



ANNUAL REPORT

OVERBERG WATER BOARD



2021/22

“There was
never a night or
a problem that
could defeat
sunrise or
hope”.

Author unknown





Overberg Water Board in South Africa

LETTER FROM THE ACCOUNTING AUTHORITY

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

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

Dear Honourable Minister

On behalf of the Overberg Water Board, it is with pleasure that we present to you Minister the 2021/22 Annual Report of the Overberg Water Board for the year ended 30 June 2022.

A handwritten signature in black ink, appearing to be 'M. J. ...', written over a horizontal line.

Yours faithfully

ACCOUNTING AUTHORITY



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OVERBERG WATER STRATEGY

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

STRATEGIC POSITION:

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

STRATEGIC ACTIONS

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

IMPLEMENTATION OF STRATEGIC POSITIONS

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

GOVERNANCE

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

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

NAME	GENDER	ROLE	COMMITTEE
Mr Razeen Benjamin	Male	Board Chairperson	Human Resources, Remuneration and Ethics
Ms Ina Elizabeth du Bruyn	Female	Board Deputy-Chairperson	Operations and Infrastructure
Mr Petrus Matji (resigned 31 March 2022)	Male	Committee Chairperson	Operations and Infrastructure
Ms Sipiwe Doris Mayinga	Female	Committee Chairperson	Human Resources, Remuneration and Ethics
Dr Nandipha Madiba	Female	Member	Audit, Risk and Business Strategy
Mr David Lefutso	Male	Committee Chairperson	Audit, Risk and Business Strategy
Prof Gregory Jerome Davids	Male	Member	Human Resources, Remuneration and Ethics
Mr Sikhumbuzo Eric Nene	Male	Member / Committee Chairperson	Operations and Infrastructure
Ms Lerato Seripe	Female	Member	Audit, Risk and Business Strategy
Dr Phakamani Buthelezi	Male	Chief Executive Officer	Ex-officio

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

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

stated, Board Charter provides a framework for fiduciary duties, responsibilities, and overall functioning of the Board. The Board Charter must be read in conjunction with:

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

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

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



THE BOARD MEMBERS



Mr Razeen Benjamin

GENDER: MALE
ROLE: BOARD CHAIRPERSON

COMMITTEE: Human Resources,
Remuneration and Ethics



Ms Ina Elizabeth du Bruyn

GENDER: FEMALE
ROLE: BOARD DEPUTY-
CHAIRPERSON

COMMITTEE: Operations
and Infrastructure



Mr Petrus Matji

GENDER: MALE
ROLE: COMMITTEE
CHAIRPERSON

COMMITTEE: Operations
and Infrastructure
(resigned 31 March 2022)



Ms Siphwe Doris Mayinga

GENDER: FEMALE
ROLE: COMMITTEE
CHAIRPERSON

COMMITTEE: Human Resources,
Remuneration and Ethics



Dr Nandipha Madiba

GENDER: FEMALE
ROLE: MEMBER

COMMITTEE: Audit, Risk
and Business Strategy



Mr David Lefutso

GENDER: MALE
ROLE: COMMITTEE
CHAIRPERSON

COMMITTEE: Audit, Risk
and Business Strategy



Prof Gregory Jerome Davids

GENDER: MALE
ROLE: MEMBER

COMMITTEE: Human
Resources, Remuneration
and Ethics



Mr Sikhumbuzo Eric Nene

GENDER: MALE
ROLE: COMMITTEE
CHAIRPERSON

COMMITTEE: Operations
and Infrastructure



Ms Lerato Seripe

GENDER: FEMALE
ROLE: MEMBER

COMMITTEE: Audit, Risk
and Business Strategy



Dr Phakamani Buthelezi

GENDER: MALE
ROLE: CHIEF EXECUTIVE
OFFICER

COMMITTEE: Ex-officio

A STRATEGIC OVERVIEW

OUR VISION

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

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

MISSION STATEMENT

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

The Mission is:

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

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

Overberg Waters' current area of operation is within the Overberg Region and certain areas of the Western Cape Province by taking care of various facilities belonging to the Department of Correctional Services. The Entity is grateful for having been given the contract by the Department of Public Works & Infrastructure to manage such facilities. The appointment was in line with the Entity's Growth Path Initiatives. The intention is to grow not only for revenue and geographical expansion purposes but to make water and services more affordable due to the economies of scale. Water access is intergrated with the overall socio-economic endeavours.

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

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

Therefore, this 2021/22 Annual Report presents both the performance and financial information. The ultimate objective is to continually transcend the expectations.



STRATEGIC OVERVIEW

VISION

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

MISSION

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

VALUES

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

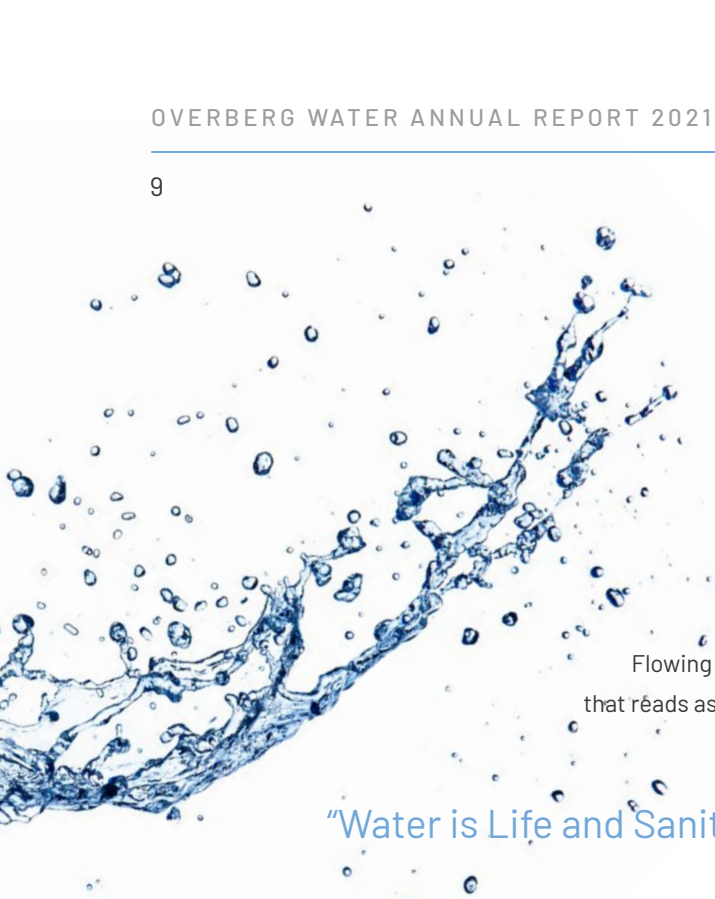
BUSINESS SOLUTIONS

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

OUTCOMES

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





THE OVERBERG WATER BOARD

INTRODUCTION

Flowing from the Department of Water and Sanitation motto that reads as follows:

“Water is Life and Sanitation is Dignity”

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

BACKGROUND

There are nine national water boards offering essential water services to the end users. Overberg Water Board is one of those water boards which not only offer water services but exist to advance the South African Constitution insofar as water access is concerned. The Overberg Water Board was established in 1993 with the amalgamation of Duivenhoks and Ruensveld water boards. The Overberg Water Board is one of the national water public entities under the Department of Water and Sanitation (DWS). It also exists to complement the work of the Department and primarily supports the Minister as the shareholder. It is a water board providing bulk water services in terms of the Water Services Act

108 of 1997 and is subjected to a number of applicable laws such as the Constitution, the National Water Act 36 of 1998, Public Finance Management Act 1 of 1999. Overberg Water discharges its services by placing its customers ahead of the delivery menu. It has a long history of service delivery and placing customers in the forefront since its inception. Overberg Water has been a pillar of hope to its customers in terms of the quality of drinking water. The Head Office of OW is situated in Somerset West which is approximately 40 km from the Cape Town CBD and 30 km from Cape Town International Airport. It also has three water schemes functioning as satellite offices, these are Ruensveld West in Caledon;

Renesveld East in Swellendam and Duivenhoks in Helderberg.

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

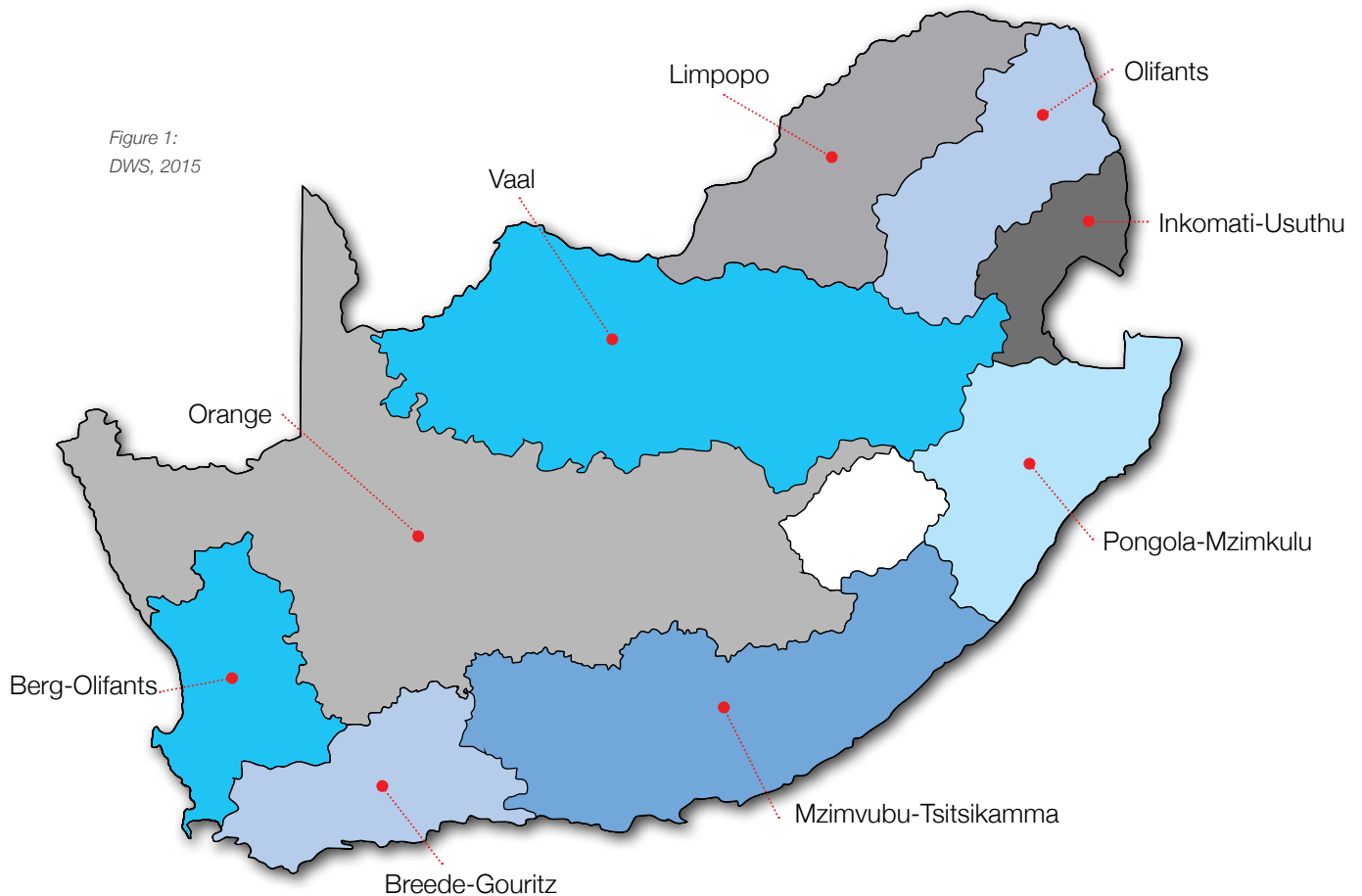


Figure 1: SA Water Management Areas

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

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



JURISDICTIONAL AREA

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

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

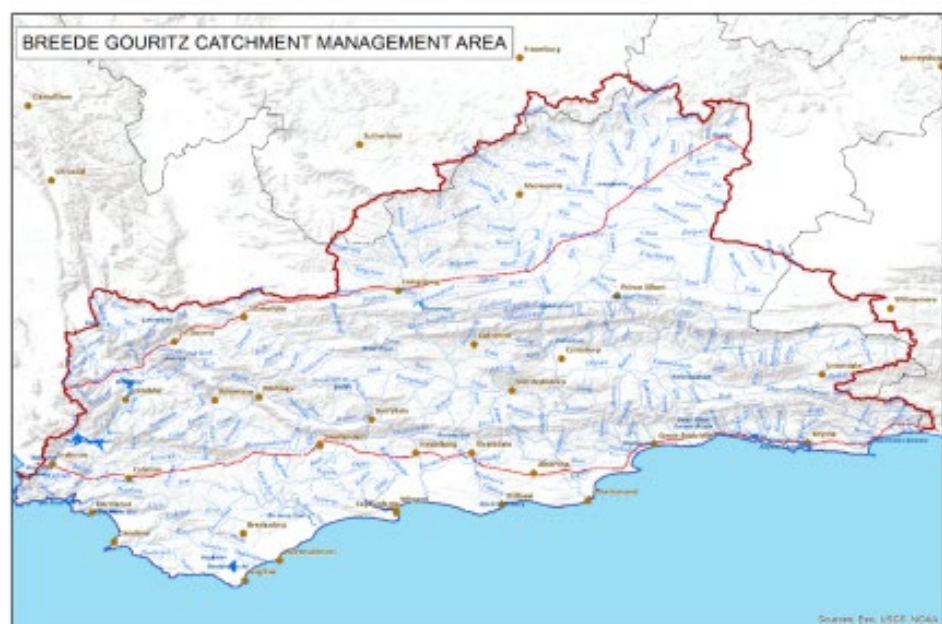


Figure 2: Map of Overberg Catchment Management Area

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

Considering that OW intends developing its growth path and in line with its vision that states the following: "To become the leading regional water utility providing sustainable and competitive water & sanitation services", it stands to reason that knowing the rainfall patterns of the WMA is relevant for planning purposes. This will support OW in increasing its footprint through the Western Cape region and beyond. According to BGCMA (2015) the rainfall patterns have, however, changed in the last few years, with the continuation of a severe drought in the central Gouritz area and more recently within the Breede and Overberg areas. The rainfall patterns are depicted in the Seasonal Precipitation Index Maps supplied by the Agricultural Research Commission (Figures 3 and 4).

The Breede-Gouritz Water Management Area has widely varying precipitation levels which range from 160mm in the northern, more inland parts of the WMA to more than 3 000 mm in the high mountainous regions of the Hottentots Holland with Franschoek water dividing between the Berg and Breede water management areas (WMAs).

The average rainfall over the Breede area is 200 mm, Overberg 400 mm, Gouritz Coastal 600 mm and Klein Karoo / Great Karoo 150 mm. The Great Karoo and Olifants River catchment regions are classified as a very late summer rainfall region with a large proportion of annual precipitation falling between March and May as well as in October through storm events. Most of the rain in Breede Valley falls between the months of May and August. Parts of the Southern Coastal parts of the Gouritz WMA tend to experience all year-round rainfall.

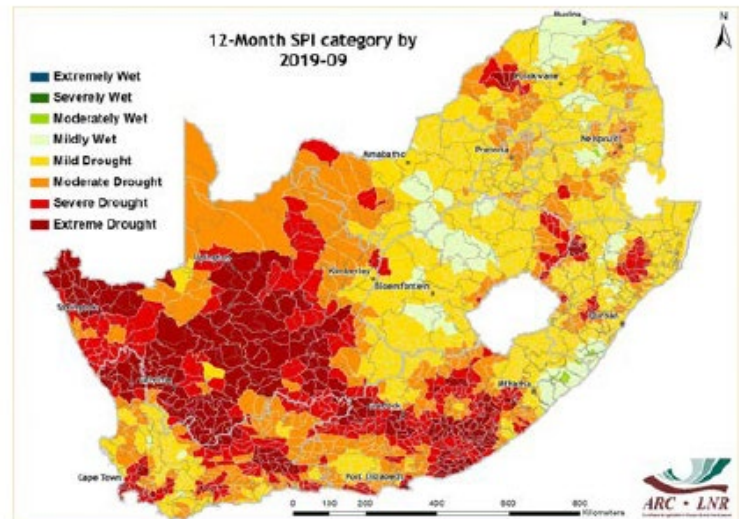


Figure 3: 12 month Seasonal Precipitation Map

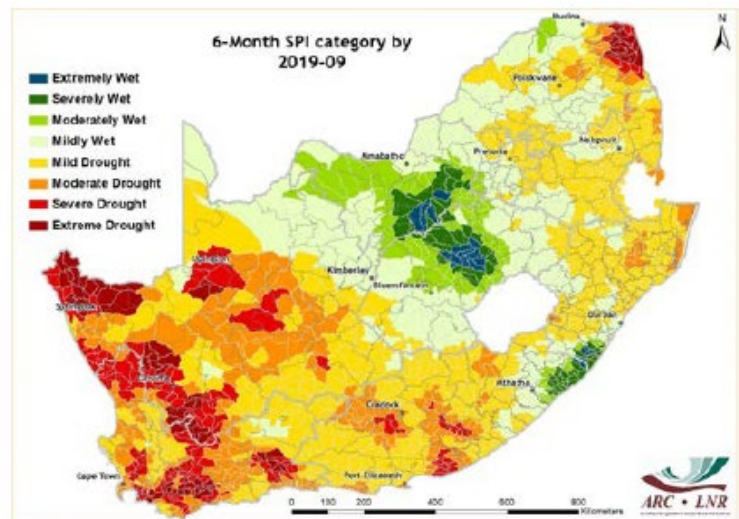


Figure 4: 16 month Seasonal Precipitation Map

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

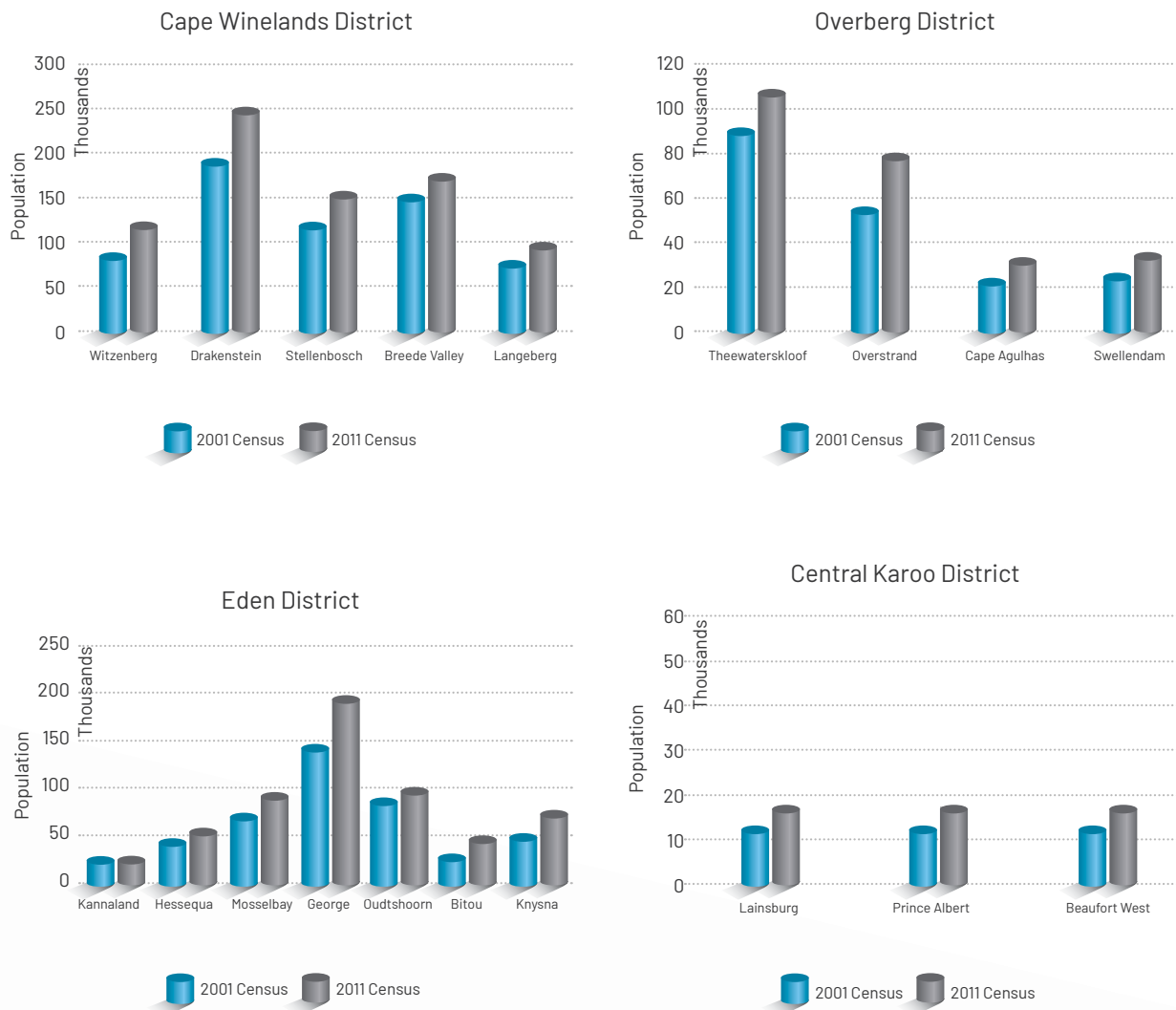


Figure 5: Population indicative growth in districts of OW



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



Figure 6: Structure showing the environment of the OW

OVERBERG WATER LEGISLATIVE MANDATE AND PERFORMANCE

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

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

BUSINESS ACTIVITIES OF OVERBERG

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

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

WATER RESOURCES

WATER AVAILABILITY – CATCHMENT AREAS

Overberg Water has two primary sources of water impoundments, namely the Theewaterskloof Dam and Duivenhoks Dam. Each impoundment feeds two separate river systems, the Riviersonderend and Duivenhoks River respectively. Table 1 highlights the capacities of the water resources, including the owners and managers of the impoundments.

