

UMGENI



WATER · AMANZI



ANNUAL REPORT

2019-2020

VISION

MISSION

STRATEGIC INTENT

BENEVOLENT INTENT



VISION

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

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

MISSION

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

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

STRATEGIC INTENT

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

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

BENEVOLENT INTENT

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

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

WATER & WASTEWATER

1. SOURCE

506 Million Cubic Metres of Raw Water Abstraction



7. RELEASE OF TREATED EFFLUENT BACK TO RIVER SYSTEM

32 Million cubic metres of wastewater treated at 11 WWTWs.

6. WASTEWATER TREATMENT

Domestic and industrial wastewater goes into WWTWs to be treated.

Various processes are used for treatment of wastewater thus ensuring the final effluent discharged is not harmful to the environment.



5. WASTEWATER RETICULATION

The transfer of wastewater through the Municipalities reticulation network.



07

06

05

0

TREATMENT PROCESS

SOURCE

abstracted from 18 abstraction systems and dams.



2. WATER PURIFICATION

509 million cubic metres (1 395 Ml/d) of bulk potable water treated at 20 WTWs. Water is scientifically treated through various processes.



3. DISTRIBUTION TO MUNICIPAL STORAGE

Currently supplying 7 WSAs in an area spanning 57 492 km² - population of 8.5 million people (2.32 million households).



4. END USER

To Progressively serve KwaZulu-Natal, 14 WSAs 94 361 km², home to 11.06 million people and 2.87 million households.

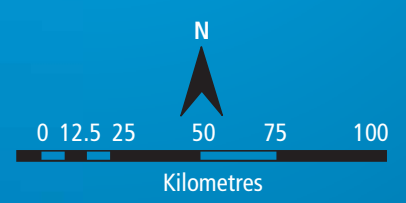
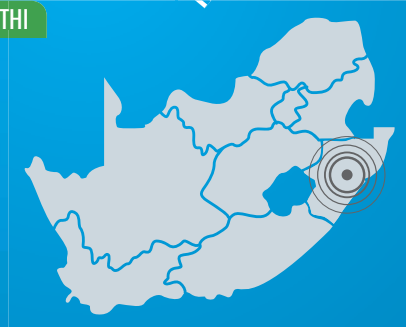


Think Water,
think Umgeni Water.

Supply Area

KwaZulu-Natal has a total geographical area of 94 359 km² and is home to 11.1 million people and 2.9 million households.

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



Legend
 UW's Existing Customers
 Newly Acquired Customers

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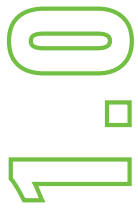
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REPORT PROFILE



MIDMAR DAM

Umgeni Water's Annual Report complies with statutory disclosure requirements of the Public Finance Management Act (Act 1 of 1999) and Water Services Act (Act 108 of 1997), as well as relevant regulations. In addition, Umgeni Water's Annual Report is significantly aligned to the requirements of King IV regarding Integrated Reporting. Integration is achieved through the entity having an Integrated Strategy and a Value Creation Model based on the balanced scorecard in place that straddles five sustainability perspectives, together with Umgeni Water ensuring complete alignment with the government's outcomes approach for Performance Reporting by State-Owned Entities (SOEs).

This report further contains Standard Disclosures that are "in accordance with" the GRI Guidelines – fulfilling the GRI

Comprehensive criteria. Information is included in the GRI Content Index, which is at the end of this report.

Umgeni Water has prepared annual reports every year since its establishment in 1974. This report covers the 12-month period from 1 July 2019 to 30 June 2020. This report also includes information about Umgeni Water's subsidiaries.

The performance content of this annual report shows Umgeni Water's progress with meeting predetermined objectives and performance indicators as per its approved Corporate Plan and Shareholder Compact and contains an audited performance scorecard for 2019/20. The financial content of the annual report further contains the audited financial statements for

“THE ANNUAL REPORT CONTENT IS STRUCTURED TO PROVIDE SUFFICIENT INFORMATION TO ALL STAKEHOLDERS, INCLUDING CUSTOMERS, REGULATORY BODIES, INVESTORS, EMPLOYEES AND CIVIL SOCIETY, REGARDING UMGENI WATER’S ANNUAL PERFORMANCE AND ON-GOING PROGRESS TOWARDS SUSTAINABLE DEVELOPMENT.



Additional information concerning all aspects of the report and its contents can be obtained from:

UMGENI WATER

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

-  Tel: +27 (33) 341 1111
-  Fax: +27 (33) 341 1084
-  Email: info@umgeni.co.za
-  Website: www.umgeni.co.za
-  Facebook: www.facebook.com/umgeniwater
-  Twitter: [@umgeniwater](https://twitter.com/umgeniwater)
-  YouTube: <https://www.youtube.com/UWA1974>
-  Instagram: [@UmgeniWater](https://www.instagram.com/UmgeniWater)

2019/20. Over the years, Umgeni Water developed and embedded in-house processes for identifying, collecting, collating, validating and storing information used in managing its performance and work to continually enhance these processes.

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

Further information on the scope covered by Internal and External Auditors is provided in the Corporate Governance chapter of this report. In addition, to assurance via these

routes, core business processes, namely Water Treatment Works Operations, Monitoring Programmes and Analytical Laboratories are externally certified or accredited in accordance with relevant ISO and other nationally recognised standards.

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

2.0 ORGANISATIONAL PROFILE



2.1 Legislative mandate

Umgeni Water is a State-Owned Entity (SOE), established in 1974, to provide water services – water supply and sanitation services – to other water services institutions in its service area. The entity operates in accordance with the Water Services Act (Act 108 of 1997) and the Public Finance

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

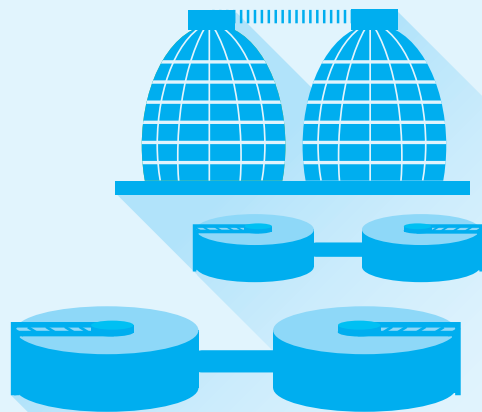
“KWAZULU-NATAL IS THE GAZETTED SUPPLY AREA OF UMGENI WATER AND MHLATHUZE WATER WHICH STRADDLES A TOTAL GEOGRAPHICAL AREA OF 94 359 KM²; WHICH IS HOME TO 11.1 MILLION PEOPLE AND 2.9 MILLION HOUSEHOLDS.



Bulk Wastewater treated over this period was

32 MILLION

cubic metres per annum (89Ml/d).



2.2 Activities of Umgeni Water

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

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

- > Providing management services, training and other support services to other water services institutions in order to promote co-operation in the provision of water services;

- > Supplying untreated or non-potable water to end-users who do not use the water for household purposes;
- > Providing Catchment Management Services to or on behalf of the responsible authority;
- > With the approval of the Water Services Authority having jurisdiction in the area – supplying water directly for industrial use, accepting industrial effluent and acting as a water services provider to consumers;
- > Providing water services in joint venture with water services authorities;
- > Performing water-conservation functions.

Umgeni Water has 100% investment in two subsidiaries, namely Msinsi Holdings and Umgeni Water Services. Refer to the chapter on Participation in Companies for further details regarding these companies

2.3 Supply Area and Customers (shown on map)

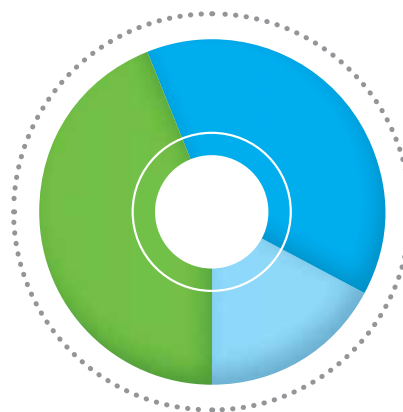
KwaZulu-Natal is the gazetted supply area of Umgeni Water and Mhlathuze Water which straddles a total geographical area of 94 359 km²; which is home to 11.1 million people and 2.9 million households.

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

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

- > eThekweni Metropolitan Municipality;
- > iLembe District Municipality;
- > Ugu District Municipality;
- > Harry Gwala District Municipality;
- > uMgungundlovu District Municipality;
- > Msunduzi Municipality;
- > uThukela District Municipality.

Supply Area Contribution to KZN



- Umgeni Water (incl uThukela DM), 44%
- Mhlathuze Water, 39%
- uThukela Water (Pty) Ltd, 17%

Households Distribution



- Umgeni Water (incl uThukela DM), 72%
- Mhlathuze Water, 19%
- uThukela Water (Pty) Ltd, 9%

Umgeni Water's seven customers covers 44% of KZN's geographical area and are home to 73% households.

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

- > Approximately 1 260km of pipelines and 67km of tunnels;
- > Fifteen impoundments;
- > Twenty water treatment works;
- > Eleven wastewater treatment works.

2.4 Structure of Umgeni Water

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

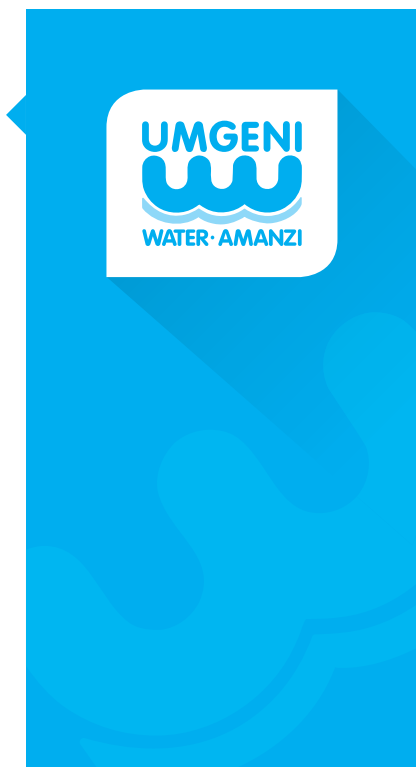
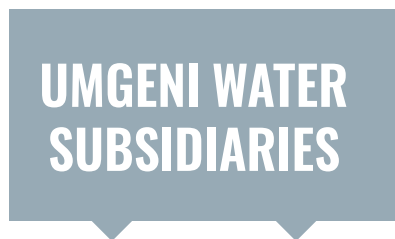
The Executive Committee is the top management structure of Umgeni Water Parent, and for the reporting year comprised a Chief Executive and five Executives, namely for Operations, Infrastructure Development, Scientific Services, Finance and Corporate Services. The Chief Executive guides the day-to-day activities of the entity with powers delegated to him by the Board.

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

With respect to the subsidiaries, Umgeni Water has 100% shareholding in Msinsi Holdings SOC Ltd and Umgeni Water Services SOC Ltd. The latter holds an 18.5% investment in Durban Water Recycling (Pty) Ltd.

The Umgeni Water Group as at 30 June 2020 comprised:

- > A head count of 1 273 employees;
- > Revenue for the year of R4.2 billion with R1.3bn net surplus generated;
- > Balance-sheet asset value of R14.3bn with reserves totalling R10.7bn.



Umgeni Water's Strategy

Umgeni Water's strategy comprises of five goals and 10 long-term sustainability outcomes. The strategy map succinctly illustrates the manner in which sustainable value is created through integrating seven strategic objectives through five balanced scorecard perspectives in support of the mission and mandate.

Provide reliable, responsive and affordable services and expand infrastructure to increase access, while ensuring stable water resources to meet current and future needs.

1

Ensure sufficient operating cash flows, manage key cost drivers and leverage debt and assets to provide for future expansion, while supporting socio-economic development.

3

Strengthen and develop quality human resources and ensure a participatory, collaborative organisation dedicated to continual learning and improvement.

5

STRATEGIC GOAL

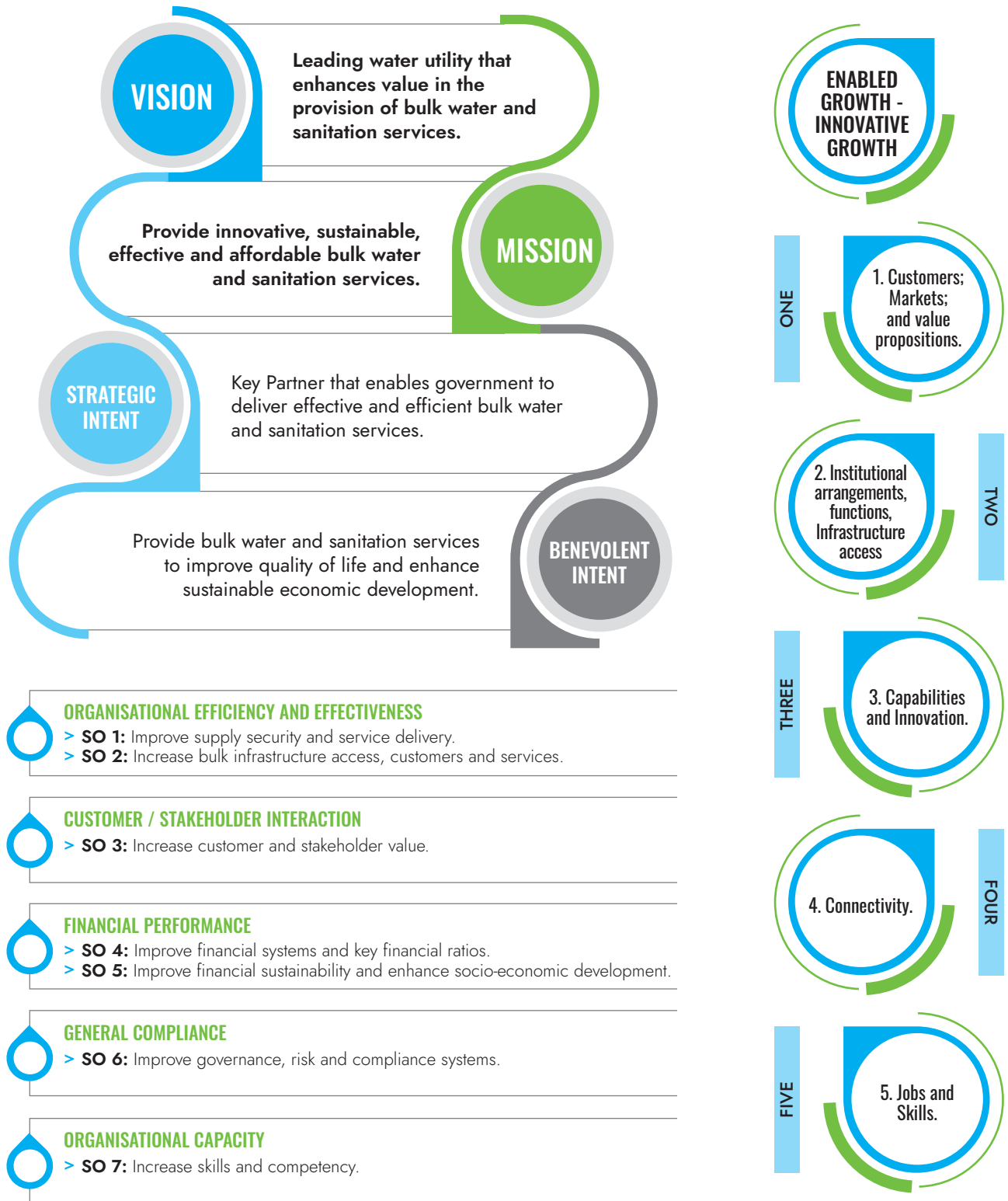
Develop strategic partnerships, increase support to customers, improve visibility and be a regional leader in the provision of bulk water and sanitation services.

2

Ensure a well-governed and resilient entity that innovates, educates and supports community development and contributes to environmental sustainability.

4

Strategy Map



We will be an entity that:

- > Invests in its people/skills;
- > Invests in technology and innovation;
- > Invests in its relationships and partnerships;
- > Adapts its culture and increases its commitment; and
- > Positions itself through an aggressive and agile growth strategy.

Umgeni Water Strategy Outcomes



Product Quality (Water and Wastewater)

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



Water Resources Adequacy

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



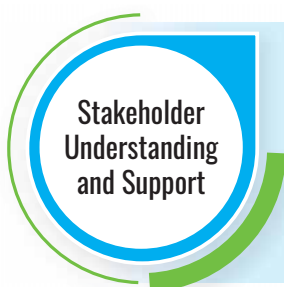
Operational Optimisation

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



Customer Satisfaction

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



Stakeholder Understanding and Support

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



Financial Viability

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



Infrastructure Stability

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



Operational Resiliency

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



Community and Environmental Sustainability

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



Leadership and Employee Development

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



Strategic Statements of Umgeni Water and its Functional Divisions

Umgeni Water:

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

Board:

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

Chief Executive Office:

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

Operations:

We will position ourselves, plan, structure, mobilise resources, source, specify, operate and maintain our infrastructure, abstract, treat, sell, distribute, monitor, conserve and re-use water, to deliver quality, effective, affordable water services to our stakeholders, which will deliver on organisational objectives.



