2022/23

ANNUAL REPORT

OVERBERG WATER

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

By Benjamin Franklin

Nylstroom
Rustenburg
Pretoria
GAUTENG
Minabatho
Johannesburg
NORTH-WEST
Vereeniging
Vryburg
Klerksborp
Sasolburg
Holazel
Sishen
Kroonstad
Welkom
Upington
Bethle
FREE STATE
Kimberley
Bloemfontein
Port Nolloth
Springbok
Kenhardt
NORTHERN CAPE
De Aar
Victoria
West
Calvinia
Middelburg
Vanrhynsdorp
Umtata
Queenstown
Sulherland
Beaufort
West
EASTERN CAPE
Bisho
Saldanha
WESTERN CAPE
East London
Cape Town
Worcester
Swellendam
Port Elizabeth
Mossel Bay

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 to present to you Minister the 2022/23 Annual Report of the Overberg Water Board for the year ended 30 June 2023.

Yours faithfully

ACCOUNTING AUTHORITY

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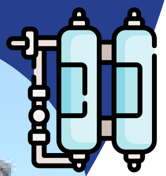
OVERBERG WATER STRATEGY



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

Strategic Position:

1. Provide reliable and sustainable bulk water services provision 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 which 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. Investing and exploration in alternative sources of water and energy

Strategic Actions

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

IMPLEMENTATION OF STRATEGIC POSITIONS

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

GOVERNANCE

Overberg Water Board is governed by the board of nine members and once ex-officio member. The Board is appointed 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 following Board consists of the following diverse, skilled and determined individuals:

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

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

In order to have a system that regulates the Board activities, the Board adopted its Charter. It was further cascaded down to its Committees; namely, the Audit, Risk & Remuneration Committee, the Operations & Infrastructure Committee and Human Resources, Remuneration & Ethics Committee. These Committees used the Board Charter to develop their Terms of Reference / Sub-Charters. The Terms of Reference / Sub-Charters were duly approved by the Board. As previously stated, Board Charter provides a framework for fiduciary duties, responsibilities and overall functioning of the Board. The Board Charter has to be read in conjunction with:

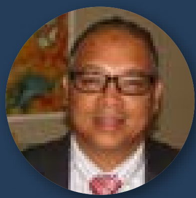
- The Public Finance Management Act (Act 1 of 1999), as amended by the Public Finance Management Amendment Act (Act 29 of 1999), hereinafter referred to as the PFMA,
- Treasury Regulations (GG 27338) as amended from time to time,
- The Water Services Act (Act 108 of 1997), as amended,
- The National Water Act (Act 36 of 1998),
- National Environmental Management (Act 2 of 2022),
- B-BBEE Act (Act 53 of 2003),
- The King Code of Governance Principles, 2016 (King IV). and
- The South African Bill of Rights as contained in the Constitution (Act 108 of 1996),

Compliance with King IV is not a legislative requirement, but the Board endeavours to abide by the recommendations of King IV insofar as practically possible to ensure good corporate governance.
The non-executive Board members received remunerative benefits and fees as determined by the Minister in line with their terms of appointment. Therefore, there was no Board member who was involved in determining his/her own remuneration. Board members' remuneration has been fully disclosed in the Overberg Water Board's Annual Financial Statements as contained in this Annual Report.

BOARD MEMBERS

BOARDS MEMBERS IN PICTURES FROM 01 APRIL 2019 TO 30 SEPTEMBER 2023

The following board members were duly appointed by the Minister through various transparent processes such the public advertisement, interviews, probity checks, Cabinet submission and formal letters of appointments:



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

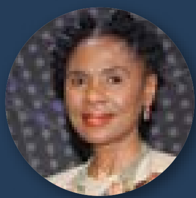
GENDER: MALE
ROLE: COMMITTEE CHAIRPERSON

COMMITTEE: Operations and Infrastructure
(resigned 31 March 2022)

Ms Siphiwe Doris Mayinga

GENDER: FEMALE
ROLE: COMMITTEE CHAIRPERSON

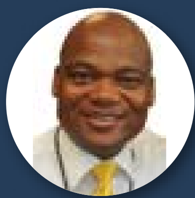
COMMITTEE: Human Resources, Remuneration and Ethics



Dr Nandipha Madiba

GENDER: FEMALE
ROLE: MEMBER

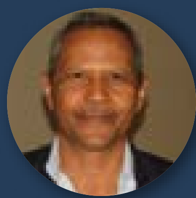
COMMITTEE: Audit, Risk and Business Strategy



Mr David Lefutso

GENDER: MALE
ROLE: COMMITTEE CHAIRPERSON

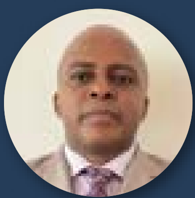
COMMITTEE: Audit, Risk and Business Strategy



Prof Gregory Jerome Davids

GENDER: MALE
ROLE: MEMBER

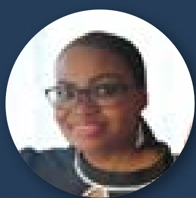
COMMITTEE: Human Resources, Remuneration and Ethics



Mr Sikhumbuzo Eric Nene

GENDER: MALE
ROLE: COMMITTEE CHAIRPERSON

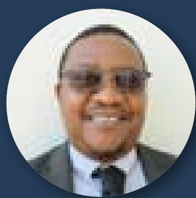
COMMITTEE: Operations and Infrastructure



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

STRUCTURE OF OVERBERG WATER BOARD

The Overberg Water Board is one of the Entities within the Department of Water and Sanitation. It is governed by the non-executive Board appointed by the Minister. The non-executive Board is the accounting authority and provides strategic leadership. It has its own Committees that meet on regular basis to discuss all matters in detail before being forwarded to the Board for further consideration.

Overberg Water as at 30 June 2023 comprised of:

- Board membership of 9 members
- 3 committees, namely; the Operations and Infrastructure, Human Resources, Remuneration and Ethic Committee, and the Audit, Risk and Business Strategy
- A head count of 63 employees
- Three executive directors; the CEO, CFO and Executive Manager: Water Services. However, the latter position is vacant due to reconfiguration and budgetary constraints.

The Board reports to the Minister of Water and Sanitation. It also has a responsibility of accounting to Parliament.

"Water is an essential ingredient for social economic development"

A STRATEGIC KALEIDOSCOPE OF SUCCESS

Vision

It is often said that the vision of an Entity is important as the oxygen to the body. It provides life and determines both the current and future character of the Entity. In addition, it sets the tone and directs the Entity to a particular destination. At Overberg Water the vision is both the compass and the desired state of success. Hence, the vision compels Overberg to: "To become the leading regional water utility providing sustainable and competitive water and sanitation services". The recent drought that has engulfed many parts of the country primarily the Western Cape Province calls for dedicated water Entities like Overberg Water to innovatively and proactively look for better solutions 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".

Integration

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 entrenches the organisational goals.

Overberg Water's current area of operation is within the Overberg Region. 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.

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;
- 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 2022/23 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 behavior whilst pursuing individual organisational responsibilities.
- Respect: Serving with a positive attitude, courtersy, and mutual respoect that engender a shared vision.
- Sustainability: Promoting environmentally sustainable practices as a commitment to protecting the natural resources.
- Accountability: Addressing challenges promptly, implement effective solutions by providing excellent service as a committed team.
- Integrity: Upholding honesty and moral principles.

Programmes

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

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

THE OVERBERG WATER BOARD

Introduction

Flowing from the Department of Water and Sanitation in the Ministry 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 quality in general in the provision of services. The assurance of quality is for the entire water services envelope.

Background

There are now seven national water boards offering essential water services to the end users. Overberg Water Board is one of those water boards which are not only offering 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 CDB and 30 km from Cape Town International Airport. It also has three water schemes functioning as satellite offices and these are Ruensveld West, Caledon: Ruensveld East Swellendam and Duivenhoks in Heidelberg.

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

Overberg Water provides bulk drinking water to Hessequa Municipality, Theewaterskloof Municipality, and its industrial customers. The Entity further provides potable water to the Rietkuil community within the Swellendam area as well as few communities in the Cape Agulhas area of jurisdiction. It intends to further extend its services to the nearest municipality and ultimately to the whole Western Cape Province, to water management areas and beyond.

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

Jurisdictional area

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

The primary function of OWB 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 relation with the BGCMA in managing the 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.

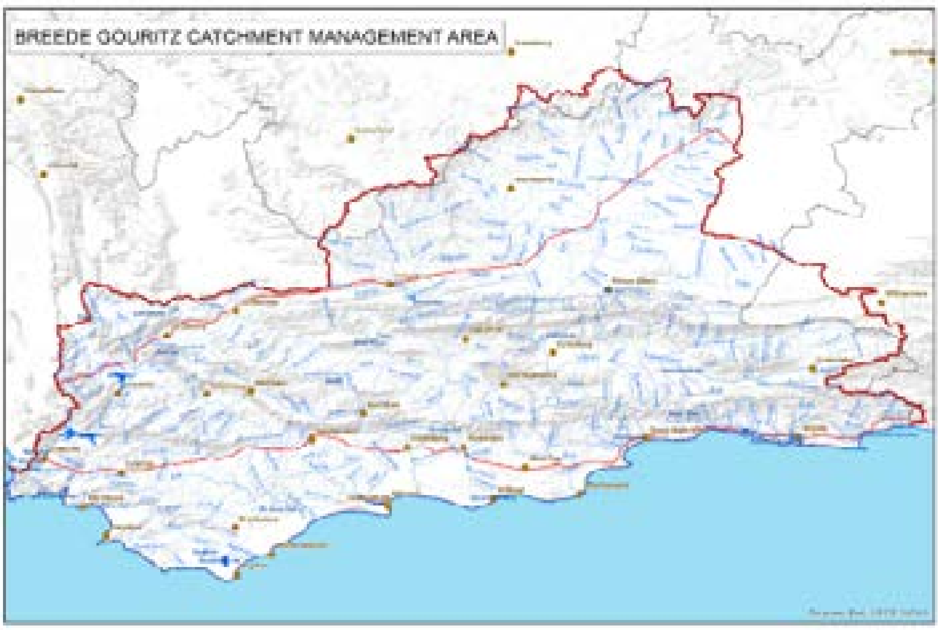


Figure 1: Map of Overberg Catchment Management Area

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

Considering that OWB 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 the BGCMA (2015) the rainfall patterns have, however, changed in the last few years, with the continuation of a severe drought in the central Gouritz area and more recent within the Breede and Overberg areas. The rainfall patterns are depicted in the Seasonal Precipitation Index Maps supplied by the Agricultural Research Commission (Figures 1 and 2)

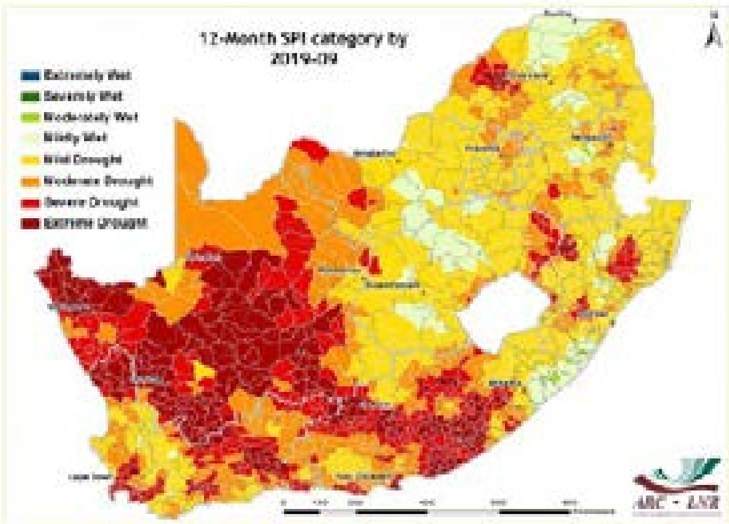


Figure 2: 12 month Seasonal Precipitation Map

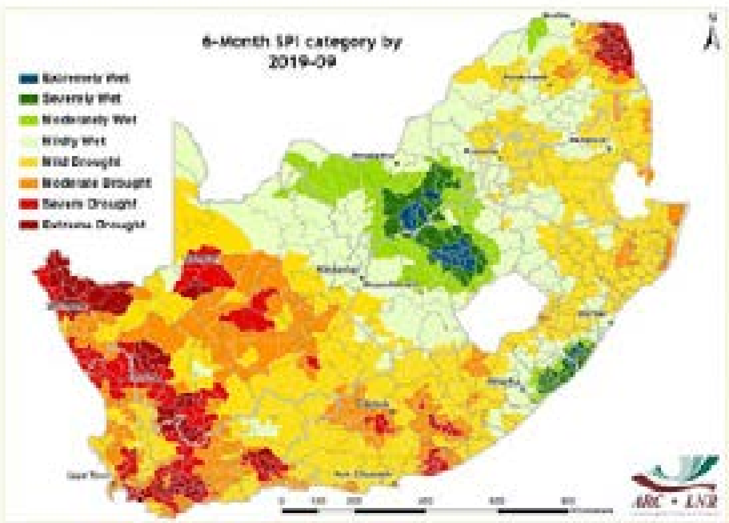


Figure 3: 16 month Seasonal Precipitation Map

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 4.

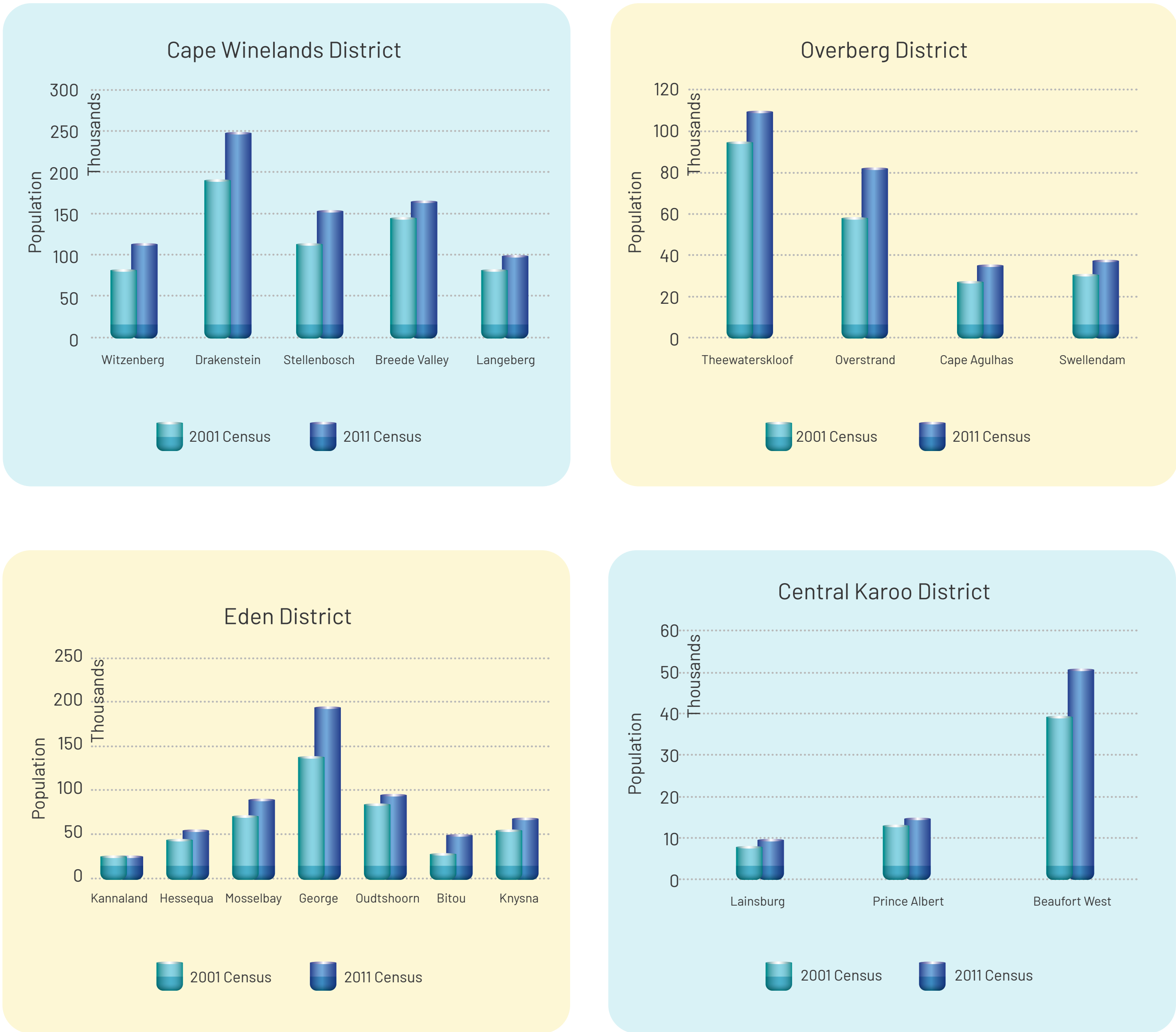


Figure 4: Population indicative growth in the Overberg DIstrict

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

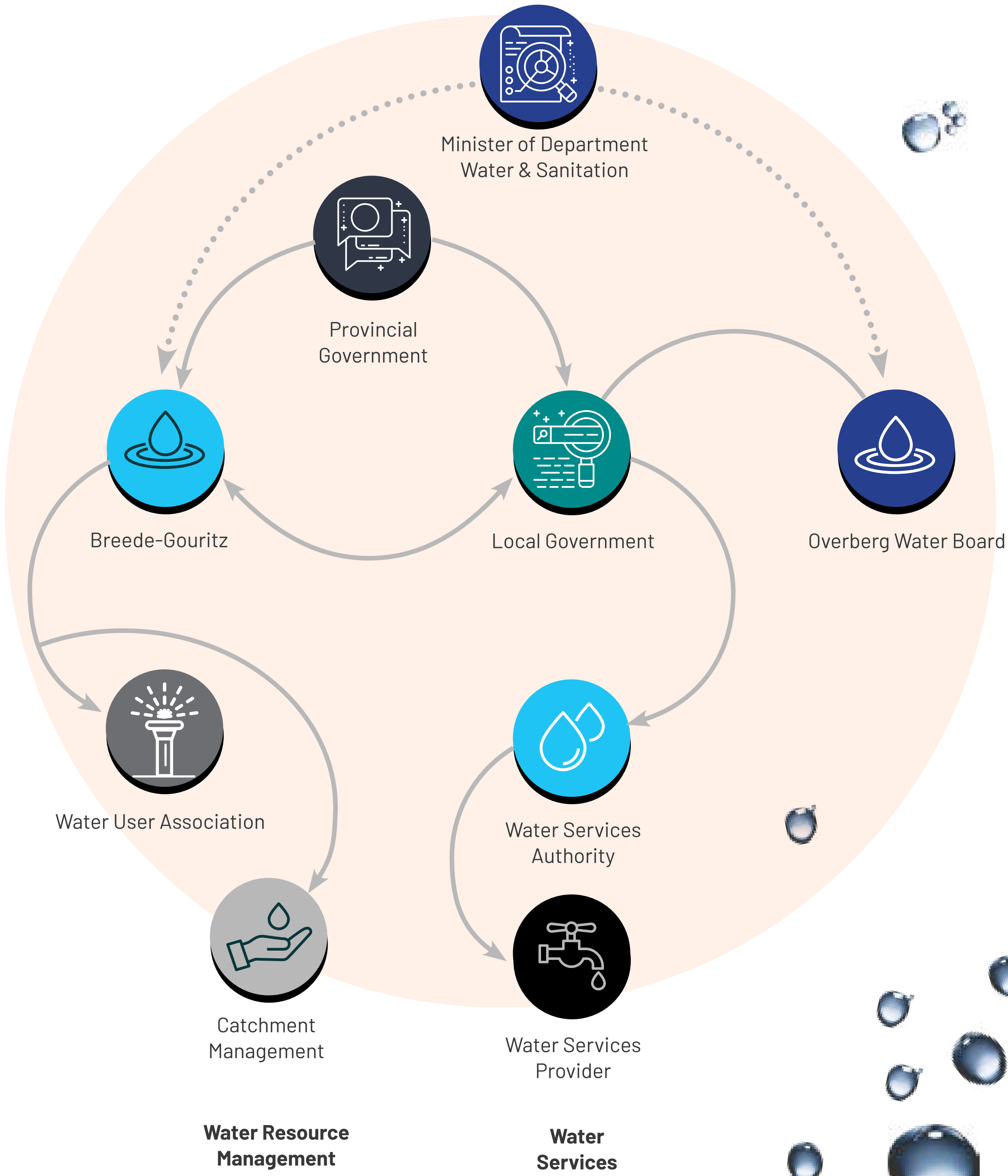


Figure 5: Structure showing the environment of the Overberg Water Board

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, amongst 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 the customers whereby water services include both bulk drinking water and sanitation services. The focus of OW over the years has largely been on drinking water and is currently exploring wastewater treatment opportunities with the aim to cover a wider area within the region if not becoming the main player in the provision of water and sanitation services.

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

BUSINESS ACTIVITIES OF OVERBERG

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

- Providing management services, training and other support services to other water services institutions, in order to promote co-operation in the provision of water services,
- Supplying untreated or non-potable water to end-users who do not use water for 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 maybe be charges with supplying water directly for industrial use, accepting industrial effluent and acting as a water services provider to consumers,

WATER RESOURCES MANDATE AND PERFORMANCE

Water availability – Catchment areas

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

Water availability – Drought implications

Rainfall patterns within South Africa are one of great variability. South Africa's mean annual precipitation is estimated at 450mm compared to the global average of 860mm. Seasonal rainfall percentage deviations since 1960 has shown that the wide fluctuations about the long-term average and it is in this context that large rainfall deficits must be assessed. As an example, between July of 1960 and June of 2004, there have been 8 summer-rainfall seasons where rainfall for the entire summer-rainfall area has been less than 80% of normal. It can be safely assumed that a shortfall of 20% from normal rainfall will cause crop and water shortfalls in many regions accompanied by social and economic hardship.

Current observations still show the persistence of a strong El-Niño. However, most models are confidently showing a gradual decay of El-Niño and the development of a neutral ENSO (El-Niño Southern Oscillation) state towards the winter season (SAWS, 2016). The forecast shows a huge disparity in the rainfall and temperature forecast for the coming seasons, therefore the likelihood of climate conditions for the coming winter season is overshadowed by the growing uncertainty in the forecast. It is very difficult to look at the entire summer-rainfall region and deduce that drought affected all of these areas equally. On the contrary, some of the provinces in South Africa appear to suffer more harshly than others at times of rainfall deficit.

