSA has audited the AFS after being granted unrestricted access to all accounting and financial records and related data. The Directors believe that all representations made to the AGSA during their audit were valid, appropriate, and complete.

uThukela Water has reviewed its forecast financial performance for the year ended 30 June 2023, as well as the longer-term budget, and in the light of this review and the current financial position, they are satisfied that the company has access to adequate resources, and 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 condition that shareholder municipalities address these pressing issues: scientific tariff determination, timorous payment of accounts, full payment of raw water production costs and adequate capital infrastructure planning and funding.

Annual Financial Statements



uthukela
water

UTHUKELA WATER (PTY) LTD
(REGISTRATION NUMBER 2003/029916/07)
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

GENERAL INFORMATION

Province:	KwaZulu Natal
AFS rounding	SA Rand only, no cents.
Contact information	Managing Director: Mr WB Nkosi Acting Chief Financial Officer: Mr BN Khumalo Telephone Number: 034 328 5000 Email Address: pa.md@uthukelawater.co.za Chairperson of the Board: Dr AS Mokoena Telephone Number: 034 328 5000 Email Address: alimokoena@gmail.com Auditor General South Africa Contact: Aruna Soopal Telephone: 033 264 7400 Email Address: ArunaS@agsa.co.za
Legal form of entity	uThukela Water (Pty) Ltd is a Water Service Provider operating under a water services provider agreement signed with the Shareholder municipalities of: Newcastle, Umzinyathi and Amajuba, in accordance with the provisions of section 78 of the Municipal Systems Act 32 of 2000, for the purposes of providing Bulk water services to these municipalities. The entity operates as a Bulk water services provider to its controlling Shareholders, and performs no other functions outside the scope of the agreement between the parties. The entity is established by the provisions of the Municipal Systems Act 32 of 2000, Companies Act 71 of 2008 and Municipal Finance Management Act 56 of 2003.
Members of the Board	Dr A.S Mokoena (Chairperson of the Board) Mr TJ Mphela Mr PM Ngcobo Mr ME Mpungose (Appointed on the 21st April 2023) Mr EM Zungu (Terminated on the 07th March 2023)
Auditors	Auditor General South Africa
Bankers	Standard Bank of South Africa
Registered office	79 Harding Street Newcastle 2940
Business address	79 Harding Street Newcastle 2940
Postal address	P O Box 729

GENERAL INFORMATION

	Newcastle
	2940
Telephone Number	034 328 5000
Fax Number	034 326 3388

INDEX

The reports and statements set out below comprise the annual financial statements presented to the board:

MANAGING DIRECTOR'S RESPONSIBILITIES AND APPROVAL

I am responsible for the preparation of these annual financial statements which are set out on the pages 5 to 58, in terms of Section 126 (2) of the Municipal Finance Management Act 56 of 2003 and the Companies Act, 71 of 2008.

These annual financial statements have been prepared on the going concern basis, and were duly approved by the board and signed on behalf of the entity by:

Mr WB Nkosi
Managing Director

MANAGING DIRECTOR'S REPORT

In terms of the Municipal Systems Act 32 of 2000, as amended, and read with Companies Act 71 of 2008, as amended, the board of uThukela Water (Pty) Ltd, is the oversight and the bulk water services provider for the shareholders municipalities. The board of directors have pleasure in presenting their report for the year ended 30 June 2023.

1. Nature of business

uThukela Water (Pty) Ltd, is a multijurisdictional water entity, section 90(2) of the Municipal Systemes Act 32 of 2000, 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 Water Services Act 108 of 1997.

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

a) Treatment of raw water and distribution of portable water to 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 Local Municipality

uMzinyathi District Municipality

2. Compliance with legislation

The annual financial statements are prepared in accordance with the effective standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board. The requirements of the following relevant statutes were also taken into account when preparing the annual financial statements:

(a) Water Services Act 108 of 1997,

(b) Municipal Finance Management Act 56 of 2003,

(c) Municipal Systems Act 32 of 2000,

(d) Companies Act 71 of 2008 and

(e) Public Audit Service Act 25 of 2004.

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

3. Corporate governance and risk management

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

The board is responsible for monitoring the risk management process in order to ensure the entity statutory compliance.

4. 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 R 100.

The authorised 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 Local 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 of 2008, as amended.

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 shareholders in their appreciation of the state of affairs of the company, were made by the company during the period covered by this report.

5. Financial performance

The company's statement of financial position reflects a net asset worth of R 298 651 753 (2022: R 396 487 592) and is made up as follows:

Share capital	R 100
Accumulated deficit	R 119 001 970
Asset revaluation reserve	R 417 653 623

The total net shareholder contributions paid to uThukela Water to date is reflected at R 147 474 696 (2022: R 157 040 888) 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 14 to the annual financial statements.

Net deficit of the entity was R 97 835 839 (2022: deficit R 92 985 232).

6. Statement of Financial Performance, June 2023

The statement of financial performance for the year under review reflects a trading deficit of R 97 835 839 for the year (2022: R 92 985 232). However, it should be noted that the deficit is mainly attributable to the raising of depreciation charges amounting to R 77 447 962 (2022: R 79 285 116), 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 and the contribution to provision for bad debts amounting to R 52 368 838 (2022: R 22 777 117). 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.

7. Statement of Financial Position, June 2023

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 and Sanitation and consequently raised by the entity, but not paid to the Department, as a result of non-payment by the shareholder municipalities.

There were no external borrowings in the year under review.

8. Capital expenditure and commitments

Capital expenditure for the year including amounts disbursed directly by the shareholders and utilised from accumulated funds and brought into account in the water services statement of financial position amounting to R 3 040 013 (2022: R 1 233 541) for property, plant and equipment. Refer to note 8 for property, plant and equipment. There were no capital commitments in the current financial year (2022: R Nil).

9. Materiality framework

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

10. Fruitless and wasteful expenditure

There was R151 488 334 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 31.

11. 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. See note 32.

12. Fraud and financial misconduct

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

13. 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 on 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 under difficult and constrained circumstances.

14. Events after the reporting period

The executive management is not aware of any matter or circumstance arising since the end of the financial year.

15. Going concern

As at 30 June 2023, the entity's current liabilities exceed its current assets by 2.36:1, consequently the entity is unable to pay the Department of Water and Sanitation accounts as and when they become due. The debtor's collection date is 281 days and there is an impairment of debtors of R 210 361 048. Annually deficits have been incurred with a deficit of R 97 835 839 incurred in the current financial year. These conditions, indicate the existence of a material uncertainty that may cast significant doubt on the entity's ability to operate as a going concern in the foreseeable future.

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

- The assumption that the shareholders will pay their monthly bulk water service invoices in accordance with their payment plans.
- The entity continues to deliver on its mandates to its shareholders in all respects and in compliance with legislation as evidenced by good audit outcomes.
- Executive management was in place, albeit in some cases in acting capacities, providing; expertise, stability, industry know how and guidance in all aspects of effective and efficient water service management to the board and its shareholders.
- Business plan, the budget, tariff model, performance management and risk assessment plans are in place and monitored and reported on regularly to the board and its shareholders.

- **Going concern (continued)**
  - The shareholders have neither the intention nor need to liquidate or curtail materially the scale of the entity.

The annual financial statements set out on pages 9 to 58, which have been prepared on the going concern basis, were approved by the board of directors.

Mr WB Nkosi
Managing Director

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023

	Note(s)	2023 R	2022 Restated* R
Assets			
Current Assets			
Cash and cash equivalents	3	1 119 492	19 800 255
WSA debtors	4	-	2 026 211
Receivables from exchange transactions	5	219 900 172	169 476 289
Receivables from non-exchange transactions	5	2 860 794	2 792 641
Prepayments	6	460 516	-
Inventories	7	252 486	208 447
		224 593 460	**194 303 843**
Non-Current Assets			
Property, plant and equipment	8	615 619 255	689 840 770
Intangible assets	9	180 592	367 027
		615 799 847	**690 207 797**
Total Assets		**840 393 307**	**884 511 640**
Liabilities			
Current Liabilities			
Trade and other payables from exchange transactions	10	529 433 115	475 847 632
VAT payable	11	340 609	677 416
Employee benefit obligation	12	498 514	489 000
		530 272 238	**477 014 048**
Non-Current Liabilities			
Employee benefit obligation	12	11 469 316	11 010 000
Total Liabilities		**541 741 554**	**488 024 048**
Net Assets		**298 651 753**	**396 487 592**
Share capital	13	100	100
Accumulated surplus	14	298 651 653	396 487 592
Total Net Assets		**298 651 753**	**396 487 692**

* See Note 30 & 54

STATEMENT OF FINANCIAL PERFORMANCE

	Note(s)	2023 R	2022 Restated* R
Revenue			
Revenue from exchange transactions			
Service charges	15	205 737 971	174 372 947
Interest earned - external investments	16	812 695	858 315
Inventory adjustments	7	44 039	22 032
Interest on receivables	17	23 075 114	6 810 980
Total revenue from exchange transactions		**229 669 819**	**182 064 274**
Revenue from non-exchange transactions			
Government grants & subsidies	18	-	460 961
Other receipts	19	451 384	3 451 215
Total revenue from non-exchange transactions		**451 384**	**3 912 176**
Total revenue		**230 121 203**	**185 976 450**
Expenditure			
Employee related costs	20	(61 974 345)	(58 813 133)
Contribution to provision for bad debts	4&5	(52 368 838)	(22 777 117)
Depreciation and amortisation	21	(77 447 962)	(79 285 116)
Repairs and maintenance	22	(4 273 913)	(3 948 601)
Bulk purchases	23	(32 141 230)	(27 264 702)
Interest	24	(20 400 634)	(20 424 692)
Contracted services	25	(2 743 700)	(2 944 167)
Operating expenses	26	(76 606 420)	(63 394 154)
Loss on scrapping of assets	27	-	(110 000)
Total expenditure		**(327 957 042)**	**(278 961 682)**
Deficit for the year		**(97 835 839)**	**(92 985 232)**

* See Note 30 & 54

STATEMENT OF CHANGES IN NET ASSETS

	Share capital	Umzinyathi	Amajuba	Newcastle	Asset Revaluation	Total reserves	Accumulated surplus / deficit	Total net assets
	R	R	R	R	R	R	R	R
Balance at 01 July 2021	**100**	**85 251 440**	**6 627 604**	**90 053 729**	**567 945 140**	**749 877 913**	**(238 325 422)**	**511 552 591**
Changes in net assets								
Correction of error	-	(6 531 186)	-	(8 788 169)	-	(15 319 355)	14 321 432	(997 923)
Fair Value Adjustment	-	-	-	-	(21 081 846)	(21 081 846)	-	(21 081 846)
Off- setting depreciation	-	(3 523 133)	(1 093 649)	(4 955 750)	(65 534 399)	(75 106 931)	75 106 931	-
Deficit for the year	-	-	-	-	-	-	(92 985 232)	(92 985 232)
Restated* Balance at 01 July 2022	**100**	**75 197 121**	**5 533 955**	**76 309 811**	**481 328 895**	**638 369 782**	**(241 882 290)**	**396 487 592**
Off- setting depreciation	-	(3 516 792)	(1 093 649)	(4 955 750)	(63 675 272)	(73 241 463)	73 241 463	-
Deficit for the year	-	-	-	-	-	-	(97 835 839)	(97 835 839)
Balance at 30 June 2023	**100**	**71 680 329**	**4 440 306**	**71 354 061**	**417 653 623**	**565 128 319**	**(266 476 666)**	**298 651 753**

* See Note 30 & 54

CASH FLOW STATEMENT

	Note(s)	2023 R	2022 Restated* R
Cash flows from operating activities			
Receipts			
Sale of services (water)		127 674 994	124 059 296
Interest income		812 695	805 394
Other receipts		383 231	368 479
		128 870 920	125 233 169
Payments			
Employee costs		(61 024 553)	(58 460 587)
Suppliers		(63 086 483)	(75 076 020)
Interest		(20 400 634)	(86 850)
		(144 511 670)	(133 623 457)
Net cash flows from operating activities	29	**(15 640 750)**	**(8 390 288)**
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(3 040 013)	(1 233 541)
Cash flows from financing activities			
Net increase/(decrease) in cash and cash equivalents		**(18 680 763)**	**(9 623 829)**
Cash and cash equivalents at the beginning of the year		19 800 255	29 424 084
Cash and cash equivalents at the end of the year	3	**1 119 492**	**19 800 255**

* See Note 30 & 54

UTHUKELA WATER (PTY) LTD

(REGISTRATION NUMBER 2003/029916/07)
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	195 891 663	-	**195 891 663**	205 737 971	**9 846 308**	Note 50 (1)
Rendering of services	-	-	-	23 075 114	**23 075 114**	
Interest received - investment	119 642	-	**119 642**	812 695	**693 053**	Note 50 (2)
Inventory adjustment	-	-	-	44 039	**44 039**	Note 50 (3)
Total revenue from exchange transactions	**196 011 305**	-	**196 011 305**	**229 669 819**	**33 658 514**	
Revenue from non-exchange transactions						
Other receipts	52 250	-	**52 250**	451 384	**399 134**	Note 50 (5)
Total revenue	**196 063 555**	-	**196 063 555**	**230 121 203**	**34 057 648**	
Expenditure						
Employee costs	(67 309 889)	-	**(67 309 889)**	(61 974 345)	**5 335 544**	Note 50 (6)
Depreciation and amortisation	(1 970 151)	-	**(1 970 151)**	(77 447 962)	**(75 477 811)**	Note 50 (7)
Interest paid	-	-	-	(20 400 634)	**(20 400 634)**	Note 50 (8)
Lease rentals on operating lease	(1 730 891)	90 000	**(1 640 891)**	(1 581 560)	**59 331**	
Chemicals	(9 662 782)	1 700 000	**(7 962 782)**	(10 711 769)	**(2 748 987)**	Note 50 (9)
Contribution to provision for bad debts	-	-	-	(52 368 838)	**(52 368 838)**	Note 50 (10)
Contracted Services	(11 624 795)	(2 831 825)	**(14 456 620)**	(2 743 700)	**11 712 920**	Note 50 (11)
Bulk purchases	(29 884 685)	(2 365 020)	**(32 249 705)**	(32 141 230)	**108 475**	Note 50 (12)
Operating Expenses	(72 460 339)	3 406 846	**(69 053 493)**	(68 587 004)	**466 489**	Note 50 (13)
Total expenditure	**(194 643 532)**	**1**	**(194 643 531)**	**(327 957 042)**	**(133 313 511)**	
Deficit before taxation	**1 420 023**	**1**	**1 420 024**	**(97 835 839)**	**(99 255 863)**	
Actual Amount on Comparable Basis	**1 420 023**	**1**	**1 420 024**	**(97 835 839)**	**(99 255 863)**	

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board and The Companies Act, 2008 (Act 71 of 2008) and the MFMA.