MIDMAR DAM

Scientific Services:

We will undertake water sampling and laboratory analysis, assess water quality and environmental health, leverage technology, optimise water treatment processes, to achieve sustainability and public health and provide innovative and optimal scientific solutions, in order to meet organisational objectives.

Infrastructure Development:

We will reconcile water demand and water resources, plan infrastructure, provide optimal and innovative engineering solutions, implement capital infrastructure programmes to deliver water infrastructure in an environmentally sustainable manner in order to meet organisational objectives.

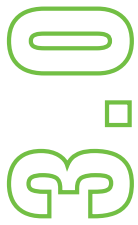
Finance:

We will plan, mobilise, account for and report on resources, manage financial risk, proactively implement procurement strategies, and maintain internal control and systems, which result in funding, control, efficient, effective and economical supply of requisites, support and monitoring of the business, to deliver sound financial management and corporate governance to contribute towards organisational objectives.

Corporate Services:

We will provide a specialised, diverse and essential enabling service through the provision of holistic human capital management; property and security management; management of information, communication and technology systems and computing infrastructure and legal services to enhance organisational service delivery capacity.





MINISTER'S FOREWORD



**LINDIWE NONCEBA
SISULU, MP**

MINISTER OF
HUMAN SETTLEMENTS,
WATER AND SANITATION

UMGENI WATER IS TO BE COMMENDED ON THE QUALITY OF WATER DELIVERED TO MUNICIPALITIES AND PROGRESS MADE WITH BULK WATER INFRASTRUCTURE DEVELOPMENTS, FOR BOTH ECONOMIC GROWTH AND INCREASING ACCESS TO RURAL AREAS.”

This report reflects Umgeni Water's performance against its strategy for a year that will go down in history as one of the most difficult. One where we all had to forcefully play catch-up to past water services imbalances in the shortest time possible, amidst competing priorities, in order to save lives.

While Umgeni Water's performance as an entity of state is guided by the policies and plans of the Department of Water and Sanitation, the goal posts had to be changed for all in response to the global COVID-19 pandemic. Development of bulk water infrastructure was one of the pandemic's biggest casualties, which hindered the programmes of Government in the urgent socio-economic transformation through Universal Access to Safe Drinking Water.

The challenges that came with the COVID-19 pandemic were unforeseen, but every crisis presents an opportunity to find new ways. A rapid response to this challenge was the establishment of a National Water Command Centre to combat the spread of COVID-19 by providing much needed access to water and sanitation in human settlements and rural areas. This afforded the Ministry an opportunity to be kept abreast on progress being made on a daily basis and entailed the number of tanks installed and tankers delivered, where they have been installed, or in the case of tankers where they operate. To date over 740 million litres of water was transported to fill the tanks, at an average of 10.31 million Litres per day. This service was rendered to 158 Municipalities in total. The responsibility remains with local municipalities to ensure the tanks are always filled up with water for access by the community.

As we all are aware, our country is facing a water crisis caused by recurrent droughts, driven by climate change and deteriorating water quality. It has become clear that the effects of climate change have dire consequences to water supply. Given this water users are encouraged, through the National Water and Sanitation Master Plan, to implement projects on alternate sources to decrease reliance on surface water.

The National Water and Sanitation Master Plan was launched in November 2019. This Master Plan embodies the policies and infrastructure designs to render to South Africa the water security for generations to come. The Master Plan further articulates the prioritised actions and investments the country must implement between now and 2030 to overcome challenges and to ensure water secure future supporting inclusive development across the country.

During the development of this Master Plan, we met with a variety of stakeholders who emphatically told us that water security is key to investment decisions. They want long-term assurances that there will be water and in return, they will make long-term investments, which are good for job creation and economic growth.

The Master Plan's programme of action focuses on the '3 Is' that are recognised as the core of water security:

- > **Institutions** (Water boards, CMAs etc.): The delegation of some of the activities of the Department of Water and Sanitation such as the development and operation of major infrastructure systems, the regulation of the use and protection of water resources, as well as support for municipalities, to new specialised organisations
- > **Investment** (infrastructure funding and capital private finance): Infrastructure investment must be guided by our strengthened long term planning capabilities to unlock economic growth.
- > **Information:** (Strengthen the information system and networks to be more inclusive, thereby ensuring co-operation of sector institutions and their users. We want to make South Africans more protective and proactive in safeguarding water security. Water should be everyone's business.

What must be added as the fourth priority is **Transformation**, particularly because the water sector has, over the past 20 years, failed to deliver on its mandate for water allocation reform, or the reallocation of water to black water users. This, along with land reform, remains a major challenge facing the country, and one that must be addressed.

The Department of Water and Sanitation and water boards are responsible for the planning and delivery of bulk water services to municipalities, which in turn have been mandated by legislation to reticulate and deliver basic services to communities. This model continued to experience challenges in the past year. The reform in the laws that govern water in South Africa and proper capacitation of municipalities remain critical in addressing these challenges.

Umgeni Water is to be commended on the quality of water delivered to municipalities and progress made with bulk water infrastructure developments, for both economic growth and increasing access to rural areas. During 2019/2020 Umgeni Water completed the construction and successfully commissioned the uMshwathi Regional Bulk Water Supply

Scheme and the Nungwane Raw Water Aqueduct. The uMshwathi Regional Bulk Water Supply Scheme scheme was funded by both the Department and Umgeni Water. This is a key regional bulk water supply scheme in support of water security in, uMgungundlovu and iLembe District Municipalities.

Umgeni Water continued with its efforts to provide access to water services to the communities and citizens that were previously unserved through infrastructure development. Key infrastructure projects that were at advanced stages during this reporting period, included: the construction of the Maphumulo Bulk Water Supply Scheme Phase 3, and detailed design of the Lower uMkhomazi Bulk Water Supply Scheme. Umgeni Water has made good progress in the past year and has steadily moved all of these projects forward in order to increase the water footprint in a sustainable manner.

Water supply security is crucial for the region as we deal with a future that needs water resources that are more resilient to erratic weather patterns. The Department complements Umgeni Water in its bulk supply projects through national water resource developments initiatives. Key water resources projects of relevance that are currently underway include the raising of the Hazelmere Dam and detailed feasibility for the uMkhomazi Water Project, a critical project for the long term needs of the economic hub of the Province of KwaZulu-Natal. Water resource development is an important solution to close the water gap projected for South Africa between supply and demand, and the Department will continue to forge partnerships in this regard.

Pollution by sewage and trade effluent remains a big problem in our catchments countrywide. During this reporting period, Umgeni Water encountered significant delays with the upgrade of the Darvill Wastewater Treatment Works. The construction of the Mpophomeni and Trust Feeds wastewater treatment works is in progress. All three wastewater treatments works are located within the Umgeni catchment. When complete, the upgraded Wastewater Treatment Works will sustainably serve the Msunduzi Municipality and uMgungundlovu District

Municipality respectively as part of a strategy to ensure there is sustainable bulk sanitation into the future, whilst ensuring integrity of the water value chain.

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

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

The entity's Executive Management, guided by the Board successfully implemented the strategy and ensured that Umgeni Water met its performance and financial targets for the year. I wish to thank the Umgeni Water personnel for the competent, steadfast and resilient manner in which they serve the entity to achieve these results.

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



L N Sisulu, MP

**Minister of Human Settlements, Water and Sanitation
10 February 2021**



UMGENI RIVER

4.0

CHAIRPERSON'S REPORT



**MR. MAGASELA
MZOBE**

CHAIRPERSON OF THE BOARD

BULK POTABLE WATER TREATED AND SUPPLIED FROM 17 WATER TREATMENT WORKS SYSTEMS, TOTALLED 509 MILLION CUBIC METRES (1 395ML/D) FOR THE YEAR, AN 8% INCREASE FROM THE PREVIOUS YEAR (472 MILLION CUBIC METRES OR 1 294ML/D IN 2019).

Legislative imperatives that inform content and public dissemination of annual perform reports

Warm Greetings from the Board of Umgeni Water. Another Financial Year of Umgeni Water has come to an end, and it is time again to report on performance against pre-determined targets contained in Umgeni Water's strategic plans. This synopsis of activities and outcomes, for the period 1 July 2019 – 30 June 2020, and reported under the Annual Report theme Enabled and Innovative Growth will enable the Executive Authority and other stakeholders to conduct a thorough evaluation to determine the extent to which Umgeni Water has been able to add value to the developmental agenda of our Government.

It is a legislative requirement of the Public Finance Management Act No. 29 of 1999 (Section 40 and Section 55), as amended, and of the Water Services Act No. 108 of 1997 Chapter VI (1, 2 and 3) and Chapter 44 (1, 2 and 3), as amended, that the Annual Report of a Water Board contains sufficient information for interested parties to assess performance thoroughly. Information requirements are clearly stipulated under this legislation. The information requirements are:

- > Good quality data pertinent to performance in service delivery;
- > Implementation of capital projects;
- > Extent of achievement of economies of scale; and
- > Financial matters and accounts that are audited reports

After perusing the contents of this annual performance report in my capacity as the Accounting Authority, I am convinced that the information stipulations of the Public Finance Management Act (1999) and the Water Services Act (1997) have been met and even exceeded in some instances. A further legislative prerequisite (Chapter 44 of the Water Services Act) that the 12-month report on activities must be accessible to the public will be met in the weeks ahead when presentations containing a synopsis of performance are shared with stakeholders, including the media and civil society formations.

Extraordinary times call for extraordinary measures

As I began writing this review for Umgeni Water's Annual Report 2019/20, our country, together with 215 other nations and territories, remained in the grip of a coronavirus and COVID-19 crisis. Umgeni Water was not spared. Infections were also recorded within our organisation, but control measures that were implemented in March 2020 and rapid response strategies that were activated when COVID-19 positive cases were confirmed had been highly effective in preventing proliferation, thus ensuring business continuity and uninterrupted provision of essential services.

At this point, before I comment on key performance highlights, challenges and the road ahead, I want to deal briefly with this medical emergency that has sent the world into tailspin, leading to stagnation of economies, meltdown of financial markets and loss of hundreds of thousands jobs globally.

Umgeni Water, under the political leadership of the Minister of Human Settlements, Water and Sanitation and the Board, rose above the limitations of prevailing conditions, accepted that our organisation was operating in abnormal times and implemented measures to ensure business continuity. Interruption of services was not an option. Some of the effective measures implemented were restricting access to water treatment and wastewater sites by service providers and consultants; physical distancing in the workplace; constant monitoring of staff for symptoms of coronavirus; strict adherence to the mandatory number of employees permitted in the workplace under lockdown restrictions. This has worked: our municipal customers received – and continue to receive - an uninterrupted supply of potable water during Levels 5, 4, 3 and 2 of the lockdown and wastewater treatment plants continue to operate, albeit under protocols that are vital to preserving health.

Any form of less stringent mitigation action as a response would have had serious consequences for consumers who are, and remain, reliant on water to ward off the virus. Umgeni Water, a strategic partner of Government and a caring corporate citizen, did not let down the people it serves, especially when they needed Umgeni Water most.

The tough actions and uncompromising stance adopted to protect employees and infrastructure were the outcomes of realisation that our country was entering uncharted territory, or more precisely the unknown. This also called for inspiring leadership to manage staff anxieties and fears that are generally prevalent in turbulent times. The underlying need was for staff to join the journey of hope that was initiated within the organisation to keep morale high while remaining focused on executing work commitments and staying healthy and safe.

Unfortunately, the construction industry has been, and remains, among numerous other sectors as casualties of the rampant spread of the virus and the containment-focused national state of disaster. The initial hard lockdown and stringent restrictions brought work to a standstill for approximately eight weeks. As the economy began opening up in a phased approach, construction activity resumed on 1 June under Level 3 lockdown, although with reduced number of workers on site. The cumulative effect of this and disruption of global supply chain processes that make it possible for importation of parts and equipment to occur will be delays in completion of some projects under implementation for Umgeni Water. Escalation of completion cost is also a possibility because of the downtime that was experienced by contractors.

The crisis is not over yet, but the Board of Umgeni Water can confidently say that there is a battle plan to secure the health of staff, protect lives, keep potable water flowing and safeguard the environment and downstream communities through continued proper operation, maintenance and management of wastewater treatment plants.

Overview of the Environment: Political, Social, Economic and the Water Sector

The reporting period coincided with two significant events in contemporary history of South Africa. On 26 June 1955, the Freedom Charter was adopted at the Congress of the People in Kliptown, Soweto. The year 2020 marked the 65th anniversary of the Freedom Charter, which espouses all of the values our country's Constitution enshrines, notably a non-racial society, equality for all and access to basic services by all South Africans. The other major milestone in our country's history was the beginning of talks 30 years ago for a new system of government following the announcement of release of political prisoners and the end of apartheid. Umgeni Water cherishes the contribution of our country's liberation struggle leaders in making a new political order possible, and it will continue to implement initiatives and projects in support of our Government's objectives for a developmental State that promotes and entrenches equity.

It is certainly welcome to see that increased impetus in transformation of our country in all its spheres, underpinned by the principles of the National Development Plan, has been set as a priority for the new decade.

There are numerous programmes and actions driven at the highest level of Government that have been implemented to achieve greater equality, away from a legacy that had left this country deeply divided and the majority of its people disadvantaged. There are no quick fixes, but roll out of services is gaining momentum. This painstaking exercise is intended to produce a complete break from the past that is so urgently needed for citizens, especially the historically disadvantaged, to be able to experience the values that are enshrined in our Bill of Rights.

The 1992 publication *Managing for the Future* was ahead of its time, in the context of South Africa, with this extract which reads: "To get at the new and better, you have to throw out the old, outworn, obsolete, no longer productive, as well as the mistakes, failure and mis-directions of effort of the past."

Transformation can often be stifled by push back, but it must be pursued relentlessly, even if a radical approach is required to achieve the desired goals.

Umgeni Water stands firmly behind our Government and it will enthusiastically support all initiatives to give tangible meaning to a just and equal society and to ensuring that marginalised communities have access to basic services and to the mainstream economy of our country.

In line with the national transformation agenda, 10 priority areas have been identified by our Government for accelerated implementation. They are:

- > Reformation of the economy so that job creation is intensified and more opportunities are opened up to communities denied access in the past;
- > Enhancement and extension of education so that it becomes accessible to more learners and that it is also able to provide skills that will be required in future;
- > Increased emphasis on skills development at institutions of higher education;
- > Consolidation of the social wage through reliable basic services, including easier access to quality health services;
- > Spatial integration;
- > Provision of decent human settlements;
- > Properly functioning and effective local government;
- > Social cohesion;
- > Safe communities; and
- > A capable and an ethical developmental State.

These apexes will drive transformation through the entire fabric of society, heralding in change that will position political tolerance, an integrated citizenry, an educated and prosperous nation, service delivery by entities of State and access to services by citizens as the catalyst for a fast changing and resilient South Africa.

It has certainly not been the best of times for our country's economy, which, from a relatively stable first half of 2019, entered a recession towards the end of the same year. This was followed by two downgrades of South Africa's sovereign rating, first by Moody's on 27 March 2020 and followed by S&P on 29 April 2020. Various reasons were given for these downgrades, including a slowdown of the domestic economy, rising debt and the impact of COVID-19 on public finances. The reasons advanced are not peculiar to South Africa; in fact, the most developed and advanced economies of the world have been plunged into a state of disarray following the worldwide outbreak of the virus. In line with other entities of State and some private sector companies, Umgeni Water's rating has also been adjusted in response to the sovereign ratings.

The decisions of these ratings agencies and their timing are unfortunate, as they will undoubtedly hamper efforts being made to reignite our country's economy and intensify the roll of a national infrastructure development programme that is targeted at creating mass jobs and increasing access to services. Infrastructure implementation requires funding from external sources, including foreign financial institutions. Sovereign sub-investment grade ratings allocated to South Africa by both agencies will simply make borrowing more expensive.

South Africa has weathered, and successfully emerged from, many catastrophic events in the past. It will overcome the current medical disaster, stronger and with greater experience in management and mitigation of future pandemics.

The building blocks for intensified economic resurgence have been identified in a National Treasury study, which warns that low growth and simultaneous rising unemployment could mean that South Africa's economic trajectory will not be sustainable in the absence of effective and urgent interventions. More importantly, State-owned entities, including Umgeni Water, have a crucial role in the success of these interventions. These are the interventions – or building blocks – for a transformed economy, as identified in the National Treasury study:

> Modernising network industries;

- > Lowering barriers for entry and addressing distorted patterns of business ownership through increased competition;
- > Priority labour-intensive growth;
- > Promoting export; and
- > Implementing focused and flexible trade policy.