In the Overberg Region the impact of the drought has been particularly harsh, and the Department of Water and Sanitation is considering declaring the area a national disaster. Water Conservation and Demand Management must be a priority during this time especially looking at the state of the major dam that feeds two of Overberg Water's schemes:

DUIVENHOKS

DAM

Duivenhoks River
Supplies to Heidelberg and surrounding agricultural users

Current Level
94.0%

Last Year's Level
98.9%

THEEWATERSKLOOF

DAM

Riviersonderend
Supplies to Caledon, Protem, Klipdale and surrounding agricultural users

Current Level
26.6%

Last Year's Level
40.0%

Figure 6: Major dams feeding two schemes of OW

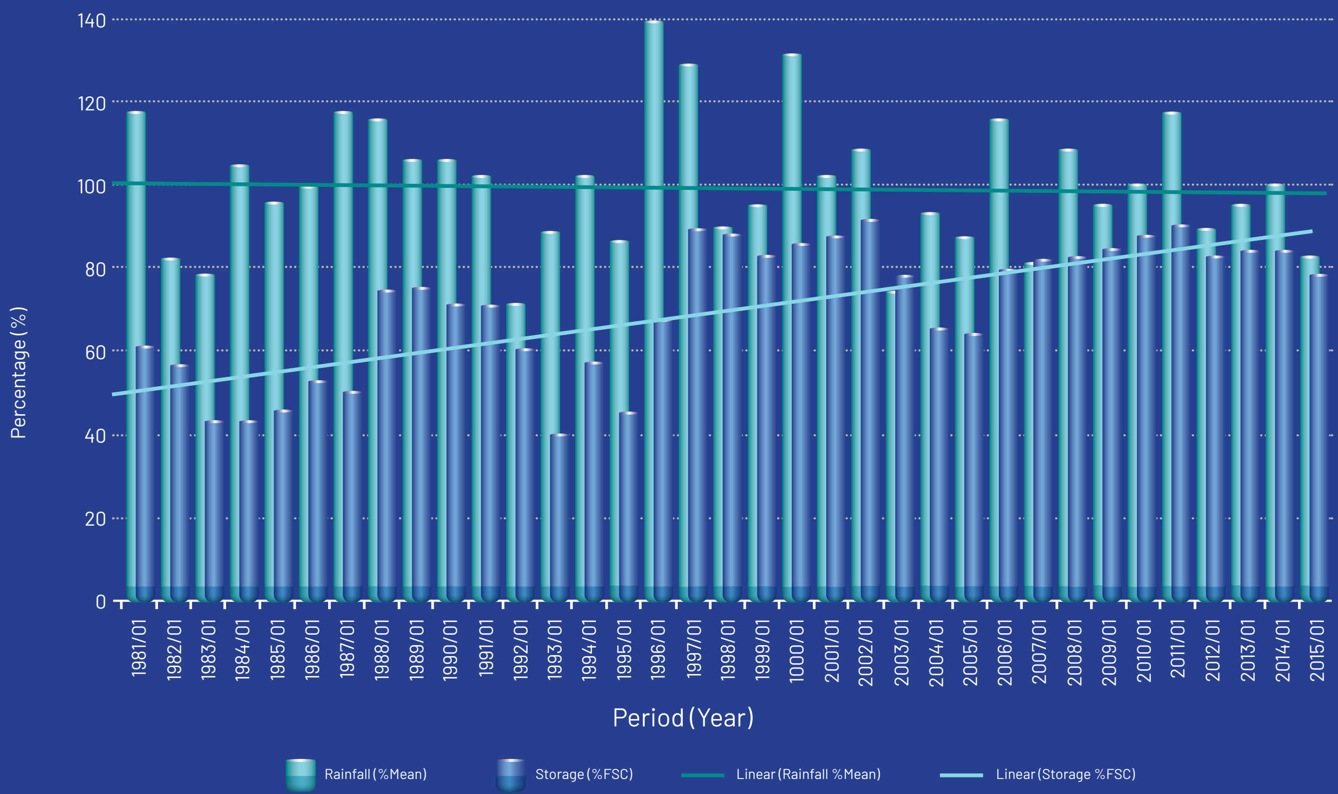


Figure 7: Rainfall and storage percentage trend since 1980 Source, DWS (2017)

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 2 overleaf provides an overview of the water quality of raw water over the years.

Figure 8: Theewaterkloof Dam

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

Geographical Area	System	Catchment	Impound-ment	River	Owner	Manager	Gross Capacity (million m3)
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
	Duivenhoks	Breede-Gouritz	Duiwenhoks Dam	Duiwenhoks	DWA	BGCMA	6.2
	Total for Water Systems						**964.8**

Table 1: Capacity of water resources

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

Table 2: Raw water quality

Water resource assurance and supply security per water services authority

The El Nino and protracted drought period experienced in 2015 to 2017 had a severe impact on the water security in the region. The TWK Dam had been at an all-time low during that period, reaching levels below 30%. Overberg Water was cognisant of this decline and reduced its volumes for financial year 2017/18. Since that time, the Entity has been very cautious on how water is conserved and invested in various activities.

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

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

accessible surface

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

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

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

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

According to the All Towns Study, the combined water demand in 2007 for the towns and villages in the Overstrand, Hessequa, Cape Agulhas, Theewaterskloof, and Swellendam Municipalities was 52.7 Ml/d and is projected to increase to a maximum of 197.9 Ml/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 Ml/day average day demand). The Greater Hermanus Area experiences a significant influx of holiday makers 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 Ml/day. AECOM (previously BKS) were 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 Hawsten or Fisherhaven and a new service reservoir or water treatment works.

Overberg Water abstracts water from the Sonderend River downstream of Theewaterkloof Dam from where it is treated at the Mariasdal WTW and distributed to Caledon and surrounding farms via the 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 below.

Figure 9: Greater Hermanus bulk water provision proposal

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 Ml/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 is currently has spare capacity at the source and treatment works. The All Towns Study indicates a possible high scenario shortfall of 4.5 Ml/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 Ml/d for Riversdale which presents an opportunity for the developed of a new pipeline between Heidelberg and Riversdale which could be jointly developed by Overberg Water and Hessequa Municipality.
Stilbaai is currently supplied by groundwater and the Olive Grove Dam while Jongensfontein is supplied from springs. Although Stilbaai and Jongensfontein have substantial water demand and are especially influenced by seasonal increased water demand, these towns are far away from the existing Duivenhoks WSS network and it would be advisable to investigate the feasibility of developing an off-channel winter runoff scheme from the Goukou River system to ensure water is available for the peak holiday periods.

The opportunity also exists to link the Duivenhoks and 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 to construct a new water treatment works will be explored in the long term.

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

Duivenhoks Canal

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

Forty to fifty percent of the water stored in the Duivenhoks dam is lost due to the leakage in the canal when water is conveyed in the old canal system to the irrigation fields. The amount of leakage is estimated at between 1, 53 million m^3/a (30%) and 2, 55 million m^3/a (50%) of the canal flow. Water is the economic driver in the agrarian community of Heidelberg and these water losses are the cause that the agricultural potential of the 1270ha of irrigation lands is not farmed to its full potential. The combined future water needs for irrigation and domestic (towns and rural) use in 2030, according to the Reconciliation Strategy for the area, ranges from 8,315million m^3 / annum to 9,815million m^3/ annum. While the total irrigation water allocation from the Duivenhoks water system is only 7,638million m^3/ annum – a shortfall of at least 0.680 million m^3/ annum which cannot be increased given the constraints on the dam.

A feasibility study was conducted in 2016, recommending a gravity pipeline be constructed from the Duivenhoks dam to the town of Heidelberg. Overberg Water, situated between these two points, will be able to draw water from this pipeline that is much cleaner than the current form. This should save significant purification costs and lead to less water being wasted through natural river flow. The study recommends the construction of a pipeline made up of various pipe sizes ranging between 800mm ductile iron and 50mm uPVC. The total cost of the project is estimated at R195 million (incl VAT) of which Overberg Water intends being a funding partner. While the funding model is still being finalised, Overberg Water believes the realisation of this project should bring about much more sustainable water use practices along the Duivenhoks Water Supply System, especially considering current water supply challenges. Long term benefits include less water wasted, increased crop production, lower purification costs and better water management overall.

Kannaland Municipality

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

Cape Agulhas Municipality

Cape Agulhas Municipality already has an agreement with Overberg Water for bulk water supply from the Rûensveld East WSS to the settlements of Protem, Klipdale, and the town of Arniston. Protem and Klipdale are totally reliant on Overberg Water's supply while Arniston's water is supplemented from a local borehole. No significant water demand growth is expected in Klipdale and Protem; however, it can be expected that a reasonable growth in demand in Arniston can be expected due to tourism and the development of low cost housing which 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 Ml/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 Ml/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 Ml/d for Napier by 2035. Incremental groundwater development and possible import from the Rûensveld West WSS/East WSS are being considered.

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

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

Theewaterskloof Municipality

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

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

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

Langeberg Municipality

Langeberg Municipality is considered too far away for expansion of the existing Overberg Water infrastructure; however, further discussion with the Langeberg Municipality will be required to identify possibilities for the development of new bulk water scheme where Overberg Water could play a role in the development of the infrastructure or through the provision of institutional support.

Swellendam Municipality

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

Existing water use rights, licences by resource

Overberg Water's registered abstractions and licence applications are shown in Table 3.

System	Abstraction Point	Registered Abstraction (m3/year)
Rûensveld-Wes	Sonderend River	1 914 000
Rûensveld-Oos	Sonderend River	897 000
Duivenhoks	Duivenhoks River	1 232 000

Table 3: Water use rights, licenses by resources

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, for 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 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 4 below indicates the future licence and abstraction requirements that need approval by DWS and the respective CMAs.

System	Abstraction Point	Registered Abstraction (m3/ annum)	Future Abstraction & Licence requirements and approvals by DWS (m3/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*

Table 4: Future water use rights by resources required

Water demand of major consumers by resource

With the view to growing its footprint, Overberg Water has identified several major potential consumers based on the growth and allocation requirements. Table 5 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 and when the necessary water licenses are approved, so that new Service Level Agreements are established to provide the revised or new allocations.

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 5: Existing 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	Duiwenhoks Dam	Hessequa	1 249 098

Table 6: Future Major Consumers

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

Table 7: Water dams of major consumers by resource

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 above-mentioned programmes are translated into the following **strategic goals**:

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

2. Alignment with Government

The OW's mandate and functional responsibilities are aligned to achieve and support the strategic priorities of the Department of Water and Sanitation that are aligned with the fourteen Outcomes of National Government. **Table 8 Alignment of OW strategic objectives with those of National Government** below shows the alignment. such as constructing the beams in selected rivers and maintaining constant communication channels with its customers.

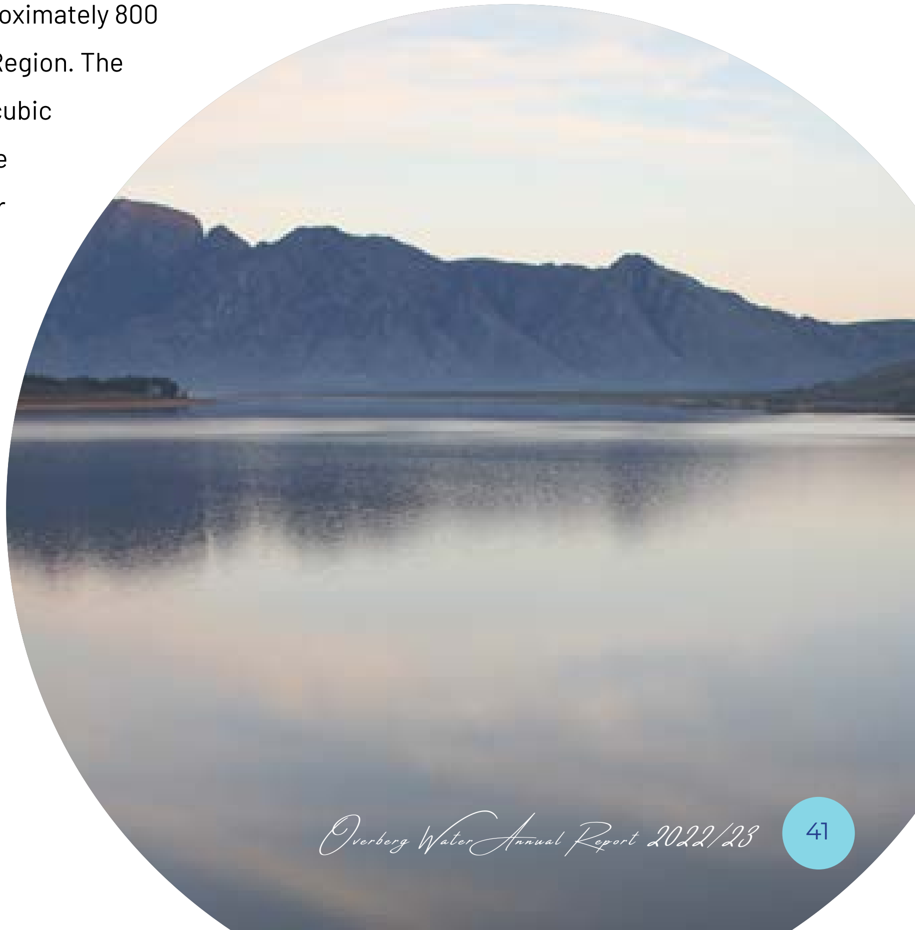
Government outcomes	No.	DWS Strategic outcome-oriented goals	No.	DWS Strategic objectives	No.	OW Strategic programmes aligned with objectives of DWS
Outcome 12 (Public service) Outcome 4 (Employment) Chapter 13 of National Development Plan (NDP) New growth path 2 (job creation	4.	An efficient, effective 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 8: Alignment of OW strategic objectives with those of National Government

Table 8 illustrates that OW's Corporate Plan is informed by the operating business environment as reflected in State of the Nation Address and National Budget Address of February 2017, the fourteen Government Strategic Outcomes of Government and Pertinent Outputs cascading to the Executive Authority, the National Development Plan (NDP) 2030, the Medium Term Strategic Framework (MTSF2014 – 2019) and the DWS's National Water Resources Strategy (NWRS II, 2013), key focus areas highlighted by the DWS Minister in March 2018 and the DWS' five-year Strategy Plan and Annual Performance Plan and the Presidential Review Committee Report of 2013 on reshaping state-owned Entities including DWS institutional realignment exercise.

Figure 10: Area of supply

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



FOREWORD FOR 2022/23 BY THE HONOURABLE MINISTER OF WATER AND SANITATION

It is with pleasure to write this foreword for the Water Overberg Water Board. It is one of the Entities within the Department of Water and Sanitation. It was established in 1993 to provide potable water to customers. Overberg Water has been evolving from a disclaimer to a set of unqualified audit opinions over the recent years. 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 as shown in Table 9 below:

The results shown were due to the new Board which started on 01 April 2019 and the new executive management which 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 is expecting more from the Entity.

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
2022/23	Unqualified audit opinion

Table 9: Audit Opinions Since 2015/16

In recent months, the Entity has experienced a myriad of water supply interruptions. These were due to ageing infrastructure, funding constraints and technical challenges. Whilst the challenges remain my concern, I am satisfied that the Entity's intervention plan and the support from my department has resulted in reasonable and tangible results. The work still remains to remove every water supply interruption. Hence, my expectationsin my capacity as the Minister are to 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 the 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.

My department is mindful of loadshedding and its impact on the Entity. Overberg Water has been asked by my department to develop its cost recovery plan for my attention. It is important for me to see it in a healthy financial position. Also, every effort is being made to solicit blended financing.

As part of strengthening the Entity, I have since directed Overberg Water to translate its growth plan initiatives to a written growth plan. OWB is currently putting its plan into a written document. The Entity is to submit its growth plan 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

This report is written as an illustration that Overberg Water Board of Directors has done its best in executing its oversight and fiduciary responsibility. The year 2022/23 as shown in the CEO's Report has not been an easy year. The loadshedding has taken its toll and the challenge still remains on how best one can recover from the financial strain imposed by the energy cuts. Despite the challenges, Overberg Water remains a going concern and the beacon of hope in water services. Also, the results of the 2022/23 audit as performed by the Office of the Auditor-General indicates that OWB is truly committed to improve its internal controls. The Entity has done it again by obtaining an unqualified audit opinion. In one of the South African languages we simply say "Mintirho ya vulavula" – actions speak louder than words. The Entity has experienced a number of water supply challenges due to amongst other reasons ageing infrastructure and network design. Nevertheless, the Entity developed its Intervention Plan as part of leaving no stone unturn in arresting the challenges. There is so much that was achieved in terms of the Intervention Plan and the rest shall be implemented even in the new financial years 2023/24 and 2024/25. It has not been an easy cruise but at Overberg Water the waters were repeatedly calm down so that the Entity did not deviate from its core mandate which is provision of bulk drinking water. Hence, writing this report became a hand-in-glove as we marvelled the 2022/23 financial years with its challenges.

Intention

The intention as the financial years progressed there were visible changes aimed at strengthening the Entity so that the Board discharged its responsibilities bearing in mind the Entity's mandate. The outgoing Board only came into being in May 2019 up-to 30 September 2023. The Board put its hands on the deck 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. In 2022/23 the Minister issued a gazette calling for comments on the plans to increase the geographical area. In line with the Minister's gazette and the Entity's Growth Plan Initiatives, a service provider was appointed to meticulously pull together the Growth Path core areas with the financial strategy.

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 year of 2022/23. It was not only about noting but profoundly coming out with an Action Plan dealing with all the issues raised in the Auditor-General Report of 2022/23. 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, unqualified audit in 2018/19, unqualified audit in 2020/21, unqualified audit in 2021/22 and unqualified audit opinion in 2022/23. Furthermore, a number of policies were reviewed and some developed in line with the weaknesses in the system. One of those policies is the Supply Chain Management Policy aimed at overhauling not only the irregular expenditure but to completely eliminate it. Whilst every issue is being attended to, there are still challenges that require a well thought through intervention process.

Challenges

These challenges are being attended to and with the support of the Department of Water & Sanitation there is every reason to be confident about the future of the Entity. The entire Overberg Water staff is determined to see successes and the Entity reclaiming its rightful place of becoming the leading water services provider in the region. Everyone at Overberg Water recognises that an old African proverb is so true when it comes to success. 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. Whence, the Entity has been retaining a record of unqualified audit opinion for the past consecutive years. The Entity is yet to fully achieve its Growth Path initiatives. It remains a challenge to create the Entity that services the Cape Region and beyond. It is a challenge that the current Board is fully behind it 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. 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 is 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.

In order to ensure a sound governance culture, the Entity once the new Board has been appointed will ensure that a number of committees are in place so that they support the Board in discharging its governance and fiduciary responsibilities. The main objective henceforth is to obtain the audit opinion that builds public confidence. Accordingly, an unqualified audit opinion is the zenith point for building the public image. The next step to climb is achieving the clean audit.

Sustainability

Most organisations and Entities strive for sustainability. Overberg Water is one of those Entities that are striving for sustainability, firstly in terms of financial sustainability, secondly, in terms of operational sustainability and thirdly, in terms of ecological / environmental sustainability. Of course, sustainability without complementary infrastructure would forever remain a pipe dream. Whence, one of the future plans is to develop an infrastructure plan that supports sustainability.

Conclusion

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

A further word of thanks goes to the Theewaterskloof and Hessequa Municipalities including our industrial customers / agriculture for being interested in working with the Overberg Water.

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

CHAIRPERSON OF THE BOARD

RAZEEN BENJAMIN

CHIEF EXECUTIVE OFFICER REPORT

Introduction

Water is not only key to life but is life. Benjamin Franklin is correct by stating: "when the well is dry, we know the worth of water". The worth of water is irreplaceable. It is lifeblood of our existence, our nations and evolutionary development. Water is playing an important role to the economy of the Overberg District, Western Cape Province, and the country at large. It supports agriculture which is a vital component to sustainable growth. Therefore, if the well is dry, it would mean no jobs, no dependable GDP and no adherence to the Bill of Rights. Fauna and flora are at risks at losing their existence. Hence, one of the growth path core areas is alternative sources of water to keep the dry full of water.

Socio-economic growth

There is no doubt that Overberg Water Board's performance in delivering bulk water in general and water distribution in particular contributes to socio-economic development. The recent drought and the COVID-19 pandemic had shown that water is central in our daily activities and none of us can live without water. It is often said that "water is the driving force of all nature". The word nature refers to the phenomena of the physical world collectively including plants, animals, the landscape, and other features and products of the earth. Water is life to both fauna and flora. It becomes evident in drinking water. Drinking water must always be of quality not just meeting the prescribed standards as stated in the SANS241 but to the health of the consumers as well. Quality water is linked to primary healthcare. This, however, does not happen on its own. It requires dedicated Entities like the Overberg Water Board which are given the task of providing water services to ensure that they have sound internal controls, financial sustainability, clearly defined performance indicators and are aligned with the Constitution. The Constitution makes water access the 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 2022/23 did all what it could to live up to the expectation. It is a commitment that defines its performance culture and organisational architecture. The winds of change have been blowing since 2015/16 and led OWB to consistently retain its unqualified audit opinion up to date. The discussion in this CEO Report provides an organisational performance overview.

Challenges

Before discussing the kaleidoscope pictorial view, it is important to provide a summary of challenges that has been facing Overberg Water during the year under review. These are:

- Interrupted electricity supply
- Inflation
- Ageing infrastructure
- IT investment deficiencies
- Chemical increase
- Energy increase
- Fuel increase
- Audit fees

The above-mentioned challenges are grouped into two areas; infrastructure and key cost drivers. The Entity is defined as 3B business enterprise. It relies on its own revenue to discharge its business activities. The challenges as indicated in the bullet forms have a direct impact on the overall business processes in terms of revenue and water supply. The focus has been on running an Entity on an going concern basis and continually provide superior performance.

Infrastructure

OWB has been in existence over 30 years now. The age of the Entity has a direct relationship with the infrastructural performance. The current infrastructure is depressed due to ageing and design. The Entity had to invest it's savings to address the issue. For example, in Duivenohoks the Witsands pipeline of 11 km had to be replaced and the replacement of sandfilters. Furthermore, the Entity developed its 36 months Intervention Plan. The development of the plan was a transparent exercise with inputs from the Western Cape DWS Regional Office, Western Cape Provincial Department of Local Government, and further inputs from the Overberg Water Users Forum. The ultimate plan remains the overall responsibility of the Entity. The first part of 12 months has passed and now in the second year of implementation. Each year has its own set targets, budget, and action owners. In addition, the Entity had applied for blended funding and various funding Entities such as the National Treasury' BFI, DBSA, IDC, and Infrastructure Fund SA were approached for financial injections. The Entity had agreed to enter into a trio memorandum of agreement consisting of the DBSA, Infrastructure Fund and Overberg. The purpose of the intended agreement is to craft a funding proposal which clearly outlines the low hanging fruits and the proposal that is shovel ready.

Key cost drivers

The focus throughout the 2022/23 financial year was to consistently supply water within the prescribed SAN241 standards to all customers. It was not a straightforward phenomenon as the Overberg Water reported a net deficit due to unforeseen cost drivers. Fuel increase to 574% due to loadshedding. As such, the Entity had to buy diesel generators using its own finances. The costs were never included in the tariff component. It was not envisaged that the country was to experience regular energy cuts. The situation became dire when loadshedding was beyond Stage 2 as more diesel had to be bought to comply with the service agreement in place. In addition, the overall energy tarrif was also hiked by 15.65%. The hike put more pressure on the finances of the Entity. The Entity had to withdraw its investment to carry on with the business. The hike was not only on the energy, the chemicals also were hiked by 15% due to global economic climate. In short the following diagram shows that the Entity's expenditure exceeded its revenue.