Table 1: Major dams feeding two schemes of OW

Dam	River	Current Level (%)	Last Year's Level (%)	Notes	
Duivenhoks	Duivenhoks River	94.0	98.9	Supplies to Heidelberg and surrounding agricultural users	
Theewaterskloof			Riviersonderend	26.6	40.0
				Supplies to Caledon, Proteem, Klipdale and surrounding agricultural users	

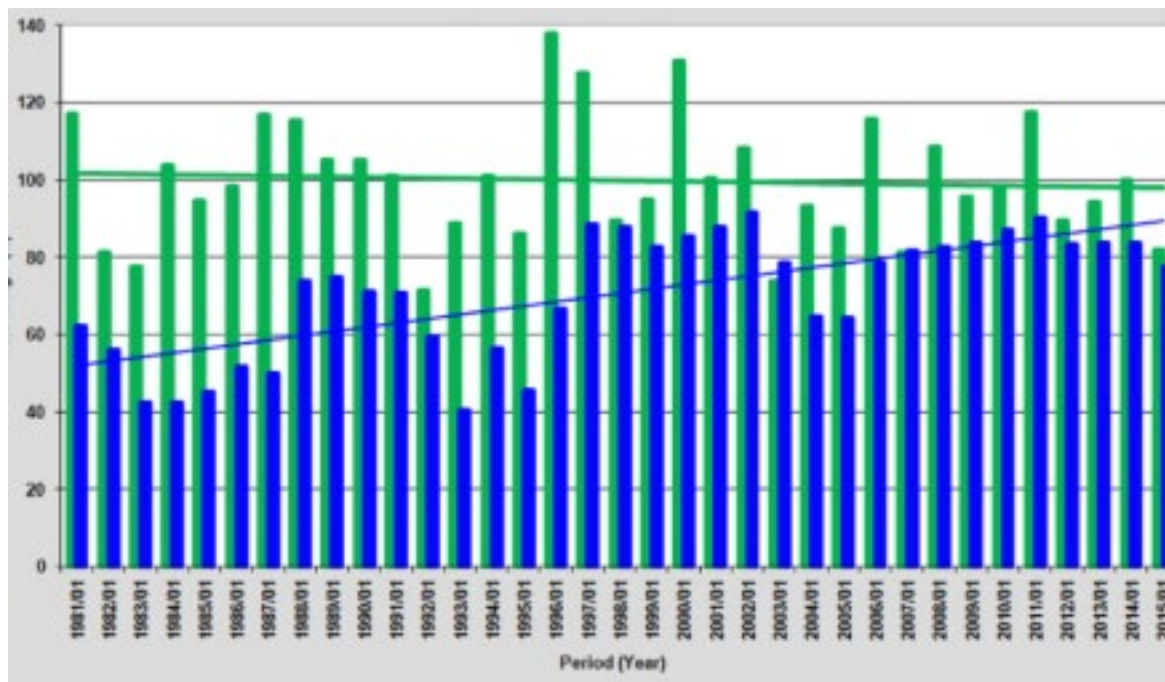


Figure 7: Rainfall and storage percentage trend since 1980

Source: DWS (2017)

RAW WATER QUALITY

The quality of raw water remains a challenge throughout the region, particularly at the source and catchment. The raw water quality status of each source/catchment is determined by comparing key determinants against Overberg Water's quality criteria for each water supply catchment. Table 3 overleaf provides an overview of the quality of raw water over the years.



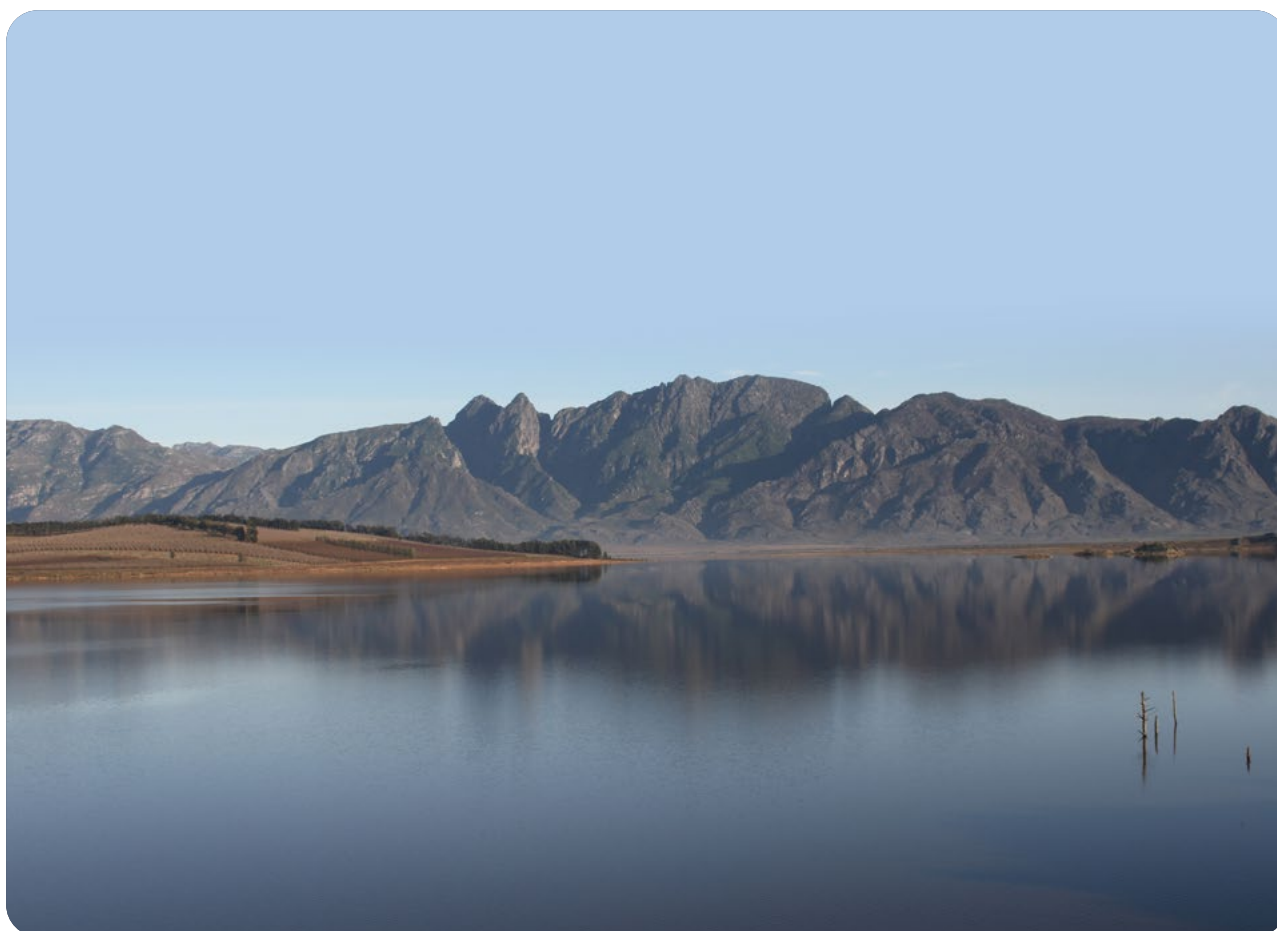
Further discussions with the Catchment Management Agencies (CMAs) will be explored to improve the quality of water sources.

Table 2: Capacity of water resources

Geographical Area	System	Catchment	Impoundment	River	Owner	Manager	Gross Capacity (million m ³)
Overberg Region	Rûensveld-Wes	Breede-Gouritz	Theewaters-kloof Dam	Sonderend	DWA	BGCMA	479.3
	Rûensveld-Oos	Breede-Gouritz	Theewaters-kloof Dam	Sonderend	DWA	BGCMA	479.3
	Duiwenhoks	Breede-Gouritz	Duiwenhoks Dam	Duiwenhoks	DWA	BGCMA	6.2
	Total for Water Systems						964.8

Table 3: Raw water quality

Geographical Area	System	Catchment	Impoundment	Water Quality status			Description of Raw Water Quality Problem
				2020	2021	2022	
Overberg Region	Rûensveld-Wes	Breede-Gouritz	Theewaters-kloof Dam	Good	Good	Good	Eutrophication with occasional high turbidity
	Rûensveld-Oos	Breede-Gouritz	Theewaters-kloof Dam	Moderate	Moderate	Moderate	Eutrophication with occasional high turbidity. High conductivity. High organic matter, exacerbated by the rapid floods
	Duivenhoks	Breede-Gouritz	Duivenhoks Dam	Good	Good	Good	Eutrophication with occasional high turbidity



WATER RESOURCE ASSURANCE AND SUPPLY SECURITY PER WATER SERVICES AUTHORITY

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

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

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

near accessible surface water sources such as rivers and dams.

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

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

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

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

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

OVERSTRAND MUNICIPALITY

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

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

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

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

from the Berg River / TWKD in terms of capital down payment.

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

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

Overstrand Water would construct a new receiving reservoir near Fisherhaven/ Hawston and Overstrand Municipality would purchase the water at an agreed tariff at the inflow to the new reservoir and distribute to their network to service the Greater Hermanus Area. The layout of the proposed scheme is reflected in the Figure 8 below.



Figure 8: Greater Hermanus bulk water provision proposal

HESSEQUA MUNICIPALITY



Figure 9: Hessequa Municipality

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

and Hessequa Municipality and aid in the discussions on future water supply infrastructure planning.

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

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

Stilbaai is currently supplied by groundwater and the Olive Grove Dam while Jongensfontein is supplied from springs. Although Stilbaai

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

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

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

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

DUIVENHOKS CANAL

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

Forty to fifty percent of the water stored in the Duivenhoks dam is lost due to the leakage in the canal when water is conveyed in the old canal system to the irrigation fields. The amount of leakage is estimated at between 1,53 million m³/a (30%) and 2,55 million m³/a (50%) of the canal flow. Water is the economic driver in the agrarian community of Heidelberg and these

water losses are the reason that the agricultural potential of the 1270 h of irrigation lands is not farmed to its full potential. The combined future water needs for irrigation and domestic (towns and rural) use in 2030, according to the Reconciliation Strategy for the area, ranges from 8,315 million m³ / annum to 9,815 million m³ / annum. While the total irrigation water allocation from the Duivenhoks water system is only 7,638 million m³ / annum, a shortfall of at least 0.680 million m³ / annum which cannot be increased given the constraints on the dam. A feasibility study was conducted in 2016, recommending a gravity pipeline be constructed from the Duivenhoks dam to the town of Heidelberg. Overberg Water, situated between these two points, will be able to draw water from this pipeline that is much cleaner than the current

form. This should save significant purification costs and lead to less water being wasted through natural river flow. The study recommends the construction of a pipeline made up of various pipe sizes ranging between 800 mm ductile iron and 50 mm uPVC. The total cost of the project is estimated at R195 million (incl VAT) of which Overberg Water intends becoming a funding partner. While the funding model is still being finalised, Overberg Water believes the realisation of this project should bring about much more sustainable water use practices along the Duivenhoks Water Supply System, especially considering current water supply challenges. Long-term benefits include less water wasted, increased crop production, lower purification costs and better water management overall.

KANNALAND MUNICIPALITY

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



CAPE AGULHAS MUNICIPALITY

Cape Agulhas Municipality already has an agreement with Overberg Water for bulk water supply from the Rûensveld East WSS to the settlements of Proteem, Klipdale, and the

supplemented from a local borehole. No significant water demand growth is expected in Klipdale and Proteem; however, it can be expected that a reasonable growth in demand in Arniston can be expected due to tourism and the development of low-cost housing that is underway at present, and it would make sense to increase Overberg Water's capacity to supply this demand.

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

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

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

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

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



town
of Arniston.

Protem and Klipdale are totally reliant on Overberg Water's supply while Arniston's water is

THEEWATERSKLOOF MUNICIPALITY

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

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

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

LANGEBERG MUNICIPALITY

Langeberg Municipality is considered too far away for expansion of the existing Overberg Water infrastructure; however, further discussion with the Langeberg Municipality will be required to identify

possibilities for the development of new bulk water scheme where Overberg Water could play a role in the development of the infrastructure or through the provision of institutional support.



SWELLEN DAM MUNICIPALITY

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

EXISTING WATER USE RIGHTS, LICENCES BY RESOURCE

Overberg Water's registered abstractions and licence applications are shown in Table 4.

Table 4: Greater Hermanus bulk water provision proposal

System	Abstraction Point	Registered Abstraction (m ³ /year)
Rûensveld-Wes	Sonderend River	1 914 000
Rûensveld-Oos	Sonderend River	897 000
Duivenhoks	Duivenhoks River	1 232 000

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

FUTURE WATER USE RIGHTS, LICENCES BY RESOURCE REQUIRED

With Overberg Water's trajectory having changed toward growing its footprint strategically, several new opportunities or potential growth areas have been identified. Firstly, the schemes operated and owned by Overberg Water will require the future abstraction and licence requirements based on the future expansion and growth scenarios (see Table 5 below). For the future schemes or opportunities, it is envisaged that strategic stakeholder engagements need to be complete with the Municipalities and DWS. The future abstraction and licence requirements will need to be determined as and when such needs or schemes are required. Table 5 below indicates the future licence and abstraction requirements that need approval by DWS and the respective CMAs.

Table 5: Future water use rights by resources required

System	Abstraction Point	Registered Abstraction (m ³ /annum)	Future Abstraction & Licence requirements and approvals by DWS (m ³ /annum)*
Rûensveld-Wes	Sonderend River	1 914 000	3 680 568
Rûensveld-Oos	Sonderend River	897 000	1 745 424
Duivenhoks	Duivenhoks River	1 232 000	2 086 920

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

WATER DEMAND OF MAJOR CONSUMERS BY RESOURCE

With the view towards growing its footprint, Overberg Water has identified several major potential consumers based on the growth and allocation requirements. Tables 6 to 8 gives a breakdown of Overberg Water's existing major consumers and the future major consumers where the additional potable water will be distributed. Overberg Water will therefore engage the major consumers when the necessary water licenses are approved, so that new Service Level Agreements are established to provide the revised or new allocations.

Table 6: Existing Major Consumers

Existing: Major Consumers				
System	Catchment	Impoundment	Major Consumers	Total Allocation - m3/annum
Rûensveld-Wes	Breede-Gouritz	Theewaterskloof Dam	TWK	2 409 000
Rûensveld-Oos	Breede-Gouritz	Theewaterskloof Dam	Cape Agulhas	91 250
Duivenhoks	Breede-Gouritz	Duivenhoks Dam	Hessequa	892 425

Table 7: Future Major Consumers

Future: Major Consumers				
System	Catchment	Impoundment	Major Consumers	Total Allocation - m3/annum
Rûensveld-Wes	Breede-Gouritz	Theewaterskloof Dam	TWK	3 381 953
		Theewaterskloof Dam (Berg River Scheme)	Overstrand	7 300 000
Rûensveld-Oos	Breede-Gouritz	Theewaterskloof Dam	Cape Agulhas	139 582
Duivenhoks	Breede-Gouritz	Duivenhoks Dam	Hessequa	1 249 098

Table 8: Water dams of major consumers by resource

Future: Major Consumers - Dependent on engagements with Municipalities and DWS				
System	Catchment	Impoundment	Major Consumers	Total Allocation - m3/annum
New Scheme - West Coast	Breede-Olifants	Groundwater Sources / Clanwilliam Dam	WDC LM	930 000
New Scheme - Klein Karoo	Breede-Gouritz	Groundwater Sources	Oudtshoorn LM & Kannaland	1 860 000

KEY PRIORITIES FOR OVERBERG WATER

1. STRATEGIC PROGRAMMES

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

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

The abovementioned programmes are translated into the following **strategic goals**:

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

2. ALIGNMENT WITH GOVERNMENT

The OW's mandate and functional responsibilities are aligned to achieve and support the strategic priorities of the Department of Water and Sanitation that are aligned with the 14 Outcomes of National Government. Table 9 Alignment of OW strategic objectives with those of National Government below shows the alignment.



Table 9: Alignment of OW strategic objectives with those of National Government

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

Table 9 illustrates that OW's Corporate Plan as informed by the operating business environment as reflected in the National Development Plan, the fourteen Government Strategic Outcomes of Government and Pertinent Outputs cascading to the Executive Authority, the National Development Plan (NDP) 2030, the Medium-Term Strategic Framework and the DWS National Water Resources Strategy (NWRS II, 2013), key focus areas being the DWS' five-year Strategic Plan and Annual Performance Plan.



Figure 10 Area of supply

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



FOREWORD FOR 2021/22 BY THE HONOURABLE MINISTER OF WATER AND SANITATION

Overberg Water is one of the entities within the Department of Water and Sanitation. It was established in 1993 to provide water to customers. Overberg Water has evolved from a disclaimer to a set of unqualified audit opinions. There is no doubt that over the years the Entity has been working hard in improving its internal control systems including the overall organisational performance. The improvements yielded the following results:

FINANCIAL YEAR	AUDIT OUTCOME
2015/16	Disclaimer audit opinion
2016/17	Qualified audit opinion
2017/18	Unqualified audit opinion
2018/19	Unqualified audit opinion
2019/20	Unqualified audit opinion
2020/21	Unqualified audit opinion
2021/22	Unqualified audit opinion

The results shown were due to the new Board that started on 01 April 2019 and the new executive management that started mid-2017 supported by the Entity's overall staff. The work of the new executive management team and the new board is acknowledged for such a change of direction. The Ministry and the Department are expecting more from the Entity.

In recent months, the Entity has experienced a myriad of water supply interruptions. These were due to ageing infrastructure, funding constraints and technical challenges. While the challenges remain my concern, I am satisfied with the Entity's intervention plan and the support from my Department there would be tangible results. The results must completely reduce any water supply interruptions, non-revenue water and improve the financial performance of the Entity. The Department of Water and Sanitation is fully committed to supporting the

Entity. The Entity is unique in a sense that it also provides water directly to individual farmers who are a dominant economic component of the Overberg Region.

The water is used for agro-processing and related activities. Water supply must always be made possible.

As part of strengthening the Entity, I have since directed Overberg Water to transcribe its growth plan initiatives to a written growth plan, which it is to submit in due course. In addition, I have directed my Department to do all that is humanely possible to support Overberg Water towards achieving its growth plan initiatives. The ultimate destination is to support Overberg Water in achieving its growth path initiatives which are geographically, and revenue determined. However, the first focus must be on existing infrastructure challenges.

In addition to individual farmers, Overberg Water provides bulk drinking water to its municipal customers, namely the Theewaterskloof and Hessequa Municipalities. Thus, the Entity must continually take its stakeholders on board and improve its communication with all the affected and interested parties.

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



SENZO MCHUNU, MP
MINISTER OF WATER AND SANITATION



THE ACCOUNTING AUTHORITY REPORT

Introduction

The 2021/22 financial year was another year that built OWB history. History is about the whole series of past events connected to a particular thing. Hence our history has been characterised by eventful challenges such as inability to timeously submit the audited annual financial statements before the current board and executive management. In maintaining its internal controls, the Entity managed to obtain an unqualified audit opinion for the 2021/22 financial year. However, 2021/22 has experienced a regression due to the CFO's resignation. The CEO and the Board are working hard to retain our clean audit statements. The main focus is now on ensuring sustainability of water supply by addressing the issues relating to ageing infrastructure.

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

Intention

The intention as the financial years progressed was visible changes aimed at strengthening the Entity so that the Board left no stone unturned. The Board only came

into being in April 2019 and had managed through working with the Chief Executive Officer with his Executive Management to continually improve our internal controls and more importantly the focus was on growing the business both in revenue and geographical terms.



Thus, the 2021/22 financial year is indeed another year for gradual improvements at Overberg Water. Nevertheless, the strength and might of the Board made it possible for the Entity to move forward. Today, Overberg Water Board is one of those water boards that has proven that through determination and purposeful unity there was no hill that was impossible to climb. The intention of this 2021/22 Annual Report other than showing what was achieved or faced as challenges and opportunities is to further demonstrate that the Overberg Water Board is ready to cover the entire Western Cape Province and beyond. Hence, through this report one will realise that the Entity might be small but its focus has been gigantic. From 2015/16 up to now the focus has been mainly on compliance including intensifying organisational internal controls. The 2021/22 audit outcome as pronounced by the Auditor-General is unqualified audit with material findings on non-compliance. Overberg Water remains committed to its trajectory road of improvement.

There is still room for improvement in certain areas such as in the management of our asset and infrastructural development. The current management team and employees are continually working in a collective approach towards growing the Entity. There is no doubt that water supply remains our priority and a challenge.

Commitment

There is no doubt that Overberg Water is continually committed to the improvement of its service delivery record, hence, it has noted the challenges engulfing the financial years from 2015/16 to the year under review. It was not only about noting but profoundly developing an Action Plan dealing with all the issues raised in the Auditor-General Report of 2015/16. The same Action Plan has amongst other things improved the audit opinion from a disclaimer in 2015/16, qualification in 2016/17, unqualified audit opinion in 2017/18 and unqualified audit opinion in 2018/19, unqualified audit opinion in 2019/20, a clean audit in 2020/21 and unqualified audit opinion in the 2021/22 financial years. Furthermore, key appointments were made as well creating additional posts to address the technical skills deficiencies. The Chief Executive Officer was appointed as from 01 January 2018 and the Chief Financial Officer as from 15 March 2018 but he resigned in August 2022. In addition, a number of key positions were filled as part of strengthening the Entity.

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

Challenges

All entities provide their own challenges. OWB has its own set of challenges, which are being attended to and with the support of the Department of Water &

Sanitation there is every reason to be confident about the future of the Entity. The entire Overberg Water staff is determined to see successes and the Entity reclaiming its rightful place as the leading water services provider in the region. Everyone at Overberg Water recognises that an old African proverb is still relevant and applicable even now. The proverb without any ambiguity states that *ingwe idla ngamabala*. This can be loosely translated to mean the leopard shines through its spots. In other words, success does not grow on trees but one works for it. The taste of the pudding is to continuously receive unqualified audit opinions. The Entity has retained a record of unqualified audit opinion for the past consecutive years and is yet to fully achieve its Growth Path initiatives. It remains a challenge to create the Entity that services the Cape Region and beyond. The current Board is fully behind the challenge and believes in it.

Accountability

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

State of Governance

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

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

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

Sustainability

Most organisations and entities strive for sustainability. Overberg Water is one of those entities that are striving for sustainability, firstly in terms of financial sustainability, secondly, in terms of operational sustainability and thirdly, in terms of ecological / environmental sustainability. Of course, sustainability without complementary infrastructure would forever remain a pipe dream. Therefore, one of the Boards intentions was to develop an infrastructure plan that supports sustainability. In addition, the Entity developed its first ever Intervention Plan as part of its remedial actions. The focus was to address every infrastructure related matter.

Conclusion

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

A further word of thanks goes to the Theewaterskloof and Hessequa Municipalities including our agricultural customers for being interested in working with Overberg Water. They made themselves available to co-operate despite the challenge.

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



CHAIRPERSON OF THE BOARD
RAZEEN BENJAMIN

CHIEF EXECUTIVE OFFICER REPORT

TEAMWORK IS KEY TO MAKING A DIFFERENCE

Introduction

The evolutionary change since 2015/16 to 2021/22 financial years keeps on reminding us that without teamwork, change is impossible. Since then, every financial year is characterised by unqualified audit opinion. The outcome is due to a culture of teamwork focusing on making a difference organisationally and improving externalised performance. The latter is about making sure that the mandate is competently discharged



and is customer orientated. During the last financial years of 2021/22 the pre-occupation was to ensure that water supply remains on the agenda. As such the Intervention Plan was developed as a campus addressing all issues that are immediate to meet expectations. In the end, water must remain in the pipeline.

Financial Year	Audit Outcome	Representation	Remarks
2015/16	Disclaimer	Red circle	AFS not timeously submitted due to internal challenges and no audit concluded as per prescribed timeframes. Not all records were available for auditing purposes
2016/17	Qualified audit	Purple circle	AFS not submitted on time due to internal challenges. A lot of work was done addressing internal control deficiencies
2017/18	Unqualified audit	Yellow circle	AFS were submitted on time but due to the previous backlog no audit could be performed while still auditing the previous financial year. A lot of work was done addressing internal control systems.
2018/19	Unqualified audit	Yellow circle	AFS submitted on time and audit commenced on time. The focus was on internal controls continual improvements and enhancement.
2019/20	Unqualified audit	Yellow circle	The AFS and Performance Information were submitted on time. However, the Office of the Auditor General informed the OWB that due to COVID-19 the audit end date is 31 January 2021.
2020/21	Unqualified audit with no findings – clean audit	Green circle	There were no material findings either in the AFS or performance information due to the hard work of the Board, Executive Management, Senior Management and staff.
2021/22	Unqualified audit	Yellow circle	The AFS and Performance Information were submitted on time. However, the Office of the Auditor-General informed the OWB that due to its capacity constraints the audit will be delayed and that every effort shall be made to conclude it within a reasonable period.