There is an ominous warning in the National Treasury study – with which Umgeni Water fully concurs – that our country will not be able to sustain inclusive economic growth and economic transformation if severe water constraints occur. Umgeni Water has repeatedly expressed this view in articulating the urgency for implementation of the uMkhomazi Water Project. This scheme, one the largest investments to be made in water infrastructure in South Africa at an estimated cost of R25 billion, is required for the Western Aqueduct of eThekweni Metro. It is already long delayed, despite its urgency to prevent water shortages, water restrictions and constraints on industrial and business development and job creation within the eThekweni region. The Board of Umgeni Water is delighted to learn that the uMkhomazi Water Project has now been designated as a sub-project of Strategic Integrated Project (SIP) Number 19 (Ecological Infrastructure for Water Security). An announcement to this effect was made in the Government Gazette of 24 July 2020 by the Department of Public Works and Infrastructure on behalf of the Presidential Infrastructure Co-ordinating Commission Council. Designation of the uMkhomazi Water Project as a SIP is in terms of Section 8 (1) (a) and Section 7 (1) of the Infrastructure Development Act, as amended (Act Number 23 of 2014), and it is closely aligned to the National Development Plan's road map for sustainable economic development. This means that the uMkhomazi Water Project will receive priority for implementation.

Predictions of water shortages occurring countrywide in the next 10 years are made by the World Bank 2030 Water Resources Group, which says in a report that demand in South Africa is expected to rise by 17.7 billion cubic meters, against availability of 15 billion cubic meters. This will leave a deficit of 2.7 billion cubic meters, or 17%. Invariably, water shortages result in higher cost of conveyance of water, both to municipalities and consumers.

Two factors are likely to exacerbate the problem: non-revenue water, of which leaks in municipal systems are a significant component, and inadequate investment in infrastructure. While there are numerous technical solutions to water loss, such as fixing of leaks that could save 32% of water supplied to municipalities, a holistic approach is required to avert a potentially debilitating situation. This approach will require

tough trade-offs among agriculture, industry, power generation and large and growing urban nodes. The second draft of the National Water Resource Strategy of the Department of the Water and Sanitation acknowledges that success will depend on how effectively Government is able to work with the multitude of stakeholders in the water value chain.

Current water resource management, the dilapidated state of some schemes and projections of water shortages occurring by 2030 illustrate the need for a comprehensive strategy for investment in water resource development and bulk water supply and wastewater management. The question that needs to be probed: Is the Independent Power Producer (IPP) model – or non-utility generation – suitable to adopt for future investment in and management of water infrastructure?

Annual Performance 2019/2020: Fine-tuning the Strategy and Preparing for the Future

This report captures key performance outcomes that have been crucial to giving meaning to Umgeni water's expansion programme that is underpinned by Enabled and Innovative Growth, an overarching strategy that focus on how new business will be generated and managed while the existing customer base remains ring-fenced. Fundamental to Enabled and Innovative Growth is the elimination of risk through a phased and measured approach to developing new business that will be preceded by thorough due diligence investigations.

In the next decade and as a medium-term outlook, Umgeni Water will be consolidating and increasing the services and products it offers to its seven existing customers, namely eThekweni Metro, Msunduzi Municipality and iLembe, Ugu, uMgungundlovu, Harry Gwala and uThukela District Municipalities, and an additional Water Services Authority with which it has signed an agreement, the King Cetshwayo District Municipality. In respect of the current pandemic, three key factors will undoubtedly influence financial performance. They are how long COVID-19 is expected to remain at its current magnitude, its serious economic impact through closure of vast areas of the economy and accompanying unemployment.

As the financial year drew to an end, an intensive review of existing strategy was conducted in order to ensure it is neatly aligned to organisational growth objectives and is able to adequately translate into action a Board directive that Umgeni Water increases its presence throughout the water value chain (source-sea-source). Apart from Umgeni Water expanding its

customer base, its entry into new markets will ensure both security and sustainability of future water supply throughout the Province of KwaZulu-Natal.

In essence, the underlying message is that the arrival of the new decade has brought with it a new approach that says providing services in fragmented parts of the Province is not a practical approach to making Universal Access to Water possible. Umgeni Water has to be a Water Services Provider to all of KwaZulu-Natal's Water Services Authorities in order to support the developmental agenda of our Government and empower our Minister and Shareholder with a programme that will illustrate water security and reduction of water backlogs are part of Umgeni Water's planning processes.

The revised strategy of Umgeni Water is forward-looking to the year 2050. It is segmented into three parts of a decade each:

- > 2020 - 2030 is the Decade of Consolidation in which customers will be served sustainably while new products and services will be available to support increased coverage within the existing service area;
- > In the years 2030 – 2040 Expansion will be the focus: the objective is to develop and increase access to all 14 Water Services Authorities in KwaZulu-Natal; and
- > 2040 – 2050 is the period of Affirmation in which the aim is to be the only water and related services provider to the coastal provinces, in line with the National Development Plan. In this decade closer ties will be forged with the African continent, performance against the United Nations' Sustainable Development Goals assessed and closer alignment with Agenda 2063 (Africa's masterplan to transform the continent into the global engine of the future) will take place.

The road map to the future has been clearly defined, and the pillars that support it have been revised and given additional meaning. The new Vision signals a fundamental shift from where Umgeni Water had been, to where it wants to be. That change encompasses positioning Umgeni Water globally as a world-class entity that performs outstandingly among the world's best in water resource management and provision of water services that is reliable, continuous and affordable.

Accompanying this change is the imperative need to create top-of-mind presence of the Umgeni Water brand. This has been done with the adoption of a new opening line that says "Think Water; Think Umgeni Water", which is being used extensively in all Umgeni Water communication platforms and official documentation.

Umgeni Water is ready for the future and where required, it will capacitate Water Services Authorities with requisite expertise, skills and extensive experience in water services provision and wastewater treatment it has gained in 45 years.

The past financial year also produced some positive results in collaboration with, and support for, major stakeholders, despite sometimes difficult conditions. The mass roll out of emergency water services at high-density informal settlements by the Department of Water and Sanitation, under the leadership of Minister Lindiwe Sisulu, was supported by Umgeni Water through ensuring that an adequate and uninterrupted supply of water was available to customers. Umgeni Water also responded to a call by Minister Sisulu for water boards to assist municipalities that are facing challenges with water services provision. In this instance, a service level agreement has been signed with the leadership of King Cetshwayo District Municipality. Umgeni Water will begin by rehabilitating, refurbishing and upgrading dilapidated infrastructure that is the source of an erratic supply of water within the District.

Umgeni Water's entry into King Cetshwayo District is in line with the Universal Access Plan, which identifies the road map to ensuring all citizens of KwaZulu-Natal have easy access to safe and a reliable supply of water, and to Umgeni Water's strategic objective to make its expertise available so that municipalities are able to overcome challenges with water services provision.

The Executive Management continue to work with two other Water Services Authorities, namely Ugu and Harry Gwala District Municipalities, to finalise plans for assistance that will enhance water availability and supply. A pipeline is to be implemented by Umgeni Water to transfer water from Weza Dam to drought-affected Harding Water Works for treatment and supply to the town of Harding, within Ugu District. Agreement has been reached with Harry Gwala District Municipality for Umgeni Water to operate and manage the Water Treatment Works in Kokstad on behalf of this municipality.

Some Key Performance Areas and Alignment to Macro Strategies

A feature of outstanding performance is reflected in a turnover of 4.2bn and surplus of 1.3bn; achievement of excellence in drinking water quality, in conformance with the South African National Standards 241: 2015 for drinking water quality; on-going skills enhancement of staff in structured training programmes that are focused on diversification of skills that will allow employees to apply for other positions

within the organisation. Numerous community outreach and upliftment initiatives that were implemented through Corporate Social Responsibility funding and King Cetshwayo District Municipality's appointment of Umgeni Water for 15 years to operate also underline the ethos of an achieving entity.

In respect of King Cetshwayo District Municipality, as a start a comprehensive assessment is being conducted by staff of Umgeni Water to determine what bulk water infrastructure exists, the state of this infrastructure and what infrastructure will be required in order to enhance assurance of supply and extend water services to inadequately served communities. The next step will be the process of refurbishing, rehabilitating and upgrading of infrastructure, some of which is in a poor state as a result of lack of maintenance by the previous service provider. The longer-term objective is to provide new, ultra-modern schemes that will make a significant difference to service delivery.

It is unfortunate that at the end of the contract of the previous service provider there was vandalism and destruction of existing infrastructure, apparently by former employees of the outgoing company. Nobody benefits from such wanton acts that are now pointing to sabotage. All it does is it increases the cost of maintenance and repairs - and invariably the cost of drinking water - and contributes to supply failures.

On the subject of infrastructure development and security of future supply, progress continues to be made with two major schemes. They are the uMkhomazi Water Project and the Lower uMkhomazi Bulk Water Supply Scheme. Both will collectively cost approximately R30 billion, create hundreds of jobs, significantly contribute to Black Economic Empowerment and give a massive boost to the construction industry at a time when it needs it most.

The Lower uMkhomazi scheme will ultimately secure water supply for approximately 500 000 consumers in eThekweni and Ugu, from Amanzimtoti to Hibberdene, while the larger uMkhomazi is needed for eThekweni and will result in a situation in which water in the Upper Mgeni System will be freed for additional supply to Msunduzi and uMgungundlovu.

For the year ended June 2020, investments totalling R857 million had already been made in the construction of new projects, rehabilitation and upgrade of existing infrastructure. The cumulative outcome of this was job creation, empowerment of Black-owned and women-owned business enterprises and provision of vital support to local economies through procurement of goods and services. Security of water supply was also enhanced.

Other major developments in this period included presentation of Umgeni Water's bulk potable water tariff for FY 2020/21 to municipalities at a formal engagement session and separate engagements with all seven customers on strategically important matters, among them the status of water resources, infrastructure projects for development to support their reticulation systems and an ongoing, and now serious, problem relating to encroachment onto servitudes that house bulk infrastructure. Two other crucial exercises were also undertaken in this period: an engagement with municipalities that are in arrears in payment for potable water and other services provided, in order to assist with formulation of payment plans and a briefing to the Conservation and Environmental Affairs Portfolio Committee of the KwaZulu-Natal Provincial Legislature on spills from the Mpophomeni Pump Station that made their way into Midmar Dam.

These spills caused a frenzy of social media activity as a result of disinformation and misplaced concerns; the spills were effectively managed by Umgeni Water, preventing serious water pollution in the dam. It is important to note that as a responsible corporate citizen with a strong ethos of environment protection and respect for the environment, Umgeni Water does everything possible and within its means to keep the source of its vital production material – raw water - pristine through various initiatives, including catchment management and detection of effluent discharges. It is not in the interest of Umgeni Water to abstract and treat water that is heavily contaminated; bad quality water increases the cost of purification.

There should be no hesitation in acknowledging that Umgeni Water is part of a wider society in which it provides its services; consequently it makes significant investments in infrastructure and ensures, at the same time, that the water it supplies is affordable and it continues to operate as a going concern. This is evident by the fact that the profit it has posted will be deployed, among others, to keep future bulk potable water tariffs at affordable levels, pay off debt and provide high-volume potable water and wastewater infrastructure that are vitally needed.

Potable water infrastructure is needed so that municipalities are able to enhance security of water supply and extend water services to un-served and under-served communities. Properly functioning wastewater treatment plants are crucial to reducing risk to public health and damage to the environment.

In everything Umgeni Water does, it seeks to ensure that there is alignment between its work and the programmes of Government. Performance results contained in this Annual Report are deliverables identified in the organisation's Five-Year Corporate Plan and in the Shareholder Compact it has signed with the Minister of Human Settlements, Water and Sanitation. Therefore, projects that are implemented by Umgeni Water support the developmental agenda of the Government and strategies and programmes focused on improving the quality of life. These strategic objectives, plans and programmes include:

- > The Medium-Term Strategic Framework (MTSF: 2019/24) or implementation plan towards achieving priorities of the National Development Plan 2030;
- > MTSF outcomes pertaining to health, economic growth and employment, skills development and infrastructure provision. Umgeni Water makes a contribution to these outcomes in numerous ways;
- > Socio-economic development, water and water sector-related priorities of Government;
- > National Water Resources Strategy 2 (NWRS 2); and
- > National Water Resources and Sanitation Master Plan.

Corporate Governance: Board Performance, Audit and Ratings

Until 31 July 2020, Umgeni Water had a full and permanent Board that was appointed in May 2019 by the then-Minister of Water and Sanitation. Following discovery of non-compliance in respect of national cabinet protocols pertaining to Board appointments, the Minister of Human Settlements, Water and Sanitation has since dissolved this Board and replaced it with an Interim Board. The Interim Board will serve until a new permanent Board is appointed, after due processes and national cabinet protocols are followed. The Interim Board has powers, responsibilities and oversight functions of a fully-fledged Accounting Authority, therefore, full conformance to all aspects of corporate governance remain intact.

In the period under review, Board and Board Committees' meetings were held according to the organisational Business Cycle and were well attended. (Full details are provided in the Corporate Governance chapter of this Annual Report).

In the year ahead, the Board will continue to fulfil its commitments as the Accounting Authority and provide leadership and strategic direction in various focus areas.

As a significant outcome, following a rigorous auditing process, Umgeni Water received an unqualified audit opinion from the Auditor-General. In the year under review, Fitch affirmed Umgeni Water's long-term and senior unsecured ratings at AA+zaf and short term rating at F1+zaf. The affirmation reflects stability in the organisation's standalone profile from its stable operations.

Standard and Poor's also reaffirmed their ratings for Umgeni Water at zaAAA for long-term and zaA-1+ for short term.

There was adherence to corporate governance requirements, including compliance with the Water Services Act (Act 108 of 1997), internal policies and King IV Code of Governance Principles. Umgeni Water's commitments as per Bulk Supply Agreements with its customers were met through consistent provision of safe drinking water without protracted supply failures occurring, and commissioning of some infrastructure enhanced assurance of supply or made it possible for them to extend water services to formerly un-served or under-served areas.

Accolades and Achievements

The work Umgeni Water is doing in supporting socio-economic development, alleviating inequality in basic water services provision and reducing the impact of poverty has not gone unnoticed: in November 2019 the much sought-after Nedbank-Pietermaritzburg-Midlands Chamber of Business award for a high performing State-Owned Business Enterprise was made to the Umgeni Water in recognition of its catalytic role. That was a proud moment and it will be remembered for the value representatives of the financial sector and business place on endeavours to lift our country from the current economic difficulties it is facing. The award is also a tribute to the hard work, dedication and resourcefulness of Umgeni Water's staff.

Umgeni Water had a crucial role in water summit that was organised by customer iLembe District Municipality and held in Ndwedwe. Water challenges being experienced in iLembe District, including backlogs and supply interruptions, formed the focus of discussions at this meeting in which the political leaderships of iLembe District Municipality and Ndwedwe Municipality and civil society formations participated to try to find quick solutions to the challenges that are being faced.

Political leaders of iLembe who spoke about the importance of eradicating backlogs within the District and the need to improve service delivery. At the time of convening of the Water Summit, 61 622 households in iLembe – or 32.2% - did not have easy access to safe drinking water. The municipality's target was to reduce this backlog to 56 855 households – or 29.7% - in Financial Year 2019/20.

The absence of adequate and modern infrastructure has resulted in a situation in which iLembe has to spend approximately R40 million per year on water tankers to deliver water to communities. Umgeni Water has made significant investments in the District, among them in the Lower Thukela Bulk Water Supply Scheme.

A presentation by Umgeni Water dealt extensively with progress with projects being implemented for Ndwedwe, future water security plans for Ndwedwe and mitigation measures that have been implemented to deal with operational challenges. The audience was satisfied with the plan that was presented by Umgeni Water to improve infrastructure performance and also support the Water Services Authority to reduce the extent of water supply interruptions, which had led to numerous community-driven protests. The water summit served to quell community concerns and anger through sharing of information related to projects.

One of the strategic focuses of Umgeni Water is to further strengthen its presence in the global water sector. In line with this, Umgeni Water had a high-level presence at World Water Week, held annually in Stockholm, Sweden, from 25 – 30 August 2019. Attendance of this prestigious event opened many doors for Umgeni Water in that it participated in solution-seeking sessions convened to deal with international water crises or challenges, share thinking on innovation and creativity in water resource development and establish bonds with entities across the Africa, the European continent and the Americas. The theme of event, Water for Society – Including All, is closely aligned to the Universal Access Plan, developed by Umgeni Water as a road map for extension of water to indigent and marginalised communities that have been appealing for this necessity for many decades.