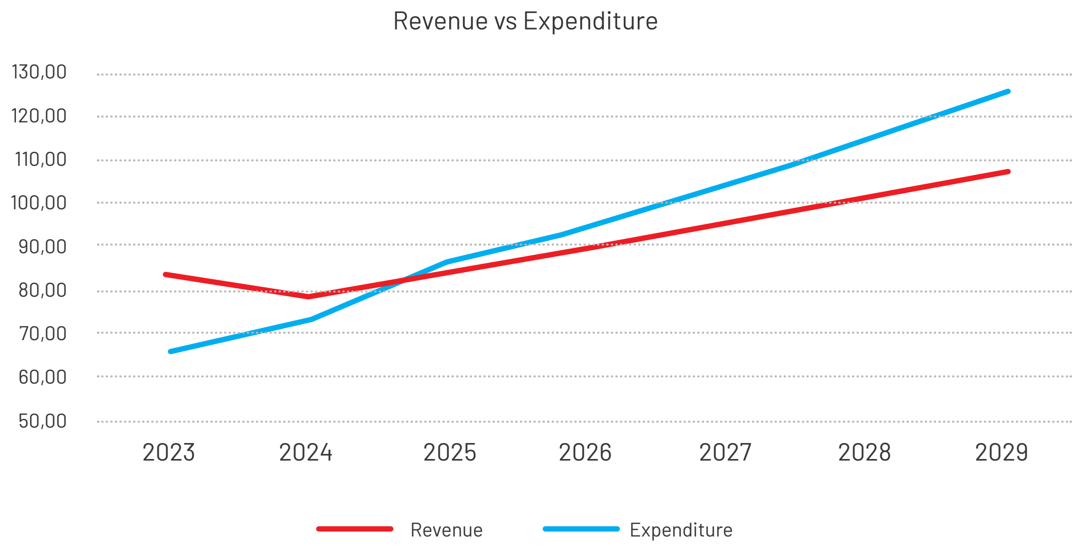


Figure 11: Revenue versus expenditure

The combined hikes had a serious financial dent on the Entity. There is a ray of hope ahead, the Entity expects to improve going forward in the next two financial years.

Kaleidoscope pictorial view

The winds of change have been blowing since 2015/16 audit outcome. The audit outcome was a disclaimer. The current audit opinion shows that where there is the willingness and positive attitude the altitude is reciprocal too. The sequence of audit reports at Overberg Water have been the following:

Financial Year	Audit Outcome	Repre-sentation	Remarks
2015/16	Disclaimer		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		AFS not submitted on time due to internal challenges. A lot of work was done addressing internal control deficiencies
2017/18	Unqualified audit		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		AFS submitted on time and audit commenced on time. The focus was on internal controls continual improvements and enhancement.
2019/20	Unqualified audit		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		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		The AFS and Performance Information were submitted on time. However, the Office of the Auditor-General informed the OWB that due to its capacity constrains the audit will be delayed and that every effort shall be made to conclude it within a reasonable period.
2022/23	Unqualified audit		AFS submitted on time and audit commenced on time. The focus was on internal controls continual improvements and enhancement.

In the financial years of 2019/20 the Overberg Water's key focus areas were to improve and enhance its internal controls as well as growing its footprint. There is a lot of work that 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 report. The unqualified audit opinion was received with findings. There were areas of misstatements and those were corrected as indicated in the Auditor-General's Report. The main challenge was the conversion from IFRS to GRAP something that requires a lot of preparatory work and timed transition. The conversion should have happened few years ago. In 2018/19, the conversion was done inhouse without any form of outsourcing. Also, the Entity has engaged the Office of the Director-General soliciting assistance in the preparation and presentation of the performance information. The aim was to improve both the preparation and presentation of the performance information so that it is reliable and useful to meet the SMART principles. In addition, the Entity engaged with the parent Department regarding the review of the Shareholder Compact. The Office of the Auditor-General has recommended that OW should continue engaging the Department so that the current Shareholder Compact is reviewed in line with the SMART principles. The ultimate objective is to receive the unqualified audit opinion without any findings if not with reduced findings. The primary purpose of this 2022/23 Annual Report is to present the overall organisational picture in relation to the Entity's Corporate Strategy cum Business Plan and Shareholder Compact.

Growth path initiative

In 2017 Overberg Water adopted a growth path initiative. The objective is to increase revenue and increase the geographical footprint to primarily cover the entire Western Cape Province. The core of the growth path initiative is inward and outward in its orientation. The inward orientation focuses on addressing all the existing challenges such as the leaks, pipe bursts, water quality and exceeding customer expectations. The outward orientation is about going beyond the current jurisdiction. The growth path initiative was further endorsed by the Department of Water and Sanitation. In 2019, the initiative was further enriched by the new board support in terms of adopting it as part of the strategy of the Entity. The growth path initiative is necessary to Overberg Water. In 2022, there was the Government Gazette published in the newspapers calling for public comments. The Minster of Water and Sanitation intends to increase the geographical area by allowing the Entity to cover the whole Western Cape Province. Thus, Overberg Water appointed its preferred service provider after following its procurement processes to conduct the due diligence exercise. The approach is not only on potable water. Overberg Water is an important player in the provision of water services. In the past, the scope was limited to drinking water provision. The growth path approach identifies other areas of expansion which will improve the revenue streams. The Entity has so much capacity for additional water supply. In order to realise that capacity above the current licensed quantity water user authorisation application process is underway. In addition, several 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.

Overberg Water

Overberg Water is one of the national water boards within the Department of Water and Sanitation. It is the only board that provides water directly to individual farmers who in turn use the water for their agro-processing activities. It is a vital Entity to support agriculture within the Overberg Region and the country. In 2022/23 financial years, there were nine water boards which are now reduced to seven water boards. Umngeni Water was merged with Mhlathuze to form uMngeni-uThukela Water Board. Another water boards which were merged were the Bloem Water and Sedibeng to form the Central Vaal Water Board. Overberg Water was not merged with any water boards. The following diagram still shows the sizes still indicating the old names.

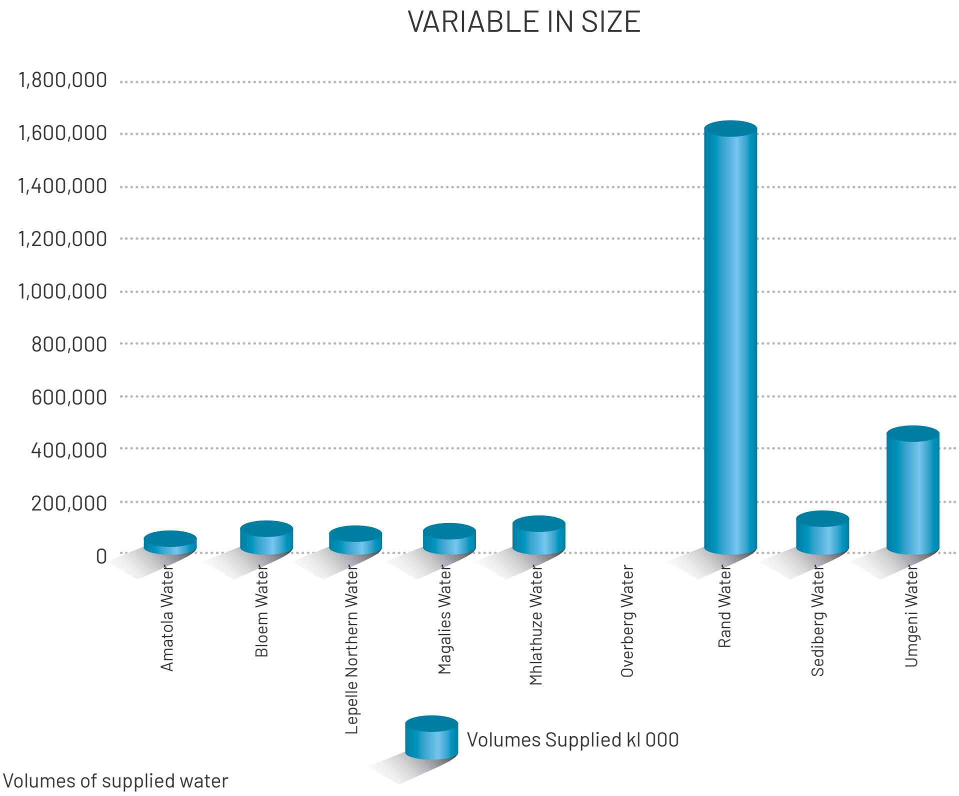
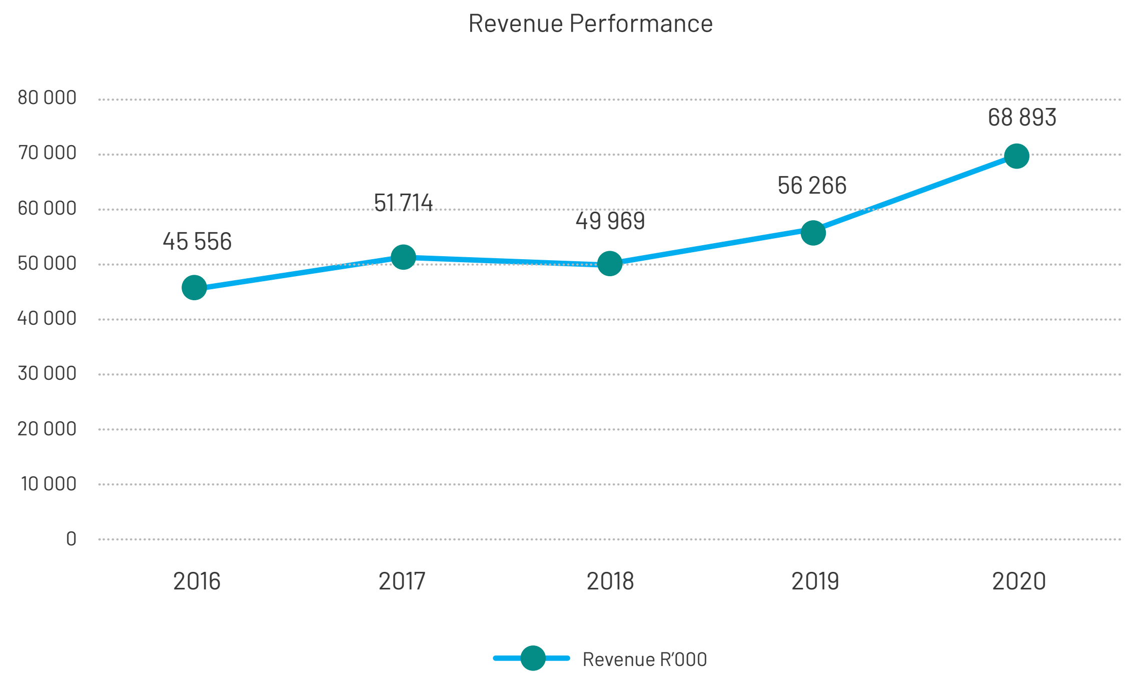


Figure 12: Volumes of supplied water

The above figure indicates that Overberg Water is the smallest water board and yet capable to reach the same level of water services provision. It is subjected to the very same processes such as meeting the required water services standards and audit requirements. 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 what it is at the moment. There is a ray of hope that Overberg Water will reach its zenith point of growth. Since inception, the Entity has been the main water service provider in the Overberg Region and has been providing good quality of drinking water. The current business status shows that the Entity has gone beyond its traditional area of operation.

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 graph below tells a strong of an Entity that has potential to grow and better service its customers:



Legislation

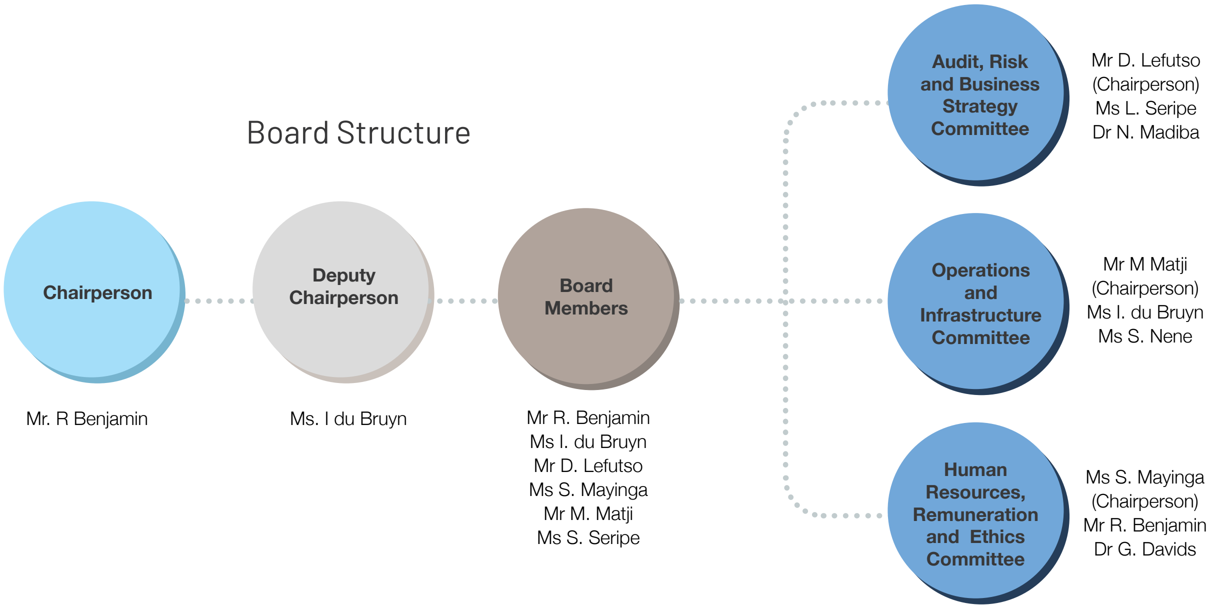
The provision of bulk water services other than the Water Services, is also guided by the South African Constitution and other acts such as the National Water Act of 1998, National Environmental Management Act, Number 107 of 1998, the Biodiversity Act, Number 10 of 2004, Municipal Systems Act, Number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

Achievements

During the 2022/23 has achieved the following:

- Resilience as water supply continued throughout the financial years;
- Appointment of its preferred due diligence service provider regarding the growth path initiative;
- Conclusion of the skills audit;
- Improved the Corporate Plan with tangible performance information with their technical descriptors;
- Improved the collection rate above 90%;
- Submitted the Annual Financial Statements on time as stipulated by the PFMA;
- Remain financially healthy whilst most organisations were affected by loadshedding despite the deficit.
- Water services provision remained;
- Policies development and management;
- The Board through its Committees, namely; Operations & Infrastructure, Human Resources, Remuneration & Ethics as well as the Audit, Risk and Business Strategy, continued with its excellent oversight and accountability role;
- Achieved the unqualified audit opinion and maintained for the past five years;

All of the above-mentioned were done successfully with effort, skill and courage by all at Overberg Water Board. The Overberg Water Board is indeed the water services hub for the Western Cape Province and beyond. Investing in its Growth Path Initiatives is the right thing to do! We shall continue with our efforts of making a difference to all our communities insofar as water provision and associated / ancillary services are concerned.



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

Action Plan

In order to respond to the above-mentioned challenges, the first thing to be done was to develop an action plan that has seen a number of changes being effected such as the appointment of the internal audit services as well as tariff increase for 2016/17 and 2017/18. 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 Plan:

- Appointment of the permanent Chief Executive Officer, Chief Finance Officer and other critical staff.
- Stakeholder and client relations being initiated
- Appointment 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 developed
- The Growth Path strategy was developed as an anchor to the Entity

Conclusion

In quoting one of the well-known African proverb that says "umuntu ngumuntu ngabantu"- which means that all of us owe our success through actions of others, Overberg Water shall succeed based on teamwork and support from all parties and stakeholders. Therefore, it will be erroneous not to acknowledge, appreciate and pass a vote of thanks to all those who have walked the journey with us and supported the Overberg Water to discharge its legislative mandate. The management and staff of Overberg Water is very appreciative to the new Board and looking forward to working with the Board. Other people who come to mind are the colleagues & executive management at Overberg Water who burnt the mid-night & midday oil, the Department of Water & Sanitation and our partners at the Hessequa & Theewaterskloof municipalities including our industrial customers. The Overberg Water Board remains committed to its vision, mission statement, values, programmes and strategic objectives. The Entity exist to add value to the socio-economic development of our area of operation as well as contributing towards sustainable development. The support from the Ministry of Human Settlements, Water and Sanitation shall remain a matter of appreciation. The confidence shown by the Department of Water and Sanitation in the Entity is indeed our compass for success. The role played by the Board in steering the Entity forward is unforgettable. On behalf of all staff at Overberg Water Board, I express our humble words of appreciation, dedication and commitment to the vision and strategic intent of Overberg Water Board. We say:

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

CHIEF EXECUTIVE OFFICER
DR PHAKAMANI BUTHELEZI

Acting Executive Manager Water Services Report

Introduction

It is a well known fact that in the Republic of South Africa access to water is a right and such should be available to all South Africans. As Overberg Water, the only Water Board in the Western Cape, we were called upon to serve, and answer the Minister's call we did. We have prevailed through the ups and downs of financial constraints caused by the embargo on tariffs increases and we remain steadfast and resolute in the midst of loadshedding. While the rains have been kind in the past year, we shall not forget the summer of 2017 when the drought almost brought the province to its knees. To mitigate the impacts of such occurrences in the future we have begun intensifying our water conservation practices. As a water board we understand the dichotomy of asking our clients to use less water but we also require them to use more water for our financial benefit. What is paramount to us as a Water Board is the sustainability of the region and not financial gluttony.

Water Resource

The water supply to Ruensveld West and Ruensveld East comes from Theewaterkloof Dam via the river channel. The dam levels have been stable over the past year with a final dam level of above 100% on the 30th of June 2023. The raw water quality deteriorate significantly from Ruensveld West at Mariasdal to Ruensveld East at Swellendam. This contamination increases the water purification cost. Overberg Water will be engaging the BGCMA for the protection of the water resource. The water supply to the Duivenhoks Water treatment plant comes from Duivenhoks Dam via the river channel. The dam levels have been stable over the past year with a final dam level of above 100% on the 30th of June 2023. The raw water in this region is plagued by high level of aluminium which are naturally occurring in the rock strata.

Product Quality

Overberg Water's Core business of providing bulk potable water to customers and providing water supply fit for drinking and domestic use as well as for industry was performed exceptionally well during this past year. Out of the three schemes that Overberg operates two of them met the excellent SANS241:2015 standard completely.

Water sampling and analyses were carried out using accredited laboratory techniques as Overberg Water strives for continued excellence in water quality compliance. The overall water quality compliance for the 2022/2023 financial year is reflected in Table 10. These results exceed the SANS 241: 2015 requirement in all compliance fields except for operational risk category. This was due to inefficient sand filtration at Duivenhoks Water treatment Plant. The refurbishment of the sand filters was completed at the end of the financial year and will only start to show water quality improvement in the 2023/2024 financial year.

Water Quality results for FY 2022/23					
	Acute Health: Microbiological	Acute Health: Chemical	Chronic Health	Aesthetic	Operational
SANS 241 Quality Compliance Limit	**95.00%**	**95.00%**	**93.00%**	**90.00%**	**90.00%**
Rûensveld West	92.77%	100.00%	99.86%	98.26%	93.07%
Rûensveld East	97.41%	100.00%	99.73%	99.72%	96.18%
Duivenhoks	99.02%	100.00%	99.86%	99.44%	73.50%
Total	**96.36%**	**100.00%**	**99.81%**	**99.16%**	**87.74%**

Table 10: 2022/2023 Potable Water Quality Compliance with SANS 241:2015

OPERATIONAL RESILIENCE

The African business landscape is littered with the carcasses of organisations who neglected operational resilience. The Institute of Standards and Technology defines operational resilience as "The ability of systems to resist, absorb, and recover from or adapt to an adverse occurrence during operation that may cause harm, destruction, or loss of ability to perform mission-related functions". One of the biggest threat that translates to adverse occurrences for Overberg Water as a schedule 3B public Entity in terms of the Public Finance Management Act is the sluggish procurement system. It does not allow for agile responding to operational stresses and disruptions. To overcome this hurdle Overberg Water is implementing a robust preventative maintenance plan and has appointed a maintenance contractor to increase its agility. Stakeholder management is the shield and armour that protects Overberg Water from external environmental threats and obstacles that may occur from misunderstandings and miscommunication.

OPERATIONAL OPTIMISATION

Overberg Water has over the past number of years successfully maintained non-revenue water below 15% although for the year in review the Entity set a far more stringent target of 10%, alas this target was not achieved and instead the non-revenue water was reported to be 18.90%. This is still less than the national average at 46.4 % according to engineering news. The effects of the ageing infrastructure, prevalence of water theft activities and the lack of telemetry contracts are some of the reasons the target could not be achieved. Overberg Water 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 the water conservation demand and management principles. Figure 13 indicates water losses experienced over the past financial year against projected targets. The overall production losses across all schemes amounted to 7.8%. The total raw water abstraction was 5 021 371 m3, total system input amounts to 4 631 357 m3 whereas the total volume of water being sold amounts to 3 757 412 m3.

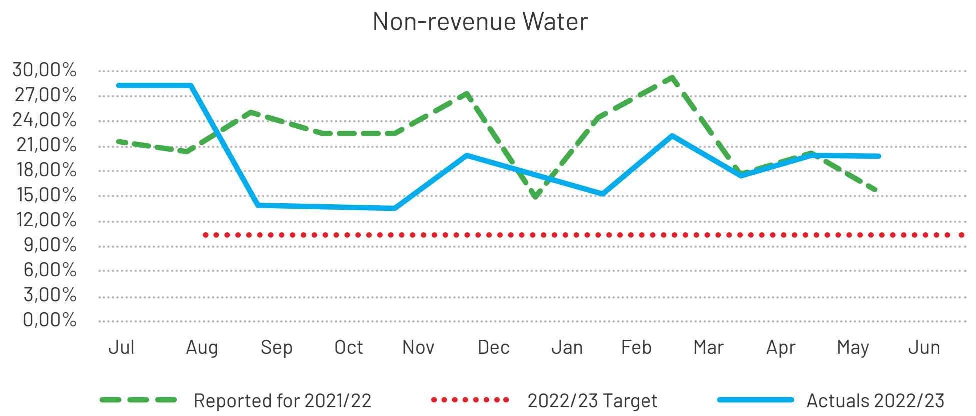


Figure 13: Non-Revenue water for 2022/2023 FY

INFRASTRUCTURE STABILITY

For the year under review we had approximately 106 pipe breaks and leaks that were reported, which is better than the 120 pipe breaks of the previous financial year. This number has been steadily increasing but seems to have come to a decline. Several of the bursts were related to ageing infrastructure structural pipe defects and ground conditions. There have been a few damaged pipes due to servitude encroachment. The lack of adequate funding for capital infrastructure upgrades has resulted in the deterioration of water treatment works and distribution infrastructure. Overberg Water has improved on its maintenance target through upgrading of short sections of pipeline, changing of water meters and air valves as well as procuring large pumps and generators.