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost convention unless specified otherwise. They are presented in South African Rands.

Unless otherwise stated, all figures have been rounded to the nearest rand.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below. These accounting policies are consistent with the previous period.

Municipal Standard Chart of Accounts

The Entity operates its accounts on the Municipal Standard Chart of Accounts as required by National Treasury, and in line with the shareholder municipalities.

1.1 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgments are inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgments include:

Trade receivables

The entity assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the entity makes judgments as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Impairment testing

The recoverable amounts of cash-generating, non-cash generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell.

These calculations require the use of estimates and assumptions. It is reasonably possible that the useful life and market value assumptions may change which may then impact our estimations and may then require a material adjustment to the carrying value of tangible assets.

The entity reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including technological obsolescence, together with economic factors such as interest and inflation rates.

Provisions

Provisions were raised and management determined an estimate based on the information available.

1.1 Significant judgements and sources of estimation uncertainty (continued)

Post-retirement benefits

The present value of the post-retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post-retirement obligations.

The entity determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the entity considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in note 12 – Defined benefit plan..

Effective interest rate

The entity used the prime interest rate to discount future cash flows adjusted for risks specific to the related item.

Allowance for doubtful debts

On receivables an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the receivables carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.2 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

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

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

Property, plant and equipment are initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

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

Property, plant and equipment are depreciated on the straight-line basis over their expected useful lives to their estimated residual value. Depreciation begins when the assets are available for use and ceases at the earlier of the date that the assets are classified as held for sale and the date on which the assets are derecognised.

1.2 Property, plant and equipment (continued)

After recognition as an asset, an item of property, plant and equipment whose fair value can be measured reliably shall be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Buildings	50 years
Water Infrastructure	5 to 50 years
Motor vehicles	5 to 7 years
Office equipment	3 to 10 years
Leasehold improvements	5 years over the period of lease
Grass-cutting Equipment	7 to 10 years
Minor plant	5 to 50 years
Mobile plant	7 to 10 years
Furniture & fittings	7 to 10 years
Artwork	3 to 10 years

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

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

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

Assets which the entity holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

1.3 Intangible assets

An asset is identified as an intangible asset when it:
- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the company or from other rights and obligations.

An intangible asset is recognised when:
- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the entity; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

When an intangible asset is acquired at no or nominal cost, the cost shall be its fair value as at the date of acquisition.

An intangible asset shall be derecognised on disposal or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an intangible asset shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset. It shall be recognised in surplus or deficit when the asset is derecognised.

1.3 Intangible assets (continued)

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible asset's amortisation is provided on a straight-line basis over their useful lives.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date. Amortisation begins when the assets are available for use and ceases at the earlier of the date that the assets are classified as held for sale and the date on which the assets are derecognised.

The amortisation charge for each period shall be recognised in surplus or deficit unless it is permitted or required to be included in the carrying amount of another asset.

Amortisation is provided to write down the intangible assets, on a straight-line basis, to their residual values as follows:

Item	Average useful life
Computer software	3 to 5 years

1.4 Financial instruments

Classification

The entity classifies financial assets and financial liabilities into the following categories:

- Loans and receivables
- Financial liabilities measured at amortised cost.

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through surplus or deficit, which shall not be classified out of the fair value through surplus or deficit category.

Financial assets classified as at fair value through surplus or deficit which are no longer held for the purposes of selling or repurchasing in the near term may be reclassified out of that category:

- If the asset met the definition of loans and receivables and the entity has the intention and ability to hold the asset for the foreseeable future or until maturity.

No other reclassifications may be made into or out of the fair value through surplus or deficit category.

A financial asset classified as available-for-sale that would have met the definition of loans and receivables may be reclassified to loans and receivables if the entity has the intention and ability to hold the asset for the foreseeable future or until maturity.

Initial recognition and measurement

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

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

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

Transaction costs on financial instruments at fair value through surplus or deficit are recognised in surplus or deficit. Regular way purchases of financial assets are accounted for at trade date.

Subsequent measurement

1.4 Financial instruments (continued)

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

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

Fair value determination

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

Impairment of financial assets

At each end of the reporting period the entity assesses all financial assets, other than those at fair value through surplus or deficit, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the entity, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

Impairment losses are recognised in surplus or deficit.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in surplus or deficit except for equity investments classified as available-for-sale

Impairment losses are also not subsequently reversed for available-for-sale equity investments which are held at cost because the fair value was not determinable.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Loans to / from economic entities

These include loans to and from controlling entities, fellow controlled entities, joint ventures and associates and are recognised initially at fair value plus direct transaction costs.

Loans to economic entities are classified as loans and receivables.

Loans from economic entities are classified as financial liabilities measured at amortised cost.

Trade and other receivables

Trade receivables are measured at initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 120 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses.

When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

1.4 Financial instruments (continued)

Trade and other receivables are classified as loans and receivables.

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

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

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the entity's accounting policy for borrowing costs.

Financial liabilities and equity instruments

Financial liabilities are classified according to the substance of contractual agreements entered. Trade and other payables are stated at their nominal value. Equity instruments are recorded at the amount received, net of direct issue costs.

Gains and losses

A gain or loss arising from a change in a financial asset or financial liability is recognised as follows

- A gain or loss on a financial asset or financial liability classified as at fair value through surplus or deficit is recognised in surplus or deficit;
- A gain or loss on an available-for-sale financial asset is recognised directly in net assets, through the statement of changes in net assets, until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in net assets is recognised in surplus or deficit; and
- For financial assets and financial liabilities carried at amortised cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, and through the amortisation process.

Derecognition

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the entity retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the entity has transferred its rights to receive cash flows from the asset and either has transferred substantially all the risks and rewards of the asset, or
- has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

Financial assets are derecognised using trade settlement date accounting.

1.4 Financial instruments (continued)

Where the entity has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the entity's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the entity could be required to repay. Where continuing involvement takes the form of a written and / or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the entity's continuing involvement is the amount of the transferred asset that the entity may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in surplus or deficit.

1.5 Leases

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

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.6 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

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

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the entity incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

1.6 Inventories (continued)

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

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

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.7 Impairment of cash-generating assets

Cash-generating assets are those assets held by the company with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation / amortisation.

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation / Amortisation is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

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

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The entity assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the entity estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the entity estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the entity applies the appropriate discount rate to those future cash flows.

1.7 Impairment of cash-generating assets (continued)

Basis for estimates of future cash flows

In measuring value in use the entity:
- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets / forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets / forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets / forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

Cash-generating units

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

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the entity use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:
- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:
- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

1.7 Impairment of cash-generating assets (continued)

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Reversal of impairment loss

The entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation / amortisation charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

1.8 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the entity with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation / amortisation.

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation / Amortisation is the systematic allocation of the depreciable amount of an asset over its useful life.

1.8 Impairment of non-cash-generating assets (continued)

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The entity assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the entity estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the current reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the entity would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the entity recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation / amortisation charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.8 Impairment of non-cash-generating assets (continued)

Reversal of an impairment loss

The entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation / amortisation charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.9 Share capital

A residual interest is any contract that evidences a residual interest in the assets of an entity after deducting all its liabilities.

Shareholder's loan on incorporation is treated as residual interest.

1.10 Employee benefits

Short-term employee benefits

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

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

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

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

1.10 Employee benefits (continued)

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method. Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight-line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the entity is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

Other post retirement obligations

The entity provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The entity also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

1.11 Provisions and contingencies

Provisions are recognised when:

- the entity has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

1.11 Provisions and contingencies (continued)

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised. Provisions are not recognized for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when the entity:

- has a detailed formal plan for the restructuring, identifying at least;
- the activity/operating unit or part of an activity/operating unit concerned;
- the principal locations affected;
- the expenditures that will be undertaken; and when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the entity

No obligation arises because of the sale or transfer of an operation until the entity is committed to the sale or transfer, that is, there is a binding agreement.

After their initial recognition contingent liabilities recognized in business combinations that are recognized separately are subsequently measured at the higher of:

- the amount that would be recognized as a provision; and
- the amount initially recognized less cumulative amortization.

A contingent liability is a present obligation that arises from past events but is not recognized because it is not probable that an outflow of economic benefits or service potential will be required to settle the obligation or the amount of the obligation cannot be measured with certainty.

Contingent assets and contingent liabilities are not recognized but disclosed.

1.12 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Revenue is recognized when it is probable that future economic benefits or service potential will flow to the entity and these benefits can be measured reliably.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight-line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the entity, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the entity's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.13 Revenue from non-exchange transactions

Water Service Authority shortfall contributions are recognized when all conditions associated with the contribution has been met in terms of the WSP agreement and is transferred directly to the Statement of Financial Performance.

Capital grant reimbursements are claimed from the Shareholders who hold all Government grant receipts, and these receipts, are only recognized for payment purposes when received by the entity and are accounted for in the Statement of Financial Performance.

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an entity, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the entity can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting entity.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

The Entity is exempt from the payment of Income Tax.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the entity.

1.13 Revenue from non-exchange transactions (continued)

When, as a result of a non-exchange transaction, the entity recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

1.14 Cost of sales

When inventories are sold, exchanged or distributed the carrying amount of those inventories is recognized as an expense in the period in which the related revenue is recognized. If there is related revenue, the expense is recognized when the goods are distributed, or related service is rendered. The amount of any write-down of inventories to net realizable value or current replacement cost and all deficits of inventories are recognized as an expense in the period the write-down or loss occurs.

The amount of any reversal of any write-down of inventories, arising from an increase in net realizable value or current replacement cost, is recognized as a reduction in the number of inventories recognized as an expense in the period in which the reversal occurs.

The related cost of providing services recognised as revenue in the current period is included in cost of sales.

1.15 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalization is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any investment income on the temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the entity on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when all the following conditions have been met:

- expenditures for the asset have been incurred;
- borrowing costs have been incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are undertaken.

When the carrying amount or the expected ultimate cost of the qualifying asset exceeds its recoverable amount or recoverable service amount or net realisable value or replacement cost, the carrying amount is written down or written off in accordance with the accounting policy on Impairment of Assets and Inventories as per accounting policy number 1.6, 1.7 and 1.8. In certain circumstances, the amount of the write-down or write-off is written back in accordance with the same accounting policy.

Capitalisation is suspended during extended periods in which active development is suspended.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

When the entity completes the construction of a qualifying asset in parts and each part is capable of being used while construction continues on other parts, the entity ceases capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part for its intended use or sale.

1.16 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.17 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

1.17 Unauthorised expenditure (continued)

All expenditure relating to unauthorized expenditure is recognized as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance

In terms of section 87(8) of the MFMA, a municipal entity may incur expenditure only in accordance with its approved budget or adjustment budget. Therefore, where a municipal entity overspends its budget, such expenditure will be unauthorised expenditure as the municipal entity incurred in contravention of a provision of the MFMA.

1.18 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognized as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.19 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorized expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.20 Offsetting

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

1.21 Gratuities

The entity provides gratuities for qualifying staff members in terms of the relevant conditions of employment. The expenditure is recognized in the statement of financial performance when the gratuity is paid.

1.22 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognized as revenue to the extent that the entity has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognized.

Partners contributions (Grants)

Water Service Authority contributions (Grants) utilized to fund assets is accounted for in the Statement of Financial Performance and transferred to the Accumulated Funds.

Water Service Authority contributions (Grants/shortfall contributions) utilized to fund operational expenditures and are accounted for in the Statement of Financial Performance.

1.23 Budget information

The entity is typically subject to budgetary limits in the form of appropriations or budget authorizations (or equivalent), which is given effect through authorizing legislation, appropriation or similar.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the annual financial statements as an annexure.

1.24 Related parties

A related party is a person or entity that is related to the entity.

1.24 Related parties (continued)

(a) A person or a close member of that person's family is related to the entity if that person:

(i) has control or joint control over the entity;

(ii) has significant influence over the entity; or

(iii) is a member of the key management personnel of the entity or of a parent of the entity.

(b) An entity is related to the entity if any of the following conditions applies:

(i) the entity and the company are members of the same group.

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) both entities are joint ventures of a third party.

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third party.

(v) the entity is a post-employment defined benefit plan for the benefit of employees of either the reporting entity or an entity related to the entity. If the entity is itself such a plan, the sponsoring employers are also related to the entity.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of the parent of the entity).

Transactions with related parties are entered into and disclosed at arm's length.

Related party relationships where control exists are disclosed irrespective of whether there have been transactions between the related parties.

In respect of transactions between related parties other than transactions that would occur within normal supplier or client/recipient relationship on terms and conditions no more or less favorable than those which it is reasonable to expect the entity would have adopted if dealing with that individual or entity at an arm's length in the same circumstances, the entity discloses (a) the nature of the related party relationship, (b) the type of transaction that have occurred and (c) the elements of the transactions necessary to clarify the significance of these transactions to its operations and sufficient to enable the financial statements to provide relevant and reliable information for decision making and accountability purposes.

1.25 Financial risk management

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.

Liquidity risk

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

1.26 Critical accounting estimates and judgements

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.

1.26 Critical accounting estimates and judgements (continued)

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.

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.

1.27 Segment information

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

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2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

There are no new standards that were issued and effective in the current year. The entity has applied all standards and interpretations that were issued by the accounting standards board that are applicable to the entity consistently with prior year.