The above results show a change aimed at making a difference at Overberg Water. The Entity has been continually made every effort to add more technical capacity such as appointing systems area managers, a technical manager, appointing a team of qualified engineers as its external professional service provider as well as soliciting any required technical expertise to ensure water supply moves to the highest point of service delivery regardless of challenges such as ageing infrastructure and funding limitations.

In addition, Overberg Water Board's performance in delivering bulk water in general and water distribution contributes towards socio-economic development. The recent drought and COVID-19 pandemic have shown that water is not only central to our daily activities but none of us can live without water. It is often said that "water is the driving force of all nature". Drinking water must always be of quality as prescribed in the standards. This, however, does not happen on its own. It requires dedicated Entities like the Overberg Water Board which are given the task of providing water services to ensure that they have sound internal controls, financial sustainability, clearly defined performance indicators and are aligned with the Constitution. The Constitution makes water access a human right issue. Without any word of contradiction, water services provision is a constitutional mandate which is a mantle that promotes human dignity and sustainable development.

The Overberg Water Board in 2021/22 did all it could to live up to those expectations. It is a commitment that defines its performance culture and organisational architecture. The winds of change have been blowing since the 2015/16 annual report preparation and led OWB to consistently retain its unqualified audit opinion up-to-date. The discussion in this CEO Report provides an organisational performance overview.

Pre-determined Objectives

The following were the pre-determined objectives

- Organisational efficiency
- Improve and increase revenue and cost drivers

Kaleidoscope Pictorial View

The winds of change have been blowing since the 2015/16 audit outcome. The audit outcome was a disclaimer. The current audit opinion shows that where there is the willingness and positive attitude, there is success. The sequence of audit opinions at Overberg Water have been the following: In the financial years of 2021/22 the Overberg Water's key focus areas were to improve and enhance its internal controls as well as growing its footprint. A lot of

work was done aimed at improving the historical backlogs and challenges. However, it was impossible to address everything at once during the financial year. It is still work in progress. The major achievement was the Entity's ability to retain its unqualified audit opinion. The unqualified audit opinion was received with material findings. There were areas of financial misstatements and those were corrected as indicated in the Auditor General's Report. The main challenge was the GRAP comprehension.

The aim was to improve both the preparation and presentation of the performance information so that it is reliable and useful to meet the SMART principles. In addition, the Entity engaged with the parent Department regarding the review of the Shareholder Compact. The Office of the Auditor General has recommended that OWB should continue engaging the Department so that the current Shareholder Compact is reviewed in line with the SMART principles. The ultimate objective is to retain the unqualified audit opinions without any findings if not with reduced findings. The primary purpose of this 2021/22 Annual Report is to present the overall organisational picture in relation to the Entity's Corporate Strategy cum Business Plan and Shareholder Compact. There is a need to ensure consistency throughout the water supply value chain.

Growth Path Initiative

Overberg Water is an important player in the provision of water services. In the past, the scope was limited to provision of drinking water. The focus during the financial year was to explore various ways and means to growing the business. The Overberg Water Board's exploration included securing water services projects from the Department of Public Works & Infrastructure. The Entity was managing 13 sites, of which 11 were Correctional Services Facilities. The head count was at 93 when the project was active/ before the expiry of the contract. After the contract expired the number moved down to 61.

The growth is both in terms of revenue increase and geographical expansion. The growth path approach identifies other areas of expansion which will improve

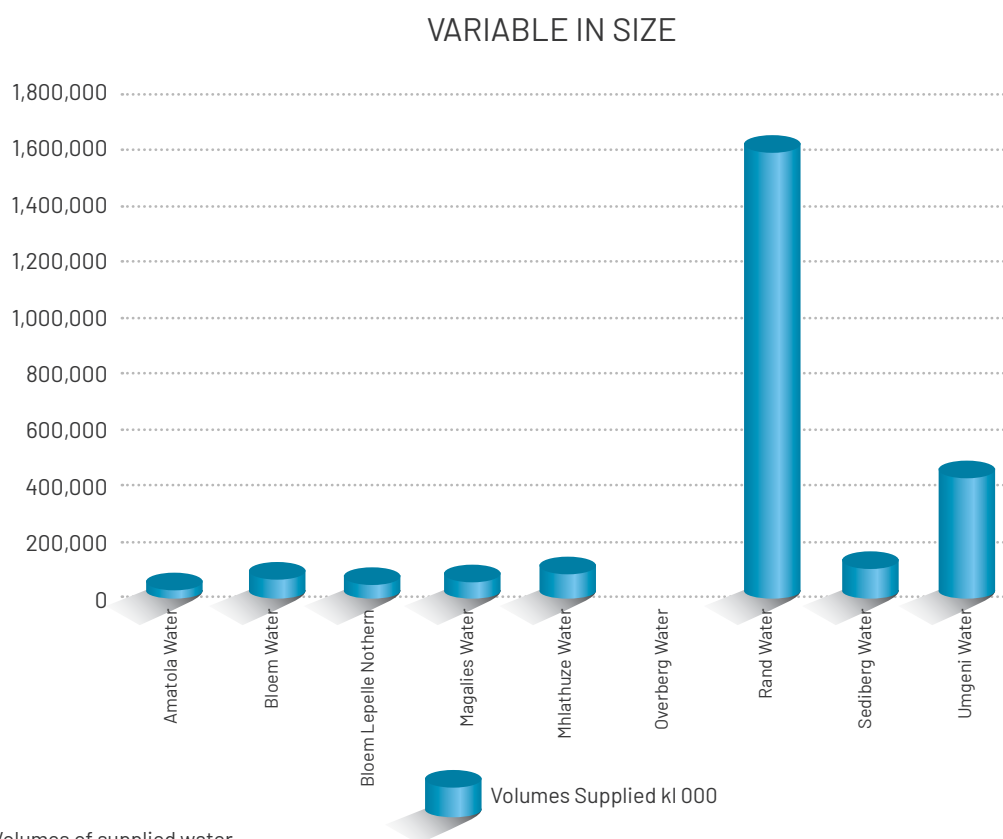


Figure 11: Volumes of supplied water

the revenue streams. The Entity has so much capacity for additional water supply. In order to realise that capacity above the current licensed quantity water user authorization license application process is underway. In addition, a number of initiatives such as considering wastewater involvement and looking for funding opportunities were at the core of growth. The Entity acknowledges and appreciates the support received from the Ministry of Water and Sanitation, the Parliamentary Committee, the Department of Water and Sanitation as well as other government departments and customers.

The above figure indicates that Overberg Water is the smallest water board and yet capable of reaching the same level of water services provision. The size relates to the H₂O volumes and customer base. The Entity is subjected to the very same processes such as meeting the required water services standards and audit requirements. With the recent acquired water services projects from the Department of Public Works & Infrastructure, Overberg Water has the potential to grow and reach its strategic intent of becoming the regional

water utility. The growth of Overberg Water will also be advantageous to the province and the country as there will be a dedicated water service provider supporting all other municipalities and interested parties. The focus is to change the current volumes supplied to be higher than those at the moment. There is a ray of hope that Overberg Water will definitely reach its zenith point of growth. Since inception, the Entity has been the main water service provider in the Overberg Region and has provided good quality of drinking water. However ageing infrastructure had an impact in terms of retaining the operating H₂O quality, hence the focus was on repairs and maintenance. The current business status shows that the Entity has gone beyond its traditional area of operation.

Revenue

There is no doubt that over the years the overall financial performance has been steadily improving but not sufficient to upgrade the ageing infrastructure. The revenue has been steadily declining as the infrastructure is ages. Overberg Water Board is working toward improving the situation.

Legislation

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

Achievements

The 2021/22 financial years was one of the most challenging years not only to the Overberg Water Board but to all global service providers. The effects of the COVID-19 pandemic caught the world ill-prepared for such a disaster. It was worse for all essential service providers such as the Overberg Water Board. Talking about achievements in these times seems a mission impossible but Overberg Water adapted to the new way of doing the business. The new normal became the norm of water service provision and would remain with us for sometime. The ever willingness of staff in water provision and ensuring that the Entity remains financially and operationally sustainable throughout the financial year was the cornerstone of the Entity's survival. Thus the achievements can be summarised as follows:

- Resilience as water supply continued throughout the financial years;
- Securing additional projects from the Department of Infrastructure and Public Works and Sanitation;
- Playing a role in the national COVID-19 pandemic mitigations;
- Improving the Corporate Plan with tangible performance information with their technical descriptors;
- Improving the collection rate above 90%;
- Submitting the Annual Financial Statements on time as stipulated by the PFMA;
- Remaining financially healthy whilst most organisations were affected by the pandemic. If it were not for the pandemic and ageing infrastructure the finances would have been strong;
- Water services provision remained a challenge
- Policies development and management;
- The Board through its Committees, namely; Operations & Infrastructure, Human Resources, Remuneration & Ethics as well as the Audit, Risk and Business Strategy, continued with its oversight and accountability role;
- Achieving the unqualified audit opinion and maintaining for the past four years;
- Effective stakeholder and customer engagement (customer/stakeholder interaction)
- Organisational capacity
- General performance/Governance

The above-mentioned are clearly stated in the Performance Information heading

All of the above-mentioned were done successfully with effort, skill and courage by all at Overberg Water Board. The Overberg Water Board is indeed the water services hub for the Western Cape Province and beyond. Investing in its Growth Path Initiatives is the right thing to do! We

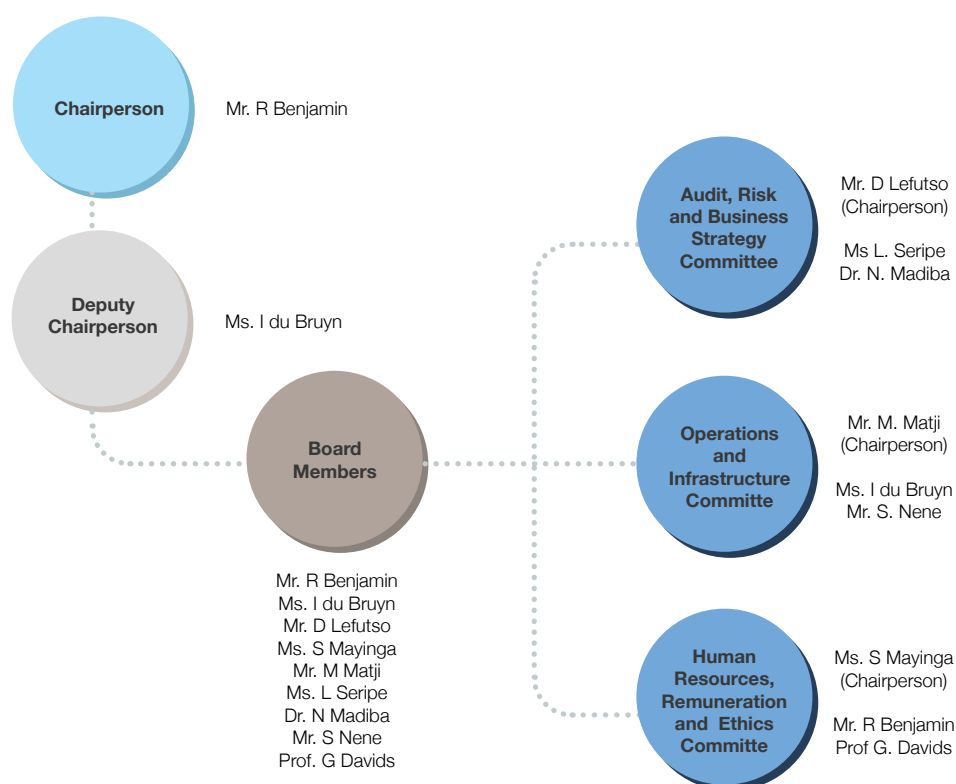
shall continue with our efforts in making a difference to all our communities insofar as water provision and associated / ancillary services are concerned.

Challenges

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

- The Governing Board was terminated on 21 June 2017.
- Non-existence of the Board became a permanent residency for at least 18 months until the new Board was appointed on 1 April 2019.
- Non-submission of the annual reports for 2015/16 and 2016/17
- Inaccessibility of a accounting records
- Water supply is a key challenge due to a number of reasons such as ageing infrastructure
- No tariff increases for 2015/16 and 2020/21 financial years. This has an impact on the Entity.
- Remuneration Model / salary disparities but this was later addressed

Board Structure



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

Action Plan

In order to respond to the abovementioned challenges, the first thing to be done was to develop an action plan that has seen a number of changes being effected such as the appointment of internal audit services as well as a tariff increase for 2021/22. The continuous process is the strengthening of internal controls. There is still more to be done but progress has been made with the support of the Department of Water and Sanitation. The following are some of the achievements met and emanating from the Action Plans:

- Stakeholder and client relations initiated
- Retention of the internal audit service
- Supply chain management systems and procedures revival including reviewing the policy
- Organogram review
- Improve the control environment
- Initiating the BBBEE and SMMEs development
- The Overberg Water Master Plan being translated into an Action Plan
- The Growth Path was developed as an anchor to the Entity
- Development of the Intervention Plan

Conclusion

In quoting one of the well-known African proverb that says "umuntu ngumuntu ngabantu" – which means that all of us owe our success through actions of others, Overberg Water shall succeed based on teamwork and support from all parties and stakeholders. Therefore, it will be erroneous not to acknowledge, appreciate and pass a vote of thanks to all those who have walked the journey with us and supported the Overberg Water to discharge its legislative mandate. The management and staff of Overberg Water are very appreciative of the new

Board and are looking forward to working with the Board. Other people who come to mind are the colleagues and executive management at Overberg Water who burnt the midnight and midday oil, the Department of Water & Sanitation and our partners at the Hessequa & Theewaterskloof municipalities including our industrial/ agriculture customers. The Overberg Water Board remains committed to its vision, mission statement, values, programmes and strategic objectives. The Entity exist to add value to the socio-economic development of our area of operation as well as contributing towards sustainable development. The support from the Ministry of Water and Sanitation shall remain a matter of appreciation. The confidence shown by the Department of Water and Sanitation in the Entity is indeed our compass for success. The role played by the Board in steering the Entity forward is unforgettable. On behalf of all staff at Overberg Water Board, I express our humble words of appreciation, dedication and commitment to the vision and strategic intent of Overberg Water Board. We say:

Thank you,
Dankie,
eNkosi,
Inkomu,
Rea leboga,
Siyaboga,
Siyathokoza,
Let us all put our hands on the deck for success!



CHIEF EXECUTIVE OFFICER
DR PHAKAMANI BUTHELEZI

THE ACTING CHIEF OPERATING OFFICER REPORT

Product Quality

As a bulk provider of water, all Overberg Water's (OWB) water treatment schemes must comply with standards set out in SANS 241 of 2015. OWB sets annual Key Performance Indicators (KPI's) that are in line with the Blue Drop certification requirements and its monitoring and testing processes far outweigh the minimum as outlined by SANS 241. Water sampling and analyses are carried out using accredited laboratory techniques as OW strives for continued excellence in water quality compliance. The overall water quality compliance for the 2021/2022 financial year reflected in Table 11, exceeded the SANS 241:2015 requirements for all compliance fields except for the Operational Risk category. The latter is due to inefficient Rapid Gravity Sandfilters at the Duivenhoks WTW. The refurbishment of the filters has since commenced and it is hoped that if all goes well, the refurbishment will be completed by end 2022.

Operational Resilience

Operational resilience is both a process and a characteristic of an organisation to adapt rapidly to changing business

environments and needs.

It is an

organisational trait that allows

it to carry out

its vision, mission

or business despite

the presence of operational

stress and disruption. According to the World Health

Organisation (WHO, 2017), the utilization of comprehensive risk assessments and risk management methods of the

water supply systems is the most effective approach to

ensure that safe and quality drinking water is supplied

from the catchment to the consumer. To maintain this,

OWB effected operational resilience through continuing its

maintenance and repairs of infrastructure mainly focusing

on upgrades of pumps and pipelines. The entity has also

recognised significant disruptions due to prolonged load

shedding events and hence all WTWs and the associated

pumpstations are now fitted with generators. Despite the

costs, the primary objective is to ensure water supply to

customers.



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

Water Quality results for FY 2021/22					
Treatment Works	Acute Health: Microbiological	Acute Health: Chemical	Chronic Health	Aesthetic	Operational
Rûensveld West WTW	96.63%	100.00%	100.00%	99.51%	97.11%
Rûensveld East WTW	98.90%	100.00%	99.87%	98.97%	97.34%
Duivenhoks WTW	100.00%	100.00%	100.00%	99.69%	75.85%
Overall Water Quality	98.51%	100.00%	99.95%	99.35%	89.74%

Although facing infrastructure constraints, OWB managed to achieve an overall water quality compliance of 97.51% for FY2021/22 (compared to 97.17% for FY2020/21). The management of water treatment and its quality therefore has to be commended since it largely outweighs the required level of compliance by SANS241 2015. Many of the treatment difficulties, resulting in noncompliant operational determinants, are being addressed with continuous upgrades to system processes and frequent maintenance of distribution infrastructure.

Operational Optimisation

Overberg Water (OWB) has over the past years successfully maintained non-revenue water below 15%, although, for the year in review the Entity set a far more stringent target of 10%. This target was not achieved and instead the non-revenue water was reported at 21.5%. This is still less than the national average. The effects of the ageing infrastructure, prevalence of water theft activities and the lack of a Telemetry contract are some of the reasons for the target not being achieved. OWB will continue to uphold its accurate meter readings of all network points as well as

operational improvements like efficient water unit process management to tie in with Water Conservation Demand and Management principles. Figure 1 indicates water losses experienced over the past financial year against projected targets. The overall production losses across all schemes amounted to 5.6%. The total raw water abstracted was 4 570 559 m³, total system input amounts to 4 315 210 m³, whereas the total volume of water being sold amounts to 3 387 916 m³.

Infrastructure Stability

For the year under review, approximately 120 pipe breaks and leaks were reported. Several of the bursts were related to ageing infrastructure, structural pipe defects and ground conditions i.e. the soil resistivity. The lack of adequate funding for capital infrastructure upgrades has resulted in the deterioration of water treatment works and distribution infrastructure. The international benchmarks highlight that as an entity we should be spending approximately 3% on Maintenance Cost / Replacement Asset Value of the plant and equipment. OWB has improved on this target through upgrading of a main pipeline at Witsand as well as procuring large pumps and generators.

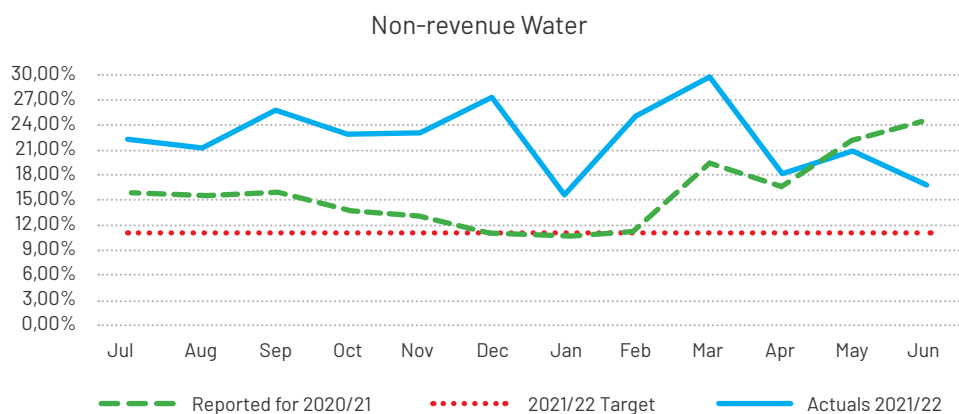


Figure 12: Non-revenue water for the period 1 Jul 2021 – 30 Jun 2022



The Future

The Entity has considered alternative expansion opportunities within the region, and this is emphasised by the Ministerial initiative that aims to expand the jurisdictional boundaries of the Entity. OWB also concluded successful implementation of a project with the Department of Public Works and Infrastructure where it managed water and wastewater services for the Department of Correctional Services and the Defence Force.

Conclusion

The year under review saw Operational targets slightly below those of previous years. However, the Entity remains resilient considering the limited funding for maintenance, refurbishment, or capital projects. As the acting Chief Operating Officer, a special thanks to my operational team for their dedication throughout the year, their hard work and commitment to overcome the challenging environment we work in.

Anthony Lotz

Acting Chief Operating Officer

REPORT OF THE ACTING CHIEF FINANCIAL OFFICER

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

Results for the Year

The results for the year are adequately set out in the Annual Financial Statements as shown on page 86 and 138.

Financial Performance

The financial statements for the year ended 30 June 2022 confirms a net audited deficit of R533 778 for the year. Consequently, the Statement of Financial Position indicates a decrease of 1% on the net assets.

Investments continue to grow as the Entity realised a total gain of 4% (41 059 586). The nominal growth in investments is largely driven by the repo as these funds are invested in low risk portfolios on a short term basis. The funds associated with the investments represents money set aside for any emergency and capital expenditure.

TABLE 12: Costs of potable water per volumes sold

	2021/22	2020/21	%Change
Total volume water sold-kl	2 750 867	3 470 601	(20,74%)
Costs of potable water (excluding depreciation)	42 643 337	37 574 592	13,49%
Costs per kl	15,50	10,83	47,20%

Direct costs of purification and distribution per volume sold increased from the previous year, reflecting the increase in the major key cost drivers, namely Energy,

Labour, Repairs, and Maintenance due to price increase.

These increases can be attributed to inflation, the Eskom Tariff, and the utilisation of inventory spares. Additional increase in costs represents also expenditure incurred in servicing the Department of Public Works and Infrastructure Project. This project represents the Water Related Services Revenue (see Note 14).

Profitability

The Overberg Water Board sustained a net deficit in the 2021/22 financial year. This deficit is a consequence of issues relating to ageing infrastructure which have caused during financial year significant drop in water sales volume during the financial year, results from pipe bursts and interruptions in supply of water.

This deficit is further amplified by the loss of revenue equivalent to 10.78% of the total reported revenue due to the non-approval of water tariffs for the 2020/21 tariff cycle. In the absence of a revenue clawback tariff charge this the loss of revenue shall be realised in perpetuity, because the 10.78% will as such remain a revenue backlog.

Profitability of the Entity will remain a concern, unless the water licenses are increased and adequate funding is sourced to finance the refurbishment of ageing infrastructure.



The abovementioned two factors are critical as the limited water licence places a limit on the organic revenue growth of the Water Board.

Overberg Water Board is currently operating below capacity of approximately 43%. This can be clearly seen when comparing the licence, raw water purchases and average water sales vs the capacity of the water infrastructure assets, please see Figure 13 below.