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. Overberg Water is in the process of formulating an expansion strategy. Overberg Water is also actively looking for other opportunities within its current jurisdiction to manage waste water treatment works.

CONCLUSION

The year under review has been a challenging one but never the less we have prevailed. Our efforts were on par with the previous financial year in terms of operational targets. In addition the Entity has been resilient during the limited funding for maintenance and the refurbishment projects. As the acting Executive Manager Water Services, I would like to thank my operational team for their dedication throughout the year, their hard work, commitment and resilience in the face of such tremendous adversity we are working in. They performed honorable, they performed like Super Saiyans.

Xolani Mdletshe
Acting Executive Manager Water Services

REPORT OF THE CHIEF FINANCIAL OFFICER

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

Results for the Year

The results for the year are adequately set out in the Annual Financial Statements as shown on page 113 to 161.

Financial Performance

The financial statements for the year ended 30 June 2023 confirms a net audited deficit of R16.8m for the year.

Costs increased predominantly due to loadshedding while Revenue decreased due to the loss of Department of Public Works project. Investments were utilised to fund the purchase of generators in order to avoid excessive water losses as a result of loadshedding.

	2021/22	2022/23	%Change
Total volume water sold-kl	3 386 078	3 755 518	11%
Costs of portable water (excluding depreciation)	41 851 092	44 478 401	6%
Costs per kl	12,36	11,84	-4%

TABLE 11: Costs of potable water per volumes sold

Direct costs of purification increased in the major key cost drivers, namely Chemicals, Energy, Labour, Repairs, and Maintenance, due to price increases. These increases can be attributed to inflation, the Eskom Tariff, and the utilisation of inventory spares. Additional increase in expenditure can also be attributed to loadshedding in the form of fuel as well as overtime.

Although an increase in potable water expenditure is noted, a decrease in the distribution cost per volume sold was still realised due to the increase in water sold versus the prior year.

Profitability

The Water Board sustained a net deficit for the 2022/23 financial year.

The non-approval of water tariffs for the 2020/21 tariff cycle's meant costs increased without being recovered through the tariff. External factors such as the Ukraine/Russian war and electricity rate increases, meant certain cost drivers increased by more than inflation. The effects of above factors listed were previously masked by the additional Revenue generated from the project related to servicing the Department of Public Works and Infrastructure Project. With the exclusion of the additional revenue for the current financial year, the true effect of the tariff backlog is depicted.

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 license places a limit on the organic revenue growth of the Water Board.

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

Ageing Infrastructure has a direct impact on the volume of water abstracted, treated, and sold, as it is prone to pipe bursts which ultimately leads to a drop in the water sales volume. The abovementioned factors can only be addressed through the required investment in the refurbishment, augmentation, and maintenance of the water infrastructure assets. Overberg Water Board does not have sufficient funding and borrowing capabilities to finance the refurbishment of the ageing 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, passing of the cost to the end user is also not economically feasible to our customers.
The solutions remain with growing the current revenue base to allow the revenue to cover all fixed costs.

	2019/20	2020/21	2021/22	2022/23
Total volume water sold-kl	3 423 549	3 470 601	3 386 078	3 755 518
Water Sales	57 126 967	56 334 163	60 084 636	65 668 416
Rate per kl	16,69	16,23	17,74	17,48
		-3%	9%	-2%

TABLE 12: KL sold year on year

As noted in the table above the rate per KL sold decreased year on year. Will cost drivers indicated below increased significantly:

	2019/20	2020/21	2021/22	2022/23
Chemicals	2 581 275	3 002 455	3 214 098	4 484 519
		16%	7%	40%

TABLE 13: Chemicals

	2019/20	2020/21	2021/22	2022/23
Energy	8 554 701	10 292 439	11 616 650	11 371 159
Fuel	709 082	712 308	1 354 852	5 889 547
	9 263 783	**11 004 747**	**12 971 502**	**17 260 706**
		19%	18%	33%

TABLE 14: Energy & Fuel

The Water Board will in the short to medium term utilise a mixture of capital levy, modest borrowing and available cash flow to refurbish infrastructure and ensure sustainability of water supply.

Tariffs

During the current year Overberg Water has successful consulted with its stakeholders. The tariff was increased by 8% across the board for the 2022/23 financial year. The current tariff does not include a capital levy and therefore does not cover the refurbishment cost of our ageing infrastructure. The inclusion of the capital levy would have resulted in an unaffordable tariff for our user's due to the current economic conditions.

The cost of loadshedding was however not included in the tariff for the current financial year, a double-digit tariff increase will need to be considered in future years to assist with the sustainability of the Entity.

Infrastructure Funding

Overberg Water is looking at various funding mechanism for new infrastructure and to ensure that sufficient funds are raised to replace existing ageing infrastructure.

Projects to the value of 24.9m were invested in during the year under review at the water purification schemes. These included the Purchase of Generators (9.8m), expansion of the Witsand pipeline (9m), upgrading of pumps (3.2m), upgrading of telemetry (1.7m) and installation of filter tanks (1.2m)

Debt Management

Net receivables from exchange transactions decreased from R 15 450 745 to R 14 664 803 in 2023. The current debtors' days are 100 days (2022: 98 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 and agricultural customers, arrangements are made through negotiation and an instalment plan agreed upon. Should the terms thereof not be complied with, water restrictions are introduced until payments are made in terms of the repayment agreements.

In conclusion the Water Board management and staff are committed to the Entities mandate and financial well being. 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. The survival of this sector largely depends on the provision of clean potable water which is provided by the Overberg Water Board. The Water Board remains financially viable.

Emmeritia Jeffries
Chief Financial Officer

FINANCIAL PERFORMANCE

Financial reporting compliance

Overberg Water Board received an unqualified audit opinion for the 2022/23 financial year. This serves as evidence of the Water Boards commitment to good governance.

Figure 14: Financial performance key indicators

Gross profit margin percentage based on water sales:

Overberg Water Board sustained a gross profit margin of 73% for the current year similar to 74% for 2021/22. The gross profit regressed due to drop in water sales. The impact of the tariff backlog must also be considered in this regard.

Liquidity

Overberg Water Board`s liquidity ratios have decreased from a current ratio of 2.71 in 2021/22 to 1.38 in the 2022/23 financial year. Decrease in liquidity ratio is due to an increase in expenditure relating to loadshedding, resulting in additional cash outflows.

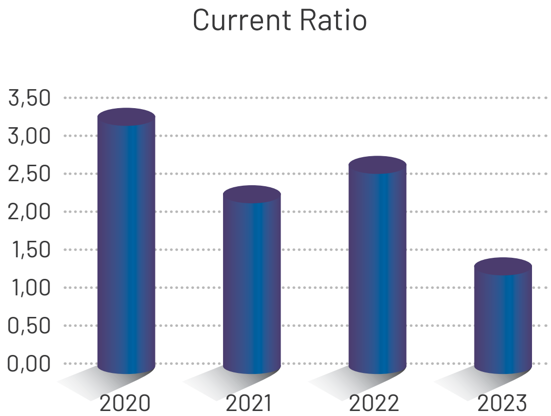
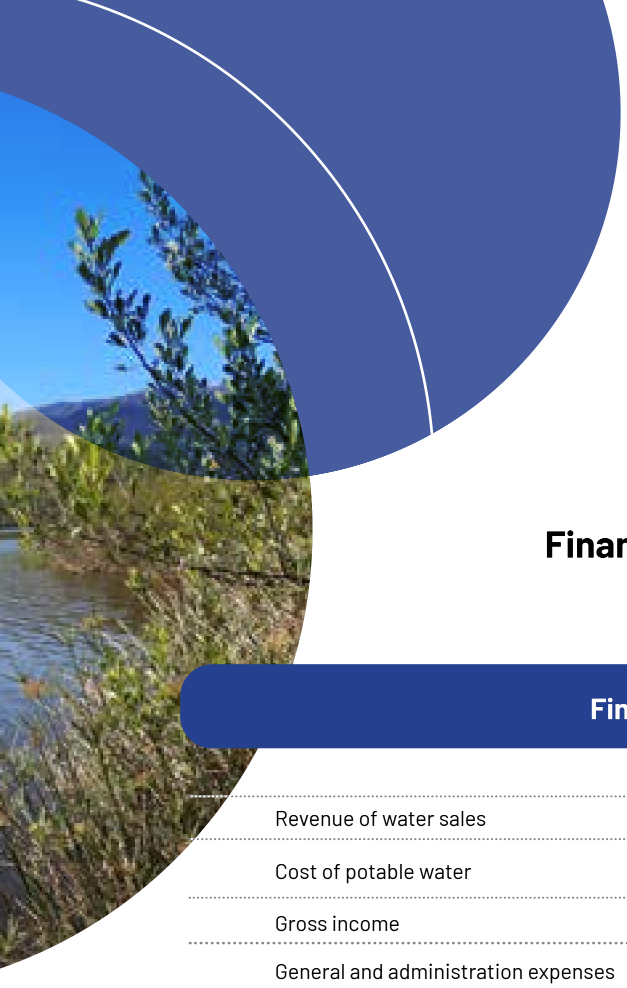


Figure 15: Current Ratios



Financial reporting compliance

Financial performance (R'000)

	2022	2023
Revenue of water sales	74 539	65 668
Cost of potable water	44 744	48 265
Gross income	29 795	17 403
General and administration expenses	36 014	37 990
Operating income/loss	-6 219	-20 587
Other income	2 302	501
Net interest income	3 171	3 262
Other comprehensive income/(loss)	0	0
Net income/loss for the year	-747	-16 824

Performance indicators

Cost of potable percentage	60%	73%
Gross profit margin percentage	40%	27%
General and administration expenses percentage	48%	58%
Operating income percentage	-8%	-31%
Net income percentage	-1%	-26%

Water Indicators

Treated water volume (in kl '000)	3 386	3 757
Average water tariff (R/kl)	23.85	22.96
Cost of production (R'000)	44 744	48 265
Cost of production (R'000) (excluding depreciation)	47 637	52 052
Average water cost/volume sold	23.85	22.96
Average water cost (excluding depreciation)/volume sold	24.70	23.96
Number of employees	65	64
Kilolitres sold per employee	52 094	58 710

Table 15: Financial performance key indicators

Financial performance key indicators		
Operating risk indicators	**2022**	**2023**
Operating costs (R'000)	80 758	86 255
Depreciation (R'000)	-2 893	-3 787
Working ratio	112%	137%
Gross profit margin percentage	40%	27%
Financial position (R'000)		
Funds and reserves	94 995	78 171
Total assets	106 051	92 495
Investments	41 060	15 240
Assets (excluding investment)	64 992	77 256
Current assets	29 989	19 820
Current liabilities	11 054	14 324
Cash and cash equivalents	13 294	3 918
Inventories	1 244	1 237
Trade debtors	15 451	14 665
Trade creditors	4 568	10 108
Financial risk indicators		
Current ratio	1.38	2.71
Acid test ratio	1.30	2.60
Operating risk indicators		
Revenue	74 539	65 668
Cost of potable water	44 744	48 265
Depreciation	-2 893	-3 787
Operating income/loss	-6 219	-20 587
Bad debts and impairments of trade debtors	3 063	3 063
Net income for the year	-747	-16824
Return on assets	-1%	-18.2%
Return on turnover	70%	62%
Debtors collection period (days)	76	76
Creditors (days)	20	41

Table 15: Financial performance key indicators continued

Increase BBBEE expenditure relative to projects

The percentage target of EME and QSE was 15%, the achievement was 17% and 14% respectively. Most of the current tender contracts were awarded to level 1 BEE as part of accelerating empowerment. Request for Quotations (RFQ's) were awarded to level 1 BEE. The Entity sources suppliers from the central supplies database (CSD). Since CSD is a national database, responses are received nationally.

The below table depicts the contracted value spent per BBBEE level of suppliers.

BBBEE Level	Amount	% of Total Spent on Contracts
0	400 414	0,82%
1	43 731 962	89,43%
2	1 698 590	3,47%
3	1 822	0,00%
4	2 294 526	4,69%
6	609 685	1,25%
7	122 469	0,25%
8	40 761	0,08%
Total	**48 900 228**	**100,00%**

TABLE 16: BBBEE Level of suppliers

Manage costs within the approved budget

Overberg Water has managed to achieve a budget saving of 3%. Although the cost of loadshedding was significantly higher than the budget, additional savings can be attributed to critical vacant positions.

	Budget	Actual	Variance	% Variance
Total expenditure	88 705 781	86 255 188	2 450 593	3%

Table 17: Budget Saving on Total Expenses

Capital expenditure programme

Overberg Water managed to spend 117% of its capital expenditure programme. Despite the spending on capital expenditure 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.

	Budget	Actual	Variance	% Variance
Capital expenditure	12 170 000	26 439 662	(14 269 662)	-117%

Table 18: Capital Expenditure

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 are still in place. Overberg Water has developed the growth path strategy to expand the footprint. This will require signing of additional bulk supply agreement for the future.

Achieve statutory reporting compliance

The following reports were submitted during the year under review.

Department of Water and Sanitation

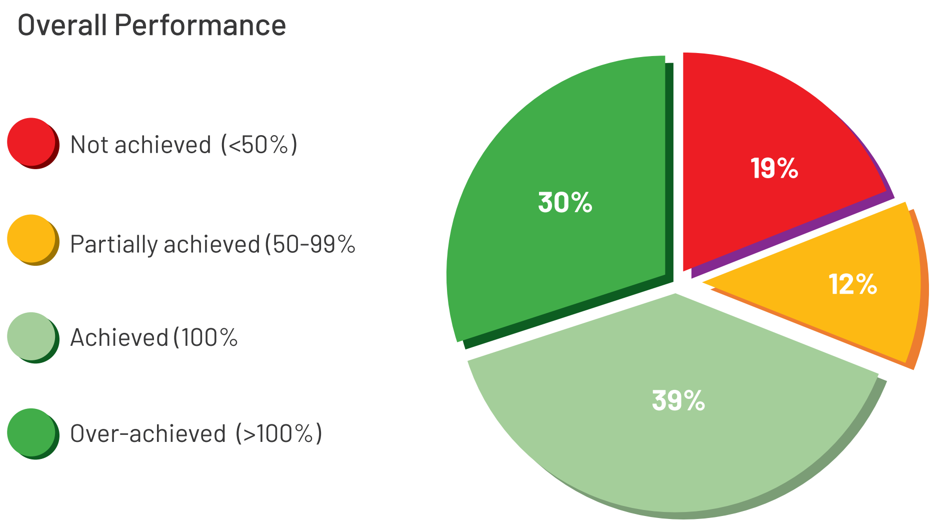
- Quarterly reports of key performance indicators
- Annual Report 2022
- Corporate plan 2023/2024
- Tariff approval

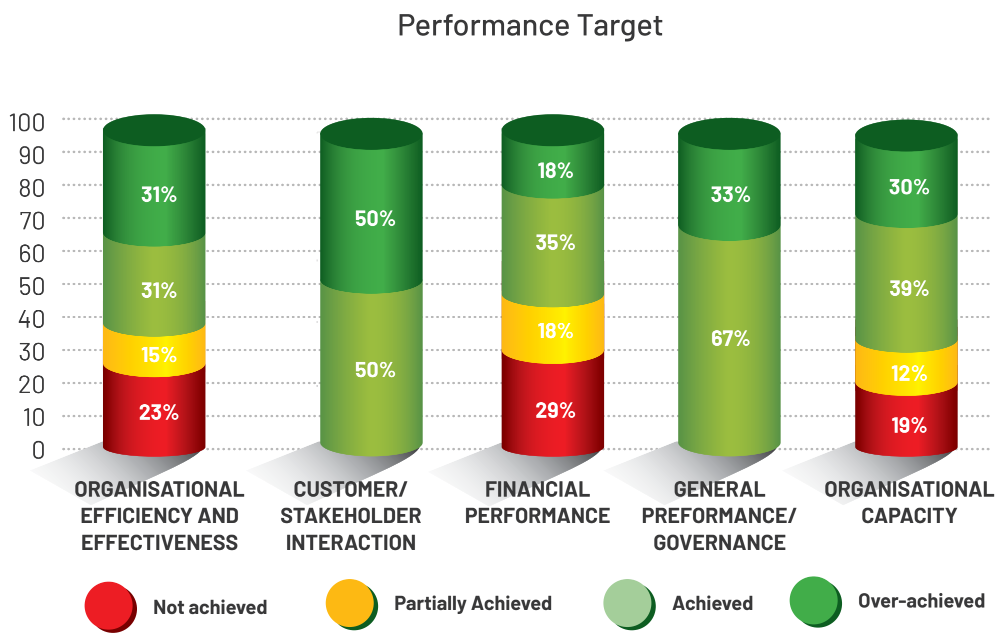
National Treasury

- Quarterly reports for Public Entities
- 2023 Medium Term Expenditure Framework
- 2023 Public Entity Consolidation Template
- 2023 Estimates of National Expenditure – Public Entities Input
- Monthly monitoring of Bulk Resource Payments (Municipalities)
- Annual Report 2021/22
- Corporate plan 2023/2024

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:





Summary of Performance

The Water Board achieved 69% including overachievement of 30%, partial achievement of 12% and did not achieve on 19%of its target in the financial year 2022/23. This is reflective of the Water Board's efforts and controls put 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.

Performance Objectives	Comments
Organisational efficiency and effectiveness	The Water Board has achieved 62% of its organizational efficiency and effectiveness targets, partially achieved 15% and did not achieve on 23% due to the ageing of the infrastructure that requires attention. However, the replacement of the sandfilters project to prevent water quality issues has been completed, including the Witsand pipeline project. The telemetry repairs are complete for Duivenhoks, Ruensveld West and Ruensveld East to follow.
Improve and Increase revenue and manage cost drivers (Financial Performance)	The Water Board achieved 53%, including an overachievement of 18%, partially achieved 18% and under achieved by 29%. This is due to sustaining a deficit in the current financial year. This is attributed by the impact of load shedding adversely affecting revenue generated and results in additional unbudgeted for expenditure.
Effective stakeholder and customer engagement (Customer/Stakeholder interaction)	The targets set were 100% met with 50% achievement and 50% overachievement. This is due to concerted efforts by the Water Board to effectively engage its stakeholders and customers on a regular basis.
Organisational Capacity	The Water Board achieved 75% of its targets including an overachievement of 50%, partially achieved 12% and did not achieve 19% of its targets. This is mainly attributed to retirements, resignations, expiry of fixed term contracts, 1 employee dismissal and having fewer than targeted number of interns at year end.
General Performance/Governance	The Overberg Water Board achieved on all its targets on Governance. This is because the Water Board ensures that they fulfil all their fiduciary duties. This portray's 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 2022/23	Actual 2022/23	Prior year Actual 2021/22	Variance 2022/23	Comment 2022/23	Reasons for variance and corrective measures
1.	ORGANISATIONAL EFFICIENCY AND EFFECTIVENESS	1,1	Percentage compliance with water quality standard SANS 241:2015, in terms of Health: Acute	%	97%	96,48%	98,51%	-0,52%	Partially Achieved	Due to high demand and low input volumes, some reservoirs in the Ruensveld West and East Schemes ran dry and hence water quality deteriorated within the distribution system.
2.	ORGANISATIONAL EFFICIENCY AND EFFECTIVENESS	1,1	Percentage compliance with water quality standard SANS 241:2015, in terms of Health: Chronic	%	97%	99,86%	99,95%	2,86%	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.	ORGANISATIONAL EFFICIENCY AND EFFECTIVENESS	1,1	Percentage compliance with water quality standard SANS 241:2015, in terms of operational quality	%	95%	87,50%	89,74%	-7,50%	Partially Achieved	Due to inefficient filtration units at the Duivenhoks Scheme. Also due to high demand and low input volumes, some reservoirs in the Ruensveld West and East Schemes ran dry and hence water quality deteriorated within the distribution system.
4.	ORGANISATIONAL EFFICIENCY AND EFFECTIVENESS	1,1	Percentage compliance with water quality standard SANS 241:2015, in terms of aesthetic quality	%	95%	99,07%	99,35%	4,07%	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.	ORGANISATIONAL EFFICIENCY AND EFFECTIVENESS	1,4	Percentage unavoidable water losses of water purified	%	10%	18,9%	21,50%	8,90%	Not Achieved	Due to ageing infrastructure and pipe breaks within all 3 distribution networks. Some non-revenue water is also used to fill up reservoirs that have run empty during the time of reporting.
6.	ORGANISATIONAL EFFICIENCY AND EFFECTIVENESS	1,1	Number of days with water supply interruptions exceeding 24 hours	Number	0 days	4 days	14 days	Negative 4 days	Not Achieved	Due to infrastructure damage to one owner's standpipe by a farmer, the repair took over 2 days to complete.
7.	ORGANISATIONAL EFFICIENCY AND EFFECTIVENESS	1,2	Percentage of the repairs and maintenance budget actually spent	%	95%	105%	139%	10%	Over-Achieved	Due to an increase in repairs and maintenance activites.
8.	ORGANISATIONAL EFFICIENCY AND EFFECTIVENESS	1,1	Number of maintenance plans completed and/or updated	Number	1	1	1	0	Achieved	Maintenance plan in place.
9.	ORGANISATIONAL EFFICIENCY AND EFFECTIVENESS	1,1	Number of infrastructure plans completed and/or updated	Number	1	1	1	0	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
					2022/23	2022/23	2021/22	2022/23	2022/23	
10.	ORGANISATIONAL EFFICIENCY AND EFFECTIVENESS	1,4	Number of MOU's entered in to with relevant agencies relating to water conservation at specific sites.	Number	1	1	0	0	Achieved	OWB entered an initiative for MOU with UWC on 30/06/2022 with a validity period of three (3) years.
11.		1,4	Number of water conservation/ demand management education or awareness campaigns.	Number	1	0	0	-1	Not Achieved	Water conservation management campaigns were not conducted due to cost containment.
12.		2,2	Percentage of repairs and maintenance to PPE and investment property (carrying value)	%	3%	4,99%	10%	1,99%	Over-Achieved	Due to acquision of generators.
13.		2.2	Actual CAPEX spend on expansion related projects (initiatives by the Minister) as a % of budget.	%	0	0	0	0	Achieved	N/A