The Road Ahead: Opportunities, Challenges and Risks

It is with a sense of optimism and confidence that the Interim Board of Umgeni Water has begun the new financial year. Changes being envisioned and direction provided by the Executive Authority hold exciting prospects for the future of the sector. Engagements with the Minister and Deputy Minister of Human Settlements, Water and Sanitation have been both amicable and constructive, leaving the Interim Board convinced that there will be similar healthy exchange of ideas on how to manage or overcome challenges facing water sector institutions.

These challenges include how to give impetus to extension of water services and provision of decent sanitation while, at the same time, protecting our scarce water resources. It is becoming increasingly clear, as sector institutions forge closer ties with the Ministry, water boards themselves will begin entrenching the close collaboration they have established across the sector and speak with unison on many sector-related issues.

The Board is ready and available to partner with the Department of Water and Sanitation in initiatives that will result in safeguarding of water resources and infrastructure used to store, treat and distribute it. To this end, the Minister has disclosed plans to digitise the department's assets, prepare new regulations for water conservation and the appointment of a regulator to oversee State-owned water resources, water resources that are in private hands and matters relating to water pricing. This is most welcomed and when the matter of water being held privately is addressed, it will result in equitable access to water.

Opportunities for engagement with all major stakeholders in national, provincial and local governments are now immense and this will be followed through with enthusiasm in an effort to identify new areas for co-operation, partnerships and support. High-level engagements with all categories of stakeholders were also successfully concluded in 2019/20, existing relations cemented and new relations established. At national level, interactions will continue with the Department of Water and Sanitation on the subject of provision of additional grant funding for rural development projects.

Other engagements will continue to take place in the context of South Africa's Nine-Point Plan, which requires, among

others, that water and sanitation be positioned as catalysts for economic growth. The water and sanitation component of the Nine-Point Plan will be explored with a view to securing collaborative efforts in giving impetus to economic growth.

As part of its strategic initiatives, Umgeni Water is already giving meaning to the aspect of the Nine-Point Plan that deals with economic empowerment. In this regard and as part of its commitment to fast track radical economic transformation, the organisation continues to vigorously implement business enterprise development. The requirement that main contractors on projects allocate a minimum of 35% of contract value to targeted Black-owned businesses remains in place.

An area of concern is what appears to be an increasing tendency by some construction companies to resort to court action to halt the awarding of tenders/contractors for which they had unsuccessfully bid. This has occurred with at least four major and vital projects, setting back start of construction several months. While it remains the option, right or prerogative of any company to pursue such action if aggrieved, it must be remembered, at the same time, that completion of crucial infrastructure projects, such as potable water provision and wastewater treatment, is delayed which ultimately impacts on municipal service delivery, on consumers, on households, on business, on industry and on the Government service sector.

Strategic Priorities in the Year Ahead

It is envisaged in the new financial year Umgeni Water's growth and expansion strategy, now clearly articulated in the Corporate Plan 2020/21 – 2024/25 and Strategy Vision 2050, will be rolled out with agility. The growth and expansion strategy has been both refined and fine-tuned to give it increased focus. A heavy concentration in the year ahead and beyond will be on consolidating and increasing penetration into existing markets through offerings of new products and services and on negotiating to operate and manage schemes in areas where Umgeni Water has not had a presence. It is important to note that through official proclamation, Umgeni Water is now able to conduct its business in any or all parts of KwaZulu-Natal, where feasible and required. That, then, does not rule out the possibility of discussions being opened with non-customer WSAs to ascertain their product and service needs and their inclination towards Umgeni Water becoming their service provider.

A natural extension to collaboration and partnerships with municipalities flows from the District Development Model, a strategy of Government to integrate service delivery at District level to bring it in line with priorities of Government. It also seeks to ensure that service delivery is fast tracked and municipalities are adequately resourced to carry out their mandates. This is both a practical and novel approach to provision of services that will remove the element of fragmentation between Local and District structures of municipalities, and position service in an integrated approach. One of the benefits of this is unnecessary duplication will be removed and service provision streamlined.

Umgeni Water, as a provider of an essential service through potable water distribution and wastewater management, will have a vital role to play in the efficient implementation of the District Development Model. This will form a key part of engagements with municipalities in the year ahead. It is also a strategic area of service provision that will require workshopping between structures of local government and utilities that provide bulk products in order to develop a blue print for implementation. Umgeni Water and other bulk service providers are an inseparable part of the mix. If implemented effectively, a major spin-off will be seen in economic development across all spheres of the rural and urban landscapes.

Umgeni Water is in a state of readiness to provide support and capacity where required, especially among vulnerable water sector institutions and municipalities. Another major focus area in the new financial year will be close co-operation with traditional authorities, including Amakhosi and the Ingonyama Trust, in respect of planning of new housing developments earmarked for traditional land. Collaboration in this regard will assist municipalities and Umgeni Water greatly in accurately projecting future water demand. At this stage, new housing developments on traditional land are not factored into planning, resulting in municipalities experiencing significant spikes in demand.

Some Treasured Words from Madiba

In conclusion, I leave you with these words by our former President Nelson Mandela, an inspirational leader who provided hope in our greatest hours and days of need. They are so apt to the times in which we are living and when we are being constantly reminded of how and why we – collectively as a nation – have to adapt to a new normal in order to manage the turbulence created by the novel coronavirus.

He said: “Change is unsettling as it is painful. It cannot be any different because change is movement. At times of momentous developments when societies reach their high noon, everything else becomes uncertain except for the golden gate that must be reached – the goal of freedom.”

Yes, indeed, “golden gate” is what we aspire for, as measures to control and mitigate proliferation of the coronavirus are intensified.

Acknowledgements

It is with a sense of appreciation the following stakeholders are acknowledged:

- > The Minister of Human Settlements, Water and Sanitation, Ms Lindiwe Sisulu, for her leadership;
- > The Deputy Minister of Human Settlements, Water and Sanitation, Mr David Mahlobo, for his leadership;
- > The Deputy Minister of Human Settlements, Water and Sanitation, Ms Pamela Tshwete, for her leadership;
- > The Premier of KwaZulu-Natal, Mr Sihle Zikalala, and MECs of the KwaZulu-Natal Provincial Government for their constructive and valuable engagement with Umgeni Water;
- > The Portfolio Committee on Water and Sanitation for oversight and direction;
- > The Department of Water and Sanitation for support, oversight and direction;
- > Umgeni Water’s customers: eThekweni Metropolitan Municipality; iLembe, Ugu, Harry Gwala, uMgungundlovu, uThukela and King Cetshwayo District Municipalities and Msunduzi Municipality for their support and collaborative engagements;
- > Investors and financial institutions for their vote of confidence in the financial sustainability of Umgeni Water and for their willingness to open discussions on funding and on matters that are aimed at promoting good governance;
- > The former Board of Umgeni Water for its leadership and strategic direction; and
- > Umgeni Water Management and employees for the manner in which the organisation’s strategies were executed in the year and for their dedication and hard work in realising these results.



Mr. Magasela Mzobe
Chairperson of the Board
25 February 2021

CHIEF EXECUTIVE'S REPORT



**MS NOMALUNGELO
MKHIZE**

ACTING CHIEF EXECUTIVE

BULK POTABLE WATER TREATED AND SUPPLIED FROM 17 WATER TREATMENT WORKS SYSTEMS, TOTALLED 509 MILLION CUBIC METRES (1 395ML/D) FOR THE YEAR, AN 8% INCREASE FROM THE PREVIOUS YEAR (472 MILLION CUBIC METRES OR 1 294ML/D IN 2019).

The past year has been fraught with challenges for South Africa, and the water sector as a whole. This was as a result of a combination of factors that included a sluggish economy, a construction sector in distress and the resultant impact of the uncontrolled spread of the novel coronavirus (SARS-CoV-2). This situation dealt serious blows to the organisation's advances in rolling out water infrastructure to extend access to safe potable water. In spite of these challenges, Umgeni Water has demonstrated its resilience by remaining steadfast in being a key partner to the Government in providing innovative, sustainable, effective and affordable water and related services.

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

Product Quality

Umgeni Water's core business of providing bulk potable water to customers and providing water supplies fit for drinking and domestic use, as well as for industry, was performed exceptionally during this period. Of the 17 of the water treatment works, 16 met the Excellent SANS 241: 2015 standard in all five compliance categories. Interventions are already in progress to address the slight non-compliance with the Operational Risk Category at Ixopo Water Treatment Works (WTW).

The three water treatment works acquired from the uThukela District Municipality are being progressively brought up to the Umgeni Water operational standards, with various process interventions in progress to improve water quality. The challenges encountered with non-payment by the customer has slowed down this process significantly and continuous engagements are taking place to improve this situation.

Overall, compliance of the Umgeni Water bulk potable water supply systems was excellent for the period under review. The entity further ensured that wastewater was treated to safe levels in order to discharge back into water resources for social, environmental and other downstream uses. Of the nine Wastewater Treatment Works (WWTW) managed by the entity, seven achieved greater than 90% compliance and two achieved more than 80% compliance.

The progress of the Darvill Wastewater Treatment Works capacity upgrade project was significantly hindered by the unfortunate event of the contractor going into business rescue during the previous year. However, significant progress has been made in the arbitration process and the new construction contract awarded. Construction was expected to start in July 2020, with the new completion timeline set for 2022. The upgrade is expected to result in improvements in the quality of treated

wastewater from this site. In order to maintain and enhance the condition of core infrastructure that supports customer service levels, the entity invested a total of R231 million (R225m in 2019) in maintenance of Water and Wastewater Treatment Assets during this period. Maintenance investment has been consistent over the past five years, with greater than 6.8% of revenue and 2.6% of property, plant and equipment spent, thereby continuing to assure system reliability.

Customer Satisfaction

Bulk potable water treated and supplied from 17 water treatment works systems, totalled 509 million cubic metres (1 395Ml/d) for the year, an 8% increase from the previous year (472 million cubic metres or 1 294Ml/d in 2019).

Bulk wastewater treated from nine wastewater treatment works over this period amounted to 32 million cubic metres (89Ml/d) for the year per annum (70 Ml/d), a 10% increase from the preceding year (29 million cubic metres or 80Ml/d in 2019), which are at levels similar to the previous year. In the year, there was an unplanned supply disruption of six supply days in two of the 17 supply systems. The disruption at Maphumulo WTW was as a result of a delayed power reconnection to the national grid. Power was restored successfully and water supply resumed at Maphumulo. As a mitigating measure, back-up power is being installed at this water treatment works. The disruption at Maphetheni WTW was because of human error. Appropriate disciplinary action was instituted in this regard and the supply was restored successfully.

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

Stakeholder Understanding and Support

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

Community and Environmental Sustainability

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

Leveraging off its capital expenditure and other programmes, Umgeni Water continued to facilitate the participation of targeted enterprises in the economy. Its Contract Participation Goal target of $\geq 35\%$ for construction contracts and professional services were well met in the reporting year. An average of 35% CPG was achieved with a total of CPG award value of R335m (R180m in 2019). Of the total CPGs, R165m (49%) was awarded to Black women-owned businesses (R162m in 2019). Women participation represents 17% of the total spent on all applicable contracts. More than 70% of women participation came from subcontracting in the Built Environment (Engineering and Construction).

Over R2.8 billion worth of contracts have been awarded to Black-owned businesses since the start of the CPG initiative in 2013.

A total of 268 temporary Capex Programme jobs were created during the year (484 in 2019) with R11m paid in wages to local labour (R19m in 2019). The significant decrease from the previous year of the is as a result of the downturn project delays and in the construction sector, which subsequently affected the overall performance of the capital expenditure programme. going through a period of great upheaval as more construction companies filed for business rescue.

Infrastructure Stability

During this reporting period, 14 strategic projects targeting five water service authority customers were at various stages of planning, design and construction. These comprised eight bulk water supply scheme projects, four pipeline projects and two Wastewater Treatment Works Projects.

Significant progress with capital infrastructure implementation was achieved during the reporting period. Spend performance for the year was R840m, of which R549m (R1.2b in 2019) was spent on bulk infrastructure augmentation, expansion, upgrades and rehabilitation projects. Of this, R184m (22%) went towards projects for rural development.

Overall, 55% of target water infrastructure project milestones were met. It has been a challenging year with two major contractors entering business rescue and two contract terminations that have had an adverse impact on progress. Details of target customers, infrastructure projects and milestones during the reporting period are as follows:



UMSHWATHI REGIONAL BULK WATER SUPPLY SCHEME

Serves uMgungundlovu District Municipality and iLembe District Municipality.

This phased infrastructure development comprises four pipelines with the total length of 91km, two booster Pump Stations and three reservoirs with the total storage of 30 Ml/d. Construction of the 26km Pipeline from Claridge to Wartburg was completed in 2015/16. In 2017/18, construction of the next phase was under way. This comprised three pipelines, totalling 63km, linking Wartburg to Ozwathini via Dalton, Efaye and Fawn Leas, two booster Pump Stations and two reservoirs with the size of 8Ml and 10Ml at Wartburg and Dalton respectively and were completed successfully by May 2018.

A further 12Ml reservoir was under construction at Ozwathini and was commissioned in December 2019.



GREATER MPOFANA BULK WATER SUPPLY SCHEME

Serves uMgungundlovu District Municipality.

The infrastructure development comprises construction of a water treatment works, two storage reservoirs and two bulk pipelines. The construction of the 20Ml/d Rosetta Water Treatment Works (WTW) – adjacent to Spring Grove Dam – commenced in 2016/17, was 83% complete in June 2020 and is now scheduled for completion in December 2020 after delays caused by the contractor going into business rescue and by the COVID-19 pandemic. Construction of the 5Ml and 12Ml/d reservoirs feeding Nottingham Road and Bruntville, respectively, is complete and commissioning is complete. The construction of the Nottingham Road Pipeline, from the WTW to Nottingham Road Reservoir, was completed in June 2016. The construction of the Bruntville Pipeline, from the WTW to Bruntville Reservoir, was approximately 75% complete when the contract was terminated by the contractor. Tenders have closed for a new contract to complete the works and the award of this contract was expected in September 2020, with completion in July 2021.



VULINDLELA BULK WATER SUPPLY SCHEME UPGRADE

Serves Msunduzi Local Municipality.

Phase 1 includes a new 20ML reservoir, 6km of pipelines (rising main and gravity pipelines), a new Pump Station including the detailed design which was completed in 2017/18. Phase 1 comprises one Pump Station at Howick West Reservoir and two at Mpophomeni, each with 2x32ML/d pump sets; 9.37km of 800mm diameter rising mains and a new 10ML Reservoir at Mpophomeni. A pipe supply contract was awarded in June 2020 and procurement of construction contracts has commenced, with overall construction completion expected in 2024.



IMPENDLE BULK WATER SUPPLY SCHEME

Serves uMgungundlovu District Municipality and Impendle Local Municipality.

The scheme comprises a 1.6ML/d Bulk Water Supply Scheme with a possibility of future upgrade to 3ML/d at Stepmore and 10ML/d Bulk Water Supply Scheme at Nzinga, with the possibility of future upgrade to 18.5ML/d. The detailed design is in progress. Construction of the Stepmore scheme is scheduled for 2021, with completion in 2024 and Nzinga scheme scheduled to commence in 2022, with completion in 2025.



MAPHUMULO BULK WATER SUPPLY SCHEME PHASE 3

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

Phase 1, completed in 2013, comprised the iMvutshane River abstraction, 6ML/d Water Treatment Works (WTW), potable water pipelines, booster Pump Stations and reservoirs. Phase 2, which is the construction of the iMvutshane Dam, was completed in 2015. Phase 3 includes the upgrade of the WTW from 6 to 12ML/d and upgrade of the raw water and booster Pump Stations. Upgrade of the Pump Stations are complete. Detailed design of the WTW upgrade was scheduled for completion in July 2020 and the procurement of a construction contractor is scheduled to commence in September 2020. A separate procurement for repairs to the Imvutshane Dam Wall and upgrading of the access road is in progress, with construction expected to commence in September 2020.



UMKHOAZI WATER PROJECT

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

Phase 1 of the infrastructure development includes a dam on the uMkhomazi River, raw water tunnel to Baynesfield, balancing dam, raw water pipeline, water treatment works and bulk potable storage reservoir at Baynesfield and bulk potable water pipeline to Umlaas Road. Phase 2 includes a further dam higher up on uMkhomazi River at Impendle, a raw water tunnel, a raw water pipeline, water treatment works capacity and reservoir storage upgrades and a second bulk potable water pipeline. In 2016/17, the detailed feasibility study and an Environment Impact Assessment (EIA) for Phase 1 was in progress. In 2017/18, the detailed feasibility study was complete, EIA in progress and targeted for completion and authorisation in 2019/20.