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Guideline: Guideline on Accounting for Landfill Sites	01 April 2023	Unlikely there will be a material impact
• GRAP 103 (as revised): Heritage Assets	Date to be determined by the minister of finance	Unlikely there will be a material impact
• GRAP 25 (as revised): Employee Benefits	01 April 2023	Unlikely there will be a material impact
• IGRAP 7 (as revised): Limit on defined benefit asset, minimum funding requirements and their interaction	01 April 2023	Unlikely there will be a material impact
• GRAP 104 (as revised): Financial Instruments	01 April 2025	Unlikely there will be a material impact
• IGRAP 21: The Effect of Past Decisions on Materiality	01 April 2023	Unlikely there will be a material impact
• Improvements to the standards of GRAP 2021	01 April 2023	Unlikely there will be a material impact
• GRAP 1 (amended): Presentation of Financial Statements	01 April 2023	Unlikely there will be a material impact

GRAP 25 (as revised): Employee Benefits

Background

The Board received questions from entities asking whether past decisions to not apply the Standards of GRAP to immaterial items effect future reporting periods. Entities observed that when they applied alternative accounting treatments to items in previous reporting periods, they kept historical records on an ongoing basis of the affected items. This was done so that they could assess whether applying these alternative treatments meant that the financial statements became materially "misstated" over time. If the effect was considered material, retrospective adjustments were often made. This interpretation explains the nature of past materially decisions and their potential effect on current and subsequent reporting periods.

This interpretation explains the nature of past materiality decisions and their potential effect on current and subsequent reporting periods.

IGRAP 21 addresses the following two issues:
- Do past decisions about materiality affect subsequent reporting periods?
- Is applying an alternative accounting treatment a departure from the Standards of GRAP or an error?

The effective date of these interpretation is on 1 April 2023.

The entity expects to adopt the interpretation for the first time in the 2023/2024 financial year.

It is unlikely that the interpretation will have a material impact on the entity's financial statements.

GRAP 1 (amended): Presentation of Financial Statements

Amendments to this Standard of GRAP, are primarily drawn from the IASB's Amendments to IAS 1.

The amendments clarify that:

Information should not be obscured by aggregating or by providing immaterial information:

2. New standards and interpretations (continued)

- Materiality considerations apply to all parts of the financial statements; and.
- Even when a Standard of GRAP requires a specific disclosure, materiality considerations apply.

Statement of financial position and statement of financial performance

The amendments clarify that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on sub-totals in these statements.

Notes structure

The amendments add examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order listed in GRAP 1.

Disclosure of accounting policies

Remove guidance and examples with regards to the identification of significant accounting policies that were perceived as being potentially unhelpful.

An entity applies judgement based on past experience and current facts and circumstances.

The effective date of this amendment is for years beginning on or after 01 April 2025.

The entity expects to adopt the amendment for the first time in the 2024/2025 annual financial statements. The adoption of this amendment is not expected to impact on the results of the entity, but may result in more disclosure than currently provided in the financial statements.

3. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	6 784	10 707
Bank balances	1 058 337	1 047 061
Short-term deposits	54 371	18 742 487
	1 119 492	**19 800 255**

uThukela Water (Pty) Ltd has the following bank accounts:

The entity had the following bank accounts

Account Number - Bank -Account Description	Bank statement balances			Cash book balances		
	30 June 2023	30 June 2022	30 June 2021	30 June 2023	30 June 2022	30 June 2021
4059636838 - Absa	215 380	113 561	145 247	215 380	113 561	145 247
061938939 - Standard Bank - Primary Current Account	842 957	933 500	923 807	842 957	933 500	923 807
268586055-020 - Standard Notice Deposit	-	13 194 786	17 271 106	-	13 194 786	17 271 106
268586055-002 - Standard Call Account	44 056	5 038 520	10 533 309	44 056	5 038 520	10 533 309
92 5753 8348 - Absa - Deposit	10 315	509 182	536 862	10 315	509 182	536 862
Petty cash	-	-	-	6 784	10 707	13 754
Total	**1 112 708**	**19 789 549**	**29 410 331**	**1 119 492**	**19 800 256**	**29 424 085**

	2023 R	2022 R

4. WSA Debtors

Gross balances		
Asset funding	348 951	324 745
Revenue funding	90 989 091	84 781 815
	91 338 042	**85 106 560**

The asset funding debtor arises from funding the WSA's have received in the form of grants which should then be transferred to the entity to expend on it's assets. See note 48.

The revenue funding debtors arose when the entity was carrying out the reticulation function for the WSA's [prior to 1st July 2013] and the WSA's did not fully pay the entity for the amounts billed to them.

Less: Provision for doubtful debts		
Asset funding	(348 951)	-
Revenue funding	(90 989 091)	(83 080 349)
	(91 338 042)	**(83 080 349)**
Net balance		
Asset funding	-	324 745
Revenue funding	-	1 701 466
	-	**2 026 211**

5. Receivables

Gross balances		
Water	247 615	213 977
Bulk	294 549 914	197 568 767
Deposits and other debtors	4 028 563	3 879 503
Creditors Invoices Vat Raised - Not Yet Claimed	42 957 880	40 181 368
	341 783 972	**241 843 615**
Less: Provision for doubtful debts		
Water	(31 066)	(20 078)
Bulk	(117 824 171)	(68 467 744)
Deposits and other debtors	(1 167 769)	(1 086 862)
	(119 023 006)	**(69 574 684)**
Net balance		
Water	216 549	193 898
Bulk	176 725 743	129 101 023
Deposits and other debtors	2 860 794	2 792 640
Creditors Invoices Vat Raised - Not Yet Claimed	42 957 880	40 181 368
	222 760 966	**172 268 929**

	2023 R	2022 R

5. Receivables (continued)

Included in above is receivables from exchange transactions

Water	247 615	213 977
Bulk	294 549 914	197 568 767
	294 797 529	**197 782 744**

Included in above is receivables from non exchange transactions

Deposits with suppliers	2 850 994	2 728 655
Other debtors	1 177 569	1 150 848
	4 028 563	**3 879 503**

Water

Current (0 - 30 days)	178 825	165 616
31 - 60 days	2 717	1 632
61 - 90 days	2 220	9
91 days and over	63 853	46 720
	247 615	**213 977**

Bulk

Current (0 - 30 days)	21 663 757	18 519 467
31 - 60 days	6 060 742	5 394 642
61 - 90 days	36 130 487	5 185 273
91 - 120 days	5 911 002	4 870 033
121 days and over	224 783 926	163 599 352
	294 549 914	**197 568 767**

6. Prepayments

Software licences	460 516	-

	2023 R	2022 R

7. Inventories

Water	252 486	208 447

Inventories are measured at the cost of production and subsequent net realisable value utilising the cost of production, and represents the fair value of the inventory at 30 June 2023.

The total carrying amount of inventory in classification appropriate to the Entity is:

Potable; 52.6 Ml at R 4.45 per Kl and Raw water; 26.93 Ml at R0,7682 and 4.03 Ml at R0.03383 per kl.

Inventories recognised as an expense during the year	(44 039)	(22 032)

The entity has prepared the Statement of Financial Performance in line with paragraph 50 of GRAP 12, and has adopted a format for surplus or deficit that results in amounts being disclosed other than the cost of inventories recognised as an expense during the period. Under this format, the entity presented an analysis of expenses using a classification based on the nature of expenses. In this case, the entity disclosed the costs recognised as an expense for raw materials and consumables, labour costs, technical water losses and other costs together with the amount of the net change in inventories for the period.

The entity has chosen this method of presenting the Statement of Financial Performance as the sole function of the entity is the supply of bulk water to municipalities and very limited private consumers. As a result all costs incurred in the entity are directly related to this function.

Furthermore, the entity has calculated the net realisable value (NRV) of inventory at R400 732. As inventory is measured at the lower of cost and NRV, this represents the maximum possible value of inventory

Figures in Rand

8. Property, plant and equipment

	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Buildings	38 605 114	(20 733 568)	17 871 546	38 605 114	(19 551 028)	19 054 086
Water Infrastructure	1 301 803 922	(727 020 737)	574 783 185	1 301 803 922	(656 937 552)	644 866 370
Vehicles	5 489 827	(4 844 555)	645 272	5 489 827	(4 466 627)	1 023 200
Plant and Equipment	72 589 697	(51 128 166)	21 461 531	70 026 037	(45 958 037)	24 068 000
Furniture, Equipment and Fittings	4 411 021	(3 553 300)	857 721	4 044 668	(3 215 554)	829 114
Total	**1 422 899 581**	**(807 280 326)**	**615 619 255**	**1 419 969 568**	**(730 128 798)**	**689 840 770**

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Depreciation	Total
Buildings	19 054 086	-	(1 182 540)	17 871 546
Water Infrastructure	644 866 370	-	(70 083 185)	574 783 185
Vehicles	1 023 200	-	(377 928)	645 272
Plant and Equipment	24 068 000	2 644 860	(5 251 329)	21 461 531
Furniture, Equipment and Fittings	829 114	395 153	(366 546)	857 721
	689 840 770	**3 040 013**	**(77 261 528)**	**615 619 255**

Figures in Rand

8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Revaluations	Depreciation	Write off	Total
Buildings	44 046 664	-	(22 465 468)	(2 527 110)	-	19 054 086
Water Infrastructure	713 461 472	-	1 383 623	(69 978 725)	-	644 866 370
Vehicles	1 593 860	-	-	(570 660)	-	1 023 200
Plant and Equipment	28 533 602	1 114 382	-	(5 469 984)	(110 000)	24 068 000
Furniture, Equipment and Fittings	1 085 738	119 159	-	(375 783)	-	829 114
	788 721 336	**1 233 541**	**(21 081 845)**	**(78 922 262)**	**(110 000)**	**689 840 770**

9. Intangible assets

	2023			2022		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	5 014 600	(4 834 008)	180 592	5 014 600	(4 647 573)	367 027

Reconciliation of intangible assets - 2023

	Opening balance	Amortisation	Total
Computer software, other	367 027	(186 435)	180 592

Reconciliation of intangible assets - 2022

	Opening balance	Amortisation	Total
Computer software, other	729 881	(362 854)	367 027

10. Trade and other payables from exchange transactions

Trade creditors	499 777 993	451 083 539
Leave pay accrual	7 185 253	6 760 691
Consumer debtors - payments received in advanced	8 342	13 732
Other creditors	684 171	297 321
Unallocated receipts	1 356	30 740
Bonus provision	1 473 584	1 417 184
Debtors Vat Raised - Not Yet Due	20 302 416	16 244 425
	529 433 115	**475 847 632**

	2023 R	2022 R

11. VAT payable

VAT payable	340 609	677 416

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.

12. Defined benefit plan

Non-current		
Long Service Awards	2 733 481	2 709 000
Post-employment medical benefits	8 735 835	8 301 000
	11 469 316	**11 010 000**
Current		
Long Service Awards	209 468	221 000
Post-employment medical benefits	289 046	268 000
	498 514	**489 000**
Total Provisions	**11 967 830**	**11 499 000**

Long Service Awards

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 2019/06/30	Year ending 2020/06/30	Year ending 2021/06/30	Year ending 2022/06/30	Year ending 2023/06/30
Opening Accrued Liability	2 529 666	2 574 007	2 205 463	2 842 330	2 930 000
Current Service Cost	302 466	223 878	190 067	234 000	259 000
Interest Cost	204 355	167 481	147 337	216 000	291 000
Benefit payments	(276 618)	49 225	476 567	(297 000)	(221 000)
Past Service Cost	(185 862)	(809 128)	(177 104)	(65 000)	(316 051)
Closing Accrued Liability	**2 574 007**	**2 205 463**	**2 842 330**	**2 930 330**	**2 942 949**

Net expense recognised in the statement of financial performance

Current service cost	259 000	234 000
Past service cost	291 000	216 000
Interest cost	(221 000)	(297 000)
Actuarial gains	(316 051)	(65 000)
Closing Accrued Liability	**12 949**	**88 000**

Post-employment medical benefits

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.

	2023 R	2022 R

12. Defined benefit plan (continued)

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:

Post-employment medical benefits

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

	Year ending 2019/06/30	Year ending 2020/06/30	Year ending 2021/06/30	Year ending 2022/06/30	Year ending 2023/06/30
Opening Accrued Liability	8 396 642	8 673 753	8 070 742	9 689 000	8 569 000
Current-service Cost	501 915	349 858	327 067	421 000	415 000
Interest Cost	796 911	914 049	1 024 804	1 079 000	1 098 000
Benefit payments	(248 407)	(246 507)	(277 645)	(270 000)	(268 000)
Actuarial Loss / (Gain)	(773 308)	(1 620 411)	543 623	(2 350 000)	(789 119)
Closing Accrued Liability	**8 673 753**	**8 070 742**	**9 688 591**	**8 569 000**	**9 024 881**

Net expense recognised in the statement of financial performance

	2023	2022
Current-service cost	415 000	421 000
Interest	1 098 000	1 079 000
Benefits paid	(268 000)	(270 000)
Actuarial gains	(789 119)	(2 350 000)
	455 881	**(1 120 000)**

	2023 R	2022 R

12. Defined benefit plan (continued)

Long Service Awards

Key financial assumptions

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

Completed Service (in years)	Long Service Bonuses(% of Annual Salary)	Description
5	2,0%	5/249 x annual salary
10	4,0%	10/249 x annual salary
15	8,0%	20/249 x annual salary
Every five years thereafter	12,0%	30/249 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 1/249 the 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:

	2023	2022
Discount rates used	10,04 %	10,52 %
Salary increase rate	4,37 %	4,90 %
Net effective discount rate	3,71 %	2,12 %
Average retirement age		
Male	63	63
Female	58	58

Post-employment medical benefits

Key financial assumptions	2023	2022
Discount rates used	13,51 %	13,02 %
Health care cost inflation rate	9,50 %	10,02 %
Net effective discount rate	3,66 %	2,73 %
Average retirement age		
Male	63	63
Female	58	58
Proportion continuing membership at retirement	100,00 %	100,00 %
Proportion of retiring members who are married	100,00 %	100,00 %
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

	2023	2022
Age 20	24 %	12 %
Age 30	15 %	5 %
Age 40	6%	3%
Age 50	2%	1%
Age 55+	1%	1%

	2023 R	2022 R

13. 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.