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
					2022/23	2022/23	2021/22	2022/23	2022/23	
14.	IMPROVE AND INCREASE REVENUE AND MANAGE COST DRIVERS	2,2	Result of the annual external audit	AG's audit opinion	Unqualified	Unqualified	Unqualified with no material findings	N/A	Achieved	N/A
15.		2,2	Current ratio	Ratio	1,2	1,39	2,7	0,19	Over-Achieved	Increase is due to improved collection from old debt.
16.		2,2	Gross profit margin % (Primary activity)	%	42%	30%	44%	-12%	Partially Achieved	Tariff model is not fully cost reflective plus underutilization of the water treatment plants due to ageing infrastructure.
17.		2,2	Gross profit margin % (Secondary activity)	%	0%	0%	0%	0%	Achieved	N/A
18.		2,2	Net profit margin % (Primary activity)	%	0%	-24%	0%	-24%	Not Achieved	Impact of load shedding not factored in approved tariffs.
19.		2,2	Net profit margin % (Secondary activity)	%	0%	0%	0%	0%	Achieved	N/A
20.		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 Strate-gic Goal	OW Strategic Objec-tive	Performance perspective	Unit of Measure	Annual Target	Actual	Prior year Actual	Variance	Comment	Reasons for variance and corrective measures
					2022/23	2022/23	2021/22	2022/23	2022/23	
21.	IMPROVE AND INCREASE REVENUE AND MANAGE COST DRIVERS	2,2	Return on assets ratio	%	0%	-18%	0%	-18%	Not Achieved	Impact of load shedding not factored in approved tariffs.
22.		2,2	Debtor days	Nr	80 Days	100 Days	98 Days	-20 Days	Not Achieved	Increase in impairment of debtors coupled with increase in debtors resulting from the Dept of Public Works project.
23.		2,2	Percentage of staff remuneration to operating expen-diture	%	47%	40%	47%	-7%	Over-Achieved	Due to vacant positions.
24.		2,2	Annual operating cashflow generated	Rand amount	R1.4 Million	-R8.9 Million	R2.880 Million	-R10.3 Million	Not Achieved	Impact of load shedding adversely affecting revenue generated and also results in additional unbudgeted for expenditure.
25.		2,2	Total revenue as a percentage of budgeted revenue	%	98%	85%	106%	-13%	Partially Achieved	Interruption in supply-non revenue water.
26.		2,2	Return on turnover	%	0%	-24%	0%	-24%	Not Achieved	Impact of load shedding not factored in approved tariffs.
27.		2,2	Percentage of procurement awarded to EME enterprises	%	15%	17%	31%	2%	Over-Achieved	Most of the current tender contracts were awarded to level 1 BEE as part of accelerating empowerment. Also, most Requests for Quotations (RFQ's) were awarded to level 1 BEE. 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.
28.		2,1	Percentage of procurement awarded to QSE enterprises	%	15%	14%	22%	-1%	Partially Achieved	
29.		2,1	Infrastructure availability to meet demands: Overall project expenditure within targets	%	0%	0%	59%	0%	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
					2022/23	2022/23	2021/22	2022/23	2022/23	
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	Number of new Ministerial Directives issued and implemented on time	Number	0	2	0	2	Over-Achieved	Advertisement of Board Members Nominations in Q2 and Board Members Interviews in Q3.
33.		3,1	Percentage of statutory reports submitted on time	%	100%	100%	100%	0%	Achieved	N/A
34.		3,1	Number of engagements with selected statutory stakeholders	Number	1 Engagement	5 Engagements	1 Engagement	+4 Engagements	Over-Achieved	Declaration of National Key Point Status Meeting with SAPS and Meeting with Minister in Q1, DWS Faecal Sludge Management Strategy Session in Q2, Ministerial Visit in Q3 and another engagement in Q4.
35.		3,4	Number of newsletters developed to improve visibility and growth opportunities	Number	2 Newsletters	2 Newsletters	2 Newsletters	0 Newsletter	Achieved	N/A
36.		3,2	Number of meetings with customers	Number	3 Meetings	8 Meetings	4 Meetings	+5 Meetings	Over-Achieved	Ops Committee Meeting with Overberg Water Forum in Q1, Meeting with AgriWes in Q2, Meetings with Agri Wes, Overberg Water Users Forum, TWK and Hessequa Municipalities in Q3, Meetings with AgriWes, TWK and Hessequa municipalities in Q4.
37.		3,3	Number of tariff consultation meetings with key stakeholders	Number	3 Meetings	3 Meetings	3 Meetings	0 Meeting	Achieved	Tariff Consultation Meeting held with Hessequa, TWK and retial cusomers for 20223/24 financial year.
38.		3,1	Number of engagements with strategic partnerships	Number	0 Meetings	4 Meetings	N/A	4 Meeting	Over-Achieved	Meeting with the Minister to discuss the reconfiguration of OWB in Q1 and Meetings with Overberg Water Forum, TWK Municipality and DWS in Q4.

Organisational Capacity

NR	OW Strategic Goal	OW Strategic Objective	Performance perspective	Unit of Measure	Annual Target 2022/23	Actual 2022/23	Prior year Actual 2021/22	Variance 2022/23	Comment 2022/23	Reasons for variance and corrective measures
39.	ORGANISATIONAL CAPACITY	4,3	Percentage of annual staff turnover	%	10%	18,32%	58,70%	8,32%	Over-Achieved	Due to 8x staff terminations in Q1, 0 terminations in Q2, 2x termination in Q3 and 2x terminations in Q4.
40.		4,2	Number of learnerships implemented to increase skill and capacity building	Number	6	2	4	-4	Not Achieved	2x learnerships implemented at year Performance Information Intern and Operations Intern and 2x resignations.
41.		4,2	Number of training programmes/ workshops conducted for staff members	Number	3	9	13	6	Over-Achieved	Finance for Engineers, project and technical managers short course training in Q1, 3x training in Operations during Q2, 2023 Annual Payroll Training in Q3 and PFMA Financial Reporting Training, SCM training and 2023 National Youth Indaba trainings in Q4.
42.		4,1	Number of ERP systems going live	Number	1	1	1	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 2022/23	Actual 2022/23	Prior year Actual 2021/22	Variance 2022/23	Comment 2022/23	Reasons for variance and corrective measures
43.	GENERAL PERFORMANCE	5,2	Percentage of board members attending of all Board and committee meetings	%	80%	95%	95,05%	15%	Over-Achieved	The attendance of the Board has been exceptionally well due to members'commitment to OWB. However there has been 1 resignation of a member but had no impact on the attendance.
44.		5,2	Number of repeated internal audit findings within the annual audit cycle	Number	0	0	0	0	Achieved	N/A
45.		5,1	Number of compliance registers developed and maintained for HR,Finance,SCM and water services	Number	1	1	1	0	Achieved	N/A
46.		5,1	Number of Board meetings held	Number	4	6	4	2	Over-Achieved	An ordinary board meeting and a special board meeting with the Minister were held in Q1, 2 Meetings were held in Q3, 1 board meeting was held in Q3 and 1 was held in Q4.
47.		5,1	Number of policies developed and updated	Number	6	22	8	16	Over-Achieved	14 revised policies from HRM and Finance plus SCM were reviewed. They were all recommended for approval by the Board. The new policy was the Preferential Procurement Policy.
48.		5,2	Number of breaches of materiality and significance framework	Number	0	0	0	0	Achieved	N/A
49.		5,1	Number of risk registers updated	Number	3	3	3	0	Achieved	N/A

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 19. 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 87.74% vs a target of 95%. This was caused by the ageing sand filters that required refurbishment at the Duivenhoks Scheme. As at year end the sand filters have been refurbished and the benefits should be evident in the next financial year. Overberg Water has set KPIs that are in line with Blue Drop certification requirements and its monitoring and testing processes far outweigh the minimum required by SANS 214: 2015. Sampling and analyses are carried out using accredited laboratory techniques (ISO 9001) as far as possible. Table 20 provides an explanation of the results.

Table 19: 2022/2023 Potable Water Quality Compliance with SANS 241:2015

Water Quality results for 2022/2023					
	Acute Health: Microbiological	Acute Health: Chemical	Chronic Health	Aesthetic	Operational
SANS 241 Quality Compliance Limit	**95.00%**	**95.00%**	**93.00%**	**90.00%**	**90.00%**
Rûensveld West	92.77%	100.00%	99.86%	98.26%	93.07%
Rûensveld East	97.41%	100.00%	99.73%	99.72%	96.18%
Duivenhoks	99.02%	100.00%	99.86%	99.44%	73.50%
Total	**96.36%**	**100.00%**	**99.81%**	**99.16%**	**87.74%**

Table 20: Key classification of drinking water supply systems according to SANS 241:2015

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

Reliability of supply

During the year under review Overberg Water Board experienced 12 instances of interruptions in supply and 4 days without water. These interruption 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 an anticipated pipe bursts during the year with some being caused by changes in pressure in the pipeline network as and when power returns. There was also one third party damage to one of our pipes.

Manage avoidable water losses

Overberg Water (OW) has over the past years successfully maintained non-revenue water below 10%, although for the past few years the Entity had a challenge of several pipe bursts due to the ageing infrastructure resulting in higher water loses than anticipated. This target was not achieved. For the 2022/23 financial year the non-revenue water was reported at 25.1%. 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.

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

For the most part of the financial year there was no Board in place. The Board was only appointed in March 2019 and effective from 01 April 2019. There were originally nine individual members serving on Overberg Water Board. They were 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 1st April 2019. The term was due to end end in March 2022. However, the Minister decided to extend the term up September 2023. The Board comprise of professionals representing a diverse array of talent in administration, academic, business, accounting, engineering, governance, human resources, information systems and legal. Board members were chosen for their diversity of experience and perspective in order to support the Overberg Water through sharing best practices in the Entity. The most essential component is to grow the business of the Entity.

Focus areas

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

Fiduciary and oversight

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

Ethical Leadership and Code of Ethics

Like in all water Entities, the Board of Overberg Water is aiming for the highest standards of business integrity, ethical leadership and good governance.

The role of the governing Board was focused on strategic matters and ensuring organisational conformance to legal, statutory and regulatory requirements. In addition, the Governing Board had a key role in ensuring performance of management in strategy implementation and ensuring that executives succession planning became the organisational culture.

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

The Governing 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 draft Board Charter and Committees' Charters were drawn up in terms of the Water Services Act, Number 108 of 1997 and the Public Finance Management Act, Number 1 of 1999.

The Charter concisely articulates the overview of the following:

- The demarcation of the roles, functions, responsibilities and powers of the Board, individual board members, the executives of the Entity and shareholder of Overberg Water Board being the Ministry / Department
- The powers delegated to various committees of the Governing Board
- The policies and practices of the Governing Board in respect of matters such as corporate governance, declarations and conflicts of interest, board meeting documentation, procedures, nomination, appointment, induction, training and evaluation of directors and members of Board Committees
- The division of labour between the Governing Board and its committees, ensuring that risk exposure is sufficiently managed

Conclusion

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

RISK MANAGEMENT

Enterprise Risk Management

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

The Entity followed an approved risk management policy, strategy, and execution plan throughout the year under review. Risk Management remained a standing agenda item for the Board/Committees and Management Committee meetings while the implementation plan was implemented. This allowed the Board to maintain control of risk management while focusing on the most critical risks affecting the Entity, such as loadshedding.

Strategic Risks

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

Table 21: Summary of Strategic risks

		Strategic risks beyond appetite but within tolerance levels categorised		
Percentage of strategic risks & narrative	**Strategic risks within risk appetite**	**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
- Ageing Infrastructure
- Servitude encroachment
- Inadequate funding for mega capital projects
- Water resource availability
- Protection and safeguarding of the asset
- Unsustainable tariff model
- Lack of technical skills
- Overberg Growth Path
- Fraud and Corruption
- Poor Financial Planning

6.3. Business Continuity Management

In ensuring that business continuity was placed at the forefront during the current loadshedding crises the country is facing the Entity has:

- Withdrawn Investments in order to invest in Generators to ensure business con.
- Minimising the adverse impact of the disruption on Overberg Water Board's operations.
- Continuity of the critical business processes to a predefined, acceptable level.

INTERNAL AUDIT AND INTERNAL CONTROL

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

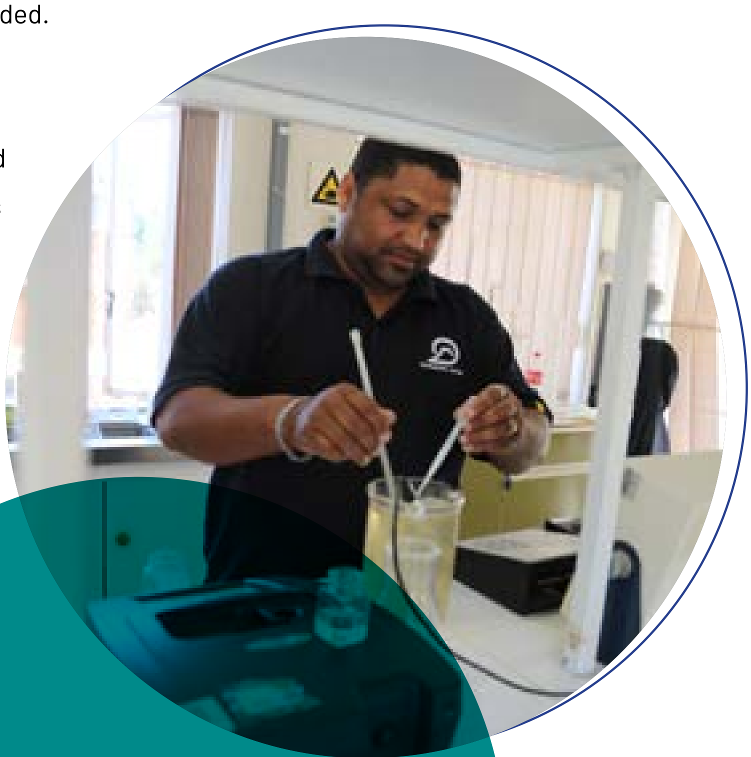
Internal Audit is an out-sourced function within Overberg Water Board and adheres to the prescripts and functions of an independent assurance provider to ensure optimum objectivity. To achieve this independence, the development of proper governance, and lines of reporting and authority remain paramount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

Key activities/reviews, as per the approved Internal Audit Plan for 2021/22 were concluded in the 2022/23 financial year, activities undertaken by Internal Audit included the following:

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

COMPLIANCE WITH LAWS AND REGULATIONS

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



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

FRAUD AND CORRUPTION

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

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

MINIMISING CONFLICT OF INTEREST

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

CODE OF CONDUCT

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

SECURITY, SAFETY, HEALTH, ENVIRONMENT & QUALITY

HEALTH AND SAFETY

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

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

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

SECURITY MANAGEMENT

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

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

TECHNOLOGY AND INFORMATION GOVERNANCE

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

The Entity was no different from the entire world in having to adopt virtual technology for business continuity in response to changing working enviroments. 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 embraces the principle that the organisational goals and Human Resource needs are matched, aligned and strongly interdependent. The Overberg Water Board recruits and retain competent and skilled employees who are motivated, adaptable to change and engaged who play key role in to creating value and long term sustainability for the Entity.

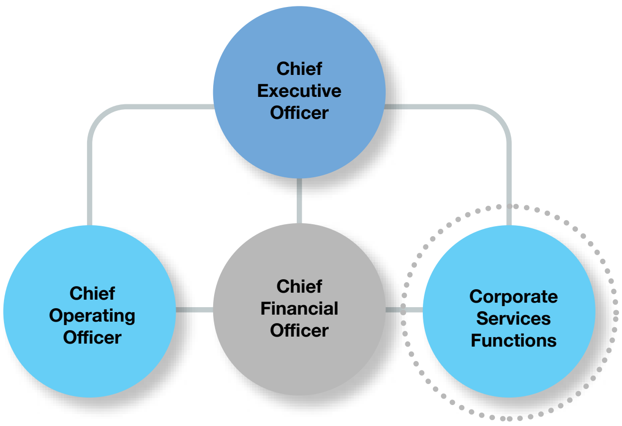
Furthermore, the Entity's objectives as well as Human Resources needs are mutual, compatible, and strongly interdependent to ensure successful execution of the Corporate Strategy. Therefore, the role of Human Resources is to create and maintain a supportive environment for employees to achieve the Entity's strategic objectives.

Organisational Capacity

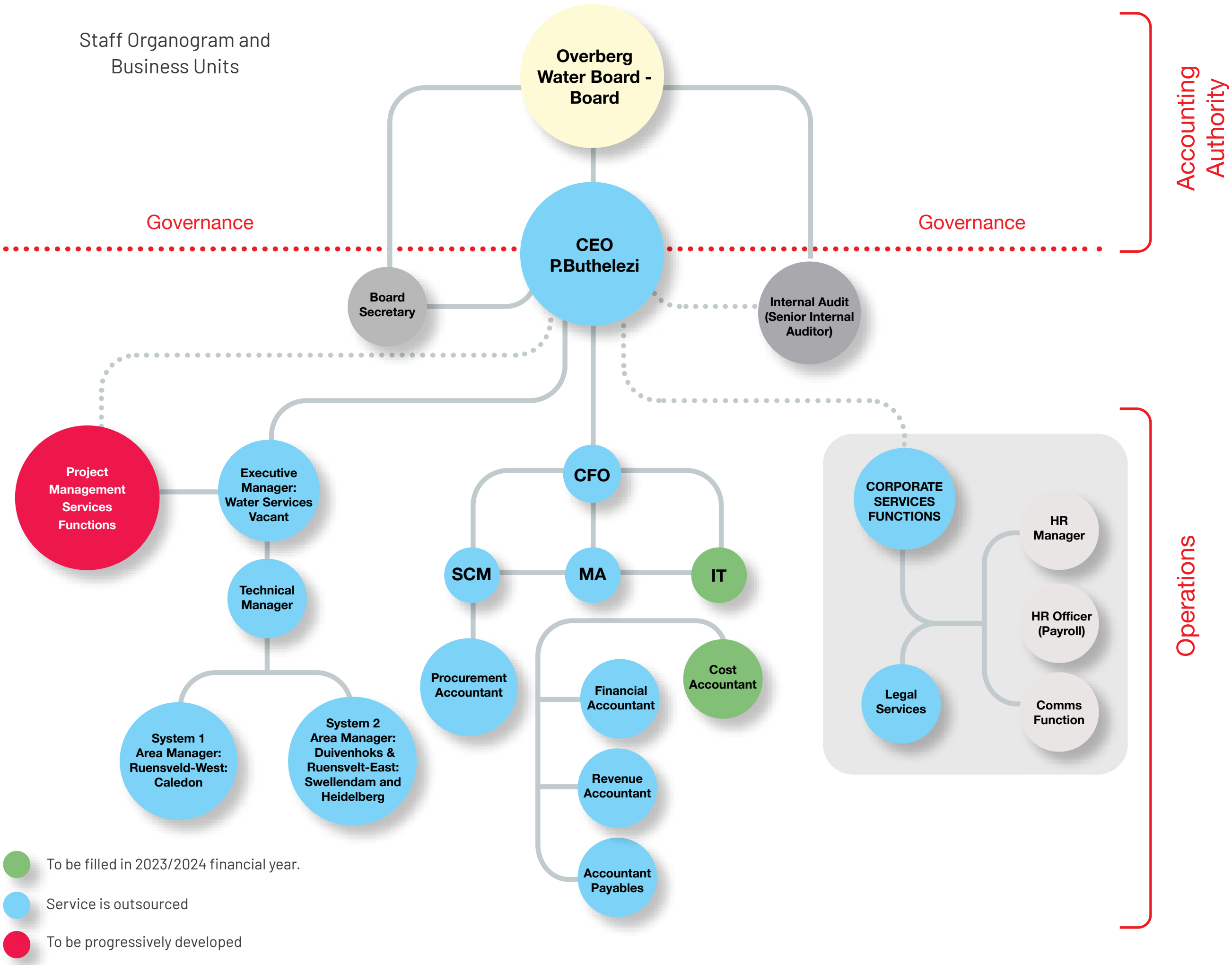
Introduction

The Overberg Water Board employs a workforce with various qualifications, skills and experiences that are key to create value and long-term 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



Staff Organogram and Business Units



Employee Profile

At the end of the financial year under review, the Entity had a staff compliment of 58 permanent employees, and 5 temporary employees. The Table below shows the representation.
Of employees per occupational levels as at the 30th June 2023.

The Overberg Water Board adheres to the principles embodied in the Employment Equity Act. Sound progress is being made on the Overberg Water employment equity profile. The Overberg Water Board seeks to retain employees who enable the Entity to deliver quality services to all its stakeholders. The Entity is still falling short of reaching its 2022/2023 target for people with disability and African females' representation overall.

Overberg Water Board is committed to continue addressing this situation and put more emphasis on recruiting, promoting, and retaining employees from the designated groups that have been disadvantaged, particularly women and people living with disabilities.

Table 22: Organisational Capacity

	African		Coloured		Indian		White		Total
Occupational Level	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**	
Top Management	1	0	0	1	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	2	0	0	0	0	0	**3**
Skilled Technical and Academically Qualified Workers, Junior Management, Supervisors, Foremen and Superintendents	3	2	1	2	0	0	0	0	**8**
Semi-skilled and Discretionary Decision Making	3	1	13	12	0	0	0	0	**29**
Unskilled and Defined Decision Making	1	3	5	3	0	0	0	0	**12**
Total Permanent	**11**	**8**	**21**	**18**	**0**	**0**	**0**	**0**	**58**
Temporary Employees	**0**	**5**	**0**	**0**	**0**	**0**	**0**	**0**	**5**
Grand Total	**11**	**13**	**21**	**18**	**0**	**0**	**0**	**0**	**63**

Appointments

During the 2022/2023 financial year the Entity filled the following vacancies: Chief Financial Officer, Technical Manager, System1 Area Manager, Operations Admin Clerk, two General Workers and one Graduate from the Operations Divisions.

Table 23: Appointments

	African		Coloured		Indian		White		Total
Occupational Level	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**	
Top Management	0	0	0	1	0	0	0	0	**1**
Senior Management	1	0	0	0	0	0	0	0	**1**
Professionally Qualified and Experienced Specialists and Mid-Management	0	1	1	0	0	0	0	0	**1**
Skilled Technical and Academically Qualified Workers, Junior Management, Supervisors, Foremen and Superintendents	0	0	0	0	0	0	0	0	**0**
Semi-skilled and Discretionary Decision Making	0	1	1	0	0	0	0	0	**1**
Unskilled and Defined Decision Making	1	1	1	0	0	0	0	0	**3**
Grand Total	**2**	**3**	**3**	**1**	**0**	**0**	**0**	**0**	**7**

Graduate Internship Programme

For the financial year under review, the Entity employed (1) graduate intern namely: (1) Operations graduate intern as stipulated in Table 24.

Table 24: Graduates/Interns

Occupational Level	Male	Female	Total
Human Resources	0	0	**0**
Finance	0	0	**0**
Supply Chain Management	0	0	**0**
Operations	0	1	**1**
Grand Total	**0**	**1**	**1**

Terminations

During the period under review, twelve (12) employees left the Overberg Water Board. The Entity's labour turnover percentage for the financial year 2022/2023 was 18.32% during the last quarter which is 8.32% above the set target of 10% as per the Entity's Corporate Plan. The reasons being is that three (3) employees retired, one (1) employee was dismissed for operational requirements, five (5) employees resigned and three (3) employees' fixed term contracts expired.