7 LOWER UMKHOMAZI BULK WATER SUPPLY SCHEME

Serves eThekweni Metropolitan Municipality and Ugu District Municipality and will augment the Coastal Areas from Amanzimtoti to Hibberdene via the South Coast Pipeline.

The planned infrastructure comprises:
Phase 1: a dam at Ngwadini and two Raw Water Abstraction Systems together with pipelines, Raw Water Pump Stations and Raw Water Reservoir, and Phase 2: a Water Treatment Works (100ML/d), storage reservoir and Bulk Potable Water Pipeline.

In 2016/17, a detailed feasibility and preliminary design were completed. The design of preliminary works is complete and procurement of Phase 1 advanced works (road access and site preparation) and Phase 2 preliminary earthworks is in progress with appointments expected in September 2020. A detailed design is almost complete with final design reviews scheduled for August 2020, after which the procurement of further construction contracts can proceed.



8 NUNGWANE PIPELINE

Serves eThekweni Metropolitan Municipality and Ugu District Municipality along the coastal strip from South of Durban to upper South Coast.

The construction stage of the 13.5km raw water pipeline from Nungwane Dam to Amanzimtoti WTW commenced in 2016/17 was completed and handed over to the Operations Division in December 2019. The pipeline is now in use.



9 SOUTH COAST PIPELINE PHASE 2B

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

The pipeline is designed to supply approximately 16.7ML/d and will link Scottburgh South to Pennington and then to Malangeni Reservoir. The initial construction procurement was cancelled. A new tender was advertised on 19 February 2020. Contract award was expected during August 2020. Construction was expected to commence in September 2020 and be completed during 2022.



10 MHLABATSHANE BULK WATER SUPPLY SCHEME PHASE 2 – MZIMKHULU RIVER ABSTRACTION

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

The infrastructure development comprises an abstraction works on the Mzimkhulu River, pump station and pipeline to deliver water to the Mhlabatshane WTW and an upgrade of the WTW from 4ML/day to 8ML/day. After completion of the preliminary design report, an executive decision was taken to increase the treatment capacity to 12ML/d. This entailed some rework. A detailed design to include the revised scope is in progress and was expected to be concluded by September 2020.



MIDMAR RAW WATER PIPELINE AUGMENTATION, RAW WATER PUMP STATION AND WTW UPGRADE

Serves eThekweni Metropolitan Municipality, uMgungundlovu District Municipality and the Msunduzi Local Municipality.

The planned infrastructure development includes duplication of the raw water pipeline and water treatment works upgrade. The construction of the 1.6km raw water pipeline was completed in 2016/17. Construction of the Midmar WTW upgrade from 250ML/d to 395ML/d was completed in June 2019. Commissioning and snagging was completed in March

2020 and handed over to the Operations Division. The project is now in operation.



DARVILL WASTEWATER TREATMENT WORKS CAPACITY INCREASE

Serves Msunduzi Local Municipality

The works capacity is being upgraded from 65ML/d to 100ML/d. Construction is in progress and includes a new inlet works, Primary and Secondary Settling Tanks, pumps and Pump Station, Reactor, Chlorination House and Anaerobic Digesters, among other components. The project was significantly delayed as a result of the main contractor going into business rescue and the contract was terminated. A dispute over the termination has been referred to arbitration with a decision expected in August 2020. In the

interim, a tender for the completion of the remaining works was issued and the commencement of the new contract is expected in July 2020. Completion of the remaining works is expected during 2022.



TRUSTFEEDS WASTEWATER TREATMENT WORKS

Serves uMgungundlovu District Municipality and iLembe District Municipality

The infrastructure development comprises a 1ML/d Wastewater Treatment Works (WWTW), 4km bulk sewer outfall pipeline and a 1.5km gravel access road. Planning and design were completed at the end of 2016/17. Construction of the 4.5km bulk sewer outfall pipeline and a 1.5km gravel access road has been completed. Construction of the Wastewater Treatment Works is 98% complete and commissioning is expected to commence in July 2020. The associated Housing Project being constructed for Department of Human Settlements has been delayed and the first flow of wastewater for treatment is expected in February 2021.



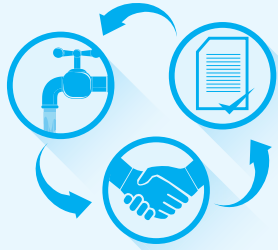
MPOPHOMENI WASTEWATER TREATMENT WORKS

Serves uMgungundlovu District Municipality and uMngeni Local Municipality.

The infrastructure development comprises a 6ML/d WWTW and a 6km bulk sewer outfall pipeline. Construction commenced in January 2020. Completion is scheduled for 2022.

The entity's turnover percentage for the year is

3.4%



A total of **268 TEMPORARY CAPEX PROGRAMME JOBS** were created during the year with **R11 million paid** in wages to **local labour**.



The organisation has retained its **OHSAS 18001** accreditation and was **duly awarded ISO 9001:2015** accreditation.



55% of target **Water Infrastructure** Project milestones were met.



The entity generated **29%** less general waste in kg per million cubic metres than the prior year.



Water Resources Adequacy

Umgeni Water requires access to stable raw water resources to meet future customer needs and continues to investigate regional integrated water resources plan to match growth and development forecasts. In this regard, collaboration with the Department of Water and Sanitation remains essential to ensure that there is intersection of national and regional water resource development priorities.

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

- > Smithfield Dam (DWS) as part of the uMkhomazi Water Project, for which the feasibility study was completed with further work required on the raw water environmental impact assessment and construction is still anticipated to be completed by 2030;
- > Hazelmere Dam raising (DWS), for which construction is expected to resume in the near future and expected to be completed in 2021; and
- > Ngwadini Dam (UW), as part of the Lower uMkhomazi Scheme, for which the detailed design completed, construction is planned to start in 2021.

Leadership and Employee Development

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

In partnership with the University of KwaZulu-Natal, 25 delegates from skilled technical to middle management occupational categories enrolled and completed the six-month customised Management Development Programme. Aligned with the organisational growth strategy, the programme was designed to build the delegates' capacity to lead the entity into the future, provided a context for enhancing awareness and organisation-wide thinking from the challenges of leading transformation to working more effectively in uncertain environments and harnessing technology to ensure that systems and procedures are optimised. It also challenged delegates' views about management, broadened their horizons and enhanced their understanding of the relevance and role of leading the organisation.

The Learnerships and Apprenticeships programme provided training, development and exposure to both internal and

external candidates. In the year, a total of 58 apprentices were enrolled in the apprenticeship programme and received theoretical training at Amajuba TVET College and Shukela Training Centre in the Electrical, Boilermaking, Instrumentation, Motor Mechanics and Mechanical Engineering trades. During this period, learners further received practical work exposure from the various Umgeni Water operational sites, as per the requirements of the programme. A total of 58 learners in the abovementioned trades have completed their trade tests and were deemed to be competent artisans. Artisan trainees who passed their trade tests are currently placed within the entity over a two-year period serving as junior artisans.

Umgeni Water assessed the skills and competency levels of internal personnel against requirements of Draft Regulation 17 of the Water Services Act for Blue Drop and Green Drop certification and developed a multi-yearly training plan to fill the skills and competency gaps. The internal positions include Superintendent, Process and Quality Technicians, Senior Operator, Operator and Process Controller positions. In the reporting period, a total of 144 Process Controllers were enrolled in either the Learnership Programme or in N3 Water and Waste Treatment and various courses in water and wastewater treatment.

Operational Resilience

The entity's risks are well aligned to strategy and there are a total of five strategic risks, of which three risks (80%) have been managed to a level equal to or above reasonable (>55%) response effectiveness.

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

Operational Optimisation

Water efficiencies have been ensured in the bulk business through careful water balancing per system. In the reporting period, water loss was maintained well below the entity's target level of 5%, with a total of 2.91% recorded for the year (2.25% in 2019).

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

Financial Viability

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

- > Revenue (Group) of R4.2bn was generated (R3.5bn in 2019);
- > Net surplus (Group) was R1.3bn (R1.4bn in 2019); and
- > Balance sheet reserves were strengthened to R10.7bn (R9.1bn in 2019).

The earned surplus for the year will be invested in support of the future five-year R16.7bn (not escalated) capital investment programme, as well as used for debt reduction. As at 30 June 2020, a significant portion of capital investments were already committed.

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

Outlook

A combination of solid enterprise-wide systems, backed by highly competent employees and robust leadership provided by the executive team and Board ensured that Umgeni Water's performance was maintained at a high level during this reporting period. The outlook is positive. The position of strength that has been carefully maintained within the entity provides a stable base that can be leveraged by Umgeni Water to implement its strategy of enabled and innovative growth. In so doing, Umgeni Water will serve its customers and the people of KwaZulu-Natal in a more effective manner, while braving the challenges and taking the opportunities presented by a changing future and almost certain changing world of work.



Ms Nomalungelo Mkhize
Acting Chief Executive
25 February 2021



HOWICK WEST

6.1 Composition and Functioning of the Board

Board

In the reporting year, the Board that was appointed by the Executive Authority, exercised its accounting authority over the entity for the full year. The Board comprised 13

non-executive Board members and one Executive Board member, namely the Chief Executive. The Umgeni Water Board term ended in July 2020 and the Minister appointed an interim Board, effective from 1 August 2020. The interim Board comprises of eleven (11) non-executive Board members and one (1) Executive Board member, namely the Chief Executive.

The Chairperson of the Board and all other Board members, with the exception of the Chief Executive, are independent non-executive directors in the manner described in the King IV

“ALL BOARD MEMBERS EXECUTE THEIR LEGAL DUTIES IN A PROFESSIONAL MANNER, WITH INTEGRITY AND ENTERPRISE.



Umgeni Water has consistently **maintained water loss levels**

BELOW

5%

over the years.



Report on Corporate Governance (hereinafter referred to as “King IV”) to ensure the independence of the two positions and the clear definition of roles and responsibilities. All Board members execute their collective legal duty in a professional manner, with integrity and utmost good faith.

The Board is accountable for the leadership and control of Umgeni Water. Its responsibilities include the development, review and monitoring of strategic objectives, the approval of major capital expenditure, risk management and monitoring

of operational, and financial performance. The government of the Republic of South Africa, represented by the Minister and the Department of Water and Sanitation, is the sole Shareholder of Umgeni Water.

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

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

- > Audit Committee;
- > Capital Projects, Fixed Assets and Procurement Committee;
- > Human Resources and Remuneration Committee; and
- > Governance Committee.

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

Table 6.1 (a): Board and Committee Memberships, with effect from 1 July 2019 to 31 July 2020

Board Member	Gender	Audit	HR & REMCO	Capex	Governance
1. Ms. Z Mathenjwa ¹	F				✓
2. Prof. T Mthembu ^{2,4}	M			✓	✓
3. Mr. S Shabalala ³	M	✓			✓
4. Mr. W Mapena ⁵	M		✓		✓
5. Ms. N Chamane	F			✓	
6. Ms. L Ngcobo	F	✓			
7. Ms. B Zulu	F			✓	
8. Mr. V Reddy	M				
9. Ms. M Ndlovu	F	✓			
10. Mr. M Zakwe	M	✓			
11. Mr. S Badat	M		✓		
12. Mr. T Nkhahle	M				
13. Adv. S Chamane	M		✓		
14. Mr. T Hlongwa ⁶	M		✓	✓	

✓ Denotes Committee Member

¹ Board Chairperson

² Deputy Board Chairperson

³ Audit Committee Chairperson

⁴ CAPEX, Fixed Assets and Procurement Committee Chairperson

⁵ Human Resources and Remuneration Committee Chairperson

⁶ Former Chief Executive, resigned on 21 October 2020

⁷ Appointed Acting Chief Executive on 22 October 2020

Table 6.1 (b): Interim Board and Committee Memberships, with effect from 1 August 2020

Board Member	Gender	Audit	REMCO	Capex	Governance	Ethics
1. Mr. M Mzobe ¹	M				✓	
2. Mr. T Tselane ^{2,4}	M			✓	✓	
3. Ms. L Ngcobo ³	F	✓			✓	
4. Mr. M Ngubo ⁵	M	✓	✓		✓	
5. Mr. V Ndara	M	✓				
6. Mr. S James	M	✓		✓		
7. Mr. M Magigaba	M		✓			✓
8. Mr. B Dladla	M		✓			
9. Ms. P Ntombela	F	✓		✓		
10. Ms. U Mhlope	F		✓	✓		
11. Ms. S Getyeza	F		✓	✓		
12. Mr. T Hlongwa ⁶	M		✓	✓		
13. Ms. N Mkhize ⁷	F		✓	✓		

✓ Denotes Committee Member

¹ Board Chairperson

² Deputy Board Chairperson

³ Audit Committee Chairperson

⁴ CAPEX, Fixed Assets and Procurement Committee Chairperson

⁵ Human Resources and Remuneration Committee Chairperson

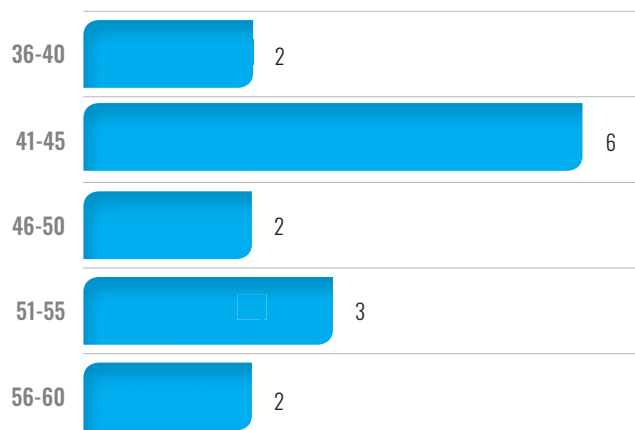
⁶ Former Chief Executive, resigned on 21 October 2020

⁷ Appointed Acting Chief Executive on 22 October 2020

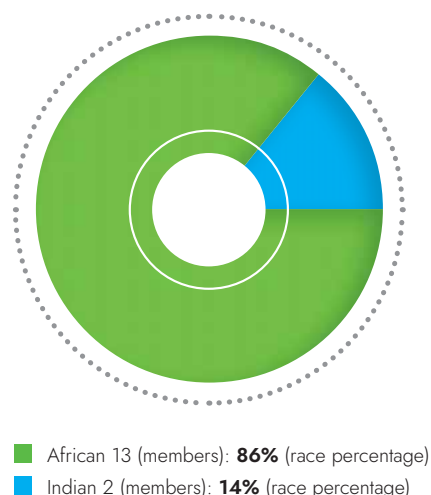
Figure 6.1: Board Member (a) Age, (b) Race and (c) Gender Profiles

(a) Board Member Age Profile

Age Range



(b) Board Member Race Profile



(c) Board Member Gender Profile



Male: **60%**
Female: **40%**

A Board Charter (reviewed in 2017) provides a framework for fiduciary duties, responsibilities and overall functioning of the Board. The Board Charter is read in conjunction with:

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

As recommended by King IV, the Board evaluates the performance of all divisions including the Finance Division. This was planned for twice in the reporting year.

The Members of the Board have skills that were put to good use in providing leadership, guidance and directing strategy in the year under review. Overall, the Board functioned at a strategic level and delivered outputs in line with its mandate.

Non-executive Board members receive remunerative benefits and fees as determined by the Minister on an annual basis and in line with their terms of appointment. Therefore, no Board member is involved in determining his/her own remuneration. Board Members' remuneration is fully disclosed in Umgeni Water's Annual Report. **(Page 109).**

Table 6.2: Board Meeting Attendance, with effect from 1 July 2019 to 30 June 2020

Board Member	Gender	Normal Meetings						Special Meetings		
		17-July-19	22-Oct-19	27-Nov-19	22-Jan-20	11-Mar-20	22-Apr-20	01-Nov-19	18-Mar-20	25-Mar-20
1. Ms. Z Mathenjwa ^{1,6}	F	√	√	√	√	√	√	√	√	√
2. Prof. T Mthembu ^{2,3}	M	√	√	√	√	≠	√	√	≠	√
3. Mr. S Shabalala ⁴	M	√	√	√	√	√	√	√	√	√
4. Mr. W Mapena ⁵	M	√	√	√	√	√	√	√	√	√
5. Ms. N Chamane	F	√	√	√	√	√	√	√	√	√
6. Ms. L Ngcobo	F	√	√	√	√	√	√	√	≠	√
7. Ms. B Zulu	F	√	√	√	√	√	√	√	√	√
8. Mr. V Reddy	M	√	√	√	√	≠	√	√	√	√
9. Ms. M Ndlovu	F	√	√	√	√	√	√	√	√	√
10. Mr. M Zakwe	M	√	√	≠	√	√	√	√	√	√
11. Mr. S Badat	M	√	√	√	√	√	√	≠	√	√
12. Mr. T Nkhahle	M	√	√	√	√	√	√	√	≠	√
13. Adv. S Chamane	M	≠	√	√	√	√	≠	√	√	√
14. Mr. T Hlongwa ⁷	M	√	√	√	√	√	√	√	≠	√
15. Ms. N Mkhize ⁸	F	–	–	–	–	–	–	–	–	–

√ Denotes Attendance

≠ Denotes absence with apology

– Denotes not a member

¹ Board Chairperson

² Deputy Board Chairperson

³ Capex, Fixed Assets and Procurement Committee Chairperson

⁴ Audit Committee Chairperson

⁵ Human Resources and Remuneration Committee Chairperson

⁶ Governance Committee Chairperson

⁷ Former Chief Executive, resigned on 21 October 2020

⁸ Appointed Acting Chief Executive on 22 October 2020

Board Committees

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

Audit Committee

This Committee comprises four non-executive directors and Mr Siboniso Shabalala serves as its chairperson, with other members of the Committee being Mrs Linda Ngcobo, Mr Mduduzi Zakwe and Mrs Mbali Ndlovu and had four meetings in the reporting year.