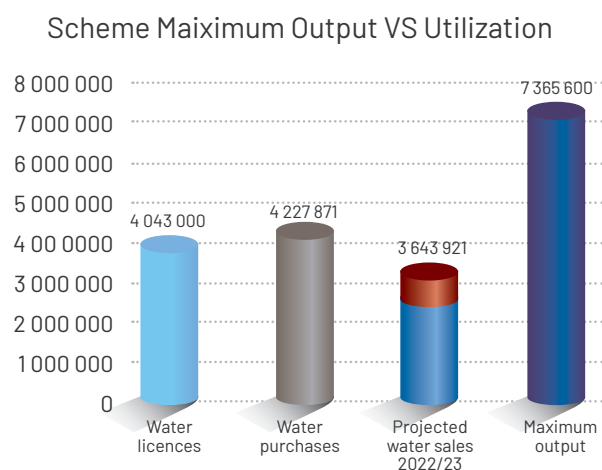


Figure 13: Scheme Maximum Output VS Utilization

The second issue of aging infrastructure is of cardinal importance as it talks to maintaining the current market share, customer base and sustainability of water supply which has a direct impact on revenue and profitability of the Entity.

Aging infrastructure has a direct impact on the volume of water abstracted, treated and sold, as its prone to cause unplanned interruptions in water supply caused by pipe bursts, which ultimately leads to a drop in the water sales volume. The abovementioned factors can only be addressed through the required investment into the refurbishment, augmentation and maintenance of water infrastructure assets. Overberg Water Board does not have sufficient funding and borrowing capabilities to

finance the refurbishment of aging infrastructure at the level required.

The current tariff charged by the water board is not cost reflective as it does not cover the cost of refurbishment, augmentation and maintenance of infrastructure as passing of this cost to the end user is not economical to our customers. The solutions remain in growing the current revenue base to allow the revenue to cover all fixed costs.

The Overberg Water Board will in the short to medium term will utilise a mixture of capital levy, modest borrowing and available cash flow to refurbish infrastructure. To ensure sustainability of water supply the Board will further embark on the locating of alternative sources of water such as ground water and desalination to increase water availability and will continue implementing its growth path strategy.

Tariffs

During the current year Overberg Water has successfully consulted with its stakeholders. The tariff was increased by 8% across the board for the 2021/22 financial year.

The current tariff does not include a capital levy and therefore does not cover the cost refurbishment of aging infrastructure. The inclusion of the capital levy would have resulted in an unaffordable tariff for our user's taking into consideration the current economic conditions.

Infrastructure Funding

The current tariff of Overberg Water as mentioned above excludes the capital levy that is supposed to be for building new infrastructure due to the dispute that arouse in the past with some major municipalities. Overberg Water is looking at the funding mechanism of the new infrastructure to ensure that sufficient funds are raised to replace the existing infrastructure that has aged over the years. The

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

Debt Management

Net receivables from exchange transactions decreased from R 21 158 143 to R 15 450 746 in 2022. The current debtors' days are 98 days (2021: 100 days), which is significantly higher than the planned performance target of 80 days.

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

For the financial year under review the Entity had a significant improvement in the impairment of debtors as a result of implementing an intensified dunning process which resulted in settlement agreements being concluded and outstanding debt being paid by customers.

In conclusion the Entity remains a going concern and financially viable. It is not commercially insolvent because creditors are paid within 30 days. Furthermore, the Entity's assets continue to significantly exceed its liabilities and it continues to maintain positive cash flows year on year.



Brian Mokhele

Acting Chief Financial Officer



FINANCIAL PERFORMANCE

Financial reporting compliance

Overberg Water Board received an unqualified audit opinion with material findings for the 2021/22 financial year. This serves as evidence of the Water Boards commitment to good governance.

Improve key financial ratios

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

Gross profit margin percentage:

Overberg Water Board sustained a gross profit margin of 44% for the current year similar to 47% for 2020/21. The gross profit regressed due to drop in both water sales and water related services revenue. The impact of the tariff backlog must also be considered in this regard.



Figure 14: Gross Margin

Liquidity:

Overberg Water Board's liquidity ratios have increased from a current ratio of 2.34 in 2020/21 to 2.70 in the 2021/22 financial year. The increase in liquidity is mainly due to increase in debt collection

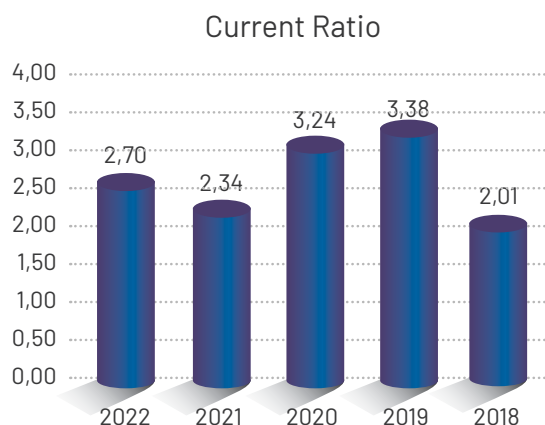


Figure 15: Current Ratio

Net profit margin percentage:

Overberg Water Board sustained a deficit of -1% for the current year compared to 1% for 2020/21. The deficit is attributable to decrease in water sales and water related revenue.

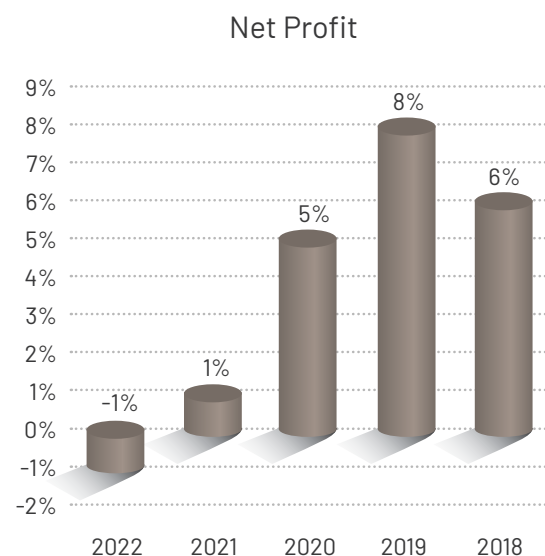


Figure 16: Surplus(deficit) percentage margin

Debt equity ratio:

Overberg Water does not have any gearing therefore debt to equity ratio is not applicable.

Return on assets percentage:

The Water Board did not receive a return on its assets as a result of having sustained a net deficit in the current financial year. As stated above this loss is driven by a decline in revenue from the expected water sales volume coupled with a tariff that is behind by 10.78%. Long outstanding debt is being owed by industrial customers. Measures taken to rectify this include the enforcement of the debt collection policy.

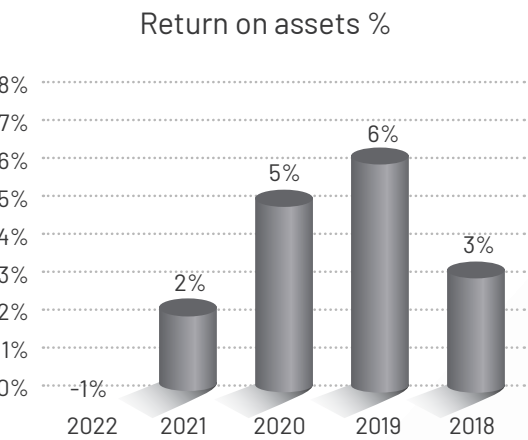


Figure 17: Return on assets

Debtors' days:

Long outstanding debt is being owed by industrial customers. Measures taken to rectify this include the enforcement of the debt collection policy.

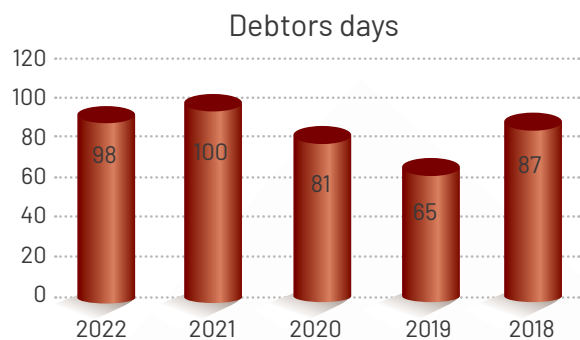


Figure 18: Debtors days



TABLE 13: Financial performance key indicators

Financial performance (R'000)		
	2021	2022
Revenue of water sales	74,671	74,539
Cost of potable water	39,797	44,743
Gross income	34,874	29,796
General and administration expenses	38,953	35,822
Operating income	-4,080	-6,026
Other income	2,463	2,302
Net interest income	2,906	3,171
Other comprehensive income (loss)	-	-
Net income for the year	1,237	-554
Performance indicators		
Cost of potable percentage	53%	60%
Gross profit margin percentage (% of water sales)	47%	40%
General and administration expenses percentage	52%	48%
Operating expenses percentage	-5%	-8%
Net income percentage	2%	-1%
Water Indicators		
Treated water volume (in kl '000)	3,471	3,386
Average water tariff (R/kl)	22,69	23,79
Cost of production (R'000)	39,797	44,743
Cost of production (R'000)(excluding depreciation)	36,899	41,832
Average water cost/volume sold	22,71	23,79
Average water cost (excluding depreciation)/volume sold	31,90	22,93
Number of employees	108	69
Kilolitres sold per employee	32,135	52,094

TABLE 14: Financial position key indicators

Financial performance key indicators		
Operating risk indicators	2021	2022
Operating costs (R'000)	78,751	80,555
Depreciation (R'000)	2,899	2,910
Working ratio	102%	104%
Gross profit margin percentages (% of water sales)	47%	40%
Financial position (R'000)		
Funds and reserves	95,742	95,188
Total assets	110,943	106,268
Investments	39,405	41,060
Assets (excluding investment)	71,538	65,208
Current assets	35,338	29,989
Current liabilities	15,101	11,078
Cash and cash equivalents	11,736	13,294
Inventories	2,444	1,244
Trade debtors	17,932	22,002
Trade creditors	4,046	1,831
Financial risk indicators		
Current ratio	2,34	2,71
Acid test ratio	2,18	2,59
Operating risk indicators		
Water sales revenue	74,671	74,539
Cost of potable water	39,797	44,743
Total depreciation	2,899	2,910
Operating income (water sales)	-4,080	-6,026
Bad debts and impairments of trade debtors	1,457	1,681
Net income for the year	1237	-554
Return on assets	2%	-1%
Return on turnover	2%	-1%
Debtors collection period (days)	100	98
Creditors (days)	19	9

Increase BBBEE expenditure relative to projects

The percentage target of EME and QSE was 15%, the achievements were 31% and 22% respectively which is way above the target and is due to efforts made to empower small businesses in the area.

Manage costs within the approved budget

Overberg Water has managed to achieve a budget saving of 3%. This saving can be attributed to critical vacant positions and improvement in debt collection which has led to lessor impairment on debtors. There was also a reduction in legal fees, expenditure on consultant and savings in chemicals.

Capital expenditure programme

Overberg Water managed to spend 59% of its capital expenditure programme. This is due to the delay in the implementation of the Witsand Pipeline project phase 1 and phase 2 which only commenced after year end. Overberg does not have sufficient resources to refurbish its aging infrastructure. This is due to the fact that the tariffs do not include the capital levy, as a result the spending on capital project is dependent on the net surplus available.

Engagement in secondary activities

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

Customer/Stakeholder interaction**Bulk supply agreements concluded with municipalities**

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

Achieve statutory reporting compliance

The following reports were submitted during the year under review.

Department of Water and Sanitation

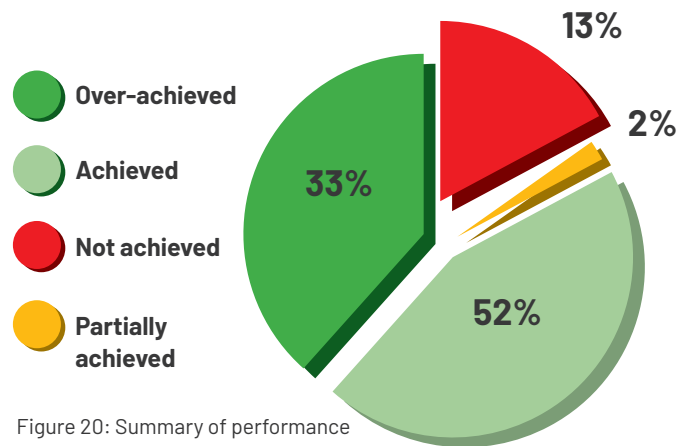
- Quarterly reports of key performance indicators
- Annual Report 2022
- Corporate plan 2021/2022
- Tariff approval

National Treasury

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

ANNUAL PERFORMANCE REVIEW REPORT

Below is the performance achieved on both the financial and non financial strategic objectives as outlined in both the Annual Performance Plan and the Strategic Plan:



Performance Target

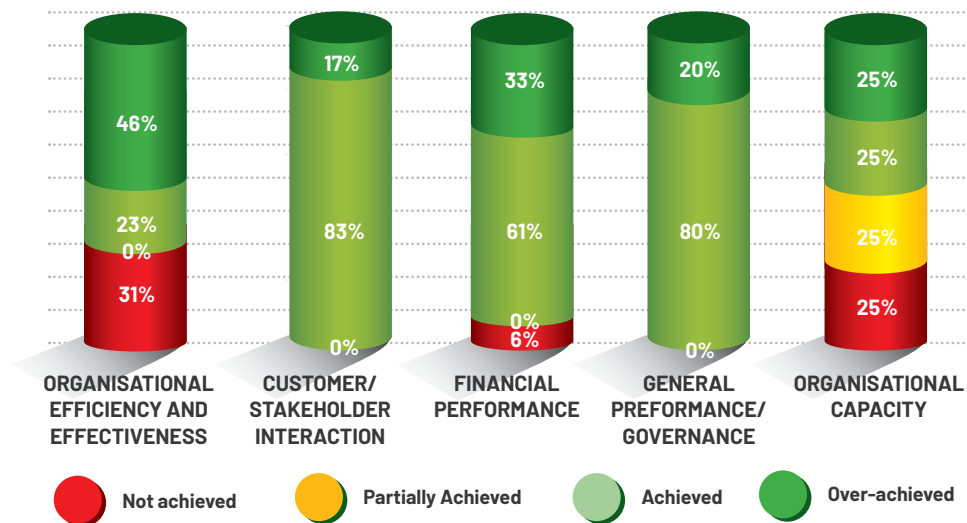


Table 14: Strategic Objectives

Summary of Performance

The Water Board achieved 46%, overachieved 37% and did not achieve on 17% of its target in the financial year 2021/22. The achievement is an improvement when compared with the previous financial year. This indicates that the Water Board has put in efforts and controls in place to ensure that the strategic objectives as agreed with the Minister of Water and Sanitation are achieved. This shows the effectiveness of the Board in overseeing the execution of the strategic plan. These achievements were possible despite the current pandemic that had an impact on how the Water Board executes its mandate.

Summary of Performance

Performance Objectives	Comments
Organisational efficiency and effectiveness	The Water Board has achieved 67% of its targets and did not achieve on 33% due to the ageing of the infrastructure that requires attention. A process has been initiated to replace sand filters to prevent water quality issues, implementation of a pipeline replacement project and the refurbishment of the telemetry.
Improve and increase revenue and manage cost drivers (Financial Performance)	The Water Board achieved 61% and overachieved 33% and did not achieve only 6% of its targets. The non achievement is mainly due to debtors days which has improved but is still requires more work. The Entity is focused on intensifying debt collection and has implemented a strategy for debt collection which has already started yielding results which is evident by the decrease in impairment of debtors.
Effective stakeholder and customer engagement (Customer/Stakeholder interaction)	The targets set were met despite the hinderance of COVID-19 in arranging physical meetings, The Water Board had to adapt to the latest trend and implement technologies in order to continue with the engagement of the stakeholders.
Organisational Capacity	The Water Board did not achieve 25% of its targets due to terminations as a result of the Department of Public Works and Infrastructure project ending. The Entity only partially achieved 25% of its targets due to having less than targeted number of interns at year end due to promotions of interns.
General Performance/Governance	The Overberg Board ensures that they fulfil all their fiduciary duties. This ensures the Board's commitment to ensuring that the strategy is implemented.



Organisational efficiency and effectiveness

NR	OW Strategic Goal	OW Strategic Objective	Performance perspective	Unit of Measure	Annual Target	Actual	Prior year Actual	Variance	Status	Notes
					2021/22	2021/22	2020/21	2021/22	2021/22	
1.	ORGANISATIONAL EFFICIENCY AND EFFECTIVENESS	1,1	Percentage compliance with water quality standard SANS 241 Class 1 and Class 2, in terms of Health: Acute	%	97%	98,51%	96%	1,51%	Over Achieved	Due to concerted efforts to provide water that does not only meet the standard but goes beyond the required elements of the required standard.
2.		1,1	Percentage compliance with water quality standard SANS 241 Class 1 and Class 2, in terms of Health: Chronic	%	97%	99,95%	100%	2,95%	Over Achieved	Due to concerted efforts to provide water that does not only meet the standard but goes beyond the required elements of the required standard.
3.		1,1	Percentage compliance with water quality standard SANS 241 Class 1 and Class 2, in terms of operational quality	%	95%	89,74%	95%	-5,26%	Not Achieved	Due to inefficiencies of filtration unit process at Duivenhoks WTW. Refurbishment of filtration unit process has been advertised and contractors to be appointed in Quarter 1 of 2022/23.
4.		1,1	Percentage compliance with water quality standard SANS 241 Class 1 and Class 2, in terms of esthetic quality	%	95%	99,35%	95%	4,35%	Over achieved	Due to concerted efforts to provide water that does not only meet the standard but goes beyond the required elements of the required standard.
5.		1,4	Percentage unavoidable water losses of water purified	%	10%	21,5%	14%	-11,5%	Not Achieved	Due to prolonged pipe repair/network maintenance response times. Requires refurbishment of telemetry equipment. Refurbishment of telemetric equipment will be completed in 2022/23 FY.
6.		1,1	Number of days with water supply interruptions exceeding 24 hours	Number	0 days	28 days	17 days	Negative 28 days	Not Achieved	Due to load shedding which resulted in reservoirs being empty, frequent pipe burst as well as water quality issues and pump failures.
7.		1,2	Percentage of the repairs and maintenance budget actually spent	%	95%	139%	114%	44%	Over Achieved	Usage of spares in maintenance activities
8.		1,1	Number of maintenance plans completed and/or updated	Number	1	1	1	0	Achieved	Maintenance plan in place
9.		1,1	Number of infrastructure plans completed and/or updated	Number	0	1	1	0	Over Achieved	Infrastructure plan approved with the tariff submission

Organisational efficiency and effectiveness

NR	OW Strategic Goal	OW Strategic Objective	Performance perspective	Unit of Measure	Annual Target	Actual	Prior year Actual	Variance	Status	Notes
					2021/22	2021/22	2020/21	2021/22	2021/22	
10.	ORGANISATIONAL EFFICIENCY AND EFFECTIVENESS	1,4	Number of MOU's entered in to with relevant agencies relating to water	Number	1	1	0	0	Achieved	During the 4th quarter OWB entered an initiative for MOU with UWC
11.		1,4	Number of water conservation/ demand management education or awareness campaigns.	Number	1	0	0	-1	Not Achieved	Water conservation campaigns did not take place due to cost containment measures
12.		2,2	Percentage of repairs and maintenance to PPE and investment property (carrying value)	%	3%	10%	6%	7%	Achieved	Significant increase in R&M expenditure

Improve and increase revenue and manage cost drivers

NR	OW Strategic Goal	OW Strategic Objective	Performance perspective	Unit of Measure	Annual Target	Actual	Prior year Actual	Variance	Comment	Reasons for variance and corrective measures
					2021/22	2021/22	2020/21	2021/22	2021/22	
13.	IMPROVE AND INCREASE REVENUE AND MANAGE COST DRIVERS	2,2	Result of the annual external audit	AG's audit opinion	Unqualified	Unqualified with material findings	Unqualified with no material findings	N/A	Achieved	N/A
14.		2,2	Current ratio	Ratio	1,2	2,70	2,34	1,50	Over-Achieved	Increase is due to improved collection from DPWI project
15.		2,2	Gross profit margin % (Primary activity)	%	42%	44%	47%	2%	Achieved	N/A
16.		2,2	Gross profit margin % (Secondary activity)	%	0%	0%	0%	0%	Achieved	N/A
17.		2,2	Net profit margin % (Primary activity)	%	0%	0%	0%	0%	Achieved	N/A
18.		2,2	Net profit margin % (Secondary activity)	%	0%	0%	0%	0%	Achieved	N/A
19.		2,2	Debit equity ratio	Ratio	0,00	0,00	0,00	0,00	Achieved	N/A

Improve and increase revenue and manage cost drivers (Financial performance)

NR	OW Strategic Goal	OW Strategic Objective	Performance perspective	Unit of Measure	Annual Target	Actual	Prior year Actual	Variance	Comment	Reasons for variance and corrective measures
					2021/22	2021/22	2020/21	2021/22	2021/22	
20.	IMPROVE AND INCREASE REVENUE AND MANAGE COST DRIVERS	2,2	Return on assets ratio	%	0%	0%	0%	0%	Achieved	Tariff backlog, failing infrastructure and significant increase in audit fees, fuel and energy
21.		2,2	Debtor days	Nr	80 DAYS	98 DAYS	100 DAYS	Negative 18 DAYS	Not Achieved	Long outstanding debt owed by industrial customers. Enforcement of the debt collection policy
22.		2,2	Percentage of staff remuneration to operating expenditure	%	47%	47%	46%	47%	Achieved	Decrease in leave accrual
23.		2,2	Annual operating cashflow generated	Rand amount	R1.4 Million	R2.880 Million	4.4 Million	R1.48 Million	Over-Achieved	Debt collection was intensified
24.		2,2	Total revenue as a percentage of budgeted revenue	%	98%	106%	107%	8%	Over-Achieved	Improvement in debt collection
25.		2,2	Number of breaches in materiality and significance framework	Number	0	0	0	0	Achieved	N/A
26.		2,2	Return on turnover	%	0%	0%	1%	0%	Achieved	N/A
27.		2,1	Percentage of procurement awarded to EME enterprises	%	15%	31%	45%	16%	Over-Achieved	Most of the current tender contracts were awarded to level 1 BEE as part of accelerating empowerment. Also, most Requests for Quotations (RFQs) were awarded to level 1 BEE.
28.		2,1	Percentage of procurement awarded to QSE enterprises	%	15%	22%	18%	7%	Over-Achieved	The reason for this is because the Entity sources suppliers from the central supplier's database (CSD). Since CSD is a national database, we receive responses nationally
29.		2,1	Infrastructure availability to meet demands: Overall project expenditure within targets	%	0%	59%	0%	59%	Over-Achieved	N/A
30.		2,1	Percentage Growth in turnover from secondary activities	%	0%	0%	0%	0%	Achieved	N/A