Table 25: Staff Turnover

	African		Coloured		Indian		White		Total
Types of Terminations	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**	
Resignations	3	2	0	1	0	0	0	0	**6**
Dismissals	0	0	1	0	0	0	0	0	**1**
Abscondment	0	0	0	0	0	0	0	0	**0**
Deaths	0	0	0	0	0	0	0	0	**0**
Ill-Health	0	0	0	0	0	0	0	0	**0**
Retirements	1	1	1	0	0	0	0	0	**3**
Expiry of Fixed-term Contract	2	0	0	1	0	0	0	0	**3**
Total	**6**	**3**	**2**	**2**	**0**	**0**	**0**	**0**	**13**

Labour Relations

The Overberg water Board strives to create sound relations with organised labour as a key business partner which is key to the sustainability of the Entity. The Municipal Allied Trade Union of South Africa (MATUSA) who is the majority Union and the only recognised Union representing workers. The Overberg Water Board stood at 48 MATUSA membership (68%) as of 30th June 2023. Governed through various HR Legislative, Policy framework and collective agreements, the Overberg Water Board remains committed to sharing key information regarding operations with organised labour.

Management and organised labour, through a Local Labour Forum (LLF), scheduled four (4) meetings per annum as per the Recognition Agreement. Continuous engagement is deemed critical to the development of sound workplace relation and sustainability of the Entity, which, in turn, provides opportunities for all employees. Engagements held during the year focused on continuous building of the workplace relations, as well as the resolution of all disputes. The determination by the CCMA is in place, in relation to the minimum services agreement required for essential service organisations in the event of industrial action. Currently, MATUSA has three shop stewards who are employed by the Overberg Water Board. A major focus for the year has been on building their capacity given that some shop stewards were newly appointed.

Training and Skills Development

Training and Skills Development is an essential enabler for the Entity's employees to excel in their individual performance which then translate into the realisation of the Entity's mandate. The Overberg Water Board submitted the Workplace Skills Plan (WSP) and the Annual Training Report (ART) to the Energy and Water Sector Education Training Authority (SETA) as planned. The WSP provides guidance on the implementation of the skills and development initiatives through the identification of the key and critical skills needed by the Entity to improve its organizational efficiencies and productivity.

For the 2022/2023 financial year, the Entity witnessed an increase in training initiatives offered compared to the previous financial years. 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 their capacity.

Table 26: Trainning and Development

	African		Coloured		Indian		White		Total
Training Programs	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**	
Finance for Engineers, Projects & Technical Managers Short Training Course	1	0	0	0	0	0	0	0	**1**
Sage People 300 Trainings	0	3	0	1	0	0	0	0	**4**
Health & Safety Training	0	5	1	1	0	0	0	0	**7**
Minutes Taking	0	1	0	0	0	0	0	0	**1**
Accounts Payable, Cashbook Training	0	0	0	1	0	0	0	0	**1**
General Ledger	0	0	0	1	0	0	0	0	**1**
Sustainable Operation & Maintenance of Water Treatment Plants	0	0	2	1	0	0	0	0	**3**
Water Quality & Sampling for Wastewater treatment	1	0	5	3	0	0	0	0	**9**
Advanced Water Treatment Control: Coagulation, Flocculation and Filtration	2	0	1	1	0	0	0	0	**4**
Advanced Wastewater Treatment: Secondary Process	1	0	3	4	0	0	0	0	**8**
Grand Total	**5**	**9**	**12**	**13**	**0**	**0**	**0**	**0**	**39**

Governance

The Human Resources unit is constantly reviewing and developing the Entity's policies in line with the policy register to ensure that they are kept abreast with the latest legislative developments and prevailing organisational challenges. The reviewed and developed HR policies will improve the operational efficiencies for the Entity and enable successful execution of the Entity's Corporate Plan.

Conclusion

The Human Resources department faced multiple challenges such as competitive labour market and several labour disputes during the year under review. However, these challenges presented opportunities for the development relevant people strategies to support the Entity to successfully execute its Corporate Plan as well as the Shareholder mandate. The HR department remains committed to promoting employee engagement, high performance culture, employee well-being and fostering a culture of diversity, equity, and inclusion in the workplace.

Board member attendance

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

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

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

Table 27: Board Committee Meeting

BOARD MEMBERS	BOARD MEETINGS	Audit, Risk & Business Strategy Committee	Operations and Infrastructure Committee	Human Resources, remuneration and Ethics Committee
Mr R Benjamin	✓ ✓ ✓ ✓			✓ ✓ ✓ ✓
Ms I du Bruyn	✓ ✓ ✓ ✓		✓ ✓ ✓ ✓	
Mr M Matji	N/A – due to resignation		N/A – due to resignation	
Mr D Lefutso	✓ ✓ ✓ ✓	✓ ✓ ✓ ✓	✓ ✓ ✓ ✓	
Ms S Mayinga	✓ ✓ ✓ ✗			✓ ✓ ✓ ✓
Dr N Madiba	✓ ✓ ✓ ✓	✓ ✓ ✓ ✓		
Dr G Davids	✓ ✓ ✓ ✓			✓ ✓ ✗ ✓
Ms L Seripe	✓ ✓ ✓ ✓	✓ ✓ ✓ ✓		
Mr E Nene	✓ ✓ ✓ ✓		✓ ✓ ✓ ✓	

The following table indicate the overall attendance in terms of the number of meetings, type, number of members for the Board and Committees as well as the overall attendance percentage.

Table 28: Board Committee Meetings Attendance

TOTAL MEETINGS	MEETING TYPE	NUMBER OF MEMBERS	NUMBER OF ATTENDEES	ATTENDANCE PERCENTAGE
2	Ordinary Board	8	8, 7, 8, 7	94%
1	Special Board	8	8	100%
2	Audit, Risk & Business Strategy	3	3, 3, 2, 3	92%
1	Operations and Infrastructure	3	3, 3, 3, 3	100%
1	Human Resources, Remuneration & Ethics	3	3, 3, 2, 3	92%
7				

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 systems by the Chief Financial Officer, the advertisement for the Supply Chain Manager and the appointment of the Internal Auditor.

Good governance

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

Corporate Social Responsibility Initiatives

The Corporate Social Responsibility Initiatives is one of the Entity's cornerstone. However, due to financial constraints the Entity opted to partner with the Regional Office in some of their programs.

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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) Ms. E. Jeffries (Chief Financial Officer) Mr X Mdletshe (Acting Executive Manager: Water Services, Infrastructure and New Business Development)
Corporate Office & Business Adress	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)
Reporting Currency	The Annual Financial Statements are presented in South African Currency (ZAR) and are rounded off to the nearest Rand.
Preparer of the financial statements	The Financial Statements have been prepared under the supervision of the CFO Emmeritia Jeffries CA (SA)

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

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of Overberg Water Board set out on pages 113 to 161, which comprise the statement of financial position as at 30 June 2023, statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.

2. In my opinion, the financial statements present fairly, in all material respects, the financial position of Overberg Water Board as at 30 June 2023 and its financial performance and cash flows for the year then ended in accordance with the Generally Recognised Accounting Practice- (GRAP) and the requirements of the Public Finance Management Act 1 of 1999 (PFMA) .

Context for opinion

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

4. I am independent of the 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 unqualified opinion

Other matter

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

Unaudited irregular expenditure and fruitless and wasteful expenditure (UIFW expenditure)

AUDITOR-GENERAL SOUTH AFRICA
31/10/2023

7. On 23 December 2022 National Treasury issued Instruction Note No. 4: PFMA Compliance and Reporting Framework of 2022-23 in terms of section 76(1)(b), (e) and (f), 2(e) and (4)(a) and (c) of the PFMA, which came into effect on 3 January 2023. The PFMA Compliance and Reporting Framework also addresses the disclosure of Irregular expenditure and fruitless and wasteful expenditure. Among the effects of this framework is that irregular, fruitless and wasteful expenditure incurred in previous financial years and not addressed is no longer disclosed in the disclosure notes of the annual financial statements, only the current year and prior year figures are disclosed in note 28 to the financial statements. The movements in respect of irregular expenditure and fruitless and wasteful expenditure are no longer disclosed in the notes to the annual financial statements of Overberg Water Board. The disclosure of these movements (e.g. condoned, recoverable, removed, written off, under assessment, under determination and under investigation) are now required to be included as part of other information in the annual report of the Water Board. I do not express an opinion on the disclosure of irregular expenditure and fruitless and wasteful expenditure in the annual report.

Responsibilities of the accounting authority for the financial statements

8. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with the Generally Recognised Accounting Practice and the requirements of the Public Finance Management Act 1 of 1999 (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.

9. 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 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.

Responsibilities of the auditor-general for the audit of the financial statements

10. 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.

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

AUDITOR-GENERAL SOUTH AFRICA
31/10/2023

Report on the audit of the annual performance report

12. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I must audit and report on the usefulness and reliability of the reported performance against predetermined objectives for the selected objective presented in the annual performance report. The accounting authority is responsible for the preparation of the annual performance report.

13. I selected the following objective presented in the annual performance report for the year ended 30 June 2023 for auditing. I selected an objective that measures the Entity's performance on its primary mandated functions and that is of significant national, community or public interest.

Strategic goal	Page numbers	Purpose
Strategic goal – Organisational efficiency and effectiveness	73 – 74	Equitable access to reliable, sustainable and acceptable water resources and water and sanitation services

14. I evaluated the reported performance information for the selected objective against the criteria developed from the performance management and reporting framework, as defined in the general notice. When an annual performance report is prepared using these criteria, it provides useful and reliable information and insights to users on the Entity's planning and delivery on its mandate and objectives.

15. I performed procedures to test whether:

- the indicators used for planning and reporting on performance can be linked directly to the Entity's mandate and the achievement of its planned objectives
- the indicators are well defined to ensure that they are easy to understand and can be applied consistently, as well as verifiable so that I can confirm the methods and processes to be used for measuring achievements
- the targets can be linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance as well as how performance will be evaluated
- the indicators and targets reported on in the annual performance report are the same as those committed to in the approved initial or revised planning documents
- the reported performance information is presented in the annual performance report in the prescribed manner
- there is adequate supporting evidence for the achievements reported and for the reasons provided for any over- or underachievement of targets.

AUDITOR-GENERAL SOUTH AFRICA
31/10/2023

16. I performed the procedures for the purpose of reporting material findings only; and not to express an assurance opinion or conclusion.

17. I did not identify any material findings on the reported performance information for the selected objective

Other matter

18. I draw attention to the matters below.

Achievement of planned targets

19. The annual performance report includes information on reported achievements against planned targets and provides explanations for over- or underachievement.

20. The Entity plays a key role in delivering services to South Africans. The table that follows provides information on the achievement of planned targets and lists the key service delivery indicators that were not achieved as reported in the annual performance report. The reasons for any underachievement of targets are included in the annual performance report on pages 71 to 72.

Organisational efficiency and effectiveness

Key service delivery indicator not achieved	Planned target	Reported achievement
Percentage compliance with water quality standard SANS 241:2015, in terms of Health: Acute	97%	96.48%
Percentage compliance with water quality standard SANS 241:2015, in terms of operational quality	95%	7.5%
Percentage unavoidable water losses of water purified	10%	18.9%
Number of days with water supply interruptions exceeding 24 hours	0	4 days

Material misstatements

21. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information for Organisational efficiency and effectiveness. Management subsequently corrected all the misstatements and I did not include any material findings in this report.

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Report on compliance with legislation

22. In accordance with the PAA and the general notice issued in terms thereof, I must audit and report on compliance with applicable legislation relating to financial matters, financial management and other related matters. The accounting authority is responsible for the Entity's compliance with legislation.

23. I performed procedures to test compliance with selected requirements in key legislation in accordance with the findings engagement methodology of the Auditor-General of South Africa (AGSA). This engagement is not an assurance engagement. Accordingly, I do not express an assurance opinion or conclusion.

24. Through an established AGSA process, I selected requirements in key legislation for compliance testing that are relevant to the financial and performance management of the Entity, clear to allow consistent measurement and evaluation, while also sufficiently detailed and readily available to report in an understandable manner. The selected legislative requirements are included in the annexure to this auditor's report.

25. The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

Consequence management

26. Disciplinary steps were not taken against the officials who had incurred and/or permitted irregular expenditure, as required by section 51(1)(e)(iii) of the PFMA.

Procurement and Contract Management

27. The preference point system was not applied in procurement of goods and services as required by section 2(a) of the PPPFA

Other information in the annual report

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

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

Internal control deficiencies

31. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the material findings on compliance with legislation included in this report.

32. Management did not review and monitor compliance with the PFMA act and Treasury regulations which resulted in the necessary consequence processes not being implemented in a timely manner.

33. Management did not stay abreast of the latest applicable laws and regulations affecting the procurement of goods and services undertaken by the Entity.

Auditor-General

Cape Town

31 October 2023

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

AUDITOR-GENERAL
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ANNEXURE TO THE AUDITOR'S REPORT

The annexure includes the following:

- The auditor-general's responsibility for the audit
- The selected legislative requirements for compliance testing

Auditor-general's responsibility for the audit

Professional judgement and professional scepticism

As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements and the procedures performed on reported performance information for selected objective and on the entity's compliance with selected requirements in key legislation.

Financial statements

In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made

- conclude on the appropriateness of the use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the entity to continue as a going concern. If I conclude that a material uncertainty exists,

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I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a entity to cease operating as a going concern

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance

I communicated with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provided the accounting authority with a statement that I have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

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Compliance with legislation – selected legislative requirements

The selected legislative requirements are as follows:

Legislation	Sections or regulations
Public Finance Management Act 1 of 1999	Section 50(a) and 50(b) Section 51(1)(a)(iii) Section 52(b) Section 53(4) Section 55(1)(a), (1)(b) and (1)(c)(i) Section 57(b)
National Treasury Instruction Note 3 of 2021/22	Paragraph 4.1 and 4.2 Paragraph. 4.3 and 4.4.
Preferential Procurement Policy Framework Act	Section (1) Section 2(1)(a), 2(1)(f)
2017 Preferential Procurement regulate-on	Regulation 4(1) and 4(2) Regulation 5(1), 5(3), 5(6) and 5(7) Regulation 6(8) Regulation 7(8) Regulation 8(2),8(5) Regulation 9(1) Regulation 10(1) and 10(2) Regulation 11(1)
2022 Preferential Procurement regulation	Regulation 4(4) Regulation 5(4).
Construction Industry Development Board Act No.38 of 2000	Section 18(1)
Construction Industry Development Board	Regulation 17; Regulation 25(7A)
National Treasury Instruction Note 4 of 2015/16	Paragraph. 3.4
NT Instruction No 5 of 2020/21	Paragraph 1 Paragraph 4.8 and 4.9 Paragraph 5.3
Erratum NT Instruction note No 5 of 2020/21	Paragraph 2
Treasury Instruction note 11 of 2020/21	Paragraph. 3.1, 3.4 (b) and 3.9
Treasury Regulation	Regulation 29.1.1 Regulation 29.1.1(a) Regulation 29.1.1(c) Regulation 29.2.1 Regulation 29.2.2 Regulation 29.3.1 Regulation 30.2.1 Regulation 31.1.2(c) Regulation 33.1.3 Regulation 33.1.1
Prevention and Combating of Corrupt Activities Act	Section 34(1)
Companies Act	Section 46(1)(a), (1)(b) and (1)(c)

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BOARD RESPONSIBILITIES AND APPROVAL

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

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

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

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

The Board has reviewed the Entity's cash flow forecast contained in the corporate plan for the year to 30 June 2024 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.

The annual financial statements set out on pages 113-161, which have been prepared on the going concern basis, were approved by the Board on 30 August 2023 and were signed on its behalf by:

CHAIRPERSON OF THE BOARD

RAZEEN BENJAMIN

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REPORT OF THE GOVERNING BOARD / ACCOUNTING AUTHORITY

The members of the Governing Board submit their report for the year ended 30 June 2023.

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

Although the Entity is reporting a net deficit of R16.8m for the financial year under review, it still has positive liquidity ratios. The current ratio is 1.38 & the acid test ratio 1.29. Both ratios are used to measure the liquidity of Overberg Water Board to determine if the water board can meet its short-term obligation. Based on the calculation the water board is liquid enough to settle its short-term obligations. The cash levels of the Entity will however be monitored continuously.

On the back of the prior year tariff backlog, the Entity has also been severly impacted by loadshedding. The loadshedding resulted in non supply of water which compelled the Entity to utilise its Investments for the purchase of generators for all 3 of its plants. The running of the generators requires diesel which resulted in additional fuel expenditure of 574% against the budget. The additional cost of loadshedding will need to be factored into future tariff negotiations. Customer groups all disputed the addition of a capital levy for 2023 financial year which meant capital project were financed from Investments.

Taking into account all of the above mentioned factors, the Governing Board is confident that the Entity is resilient and financially stable enough to withstand all external shocks (economic and climatic conditions) in the long and short term, however, further engagements with its stakeholder will be required to discuss the long term strategy and funding requirements. In particular additional projects to supplement its income like the projects related to Section 30 activities as outlined in the Water Services Act, such as managing infrastructure projects on behalf of DWS, managing water infrastructure assets on behalf of Government departments & Municipalities. The Entity will continue in its drive to ensure good governance and financial management whilst executing it 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 largely depend on the provision of clean potable water which is provided by the Overberg Water Board.

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

None

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 is set out in note 17 to the financial statements in terms of Treasury Regulation 28.1, issued in terms of the Public Finance Management Act (Act 1 of 1999).

11. Directors service contracts

The directors serve a five year term.

12. Board Secretary

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

13. Committees of the Board

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

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

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023

	Notes	2023 R	2022 R
ASSETS			
Non-Current Assets			
Property, plant and equipment	3	**52 717 926**	31 546 601
Intangible Assets	4	**4 717 654**	3 456 402
Investments	6	**15 239 567**	41 059 586
		72 675 147	76 062 589
Current Assets	7		
Inventories	8	**1 237 101**	1 243 958
Receivables from exchange transactions	9	**14 664 803**	15 450 745
Cash and cash equivalents		**3 918 442**	13 293 804
		19 820 346	29 988 507
TOTAL ASSETS		**92 495 493**	**106 051 096**
RESERVES AND LIABILITIES			
Net Assets	10	**78 171 122**	**94 995 184**
Liabilities			
Current Liabilities			
Payables from exchange transactions	11	10 108 133	4 567 903
Employee benefits	12	4 214 408	6 246 063
Provisions	13	-	119 025
Finance lease Liability	23	1 830	121 091
		14 324 371	11 054 082
Non-current Liabilities			
Finance lease Liability	23	**-**	1 830
		-	1 830
TOTAL NET ASSETS AND LIABILITIES		**92 495 493**	**106 051 096**

Refer to note 32 for restated amounts

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STATEMENT OF FINANCIAL PERFORMANCE AS AT 30 JUNE 2023

	Notes	**2023 R**	2022 Restated R
Revenue		**69 431 126**	80 011 304
Revenue from non-exchange transactions	14	**69 431 126**	80 011 304
Expenditure		**(86 255 188)**	(80 758 385)
Costs of potable water	15	**(48 265 113)**	(44 744 266)
Operating expenditure	16	**(37 967 274)**	(36 003 975)
Finance cost	18.3	**(22 801)**	(10 144)
Surplus(deficit) for a year		**(16 824 062)**	(747 081)

Refer to note 32 for restated amounts

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STATEMENT OF CHANGES IN NET ASSETS AS AT 30 JUNE 2023

	Notes	ACCUMULATED SURPLUS R	NET ASSETS R
Balance at 1 July 2021		**95 742 265**	**95 742 265**
Surplus(deficit) for a year		**(747 081)**	**(747 081)**
Prior period Error	32	(193 303)	**(193 303)**
As previously stated		(553 778)	**(553 778)**
Balance at 1 July 2022		**94 995 184**	**94 995 184**
Surplus(deficit) for a year		**(16 824 062)**	**(16 824 062)**
Surplus(deficit) for a year		(16 824 062)	**(16 824 062)**
Balance at 30 June 2023		**78 171 122**	**78 171 122**

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STATEMENT OF CASH FLOWS AS AT 30 JUNE 2023

	Notes	2023 R	2022 R
Operating activities			
Cash receipts from customers		**66 071 183**	80 296 077
Water sales		**65 570 280**	79 821 729
Other income		**500 903**	474 348
Cash paid to suppliers and employees		**(81 592 195)**	(78 550 087)
Employee costs		**(36 745 053)**	(37 497 067)
Operating costs		**(44 847 142)**	(41 053 020)
Cash generated from operations	20	**(15 521 012)**	1 479 131
Interest paid	18,3	**(22 801)**	(4 955)
Interest income	18,2	**1 443 066**	1 413 895
Net cash from operating activities		**(14 100 747)**	2 888 071
Investing activities			
Acquisition of property, plant and equipment and intangible assets	3;4	**(22 850 687)**	(2 137 414)
Withdrawal of investment		**25 757 331**	-
Other income: Insurance Claims		**-**	995 114
Interest received on investments		**1 818 741**	-
Net cash from investing activities		**4 725 385**	(1 142 300)
Financing activities			
Finance leases		**-**	(187 983)
Investment			
Net cash from investing activities		**-**	(187 983)
Net increase/(decrease) in cash and cash equivalents		**(9 375 362)**	1 557 788
Cash and cash equivalents at the beginning of the year		**13 293 804**	11 736 016
Cash and cash equivalents at the end of the year	9	**3 918 442**	13 293 804

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STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS AS AT 30 JUNE 2023

	Notes	Approved Budget R	Final Budget R	Actual Amounts R	Variance Amounts R	Variance %
Financial Performance						
Revenue	27	**81 865 814**	**81 865 815**	**69 431 126**	**(12 434 688)**	**-15%**
Water sales		78 181 046	78 181 046	65 668 416	(12 512 630)	-16%
Other income		518 039	518 039	500 903	(17 136)	-3%
Interest on investments		3 166 729	3 166 729	1 818 741	(1 347 988)	-43%
Interest income		-	-	1 443 066	1 443 066	
Total Expenses	27	**(88 705 781)**	**(88 705 781)**	**(86 255 188)**	**2 450 593**	**-3%**
Costs of potable water		**(47 755 532)**	**(47 755 532)**	**(48 265 113)**	**(509 581)**	**1%**
Chemicals		(3 632 970)	(3 632 970)	(4 484 519)	(851 549)	23%
Energy		(13 485 033)	(13 485 033)	(11 371 159)	2 113 874	-16%
Fuel		(875 078)	(875 078)	(5 889 547)	(5 014 469)	573%
Insurance		(771 576)	(771 576)	(1 391 674)	(620 098)	80%
Laboratory costs		(889 839)	(889 839)	(276 522)	613 317	-69%
Labour		(19 817 289)	(19 817 289)	(15 899 904)	3 917 385	-20%
Machinery and tool hire		(860 839)	(860 839)	(751 160)	109 679	-13%
Movement in potable water inventory		6 117	6 117	-	(6 117)	-100%
Protective clothing		(346 294)	(346 294)	(636 248)	(289 954)	84%
Raw water		(1 153 319)	(1 153 319)	(1 391 845)	(238 526)	21%
Repairs and maintenance		(2 496 780)	(2 496 780)	(2 630 213)	(133 433)	5%
Cylinder rental		(314 159)	(314 159)	(412 257)	(98 098)	31%
Other vehicle cost		(155 411)	(155 411)	-	155 411	-100%
Depreciation		(2 963 063)	(2 963 063)	(3 130 065)	(167 002)	6%