The Committee is mandated to achieve the highest level of financial management, accounting and reporting to the Shareholder and to meet the requirements prescribed in section 51(1)(a)(ii) and 76(4)(d) of the Public Finance Management Act (Act 29 of 1999), as well as Treasury Regulations, 2005 (Chapter 27.1). The Audit Committee further performs a critical function of risk management by ensuring the effectiveness, quality, integrity and reliability of Umgeni Water's risk management processes.

The terms of reference of the Audit Committee take into account the recommendations of King IV, the Companies Act (Act 71 of 2008), the Public Finance Management Act (Act 1 of 1999) as amended and Treasury Regulations (2005) to ensure alignment to best practice and legislation. The Committee has delegated overall oversight responsibility for audit, risk, ethics, ICT governance, combined assurance, legal and compliance portfolio and has to a limited extent delegated some functions to sub-structures of the organisation who are enjoined to report back to the Committee on the work delegated to them.

Table 6.3: Audit Committee Meeting Attendance 2019/20

Audit Committee Members	Gender	Normal Meetings			
		17-Oct-19	06-Nov-19	26-Feb-20	08-Apr-20
1. Mr. S Shabalala ¹	M	√	√	√	√
2. Ms. L Ngcobo	F	√	√	√	√
3. Ms. M Ndlovu	F	√	√	√	√
4. Mr. M Zakwe	M	√	√	√	√

√ Denotes Attendance
 ✗ Denotes absence with apology
¹ Audit Committee Chairperson

Ethics Committee

Umgeni Water has formally adopted best practice principles as contained in King IV with respect to ethics and fraud-prevention planning. This enables, among other aspects, greater accountability and transparency; an integrated approach to corporate governance in view of economic, social and environmental spheres, and a greater integration between the role and function of the Ethics Committee and other Board committees. An integrated approach incorporating financial, social and environmental ethics will ensure this continued sustainability.

The Board of Umgeni Water has special responsibilities for the stewardship of Umgeni Water’s Ethics Strategy. The Board acknowledges its responsibility to ensure that Umgeni Water is a fair, transparent and ethical entity and will continue to exercise oversight through its already fully functional Ethics Committee as prescribed in Section 29.1.1 of the Treasury Regulations in the PFMA, as well as in line with the requirements of section 72 (4) of the Companies Act (Act No 71 of 2008). In March 2020, the Board reviewed and approved its Code of Ethical Conduct and Pledge as a commitment to providing effective leadership based on an ethical foundation and in line with Umgeni Water’s core values for ethical behaviour as entrenched in the strategy. An integrated approach incorporating financial, social and environmental ethics will ensure this continued sustainability.

The Ethics Committee accounts to the Board through the Audit Committee and any high risk areas identified are managed and mitigated at that level. The Committee provides assurance to the Board that there are effective ethics management systems, institutional-wide prevention of fraud and corruption and ensures that complaints are effectively managed, appropriately followed-up and efficiently investigated. The Committee is satisfied that it has fulfilled all its statutory duties and duties

assigned to it by the Board, through the Audit Committee, in the reporting year.

The Ethics Committee has an Independent Chairperson, who is neither a member of management nor a member of the Board. In the reporting year, the Chairmanship of Mr S Shabalala ended.

The Board, through the Audit Committee, appointed Ms Precious Mvulane as the new Chairperson of the Ethics Committee. She is the Managing Director of GAD Consulting Services Inc. Ms Mvulane is a Chartered Accountant (SAICA) and a Registered Auditor (IRBA). She has over 18 years’ experience in different finance roles, i.e. auditor (internal and external) in both the private and public sectors.

Also, she has been involved with governance structures for the past 11 years and sits on various Boards as an Audit Committee Member. One of these boards is the IRBA (her own professional body) and IBASA.

Ethics performance is included in the scope of internal audit and reported on in the company’s Integrated Annual Report. Ethics is imbedded in Umgeni Water’s Group corporate culture as all policies, structures, systems and processes are in place to ensure that the various boards, employees and service providers are familiar with and adhere to the company’s ethical standards – whereby awareness is done to all staff at staff information sessions, supplier forms and induction sessions.

Umgeni Water has in place a Fraud Prevention Plan and a fraud implementation plan, which flag mitigating controls in high-risk areas. Management has adopted this approach by putting mechanisms in place, to manage the organisations vulnerability to fraud. These mechanisms are designed to prevent, deter and detect fraud.

The Ethics Committee met four times in the year to discharge its role and responsibility as prescribed by applicable legislation and included monitoring the entity's activities against legal or best practice requirements relating to:

- > Social and economic development, including, EE and BBBEE;
- > Good corporate citizenship, including promotion of equality, prevention of unfair discrimination, Corporate Social investment and reduction of corruption, sponsorship, media and advertising;
- > Environment, health and public safety, including, impact of the organisation's activities, products and services, biodiversity management, waste management, energy efficiency and carbon footprint reduction;
- > Consumer relationships, including advertising, public relations and consumer protection;
- > Labour and employment, including the organisation's standing with regard to the International Labour Organisation Protocol on decent work and working conditions, employment relationships and contribution towards education and development of its employees and disciplinary handling;
- > Financial ethics, including, irregular and wasteful and fruitless expenditure; and
- > Fraud and hotline call management.

In December 2019, Umgeni Water appointed a new Hotline Service Provider to manage its external whistle-blowing line, after the current contract with the service provider had ended. Umgeni Water uses its external whistle-blowing hotline service managed by an external service provider as a means of fraud detection and as a means of encouraging an ethical culture. This 24-hour, 365-day facility provides an anonymous and confidential communication channel for all stakeholders to report suspicions of fraud or unethical conduct.

All hotline calls are investigated and followed accordingly through using a hotline protocol that ensures that all calls received are dealt with in a transparent and consistent manner. Trends and information of the hotline calls are further used to improve internal controls. Umgeni Water tries to create and maintain awareness of this facility and ensures that the phone number is adequately advertised by means of posters, intranet, staff information and induction sessions, supplier forums and other means deemed effective and appropriate.

Internal Audit

Internal Audit is an independent assurance function, the purpose, authority and responsibility of which is formally defined in a charter approved by the Board in line with stipulations of the Institute of Internal Auditors. In line with the requirements of the Public Finance Management Act

(PFMA) and Good Governance, the internal auditors give the Audit Committee and management assurance on the appropriateness and effectiveness of internal controls.

The internal audit reports through the Office of the Chief Executive and reports regularly to the Audit Committee. The internal audit team have unrestricted access to the Committee chairperson as prescribed by best practice. In the reporting year, an Internal Audit Charter and planned activities were approved by the Committee and the work of internal audit was measured against these two documents in the main.

As at 30 June 2020, Umgeni Water had seven unresolved Internal Audit findings.

Compliance with Laws and Regulations

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

External Audit

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

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

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

Human Resources and Remuneration Committee

This Committee comprises five non-executive directors and the Chief Executive, while Mr William Mapena serves as its chairperson with other members of the Committee being Adv Simosenkosi Chamane, Mr Suleman Badat and Mr Visvin Reddy. The Committee reviews and recommends to the Board all matters relating to:

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

Table 6.4: Human Resource and Remuneration Committee Meeting Attendance 2019/20

Capex Members	Normal Meetings						Special Meetings		
	Gender	03-July-19	11-Sep-19	13-Nov-19	19-Feb-20	01-April-20	13-Dec-19	08-May-20	08-June-20
1. Mr. W Mapena ¹	M	√	√	√	√	√	√	√	√
2. Mr. V Reddy	M	√	√	√	√	√	√	√	√
3. Mr. S Badat	M	√	√	√	√	√	≠	√	√
4. Adv. S Chamane	M	√	√	√	≠	√	√	√	√
5. Mr. T Hlongwa ²	M	√	√	√	√	√	√	≠	√
6. Ms. N Mkhize ³	F	–	–	–	–	–	–	–	–

√ Denotes Attendance
 ≠ Denotes absence with apology
 – Denotes not a member

¹ Human Resources and Remuneration Committee Chairperson
² Former Chief Executive, resigned on 21 October 2020
³ Appointed Acting Chief Executive on 22 October 2020

Capital Projects, Fixed Assets and Procurement Committee

This Committee comprises four non-executive directors and the Chief Executive. Prof Thandwa Mthembu serves as its chairperson, other members of the Committee are Ms Nompumelelo Chamane, Ms Bongekile Zulu and Mr Teboho Nkhahle.

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

Table 6.5: Capital Projects, Fixed Assets and Procurement Committee Meeting Attendance 2019/20

Board Member	Normal Meetings						
	Gender	03-Jul-19	06-Sep-19	20-Nov-19	12-Feb-20	08-Apr-20	24-Jun-20
1. Prof. T Mthembu ¹	M	√	√	√	√	√	√
2. Ms. N Chamane	F	√	√	≠	√	√	√
3. Ms. B Zulu	F	√	√	√	√	√	√
4. Mr. T Nkhahle	M	√	√	√	√	√	√
5. Mr. T Hlongwa ²	M	√	√	√	√	√	≠
6. Ms. N Mkhize ³	F	–	–	–	–	–	–

√ Denotes Attendance
 ≠ Denotes absence with apology
 – Denotes not a member

¹ Human Resources and Remuneration Committee Chairperson
² Former Chief Executive, resigned on 21 October 2020
³ Appointed Acting Chief Executive on 22 October 2020

Governance Committee

The Governance Committee meets on an ad-hoc basis. The Committee is chaired by the Chairperson of the Board and comprises four non-executive Committee Chairs. As of 1 May 2019, the Governance Committee comprised the following Non-Executive Directors, namely Ms Z Mathenjwa, Mr S Shabalala, Prof T Mthembu and Mr W Mapena.

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

Table 6.6: Governance Committee Meeting Attendance 2019/20

Governance Committee Members	Gender	Normal Meetings				Special Board Meeting
		21 Oct 19	31 Oct 19	14 April 19	06 May 20	15 May 19
1. Ms. Z Mathenjwa ^{1, 5}	F	√	√	√	√	√
2. Prof. T Mthembu ^{2, 3}	M	√	√	√	√	≠
3. Mr. S Shabalala ⁴	M	√	√	√	√	√
4. Mr. W Mapena ⁵	M	√	√	√	√	√

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

³ Capex Committee Chairperson
⁴ Audit Committee Chairperson
⁵ Human Resources and Remuneration Committee Chairperson
⁶ Governance Committee Chairperson

Delegation of Authority

A comprehensive delegation of authority framework governs the authority levels for the Board and management. These are exercised through various board and management committees. The Board reviews the framework regularly.

Executive Committee

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

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

Company Secretariat

The Company Secretary oversees the portfolio of secretariat, governance advisory services and plays a critical role in legal and governance advisory to the board, risk and compliance management, and attends all Board and Committee meetings as the secretary.

The Board as a whole, as well as, individual Non-Executive Directors and members of the Executive have access to the Company Secretary, who is enjoined to provide guidance on how members should discharge their duties and responsibilities in the best interests of the entity.

The Company Secretary continues to oversee the preparation and co-ordination of the induction and on-going training of Board members and assists the Board and its Committees in formulating annual plans, agendas, minutes, and terms of reference as warranted.

The Company Secretary is responsible for the flow of information to the Board and its Committees and for ensuring compliance with Board procedures. All Board Members have access to the advice and services of the Company Secretary, whose appointment and removal are a Board matter.

The Company Secretary provides company secretary services to Umgeni Water and its subsidiary firms, is not a Director of the Company or any of its subsidiaries and accordingly maintains an independent and arm's length relationship with the Board and the Executives. Contact details of the Company Secretary appear on page 165.

King IV Disclosure

Below are the governance principles that King IV dictates well-governed organisations should comply with in order to maintain the highest levels of governance. Umgeni Water has, going forward, chosen to include this disclosure reporting in its compliance against each principle. The disclosure must be read together with other aspects of this report and the GRI index (page 264) provides reference page numbers on where each disclosure is located in the report:

King IV Principle	2019/2020 Disclosure
1. The governing body should lead ethically and effectively	The Board is the accounting authority on all issues relating to ethical and effective leadership, including codes of conducts and performance evaluations. The Board is accountable to the Executive Authority and accounts to Parliament for its performance which includes financial and non-financial matters.
2. The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture	The Board, through the Audit Committee provides oversight on ethics matters and ensures that periodic reports are received by the Board on the work of the Ethics Committee. The terms of reference of the Ethics Committee ensures that there is a system of monitoring and reporting ethics matters and that the work of the Committee is properly planned and focused on promoting and ethical culture across the organisation.
3. The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen	The Board had approved an enterprise development strategy and policy. These documents serve as the foundations of ensuring that the organisation puts systems in place to gear itself as a responsible corporate citizen. With these policies put to full implementation, the entity will become a visible caring organisation.
4. The governing body should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process	The board appreciates the expectations of its stakeholders and its benevolent intent through its strategies indicates the board's awareness that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.
5. The governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance, and its short, medium and long-term prospects	The Board encourages management to be transparent in all its endeavours. All key documents are publicised on the organisation's website or other platforms, for access by stakeholders: <ul style="list-style-type: none"> > corporate governance disclosures; > integrated reports; > annual financial statements; > other external reports. Media statements are released periodically to address areas of concern from stakeholders and there is continuous engagements with the media.
6. The governing body should serve as the focal point and custodian of corporate governance in the organisation	The board's annual reports contain full disclosures on the status of corporate governance matters affecting the organisation, which include the members of the board, their expertise, number of meetings held during reporting period and attendance, whether the board is satisfied that it has fulfilled its responsibilities in accordance with its Charter and applicable Codes and legislation.
7. The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively	The annual report discloses: <ul style="list-style-type: none"> > the board's comfort that its composition reflects the appropriate mix of knowledge, skills, experience, diversity and independence > Categorisation of its members as either executive / independent non-executive > Qualifications and experience of members and executives > Period of service > Age > Other professional positions held

King IV Disclosure ...continued

King IV Principle	2019/2020 Disclosure
<p>8. The governing body should ensure that its arrangements for delegation within its own structures promote independent judgement, and assist with balance of power and the effective discharge of its duties</p>	<p>The Board operates in accordance with a Board Charter.</p> <p>All Committees of the Board operate in accordance with delegations given to each Committee by the Board with clear roles and responsibilities/functions</p> <p>The annual report discloses:</p> <ul style="list-style-type: none"> Composition, qualifications and experience of members; Number of meetings held and attendance Whether the board / committee is satisfied that it has fulfilled its responsibilities Statement as to whether audit committee is satisfied that the external auditor is independent, specifically addressing: <ul style="list-style-type: none"> > the policy/controls and nature and extent of non-audit services rendered > tenure of external audit firm > rotation of designated external audit partner > significant changes in the management of the organisation during external audit firm's tenure <p>Significant matters considered in relation to the annual financial statements, and how these were addressed</p> <p>Views on quality of the external audit</p> <p>Views on effectiveness of the chief audit executive and arrangements for internal audit</p> <p>Views on effectiveness of design and implementation of internal financial controls</p> <p>Views on effectiveness of CFO and finance function</p> <p>Arrangements in place for combined assurance and views on its effectiveness</p>
<p>9. The governing body should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members, support continued improvement in its performance and effectiveness</p>	<p>The Board has over the years relied on formal self-assessment process as one of the tools to assess board / committee effectiveness. Over time this method will be reviewed and benchmarked against peers.</p> <p>An annual self-evaluation / performance report is submitted to the executive authority highlighting key issues identified during the evaluation.</p>
<p>10. The governing body should ensure that the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities</p>	<p>The organisation has in place a clearly defined delegation of authority framework that contributes to role clarity and effective exercise of authority.</p>
<p>11. The governing body should govern risk in a way that supports the organisation in setting and achieving its strategic objectives</p>	<p>The risk identification and management process is firmly entrenched in the organisation's business processes and the Board exercises the appropriate platform for this and gives enough space to management to manage risks and report periodically to the Board, through the Audit Committee, on risk related matters.</p>
<p>12. The governing body should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives</p>	<p>The audit committee is charged with the responsibility of assisting the board to conduct appropriate oversight on matters related to ICT.</p> <p>Management is required to provide periodic reports on ICT governance, put actions taken to monitor effectiveness of technology and information and provide plans that are meant to enhance ICT systems for future focus.</p>
<p>13. The governing body should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen</p>	<p>The Board is accountable for ensuring organisation-wide compliance. Overview of arrangements for governing and managing compliance and the annual report addresses how the board seeks to ensure compliance in all layers of the organisation.</p>
<p>14. The governing body should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term.</p>	<p>The annual report fully discloses remuneration of Board members and Executives in detail and provides the basis for remuneration strategies.</p>
<p>15. The governing body should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the organisation's external reports</p>	<p>Assurance of external reports</p> <p>The annual report fully discloses assurance processes applied, in addition to the independent, external audit opinions, including:</p> <ul style="list-style-type: none"> > brief description of nature and scope of assurance functions, and services and processes underlying preparation of report > statement by governing body on integrity of report and basis of this statement
<p>16. In the execution of its governance roles and responsibilities, the governing body should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time</p>	<p>The annual report fully discloses the organisation's benevolent intention in relation to transparency and how stakeholders are kept abreast of all developments regarding the organisation. In the reporting year, stakeholders have been kept abreast of key matters / developments regarding the entity through various mediums of communication.</p>

Board Members



MR. MAGASELA MZOBE
CHAIRPERSON

BA in Politics, Philosophy and Public Administration (University of KwaZulu-Natal); Public Relations Course (University of South Africa).