Effective stakeholder and customer engagement

NR	OW Strategic Goal	OW Strategic Objective	Performance perspective	Unit of Measure	Annual Target	Actual	Prior year Actual	Variance	Comment	Reasons for variance and corrective measures
					2021/22	2021/22	2020/21	2021/22	2021/22	
31.	EFFECTIVE STAKEHOLDER AND CUSTOMER ENGAGEMENT	3,1	Percentage of municipalities / other customers with bulk supply agreements	%	100%	100%	100%	0%	Achieved	N/A
32.		3,1	Percentage of statutory reports submitted on time	%	100%	100%	100%	0%	Achieved	N/A
33.		3,1	Number of engagements with selected statutory stakeholders	Number	1 Engagement	1 Engagement	1 Engagement	0 Engagement	Achieved	N/A
34.		3,4	Number of newsletters developed to improve visibility and growth opportunities	Number	2 Newsletters	2 Newsletters	2 Newsletters	0 Newsletter	Achieved	Cost containment measure
35.		3,2	Number of meetings with customers	Number	3 Meetings	4 Meetings	4 Meetings	1 Meetings	Over-Achieved	The increase in number was due to Overberg Water concerted efforts to meet more regularly with customers
36.		3,3	Number of tariff consultation meetings with key stakeholders	Number	3 Meetings	3 Meetings	3 Meetings	0 Meeting	Achieved	N/A

Organisational Capacity

NR	OW Strategic Goal	OW Strategic Objective	Performance perspective	Unit of Measure	Annual Target	Actual	Prior year Actual	Variance	Comment	Reasons for variance and corrective measures
					2021/22	2021/22	2020/21	2021/22	2021/22	
37.	IMPROVE AND INCREASE REVENUE AND MANAGE COST DRIVERS	4,3	Percentage of annual staff turnover	%	10%	58,7%	5%	48,7%	Not Achieved	Due to the target being too low
38.		4,2	Number of learnerships implemented to increase skill and capacity building	Number	5	4	2	-1	Partially Achieved	At yearend 1 intern contract ended
39.		4,2	Number of training programmes/ workshops conducted for staff members	Number	10	13	3	3	Over-Achieved	All trainings was conducted through implementation of the Enterprise Reporting Program (ERP) system. Training was conducted in Supply Chain, Payroll, Billing and Finance
40.		4,1	Number of ERP systems going live	Number	1	1	0	0	Achieved	The Entity has started working on the following modules; Finance, SCM, HR and Billing has gone live

General Performance

NR	OW Strategic Goal	OW Strategic Objective	Performance perspective	Unit of Measure	Annual Target	Actual	Prior year Actual	Variance	Comment	Reasons for variance and corrective measures
					2021/22	2021/22	2020/21	2021/22	2021/22	
41.	GENERAL PERFORMANCE	5,2	Percentage of board members attending of all Board and committee meetings	%	80%	95,05%	100%	15,05%	Over-Achieved	The attendance of the Board has been exceptionally well due to members'commitment to OWB. However there has been one resignation of a member but this had no impact on the attendance.
42.		5,2	Number of repeated internal audit findings within the annual audit cycle	Number	0	0	0	0	Achieved	N/A
43.		5,1	Number of compliance registers developed and maintained for HR Finance,SCM and water services	Number	1	1	1	0	Achieved	N/A
44.		5,1	Number of Board meetings held	Number	4	4	4	0	Achieved	N/A
45.		5,1	Number of risk registers updated	Number	3	3	3	0	Achieved	There has been a risk register for every quarter of the year, therefore the target has been achieved and over-exceeded

OPERATIONAL EFFICIENCY AND EFFECTIVENESS

Water quality produced (relative to SANS 241)

Overberg Water Board has continually maintained good water quality results over the past year as shown in Table 15. As a bulk water service provider, all of the Overberg Water Board's water treatment plants comply with the standards set out in SANS 241: 2015. Water quality is rigorously managed, and stringent systems and controls are in place to make sure this is met. The water did not achieve on the Operational Water Quality Standard as we obtained 89.74% vs a target of 95%. This was caused by

the aging sand filters that required replacement at the Duivenhoks Scheme. As at yearend a process had been initiated to source a service provider to replace these sand filters.

Overberg Water has set KPIs that are in line with Blue Drop certification requirements and its monitoring and testing processes far outweigh the minimum required by SANS 241: 2015. Sampling and analyses are carried out using accredited laboratory techniques (ISO 9001) as far as possible. Table 16 provides an explanation of the results.

Table 15: Potable water quality compliance with SANS 241:2015 per WTW (2021/22 FY)

Compliance (%) with SANS 241:2015					
Water Works	Acute Health: Microbiological	Acute Health: Chemical	Chronic Health	Aesthetic	Operational
Rûensveld West	96.63%	100.00%	100.00%	99.51%	97.11%
Rûensveld East	98.90%	100.00%	99.87%	98.97%	97.34%
Duivenhoks	100.00%	100.00%	100.00%	99.69%	75.85%
Overall	98.51%	100.00%	99.95%	99.35%	89.74%

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

	Population up to 100 000			Population > 100 000		
	Proportion of samples compliant			Proportion of samples compliant		
	Excellent	Good	Unacceptable	Excellent	Good	Unacceptable
Microbiological Health	≥97%	≥95%	<95%	≥99%	≥97%	<97%
Chronic Health	≥95%	≥93%	<93%	≥97%	≥95%	<95%
Operational	≥93%	≥90%	<90%	≥95%	≥93%	<93%
Aesthetic	≥93%	≥90%	<90%	≥95%	≥93%	<93%



Manage avoidable water losses

Overberg Water (OW) has over the past years successfully maintained non-revenue water below 10%, although for the past three years the Entity had a challenge of several pipe bursts due to the ageing infrastructure resulting in higher water losses than anticipated. This target was not achieved. For the 2021/22 financial year the non-revenue water was reported at 21.5%. This is still acceptable compared to national standards. The effects of the ageing infrastructure, prevalence in water theft activities and the lack of telemetry contract are some of the reasons for the non-achievement of this target.

Reliability of supply

During the year under review Overberg Water Board experienced 17 instances of interruptions in supply. These interruptions were mainly caused by load shedding which caused reservoir levels to decline at an accelerated rate due to pump stations shutting down with power. In addition to the load shedding the Entity experienced higher than anticipated pipe bursts during the year with some being caused by changes in pressure in the pipeline network as and when power returns.

The Entity has already initiated a project to replace the old asbestos pipes with the modern Upvc pipes.

Increase access services

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

CORPORATE GOVERNANCE

Introduction

The Board was only appointed in April 2019 and effective from 01 April 2019. The new Board had the full 12 months of the year under review. There are nine individual members serving on Overberg Water Board. They are appointed in terms of the Water Services Act and carry their fiduciary duties in terms of the Public Finance Management Act

The term

The Board is appointed to serve for a four-year term, effective from the 01 April 2019. The term will end in March 2023. The Board comprises professionals providing a diverse array of talent in administration, academic, business, accounting, engineering, governance, human resources, information systems and legal qualifications. Board members were chosen for their diversity of experience and perspective in order to support the Overberg Water through sharing best practices in the Entity. The most essential component is to grow the business of the Entity.

Focus areas

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

Fiduciary and oversight

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

Ethical Leadership and Code of Ethics

The Board of Overberg Water is aiming for the highest standards of business integrity, ethical leadership and good governance.

The role of the Governing Board was focused on strategic matters and ensuring organisational conforming to legal,

statutory and regulatory requirements. In addition, the Governing Board had a key role in ensuring performance of management in strategy implementation and ensuring that executives succession planning became the organisational culture.

Compliance with laws, Rules, Codes, Guidelines and Ethical Standards

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

The Charter concisely articulates the overview of the following:

- The demarcation of the roles, functions, responsibilities and powers of the Board, individual board members, the executives of the Entity and shareholders of Overberg Water Board being the Ministry / Department
- The powers delegated to various Committees of the Governing Board
- The policies and practices of the Governing Board in respect of matters such as corporate governance, declarations and conflicts of interest, board meeting documentation, procedures, nomination, appointment, induction, training and evaluation of directors and members of Board Committees

- The division of labour between the Governing Board and its Committees, ensuring that risk exposure is sufficiently managed

Conclusion

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



RISK MANAGEMENT

Enterprise Risk Management

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

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

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

Strategic Risks

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

Table 17: Summary of Strategic risks

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

The key risks are as follows:

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

6.3. Business Continuity Management

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

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

INTERNAL AUDIT AND INTERNAL CONTROL

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

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

Key activities/reviews as per the approved Internal Audit Plan for 2021/22 that were undertaken by Internal Audit included the following:

- Water Purification Quality and Infrastructure Management
- Disaster recovery
- Supply Chain Management and Contract Management
- Irregular expenditure
- Revenue and accounts receivable
- Expenditure and accounts payable
- Asset and Inventory Management
- Information communication and technology
- Financial Statements Review
- Predetermined objectives
- Risk Management and fraud prevention
- Human Resources Audit

COMPLIANCE WITH LAWS AND REGULATIONS

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

Overberg Water Board provides access to information to stakeholders and other third parties in compliance with the provisions of section 32 of the Constitution of the Republic of South Africa (Act 108 of 1996) read with the Promotion of Access to Information Act 2 of 2000 (PAIA). During the 2021/22 financial year, the organisation received requests for information disclosure which were duly provided.

FRAUD AND CORRUPTION

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

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

MINIMISING CONFLICT OF INTEREST

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

CODE OF CONDUCT

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

SECURITY, SAFETY, HEALTH, ENVIRONMENT & QUALITY

HEALTH AND SAFETY

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

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

ENVIRONMENTAL MANAGEMENT

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

Overberg Water Board has participated in Stakeholder initiatives to manage several river clean-up and public education programmes for the year. This included public education programmes for river safety, water quality, water hygiene, and sanitation.

SECURITY MANAGEMENT

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

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

TECHNOLOGY AND INFORMATION GOVERNANCE

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

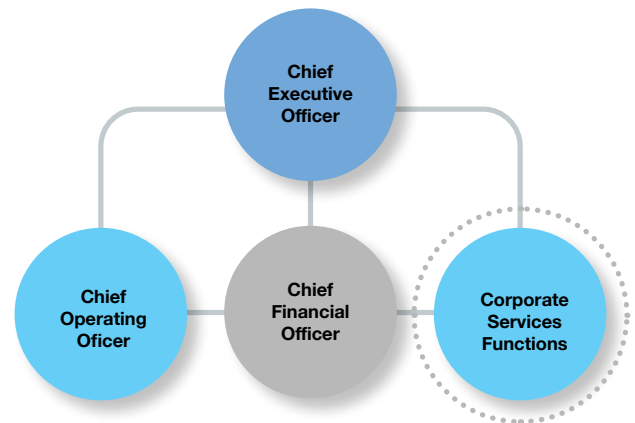
The Entity was no different from the entire world in having to adopt virtual technology for business continuity in response to the outbreak of COVID-19. The Entity was able to seamlessly migrate the Board and management engagements through technology platforms facilitating internal and external engagements.

Organisational Capacity

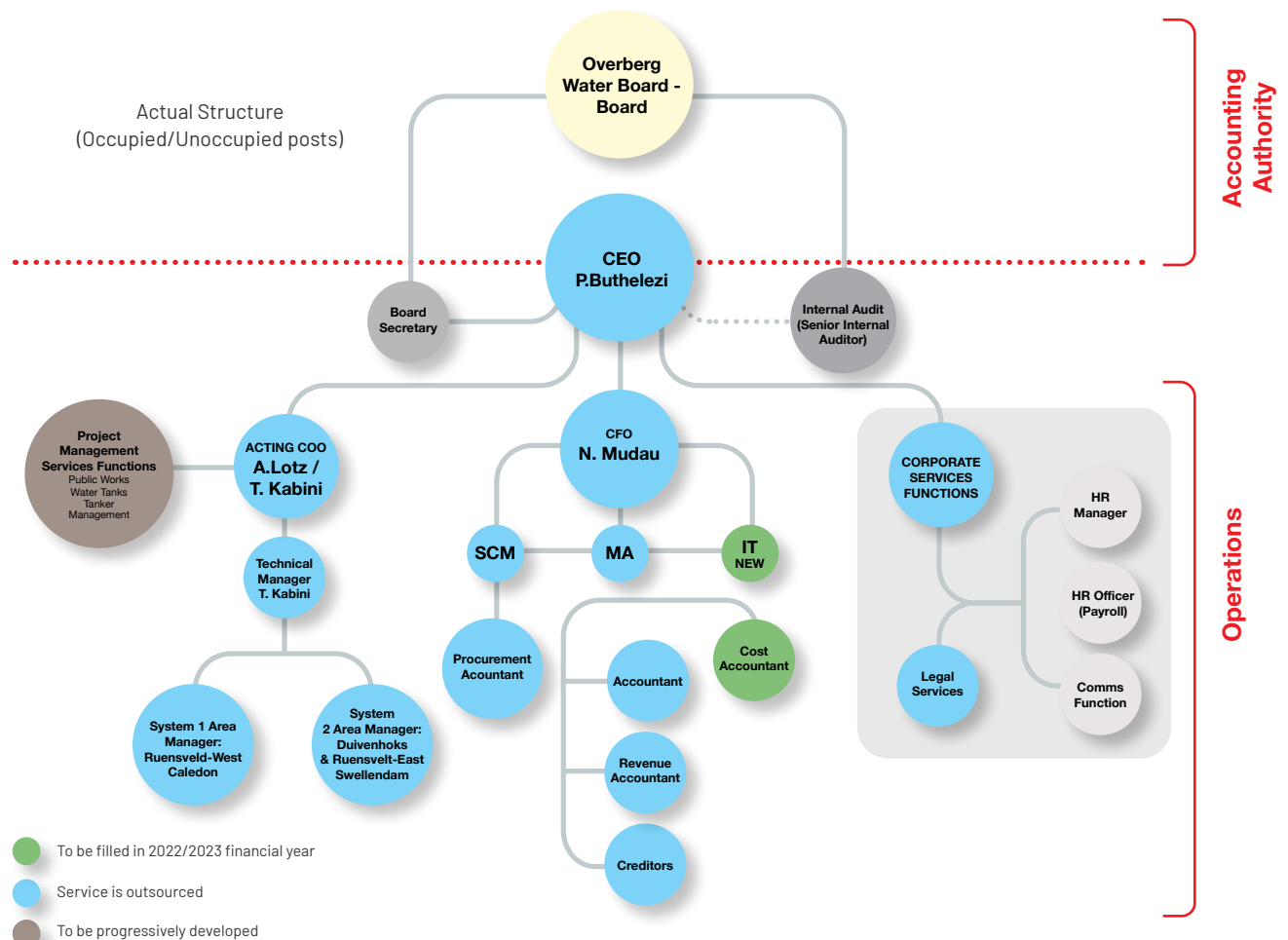
Introduction

The Overberg Water Board employs a workforce with various qualifications, skills and experiences that are key to create value and longterm sustainability for the Entity. The Entity's goals as well as Human Resources needs are mutual, compatible, and strongly interdependent. Therefore the role of Human Resources is to create and maintain a supportive environment for employees to achieve the Entity's strategic objectives.

Functional Structure



Actual Structure
(Occupied/Unoccupied posts)





Employee Profile

At the end of the financial year under review, the Entity had a staff complement of 69 permanent employees, and eight temporary employees. The Table below shows the representation of employees per occupational levels as at the 30 June 2022. The reduction in numbers was due to the Department of Public Works and Infrastructure project termination. This is further illustrated on page 70 under terminations.

Sound progress is being made on the Overberg Water Board employment equity profile. The Entity is still falling short of reaching its 2021/2022 target for people with disability and African females' representation overall. Overberg Water Board is committed to continue addressing this situation and putting more emphasis on recruiting and promoting employees from the African female groups as well as employees with disabilities.

Table 18: Organisational Capacity

	African		Coloured		Indian		White		Total
Occupational Level	Male	Female	Male	Female	Male	Female	Male	Female	
Top Management	2	0	0	0	0	0	0	0	2
Senior Management	3	1	0	0	0	0	0	0	4
Professionally Qualified and Experienced Specialists and Mid-Management	0	1	3	0	0	0	0	0	4
Skilled Technical and Academically Qualified Workers, Junior Management, Supervisors, Foremen and Superintendents	2	1	1	2	0	0	0	0	6
Semi-skilled and Discretionary Decision Making	4	0	13	16	0	0	0	0	33
Unskilled and Defined Decision Making	1	2	6	3	0	0	0	0	12
Total Permanent	12	5	23	21	0	0	0	0	61
Temporary Employees	3	5	0	0	0	0	0	0	8
Grand Total	15	10	23	21	0	0	0	0	69

Appointments

In the reporting period (2021/2022) the Entity filled the positions of Senior Process Controller, Technical Manager, and System Area Manager in the operations division.

Table 19: Appointments

	African		Coloured		Indian		White		Total
Occupational Level	Male	Female	Male	Female	Male	Female	Male	Female	
Top Management	0	0	0	0	0	0	0	0	0
Senior Management	1	0	0	0	0	0	0	0	1
Professionally Qualified and Experienced Specialists and Mid-Management	0	0	1	0	0	0	0	0	1
Skilled Technical and Academically Qualified Workers, Junior Management, Supervisors, Foremen and Superintendents	0	1	0	0	0	0	0	0	1
Semi-skilled and Discretionary Decision Making	0	0	0	0	0	0	0	0	0
Unskilled and Defined Decision Making	0	0	0	0	0	0	0	0	0
Grand Total	1	1	1	0	0	0	0	0	3

Graduate Internship Programme

For the financial year under review, the Entity employed (4) graduate interns namely: (1) Finance graduate intern, (1) Information Technology (IT) graduate intern, one (1) Risk management graduate intern and one (1) Human Resources graduate intern as stipulated in Table 20.

Occupational Level	Male	Female	Total
Human Resources	0	1	1
Finance	0	2	2
Supply Chain Management	1	0	1
Operations	0	0	0
Grand Total	1	3	4

Table 20: Graduates/Interns

Terminations

The operational workforce remained stable during the financial year under review.

Table 21: Staff Turnover

	African		Coloured		Indian		White		Total
Types of Terminations	Male	Female	Male	Female	Male	Female	Male	Female	
Resignations	0	1	0	1	0	0	0	0	2
Dismissals	0	0	1	0	0	0	0	0	1
Abscondment	0	0	1	0	0	0	0	0	1
Deaths	0	0	0	0	0	0	0	0	0
Ill-Health	0	0	0	0	0	0	0	0	0
Retirements	0	0	2	1	0	0	0	0	3
Expiry of Fixed-term Contract	7	4	32	1	0	0	0	0	44
Total	7	5	36	3	0	0	0	0	51

Staff Turnover

The Entity's labour turnover percentage for the year 2021/2022 was 4.44% during the last quarter which is 5.56% below the set target of 10% of the Entity's Corporate Plan for the financial year under review. Kindly take note that the annual turnover for the financial year under review was 58.7% due to the public works project which ended in February 2022. This project employed 44 people.

and Management actively engaged on a regular basis share key organisational information, to respond to the Union regarding any significant operational changes that affect employees. During the abovementioned sessions, Management actively engaged the Union regarding concerns raised with the intention to amicably resolve issues and avoid disputes being declared by the Union. Also, to continually promote healthy and vibrant communication between the Union and Management.

Labour Relations

The Overberg water Board strives to create an environment in which employees feel valued and support the Entity's values, strategies, and priorities. The rights and wellbeing of all employees are safe guarded and protected through the alignment of the corporate policies with relevant legislation and regulations. Specifically, with the majority Union. The majority Union

Training and Skills Development

The Entity recognises the importance of continuous learning and development of its employees. The Overberg Water Board complies and submits the Workplace Skills Plan (WSP) and the Annual Training Report (ART) to the Energy and Water Sector Education Training Authority (SETA) which guides the implementation of the skills and development initiatives through the identification of the key and critical skills needed by the Entity to improve its organisational efficiencies and productivity.

The implementation of training and development initiatives is aligned with the Skills Development Act 97 of

1998 and other related legislation to provide employees with the competencies, behaviours and capabilities needed to address the Entity's challenges, comply with the applicable policies and relevant legislation and respond to the Water Sector skills requirements.

For the 2021/2022 financial year, the Entity witnessed a slight increase in training initiatives offered compared to the previous financial year. The Table below shows the number of employees trained per occupational category for the financial year under review and the various training programmes implemented to further develop the employees' capacity.

Table 22: Training and Development

	African		Coloured		Indian		White		Total
Training Programs	Male	Female	Male	Female	Male	Female	Male	Female	
Accounts Payable, Cashbook Training	1	1	0	3	0	0	0	0	5
General Ledger Training	0	0	0	1	0	0	0	0	1
Sage 300 People - Leave Management Training	0	3	0	1	0	0	0	0	4
Sage 300 People - Payroll Basic Part 1 Training	0	3	0	1	0	0	0	0	4
Sage 300 People - Payroll Basic Part 2 Training	0	3	0	1	0	0	0	0	4
Sage 300 People - Report Customisation Training	0	3	0	1	0	0	0	0	4
Trial Balance, Cashbook, Stock, Creditors Training	0	0	0	1	0	0	0	0	1
Skills Map ERP Training	0	0	1	2	0	0	0	0	3
Minute Taking Training	0	1	0	0	0	0	0	0	1
Minute Taking Support & Mentorship Training	0	1	0	0	0	0	0	0	1
Grand Total	1	15	1	11	0	0	0	0	28

Governance

The Entity's policies seek to ensure competent, motivated, and engaged employees. Furthermore, policies such as Remuneration Policy, Long Service and Awards Policy, Acting Policy, Staff Performance Management Policy and the Disciplinary Code and Procedure Policy were reviewed during the financial year under review to further improve the operational requirements of the Entity and to work towards achieving the organisational goals.

Conclusion

The year under review continued to present a number of challenges for the Human Resources Division. However these challenges presented opportunities and relevant people programmes for the division to support the Entity to execute the Corporate Plan.

Performance Management System

The Overberg Water Board's performance management system is designed to ensure that all employees have the knowledge and awareness of their roles and performance requirements in relation to the corporate strategy. A structured performance management system is the vehicle for the implementation of the Entity's strategic objectives. It is critical that the Overberg Water Board's Management continues to utilise the performance management system effectively as it provides a mechanism to improve performance through counselling and discipline. It also provides a justification for decisions related to performance-linked adjustments (such as remuneration and promotion and performance bonus) which are critical for improved organisational performance. Ongoing management oversight and employee support remain vital to ensure continued efficiency and effectiveness of the individual performance management system. The target of 100% compliance of employee reviews to be performed quarterly remains critical to ensure adherence to the Entity's performance assessments cycle time.

Governance

The Entity's HR policies seek to ensure a competent, motivated and engaged workforce for strategy implementation. Policies have been developed and approved by the Governing Board to improve the operational requirements of the Overberg Water Board and to work towards achieving the organisational goals.

Employee wellness

The Overberg Water Board values employee health and recognises the role wellness can play in the workforce. Every wellness effort contributes towards a healthier and more productive work environment. For the year under review the Overberg Water Board appointed a professional service provider to provide occupational health medical tests services to all operational employees. This wellness initiative meets the Occupational Health and Safety requirements of the Entity. In addition, these wellness initiatives reinforce and help employees to make smart and healthy choices that can reduce health care costs, increase

vitality and reduce absenteeism. The Overberg Water Board's occupational health programme is in line with the Occupational Health and Safety Act (No. 85 of 1993) and seeks to attain balance between the employee and his or her job-fit as well as minimise workplace injuries and accidents.