14. Accumulated surplus

Ring-fenced internal funds and reserves within accumulated surplus - 2023

	Surplus (deficit)	Asset Revaluation Reserve	Total
Balance Beginning Year - Surplus(Deficit)	(84 841 403)	481 328 895	396 487 492
Surplus/(Deficit) for year	(97 835 839)	-	(97 835 839)
Off Setting Depreciation /Partners Cont/Reval Reserve	63 675 272	(63 675 272)	-
	(119 001 970)	**417 653 623**	**298 651 653**

Ring-fenced internal funds and reserves within accumulated surplus - 2022

	Surplus (deficit)	Asset Revaluation Reserve	Total
Balance Beginning Year - Surplus(Deficit)	(56 392 746)	567 945 140	511 552 394
Surplus/(Deficit) for year	(92 985 232)	-	(92 985 232)
Off Setting Depreciation /Partners Cont/Reval Reserve	64 536 575	(86 616 245)	(22 079 670)
	(84 841 403)	**481 328 895**	**396 487 492**

2023

Shareholder Contributions - Projects	Total
Umzinyathi District Municipality	71 680 329
Amajuba District Municipality	4 440 306
Newcastle Municipality	71 354 061
	147 474 696

2022

Shareholder Contributions - Projects	Total
Umzinyathi District Municipality	75 197 122
Amajuba District Municipality	5 533 955
Newcastle Municipality	76 309 811
	157 040 888

15. Service charges

Sale of water	205 737 971	174 372 947

16. Interest earned - external investments

Bank	690 356	771 465
Deposits made with suppliers	122 339	86 850
	812 695	**858 315**

	2023 R	2022 R

17. Interest on receivables

Interest on WSA debtors	6 231 482	2 026 211
Interest on water	4 966	1 523
Interest on bulk	16 757 639	4 756 066
Interest on other debtors	81 027	27 180
	23 075 114	**6 810 980**

18. Government grants & subsidies

Newcastle	-	388 455
Umzinyathi	-	72 506
	-	**460 961**

19. Other receipts

Rent	244 973	225 746
Other income	206 411	3 225 469
	451 384	**3 451 215**

20. Employee related costs

Salaries and Wages	38 245 840	37 341 054
Medical, Pension and Provident Fund	9 117 355	7 424 338
Leave pay	1 125 271	1 779 203
Bonuses	4 353 555	4 107 883
Housing benefits and allowances	2 485 074	2 649 129
Overtime payments	5 538 219	4 515 641
Other	1 109 031	995 885
	61 974 345	**58 813 133**

Included in employee related costs are the following:

Remuneration of managing director

01-10-2022 to 30-06-2023

Annual Remuneration	1 864 380	1 505 595
Travel, motor car, accommodation, subsistence and other allowances	249 544	110 222
Contributions to UIF, Medical and Pension Funds	1 594	246 237
	2 115 518	**1 862 054**

Remuneration of managing director

01-07-2022 to 16-09-2022

Annual Remuneration	557 301	-
Travel, motor car, accommodation, subsistence and other allowances	51 997	-
Contributions to UIF, Medical and Pension Funds	71 121	-
	680 419	-

	2023 R	2022 R

20. Employee related costs (continued)

Chief finance officer

Annual Remuneration	168 299	200 402
	168 299	**200 402**

Heads of departments

Operations/Engineering

Annual Remuneration	209 995	199 797
	209 995	**199 797**

Human Resources Manager

Annual Remuneration	1 786 397	1 655 605
Travel, motor car, accommodation, subsistence and other allowances	126 286	144 318
Contributions to UIF, Medical and Pension Funds	304 723	289 284
	2 217 406	**2 089 207**

Remuneration of directors

Chairman	734 369	58 500
Other board members	596 428	192 000
	1 330 797	**250 500**

21. Depreciation and amortisation

Property, plant and equipment	77 261 527	78 922 262
Intangible assets	186 435	362 854
	77 447 962	**79 285 116**

22. Repairs and maintenance

Mainenance of plant and equipment	218 864	531 169
Maintenance motor vehicles	368 625	278 022
Maintenance of infrastructure assets	3 686 424	3 139 410
	4 273 913	**3 948 601**

The amounts reflected for the respective financial years indicate the amounts spent by the entity to repair and maintain property, plant and equipment, and include costs of maintenance, preservation, monitoring, repair, refurbishment, renovation, materials, service provider and if applicable direct employee costs.

23. Bulk purchases

Water	26 702 378	22 318 969
Water services and management levy	5 438 852	4 945 733
	32 141 230	**27 264 702**

24. Interest

Overdue accounts	20 400 634	20 424 692

	2023 R	2022 R

25. Contracted services

Professional fees and consultant costs	2 531 114	2 711 804
Legal expenses	212 586	232 363
	2 743 700	**2 944 167**

26. Operating expenses

Advertising	142 403	39 892
Bank charges	81 842	83 087
Board meeting and Chairman's discretionary	1 465 832	321 978
Chemicals	10 711 769	8 354 705
Communications costs	970 965	1 120 835
Conferences and seminars	1 595	32 078
Consumables and stores	282 972	103 517
Covid-19 expenses	3 080	41 780
Electricity	52 708 825	45 101 236
Fuel and oil	2 692 467	1 022 292
Insurance	873 214	825 279
Licensing of Motor Vehicles and Trailers	92 254	111 088
Membership fees	13 435	24 484
Municipal services	205 874	234 447
Postage and courier services	5 712	6 230
Printing and stationery	141 228	145 643
Protective clothing	283 720	205 991
Rental	1 581 560	1 412 970
Safety and security	1 165 071	702 217
Scada and telemetric costs	109 810	186 753
Software Licenses	275 972	802 074
Staff Emergency Rations	12 661	5 754
Staff and other meeting costs	1 209	667
Staff recruitment and relocation costs	55 952	18 159
Subsistence and travel	197 794	237 941
Tools and equipment	7 345	52 815
Training	322 064	269 245
Water analysis	2 199 795	1 930 997
	76 606 420	**63 394 154**

27. Loss on scrapping of assets

Property, plant and equipment	-	110 000

28. 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 of 1962.

	2023 R	2022 R

29. Cash used in operations

Deficit for the year	(97 835 839)	(92 985 232)
Adjustments for:		
Depreciation and amortisation	77 447 962	79 285 116
Scrapping of assets	-	110 000
Contribution to staff benefits provision	468 830	(1 031 922)
Other non-cash items	-	(997 921)
Changes in working capital:		
Inventories	(44 039)	(22 032)
Receivables	(50 423 883)	(31 978 631)
Consumer debtors	2 026 211	(1 843 073)
Other receivables from non-exchange transactions	(68 153)	(139 591)
Prepayments	(460 516)	-
Trade and other payables from exchange transactions	53 585 484	40 376 453
VAT	(336 807)	1 297 506
Unspent conditional grants and receipts	-	(460 961)
	(15 640 750)	**(8 390 288)**

30. Changes in accounting policy

No change in accounting policies during the year.

31. Fruitless and wasteful expenditure

Opening balance as previously reported	131 087 700	110 706 715
Add: Fruitless and wasteful expenditure identified - current	20 400 634	20 380 985
Closing balance	**151 488 334**	**131 087 700**

R 151 451 149 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.

32. Irregular expenditure

Opening balance as previously reported	71 084 443	66 983 560
Irregular Expenditure - (Non-compliance with laws and regulations) - prior year	12 648 871	2 868 985
Add: Irregular Expenditure - (Overspending of approved budget) - prior period - Cash Items	14 072 570	-
Add: Irregular Expenditure - (Overspending of approved budget) - prior period - Non Cash Items	214 372 352	-
Opening balance as restated	**312 178 236**	**69 852 545**
Add: Irregular Expenditure - (Non-compliance with laws and regulations) - current	2 813 214	1 231 898
Add: Irregular Expenditure - (Overspending of approved budget) - current - Cash Items	5 466 862	-
Add: Irregular Expenditure - (Overspending of approved budget) - current - Non Cash Items	127 846 649	-
Closing balance	**448 304 961**	**71 084 443**

Irregular expenditure is presented inclusive of VAT

Incidents/cases identified/reported in the current year include those listed below:

Competitive bidding not invited	17 633 977	1 044 369
False declaration of Interest	8 680	161 334
Non compliance with local content	1 361	26 195
Over-expenditure of approved budget - current	133 313 511	-
Over-expenditure of approved budget - prior period	228 444 922	-
Correction of prior period	-	2 868 985
	379 402 451	**4 100 883**

	2023 R	2022 R

33. Audit fees

Audit fees paid during the year	1 697 233	1 773 069

34. PAYE

Opening Balance	-	-
Current year payroll deductions	12 349 130	11 913 025
Amount paid - current year	(11 372 332)	(11 913 025)
Balance unpaid at year end included in creditors	**976 798**	-

35. UIF

Opening Balance	-	-
Current year payroll deductions	353 679	363 713
Amount paid - current year	(324 882)	(363 713)
Balance unpaid at year end included in creditors	**28 797**	-

36. Medical aid

Opening Balance	-	-
Current year payroll deductions	3 877 041	3 615 912
Amount paid - current year	(3 877 041)	(3 615 912)
Balance unpaid at year end included in creditors	-	-

37. Pension and provident fund contributions

Current year payroll deductions	9 277 451	9 361 824
Amount paid - current year	(8 498 593)	(9 361 824)
Balance unpaid at year end included in creditors	**778 858**	-

38. Operating leases

At the reporting date the entity has outstanding commitments under operating leases which fall due as follows:

Operating leases - lessee		
- within one year	(1 882 499)	(1 562 683)
- in second to fifth year inclusive	(154 828)	(158 429)
- later than five years	-	-
Present value of minimum lease payments	**(2 037 327)**	**(1 721 112)**

The entity has entered into lease agreement with Carde Properties (Pty) Ltd for the occupation of premises and ITEC Tiyende (Pty) Ltd for printers. The lease runs on an extension basis for further two years and escalates at 5% annually. The printing contract has a eight months. The entity has extended the lease agreement with Carde Properties post year end.

39. 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. These contributions have been expensed.

Defined benefit plan

	2023 R	2022 R

39. Retirement plans (continued)

The following are defined benefit plans: Natal Joint Municipal Pension Funds - Superannuation and Retirement funds. 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 R6 276 994 (2022 : R6 323 878) 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.

40. Contingent liability

A notice of motion was received from Mr. EM Zungu, a former board member, challenging his removal as a non-executive director of the entity and seeking to be reinstated as a non-executive director in the Board of Directors of the entity. The entity then replied in an answering affidavit disputing his assertions. To this end, Mr. EM Zungu did not file an answering affidavit in response to the entity's affidavit. Legal advice obtained indicates that the Mr. Zungu is out of time for filing of his replying affidavit as he has failed to file the affidavit withing the prescribed time period. He has also not set the case down. Therefore, the case is dormant. However, the entity notes that at a later stage the law allows Mr. Zungu to elect to apply for condonation for late filing of his answering affidavit and even to have the matter sat down.

41. Contingent asset

There were no significant matters to report on (2022: R Nil).

42. In-kind donations and assistance

The Entity received no in-kind donations and assistance.

	2023 R	2022 R

43. 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 Local Municipality) is such that any transactions between the parties are related party transactions. Specific categories of such transactions includes:

Related party balances

	2023 R	2022 R
Revenue Received		
Bulk Water Services		
Umzinyathi District Municipality	32 771 997	24 190 504
Amajuba District Municipality	22 549 107	20 503 745
Newcastle Municipality	171 741 513	134 830 885
	227 062 617	**179 525 134**
Year End Balances		
Assets Funding		
Umzinyathi District Municipality	348 951	324 745
Less: Provision for Doubtful Debt	(348 951)	(316 676)
	-	**8 069**
Bulk Water Services		
Umzinyathi District Municipality	55 313 835	27 358 614
Amajuba District Municipality	25 199 599	13 573 044
Newcastle Municipality	214 036 480	156 637 109
Less: Provision for Doubtful Debt	(117 824 171)	(68 467 744)
	176 725 743	**129 101 023**
Revenue Funding		
Umzinyathi District Municipality	70 583 173	65 768 818
Amajuba District Municipality	20 405 918	19 012 997
Less: Provision for Doubtful Debt	(90 989 091)	(82 763 673)
	-	**2 018 143**
Sundry (mSCOA System)		
Umzinyathi District Municipality	210 801	196 178
Amajuba District Municipality	753 932	701 633
Newcastle Municipality	(964 732)	(875 503)
	-	**22 307**

Related party transactions

Key Management Personnel

[Refer to Note 20]

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.

	2023 R	2022 R

43. Related parties (continued)

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, the board took a decision to secure on a relatively short term basis the interim arrangements concerning the Acting Manager Director responsibilities, were secured by contract terminating on the 31 March 2020. This contract was further extended initially by 3 months to the end of June 2020, then by 6 months to the 31 December 2020 and thereafter two 3 months contracts to 30 June 2021 and a six months contract to 31 December 2021 followed by three further extensions of 3 months each due to the effects and prohibitions on movements imposed by the National COVID19 regulations. The leave and performance incentives were not continued beyond the 30 June 2020 by mutual agreement due to the short term nature of the contract extensions. Mr Cunha terminated his services in August 2021.

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

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 2023.

	2023 R	2022 R
Payments made for contracted services	-	355 777
Payments for rental accommodation	-	6 325
	-	**362 102**

44. Events after the reporting date

No events after the reporting date noted.

45. Deviations from SCM regulations (SCM regulation number 36)

	2023 R	2022 R
Emergency procurement	584 447	874 376
Impractical to follow supply chain processes	1 475 653	1 308 666
Sole supplier	2 240 805	3 505 598
Section 16 and 17 acquisitions	1 108 856	435 678
	5 409 761	**6 124 318**

Supply chain deviations from SCM policy listed above were in terms of section 36 of the entity SCM regulations approved by the accounting officer or officials in terms of delegated 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.

	2023 R	2022 R

46. Risk Management

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. The entity manages liquidity risk through ongoing review of future commitments and credit facilities.

Credit risk

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

Trade receivables comprise of the three municipalities (Amajuba District Municipality, Newcastle Local Municipality and uMzinyathi District Municipality) and other private customers. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer taking into account its financial position, past experience and other factors.

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.