Appointed as Interim Board Member and Chairperson in August 2020.

Designation: Chairperson of the Board.

Umgeni Water Interim Board member from August 2020. Extensive local government and public sector experience. He has served at various government and municipal level. He was a special advisor to the Ministry of State Security 2015-2019.



MR. THABO JOHANNES TSELANE
DEPUTY CHAIRPERSON

MSc in Applied Nuclear Physics (University of the Western Cape); BSc (Hon. Physics) (North-West University); Senior Management Programme (University of Pretoria); Environmental Law (Global Executive Development Programme: GIBS).

Appointed as Interim Board Member in August 2020.

Designation: Deputy Chairperson of the Board.

Group Chief Technology Officer at South African Nuclear Energy Corporation (Necsa), Board of Director at NTP Radioisotopes SOC Ltd and Interim CEO of NNR.



MS. LINDA NGCOBO

Post Graduate Diploma in Accounting (University of KwaZulu-Natal); BCom Degree (University of Zululand).

Appointed as Interim Board Member in August 2020

A Managing Director of 1ST Verification Networx, a Durban based BEE verification Agency.

Prior to occupying this position, she has held various positions in the accounting field in both Private and Public sector.



MR. BOY MANQOBA NGUBO

PhD Candidate (University of Zululand); MBA (Oxford Business School, UK); BA Accounting Science (University of Free State).

Appointed as Interim Board Member in August 2020.

Chairman of the Audit and Risk Committee and Non-Executive Board Member of JSE Listed company, PSV Holdings Ltd. A Senior Financial Management and Business Innovation lecturer at the Da Vinci Institute. Prior to this appointment, a Board Member at PetroSA SOC Ltd.

Board Members ...continued



MR. VUYANI NDARA

MBA (Regent Business School); Master Degree in Forensic Investigation (University of South Africa); Certificate in Monitoring and Evaluation (Rhodes University); B Tech Business Administration (Walter Sisulu University); B Tech Degree in Policing (University of South Africa).

Appointed as Interim Board Member in August 2020.

Manager of the office of the SAPS Crime Intelligence. Experience in Project Management, Financial Management, Forensic Auditing and Investigation, Business Ethics, Corporate Governance, Strategic and Change management, Business leadership and Public Sector Management.



MR. SYDNEY JAMES

MBA (MANCOSA); HDip Business Management (Damelin); Financial Management (University of South Africa).

Appointed as Interim Board Member in August 2020.

Associate Member of Institute of Risk Management SA.

Tax Technician under South African Institute of Tax Professionals
Managing Director of Nadre Risk Management. Extensive Management experience in the Financial Services Industry which range from Finance, Insurance and Risk Management.

Previous Chairman of the Audit and Risk Committee for Metropolitan Trading Company.



ADV. MLAMLI THEMBINKOSI MAGIGABA

B Juris (1993) and LLB (1995).

Appointed as Interim Board Member in August 2020.

He is a practising advocate with 22 years of experience as an attorney.



MR. BHEKI DLADLA

MBA (UKZN), Honours in Human Resources Development (UKZN), Honours in Policy and Development Studies (UKZN), Post Graduate Diploma in Mining Engineering (Wits University) and Public Policy Certificate (Woodrow Wilson Foundation).

Appointed as Interim Board Member in August 2020.

Worked mainly in the Public Sector in various capacities. He has a lot of governance experience serving as Chairman of the Charles James Hospital Board, Domestic Air Licensing Council, Chair of Amajuba District Audit and Performance Audit Committee (2014-2016).



MS. PRETTY NTOMBELA

3 yrs Diploma in Business Management (Oval); Diploma in Purchasing and Supply Management (Accredited by Independent Parliamentary Standards Authority, UK); Business Risk Management (University of Cape Town); MBA student (Mancosa).

Appointed as Interim Board Member in August 2020.

Specialising in Global Supply Chain Management, Business Development and Global SQM Audits.

Held various Senior Management and Executive positions at; Transnet Rail Engineering (DBN), National Ports Authority (ELS), Deputy Director Strategic Sourcing Department of National Treasury (PTA), SCM Manager Amatola Water (ELS), Chief Procurement officer (CPO) Schneider Electric looking after Africa Zone and International SQM audits, Business Development Executive MYG, CPO at AEMFC.



MS. UNATHI MHLOPE

Bcom in Business Management and Economics (Rhodes University); NLAP UCT; Key Account Management (GIBS Business School).

Appointed as Interim Board Member in August 2020.

A seasoned Marketing and Sales Professional currently in the Technology and Mining industries. A Senior Executive heading up the Customer Success Division at Rocketmine SA – Africa's Premier Drone Data Specialist. In her experience she has developed, and demonstrated strong commercial knowledge, the ability to lead in challenging situations and delivering consistent results. Her areas of expertise include Brand Strategy, Innovation, Leadership and CSI. She is passionate about youth development, especially from and is a Managing Director and Founder of Beyond Matric Career conversations, a registered non-profit company that specializes in giving the youth a platform to engage the private sector, government, mentors, and institutions of higher learning on careers.



MS. SINDISIWE FORTUNATE GETYEZA

National Diploma: Civil Engineering (Eastern Cape Technikon).

Appointed as Interim Board Member in August 2020.

A professional Civil Engineer. She is currently an Area Manager: Operations and Maintenance (Umzimkhulu Local Municipality) at Harry Gwala District Municipality. She has 15 years of experience working in the Local Government under Water Services Department. Her experience also includes Project Management of Water and Sanitation. She is a member of the Water Conservation and Demand Management Forum of KZN.

6.1 Functions and Management Structure

In the reporting year, Umgeni Water (Group) had the following structure in response to its strategy. The core functions pertaining to each is articulated in the strategic statements that follow. Water Services SOC Ltd. The latter holds an 18.5% investment in Durban Water Recycling (Pty) Ltd.





UMZINTO WTW

EXCO MEMBERS



MRS. NOMALUNGELO MKHIZE
ACTING CHIEF EXECUTIVE

Chartered Accountant (SA); BCom Honours.

Appointed as Acting Chief Executive in October 2020

Has held various roles including Audit Manager in one of the big four (4) audit firms (Deloitte), Commercial Manager for a packaging company (Nampak), Group Assistant Finance Manager for a listed company in the agricultural sector (Crookes Brothers Limited), and various senior management positions in consulting firms, the latest being an Executive for Product Development (Bonakude Consulting) and Director (Morar Incorporated).



MS. KAJAL SINGH
ACTING CHIEF FINANCIAL OFFICER

Chartered Accountant (SA); BCom Honours.

Appointed as Acting Chief Financial Officer in November 2020

Employed at Umgeni Water as the Manager: Treasury from 2005 to 2014 and as Manager: Treasury & Financial Planning since 2014 to date. Responsible for overseeing the Treasury Management, Financial Planning and Project Accounting departments within the Finance division in the organisation. Responsible for the Pricing of Water Services as well as the financial plan in support of the organisations Corporate Plan. Fulfilled the Acting CFO role at Umgeni Water between October 2011 and March 2012. Chairperson of the Finance Committee and member of the Board of Trustees of SaveAct Trust an NPO based in Pietermaritzburg.



MS. NOSIPHO NONTOKOZI MAKHUBU
CHIEF AUDIT EXECUTIVE

Certified Internal Auditor (CIA); Associate General Accountant (AGA); BCom Accounting; Post Graduate Diploma in Accounting Sciences & Post Graduate Diploma in Internal Auditing.

Appointed as Chief Audit Executive in 1 February 2021

Former Chief Financial Officer at Okhahlamba Local Municipality, Chief Audit Executive & Manager Audit, Risk & Compliance UThukela District Municipality from 2013 to 2019. Her experience also includes private sector audit & consulting roles with Lee Oosthuizen & Smith Inc. from 2008 to 2013. She has also served on a number of governance roles which includes being a member of the Audit & Performance Audit Committee at Emadlangeni Municipality, Audit & Risk Committee at Gert Sibande TVET college and as a Board Member for the KZN Department of health (Dannhauser CHC).



MR. SANDILE BONGA DUBE
EXECUTIVE - OPERATIONS

Professional Engineering Technologist (ECSA); Professional Project Manager (SACPCMP); Master of Science degree in Engineering (Wits), a Bachelor of Technology Degree: Civil Engineering (DUT), National Diploma: Civil Engineering (DUT), PhD candidate (Wits).

Appointed as Executive - Operations in February 2021.

Former Chief Engineer – MISA. Has over 20 years' experience within the Civil Engineering field. In his career he has been directly involved in contract supervision, civil and structural designs, contract administration and management duties of rural and urban roads, railways, water & sanitation, structures, buildings and electricity & mechanical in KwaZulu-Natal, Gauteng, Eastern Cape, Northern Cape, Mpumalanga, Free State, North West and Limpopo Province (SA).



DR. SIPHO MANANA
EXECUTIVE - CORPORATE SERVICES

PhD in Development Management; MBA; BA (Honours) in Human Resources Development; BSc.

Appointed as Executive - Corporate Services in June 2019.

Has over thirty (30) years' experience in the Public Sector, in various senior positions, the last being the Acting Director-General for the National School of Government.



MR. SIBUSISO MJWARA
EXECUTIVE - INFRASTRUCTURE DEVELOPMENT

National Diploma (Civil Engineering); Professional Engineering Technologist (ECSA); Project Management Programme; Certificates in Municipal Finance Management and Labour Intensive Construction.

Appointed as Executive - Infrastructure Development in November 2018.

Executive Member and Past KZN Branch Chairman of the Institute of Municipal Engineering of Southern Africa (IMESA). ECSA Moderator/Assessor/Interviewer. Senior Contracts Engineer at Royal Haskoning DHV from 2017 to 2018. Senior Manager: Construction at eThekweni Water & Sanitation from 2016 to 2017. Divisional Head: Water & Sanitation Infrastructure Planning & Development at UMDM from 2006 to 2016. Project Management Unit Manager, Municipal Infrastructure Grant at UMDM from 2004 to 2006. Chief Civil/Structural Technician at Emzansi Consulting Engineers from 2002 to 2004. Civil Engineering Technician at BCP Engineers from 1998 to 2002.



MRS. MANU PILLAY
EXECUTIVE - SCIENTIFIC SERVICES

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

Appointed as Executive - Scientific Services in December 2018.

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



MR. SBUSISO MADONSELA
COMPANY SECRETARY

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

Appointed as Company Secretary in January 2014.

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

He is the current Principal Officer of Umgeni Water Provided Fund.

7.0 STAKEHOLDER UNDERSTANDING AND SUPPORT



UMGENI WATER STAKEHOLDERS

STATUTORY:

- > Minister of Human Settlements, Water and Sanitation (Executive Authority)
- > Department of Water and Sanitation (DWS), including Director-General (DG) and Deputy Director-Generals (DDGs)
- > Portfolio Committee on Human Settlements, Water and Sanitation via Executive Authority
- > National Treasury via Executive Authority

STRATEGIC STAKEHOLDERS:

- > Provincial Stakeholders, including, Office of the Premier, KZN CoGTA, KZN Planning Commission
- > Mhlathuze Water
- > SALGA and SAAWU
- > Human Rights Commission
- > Water sector institutions and professional organisations, including IMESA

CONTRACTED:

- > Customers (WSAs)
- > Union
- > Staff
- > Suppliers
- > Investors

NON-CONTRACTED:

- > Communities
- > Environment
- > Media
- > Academia
- > Other Partners/Collaborators

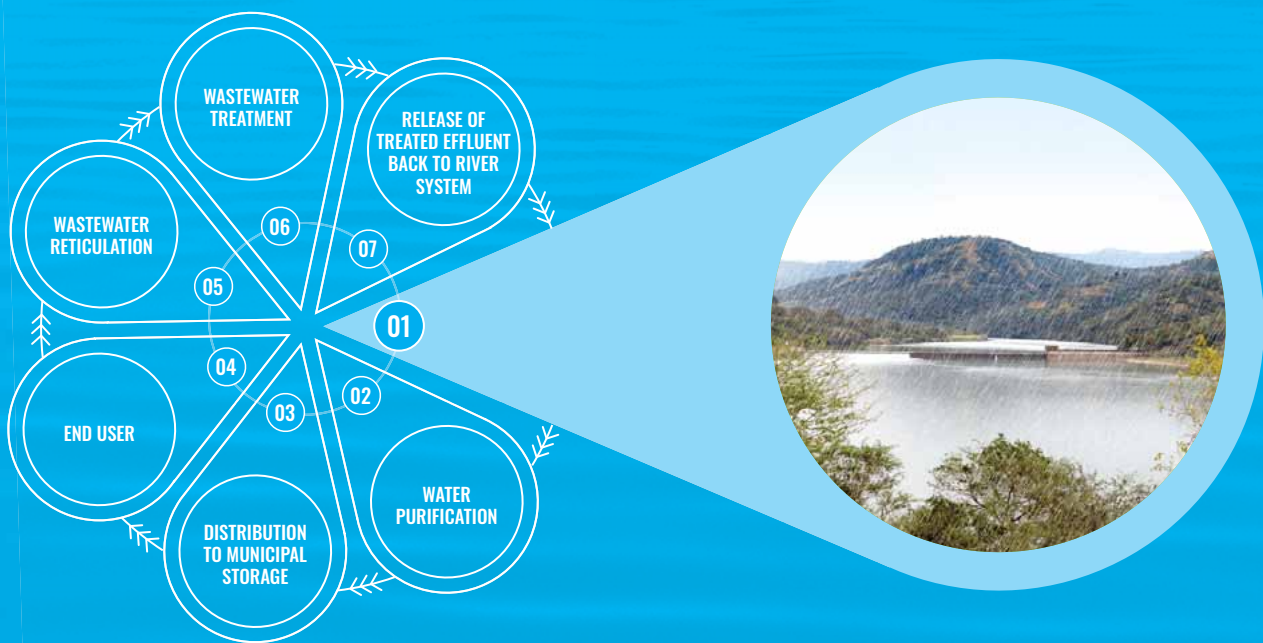
“UMGENI WATER ENGAGED WITH ALL TARGETED STAKEHOLDERS IN THE YEAR UNDER REVIEW AND OVERALL, RECEIVED POSITIVE AND CONSTRUCTIVE FEEDBACK, WHICH ASSISTS IN DEVELOPING FUTURE STRATEGIES, PLANS AND PROGRAMMES.



WATER & WASTEWATER TREATMENT PROCESS

01. SOURCE

506 Million Cubic Metres of Raw Water Abstracted from 18 abstraction systems and dams.



Stakeholder Interaction and Engagements

One of the key Strategic Objectives of Umgeni Water is to increase customer and stakeholder value and to this end, customer and stakeholder interaction is a vital component. Consequently, Umgeni Water leadership, management and officials engage with stakeholders that are impacted on, affected by or may have an interest in the mandate and core functions of the organisation. Stakeholders have been categorised into four, namely Statutory, Strategic, Contracted and Non-Contracted. Engagements with them take place as a mandatory legislative requirement as part of contractual obligations and on a voluntary basis. These engagements are both scheduled and unscheduled.