Employee Relations

Sound relations with organised labour as a key social partner, is of paramount importance to the success of the Overberg Water Board, which has a collective agreement with the Municipal Trade Union Southern African Union (MATUSA). Membership of this union by the Overberg Water Board stood at 45 members as at 30 June 2022. Governed through a collective agreement and various forms of legislation, the Overberg Water Board remains committed to sharing information regarding operational changes that may affect employees, directly or indirectly, with the organised labour. Management and organised labour, through a local labour forum, schedule meetings during the financial year as per the collective agreement. Continuous engagement is deemed critical to the development and sustainability of the Entity, which, in turn, provides opportunities for all employees. Currently, MATUSA has four shop stewards and a major focus for the next financial year will be on their capacitation given that some are new. The wage agreement for 2021/2022 has not been concluded as at year end, due to a deadlock with the Union. However, every effort is in place to resolve any dispute.

Conclusion

The financial year 2021/2022 presented many challenges to the Human Resources Division. However these were consistently met by ensuring that the Human Resource division is all about creating organisational value through engaged employees. Furthermore, the Human Resources professionals need to be equal partners in setting the direction for the Entity and getting it to achieve its strategic objectives.

Board member attendance

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

- (a) Audit, Risk and Business Strategy Committee
- (b) Operations and Infrastructure Committee
- (c) Human Resources, Remuneration and Ethics Committee

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

Table 23: Operations and Infrastructure Committee

Operations and Infrastructure Committee				
Members	QUARTER 1	QUARTER 2	QUARTER 3	QUARTER 4
Mr M Matji	✓	✓	✓	N/A – due to resignation
Ms I du Bruyn	✓	✓	✓	✓
Mr S Nene	✓	✓	✓	✓

Table 24: REMCO Meeting Attendance

REMCO Meeting Attendance				
Members	QUARTER 1	QUARTER 2	QUARTER 3	QUARTER 4
Ms S Mayinga	✓	✓	✗	✓
Mr R Benjamin	✓	✓	✗	✓
Dr G Davids	✓	✓	✗	✓

Table 25: Audit, Risk and Business Strategy

Audit, Risk and Business Strategy Committee				
Members	QUARTER 1	QUARTER 2	QUARTER 3	QUARTER 4
Mr D Lefutso	✓	✓	✓	✓
Dr N Madiba	✓	✓	✓	✓
Ms L Seripe	✓	✓	✓	✓

Table 25: Board Committee Meeting

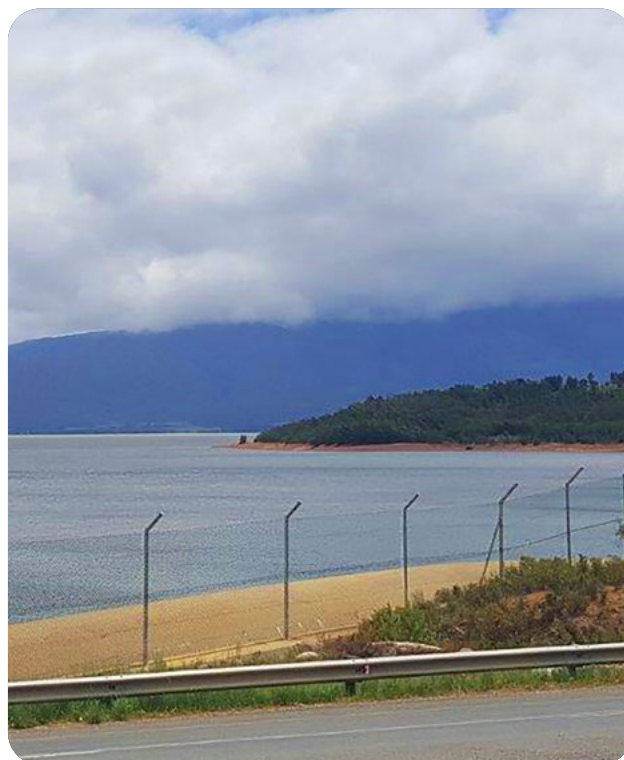
Board Committee Meeting				
Members	QUARTER 1	QUARTER 2	QUARTER 3	QUARTER 4
Mr R Benjamin	✓	✓	✓	✓
Ms I du Bruyn	✓	✓	✓	✓
Ms S Mayinga	✓	✗	✗	✓
Mr M Matji	✓	✗	✗	N/A – due to resignation
Mr S Nene	✓	✓	✓	✓
Mr D Lefutso	✓	✓	✗	✗
Ms L Seripe	✓	✓	✓	✓
Dr N Madiba	✓	✓	✓	✓
Dr G Davids	✓	✓	✓	✓

Effective controls and risk management

During the year under review, several interventions were introduced. These include, inter alia the introduction of the new internal controls, and appointment of SCM committees by the Chief Executive Officer

Good governance

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





Annual Financial Statements

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GENERAL INFORMATION

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

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

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the Overberg Water Board set out on pages 86 to 138, which comprise the statement of financial position as at 30 June 2022, the statement of financial performance, statement of changes in net assets, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Overberg Water Board as of 30 June 2022, and its financial performance and cash flows for the year then ended in accordance with Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Public Finance Management Act 1 of 1999 (PFMA).

Basis for the opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of my report.
4. I am independent of the Entity in accordance with the International Ethics Standards Board for Accountants' International code of ethics for professional

accountants (including International Independence Standards)(IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.

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

Emphasis of matters

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

Restatement of corresponding figures

7. As disclosed in Note 34 of the annual financial statements, the corresponding figures for 30 June 2021 were restated as a result of errors in the annual financial statements of the Entity at, and for the year ended 30 June 2022.

Material impairments

8. As disclosed in Note 8 of the annual financial statements, the Entity had material impairment of R3 063 070 (2020-21: R5 002 875) for trade receivables.

Underspending of the budget

9. As disclosed in the Statement of Comparison between Budget and Actual Amounts, the entity materially underspent the budget by R8 492 750 (74%)

Subsequent events

10. We draw attention to Note 35 in the annual financial statements, which deals with subsequent events and specifically the possible effects of the future implications of Covid-19 on the Entity's future prospects. My opinion is not modified in respect of this matter.

Responsibilities of the accounting authority for the financial statements

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

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

13. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high

level of assurance but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Report on the audit of the annual performance report

Introduction and scope

15. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for selected strategic goals presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.
16. My procedures address the usefulness and reliability of the reported performance information, which must be based on the Entity's approved performance planning documents. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures do not examine whether the actions taken by the Entity enabled service delivery. My procedures do not extend to any disclosures or assertions relating to the extent of achievements in the current year or planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.

17. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected objectives presented in the Entity's annual performance report for the year ended 30 June 2022:

Strategic goal	Pages in the annual performance report
Strategic goal – Organisational efficiency and effectiveness	54-55

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

Other matters

20. I draw attention to the matters below.

Achievement of planned targets

21. Refer to the annual performance report on pages 52 to 58 for information on the achievement of planned targets for the year.

Adjustment of material misstatements

22. I identified material misstatements in the annual performance report submitted for auditing. These

material misstatements were in the reported performance information of Objective 1 – Organisational efficiency and effectiveness. As management subsequently corrected the misstatements, I did not raise any material findings on the usefulness and reliability of the reported performance information.

Report on the audit of compliance with legislation

Introduction and scope

23. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the Entity's compliance with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
24. The material findings on compliance with the specific matters in key legislation are as follows:
25. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework and/or supported by full and proper records, as required by section 55(1) a of the PFMA.
26. Material misstatements identified by the auditors in the submitted financial statement were corrected and the supporting records were provided subsequently, resulting in the financial statements receiving an unqualified audit opinion.

Other information

27. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report, which includes, the audit committee's report. The other information does not include the financial statements, the auditor's report and those selected objective

presented in the annual performance report that have been specifically reported in this auditor's report.

28. My opinion on the financial statements and findings on the reported performance information and compliance with legislation does not cover the other information and I do not express an audit opinion or any form of assurance conclusion on it.
29. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent

Annual Financial Statements

30. The financial statements that were submitted for auditing were not fully prepared in accordance with the prescribed financial reporting framework and/or supported by full and proper records, as required by section 55(1)a of the PFMA
31. Material misstatements identified by the auditors in the submitted financial statements were corrected and the supporting records were provided subsequently, resulting in the financial statements receiving an unqualified audit opinion.

Other information

32. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report, which includes the audit committee's report. The other information does not include the financial statements, the auditor's report and those selected strategic goals presented in the annual performance report that have been specifically reported in this auditor's report.
33. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other

information and I do not express an audit opinion or any form of assurance conclusion on it.

34. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected strategic goals presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
35. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

Internal control deficiencies

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

Auditor General

Cape Town

30 November 2022



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

OVERBERG WATER ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

BOARD RESPONSIBILITIES AND APPROVAL

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

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

The Board members acknowledge that they are ultimately responsible for the system of internal financial control established by the Entity and place considerable importance on maintaining a strong control environment. To enable the Board to meet these responsibilities, the Board sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Entity and all employees are required to maintain the highest ethical standards in ensuring that the Entity's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the entity is on identifying, assessing, managing and monitoring all known forms of risk across the Entity. While operating risk cannot be fully eliminated, the entity endeavours to minimise it by ensuring that

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

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

The Board has reviewed the Entity's cash flow forecast contained in the corporate plan for the year to 30 June 2022 and, in the light of this review and the current financial position, they are satisfied that the Entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the entity's annual financial statements. The annual financial statements have been examined by the entity's external auditors and their report is presented on pages 78 to 81.

The annual financial statements set out on pages 86 to 138, which have been prepared on the going concern basis, were approved by the Board on 31 August 2022 and were signed on its behalf by:



Razeen Benjamin
Chairperson of the Board

OVERBERG WATER ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

REPORT OF THE GOVERNING BOARD / ACCOUNTING AUTHORITY

The members of the Governing Board submit their report for the year ended 30 June 2022.

1. Review of activities

Main business and operations

The Entity supplies bulk water to municipalities and agricultural customers

The operating results and state of affairs of the Entity are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

2. Compliance with legislation

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

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

3. Corporate Governance

The Board supports the Code of Good Governance Practice.

4. Share Capital

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

5. Going concern and sustainability

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

OVERBERG WATER ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

REPORT OF THE GOVERNING BOARD / ACCOUNTING AUTHORITY

The financial statements for the year ended 30 June 2022 confirms a Net Deficit for the year of R553 778. This Net Deficit has led to a decrease in Net Assets of 1% on the Statement of Financial Position. In addition to this the Entity Non-Current investments have increase by 4% to a total value of amounting to R41 059 586.2 9 (see note 6.1). The investments are set aside, including, but not limited to, for any emergency and capital expenditure.

Over the last few financial years, the Entity experienced several external factors, with some being attributable to historical issues such as the none approval of water tariffs in the 2016/17 and 2020/21 financial years. The non-approval of these tariffs has adversely affected the recovery of costs associated with running the business. With some of these costs increasing above inflation. These costs include key costs such as Energy, Raw Water, Chemicals and Direct Labour and Employee Cost. With revenue being under pressure the refurbishment of aging infrastructure is compromised. Overberg Water Board's strategy in the short to medium term includes a focus on growing the revenue base and using different instruments within the proposed capital structure to finance the refurbishment of infrastructure in order to guarantee sustainability of water supply. The Entity will continue in its drive to ensure good governance and financial management whilst executing its mandate as outlined in the Water Services Act.

Overberg Water remains a key instrument in the contribution of economic growth in the Overberg Region and therefore the Western Cape through its contribution of the sustenance of the agricultural industry which is the main source of employment in the Overberg Region. A region that contributes also to food security and the Gross Domestic Product of South Africa through its exports of commodities. The survival of this sector is largely depend on the provision of clean potable water which is provided by the Overberg Water Board.

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

6. Events after the reporting period

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

OVERBERG WATER ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

REPORT OF THE GOVERNING BOARD / ACCOUNTING AUTHORITY

7. Non-current assets

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

8. Appointment of board members

The Board members were appointed in April 2019

9. Directors' interests

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

10. Directors' emoluments

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

11. Directors service contracts

The directors serve a five year term.

12. Board Secretary

At the present the Entity has outsourced this function to a law firm: Mamatella Attorneys.

13. Committees of the Board

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

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

OVERBERG WATER ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022

	Notes	2022 R	2021 R
ASSETS			
Non-Current Assets			
Property, plant and equipment	3	31,763,552	33,870,946
Intangible Assets	4	3,456,401	2,329,227
Investments	6	41,059,586	39,404,550
		76,279,539	75,604,723
Current Assets			
Inventories	7	1,243,959	2,443,742
Receivables from exchange transactions	8	15,450,746	21,158,143
Cash and cash equivalents	9	13,293,805	11,736,016
		29,988,509	35,337,901
TOTAL ASSETS		106,268,048	110,942,624
RESERVES AND LIABILITIES			
Net Assets	10	95,188,489	95,742,267
Liabilities			
Current Liabilities			
Payables from exchange transactions	11	4,591,555	6,622,172
Employee benefits	12	6,246,062	8,307,025
Provisions	13	119,025	
Finance lease Liability		121,090	172,032
		11,077,733	15,101,228
Non-current Liabilities			
Finance lease Liability		1,830	99,130
		1,830	99,130
TOTAL NET ASSETS AND LIABILITIES		106,268,048	110,942,624

Refer to Note 34 for restated amounts

OVERBERG WATER ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

STATEMENT OF FINANCIAL PERFORMANCE AS AT 30 JUNE 2022

		2022 R	2021 Restated R
Revenue			
Revenue from exchange transactions		80,011,305	80,041,319
Revenue from exchange transactions	14	80,011,305	80,041,319
Revenue from non-exchange transactions	15	-	-
Expenditure			
Costs of potable water	16	(80,565,083)	(78,804,160)
Operating expenditure	17	(44,742,638)	(39,797,467)
Finance cost		(35,812,301)	(38,953,286)
		(10,144)	(53,407)
Surplus(deficit) for a year		(553,778)	1,237,159

Refer to Note 19,3 for restated amounts

OVERBERG WATER ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

STATEMENT OF CHANGES IN NET ASSETS AS AT 30 JUNE 2022

		ACCUMULATED SURPLUS R	NET ASSETS R
Balance at 1 July 2019		91,017,308	91,017,308
Reclassification	34,3	25,000,000	
As previously stated		66,017,308	66,017,308
Surplus(deficit) for a year		3,487,800	3,487,800
As previously stated		3,487,800	3,487,800
Balance at 1 July 2020		94,505,108	94,505,108
Surplus(deficit) for a year		1,237,159	1,237,159
Prior year period error		94,369	94,369
As previously stated		1,142,790	1,142,790
Balance at 1 July 2021		95,742,267	95,742,267
Surplus(deficit) for a year		(553,778)	(553,778)
Surplus(deficit) for a year		(553,778)	(553,778)
Balance at 30 June 2022		95,188,489	95,188,489

Refer to Note 34 for prior year error

OVERBERG WATER ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

STATEMENT OF CASH FLOWS AS AT 30 JUNE 2022

	Notes	2022 R	2021 Restated R
Operating activities			
Cash receipts from customers		80,296,077	71,092,751
Water sales		79,821,729	70,285,842
Other income		474,348	806,909
Cash paid to suppliers and employees		(78,550,087)	(61,354,270)
Employee costs		(37,497,066)	(24,734,506)
Operating costs		(41,053,020)	(36,619,764)
Cash generated from operations	21	1,479,129	4,438,584
Interest paid	19.3	(4,955)	(6,284)
Interest income	19.2	1,413,896	1,250,350
Net cash from operating activities		2,888,070	5,682,650
Investing activities			
Acquisition of property, plant and equipment and intangible assets	3;4	(2,137,413)	(4,704,739)
Gain on sale of assets		-	-
Other income: Insurance Claims		995,114	45,042
Net cash from investing activities		(1,142,299)	(4,659,697)
Financing activities			
Finance leases		(187,983)	(332,455)
Investment			
Net cash from investing activities		(187,983)	(332,455)
Net increase/(decrease) in cash and cash equivalents		1,557,789	690,498
Cash and cash equivalents at the beginning of the year		11,736,016	11,045,520
Cash and cash equivalents at the end of the year	9	13,293,804	11,736,016

Refer to note 34.3 for restated amounts

OVERBERG WATER ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS AS AT 30 JUNE 2022

2022	Notes	Approved Budget R	Final Budget R	Actual Amounts R	Variance Amounts R	Variance %
Financial Performance						
Revenue	14	75,746,000	75,746,001	80,011,305	4,265,304.57	6%
Water sales		64,590,000	64,590,000	60,084,636	(4,505,364.30)	-7%
Water related services		9,012,000	9,012,000	14,454,332	5,442,332.37	60%
Other income		494,000	494,000	2,301,602	1,807,601.91	366%
Interest on investments		1,650,000	1,650,000	1,756,839	106,838.59	6%
Interest income		-	-	1,413,896	1,413,896.00	
Total Expenses		(82,561,000)	(83,140,360)	(80,565,083)	2,575,277	-3%
Costs of potable water	16	(44,104,000)	(45,109,498)	(44,742,638)	366,860	-1%
Chemicals		(3,714,000)	(3,280,814)	(3,214,099)	66,715	-2%
Energy		(9,626,000)	(11,616,650)	(11,616,650)	0	0%
Fuel		(798,000)	(1,354,851)	(1,354,851)	(0)	0%
Insurance		(703,000)	(818,840)	(937,865)	(119,025)	15%
Laboratory costs		(811,000)	(566,978)	(566,978)	0	0%
Labour		(19,958,000)	(18,704,771)	(18,285,602)	419,169	-2%
Machinery and tool hire		(785,000)	(1,136,341)	(1,136,341)	0	0%
Movement in potable water inventory		(21,000)	(92,357)	(92,357)	(0)	0%
Protective clothing		(316,000)	(571,628)	(571,627)	1	0%
Raw water		(1,038,000)	(1,203,421)	(1,203,421)	0	0%
Repairs and maintenance		(2,275,000)	(3,169,598)	(3,169,598)	0	0%
Cylinder rental		-	(350,615)	(350,615)	0	0%
Other vehicle cost		-	(143,333)	(143,333)	(0)	0%
Depreciation		(4,059,000)	(2,099,301)	(2,099,301)	(0)	0%

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS AS AT 30 JUNE 2022 (Continued)

2022	Notes	Approved Budget R	Final Budget R	Actual Amounts R	Variance Amounts R	Variance %
Operating expenditure	17	(38,457,000)	(38,030,862)	(35,812,301)	2,218,561	-6%
Auditors remuneration		(1,173,000)	(2,263,782)	(2,263,782)	0	0%
Consulting and professional fees		(6,885,000)	(2,846,548)	(2,749,155)	97,393	-3%
Board costs		(1,632,000)	(1,158,720)	(1,152,613)	6,107	-1%
Depreciation		(698,000)	(828,000)	(811,107)	16,893	-2%
Employee costs		(19,650,000)	(21,615,000)	(19,211,463)	2,403,537	-11%
Impairment of financial assets		(1,429,000)	(137,703)	(350,700)	(212,997)	155%
Bad debt write-off				(1,106,489)	(1,106,489)	
(Profit) / Loss on scrapping of property plant and equipment				-	-	
Operating lease charges (Equipment and Office rental)		(1,450,000)	(1,203,500)	(1,192,129)	11,371	-1%
IT expenses		(864,000)	(777,600)	(755,837)	21,763	-3%
Travel and accommodation costs		(1,111,000)	(1,333,200)	(1,320,310)	12,890	-1%
Stationery consumables		(610,000)	(305,000)	(298,681)	6,319	-2%
Recruitment costs		(175,000)	(70,000)	(13,988)	56,012	-80%
Insurance		(395,000)	(454,250)	(448,543)	5,707	-1%
Municipal services		(332,000)	(365,200)	(365,379)	(179)	0%
Telephone costs		(426,000)	(564,382)	(535,742)	28,640	-5%
Facilities management		-	(15,057)	(14,340)	717	-5%
*Project cost-Installation of tanks		(169,000)		-	-	
** Operating expenses		(1,458,000)	(4,092,920)	(3,222,044)	870,876	-21%
Finance costs		-	-	(10,144)	(10,144)	
Surplus/(deficit)		(6,815,000)	(7,394,359)	(553,778)	6,840,582	-93%
Capital expenditure	3/4	(4,051,000)	(4,051,000)	(2,398,832)	1,652,168	-41%
Immovable and movable assets-own		(4,051,000)	(4,051,000)	(2,398,832)	1,652,168	-41%
Capital expenditure- Directive		-	-	-	-	0%
Surplus/(deficit)		(10,866,000)	(11,445,359)	(2,952,610)	8,492,750	-74%

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

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

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS AS AT 30 JUNE 2022

2022	Notes	Approved Budget R	Final Budget R	Actual Amounts R	Variance Amounts R	Variance %
Cash flow						
Net cash from operating activities		2,443,000	2,443,000	2,888,070	445,070	-18%
Net cash from investing activities		(3,051,000)	(3,051,000)	(1,142,299)	1,908,701	63%
Net cash from financing activities		-	-	(187,983)	(187,983)	0%
Net increase/(decrease) in cash and cash equivalents		(608,000)	(608,000)	1,557,789	2,165,789	356%
Cash and cash equivalents at the beginning of the year		12,061,000	12,061,000	11,736,016	(324,984)	3%
Cash and cash equivalents at the end of the year		11,453,000	11,453,000	13,293,805	1,840,805	16%

SIGNIFICANT ACCOUNTING POLICIES

1. Presentation of Financial Statements

1.1 Basis of preparation of the Annual Financial Statements

The annual financial statements have been prepared in accordance with General Recognised Accounting Practice (GRAP), including any interpretation and directives issued by the Accounting Standards Board (ASB) in accordance to the Public Finance Management Act of South Africa, 1999 (Act No.1 of 1999) "PFMA".

1.2 Adoption of GRAP

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

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash flow statements
GRAP 3	Accounting policies, changes in accounting estimates and errors.
GRAP 4	The effects of changes in foreign exchange rates
GRAP 5	Borrowing costs
GRAP 6	Consolidated and separate financial statements
GRAP 7	Investments in Associates
GRAP 8	Interest in Joint Ventures
GRAP 9	Revenue from Exchange Transactions
GRAP 10	Financial Reporting in Hyperinflationary Economies
GRAP 11	Construction contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events after the Reporting Date
GRAP 16	Investment Property
GRAP 17	Property, plant and equipment
GRAP 18	Segment Reporting
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GRAP 20	Related party disclosures
GRAP 21	Impairment of Non-cash- generating assets
GRAP 23	Revenue from Non-Exchange Transactions (Taxes and Transfers)
GRAP 24	Presentation of Budget information in Financial Statements.
GRAP 25	Employee Benefits
GRAP 26	Impairment of cash generating assets
GRAP 27	"Agriculture"
GRAP 31	Intangible Assets
GRAP 32	Services concession arrangements: Grantor
GRAP 34	Separate Financial Statements
GRAP 35	Consolidated Financial Statements
GRAP 36	Investments in Associates and Joint Ventures
GRAP 37	Joint Arrangements
GRAP 38	Disclosure of Interests in Other Entities
GRAP 100	"Discontinued Operations"
GRAP 103	Heritage Assets
GRAP 104	Financial Instruments
GRAP 105	Transfers of functions between entities under common control
GRAP 106	Transfers of functions between entities not under common control
GRAP 107	Mergers
GRAP 108	Statutory receivables
GRAP 109	Accounting by principals and agents
GRAP 110	Living and Non-living Resources

SIGNIFICANT ACCOUNTING POLICIES

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

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

1.3 Statement of compliance

The annual financial statements have been prepared on the historical cost basis, and incorporate the principal accounting policies set out below. They are presented in South African Rands. These accounting policies are consistent with the previous year, where there are differences, these has been explained in Note 33.