Financial instruments

	2023 R	2022 R
Financial liabilities		
Trade and other payables	529 433 015	475 847 632
Current portion of staff benefit obligation	498 514	489 000
	529 931 529	**476 336 632**

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

	2023 R	2022 R
Financial assets		
Cash and cash equivalents	1 119 492	19 800 255
WSA debtors	-	2 026 211
Trade and other receivables from exchange transactions	176 942 292	129 294 921
Other receivables from non-exchange transaction	2 860 794	2 792 640
Prepayments	460 516	-
	181 383 094	**153 914 027**
Total other financial assets	**711 314 623**	**630 250 659**

47. Bulk water losses

Bulk water losses for the year is stated after accounting for the following (amounts below are in kilolitres):

	2023	2022
Water stock		
Opening balance treated water	48	47
Opening balance raw water	31	31
Raw water purchases Amajuba and Newcastle	48 806	47 153
Treated water sales	46 256	43 873
Process water in system	857	361
Technical water loss	1 688	2 918
Closing water stock	**84**	**79**

	2023 R	2022 R

47. Bulk water losses (continued)

Water losses		
Opening Stock Raw	31	31
Opening stock Treated	48	47
Units purchased - Newcastle and Amajuba	42 352	40 960
Units purchased - Umzinyathi	6 454	6 193
Total units purchased	**48 885**	**47 231**
Units sold	46 256	43 873
Unsold process water in system	857	361
Closing Stock	84	79
Total loss	**1 688**	**2 918**
Comprising of		
Technical losses	1 688	2 918
Total loss	**1 688**	**2 918**

Amounts below are presented in rands

Water losses		
Opening Stock Raw	20 485	20 286
Opening stock Treated	31 718	184 240
Units purchased - Newcastle and Amajuba	27 986 403	22 326 899
Units purchased - Umzinyathi	4 264 803	-
Total units purchased	**32 303 410**	**22 531 426**
Units sold	30 565 965	171 982 160
Unsold process water in system	566 306	1 415 120
Closing Stock	55 507	-
Total loss	**1 115 632**	**1 909 539**
Comprising of		
Technical losses	1 115 632	1 909 539
Total	**1 115 632**	**1 909 539**

Percentage loss	**%**	**%**
Technical losses	3,45%	6,18%

48. Transfer of grants and other funding to the entity to implement capital projects on behalf of 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.

	2023 R	2022 R

49. Commitments

There were no capital commitments in the current financial year

50. Budget differences

Material differences between budget and actual amounts

1. Service charges

Increase in water demand from the WSA's.

2. Interest received - investment

Conservative budget provided for Interest income due to uncertainty of payments from WSA's.

3. Inventory adjustment

Annual adjustment not budgeted for.

4. Interest on receivables

Not budgeted for as WSA's do not approve interest raised on receivables.

5. Other receipts

Other receipts are irregular receipts dependant partially on laboratory services requested by customer's.

6. Employee related costs

Staff vacancies not filled. Especially senior positions such as CFO and Director Operations.

7. Depreciation and amortisation

Only a portion of depreciation is budgeted annually.

8. Interest paid

Not Budgeted For.

9. Chemicals

Water demand from WSA's increased therefore more expenditure on chemicals. Quality of raw water also had an impact on chemicals.

10. Contribution to provision for bad debts

WSA's do not approve budgets for non-cash items.

11. Contracted services

Due to cash flow constraints normal expenditure did not occur.

12. Bulk water purchases

Water demand from WSA's increased resulting in more bulk water purchases.

13. Operating expenses

Mainly due to increase diesel costs to run generators during load shedding.

	2023 R	2022 R

51. Segmental analysis

The entity only has one segment which is the provision of Bulk Water Services.

52. Change in estimate

Property, plant and equipment

GRAP 17: Property, plant and equipment requires that the review of the remaining useful life of an item of property, plant and equipment be conducted at least at each reporting period. The entity performed this review as at 30 June 2023 and the following results were achieved:

Based on the condition assessment and utilisation of assets ascertained during the physical verification exercise, the remaining useful lives of assets were reviewed. The impact of the adjustment is that depreciation charges on property, plant and equipment decreased by R879 122. Refer to the below break down:

Depreciation before the review of useful life	(78 140 649)
Depreciation after the review of useful life	77 261 527
	(879 122)

53. Going concern

As at 30 June 2023, the entity's current liabilities exceed its current assets by 2.36:1, consequently the entity is unable to pay the Department of Water and Sanitation accounts as and when they become due. The debtor's collection date is 281 days and there is an impairment of debtors of R 210 361 048. Annually deficits have been incurred with a deficit of R 97 835 839 incurred in the current financial year. These conditions, indicate the existence of a material uncertainty that may cast significant doubt on the entity's ability to operate as a going concern in the foreseeable future.

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

- The assumption that the shareholders will pay their monthly bulk water service invoices in accordance with their payment plans.
- The entity continues to deliver on its mandates to its shareholders in all respects and in compliance with legislation as evidenced by good audit outcomes.
- Executive management was in place, albeit in some cases in acting capacities, providing; expertise, stability, industry know how and guidance in all aspects of effective and efficient water service management to the board and its shareholders.
- Business plan, the budget, tariff model, performance management and risk assessment plans are in place and monitored and reported on regularly to the board and its shareholders.
- The shareholders have neither the intention nor need to liquidate or curtail materially the scale of the entity.

54. Prior period errors

Creditors Invoices Vat Raised - Not Yet Claimed was previously presented as VAT receivable, now is being reclassified to the receivables from exchange transactions.

Debtors Vat Raised - Not Yet Due was previously presented as VAT receivable, now is being reclassified to the payable from exchange transactions.

Inventory adjustment (surplus) was previously presented as an expenditure, now is being reclassified to the income section.

Unspent Grants – Was previously presented as a current liability. Now is being reclassified as revenue as the projects for which the funds were received were completed in prior years.

	2023 R	2022 R

54. Prior period errors (continued)

Payables Adjustment – The Department of Water and Sanitation outstanding balances were amended to include all accounts in the entity's name.

The correction of the error(s) results in adjustments as follows:

Statement of financial position

VAT receivable		
Balance previously reported	-	23 225 809
Reclassification to receivables from exchange transactions	-	(40 147 650)
Reclassification to payable from exchange transactions	-	16 921 841
VAT receivable raised not claimed	-	33 719
	-	-
Receivables from exchange transactions		
Balance previously reported	-	-
Reclassification from VAT receivable	-	40 147 650
	-	**40 147 650**
	-	-
Payable from exchange transactions		
Balance previously reported	-	-
Reclassification from VAT receivable	-	(16 921 841)
Increase in payables	-	(1 075 349)
Decrease in interest payable	-	43 707
	-	**(17 953 483)**
Unspent conditional grants and receipts		
Reclassification to government grants and subsidies	-	(460 961)
Decrease in accumulated surplus	-	997 923

Statement of financial performance

Inventory adjustment		
Amount previously report as expenditure	-	(22 032)
Reclassification to income section	-	22 032
	-	-
Government grants and subsidies		
Reclassification from unspent conditional grants and receipts	-	460 961

Analysis of property, plant and equipment as at 30 June 2023

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Depreciation Rand	Transfers Rand	Disposals Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Buildings														
Buildings	38 605 114	-	-	-	-	-	**38 605 114**	(19 522 221)	(1 211 347)	-	-	-	**(20 733 568)**	17 871 546
	38 605 114	-	-	-	-	-	**38 605 114**	**(19 522 221)**	**(1 211 347)**	-	-	-	**(20 733 568)**	**17 871 546**
Water infrastructure														
Water Purification Plant	309 321 942	-	-	-	-	-	**309 321 942**	(98 330 604)	(12 823 630)	-	-	-	**(111 154 234)**	198 167 708
Pump Stations	46 813 785	-	-	-	-	-	**46 813 785**	(19 714 665)	(2 574 549)	-	-	-	**(22 289 214)**	24 524 571
Dams	140 125 465	-	-	-	-	-	**140 125 465**	(21 949 844)	(2 752 625)	-	-	-	**(24 702 469)**	115 422 996
Reservoirs	54 299 532	-	-	-	-	-	**54 299 532**	(21 645 296)	(3 037 643)	-	-	-	**(24 682 939)**	29 616 593
Chambers & Components on Bulk lines	14 729 240	-	-	-	-	-	**14 729 240**	(11 304 748)	(1 391 621)	-	-	-	**(12 696 369)**	2 032 871
Reticulation	736 514 037	-	-	-	-	-	**736 514 037**	(484 021 281)	(47 474 310)	-	-	-	**(531 495 591)**	205 018 446
	1 301 804 001	-	-	-	-	-	**1 301 804 001**	**(656 966 438)**	**(70 054 378)**	-	-	-	**(727 020 816)**	**574 783 185**

Uthukela Water (Pty) Ltd
Appendix A

Analysis of property, plant and equipment as at 30 June 2023

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Depreciation Rand	Transfers Rand	Disposals Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Vehicles														
Water	5 339 928	-	-	-	-	-	5 339 928	(4 332 728)	(369 928)	-	-	-	(4 702 656)	637 272
Administration	149 899	-	-	-	-	-	149 899	(133 899)	(8 000)	-	-	-	(141 899)	8 000
	5 489 827	-	-	-	-	-	5 489 827	(4 466 627)	(377 928)	-	-	-	(4 844 555)	645 272
Plant and equipment														
Tractors/Trailers/Machinery	2 982 822	2 370 435	-	-	-	-	5 353 257	(2 319 271)	(385 674)	-	-	-	(2 704 945)	2 648 312
Bulk Water Meters	2 932 927	-	-	-	-	-	2 932 927	(1 366 461)	(253 318)	-	-	-	(1 619 779)	1 313 148
Laboratory Equipment	4 433 843	49 835	-	-	-	-	4 483 678	(3 905 035)	(250 774)	-	-	-	(4 155 809)	327 869
Small Plant And Equipment	2 382 716	38 443	-	-	-	-	2 421 159	(2 144 049)	(80 934)	-	-	-	(2 224 983)	196 176
Water Plant	57 183 729	214 948	-	-	-	-	57 398 677	(36 113 221)	(4 309 429)	-	-	-	(40 422 650)	16 976 027
	69 916 037	2 673 661	-	-	-	-	72 589 698	(45 848 037)	(5 280 129)	-	-	-	(51 128 166)	21 461 532
Furniture, equipment and furniture														
Technology	2 395 273	242 458	-	-	-	-	2 637 731	(1 799 407)	(221 601)	-	-	-	(2 021 008)	616 723
Finance	205 888	-	-	-	-	-	205 888	(181 848)	(11 584)	-	-	-	(193 432)	12 456
Engineering	833 550	115 660	-	-	-	-	949 210	(701 555)	(69 605)	-	-	-	(771 160)	178 050
Administration	475 150	4 115	-	-	-	-	479 265	(411 591)	(27 648)	-	-	-	(439 239)	40 026
Human Resources	134 807	4 120	-	-	-	-	138 927	(121 154)	(7 307)	-	-	-	(128 461)	10 466
	4 044 668	366 353	-	-	-	-	4 411 021	(3 215 555)	(337 746)	-	-	-	(3 553 300)	857 721

Uthukela Water (Pty) Ltd
Appendix A

Analysis of property, plant and equipment as at 30 June 2023

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Depreciation Rand	Transfers Rand	Disposals Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment	**1 419 859 647**	**3 040 014**	**-**	**-**	**-**	**-**	**1 422 899 661**	**(730 018 878)**	**(77 261 527)**	**-**	**-**	**-**	**(807 280 405)**	**615 619 256**
Intangible assets														
Technology	5 014 600	-	-	-	-	-	5 014 600	(4 647 573)	(186 435)	-	-	-	(4 834 008)	180 592
	5 014 600	**-**	**-**	**-**	**-**	**-**	**5 014 600**	**(4 647 573)**	**(186 435)**	**-**	**-**	**-**	**(4 834 008)**	**180 592**
Total	**1 424 874 247**	**3 040 014**	**-**	**-**	**-**	**-**	**1 427 914 261**	**(734 666 451)**	**(77 447 962)**	**-**	**-**	**-**	**(812 114 413)**	**615 799 848**

Uthukela Water (Pty) Ltd
Appendix A

Analysis of property, plant and equipment as at 30 June 2022

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Water infrastructure														
Water Purification Plant	309 321 942	-	-	-	-	-	**309 321 942**	(85 506 973)	(12 823 630)	-	-	-	**(98 330 603)**	210 991 339
Buildings	59 686 960	-	-	-	(21 081 846)	-	**38 605 114**	(17 070 766)	(2 451 455)	-	-	-	**(19 522 221)**	19 082 893
Pump Stations	46 813 785	-	-	-	-	-	**46 813 785**	(17 140 116)	(2 574 549)	-	-	-	**(19 714 665)**	27 099 120
Dams	140 125 465	-	-	-	-	-	**140 125 465**	(19 197 219)	(2 752 625)	-	-	-	**(21 949 844)**	118 175 621
Reservoirs	54 299 532	-	-	-	-	-	**54 299 532**	(18 607 653)	(3 037 643)	-	-	-	**(21 645 296)**	32 654 236
Chambers & Components on Bulk lines	14 729 240	-	-	-	-	-	**14 729 240**	(9 913 127)	(1 391 621)	-	-	-	**(11 304 748)**	3 424 492
Reticulation	736 514 037	-	-	-	-	-	**736 514 037**	(436 546 971)	(47 474 310)	-	-	-	**(484 021 281)**	252 492 756
	1 361 490 961	**-**	**-**	**-**	**(21 081 846)**	**-**	**1 340 409 115**	**(603 982 825)**	**(72 505 833)**	**-**	**-**	**-**	**(676 488 658)**	**663 920 457**