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STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS AS AT 30 JUNE 2023

	Notes	Approved Budget R	Final Budget R	Actual Amounts R	Variance Amounts R	Variance %
Operating expenditure		**(40 950 249)**	**(40 950 249)**	**(37 967 274)**	**2 982 975**	**-7%**
Auditors remuneration		(2 581 606)	(2 581 606)	(3 830 714)	(1 249 108)	48%
Consulting and professional fees		(6 481 616)	(6 481 616)	(5 625 032)	856 584	-13%
Board Costs		(1 709 966)	(1 709 966)	(1 060 642)	649 324	-38%
Depreciation		(766 134)	(766 134)	(656 648)	109 486	-14%
Employee costs		(21 377 551)	(21 377 551)	(18 813 495)	2 564 056	-12%
Impairment of financial assets		(608 319)	(608 319)	(768 764)	(160 445)	26%
Bad debt write-off		-	-	(132 782)	(132 782)	
(Profit) / Loss on scrapping of property plant and equipment		-	-	(220 373)	(220 373)	
Operating lease charges (Equipment and Office rental)		(1 252 484)	(1 252 484)	(1 433 874)	(181 390)	14%
IT expenses		(1 010 061)	(1 010 061)	(1 125 056)	(114 995)	11%
Travel and accommodation costs		(931 064)	(931 064)	(1 311 474)	(380 410)	41%
Stationery Consumables		(669 294)	(669 294)	(211 048)	458 246	-68%
Recruitment costs		(73 360)	(73 360)	(97 624)	(24 264)	33%
Insurance		(582 688)	(582 688)	(376 743)	205 945	-35%
Municipal Services		(521 904)	(521 904)	(368 842)	153 062	-29%
Telephone costs		(495 392)	(495 392)	(478 479)	16 913	-3%
Facilities Management		-	-	(17 730)	(17 730)	
** operating expenses		(1 888 811)	(1 888 811)	(1 437 954)	450 857	-24%
Finance costs		**-**	**-**	**(22 801)**	**(22 801)**	
Surplus/(deficit)		**(6 839 967)**	**(6 839 966)**	**(16 824 062)**	**(9 984 095)**	**146%**
Capital expenditure	27	**(12 170 000)**	**(12 170 000)**	**(26 439 662)**	**(14 269 662)**	**117%**
Immovable and movable assets-own		(12 170 000)	(12 170 000)	(26 439 662)	(14 269 662)	117%
Surplus/(deficit)		**(19,009,967)**	**(19,009,966)**	**(43,263,724)**	**24,253,757**	**128%**

***Note: Other operating expenses (Includes Training, Advert and marketing,entertainment, postage and other expenditure).*
Refer to **Note 27** *for explanations on variances against budget.*

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STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS AS AT 30 JUNE 2023

	Notes	Approved Budget R	Final Budget R	Actual Amounts R	Variance Amounts R	Variance %
Cash flow						
Net cash from operating activities	27	4 683 000	4 683 000	(14 100 747)	(18 783 747)	401%
Net cash from investing activities	27	(6 036 000)	(6 036 000)	4 725 385	10 761 385	178%
Net cash from financing activities	27	-	-	-	-	0%
Net increase/(decrease) in cash and cash equivalents		**(1 353 000)**	**(1 353 000)**	**(9 375 362)**	**(8 022 362)**	**-593%**
Cash and cash equivalents at the beginning of the year		**9 932 000**	**9 932 000**	**13 293 804**	**3 361 804**	**-34%**
Cash and cash equivalents at the end of the year		**8 579 000**	**8 579 000**	**3 918 442**	**(4 660 558)**	**-54%**

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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

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

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

1.3 Statement of compliance

The annual financial statements have been prepared on the historical cost basis, and incorporate the principal accounting policies set out below. They are presented in South African Rands. These accounting policies are consistent with the previous year, where there are differences, these has been explained in note 31.

The annual financial statements are prepared on a basis that the Entity will continue to be a going concern. This principle was applied in the preparation of the annual financial statements for the year ended June 2023.

1.4 Off-setting

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

1.5 Changes in accounting , accounting estimates and errors

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

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

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

1.6 Property, plant and equipment

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

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

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

Property, plant and equipment are classified as a cash generating unit if the asset does not generate cash inflows that are largely independent of those from other assets. Cash generating assets are assets used with the objective of generating acommercial return.

Property, plant and equipment is depreciated on the straight line basis over their expected useful lives to their estimated residual value. Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses. Land is stated at cost.

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

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
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

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.

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1.8 Inventories

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

"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 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.

1.9 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 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.

1.10 Financial instruments

1.10.1 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.

1.10.2 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.

1.10.3 Subsequent measurement

Financial instruments at fair value through gains or losses are subsequently measured at amortised cost.

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

1.10.4 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 Overberg Water :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

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).

1.11 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.

1.12 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.

1.13 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 measured at initial recognition at fair value, and are subsequently measured at amortised cost.

1.14 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.

1.15 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 of 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. Provision 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.

1.16 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.

1.16.1 Revenue from exchange transactions

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

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

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

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

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

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

1.17 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.

1.18 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.

1.19 Expenditure

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

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

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

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

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

1.20 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.

1.20.1 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.

1.20.2 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.

1.20.3 Finance lease

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

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 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.

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.

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

Irregular, fruitless and wasteful expenditure and material losses through financial misconduct is recognised as expenditure in the statement of financial performance according to the nature of the payment and disclosed separately in note 28. If the expenditure is recoverable it is treated as an assets until it is recovered from the responsible person or written off as irrecoverable in the statement of financial performance.

1.22 Related parties

Parties are considered to be related if one party has the ability to control the other party, exercise significant influence over the other party or jointly control the other party. Specific information with regard to related party transaction is included in note 24.

1.23 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.

1.24 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:

1.24.1 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.

1.24.2 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.

1.24.3 Provisions

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

1.24.4 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.

1.25 Events after reporting date

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue.

Adjusting events after the reporting date are those events that provide evidence of conditions that existed at the reporting date.

Non-adjusting events are the events that are indicative of conditions that arose after the reporting date.

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	Effective date 1 April 2023
Revised GRAP 104	Financial Instruments	Effective date 1 April 2025

The Entity does not plan to early adopt any of the above mentioned standards, interpretations and amendments.

Management's do not expect the new standards, interpretations and amendments to have a material impact on the Entity's financial statements.

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3. Property plant and equipment

	2023		
	Cost / Valuation	**Accumulated depreciation**	**Carrying value**
Water purification schemes	108 900 559	(58 849 396)	**50 051 163**
Motor vehicles	2 802 110	(2 214 794)	**587 316**
Furniture and office Equipment	1 797 514	(1 384 604)	**412 910**
Computer Equipment	1 467 826	(923 884)	**543 942**
Machinery and equipment	2 215 564	(1 674 099)	**541 465**
Land	88 222	-	**88 222**
Buildings	1 950 880	(1 534 131)	**416 749**
Leased assets: Equipment	1 655 519	(1 579 360)	**76 159**
Total	**120 878 194**	**(68 160 268)**	**52 717 926**

	2022 - Restated		
	Cost / Valuation	**Accumulated depreciation**	**Carrying value**
Water purification schemes	84 685 734	(57 037 407)	**27 648 327**
Motor vehicles	2 802 110	(1 638 046)	**1 164 064**
Furniture and office Equipment	1 797 132	(1 247 395)	**549 737**
Computer Equipment	1 324 404	(713 239)	**611 165**
Machinery and equipment	2 206 622	(1 418 207)	**788 415**
Land	88 222	-	**88 222**
Buildings	1 950 880	(1 383 244)	**567 636**
Leased assets: Equipment	1 666 153	(1 537 118)	**129 035**
Total	**96 521 257**	**(64 974 656)**	**31 546 601**

Reconciliation of property plant and equipment – 2023

	Opening balance	Additions	Disposals / Scrapped	Depreciation	Impairment	Impairment Reversal	Total
Water purification schemes	27 648 327	24 962 914	(216 868)	(2 309 906)	(83 278)	49 974	50 051 163
Motor vehicles	1 164 064	-	-	(429 314)	(150 038)	2 604	587 316
Furniture and office Equipment	549 737	381	-	(136 869)	(339)		412 910
Computer Equipment	611 165	146 954	-	(214 009)	(168)		543 942
Machinery and equipment	788 415	8 942	-	(255 416)	(476)		541 465
Land	88 222	-	-	-	-		88 222
Buildings	567 636	-	-	(41 306)	(109 581)		416 749
Leased assets: Equipment	129 035	-	(3 505)	(49 371)	-		76 159
	31 546 601	**25 119 191**	**(220 373)**	**(3 436 191)**	**(343 880)**	**52 578**	**52 717 926**

Reconciliation of property plant and equipment - 2022 Restated

	Opening balance	Additions	Disposals / Scrapped	Depreciation	Impairment	Total
Water purification schemes	28 946 835	700 346	(305 057)	(1 677 932)	(15 865)	27 648 327
Motor vehicles	1 844 529	-	(373 411)	(307 054)	-	1 164 064
Furniture and office Equipment	720 582	13 566	(10 152)	(174 213)	(46)	549 737
Computer Equipment	507 752	348 998	(9 351)	(236 234)	-	611 165
Machinery and equipment	918 339	145 996	(4 866)	(270 506)	(548)	788 415
Computer Software	-	-	-	-	-	-
Intangible Assets	-	-	-	-	-	-
Land	88 222	-	-	-	-	88 222
Buildings	621 030	-	-	(53 394)	-	567 636
Leased assets: Equipment	223 658	34 552	-	(129 175)	-	129 035
	33 870 947	**1 243 458**	**(702 837)**	**(2 848 508)**	**(16 459)**	**31 546 601**

3.1 Useful lives

An Entity shall assess at each reporting date, determines whether there is any indication that the expected uselife 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 2022/23 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.

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3. Property plant and equipment (continued)

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 2022/23 financial year amounting to R341 277 and impairment reversals amounted to R49 974.

3.3 Capital work in progress

There was no work in progress in relation to property plant and equipment.

3.4 Assets pledged as security

There are no restrictions on any titles and no assets were pledged as security.

3.5 Repairs and maintenance

Details of repairs and maintenance are included in note 15.1

3.6 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

4. Intangible Assets

	2023		
	Cost / Valuation	**Accumulated amortisation**	**Carrying value**
Computer Software	214,242	(95 805)	**118 437**
Servitude	556,655	-	**556 655**
Intangible assets under development	4 042 562	-	**4 042 562**
Total	**4 813 459**	**(95 805)**	**4 717 654**

	2022		
	Cost / Valuation	**Accumulated amortisation**	**Carrying value**
Computer Software	214 242	(36 586)	177 656
Servitude	556 655	-	556 655
Intangible assets under development	2 722 091	-	2 722 091
Total	**3 492 988**	**(36 586)**	**3 456 402**

4. Intangible Assets (continued)

	Opening balance	Additions	Disposals / Scrapped	Amortisation	Impairment	Total
Computer Software	177 656	-		(59 219)	-	**118 437**
Servitude	556 655	-	-	-	-	**556 655**
Intangible assets under development	2 722 091	1 320 471	-	-	-	**4 042 562**
Total	**3 456 402**	**1 320 471**	**-**	**(59 219)**	**-**	**4 717 654**

Reconciliation of Intangible Assets – 2022

	Opening balance	Additions	Disposals / Scrapped	Amortisation	Impairment	Total
Computer Software	43 204	162 659	-	(28 207)	-	**177 656**
Servitude	556 655	-	-	-	-	**556 655**
Intangible assets under development	1 729 368	992 723		-	-	**2 722 091**
Total	**2 329 227**	**1 155 382**	**-**	**(28 207)**	**-**	**3 456 402**

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 amortized 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 2022/23 is R4 042 562 (2021/22: R 2 722 091) in relation to the implementation of the ERP system.
Implementation of the ERP system is on track and no development has been halted.

5. Depreciation, amortisation and impairment	2023 R	2022 Restated R
Depreciation on property, plant and equipment	**(2 714 506)**	(2 784 445)
Water purification schemes	**(1 939 566)**	(1 514 150)
Motor vehicles	**(274 380)**	(403 380)
Furniture and office Equipment	**(100 514)**	(218 020)
Computer Equipment	**(159 126)**	(286 081)
Machinery and equipment	**(242 918)**	(307 757)
Land	**-**	-
Buildings	**(29 220)**	(42 368)
Leased: equipment	**31 218**	**(12 689)**
Amortisation on intangible assets	**(67 313)**	**(24 461)**
Computer Software	**(67 313)**	**(24 461)**
Impairment and Impairment reversal	**(291 302)**	(16 459)
Water purification schemes	**(33 304)**	(15 865)
Buildings	**(109 581)**	-
Motor vehicles	**(147 434)**	-
Furniture and office Equipment	**(339)**	(46)
Computer Equipment	**(168)**	-
Machinery and equipment	**(476)**	(548)
Change in estimate on depreciation	**(713 591)**	(67 809)
Water purification schemes	**(370 340)**	(163 783)
Buildings	**(12 086)**	(11 025)
Motor vehicles	**(154 934)**	**96 326**
Furniture and office Equipment	**(36 355)**	43 808
Computer Equipment	**(54 883)**	49 847
Machinery and equipment	**(12 498)**	37 251
Leased: equipment	**(80 589)**	(116 486)
Computer Software	**8 094**	(3 747)
	(3 786 712)	(2 893 174)

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5.1 Change in estimate

Reconciliation on change in accounting estimate 2023	Depreciation before Useful life adjustment	Depreciation Financial YTD	Effect of change in estimate
Water purification schemes	(2 680 246)	(2 309 906)	(370 340)
Buildings	(53 392)	(41 306)	(12 086)
Computer equipment	(268 892)	(214 009)	(54 883)
Furniture and Office Equipment	(173 224)	(136 869)	(36 355)
Computer Software	(51 125)	(59 219)	8 094
Machinery and equipment	(267 914)	(255 416)	(12 498)
Motor vehicles	(584 248)	(429 314)	(154 934)
Finance lease asset	(129 960)	(49 371)	(80 589)
	(4 209 001)	**(3 495 410)**	**(713 591)**

Reconciliation on change in accounting estimate 2022 Restated	Depreciation before Useful life adjustment	Depreciation Financial YTD	Effect of change in estimate
Water purification schemes	(1 881 231)	(1 717 448)	(163 783)
Buildings	(64 417)	(53 392)	(11 025)
Computer equipment	(131 867)	(181 714)	49 847
Furniture and Office Equipment	(130 564)	(174 372)	43 808
Computer Software	(14 207)	(10 460)	(3 747)
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)
	(2 890 403)	**(2 822 594)**	**(67 809)**

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 lifes of these assets being reassessed and adjusted, the effect of this revision is as follows:

- Decrease in Computer equipment depreciation expense amounting to (54 883)
- Decrease in Finance lease depreciation expense amounting to (80 589)
- Decrease in Furniture and Office Equipment depreciation expense amounting to (36 355)
- Increase in Intangible Assets depreciation expense amounting to 8 094
- Decrease in Machinery and Equipment depreciation expense amounting to (12 498)
- Decrease in Motor Vehicles depreciation expense amounting to (154 934)
- Decrease in Water Purification Schemes depreciation expense amounting to (370 340)
- Decrease in Buildings depreciation expense amounting to (12 086)

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6. Investments	2023 Opening Balance	2023 Investments withdrawn	2023 Interest Earned	2023 Admin Fees	2023 Total
CCM Call Money Fund	31 906 527	(19 616 291)	1 559 813	(58 141)	**13 791 908**
CCM Call Account	7 801 677	(7 959 781)	159 172	(1 068)	**-**
Masibambane Investment account	1 351 381	-	99 756	(3 478)	**1 447 659**
At amortized cost	**41 059 585**	**(27 576 072)**	**1 818 741**	**(62 687)**	**15 239 567**

	2022 Opening Balance	2022 Investments withdrawn	2022 Interest Earned	2022 Admin Fees	2022 Total
CCM Call Money Fund	30 622 872	-	1 361 615	(77 959)	**31 906 528**
CCM Call Account	7 487 551	-	334 672	(20 546)	**7 801 677**
Masibambane Investment account	1 294 128	-	60 551	(3 298)	**1 351 381**
At amortized cost	**39 404 551**	**-**	**1 756 838**	**(101 803)**	**41 059 586**

7. Inventories	2023 R	2022 R
Maintenance and emergency spares	**822 151**	861 835
Potable water	**118 316**	106 275
Chemicals	**208 125**	275 848
Diesel	**88 509**	-
	1 237 101	1 243 958

The cost of raw water recognised as an expense during the period amounts to R1 391 845 (2022: R 1 203 421)

7.1 Inventory pledged as security

Inventory was not pledged as security.

7.2 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	2023 R	2022 R
Trade receivables	**18 184 240**	17 932 261
Impairment of trade receivables	**(3 947 148)**	(3 063 070)
Net trade receivables	**14 237 092**	14 869 191
Prepaid expenses	**120 597**	171 900
Other receivables	**710 419**	812 959
Impairment of other income receivables	**(403 305)**	(403 305)
	14 664 803	**15 450 745**

Trade and other receivables are shown net of impairments amounting to R3 947 148 (2022: R3 063 070) recognised during the year determined by reference to past default experience. The major contributor to the impairment provision is the industrial and agricultural customers.

Refer to note 26.3 for further disclosure on receivable from exchange transactions and impairment allowances.

9. Cash and cash equivalents	2023 R	2022 R
Cash and cash equivalents consist of:		
Bank accounts	**3 911 954**	13 284 729
Cash on hand	**6 488**	9 075
	3 918 442	**13 293 804**

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 amortised cost, 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.

10. Net Assets

	2023 R	2022 R
Accumulated surplus	**78 171 122**	94 995 184
	78 171 122	**94 995 184**

11. Payables from exchange transactions

	2023 R	2022 R
Trade payables	**6 508 470**	1 831 088
Accruals	**1 277 159**	138 694
Amounts received in advance	**117 470**	108 333
Salary payables	**785 703**	827 426
Other payable	**18 109**	7 904
Retention	**426 545**	-
VAT and PAYE Payable	**974 677**	1 654 458
	10 108 133	4 567 903

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	2023 R	2022 R
12. Employee Benefits		
Opening balance	**6 246 063**	8 426 050
Employee benefits for the year	**(2 031 655)**	(2 179 987)
Closing balance	**4 214 408**	6 246 063

Reconciliation of employee benefits - 2023	Opening balance	Increases	Utilised during the year	Unutilised	Total
Performance bonuses	1 961 519	609 799	(1 026 644)	(399 612)	**1 145 062**
Unpaid leave	4 284 543	3 726 497	(4 941 694)	-	**3 069 346**
	6 246 062	4 336 296	(5 968 338)	(399 612)	**4 214 408**

Reconciliation of employee benefits - 2022	Opening balance	Increases	Utilised during the year	Unutilised	Total
Performance bonuses	3 645 620	535 263	(1 510 577)	(708 787)	**1 961 519**
Unpaid leave	4 661 404	1 937 571	(2 314 432)	-	**4 284 543**
	8 307 024	2 472 834	(3 825 009)	(708 787)	**6 246 062**

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.

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. However, the Water Board has not provided for the performance bonus payable to Executives because such a bonus is based on the Entity`s profitability. The provision of bonus amount to R609 799 (R535 263 for 2022) is only for non-executive staff members and is capped at 45% due to current economic conditions.

Unpaid leave

Overberg Water has a legal obligation to grant leave to employees in terms of their employment contract and the basic conditions of employment act . Employees are granted a minimum of 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 R3 069 347 (R4 284 543 for 2022).

13. Provisions	**2023 R**	**2022 R**
Opening Balance	**119 025**	-
Provision for claims against damages	**-**	119 025
Utilised during the year	**(119 025)**	-
Closing balance	**-**	**119 025**

Prior year provision related to claims provided for against damages.

13.1 Reconciliation of Provisions- 2023	**Opening balance**	**Increases**	**Utilised during the year**	**Total**
Provision for claims against damages	119 025	-	(119 025)	**-**
	119 025	**-**	**(119 025)**	**-**

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

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		2023 R	2022 R
14	**Revenue from exchange transactions**		
14.1	**Water sales**	**65 668 416**	74 538 968
	Bulk water sales	**23 243 188**	19 933 373
	Industrial and agricultural water sales	**42 425 228**	40 151 263
	Waste and portable water fixed revenue	**-**	14 454 332

Significant decrease in Revenue is due to the loss of section 30 project with the Department of Infrastructure and public works.

		2023 R	2022 R
14.2	**Other income**	**500 903**	2 301 602
	Other sundry revenue	**26 037**	176 355
	Servitude rent	**122 845**	104 018
	Insurance Claims PPE	**-**	-
	Insurance Claims Revenue and PPE	**103 500**	2 141
	Movement in potable water inventory	**12 041**	-
	Rental - Employees	**83 488**	65 111
	Reversal of Impairment of debtors	**-**	1 686 787
	(Profit) / Loss on scrapping of property plant and equipment (note 3)	**-**	140 467
	Miscellaneous Income	**152 992**	126 723

Decrease in Other income is due to debit movement on Impairment of debtors versus prior year credit movement, as a result of increase in debtors days.