The annual financial statements are prepared on a basis that the entity will continue to be a going concern. This principle was applied in the preparation of the annual financial statements for the year ended June 2022.

1.4 Off-setting

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

1.5 Changes in accounting estimates and errors

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

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

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

1.6 Property, plant and equipment

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

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

Property, plant and equipment is initially measured at cost. Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is 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. Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses. Land is stated at cost.

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

SIGNIFICANT ACCOUNTING POLICIES

Item	Average useful life
Water purification schemes	
• Buildings	15 - 60 Years
• Structures	7 - 100 Years
• Pipes / network	10 - 80 Years
• Mechanical equipment	10 - 20 Years
• Electronic and electrical equipment	3 - 50 Years
Spares	Indefinite
Movable equipment and furniture	
• Movable equipment (including leased assets)	5 - 10 Years
• Furniture	5 - 10 Years
Motor vehicles	5 - 10 Years
Offices	5 - 60 Years
Land	Indefinite

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

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

1.7 Intangible assets

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

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

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

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

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

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

Item	Average useful life
Computer Software	2 - 5 Years
Servitude	Indefinite

SIGNIFICANT ACCOUNTING POLICIES

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

1.8 Non-current assets held for sale

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

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

1.9 Inventories

Inventories are measured at the lower of cost and net realisable. Inventories shall be Recognised as an asset if, and only if,

- (a) It is probable that future economic benefits or service potential associated with the the item will flow to the Entity
- (b) The cost of the inventories can be measured reliably

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of selling expenses.

The net realisable value of raw materials and supplies held to be used in the production of inventories will not be written down if the finished goods are expected to be sold or exchanged at or above cost

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

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

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

1.10 Impairment of assets

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

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

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

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

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

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

SIGNIFICANT ACCOUNTING POLICIES

1.11 Financial instruments

1.11.1 Classification

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

Financial instruments are initially measured at fair value.

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

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

1.11.2 Initial recognition and measurement

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

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

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

1.11.3 Subsequent measurement

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

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

1.11.4 Derecognition

Financial assets

The Overberg Water derecognises financial assets using trade date accounting.

"The Overberg Water derecognises a financial asset only when:

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

SIGNIFICANT ACCOUNTING POLICIES

Financial liabilities

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

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

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

1.12 Fair value determination

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

1.13 Investments

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

1.14 Receivables from exchange transactions

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

1.15 Receivables from non-exchange transactions

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

1.16 Cash and cash equivalents

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

1.17 Payables from exchange transactions

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

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

SIGNIFICANT ACCOUNTING POLICIES

1.18 Payables from non-exchange transactions

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

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

1.19 Amounts received in advance

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

1.20 Provisions and accruals

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

1.21 Revenue

Revenue relating to the supply of water is recognised on the consumption of water by the water users. Revenue comprises amounts invoiced to customers for potable water, exclusive of value-added tax, at the declared tariffs.

1.21.1 Revenue from exchange transactions

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

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

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

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

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

Revenue from the rendering of services is recognised when:

When the outcome of a transaction can be estimated reliably, revenue should be recognised by reference to the stage of completion of the transaction at the reporting date, provided that all of the following conditions are met:

- 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 at the reporting date can be measured reliably.
- The costs incurred, or to be incurred, in respect of the transaction can be measured reliably.

SIGNIFICANT ACCOUNTING POLICIES

1.21.2 Revenue from non-exchange transactions

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

Where services are received in-kind, and a reliable estimate can be made, the Overberg Water will recognise the related revenue.

In all other cases, the Overberg Water will only disclose the event. Revenue from non-exchange transactions include but not limited to taxes and transfers received from government.

1.22 Costs of potable water

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

1.23 Employee benefits

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

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

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

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

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

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

1.24 Expenditure

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

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

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

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

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

SIGNIFICANT ACCOUNTING POLICIES

1.25 Leases

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

1.25.1 Operating leases – lessor

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

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

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

1.25.2 Operating leases – lessee

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

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

1.25.3 Finance lease

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

The assets acquired under finance leases is recognised as assets and the associated lease obligations as liabilities in the statement of financial position at the commencement of the lease term. The assets and liabilities is recognised at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease.

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

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

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

1.26 Irregular, fruitless and wasteful expenditure and material losses through criminal conduct

Irregular, fruitless and wasteful expenditure and material losses through financial misconduct is recognised as expenditure in the statement of financial performance according to the nature of the payment and disclosed separately in note 30. If the expenditure is recoverable it is treated as an assets until it is recovered from the responsible person or written off as irrecoverable in the statement of financial performance.

SIGNIFICANT ACCOUNTING POLICIES

1.27 Related parties

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

1.28 Budget information

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

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

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

1.29 Judgements and estimates

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

1.29.1 Initial measurement of financial assets

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

1.29.2 Impairment of financial assets

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

1.29.3 Fair value estimation

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

SIGNIFICANT ACCOUNTING POLICIES

1.29.4 Provisions

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

1.29.5 Residual values and useful lives of plant and equipment

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

1.29.6 Contingent assets and contingent liabilities

Management applies its judgement to the fact patterns and advice it receives from its attorneys, advocates and other advisors in assessing if an obligation is probable, more likely than not, or remote. This judgement application is used to determine if the obligation is recognised as a liability or disclosed as a contingent liability. Contingent assets and liabilities are not recognised. Contingencies are disclosed in notes 31 and 32.

1.30 Events after reporting date

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

2 New Standards and Interpretations

2.1 Standards and interpretations not yet effective:

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

Revised GRAP 25	Employee benefits
Revised GRAP 104	Financial instruments

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

3. Property plant and equipment

	2022		
	Cost / Valuation	Accumulated depreciation	Carrying value
Water purification schemes	84,685,735	(57,037,407)	27,648,327
Motor vehicles	3,677,261	(2,298,006)	1,379,255
Furniture and office equipment	1,814,194	(1,263,678)	550,516
Computer equipment	1,324,453	(713,262)	611,191
Machinery and equipment	2,219,300	(1,429,932)	789,367
Land	88,222	-	88,222
Buildings	1,950,881	(1,383,243)	567,637
Leased assets: equipment	1,666,153	(1,537,118)	129,035
Capital work-in-progress	-	-	-
Total	97,426,199	(65,662,647)	31,763,552

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

Reconciliation of property plant and equipment – 2022

	Opening balance	Additions	Disposals / Scrapped	Transfers	Depreciation	Impairment	Revaluation	Total
Water purification schemes	28,946,835	700,346	(305,056)	-	(1,677,932)	(15,865)	-	27,648,328
Motor vehicles	1,844,529	-	(141,369)	-	(323,905)	-	-	1,379,255
Furniture and office equipment	720,582	13,565	(9,211)	-	(174,373)	(46)	-	550,517
Computer equipment	507,752	348,991	(9,302)	-	(236,250)	-	-	611,191
Machinery and equipment	918,339	145,996	(3,705)	-	(270,714)	(548)	-	789,368
Land	88,222	-	-	-	-	-	-	88,222
Buildings	621,030	-	-	-	(53,392)	-	-	567,637
Leased assets: equipment	223,658	34,552	-	-	(129,175)	-	-	129,035
Capital work-in-progress	-	-	-	-	-	-	-	-
	33,870,946	1,243,451	(468,643)	-	(2,865,742)	(16,459)	-	31,763,553

Reconciliation of property plant and equipment – 2021

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

3. Property plant and equipment (continued)

3.1 Useful lives

During the current financial year, a physical verification and condition assessment was undertaken. This resulting in changes in the conditions of certain assets being identified which led to the useful lives of these assets being reassessed and adjusted, the effect of this revision is as follows:

Increase in Computer equipment depreciation expense amounting to R49 846,23
 Decrease in Finance lease depreciation expense amounting to R116 486,23
 Increase in Furniture and Office Equipment depreciation expense amounting to R43 807,36
 Decrease in Intangible Assets depreciation expense amounting to R3 746,38
 Increase in Machinery and Equipment depreciation expense amounting to R37 250,79
 Increase in Transport Assets depreciation expense amounting to R96 326,17
 Decrease in Water Purification Schemes depreciation expense amounting to R163 782,47
 Decrease in Buildings depreciation expense amounting to R11 024,53

An entity shall assess at each reporting date, determines whether there is any indication that the expected use life of an assets has changed since the previous reporting date. If any such indication exists, the entity shall revise the expected useful life accordingly. The change/(s) in the useful lives, shall be accounted for as a change in an accounting estimate in accordance to GRAP 3.

All remaining useful lives that were adjusted for the 2021/22 financial year are disclosed in the financial statements as a change in estimate in accordance with GRAP 3 (refer to note 5.1). All changes in estimates occurs prospectively and no prior year adjustments were made. All review of useful life adjustments occurred with effect from 1 July 2022.

3.2 Impairment and reversal of impairment

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

These assets are also reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets were impaired during 2021/22 financial year amounting to R16 459.

3.3 Capital work in progress

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

3.4 Details of properties

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

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

Servitudes and area in and around Caledon.

4. Intangible Assets

2022			
	Cost / Valuation	Accumulated amortisation	Carrying value
Computer Software	214,242	(36,586)	177,655
Servitude	556,655	-	556,655
Intangible assets under development	2,722,091	-	2,722,091
Total	3,492,989	(36,586)	3,456,401

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

Reconciliation of Intangible Assets – 2022

	Opening balance	Additions	Disposals / Scrapped	Transfers	Amortisation	Revaluation	Total
Computer Software	43,204	162,659	-	-	(28,207)	-	177,655
Servitude	556,655		-	-	-	-	556,655
Intangible assets under development	1,729,368	992,723	-	-		-	2,722,091
Total	2,329,227	1,155,381	-	-	(28,207)	-	3,456,401

Reconciliation of Intangible Assets – 2021

	Opening balance	Additions	Disposals / Scrapped	Transfers	Amortisation	Revaluation	Total
Computer Software	7	49,000	-	-	(5,803)	-	43,204
Servitude	556,655		-	-	-	-	556,655
Intangible assets under development		1,729,368	-	-	-	-	1,729,368
Total	556,662	1,778,368	-	-	(5,803)	-	2,329,227

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

Servitudes are rights granted to the Overberg Water for an indefinite period of time. These servitudes consist of land expropriated by Overberg Water containing infrastructure owned by the Overberg Water and used in the production of revenue. The life of the servitude will remain in force as long as the relevant infrastructure is still in use. Servitudes are not amortised but are assessed by means of an annual impairment test. The recoverable amount is determined through the results of the value in use and fair value less costs to sell impairment tests. The results of which have indicated that no impairment is required.

4.1 Intangible Assets under Development

The total amount of intangible Assets under development for 2021/2022 is R2, 722,091 (2020/2021 : R1, 729,368) in relation to the implementation of the ERP system.

5. Depreciation, amortisation and impairment

Depreciation on property, plant and equipment

Water purification schemes

Motor vehicles

Furniture and office equipment

Computer equipment

Machinery and equipment

Land

Buildings

Leased: equipment

Amortisation on intangible assets

Computer software

Impairment and Impairment reversal

Water purification schemes

Buildings

Motor vehicles

Furniture and office equipment

Computer equipment

Machinery and equipment

Change in estimate on depreciation

Water purification schemes

Buildings

Motor vehicles

Furniture and office equipment

Computer equipment

Machinery and equipment

Leased: equipment

Computer Software

	2022	2021 Restated
Depreciation on property, plant and equipment	(2,801,679)	(2,890,922)
Water purification schemes	(1,514,150)	(1,956,322)
Motor vehicles	(420,231)	(173,144)
Furniture and office equipment	(218,181)	(118,115)
Computer equipment	(286,096)	(137,217)
Machinery and equipment	(307,965)	(120,024)
Land	-	-
Buildings	(42,368)	(82,779)
Leased: equipment	(12,689)	(303,321)
	-	-
Amortisation on intangible assets	(24,461)	(5,803)
Computer software	(24,461)	(5,803)
Impairment and Impairment reversal	(16,459)	(151,376)
Water purification schemes	(15,865)	(119,539)
Buildings	-	(1,831)
Motor vehicles	-	(2,604)
Furniture and office equipment	(46)	(434)
Computer equipment	-	(33)
Machinery and equipment	(548)	(26,935)
Change in estimate on depreciation	(67,809)	149,551
Water purification schemes	(163,782)	117,987
Buildings	(11,025)	18,147
Motor vehicles	96,326	(16,986)
Furniture and office equipment	43,807	8,191
Computer equipment	49,846	14,644
Machinery and equipment	37,251	7,568
Leased: equipment	(116,486)	-
Computer Software	(3,746)	-
	(2,910,408)	(2,898,550)
	-	-

5.1 Change in estimate

Reconciliation on change in accounting estimate 2022

	Depreciation before RUL adjustment original	Depreciation Financial YTD	Effect of change in estimate
Water purification schemes	(1,881,231)	(1,717,448)	(163,782)
Buildings	(64,417)	(53,392)	(11,025)
Computer equipment	(131,867)	(181,714)	49,846
Furniture and office equipment	(130,564)	(174,372)	43,807
Computer software	(14,207)	(10,460)	(3,746)
Machinery and equipment	(206,972)	(244,223)	37,251
Motor vehicles	(231,975)	(328,301)	96,326
Finance lease asset	(229,170)	(112,684)	(116,486)
	(2,890,402)	(2,822,593)	(67,809)

5.2 Change in estimate

Reconciliation on change in accounting estimate 2021 Restated

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

During the current financial year, a physical verification and condition assessment was undertaken. This resulted in changes in the conditions of certain assets and the remaining useful life of these assets were adjusted. The effect of this revision is as follows:

Increase in Computer equipment depreciation expense amounting to R49 846,23

- Decrease in Finance lease depreciation expense amounting to R116 486,23
- Increase in Furniture and Office Equipment depreciation expense amounting to R43 807,36
- Decrease in Intangible Assets depreciation expense amounting to R3 746,38
- Increase in Machinery and Equipment depreciation expense amounting to R37 250,79
- Increase in Transport Assets depreciation expense amounting to R96 326,17
- Decrease in Water Purification Schemes depreciation expense amounting to R163 782,47
- Decrease in Buildings depreciation expense amounting to R11 024,53

6. Investments

6.1 Investec Corporate Cash Manager:

	2022 R	2021 Restated
CCM Call Money Fund	31,906,528	30,622,871
CCM Call Account	7,801,677	7,487,551
Masibambane Investment account	1,351,381	1,294,128
	41,059,586	39,404,550

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

6.2 Non-current assets

	2022 R	2021 Restated
At amortised cost	41,059,586	39,404,550
At market fair value	-	-
Total investments	41,059,586	39,404,550

6.3 Investment Made

Total movement for the year	1,655,036	1,556,963
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7. Inventories

	-	-
Maintenance and emergency spares	861,835	1,908,308
Potable water	106,275	198,632
Chemicals	275,848	336,802
Diesel	-	-
	1,243,959	2,443,742

The cost of raw water recognised as an expense during the period amounts to R 1 203 421 (2021: R 1 023 817)

7.1 Maintenance and emergency spares

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

8. Receivables from exchange transactions

	2022 R	2021 Restated
Trade receivables	17,932,262	22,002,263
Impairment of trade receivables	(3,063,070)	(5,002,875)
Net trade receivables	14,869,192	16,999,389
Prepaid expenses	171,900	128,528
Other receivables	812,959	4,090,034
Impairment of other income	(403,305)	
Impairment of Sanlam dividend receivable	-	(59,809)
	15,450,746	21,158,143

Trade and other receivables are shown net of impairments amounting to R3 063 070 (2021: R5 002 875) recognised during the year determined by reference to past default experience. The major contributor to the impairment provision is the industrial and agricultural customers whom are battling citing poor economic conditions and are still recovering from the drought.

9. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank accounts	13,284,729	11,730,883
Cash on hand	9,075	5,133
	13,293,805	11,736,016

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

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

Credit card facilities

The entity has the following banking facilities:- Petrol cards (ABSA) facility of R160 000,00.

Guarantee provided by ABSA Bank Ltd

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

	2022 R	2021 Restated
10. Net Assets		
Accumulated surplus	95,188,489	95,742,267
	95,188,489	95,742,267
10.1 Capital Expenditure Fund		
Capital Expenditure Fund consist of a fixed total amount of R20 million, this is a fund used by Overberg Water Board to fund the acquisition, upgrading, maintenance of infrastructure assets such as water purification schemes and any other major operational requirements.		
10.2 Emergency Fund		
Emergency Fund consist of a fixed total amount of R5 million that is set aside by Overberg Water Board with intention to create financial security necessary to meet emergency expenses or obligations necessary to ensure business continuity.		
11. Payables from exchange transactions		
Trade payables	1,831,089	4,046,189
Accruals	162,348	196,060
Amounts received in advance	108,333	87,056
Salary payables	827,425	681,993
Other payable	7,904	-
VAT and PAYE payable	1,654,457	1,610,875
	4,591,555	6,622,172
12. Employee Benefits		
Opening balance	8,426,050	5,299,895
Employee benefits for the year	(2,179,987)	3,007,130
Closing balance	6,246,062	8,307,025

12.1 Reconciliation of employee benefits - 2022

	Opening balance	Increases	Utilised during the year	Utilised	Total
Performance bonuses	3,645,620	535,263	(1,510,577)	(708,787)	1,961,520
Unpaid leave	4,661,404	1,937,571	(2,314,432)	-	4,284,543
	8,307,025	2,472,835	(3,825,009)	(708,787)	6,246,062

Reconciliation of employee benefits - 2021 Restated

	Opening balance	Increases	Utilised during the year	Total
Performance bonuses	2,245,244	1,426,256	(25,880)	3,645,620
Unpaid leave	3,054,650	3,053,149	(1,446,395)	4,661,404
	5,299,894	4,479,405	(1,472,275)	8,307,025

Reconciliation of employee benefits - 2020 Restated

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

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

Unpaid leave

Overberg Water has a legal obligation to grant leave to employees in terms of their employment contract and the basic conditions of employment act. Employees are granted a minimum of 15 leave days to a maximum of 27 leave days depending on their seniority. Any leave not taken at a reporting date is provided for, leave taken during the year is reported as utilised. The timing of the outflow is uncertain as well as the related amounts as its unknown as to when will the leave be taken. The provision of leave amount to R4 284 543 (R4 661 404 for 2021).

Performance bonuses

Overberg Water has a constructive obligation to pay bonuses, due to past practices of making such payments. The amount of the provision is recognised at the present value of the expenditure to be required to settle the obligation as at the reporting date and is carried at amortized costs. The provision of bonus is based on 45% of the monthly basic salary of each employee who are non- executive, the percentage used is based on the historical trend. The executive employee bonus is based on 20% of their total annual package. The Water Board has not provided for the performance bonus payable to Executives because bonuses to executives are based on the Entity's profitability. The provision of bonus amount to R535 577 (R1 426 256 for 2021) is only for non-executive staff members and is capped at 45% due to current economic conditions.

		2022 R	2021 R
13. Provisions			
Opening Balance		-	-
Provision for claims against damages		119,025	-
Closing balance		119,025	-

		2022 R	2021 R
13.1 Reconciliation of Provisions- 2022			
	Opening balance	Increases	Utilised during the year
Provision for claims against damages	-	119,025	-
	-	119,025	-
			Total
			119,025
			119,025

		2022 R	2021 Restated R
14 Revenue from exchange transactions		-	-
14.1 Water sales		74,538,968	74,671,052
Bulk water sales		19,933,373	18,137,643
Industrial and agricultural water sales		40,151,263	38,196,520
Waste and portable water fixed revenue		14,454,332	18,336,888
14.2 Other income		2,301,602	2,463,486
Other sundry revenue		176,356	73,395
Servitude rent		104,018	91,736
Insurance claims PPE		10,273	1,053,762
Insurance claims revenue		(8,132)	621,405
Project income-Installation of tanks		-	235,200
Rental - Employees		65,111	69,060
Reversal of impairment of debtors		1,686,787	-
(Profit) / Loss on scrapping of property plant and equipment (Note 3)		140,487	-
Miscellaneous income		126,722	318,928

Included in other income is the following class of other revenue

14.2.1 Other Income		2,291,329	1,400,724
Other sundry revenue		464,075	1,174,524
Project costs installation of water tanks		-	235,200
Reversal of impairment of debtors		1,686,787	-
Profit(Loss) on scrapping of porperty, plant and equipment (Note 3)		140,487	-

		2022 R	2021 Restated R
14.2.2	Other income	10,273	1,053,762
	Insurance claims PPE	10,273	1,053,762
14.3	Interest income	3,170,735	2,906,781
	Interest on investments	1,756,839	1,656,431
	Bank accounts	111,281	99,970
	Trade and other receivables	1,302,615	1,150,380
	Project interest	-	-
		80,011,305	80,041,319
15	Revenue from non-exchange transactions		
	Interest on investments-Masibambane	-	-
	Project revenue	-	-
		-	-

	2022 R	2021 Restated R
16. Costs of potable water		
Chemicals	3,214,099	3,002,455
Chemicals usage	3,083,603	2,723,445
Other chemicals and related cost	130,495	279,009
Energy	11,616,650	10,292,439
Fuel	1,354,851	712,308
Fuel usage	-	-
Other fuel (direct purchases)	1,354,851	712,308
Insurance	937,865	723,576
Laboratory costs	566,978	728,831
Labour	18,285,602	17,510,311
Machinery and tool hire	1,136,341	634,780
Movement in potable water inventory	92,357	(5,586)
Protective clothing	571,627	298,279
Raw water	1,203,421	1,023,817
Repairs and maintenance (Note 15.1)	3,169,598	2,225,431
Repairs and maintenance other (Note 15.1)	1,605,151	1,953,351
Repairs and maintenance spares usage (Note 15.1)	1,564,447	272,080
Cylinder rental	350,615	286,313
Other vehicle costs	143,333	141,636
Ultra filtration plant	-	-
Depreciation (Note 5)	2,099,301	2,222,875
	44,742,638	39,797,467

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

16.1 Repairs and Maintenance - Property, plant and equipment

Repairs and maintenance other	1,605,151	1,953,351
Repairs and maintenance spares usage	1,564,447	272,080
Repairs and maintenance spares usage	1,605,598	316,640
Spares capitalised	(41,151)	(44,560)
	3,169,598	2,225,431

17. Operating expenses

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

Auditors remuneration

- Audit fees 2021/22

- Audit fees 2020/21

- Audit fees 2019/20

- Other engagements

Consulting and professional fees

Depreciation on property plant and equipment (Note 3)

Depreciation cost related to operating expenditure

Depreciation cost leased equipment

Directors emoluments (Note 18.1)

Employee costs

Employee costs related to administration

Executives and Senior Management (Note 18.2)