Uthukela Water (Pty) Ltd
Appendix A

Analysis of property, plant and equipment as at 30 June 2022

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Vehicles														
Buildings	5 339 928	-	-	-	-	-	5 339 928	(3 778 068)	(554 660)	-	-	-	(4 332 728)	1 007 200
Administration	149 899	-	-	-	-	-	149 899	(117 899)	(16 000)	-	-	-	(133 899)	16 000
	5 489 827	-	-	-	-	-	5 489 827	**(3 895 967)**	**(570 660)**	-	-	-	**(4 466 627)**	**1 023 200**
Plant and equipment														
Tractors/Trailers/Machinery	3 092 822	-	(110 000)	-	-	-	2 982 822	(2 086 634)	(232 638)	-	-	-	(2 319 272)	663 550
Bulk Water Meters	2 851 807	81 120	-	-	-	-	2 932 927	(1 114 494)	(251 966)	-	-	-	(1 366 460)	1 566 467
Laboratory Equipment	4 344 898	88 945	-	-	-	-	4 433 843	(3 486 847)	(418 188)	-	-	-	(3 905 035)	528 808
Small Plant And Equipment	2 291 906	90 810	-	-	-	-	2 382 716	(2 017 888)	(126 161)	-	-	-	(2 144 049)	238 667
Water Plant	56 330 222	853 507	-	-	-	-	57 183 729	(31 672 189)	(4 441 031)	-	-	-	(36 113 220)	21 070 509
	68 911 655	**1 114 382**	**(110 000)**	-	-	-	69 916 037	**(40 378 052)**	**(5 469 984)**	-	-	-	**(45 848 036)**	**24 068 001**
Furniture, equipment and fittings														
Technology	2 307 759	87 514	-	-	-	-	2 395 273	(1 586 167)	(213 240)	-	-	-	(1 799 407)	595 866
Finance	205 888	-	-	-	-	-	205 888	(160 003)	(21 844)	-	-	-	(181 847)	24 041
Engineering	805 945	27 606	-	-	-	-	833 551	(620 298)	(81 257)	-	-	-	(701 555)	131 996
Administration	471 110	4 040	-	-	-	-	475 150	(365 799)	(45 792)	-	-	-	(411 591)	63 559
Human Resources	134 807	-	-	-	-	-	134 807	(107 502)	(13 652)	-	-	-	(121 154)	13 653
	3 925 509	**119 160**	-	-	-	-	4 044 669	**(2 839 769)**	**(375 785)**	-	-	-	**(3 215 554)**	**829 115**

Uthukela Water (Pty) Ltd
Appendix A

Analysis of property, plant and equipment as at 30 June 2022

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment	1 439 817 952	1 233 542	(110 000)	-	(21 081 846)	-	1 419 859 648	(651 096 613)	(78 922 262)	-	-	-	(730 018 875)	689 840 773
Intangible assets														
Technology	5 014 600	-	-	-	-	-	5 014 600	(4 284 719)	(362 854)	-	-	-	(4 647 573)	367 027
	5 014 600	-	-	-	-	-	5 014 600	(4 284 719)	(362 854)	-	-	-	(4 647 573)	367 027
Total	1 444 832 552	1 233 542	(110 000)	-	(21 081 846)	-	1 424 874 248	(655 381 332)	(79 285 116)	-	-	-	(734 666 448)	690 207 800

Uthukela Water (Pty) Ltd
Appendix B

Segmental analysis of property, plant and equipment as at 30 June 2023

	Cost/Revaluation							Accumulated Depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment deficit Rand	Closing Balance Rand	Carrying value Rand
Summary														
Water	1 415 665 073	2 673 660	-	-	-	-	**1 418 338 733**	(726 669 416)	(76 915 782)	-	-	-	**(803 585 198)**	614 753 535
Technology	7 409 873	242 458	-	-	-	-	**7 652 331**	(6 452 669)	(408 036)	-	-	-	**(6 860 705)**	791 626
Administration	625 049	4 115	-	-	-	-	**629 164**	(545 490)	(35 648)	-	-	-	**(581 138)**	48 026
Finance	205 888	-	-	-	-	-	**205 888**	(181 848)	(11 584)	-	-	-	**(193 432)**	12 456
Human Resources	134 807	4 120	-	-	-	-	**138 927**	(121 154)	(7 307)	-	-	-	**(128 461)**	10 466
Engineering	833 550	115 660	-	-	-	-	**949 210**	(695 866)	(69 605)	-	-	-	**(765 471)**	183 739
	1 424 874 240	**3 040 013**	-	-	-	-	**1 427 914 253**	**(734 666 443)**	**(77 447 962)**	-	-	-	**(812 114 405)**	**615 799 848**
Total	**1 424 874 240**	**3 040 013**	-	-	-	-	**1 427 914 253**	**(734 666 443)**	**(77 447 962)**	-	-	-	**(812 114 405)**	**615 799 848**

Uthukela Water (Pty) Ltd
Appendix C

Actual versus Budget (Revenue and Expenditure) for the year ended 30 June 2023

	Act. Bal. Rand	Adjusted budget Rand	Variance Rand	Var	Explanation of Significant Variances greater than 10% versus Budget
Revenue					
Service charges	205 737 971	195 891 663	9 846 308	5,0	Increase in water demand from the WSA's.
Interest on receivables	23 075 114	-	23 075 114	100,0	Not budgeted for as WSA's do not approve interest raised on receivables.
Inventory adjustment	44 039	-	44 039	100,0	Annual adjustment not budgeted for.
Interest received - investment	812 695	119 642	693 053	579,3	Conservative budget provided for Interest income due to uncertainty of payments from WSA's.
Other receipts	451 384	52 250	399 134	763,9	Other receipts are irregular receipts dependant partially on laboratory services requested by customer's.
	230 121 203	196 063 555	34 057 648	17,4	
Expenses					
Employee related costs	(61 974 345)	(67 309 889)	5 335 544	(7,9)	Staff Vacancies not filled. Especially senior positions such as CFO and Director Operations
Depreciation	(77 447 962)	(1 970 151)	(75 477 811)	831,1	Only a portion of depreciation is budgeted annually
Amortisation	-	-	-	-	
Interest	(20 400 634)	-	(20 400 634)	100,0	Not budgeted for.Mainly Department of Water and Sanitation interest. Due to erratic and low payment by WSA's.
Contribution to provision for bad debts	(52 368 838)	-	(52 368 838)	100,0	WSA's do not approve budgets for non-cash items.
Bulk purchases	(32 141 230)	(32 249 705)	108 475	(0,3)	Water demand from WSA's increased resulting in more Bulk water Purchases.
Contracted Services	(2 743 700)	(14 456 620)	11 712 920	(81,0)	Due to cash flow constraints normal expenditure did not occur.
Lease rentals on operating lease	(1 581 560)	(1 640 891)	59 331	(3,6)	
Chemicals	(10 711 769)	(7 962 782)	(2 748 987)	34,5	Water demand from WSA's increased therefore more expenditure on chemicals. Quality of raw wateralso had an impact on chemical purchases.
General Expenses	(68 587 004)	(69 053 493)	466 489	(0,7)	Mainly due to increase diesel costs to run generators during load shedding.
	(327 957 042)	(194 643 531)	(133 313 511)	68,5	
Other revenue and costs	-	-	-	-	
Net surplus/ (deficit) for the year	(97 835 839)	1 420 024	(99 255 863)	989,7)	

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AUDITOR-GENERAL
SOUTH AFRICA

REPORT OF THE AUDITOR-GENERAL

uThukela Water (Pty) Ltd

For the year ended 30 June 2023

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

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of uThukela Water (Pty) Ltd set out on pages xx to xx, which comprise the statement of financial position as at 30 June 2023, statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.

2. In my opinion, the financial statements present fairly, in all material respects, the financial position of uThukela Water (Pty) Ltd as at 30 June 2023 and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act No. 56 of 2003 (MFMA) and the Companies Act No. 71 of 2008 (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 responsibilities of the auditor-general for the audit of the financial statements section of my report.

4. I am independent of the municipal entity in accordance with the International Ethics Standards Board for Accountants' *International code of ethics for professional accountants (including International Independence Standards)* (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.

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

Material uncertainty relating to going concern

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

7. As disclosed in note 53 to the financial statements, the municipal entity incurred a net deficit of R97,84 million during the year ended 30 June 2023 and, as of that date the current liabilities exceeded its current assets. These events or conditions, along with other matters as set forth in the aforementioned note, indicate that a material uncertainty exists that may cast significant doubt on the municipal entity's ability to continue as a going concern.

Emphasis of matters

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

Provision for doubtful debts

9. As disclosed in note 4 to the financial statements, the municipal entity made a provision for doubtful debts of R91,34 million (2021-2022: R83,08 million) against Water service authorities (WSA) debtors as a result of long outstanding payments.

10. As disclosed in note 5 to the financial statements, the municipal entity made a provision for doubtful debts of R119,02 million (2021-2022: R69,57 million) against receivables as a result of long outstanding payments from water and bulk debtors.

Restatement of corresponding figures

11. As disclosed in note 54 to the financial statements, the corresponding figures for 30 June 2022 were restated as a result of an error in the financial statements of the municipal entity at, and for the year ended, 30 June 2023.

Other matters

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

Unaudited supplementary schedules

13. The supplementary information set out on pages xx to xx do 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.

Unaudited disclosure notes

14. In terms of section 125(2)(e) of the MFMA, the particulars of non-compliance with the MFMA should be disclosed 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.

Responsibilities of the accounting authority for the financial statements

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

16. In preparing the financial statements, the accounting authority is responsible for assessing the municipal entity's ability to continue as a going concern; disclosing, as applicable, matters relating to going concern; and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the municipal entity or to cease operations or has no realistic alternative but to do so.

Responsibilities of the auditor-general for the audit of the financial statements

17. 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.

18. 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

19. In accordance with the Public Audit Act No. 25 of 2004 (PAA) and the general notice issued in terms thereof, I must audit and report on the usefulness and reliability of the reported performance against predetermined objectives for the selected strategic objective presented in the annual performance report. The accounting authority is responsible for the preparation of the annual performance report.

20. I selected the following strategic objective presented in the annual performance report for the year ended 30 June 2023 for auditing. I selected the strategic objective that measures the municipal entity's performance on its primary mandated functions and that is of significant national, community, and public interest.

Strategic objective	Page numbers	Purpose
Improve service delivery	XX	This strategic objective relates directly to the political and legislative mandate of the municipal entity, which is the service provision of safe, affordable, and adequate bulk water services to its controlling shareholders.

21. I evaluated the reported performance information for the selected strategic objective against the criteria developed from the performance management and reporting framework, as defined in the general notice. When an annual performance report is prepared using these criteria, it provides useful and reliable information and insights to users on the municipal entity's planning and delivery of its mandate and objectives.

22. I performed procedures to test whether:
    - the indicators used for planning and reporting on performance can be linked directly to the municipal entity's mandate and the achievement of its planned objectives
    - the indicators are well defined to ensure that they are easy to understand and can be applied consistently, as well as verifiable so that I can confirm the methods and processes to be used for measuring achievements

- the targets can be linked directly to the achievement of the indicators and are specific, time-bound, and measurable to ensure that it is easy to understand what should be delivered and by when the required level of performance as well as how performance will be evaluated
- the indicators and targets reported on in the annual performance report are the same as those committed to in the approved initial or revised planning documents
- the reported performance information is presented in the annual performance report in the prescribed manner
- there is adequate supporting evidence for the achievements reported and for the reasons provided for the measures taken to improve performance

23. I performed the procedures for the purpose of reporting material findings only; and not to express an assurance opinion or conclusion.

24. I did not identify any material findings on the reported performance information for the selected strategic objective of "Improve service delivery".

Other matters

25. I draw attention to the matters below.

Achievement of planned targets

26. The annual performance report includes information on reported achievements against planned targets and provides explanations for measures taken to improve performance.

Material misstatements

27. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information for the "improve service delivery" strategic objective. Management subsequently corrected all the misstatements, and accordingly I did not include any material findings in this report.

Report on compliance with legislation

28. In accordance with the PAA and the general notice issued in terms thereof, I must audit and report on compliance with applicable legislation relating to financial matters, financial management, and other related matters. The accounting authority is responsible for the municipal entity's compliance with legislation.

29. I performed procedures to test compliance with selected requirements in key legislation in accordance with the findings engagement methodology of the Auditor-General of South Africa (AGSA). This engagement is not an assurance engagement. Accordingly, I do not express an assurance opinion or conclusion.

30. Through an established AGSA process, I selected requirements in key legislation for compliance testing that are relevant to the financial and performance management of the municipal entity, clear to allow consistent measurement and evaluation, while also sufficiently detailed and readily available to report in an understandable manner. The selected legislative requirements are included in the annexure to this auditor's report.

31. The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

Annual financial statements

32. The annual financial statements submitted for auditing were not fully prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA. Material misstatements of non-current assets, current assets, liabilities, expenditure, and disclosure items identified by the auditors in the submitted financial statement were subsequently corrected resulting in the financial statements receiving an unqualified audit opinion.

Procurement and contract management

33. Some goods and services of a transaction value above R200 000 were procured without inviting competitive bids, as required by regulation 19(a) of the Municipal supply chain management regulations. Similar non-compliance was also reported in the prior year.

Expenditure management

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

35. Expenditure was incurred in excess of the approved budget, in contravention of section 87(8) of the MFMA.

36. Reasonable steps were not taken to prevent irregular expenditure amounting to R377,22 million as disclosed in note 32 to the annual financial statements, as required by section 95(d) of the MFMA. The majority of the irregular expenditure was caused by the competitive bidding process not being followed and overspending of the approved budget.

37. Reasonable steps were not taken to prevent fruitless and wasteful expenditure amounting to R20,40 million, as disclosed in note 31 to the annual financial statements, in contravention of section 95(d) of the MFMA. The majority of the disclosed fruitless and wasteful expenditure was caused by the interest charges incurred on late payments to suppliers.

Consequence management

38. Fruitless and wasteful expenditure incurred by the municipal entity was not investigated to determine if any person is liable for the expenditure, as required by municipal budget and reporting regulations 75(1).

39. Irregular expenditure incurred by the municipal entity were not investigated to determine if any person is liable for the expenditure, as required by municipal budget and reporting regulations 75(1).

Asset management

40. An effective system of internal control for assets (including an asset register) was not in place, as required by section 96(2)(b) of the MFMA.

Other information in the annual report

41. The accounting authority is responsible for the other information included in the annual report which includes the directors' report, the audit committee's report, and the company secretary's certificate, as required by section 71 of the Companies Act. The other information referred to does not include the financial statements, the auditor's report, and the selected strategic objective presented in the annual performance report that has been specifically reported on in this auditor's report.