		2023 R	2022 R
14.3	**Interest income**	**3 261 807**	3 170 734
	Interest on investments	**1 818 741**	1 756 839
	Bank accounts	**170 121**	111 281
	Trade and other receivables	**1 272 945**	1 302 614
		69 431 126	80 011 304

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		2023 R	2022 R
15.	**Costs of potable water**		
	Chemicals	**4 484 519**	3 214 098
	Chemicals usage	**4 189 131**	3 083 603
	Other chemicals and related cost	**295 388**	130 495
	Energy	**11 371 159**	11 616 650
	Fuel	**5 889 547**	1 354 852
	Insurance	**1 391 674**	937 866
	Laboratory costs	**276 522**	573 229
	Labour	**15 899 904**	18 285 606
	Machinery and tool hire	**751 160**	1 136 341
	Movement in potable water inventory	**-**	92 357
	Protective clothing	**636 248**	571 626
	Raw water	**1 391 845**	1 203 421
	Repairs and maintenance(note 15)	**2 630 213**	3 169 597
	Repairs and maintenance other (note 15)	**2 441 694**	1 605 150
	Repairs and maintenance spares usage (note 15)	**188 519**	1 564 447
	Cylinder rental	**412 257**	350 615
	Other vehicle cost	**-**	155 558
	Depreciation (note 5)	**3 130 065**	2 082 450
		48 265 113	44 744 266

15.1	**Repairs and Maintenance - Property, plant and equipment**		
	Repairs and maintenance other	**2 441 694**	1 605 150
	Repairs and maintenance spares usage	**188 519**	1 564 447
	Repairs and maintenance spares usage	**188 519**	1 605 598
	Spares capitalised	**-**	(41 151)
		2 630 213	3 169 597

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16. **Operating expenses**

Surplus / (Deficit) for the year is stated after accounting for the following:	**2023 R**	2022 R
Auditors remuneration	**3 830 714**	2 263 782
- Audit fees 2022/23	**3 830 714**	-
- Audit fees 2021/22		2 263 782
Consulting and professional fees	**5 625 032**	2 707 024
Depreciation on property plant and equipment (note 3)	**656 648**	810 714
Depreciation cost related to operating expenditure	**607 277**	681 539
Depreciation cost leased equipment	**49 371**	129 175
Directors emoluments (note 17)	**1 060 642**	1 152 613
Employee costs	**18 813 495**	19 211 463
Employee costs related to administration	**5 620 383**	7 588 608
Executives and Senior Management (note 17)	**13 193 112**	11 622 855
Impairment of financial assets	**768 764**	350 700
Impairment / (reversal of impairment) of trade and other receivables (note 8)	**768 764**	350 700
Bad debt write-off	**132 782**	1 106 489
(Profit) / Loss on scrapping of property plant and equipment (note 3)	**220 373**	234 193
Operating lease charges	**1 433 874**	1 192 128
- Premises	**1 004 768**	942 656
- Equipment	**429 106**	249 472
IT expenses	**1 125 056**	755 841
Travel and accommodation costs	**1 311 474**	1 320 311
Consumables	**125 060**	140 088
Stationery	**85 988**	158 593
Recruitment costs	**97 624**	13 988
Insurance	**376 743**	448 543
Municipal Services	**368 842**	365 379
Telephone costs	**478 479**	535 742
Facilities Management	**17 730**	14 340
Other operating expenses	**1 437 954**	3 222 044
Electricity	**86 201**	88 933
Training costs	**32 441**	16 491
Transport costs	**11 710**	521 295
Bank costs	**106 130**	140 772
Occupational Safety	**557 697**	411 761
Other	**643 775**	2 042 792
	37 967 274	36 003 975

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Significant increases in Operating costs is due increase in Audit fees as well as Consulting & Professional fees.

Included in operating expenses are the following class of expenditure:

		2023 R	2022 R
16.1	**Impairment of financial assets**		
	Trade receivables	**768 764**	350 700
		768 764	350 700
16.2	**Loss on disposal of fixed assets**		
	Loss on disposal of fixed assets	**220 373**	234 193
		220 373	234 193
16.3	**Bad debt write-off**		
	Trade receivables and other receivables	**132 782**	1 106 489
		132 782	1 106 489

Prior year bad debt write off was interest write off due to arrangements made with long outstanding debtors.

		2023 R	2022 R
16.4	**Consulting and Professional Fees**		
	Attorney fees	**914 707**	1 653 963
	Asset consultant	**3 460 915**	642 197
	Board facilitation	**135 000**	-
	Other professional fees	**314 410**	69 461
	Internal audit	**800 000**	341 403
		5 625 032	2 707 024
16.5	**Number of employees**		
	- Permanent	**58**	58
	- Fixed term contracts	**6**	7
		64	65

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17. Compensation to Directors, Executives and Senior Management

17.1

Accounting Authority (Non-executive directors)	Fee (stipend)	Additional fees	Travel expenses	Reimbursements	Total 2023
R Benjamin	217 357	-	-	9 479	**226 836**
Ina du Bruyn	141 053	-	-	1 925	**142 978**
S Mayinga	111 913	-	-	-	**111 913**
M Matji	-	-	-		**-**
S Nene	117 742	-	-	4 779	**122 521**
D Lefutso	114 827	-	-		**114 827**
L Seripe	114 827	-	-	-	**114 827**
Dr N Madiba	114 827	-	-	-	**114 827**
Prof G Davids	111 913	-	-	-	**111 913**
	1 044 459	**-**	**-**	**16 183**	**1 060 642**

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	**138 662**
S Mayinga	111 913	-	-	-	**111 913**
M Matji	93 844	-	-	593	**94 437**
S Nene	118 915	-	-	2 019	**120 934**
D Lefutso	111 913	-	-	-	**111 913**
L Seripe	117 742	-	-	240	**117 982**
Dr N Madiba	114 244	-	-	-	**114 244**
Prof G Davids	111 913	-	-	-	**111 913**
	1 142 553	**-**	**-**	**10 060**	**1 152 613**

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17.2

Executives and Senior Management	*Salaries	Performance bonuses	Contributions to retirement fund, medical aid, UIF and SDL	**Allowances	Gratuity	Other	Total 2023
PM Buthelezi (CEO)	1 896 605	-	458 530	113 742	1 828 402	954 304	**5 251 583**
TN Mudau (CFO)	166 244	-	37 074	1 703	-	436 911	**641 932**
DT Rani (Senior Manager)	1 042 448	46 752	278 789	62 233	-	-	**1 430 222**
MB Mokhele (Senior Manager)	1 075 116	47 178	242 380	497 050	-	-	**1 861 724**
RN Lehutso (Senior Manager)	1 082 677	54 202	40 125	433 200	-	-	**1 610 204**
T Kabini (Acting COO)	894 447	-	225 751	141 266	-	73 056	**1 334 520**
EF Jeffries (CFO)	301 283	-	77 680	26 910	-	-	**405 873**
AJ Lotz (Acting Technical Manager)	207 215	-	71 704	117 540	-	-	**396 459**
XS Mdletshe (Senior Manager)	205 907	-	41 432	13 256	-	-	**260 595**
	6 871 942	**148 132**	**1 473 465**	**1 406 900**	**1 828 402**	**1 464 271**	**13 193 112**

*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

*** Dr. N Mudau resigned as CFO of Overberg Water Board on 30 July 2022

**** Mr. B Mokhele was apponted as acting CFO from the 01 July 2022 to 30 March 2023.

***** Mr. T Kabini was appointed as acting COO from 01 July 2022 to the 31 Januray 2023

****** Mr A Lotz was appointed as acting Technical Manager from the 01 February 2023 until 30 April 2023

******* Ms. E Jeffries was appointed as a CFO on the 01 April 2023.

******** Mr X Mdletshe was appointed as a technical manager on the 01 May 2023.

********* Included in Other is mainly leave payout.

********** The CEO was eligible to a payment of gratuity at the end of his initial term which ended on the 31 December 2022

Executives and Senior Management	*Salaries	Performance bonuses	Contributions to retirement fund, medical aid, UIF and SDL	**Allowances	Gratuity	Other	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	-	-	**1 253 763**
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	**117 231**	**1 382 895**	**577 089**	**-**	**-**	**11 622 855**

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

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

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

**** Mr AJ Lotz was appointed as acting COO for the period 01 July 2022 to February 2022

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

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		2023 R	2022 R
18.	**Net interest income**		
18.1	**Interest on investments**	**1 818 741**	1 756 839
18.2	**Interest income**	**1 443 066**	1 413 895
	Bank accounts	**170 121**	111 281
	Trade and other receivables	**1 272 945**	1 302 614
	Interest income	**3 261 807**	3 170 734
18.3	**Finance cost**		
	Trade and other payables	**10 065**	1 630
	Other paid	**12 736**	3 325
	Interest payable	**-**	5 189
	Finance cost	**22 801**	10 144
	Net interest income	**3 239 006**	3 160 590
		-	-

19. **Taxation**

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

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		2023 R	2022 R
20.	**Cash generated from operations**		
	Net (loss)/income before interest	**(20 063 068)**	(3 907 672)
	Adjustments for non cash items:		
	Depreciation	**3 786 712**	2 893 174
	Transfers / (Write offs) of property, plant and equipment	**220 373**	702 836
	Impairment of trade receivables	**768 764**	(1 939 805)
	Impairment of income receivables	**-**	403 305
	Profit on sale of assets	**-**	(140 467)
	Acquisition Finance lease	**-**	(34 552)
	Acquisition of property, plant and equipment payable	**(3 588 985)**	(226 868)
	Finance lease liability	**(121 091)**	39 741
	Interest payable	**-**	(5 189)
	Employee benefits	**(2 031 654)**	(2 060 961)
	Provisions	**(119 025)**	119 025
	Admin Fee Investment	**-**	101 802
	Inventories Insurance claims	**-**	133 431
	Other income	**-**	1 106 489
	Bad debts written off	**132 782**	
	Miscellaneous Income	**45 229**	
	Changes in working capital:		
	Inventories	6 857	1 066 353
	Trade and other receivables	**(98 136)**	5 282 761
	Trade and other payables	**5 540 230**	(2 054 272)
		(15 521 012)	1 479 131
21.	**Operating lease**		
21.1	**Operating leases – as lessee (expense)**		
	- within one year	**12 498**	705 114
		-	690 138
		12 498	14 976
	- in second to fifth year inclusive	**-**	6 470
		-	-
		-	6 470
	- Later than 5 years	**-**	-
	Minimum lease payments due : Equipment & Premises	**12 498**	711 584

Printers are leased by the Entity under an operating lease with Minolta and amounts to commitments of R12 498 (2022: R21 446). The term of the lease is 36 months. The operating lease started in August 2018, April 2021 and August 2020 with the end date of July 2022, July 2021 and March 2024 respectively. There is no escalation clause on leased Printers as per the RT contract.

21.2 Operating leases – as lessor (income)

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

	2023 R	2022 R
- within one year	**77 206**	73 881
- in second to fifth year inclusive	**337 177**	330 302
- Later than 5 years	**-**	84 082
Minimum lease payments due	**414 383**	488 265

22. Capital commitments

22.1 Capital commitments contracted for

	2023 R	2022 R
Commitments for the acquisition of property, plant and equipment that has neither been contracted or provided for in the financial statements.	**1 124 351**	3 113 718
Commitments for the acquisition of property, plant and equipment that is already contracted for but not provided for in the financial statements. The amount is the remaning value on contract with Buzaphi Construction (Pty)Ltd which was appointed as a Turnkey Contractor.	**13 257 787**	-

22.2 Capital Commitments not yet contracted for

	2023 R	2022 R
Commitments for the acquisition of property, plant and equipment that has neither been contracted or provided for in the financial statements.	**-**	8 301 002

The amounts disclosed above for capital commitments include VAT.

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		2023 R	2022 R
23.	**Finance lease liability**		
	Current obligation	**1 830**	121 091
	Non-current obligation	**-**	1 830
	Carrying amount at the end	**1 830**	122 921
	Reconciliation of the carrying amount:		
	Future minimum lease payments due:	**1 830**	122 921
	Later than 5 years	**-**	-
	Later than 1 year but less than 5 years	-	1 830
	Less than 1 year	1 830	121 091
	Less: Future finance charges	**-**	(1 954)
	minimum lease payments	**1 830**	120 967

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 and 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.

24. Related parties

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

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

24.1. Transactions with the Executive Authority (Department of Human Settlements, Water and Sanitation)

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

	2023 R	2022 R
- Purchases of Raw Water:		
• Transactions for the year	**959 051**	802 862
• Balances: Trade payables	**(60 944)**	(68 123)

24.2. 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 Human Settlements, Water and Sanitation.

- Purchases of Raw Water:		
• Transactions for the year	**122 265**	119 363
• Balances: Trade payables	**(6 842)**	(6 842)

24.3. 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 Human Settlements, Water and Sanitation.

- Purchases of Raw Water:		
• Transactions for the year	**310 529**	281 196
• Balances: Trade payables	**(27 314)**	(28 636)

24.4. 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 Human Settlements, Water and Sanitation.

- Project income:		
• Other receivables	**403 305**	403 305
• Impairment of other income receivables	**(403 305)**	(403 305)

24.5. Transactions with the Rand Water

All the transactions with board members are set out in note 17.	**1 060 642**	1 152 613

24.6. Transactions with key management personnel

All the transactions with board members are set out in note 17.	**13 193 112**	11 622 855

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	2023 R	2022 R
25. Financial assets and liabilities		
Financial assets		
Investments	**15 239 567**	41 059 586
Receivables from exchange transactions (note 8 excluding prepayments)	**14 544 206**	15 278 845
Cash and cash equivalents	**3 918 442**	13 293 804
Financial assets at amortized cost	**33 702 215**	69 632 235
Financial liabilities		
Payables from exchange transactions - Financial liabilities at amortized cost	**9 015 986**	2 805 112

26. Risk management

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

26.1 Capital risk management

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

The 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 2022 and 2023 financial years.

26.2 Liquidity risk

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

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

At 30 June 2023	**Between 1 and 5 years**	**Less than 1 year**	**Total**
Payables from exchange transactions'	-	9 015 986	**9 015 986**
Finance lease liability	-	1 830	**1 830**
	-	**9 017 816**	**9 017 816**

At 30 June 2022	Between 1 and 5 years	Less than 1 year	Total
Payables from exchange transactions'	-	2 805 112	2 805 112
Finance lease liability	1 830	121 091	122 921
	1 830	2 926 203	2 928 033

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26.3 **Credit risk**

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

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

Financial assets

	2023 R	2022 R
Investec Private Bank (division of Investec Bank Ltd)	**15 239 567**	41 059 586
ABSA Bank Ltd	**3 911 954**	13 284 729
Receivables from exchange transactions	**14 544 206**	15 278 845
Cash on hand	**6 488**	9 075

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.

	2023		2022	
	Gross	Impairment	Gross	Impairment
Current	**6 197 337**	-	5 855 433	-
1 month past due	**1 174 604**	-	1 928 048	-
2 month past due	**843 321**	**-**	702 565	**-**
3 months past due and older	**9 968 978**	-	9 446 215	-
Impairment	**-**	**3 947 148**		3 063 070
	18 184 240	**3 947 148**	17 932 261	3 063 070
Debtors turnover days		**100**		98

Reconciliation of provision for impairment of trade and other receivables

Opening balance	**3 063 070**	**5 002 875**
Provision for impairment	**884 078**	**(1 939 805)**
Bad debts written off against provision	**-**	**-**
Closing balance	**3 947 148**	**3 063 070**

The major contributors of impairment are farmers amounting to R3 947 148 due to bad economic conditions.

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26.4 Market risk

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

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

	2023 R	2022 R
Financial assets		
Investec Private Bank (division of Investec Bank Ltd)	**15 239 567**	41 059 586
	15 239 567	41 059 586

27. Budget information

27.1 Explanation of variances on the approved budget versus final budget

Revenue
Water sales: Is below budget due to water losses, interuptions in supply and load shedding.
Water related services: There was no water related revenue in the current financial year.
Interest on investments: is below budget by 43% as a result of withdrawal of investments during the financial year in order to finance CAPEX and cost of load shedding
Interest income: the interest income was not budgeted for as we didn't anticipated non payment of the accounts.

Operating Expenses
Overall **Operating Expenses** were under budget by 7% due due to the following:
Consulting fees were below budget due to savings on legal fees, internal audit and asset management expenditure.
Board costs realised savings due to less travel by board members resulting from having more meetings virtually.
Depreciation expense is under budget due to changes in estimates and less impairment on assets
Employee costs is under budget due to vacant posts during the year, leave utilisation and no bonus accrual for executives
Impairment of debtors is above budget due to late payment by debtors
Recruitment is over budget due sourcing skilled labour after internal recruitment processes were not successful
Operating Lease Charges was over budget due to extension of the lease contract for the head office
Municipal Services is under budget because municipal tariff increases are effective from the beginning of the 4th quarter of the financial year.
Stationary and Printing is below budget due cost cutting measures.

Cost of Portable Water
Overall **Cost of Potable water** was over budget by 1% due due to the following:
Labour costs is under budget due to vacant posts during the year, leave utilisation and no bonus accrual for executives
Chemicals was over budget due to raw water quality at Duivehoks abstraction point
There were saving on **energy** budget due to load shedding
Fuel was over budget due use of diesel for generators
Insurance is over budget due to increase in risks and acquisition of more assets
Lab Costs under budget due savings realised on lab services contract
Protective clothing is over budget due a response to health and saftety assessments

Capital expenditure

The Entity overspent by 117% on CAPEX due the following:

* In order to respond to the load shedding crises the Entity had acquire generators to respond to load shedding.

* To address the problems of the aging infrastructure a turnaround strategy was developed, which resulted in Capex.

* Sand filters at system 2 were compromising water quality and had to be urgently replaced.

* Destruction of VSD drives at system 2 which had to be replaced.

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27.2 Cashflow

Cash Flow from Operating Activities: The Entity yielded negative cash flows from operations as a result increase in cost of potable water and a significant decrease in revenue.

' Cash Flow from Investing Activities: 'The Entity cash flows has decreased due to CAPEX expenditure and withdrawal of investments.

' Cash Flow from Financing Activities: There was no cash flow from financing activities

28. Fruitless & Wasteful, Irregular expenditure

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

(a) the PFMA;

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

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

For the 2022/23 financial year the Entity recorded R 11 500 (2022: R 65 043) of expenditure as irregular expenditure incurred in the current financial year. The Entity has investigated the cause of irregular expenditure, the report has been considered by the board and corrective measures are being taken. The corrective action resulted in the minimisation of irregular expenditure. Some officials were put through the disciplinary hearing process.

The irregular expenditure to the value of R130 723 (2020/2021) 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.

For the 2022/23 financial year the entity disclosed incurred and disclosed fruitless and wasteful expenditure to the amount of R9 551. This fruitless and wasteful expenditure is as a result of interest incurred and paid to the Duivenhoks users association as a result of the Entity discontinuing the payments to the association because of a lack of service level agreement and contract between the two parties that define thus defining the relevance of the association to Overberg Water Board.

Fruitless & Wasteful, Irregular expenditure

	2023 **R**	2022 R
Irregular expenditure	**11 500**	65 043
Fruitless and wasteful expenditure	**9 551**	-
Total	**21 051**	65 043

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29. Contingent liabilities

None

30. Contingent assets

None

31. Change in accounting policy

None

32. Prior Period Errors

32. 1 Property Plant and Equipment

During the current year it was discovered that the balance Property, Plant and Equipment disclosed in the annual financial statements for the year ended 30 June 2022 erroneously included movable assets which were disposed during the financial year. As a result, Property, Plant and Equipment was overstated by R216 957 the error has been evaluated as material and is adjusted retrospectively.

	2022		
Property Plant and Equipment	**As previously reported**	**Effects of correction**	**As reported**
Furniture and Office Equipment	550 517	(780)	549 737
Computer Equipment	611 181	(33)	611 148
Machinery and Equipment	789 368	(953)	788 415
Motor Vehicles	1 379 255	(215 191)	1 164 064
	3 330 321	(216 957)	3 113 364

Impact of prior year error	**2022 Restated**	
	As previously stated	As restated
Cost of Potable Water - Decrease in Depreciation	-	16 851
Operating Expenses - Increase in Loss on disposal of assets	-	(234 193)
Operating Expenses - Decrease in Depreciation	-	385
Revenue from Exchange transactions - Decrease in Profit on disposal of assets	140 487	-
		(216 957)

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32.2 Payables from exchange transactions

The accrual relating to 2021 was not raised during the 2022 FY, which was corrected as a prior period error, however the accrual was supposed to be reversed in 2021/2022 FY. As a result the financial statements for 21/22FY was overstated by an accrual amounting to 23 655. This error have been adjusted restrospectively.

	2022 Restated	
	As previously stated	As restated
Cost of Potable Water - Increase in Lab Cost		(18 477)
Operating Expenses - Decrease in Profesional Fees		42 131
	-	23 654

32.3 Summary of corrections made in prior years to correct errors discovered to ensure completeness and accuracy:

	2022 Restated
Statement of financial position	
Property, plant and equipment - Decrease	(216 957)
Payables from non-exchange transactions - Decrease	23 654
	(193 303)
Statement of financial performance	
Cost of portable water - Increase	(1 626)
Operating Expenses (Decrease) - excluding loss on sale of asset	42 516
Profit/(Loss - Increase) on sale of assets	(234 193)
	(193 303)
Effect on opening reserves	(193 303)

32.4 Related party disclosure

Prior year related party disclosure has been updated to include debtor and provision for impairment relating to Rand Water. (Note 24.4)

32.5 Subsequent event

A new Board has been appointed by the Minister of Water and Sanitation, and noted in the Statement on the Cabinet Meeting of 13 September 2023, the current boards term has therefore come to an end.

The Water Board was negatively impacted by the flood that occurred during the month of September 2023. The event noted might have a possible impact on the impairment of assets and a loss of revenue. Management has not made a reliable estimate of impact of the flood as at the date of the audit report.

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FRUITLESS & WASTEFUL, IRREGULAR EXPENDITURE COMPLIANCE REPORT

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 2022/23 financial year the Entity recorded R 11 500 (2022: R 195 723) of expenditure as irregular expenditure incurred in the current financial year. The Entity has investigated the cause of irregular expenditure, the report has been considered by the board and corrective measures are being taken. The corrective action resulted in the minimisation of irregular expenditure. Some officials were put through the disciplinary hearing process.

Subsequent to the date of the audit report, management concluded that additional irregular expenditure of R245 467 must be disclosed in the annual report as a result of non-compliance with the PPPFA on its Supply Chain Policy.

The irregular expenditure to the value of R130 723 (2020/2021) 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.

For the 2022/23 financial year the entity disclosed incurred and disclosed fruitless and wasteful expenditure to the amount of R9 551. This fruitless and wasteful expenditure is as a result of interest incurred and paid to the Duivenhoks users association as a result of the Entity discontinuing the payments to the association because of a lack of service level agreement and contract between the two parties that define thus defining the relevance of the association to Overberg Water Board.

	2023 R	2022 R
Irregular expenditure	**441 190**	195 723
Fruitless and wasteful expenditure	**9 551**	-
Total	**450 741**	195 723

FRUITLESS & WASTEFUL, IRREGULAR EXPENDITURE COMPLIANCE REPORT

The current expenditure is included in the following line items:	2023 R	2022 R
Costs of potable water		65,043
General and administrative expenses	**245,916**	-
Property, plant and equipment	**-**	-
Directors Emoluments - overpayment	**-**	-
	245,916	65,043

Irregular expenditure

Reconciliation		
Opening balance	**195,766**	130,723
Add: Irregular expenditure - current year	**245,916**	65,043
Less: Amounts condoned	**-**	-
Less: Amounts recoverable (not condoned)	**-**	-
Less: Amounts not recoverable (not condoned)	**-**	-
Closing balance	**441,682**	195,766

Classification of Irregular Expenditure		
Construction contracts awarded to contractors not registered with the CIDB		-
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.	**245,916**	-
Non compliance to treasury regulations	**65,674**	65,674
	441,682	195,766

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.

FRUITLESS & WASTEFUL, IRREGULAR EXPENDITURE COMPLIANCE REPORT

Fruitless & Wasteful expenditure	2023 R	2022 R
Reconciliation		
Opening balance	-	
Add: Fruitless and Wasteful - total current year	9,551	
Less: Fruitless and Wasteful - write-off	-	
Add: Fruitless and Wasteful - current year	10,065	26,718
Less: Recovered from employees - current year	(514)	(26,718)
	19,102	-
Future minimum lease payments due:	9,551	-
Classification of Fruitless & Wasteful expenditure		
Interest paid on overdue creditors accounts	-	-
Interest paid to SARS	-	-
Other	9,551	-
	9,551	-

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)

OVERBERG WATER

RP60/2023
Overberg Water
Annual Report 2022/2023

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