Impairment of financial assets

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

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

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

Bad debt write-off

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

Operating lease charges

- Premises

- Equipment

IT expenses

Travel and accommodation costs

Consumables

Stationery

Recruitment costs

Insurance

Municipal services

Telephone costs

Facilities management

Project cost-Installation of tanks**Other operating expenses**

Electricity

Training costs

Transport costs

Bank costs

Occupational Safety

Other

	2022 R	2021 Restated R
	2,263,782	447,823
	-	-
	2,263,782	447,823
	-	-
	-	-
	2,749,155	9,268,539
	811,107	675,675
	681,932	372,354
	129,175	303,321
	1,152,613	1,255,511
	19,211,463	18,538,349
	7,588,607	7,398,644
	11,622,856	11,139,706
	350,700	1,656,754
	350,700	1,656,754
	-	-
	-	-
	1,106,489	24,217
	-	211,816
	1,192,129	1,076,982
	942,656	828,170
	249,472	248,811
	755,837	859,724
	1,320,310	1,356,092
	140,088	382,188
	158,593	312,812
	13,988	26,995
	448,543	447,034
	365,379	282,784
	535,742	290,259
	14,340	83,945
	-	225,980
	3,222,044	1,529,805
	88,933	74,122
	16,491	112,678
	521,295	350,326
	140,772	147,789
	411,761	350,872
	2,042,792	494,017
	35,812,301	38,953,286

Included in operating expenses are the following class of expenditure:

17.1	Impairment of financial assets	2022 R	2021 Restated R
	Trade receivables	350,700	1,656,754
		350,700	1,656,754
17.2	Bad debt write-off		
	Trade receivables and other receivables	1,106,489	24,217
		1,106,489	24,217
	Number of employees		
	- Permanent	58	63
	- Fixed term contracts	7	45
		65	108

18. Compensation to Directors, Executives and Senior Management**18.1**

Accounting Authority (Non-executive directors)	Fee (stipend)	Additional fees	Travel expenses	Reimbursements	Total 2022
R Benjamin	224,596	-	-	6,019	230,615
Ina du Bruyn	137,473	-	-	1,189	138,663
S Mayinga	111,913	-	-	-	111,913
M Matji	93,843	-	-	593	94,436
S Nene	118,915	-	-	2,019	120,934
D Lefutso	111,913	-	-	-	111,913
L Seripe	117,742	-	-	240	117,982
N Madiba	114,244	-	-	-	114,244
G Davids	111,913	-	-	-	111,913
	1,142,552	-	-	10,060	1,152,613

Accounting Authority (Non-executive directors)	Fee (stipend)	Additional fees	Travel expenses	Reimbursements	Total 2021
R Benjamin	214,198	-	-	7,690	221,888
Ina du Bruyn	150,687	-	-	837	151,524
S Mayinga	125,902	-	-	372	126,274
M Matji	133,744	-	-	1,751	135,495
S Nene	113,661	-	-	465	114,126
D Lefutso	124,736	-	-	-	124,736
L Seripe	126,485	-	-	607	127,092
N Madiba	126,485	-	-	-	126,485
G Davids	125,939	-	-	1,953	127,892
	1,241,836	-	-	13,675	1,255,511

18.2

Executives and Senior Management	*Salaries	Performance bonuses	Contributions to retirement fund, medical aid, UIF and SDL	**Allowances	Total 2022
P. Buthelezi (CEO)	1,804,175	-	286,484	108,146	2,198,805
***C Stewart (COO)	1,515,762	-	87,006	15,009	1,617,777
N. Mudau (CFO)	1,636,899	-	270,744	44,769	1,952,412
DT Rani (Senior Manager)	985,725	33,363	180,226	54,449	1,253,764
MB Mokhele (Senior Manager)	1,070,669	32,787	181,542	84,118	1,369,116
RN Lehutso (Senior Manager)	1,022,224	34,746	161,504	44,075	1,262,549
AJ Lotz (Acting COO)	1,030,945	-	120,504	176,011	1,327,460
T Kabini	479,240	16,336	94,885	50,512	640,973
	9,545,639	117,233	1,382,895	577,089	11,622,856

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

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

*** Mr C Stewart services as COO were terminated during the month of March 2022

**** Mr AJ Lotz was Acting COO for the period 01 July to 28 February 2022

***** Mr T Kabini was appointed as Acting COO during the month March 2022

18.2

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

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

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

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

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

19. Net interest income

19.1 Interest on investments

2022 R	2021 Restated R
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1,756,839 1,656,431

19.2 Interest income

1,413,896 1,250,350

Bank accounts

111,281 99,970

Trade and other receivables

1,302,615 1,150,380

Project interest

- -

Interest income

3,170,735 2,906,781

19.3 Finance cost

Trade and other payables

1,630 634

Other paid

3,325 5,651

Interest payable

5,189 47,123

Interest paid-SARS

- -

Finance cost

10,144 53,407

- -

Net interest income

3,160,591 2,853,374

- -

20 Taxation

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

21. Cash generated from operations

	2022 R	2021 Restated R
Net (loss)/income before interest	(3,714,369)	(2,669,977)
Adjustments for non cash items:		
Depreciation	2,910,408	2,898,550
Transfers / (Write offs) of property, plant and equipment	468,643	211,816
Impairment of other income receivables	403,305	-
Impairment of trade receivables	(1,939,805)	1,905,268
Profit on sale of assets	(140,467)	-
Acquisition Finance lease	(34,552)	(190,790)
Acquisition of property, plant and equipment payable	(226,868)	(35,430)
Finance lease liability	39,741	237,913
Interest payable	(5,189)	(47,123)
Employee benefits	(2,060,961)	3,007,130
Provisions	119,025	-
Transfers of cash to other investment account	-	-
Admin fees investment	101,802	99,468
Other income: Insurance Claims	133,431	1,008,721
Inventories WA adjustment	-	-
Other income	1,106,489	-
Bad debts written off		
Changes in working capital:		
Inventories	1,066,353	112,747
Trade and other receivables	5,282,761	(4,385,210)
Trade receivables	3,103,980	(11,020,300)
Other receivables	3,173,895	(3,521,503)
Trade and other payables	(2,030,617)	2,285,501
	1,479,129	4,438,584

22. Operating lease**22.1 Operating leases – as lessee (expense)**

- within one year	705,114	907,664
Premises	690,138	875,031
Equipment	14,976	32,633
- in second to fifth year inclusive	6,470	711,584
Premises	-	690,138
Equipment	6,470	21,446
- Later than 5 years	-	-
Premises	-	-
Equipment	-	-
Minimum lease payments due : Equipment & Premises	711,584	1,619,248

Printers are leased by the entity under an operating lease with Minolta and amounts to commitments of R21 446 (2021: R54 078). The term of the lease is 36 months. The operating lease started in April 2021 and August 2020 with the end date of July 2023 and March 2024 respectively. There is no escalation clause on leased Printers as per the RT contract.

Offices situated in Somerset West are leased by the Entity under operating leases and amounts to commitments of R690 138 (2021: R1 565 169). The contract is for five years. The contract includes the 7% year on year escalation clause.

22.2 Operating leases – as lessor (income)

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

	2022 R	2021 Restated R
- within one year	73,881	70,700
- in second to fifth year inclusive	330,302	316,078
- Later than 5 years	84,082	172,186
Minimum lease payments due	488,264	558,964

23. Capital commitments

23.1

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

3,113,718	3,953,704
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23.2

Capital commitments contracted for

Commitments for the acquisition of property, plant and equipment that has neither been contracted or provided for in the financial statements.

8,301,002	-
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The amounts disclosed above for capital commitments include VAT.

	2022 R	2021 Restated R
24. Finance lease liability		
Current obligation	121,090	172,032
Non-current obligation	1,830	99,130
Carrying amount at the end	122,920	271,162
Reconciliation of the carrying amount:		
Future minimum lease payments due:	122,920	271,162
Later than 5 years	-	-
Later than 1 year but less than 5 years	1,830	99,130
Less than 1 year	121,090	172,032
Less: Future finance charges	(1,954)	(40,194)
minimum lease payments	120,966	230,967

The finance lease obligations consist of cell phones and MIFI Routers acquired in August 2021 for a period of 24 months (2 years). The interest implicit in the lease is 0% as per the agreement. The contract for the cell phones and routers transfers substantially all the risks and rewards incidentally to ownership as Vodacom shall not be liable for any loss or damage arising from the use of these devices and the parties further agree that at the end of the contracts ownership of these devices shall be transferred to the Overberg Water Board. At the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset. The liability is secured by the leased assets disclosed in Note 3.

25. Related parties

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

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

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

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

- Purchases of Raw Water:

- Transactions for the year
- Balances: Trade payables

802,862	624,633
(68,123)	(147,352)

	2022 R	2021 Restated R
25.2 Transactions with the Breede Gouritz Catchment Management Agency (BGCMA)		
Overberg Water purchase raw water from the BGCMA, both the entities report to the Minister of , Water and Sanitation.		
- Purchases of Raw Water:		
• Transactions for the year	119,363	118,351
• Balances: Trade payables	(6,842)	(6,804)
25.3 Transactions with the Duivenhoks Water User Association		
Overberg Water purchase raw water from the Duivenhoks Water User Association both the entities report to the Minister of , Water and Sanitation.		
- Purchases of Raw Water:		
• Transactions for the year	281,196	280,833
• Balances: Trade payables	(28,636)	(25,861)
25.4 Transactions with the Rand Water		
Overberg Water is subcontracted by Rand Water to install the water tanks both the entities report to the Minister of , Water and Sanitation.		
- Project income:		
• Revenue from exchange transactions	-	235,200
• Balances trade receivables	-	403,305
25.5 Transactions with the Accounting Authority (Board of Directors)		
All the transactions with board members are set out in Note 18.1	1,152,613	1,255,511
25.6 Transactions with key management personnel		
All the transactions with key management personnel are set out in Note 18.2	11,622,856	11,139,706

26. Financial assets and liabilities**Financial assets**

	2022 R	2021 Restated R
Investments	41,059,586	39,404,550
Receivables from exchange transactions (Note 8)	15,276,845	21,029,614
Cash and cash equivalents	13,293,805	11,736,016
Financial assets at amortised cost	69,632,236	72,170,181
Investments listed shares	-	-
Financial assets at fair market value	-	-

Financial liabilities

Payables from exchange and non exchange transactions - Financial liabilities at amortised cost	2,828,765	4,924,242
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27 Risk management

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

28 Capital risk management

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

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

There were no borrowings for the 2021 and 2022 financial years.

28.1 Liquidity risk

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

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

At 30 June 2022

Payables from exchange transactions'

Finance lease liability

Between 1 and 5 years	Less than 1 year	Total
-	2,828,765	2,828,765
1,830	121,090	122,920
1,830	2,949,855	2,951,685

At 30 June 2021

Payables from exchange transactions'

Finance lease liability

Between 1 and 5 years	Less than 1 year	Total
-	4,924,242	4,924,242
99,130	172,032	271,162
99,130	5,096,273	5,195,404

28.2**Credit risk**

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

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

Financial assets

	2022 R	2021 Restated R
Investec Private Bank (division of Investec Bank Ltd)	41,059,586	39,404,550
ABSA Bank Ltd	13,284,729	11,730,883
Receivables from exchange transactions	15,278,845	21,029,614
Cash on hand	9,075	5,133

Receivables from exchange transactions

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

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

	2022		2021 Restated	
	Gross	Impairment	Gross	Impairment
Current	5,855,433	-	5,326,107	-
1 month past due	1,928,048	-	2,867,476	-
2 month past due	702,565	-	4,228,771	-
3 months past due and older	9,446,215	-	9,579,909	-
Impairment		3,063,070		5,002,875
	17,932,262	3,063,070	22,002,263	5,002,875
Debtors turnover days		98		100

Reconciliation of provision for impairment of trade and other receivables

Opening balance	5,002,875	3,097,607
Provision for impairment	(1,939,805)	1,905,268
Closing balance	3,063,970	5,002,875

The major contributors of impairment are farmers amounting to R3 063 070 due to bad economic conditions.

28.3 Market risk

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

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

Financial assets

Investec Private Bank (division of Investec Bank Ltd)	41,059,586	39,404,550
Sanlam Listed Shares	-	-
	41,059,586	39,404,550

29. Budget information

29.1 Explanation of variances on the approved budget versus final budget

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

Revenue

Revenue decreased due to water losses, interruption, loss of revenue due to tariff backlog resulting from unapproved of the 2020/21 financial year due to the impact of COVID 19.

Cost of portable water

During the year there was an virement of 2% approved to increase the operating expenditure budget.

Operating expenditure

The Entity had a budget saving of 6% on the operating expenditure.

Finance costs

The finance costs were not budgeted due to the nature of these costs.

Net cash from investing activities and Net cash from financing activities

The difference between approved budget and final budget is due to increase in cash receipts from customers as a result of an improvement in debt collection

29.2 Explanation of variances greater than 10%: final budget and actual amounts

The following revenue and expenditure shows material differences:

Other Income: Other income positive variance is as a result of a reversal of impairment of trade receivables and a gain on disposal of PPE.

29.3 Revenue

Revenue exceeded the overall budget by 6%, this mainly attributable to the increase in public works projects revenue, due to the allocation of additional prison sites to be managed under the Public Works project.

Water sales: Its below budget due to water losses experienced during the 3rd quarter which led to interruptions in the supply of water. The Entity is also absorbing a loss of revenue resulting from previous financial year's (2020/21) water tariffs not being approved by the shareholder.

Water related services: Exceeds budget by 60% due to additional sites being allocated to Overberg Water to service.

Other income: Other income is greater than budgeted for by 366% as result reversal of impairment and a gain on disposal of PPE.

Interest on investments: increased by 6% due to better interest rate.

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

29.4 Operating Expenses

Overall expenses were under budget by 6%, this mainly attributable to the under expenditure on the audit fees, consulting and professional fees, employee costs and recruitment and consulting.

Costs of potable water

Insurance: Insurance: the over expenditure of 15% as a result of increase in the number of assets being insured.

Operating expenditure

Employee costs: Employee costs savings is as a result of vacancies, decrease in leave provision and a lesser estimate on provision for bonus as a result of excluding bonuses payable to executives as the entity was projecting a net deficit.

Impairment of financial assets: this has decreased due impairment reversal.

Bad debt write-off: this is due to settlement agreements and liquidated debtors.

Recruitment costs: under budget by 80% due to positions not being filled.

Other operating expenses: the under expenditure of 21% is due to decreased in amount spent on training and consumables.

29.5 Capital expenditure

The Entity realised a significant under spending on capital expenditure. This is due to the delay in executing the Witsand pipeline, the project shall commence in the new financial year. The entity is also currently being adversely affected by its water tariff model which does not factor costs of refurbishment of assets.

29.6 Cashflow

Cash Flow from Operating Activities: The Entity yielded positive cash flows from operations as a result increase in cash collection despite the difficult economic conditions.

Cash Flow from Investing Activities: The Entity cash flows has improved due to under expenditure on capital spending and investing activities as a result of re-investment of interest earned on investments.

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

30. Fruitless & Wasteful, Irregular expenditure

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

(a) the PFMA;

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

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

For the year under review and the 2021/22 financial year the entity recorded R 195 766 (2021: R 0) of expenditure as irregular expenditure. The entity has investigated the cause of irregular expenditure, the report has been considered by the board and corrective measures are been taken. The corrective action resulted in the minimisation of irregular expenditure. Some officials were put through the disciplinary hearing process. All fruitless and wasteful expenditure incurred was recovered by the Entity during the financial year.

The current expenditure is included in the following line items:

	2022 R	2021 Restated R
Costs of potable water	65,043	-
General and administrative expenses	-	-
	65,043	-

30.1 Irregular expenditure (continued)

	2022 R	2021 Restated R
Reconciliation		
Opening balance	130,723	46,680,137
Add: Irregular expenditure - current year	65,043	-
Less: Amounts condoned	-	(46,549,414)
Closing balance	195,766	130,723
Classification of irregular expenditure		
Deviations	15,261	15,261
Local content	-	-
2 quotes only	-	-
Goods, works or service were not procured through a procurement process which is fair, equitable, transparent and competitive	114,831	114,831
Expenditure where the points system in respect of the PPPFA was not used.	-	-
Non compliance to treasury regulations	65,673	630
	195,766	130,723

The irregular expenditure to the value of R130 723 was investigated and submitted to the board for consideration. This irregular expenditure has been forwarded to the relevant authority requesting condonation. The decision to condone or not is not yet communicated by the relevant authority. The cumulative irregular expenditure to the value of R46 549 414 as the end of the 2020/21 financial year was investigated and condoned after taking the necessary corrective measure to ensure that it does not happen in the near future.

30.2 Fruitless & Wasteful expenditure**Reconciliation**

	2022 R	2021 Restated R
Opening balance	-	381,013
Add: Fruitless and Wasteful - total current year	-	(381,013)
Less: Fruitless and Wasteful - write-off	-	(381,013)
Add: Fruitless and Wasteful - current year	26,718	13,128
Less: Recovered from employees - current year	(26,718)	(13,128)

Closing balance**Classification of Fruitless & Wasteful expenditure**

Interest paid on overdue creditors accounts		
Interest paid to SARS	-	-
Other	-	-
	-	-
	-	-

Fruitless & Wasteful expenditure to the value of R26 718 incurred was fully recovered by the Entity during the financial year.

31. Contingent liabilities

None

32. Contingent assets

None

33. Change in accounting policy

None

34. Prior period errors**34.1 Receivables from exchange transactions**

During the current year it was discovered that an invoice relating to a debtor was erroneously excluded from receivables from exchange transactions. As a result, receivables from exchange transactions is understated by R156 975. The error has been evaluated as material by management and thus must be adjusted retrospectively.

	2021 Restated		
	As previously stated	Effects of reclassification	As restated
Trade and other receivables			
Other Receivables	314,660	156,975	471,635
	314,660	156,975	471,635

34.2 Revenue from exchange transactions

During the current year it was discovered that an invoice relating to debtors was erroneously excluded from the revenue from exchange transactions. The error was evaluated as material by management and will therefore be adjusted retrospectively as a material prior period error.

	2021 Restated	
	As previously stated	As restated
Revenue from exchange transaction		
Other income	-	136,500
	-	136,500

34.3 Accumulated Surplus

During the current year it was discovered that an incorrect disclosure and classification was made in relation to the statement of changes in net assets, the incorrect disclosure resulted from disclosing of emergency and capital expenditure funds separately from accumulated surplus which is not compliant to GRAP.

	2021 Restated		
	As previously stated	Effects of reclassification	As restated
Emergency Fund	5,000,000	(5,000,000)	-
Capital Expenditure Funds	20,000,000	(20,000,000)	-
Accumulated Surplus	66,017,308	25,000,000	91,017,308
	91,017,308	-	91,017,308

34.4 Cash Flow from Operating activities

During the current year it was discovered that an incorrect cash flow from operating activities was disclosed. The impairment disclosed under cash generated from operations was disclosed net of VAT.

	2021 Restated	
	As previously stated	As restated
Cash paid to suppliers and employees	(33,861,147)	(36,619,764)
Operating costs		
Cash generated from operations	4,438,584	4,438,584
Net (loss)/income before interest	(2,669,977)	(2,669,977)
Adjustments for non cash items:	-	-
Depreciation	2,898,550	2,898,550
Transfers / (Write offs) of property, plant and equipment	211,816	211,816
Impairment of other income receivables	-	-
Impairment of trade receivables	1,656,754	1,905,268
Impairment on investment expense	-	-
Impairment on Dividend receivable	-	-
Profit on sale of assets	-	-
Acquisition Finance lease	(190,790)	(190,790)
Acquisition of property, plant and equipment payable	(35,430)	(35,430)
Finance lease liability	237,913	237,913
Interest payable	(47,123)	(47,123)
Employee benefits	3,007,130	3,007,130
Provisions	-	-
Transfers of cash to other investment account	-	-
Admin fees investment	99,468	99,468
Movement in investments	-	-
Interest received on investments	-	-
Other income: Insurance Claims	1,008,721	1,008,721
Other income	-	-
Bad debts written off	-	-
Changes in working capital:	-	-
Inventories	112,747	112,747
Trade and other receivables	(4,136,697)	(4,385,210)
Trade receivables	(11,020,300)	(11,020,300)
Other receivables	(3,521,503)	(3,521,503)
	-	-
	-	-
	-	-
Trade and other payables	2,285,501	2,285,501
	4,438,584	4,438,584

34.4 Impact of prior year error**The nature of the prior period errors mainly relate to the following items:**

Receivables from exchange transactions; The error relates to an invoice to the amount of R156 975 billed to Rand water which was erroneously excluded from trade receivables.

Revenue from exchange transactions; The error relates to an invoice to the amount of R156 975 billed to Rand water which was erroneously excluded from revenue.

During the current year it was discovered that a total amount of R25 000 000 was separately disclosed as reserves in the statement of changes in equity instead of including it in the accumulated surplus. The error has been evaluated as material by management and was adjusted retrospectively.

Payables from exchange transactions; This is as a result of erroneously excluding an invoice to the amount of R42 131.07 in trade payables. Operating expenses; This is as a result of erroneously excluding an invoice to the amount of R42 131.07 in operating expenses.

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

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

	2021 R	2020 R
Increase/(Decrease) in assets	156,975	-
(Increase)/Decrease in liabilities	(62,606)	-
(Increase)/Decrease in reserves (emergency and capital expenditure fund)	25,000,000	-
(Increase)/Decrease in Accumulated Surplus	(25,000,000)	-
Increase/(Decrease) in net assets	94,369	-
Represented by:		
(Increase)/Decrease in accumulated surplus:		
(Increase)/Decrease in revenue	(136,500)	-
Increase/(Decrease) in expenses	42,131	-
Effect on surplus/deficit	-	-
Effect on opening reserves	(94,369)	-

34.6

Effects of prior year error

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

Statement of financial position

	2021 R	2020 R
Property, plant and equipment	-	-
Intangible assets	-	-
Finance lease liability	-	-
Investments	-	-
Impairment of receivables from exchange transactions	-	-
Receivables from exchange transactions	156,975	-
Inventory	-	-
Impairment of other receivables	-	-
Payables from non-exchange transactions	(20,475)	-
Provisions	-	-
Employee benefits	-	-
Payables from exchange transactions	(42,131)	-
Spares	-	-
Investments	-	-
	94,369	-

Statement of financial performance

Revenue from exchange transactions	136,500	-
Impairment of financial assets	-	-
Cost of portable water	-	-
General & Administrative expenses	(42,131)	-
Depreciation and amortization	-	-
Finance costs	-	-
Net Interest income	-	-
Revenue from exchange transactions	-	-
Profit/(Loss) on sale of assets	-	-
	94,369	-

Effect on opening reserves

	-	-
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35.

Subsequent events

Dr. Buthelezi is employed as a Chief Executive Officer on a 5 year fixed term contract ending 31 December 2022. Included in his contract of employment is a payment of a gratuity at the end of his contract to value not exceeding the average salaries of his 5 year term. Management has estimated the value of the gratuity to be equal to R1 818 389.

Dr. Mudau resigned from the position of Chief Financial Officer (CFO) on the 30 June 2022, as a result the position of CFO became vacant at yearend.

The term of the current Board will be ending on the 31 March 2023, process to appoint a new Board has been initiated

The revised budget outlined in the Statement of Budget and Actual for the 2021/22 financial year was approved by the board on the 31 August 2022

Glossary

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



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