42. My opinion on the financial statements, the report on the audit of the annual performance report, and the report on compliance with legislation do not cover the other information included in the annual report and I do not express an audit opinion or any form of assurance conclusion on it.

43. My responsibility is to read this other information and, in doing so, consider whether it is materially inconsistent with the financial statements and the selected strategic objective presented in the annual performance report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

44. I have nothing to report in this regard.

Internal control deficiencies

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

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

47. The accounting authority and senior management need to respond with the required urgency to the audit messages regarding addressing risks and improving internal controls to ensure credible financial and performance reporting. This will enable effective oversight and therefore pave the way of improving the overall audit outcomes and therefore enable the municipal entity to focus on the issues that matter to the citizens. Non-compliance with key legislation should be addressed with a less tolerant approach through effective consequences management.

Material irregularities

48. In accordance with the PAA and the Material Irregularity Regulations, I have a responsibility to report on material irregularities identified during the audit and on the status of material irregularities as previously reported in the auditor's report.

Status of previously reported material irregularities

Outstanding invoices not paid within 30 days

49. The municipal entity did not comply with section 99(2)(b) of the Municipal Finance Management Act, 2003 (Act 56 of 2003) (MFMA), which states that the accounting authority must for the purpose of section (1) take all reasonable steps to ensure that all money owing by the entity is paid within 30 days of receiving the relevant invoice or statement unless prescribed otherwise for certain categories of expenditure.

50. The municipal entity failed to ensure that the payments due to the Department of Water and Sanitation were made within 30 days of the invoice date. The non-compliance resulted in a material financial loss of R29,88 million incurred by uThukela Water (Pty) Ltd before 30 March 2020. The interest incurred was disclosed as fruitless and wasteful expenditure in note 29.2 to the 2020-2021 annual financial statements.

51. The accounting authority was notified of the material irregularity on 25 January 2022 and was invited to make a written submission on the actions taken that will be taken to address the matter. The following actions have been taken to resolve the material irregularity:

    - The accounting authority has engaged with the three shareholding municipalities, namely, the Water Service Authorities (WSA's) to increase the cash inflow in order to fund the payments due to the Department of Water and Sanitation. The accounting authority has furthermore commenced with levying of interest on this outstanding debt to increase the pressure on the shareholders to expedite payments.

52. The actions taken by the accounting authority have adequately addressed the material irregularity and accordingly the material irregularity is resolved.

Other reports

53. In addition to the investigations relating to material irregularities, I draw attention to the following engagements conducted by various parties. These reports did not form part of my opinion on the financial statements or my findings on compliance with legislation.

54. The KwaZulu-Natal Department of Co-operative Governance and Traditional Affairs (COGTA) has concluded an investigation in 2021 on various allegations levelled against officials of the municipal entity. The municipal entity is awaiting direction from the controlling entities on the implementation of the recommendations of the investigation report.

Auditor-General

Pietermaritzburg

27 November 2023

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure to the auditor's report

The annexure includes the following:

- The auditor-general's responsibility for the audit
- The selected legislative requirements for compliance testing

Auditor-general's responsibility for the audit

Professional judgement and professional scepticism

As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements and the procedures performed on reported performance information for the selected strategic objective and on the municipal entity's compliance with selected requirements in key legislation.

Financial statements

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

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

Communication with those charged with governance

I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide the accounting authority with a statement that I have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

Compliance with legislation – selected legislative requirements

The selected legislative requirements are as follows:

Legislation	Sections or regulations
Municipal Finance Management Act 56 of 2003	Section 1 - Paragraphs (a), (b) & (d) of the definition: irregular expenditure Sections 87(5)(b) & (d), 87(5)(d)(i), 87(5)(d)(iii), 87(6)(c), Sections 87(8), 88(1)(a), 90(1), 90(2)(a), (b) & (d), Sections 96(2)(a), (b), 97(e), (f), (h) & (i), 99(2)(a), Sections 99(2)(b), (c), (g), 102(1), 102(2)(a), Sections 112(1)(j), 116(2)(b) & (c)(ii), 122(1), 126(2)(b), Sections 133(1)(a), (c)(i), (c)(ii), 170, 172(3)(a) & (b)
MFMA: Municipal Budget and Reporting Regulations, 2009	Regulations 73(1), 73(2), 75(1), 75(2)
MFMA: Municipal Investment Regulations, 2005	Regulations 3(2), 3(3), 5(4), 6, 6(8)(b), 7, 10(1), 12(2), 12(3)
MFMA: Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings, 2014	Regulations 5(4), 6(8)(b), 10(1)
MFMA: Municipal Supply Chain Management Regulations, 2005	Regulations 5, 12(1)(c), 12(3), 13(b), (c) & (i), 16(a), Regulations 17(1)(a), (b), & (c), 19(a), Regulations 21(b), 22(1)(b)(i), 22(2), 27(2)(a) & (e), Regulations 28(1)(a)(ii), 29(1)(a) & (b), 29(5)(a)(ii), Regulations 29(5)(b)(ii), 32, 36(1), 36(1)(a), 38(1)(c), Regulations 38(1)(d)(ii), 38(1)(e), 38(1)(g)(i), 38(1)(g)(ii), 38(1)(g)(iii), 43, 44, 46(2)(e) & (f)
Municipal Systems Act 32 of 2000	Section 93B(a), 93C(a)(iv)
Construction Industry Development Board Act 38 of 2000	Section 18(1)
Construction Industry Development Board Regulations, 2004	Regulations 17, 25(7A)
Preferential Procurement Policy Framework Act 5 of 2000	Sections 2(1)(a), 2(1)(f)
Preferential Procurement Regulations, 2017	Regulations 4(1) & (2), 5(1), (3), (6) & (7), 6(1), (2) & (3), Regulations 6(6), 6(8), 7(1), (2) & (3), 7(6), 7(8), 8(2), 8(5), Regulations 9(1), 10(1) & (2), 11(1) & (2)
Preferential Procurement Regulations, 2022	Regulations 4(1), (2), (3) & (4), 5(1), (2), (3) & (4)
Prevention and Combating of Corrupt Activities Act 12 of 2004	Section 34(1)
Companies Act 71 of 2008	Sections 45(2), 45(3)(a)(ii), (b)(i), (ii), 45(4), Sections 46(1)(a), (b) & (c), 112(2)(a)

ACTION PLAN RESPONDING TO FACTUAL FINDINGS REPORT OF AUDITOR GENERAL OF SOUTH AFRICA –

AGREED PROCEDURES REGARDING ANNUAL PERFORMANCE REPORT

AUDIT FINDING	AUDITORS RECOMMENDATION	MANAGEMENT RESPONSE	REMEDIAL ACTION	RESPONSIBLE OFFICIAL	RETURN/TARGET DATE	STATUS	COMMENT
Incorrect calculation of Provision for bad debts / Debt impairment	Management should review the impairment calculation and the debtors balance in accordance with GRAP 104 and policy requirements and ensure the necessary adjustments are affected on all impacted line items of the financial statements to ensure fair presentation.	Agree with the internal control deficiency in that the impairment calculation was not adequately reviewed prior to submission.	All impacted line items of the financial statements will be adjusted with the corrected amounts	BN Khumalo Acting CFO		Completed	The next AFS will be reviewed by CFO, Internal Audit and Audit Committee.
Incorrect purchases amount – misstatement of related accounts	Management should ensure that adequate reviews are performed on invoices to verify that the volumes per invoice agree with the uThukela Water's meter readings. Furthermore, invoice payments should be validated with the relevant technical department records before effecting payments. The differences identified should be investigated and followed up immediately with the supplier. The entity should liaise with the supplier to ensure that the	Agreed, Once the error was detected, DWS was requested to credit the difference.	Although the error was only detected after payment of **portion** of the invoice **[R 394 468.25 instead of R 3 995 840.14],** DWS has acknowledged the error and agreed to pass a credit and the overpayment is to be allocated to an unpaid invoice.	BN Khumalo Acting CFO	31/03/2023	Ongoing	DWS accounts to be reconciled on a monthly basis, readings to be confirmed with the Engineering Department and the Invoiced to be co-signed by the HOD Engineering before being recorded by Finance in the General Ledger.

AUDIT FINDING	AUDITORS RECOMMENDATION	MANAGEMENT RESPONSE	REMEDIAL ACTION	RESPONSIBLE OFFICIAL	RETURN/TARGET DATE	STATUS	COMMENT
	overcharge is rectified in the supplier accounts. Accordingly, the accounting / financial records of the entity should be adjusted to ensure that the overcharge is fairly reflected and accounted for in the financial statements to ensure fair presentation.		Monthly reconciliations of volumes invoiced to the DWS meter reading forms				
Payments not made within 30 days	Management should review and monitor the supplier invoices to ensure that suppliers are paid within 30 days of receipt of invoice to ensure compliance with the requirements of the MFMA	The finding is not a result of inadequate internal controls. Suppliers not being paid within 30 days is not due to inadequate monitoring and reviewing of supplier invoices to ensure that suppliers are paid within 30 days of receipt of invoice. It is because the WSAs are not timeously and fully paying their current and outstanding accounts.	Management continuously engages the WSAs in an attempt to ensure that they regularly pay their invoices and debt. This has been escalated to the Board and attempts are being made to obtain payment plans from the WSAs. The entity is currently exploring alternative funding options to reduce reliance on the WSAs.	WB Nkosi Managing Director	30/06/2023	Ongoing	Dependant on receiving full monthly payments from the WSAs. Engagements to get the WSAs to pay monthly are on an ongoing basis.

AUDIT FINDING	AUDITORS RECOMMENDATION	MANAGEMENT RESPONSE	REMEDIAL ACTION	RESPONSIBLE OFFICIAL	RETURN/TARGET DATE	STATUS	COMMENT
Misclassification of buildings	Management should appropriately amend both the fixed asset register and its impact on the annual financial statements to ensure that all fixed assets disclosed in the asset register are classified correctly in terms of GRAP 17. Furthermore, the necessary amendments to the prior year's amounts should be affected to ensure fair presentation.	Management agrees with the audit finding and will show the buildings separately on the AFS. However, appendix A does show the buildings separately.	Management will reflect the buildings separately.	BN Khumalo Acting CFO		Completed	The buildings are now disclosed correctly in the adjusted AFS.
Contract extension that is above the 15% threshold and non-compliance with the SCM policy	Management should ensure that extension of contracts is made in accordance with legislative thresholds and prescripts. Furthermore, controls should be strengthened on the contract management of routine service providers to ensure that the entity is able to timeously identify the risk in expired contracts and contract payments to ensure that the proper procurement process is followed. Undisclosed irregular expenditure should be evaluated, and the necessary adjustments effected to ensure fair presentation.	The Management accept the finding. The management has implemented controls to proper monitor and control contracts extension.	The entity is in the process of appointing a service provider for supply and delivery of Chemicals, rendering Internal Audit Services and the provision of office space and parking.	BN Khumalo Acting CFO	30/04/2023	Ongoing	Service providers have been appointed for Internal Audit Services. The procurement of a service provider for chemicals supplies is at the adjudication stage. The procurement for office space and parking is at the specification stage.

AUDIT FINDING	AUDITORS RECOMMENDATION	MANAGEMENT RESPONSE	REMEDIAL ACTION	RESPONSIBLE OFFICIAL	RETURN/TARGET DATE	STATUS	COMMENT
Incomplete disclosure of fruitless and wasteful expenditure	Management should review all expenditure transactions for possible interest charges and consider disclosure as fruitless and wasteful expenditure in line with the requirements of the MFMA and MFMA circular 68.	Management agrees that there was the internal control deficiency as stated. Appropriate and adequate review of expenditure and AFS disclosure to ensure accuracy and completeness	Note 27 will be appropriately corrected	BN Khumalo Acting CFO		Completed	The disclosure was corrected on the adjusted AFS.
Difference noted in bulk water purchases disclosed in note 19 and 43	Management should make the necessary corrections to the financial statements to ensure that the bulk water purchase amount disclosed in note 43 is consistent with note 19.	There will be a difference between the notes as the WRM and WRL included in note 19 are not included in the water loss note as these are not units purchased.				Completed	The disclosure was corrected on the adjusted AFS.
Bulk water losses inaccurately calculated.	Management should ensure that proper reviews are performed on the water loss calculation to ensure that the correct water loss disclosures and amounts are included in the annual financial statements and the annual performance report. Management should ensure that aging infrastructure is maintained on a regular basis to reduce the water losses incurred by the entity.	Upon detection and acknowledgement of the error by DWS, the revised calculation for water loss stands at 3.45% which is substantially lower than 12.75% which brings the water losses to acceptable levels.	Monthly reconciliations of volumes invoiced to the DWS meter reading forms	C Dhliwayo, Acting HOD Operations and Engineering		Completed	The disclosure was corrected on the adjusted AFS.

AUDIT FINDING	AUDITORS RECOMMENDATION	MANAGEMENT RESPONSE	REMEDIAL ACTION	RESPONSIBLE OFFICIAL	RETURN/TARGET DATE	STATUS	COMMENT
Segment analysis disclosure does not meet GRAP 18 requirements.	Management should consider disclosing the requirements of GRAP 18 and conclude accordingly on the applicability of segmental analysis in note 46 to the financial statements.	Note 46 to be adjusted.” uThukela Water only has one segment which is the provision of bulk water services”	Management agrees with the finding	BN Khumalo Acting CFO		Completed	The disclosure was corrected on the adjusted AFS.
High-level review of the AFS: Inconsistencies and omissions	Management should affect the necessary adjustments to the annual financial statements to ensure fair presentation.	Management agrees that there was the internal control deficiency as stated	All impacted items indicated above will be amended in the financial statements	BN Khumalo Acting CFO		Completed	The disclosure was corrected on the adjusted AFS. The next AFS will be reviewed properly by the CFO, Internal Audit and Audit Committee.
Overspending of approved budget	Management should ensure that expenditure incurred is in accordance with the entity's approved budget or adjustment budget.	There is no internal control deficiency as the payment from WSA’s are out of the entities control.	The entity will request sufficient budget from the WSA’s for Water Purchases and request the WSA’s to pay the monthly invoices timeously so that the entity could pay DWS timeously to avoid interest charges.	BN Khumalo Acting CFO		Ongoing	Sufficient budget will be requested from the WSAs. There are ongoing negotiations with WSAs to pay the entity regularly.

AUDIT FINDING	AUDITORS RECOMMENDATION	MANAGEMENT RESPONSE	REMEDIAL ACTION	RESPONSIBLE OFFICIAL	RETURN/TARGET DATE	STATUS	COMMENT
Irregular, fruitless, and wasteful expenditure not investigated	Management should ensure that investigations on incurred irregular as well as fruitless and wasteful expenditure are conducted timeously to determine if any person is liable for the expenditure.	The management is in the process of appointing a panel of service providers that will ensure that the investigations is done timeously	Management is in the process of appointing the panel of service providers that will ensure that the investigations are done timeously	Nkosi WB Managing Director	March 2023	Ongoing	
No reasonable steps taken to prevent irregular, and fruitless and wasteful expenditure.	Management should ensure the following is implemented: • take reasonable steps to prevent irregular, fruitless, and wasteful expenditure. • ensure that the expenditure incurred is in line with the approved budgeted expenditure. • ensure that proper SCM processes are followed in appointing service providers. • adequately monitor the creditors' age analysis to ensure suppliers are paid within the payment terms.	Management agrees with the finding. However, overspending on the budget and not paying suppliers on time could not be avoided by the entity. WSAs did not approve a sufficient budget for the entity on non-cash items. The entity is unable to pay suppliers on time because WSA are not paying the entity on time for it to be able to pay for the service provider timeously.	With regards to the appointment of service providers, management is busy with procurement processes to ensure that service providers are appointed following SCM regulations.	Nkosi WB Managing Director	Ongoing	Ongoing	
Department of water and sanitation – Differences between supplier statements	Management should review the Department of Water and Sanitation's supplier statements issued	Management does review the DWS's supplier statements issued to uThukela	Meetings to be held with DWS on a quarterly	BN Khumalo Acting CFO		Ongoing	

AUDIT FINDING	AUDITORS RECOMMENDATION	MANAGEMENT RESPONSE	REMEDIAL ACTION	RESPONSIBLE OFFICIAL	RETURN/TARGET DATE	STATUS	COMMENT
and supplier age analysis	to uThukela Water and ensure that all the balances are included in the creditor's ledger, age analysis, and financial statements.	Water and ensure that all the balances are included in the creditor's ledger. However, where a difference is identified the relevant document is requested. Despite numerous requests over the years, DWS has not assisted. These accounts were transferred from the entity to the WSAs as follows: • when the reticulation function was handed back to them in 2013. • when uThukela District Municipality withdrew from the entity ownership in 2004.	basis, to reconcile the old accounts, once old accounts are reconciled, they will be paid on availability of funds, and only have active accounts on the statements.				
Board chairperson remuneration	• Based on the conclusions above, the chairperson is employed on a full-time basis and therefore it is recommended that PAYE be deducted from his remuneration and paid over to SARS in accordance with the requirements of legislation including	Management disagreed with the audit findings. Its comments on audit findings are summarised as follows: The audit finding carries the heading called "chairperson's position". From the onset, we unsuccessfully, made	Management disagreed with the audit findings	WB Nkosi Managing Director			

AUDIT FINDING	AUDITORS RECOMMENDATION	MANAGEMENT RESPONSE	REMEDIAL ACTION	RESPONSIBLE OFFICIAL	RETURN/TARGET DATE	STATUS	COMMENT
	the binding general rules laid down by SARS. • The chairperson should accordingly no longer issue invoices to uThukela Water in his company's name and should not charge VAT on his invoices. Any overcharge on incorrectly issued invoices should be recovered by uThukela Water to ensure that the entity remains tax compliant. • uThukela Water should recover the PAYE from the chairperson where he was paid on the submission of invoices and pay these amounts over to SARS in accordance with legislative requirements.	an effort to find a relationship between this heading or subject with the query, in its entire context, and the legal reference. The functions of the Board of Directors as referred to in the said section 66 of the Companies Act are a matter of common cause. This is over and above the fact that a local government proclamation of functions of the Board of Directors is depicted by section 93H of the Local Government: Municipal Systems Act 32 of 2000, which makes specific reference to a municipal entity. However, there is no inconsistency between section 66 of the Companies Act and the said provision of the Local Government: Municipal Systems Act 32 of 2000. The memorandum referred to in the second paragraph of the query neither expands the functions					

AUDIT FINDING	AUDITORS RECOMMENDATION	MANAGEMENT RESPONSE	REMEDIAL ACTION	RESPONSIBLE OFFICIAL	RETURN/TARGET DATE	STATUS	COMMENT
		of the Chairperson of the Board nor unpacks the meaning of section 66 of the Companies Act. This memorandum had its own legal framework which was intended to provide the legal framework under consideration at the time of formulation of the report. There is also no inconsistency between the proclamation of the full-time basis of the Chairperson of the Board and section 66 function of the Board. The full-time basis of the Chairperson of the Board is administratively treated in same manner as office bearers and members of executive committees in municipalities, as they perform nothing lesser or more than oversight functions. Our opinion in respect of the heading or subject of the query and its below paragraphs, is that, this said content is too					

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		literal and lacking contextual interpretation of proclamations as contained in these various pieces of statutes. We submit as follows in respect of the items contained in part (a) of the query - i) The role of the Chairperson of uThukela Water's Board The Chairperson of the Board is obliged to perform functions contained in section 93H, like all other board members. By virtue of being the chairperson, he performs additional duties of the chairperson, not limited to chairing board meetings and performing oversight on administration of the entity through directly supervising the Managing Director. As the entity, we do not interpret the functions as "roles".					

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		The chairperson is deemed not role playing or partaking, but he is the most senior Director of the entity. Bearing in mind the fact that he is non-executive by definition and level of occupation. ii) Compensation on a full time-basis The chairperson receives Director's fees on a monthly basis, and it is not compensation. In the context of the Local Government, we have office bearers which are remunerated in the spirit of Remuneration of Public Office Bearers Act, and they receive remuneration. Members of the board of directors of municipal entities receive directors' fees. iii) Consulted on daily basis The chairperson is consulted; involved and engaged on full-time basis. Our interpretation of full-					

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		time has a bearing on time availed for the entity as and when the regulating framework and the Managing Director so require. Full-time basis does not translate into consultation on daily basis. iv) Involvement in daily management and operations of the entity In the sector, the prayer for full-time basis as may be lodged with MEC in the case of the members of Municipal Councils or with the shareholders in the case of a municipal entity, is related to more time availed, and not amendment of the area of responsibility from oversight to management. In particular, management functions are duly performed by the Managing Director and Directors reporting directly to him or her. Therefore, irrespective of the sub-functions extracted from the provisions of section					

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		93H of the Local Government: Municipal Systems Act 32 of 2000, the chairperson of the Board shall not be proclaimed and/or proclaimable as the executive director. v) Executive board member In the said provision of the Municipal Systems Act, in particular, section 93E (1), members of the board are referred to as non-executive directors and the chairperson is non-executive chairperson. The functions of the chairperson may not, inadvertently or otherwise, amend the provisions of this legislation. It would also be irregular for shareholders to proclaim chairperson as full-time with the intention to achieve a legislative amendment, and any form of memorandum presented by the Managing Director before the					

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		shareholders may not be construed as effecting an amendment. vi) Employment term is on a full-time basis The term of the members of the board, including its chairperson, is three years, subject to proclamation by shareholders on whether it is full-time or part-time basis. Therefore, this implies that a full-time or part-time basis is a secondary proclamation, and by its nature, it is volatile. Therefore, there is no guarantee in that the chairperson will be full-time for the whole term for contextualization in the manner depicted by the query. a) No PAYE deducted on remuneration (i) Treatment of members of the board as political office-bearers					

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		During the period of consultation with National Treasury on the matter of a guideline for board remuneration, we could not abstract an understanding of classification of board members as political office-bearers. If they were political office-bearers, we would have zoomed into the gazette which was presented to the shareholders as an annexure to the memorandum referred to herein, and proposed that the board be remunerated as would have been provided. But, they are not political office bearers. In order for the Board of Directors to be classified as political office-bearers, we must find them contained in the definition of Remuneration of Public Office Bearers Act 20 of 1998, which in its current form reads as follows –					

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		" Office bearers" means a Deputy President, a Minister, a Deputy Minister, a member of the National Assembly, a permanent delegate, a Premier, a member of an Executive Council, a member of a provincial legislature, a traditional leader, a member of a provincial House of Traditional Leaders, a member of the Council of Traditional Leaders and a member of a Municipal Council". (ii) Reference to board chairperson as the employee in terms of income Tax Act For the purposes of establishing whether a person is an employee or non-employee, we ordinarily utilize the definition contained under section 200 of the Labour Relations Act 66 of 1995, which was promulgated to deal with matters of this nature. In this case, we may not regard the chairperson					

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		of the board as an employee, irrespective of the provisions of the Income Tax Act. The above paragraph shall be read with provision 3.2 of the guide called "Binding General Ruling (Income Tax) 40 which provides as follows – "SARS accepts that the nature of the duties of an NED mean that NEDs are not common law employees. The only way that an NED would be subject to employees' tax is if the so-called statutory tests apply. These tests provide that, notwithstanding that an amount may have been paid in respect of services rendered to a person carrying on an independent trade, the recipient is deemed to be an employee if two requirements have been satisfied: the "premises" test; and the "control or supervision" test. The tests operate as follows:					

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		(a) Under the premises test, the services must be performed mainly at the premises of the client. “Mainly” in this context means a quantitative measure of more than 50% (b) Under the “control or supervision” test, either control or supervision must be exercised over one of the following: (i) The manner in which the duties must be performed; or (ii) The hours of work. It is only if both tests are satisfied, (that is, both the premises test, and the control or supervision test) that the recipient is deemed to not be carrying on an independent trade, and will thus be receiving “remuneration” for employees’ tax purposes. If only one of these tests is satisfied, or neither, the deeming rules will not apply”.					

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		If an NED is not deemed to be an employee, and is not a common law employee, the amounts payable to such NED will not be "remuneration." Reference to the chairperson as an executive board member is less correct. Moreover, the chairperson is not appointed on a permanent basis. He is only full-time, and not permanent. c) VAT charged on remuneration and invoice in the name of the private company. Subsequent to passing of the resolution on full-time basis of the chairperson by the shareholders, the chairperson made a declaration to the Managing Director that in view of SARS guidelines in this regard, we would be required to be compliant on VAT.					

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		As the accounting officer, I was not clear on the eligibility of a person to charge VAT in the personal capacity. Therefore, our view was that the avenue of the chairperson charging VAT through a company was appropriate on the basis that VAT must be lawfully declared to SARS and it [VAT] belongs to the state, and not the chairperson of the Board. Considering the provisions of VAT QUICK REFERENCE GUIDE: NON-EXECUTIVE DIRECTORS: ISSUE 3, we shall engage the chairperson on registration in personal capacity, and thereafter effect due reconciliations. The engagement with the chairperson will also be in the spirit of issue 2 on FREQUENTLY ASKED QUESTIONS ON BGRS 40 AND 41: NON-EXECUTIVE					

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		DIRECTORS which are providing that Question When determining if I exceed the compulsory VAT registration threshold, must I only take into account NED fees earned Answer No, you must add together the value of all taxable supplies of goods or services made in the course or furtherance of all your enterprises that you conduct as a sole proprietor. For example, if, in addition to your NED fees for serving on the board of a company, you also supply forensic accounting services to other clients in the normal course of conducting an enterprise as a sole proprietor, then you need to add the total value of NED fees and the total value of service charges from the forensic accounting business together. The resultant total value of					

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		income from taxable supplies in a 12-month consecutive period must then be compared to the R 1 million compulsory VAT registration threshold to see if you have to register					
Contingent liability not disclosed in the annual financial statements.	Management should make the necessary disclosure in the annual financial statements to recognise the contingent liability in accordance with GRAP 19.	Management agrees with the finding. However, it provides the following discussion: The basis for not disclosing this as a contingent liability is because the entity has sufficiently responded (through an answering affidavit) to the notice received from the Applicant. The Applicant should have responded back through an affidavit but did not. As communicated to AGSA through management and the uThukela Water`s Attorney in this case, the Applicant is out of time for the filing his replying affidavit as he has failed to file the affidavit within the prescribed period. He has also not set the case own. And		M I Khoza Company Secretary			The disclosure was corrected on the adjusted AFS.

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		therefore, the current status of the case is that it is discontinued and dormant. The probability of where the case may fall is immaterial as the case itself is not continuing. Needless to say that as in any other legal case, the law affords the Applicant to elect to at a later stage apply for condonation for the late filing of his affidavit or setting the matter down. Should that happen, whether after 6 months or 3 years, the necessary disclosure will be made then.					
Audit committee – required number of meetings not held	Management should ensure that the audit committee charter is updated and that the audit committee meets the minimum times each financial year in accordance with the requirements of the MFMA.	Management agrees with the audit finding.	AC meetings: Quarterly meetings and other needs-based meetings will duly be convened onwards. In fact, two meetings were held in August 2023 in order to close the gap created by not meeting 3 times in 2022/23.	M I Khoza Company Secretary	Quarterly		

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			AC charter review: The review of the AC charter will be done soon after the appointment of new AC members.				
Audit committee members not rotated.	Management should ensure that they rotate the audit committee members once their six-year term has elapsed.	Management agrees with the finding	Appointment of AC members: The entity has identified this shortcoming and has already advertised for the appointment of a new audit committee. The entity plans to appoint the new audit committee on 27 September 2023 at its annual general meeting.	MI Khoza Company Secretary	October 2023	Complete	
Directors not updated on CIPC	Management should update the entity's directors' information to reflect the current directors on CIPC.	Management agrees with the finding. However, it is noted that the legal reference on which the finding is	Directors amendment on CIPC.	MI Khoza Company Secretary	31/03/2024		

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		based is applied inappropriately. There is no provision in the Companies Act 71 of 2008 that the entity is required to update its directors with the CIPC. The cited Section 70(6) of the Companies Act does not make any reference of the CIPC, it states that "*every company must file a notice within 10 business days after a person becomes or ceases to be a director of the company.*" It does not indicate where should the 'notice' be filed					