Umgeni Water engaged with all targeted stakeholders in the year under review and overall, received positive and constructive feedback, which assists in developing future strategies, plans and programmes.

Engagements with the Minister of Human Settlements, Water and Sanitation, the Director-General of the Department of Water and Sanitation (DWS), representatives of the National Treasury and the South African Local Government Association (SALGA) were held. This included formal appraisal of strategy, corporate plan implementation and performance indicators as per Shareholder Compact, as well as during Ministerial forums.

All statutory documents for the reporting year were submitted as per deadlines.

Some engagements related to bulk potable water and future year tariff charges and were held with the Ministry of Human Settlements, Water and Sanitation, customers, SALGA and the Trans-Caledon Tunnel Authority.

Umgeni Water also had an opportunity to engage with the Provincial Government of KwaZulu-Natal on the Universal Access Plan for water services provision to the residents of KwaZulu-Natal, water resources and Umgeni Water's Five-Year Infrastructure Development Programme.

Media coverage of the organisation, in print, broadcast and online was positive, neutral and negative reports. Media coverage of Umgeni Water is monitored by an independent company and evaluation of media coverage is based on reports supplied quarterly by this company.

A large number of customer engagements took place, including strategic and operational engagements. Engagements with Umgeni Water's customers focused on performance with

respect to bulk supply agreements, service delivery needs, infrastructure plans, status of water resources and water conservation. Events that were either hosted by Umgeni Water or in which the entity participated were:

- > Presentation of Umgeni Water's Annual Performance to stakeholders, including the media;
- > Presentation of the Capex Programme and explanation of the workings of Enterprise Development to marginalised groups;
- > A series of water summits that was convened by iLembe District Municipality;
- > Various intergovernmental platforms.

Umgeni Water is aware of the importance of maintaining a healthy internal pulse and created opportunities in the year for engagement with employees and employee union (NEHAWU). This included a staff information session, visits to sites, meetings with organised labour, annual staff awards session, commemoration of special days in the year, Sport Fun Days, induction of new employees and communiqués designed to inform employees of events and Ministerial announcements and speeches.

Table 7.1: Umgeni Water Stakeholders, Basis for Engagement and Value Proposition

Umgeni Water Stakeholders, Basis for Engagement and Value Proposition	
Statutory Stakeholders	
Stakeholders who have a regulatory or oversight function over Umgeni Water, among them the Minister of Water and Sanitation (now Human Settlements, Water and Sanitation), the Department of Water and Sanitation, the Portfolio Committee on Water and Sanitation (now Human Settlements, Water and Sanitation) and National Treasury. Umgeni Water, a State-owned entity, is required to interact with these stakeholders on a formal and regular basis to ensure that statutory obligations are met and there is alignment with the Government's objectives, strategies and plans.	
<ul style="list-style-type: none"> > Minister of Human Settlements, Water and Sanitation > Portfolio Committee on Human Settlements, Water and Sanitation 	<ul style="list-style-type: none"> > Department of Water and Sanitation > National Treasury
<p>Basis for engagement: delivery on mandate, compliant with Water Services Act, Public Finance Management Act and other pertinent legislation and regulations, delivering strategy and plans aligned to the Government outcomes and Executive Authority expectations, demonstrating adequate water resource planning mobilisation, investing in water infrastructure, ensuring efficient water use and conservation and water quality management, demonstrating a well-governed and efficiently run entity, ensuring performance in line with financial and predetermined objectives and plans to deliver sustainability, a partner that shows alignment with water sector communication strategies and plans, and a leader that contributes to establishing synergies in value chain and the water sector.</p>	
<p>Umgeni Water and the National Government both desire: A high-performing, well-governed State-owned enterprise that mobilises resources in an equitable and cost-effective manner to advance key national objectives.</p>	

Table 7.1: Umgeni Water Stakeholders, Basis for Engagement and Value Proposition ...continued

Umgeni Water Stakeholders, Basis for Engagement and Value Proposition	
Strategic Stakeholders	
Provincial and some national stakeholders to whom Umgeni Water provides information relating to organisational performance, water resource status, capital infrastructure plans, solutions to prolonged bulk water supply interruptions and expertise available to assist vulnerable water boards and municipalities.	
<ul style="list-style-type: none"> > KwaZulu-Natal (KZN) Provincial Stakeholders, including, Office of the Premier, KZN CoGTA, KZN Planning Commission > South African Local Government Association (SALGA) > South African Association of Water Utilities (SAAWU) > South African Human Rights Commission 	<ul style="list-style-type: none"> > Mhlathuze Water > uThukela Water (Pty) Ltd > Water Sector Institutions > Professional organisations representing sector employees
Basis for engagement: structured implementation plan to enhance assurance of supply and extend water services to previously unserved communities, affordable tariff, water resource adequacy and sustainability as a catalyst for economic expansion, delivery on mandate and alignment to policy and National and Provincial Development Plans, partner in service delivery, accelerated service delivery, corporate governance, benchmarking and strategic information exchanges, collaboration in major events and celebrations and proactive measures to mitigate effects of prolonged water shortages and supply interruptions.	
Umgeni Water, KZN Province and other Strategic Stakeholders desire: sound water services delivery partnerships, affordable services, role in ensuring regional economic growth and development and exchange of strategic information.	
Umgeni Water, sector institutions and professional organisations desire: sound water services delivery partnerships, information exchange, partnerships to enhance knowledge and service delivery and collaboration in projects	
Basis for engagement: information exchange and knowledge management, collaboration in water research and development, support for water centres of excellence, student internships and experiential training and exposure, study tours and site visits, collaboration in major events, such as National Water Week, and participation in international exhibitions, specifically in Africa, knowledge management, networking and responding to bilateral agreements between South Africa and other African countries and continental water utilities.	
Umgeni Water and water sector-related institutions desire: a partner and sector collaborator that contributes to knowledge and skills development for the country, province and region.	
Contracted Stakeholders	
Stakeholders with whom Umgeni Water has contracted to provide or purchase products, services and goods. They include customers, suppliers and investors and, in the case of employees and organised labour, provision of employment and accompanying service benefits.	
Water Service Authorities in KwaZulu-Natal with whom Umgeni Water has bulk supply agreements comprise:	
<ul style="list-style-type: none"> > eThekweni Metropolitan Municipality > Msunduzi Municipality > uMgungundlovu District Municipality > iLembe District Municipality 	<ul style="list-style-type: none"> > Ugu District Municipality > Harry Gwala District Municipality > uThukela District Municipality
Basis for engagement: service agreements, assurance of supply, quality and quantity, care and support, responsive to needs, tariff consultation, partnerships in socio-development initiatives and partnerships in CSI initiatives.	
Umgeni Water and WSA customers both desire: a high-performing, efficient, effective and responsive Water Services Provider.	
<ul style="list-style-type: none"> > Employees of Umgeni Water 	<ul style="list-style-type: none"> > National Education, Health and Allied Workers' Union (NEHAWU)
Basis for engagement: compliance with collective agreement, demonstrating relevance as an organisation that adds value to the sector, regular feedback and communication regarding sector issues and organisational performance, regular information sharing and feedback on entity events planned and held, equitable jobs, fair labour practice, good working conditions, enabling work environment and communication, fair market-related compensation and service conditions, sound performance management and recognition system and engaged employees, productivity, delivery and return on investment.	
Umgeni Water management, union and staff all desire: an equitable company, whose policies, practices, systems and feedback create motivated, engaged and aligned employees.	
<ul style="list-style-type: none"> > Suppliers and Service Providers 	<ul style="list-style-type: none"> > Investors and other Financial Institutions
Basis for engagement: compliance with legislation for fair and equitable procurement, supplier development, transparency, business opportunities, integrity, fair treatment, fair pricing, fair payment terms, partnerships in BBBEE and capacity building towards more inclusive economic participation and Corporate Social Investment (CSI), environmental management and supplier footprint reduction – water, energy and materials.	
Umgeni Water and suppliers desire: an equitable company, whose policies, practices, systems and feedback create responsive and high-performing suppliers that deliver against contractual agreements.	

Table 7.1: Umgeni Water Stakeholders, Basis for Engagement and Value Proposition ...continued

Umgeni Water Stakeholders, Basis for Engagement and Value Proposition

Non-contracted Stakeholders

Stakeholders to whom Umgeni Water demonstrates its value as a socially-responsible, efficient and high-performing entity.

> Community and Civil Society Institutions and Formations

Basis for engagement: Umgeni Water's demonstration of conservation and responsible use of resources, provision of clean and safe environment, exercising of responsible corporate citizenship, demonstration of transparency in corporate governance, job creation and provision of information and opportunities. In turn, Umgeni Water requires endorsement of social licence to operate, recognition for creating value, respect for property and collaboration in protecting remotely situated water assets.

Umgeni Water and communities/civil society desire: a sustainable entity that adds value to society through sound balance of economic growth, social development and environmental sustainability.

> Chambers of Commerce, Business and Industry

Basis for engagement: Umgeni Water's provision of assurance of supply, quality and quantity, information on tariff, demonstration of responsible corporate citizenship and information sharing on infrastructure development projects. In turn, Umgeni Water encourages recognition for creating value, pollution prevention and safeguarding of water supply resources.

Umgeni Water and business desire: a sustainable entity that adds value to society through sound balance of economic growth, social development and environmental sustainability.

> Media and general public

Basis for engagement: access to information, demonstrating accountability, transparency and good governance. In turn, Umgeni Water expects accurate and balanced reporting and media integrity.

Umgeni Water and media/public desire: a sustainable entity that adds value to society.

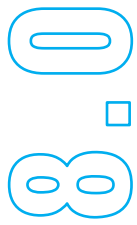
> South African Weather Service

Basis for engagement: access to information, demonstrating accountability, transparency and good governance. In turn, Umgeni Water expects regular information provision to guide its water resources planning

Umgeni Water and the South African Weather Service desire: transparency and regular sharing of information



MPOPHOMENI WWTW



ANNUAL PERFORMANCE REPORT 2019/20



Umgeni Water implements its strategy through a balanced scorecard. For the past year, this comprised five *Balanced Perspectives*, five *Strategic Goals*, seven *Strategic Objectives* and 24 *Performance Objectives*.

The Performance Objectives are further made up of 57 total annual measurable Result Indicators, for which responsibilities and accountabilities were agreed and targets approved within the entity at the start of the year. These Result Indicators include all statutory indicators specifically targeted by the Executive Authority and approved through the Shareholder Compact.

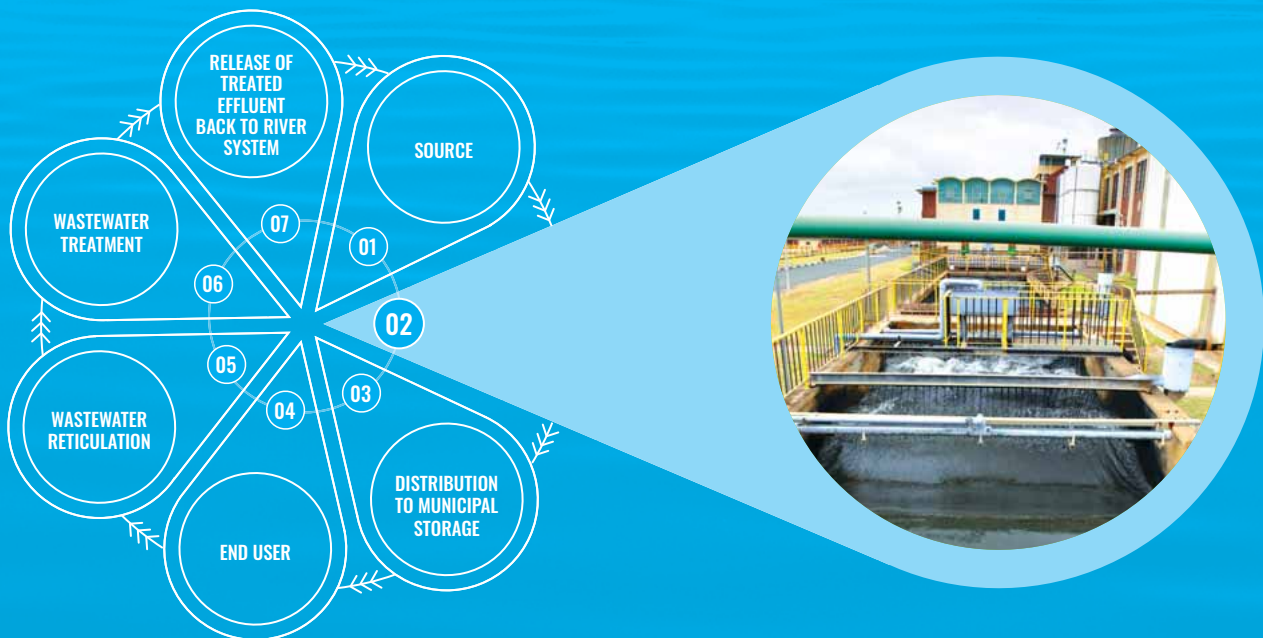
“UMGENI WATER HAS ACHIEVED EXCELLENT PERFORMANCE FOR THE YEAR CONTINUING ITS POSITIVE PERFORMANCE TREND OVER THE YEARS. THIS IS ILLUSTRATIVE OF AN ENTITY THAT HAS DELIVERED WELL AGAINST ITS MISSION AND MANDATE TO PROVIDE INNOVATIVE, SUSTAINABLE, EFFECTIVE AND AFFORDABLE BULK WATER AND SANITATION SERVICES.



WATER & WASTEWATER TREATMENT PROCESS

02. WATER PURIFICATION

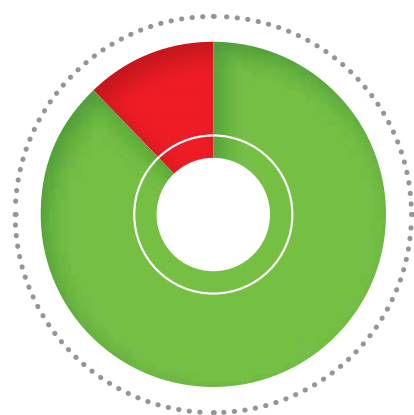
509 million cubic metres (1 395 Ml/d) of bulk potable water treated at 20 WTWs. Water is scientifically treated through various processes.



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

For the period 1 July 2019 to 30 June 2020, the planned initiatives were implemented and progress assessed by the entity. The detailed scorecard follows. Performance against the strategy is also illustrated graphically in **Figures 8.1 to 8.4.**

Figure 8.1: Overall Performance



■ Performance
■ Variance

Percent targets met: 88%

Percent targets not met: 12%

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

For the **Organisational efficiency and effectiveness** perspective and **Strategic Goal 1:** Provide reliable, responsive and affordable services and expand infrastructure to increase access, whilst ensuring stable water resources to meet current and future needs, **92% performance was achieved, for which:**

- > SO 1 – Improve supply security and service delivery, 99%;
- > SO 2 – Increase bulk infrastructure access, 75%.

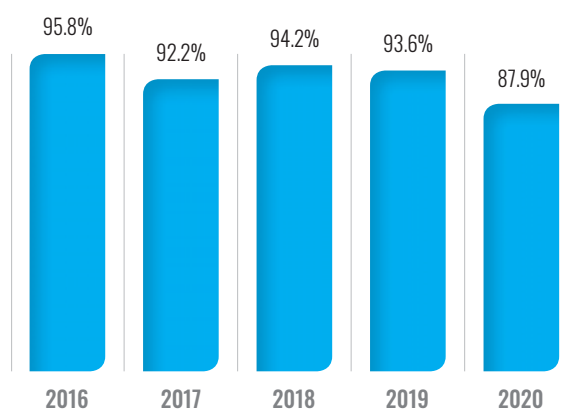
Key outcomes: *Product Quality, Water Resources Adequacy, Customer Satisfaction, Stakeholder Understanding and Support, Community and Environmental Sustainability, Infrastructure stability, Operational Optimisation.*

For the **Customer/Stakeholder Interaction** perspective and **Strategic Goal 2:** Develop strategic partnerships, increase support to customers, improve visibility and be a regional leader in the provision of bulk water and sanitation services, **performance achieved was 100%, for which:**

- > SO 3 – Increase customer and stakeholder value 100%;

Key outcome: *Stakeholder Understanding and Support, Customer Satisfaction Community and Environmental Sustainability.*

Figure 8.2: Umgeni Water Annual Performance Trend



For the **Financial performance** and **Strategic Goal 3:** Ensure sufficient operating cash flows; manage key cost drivers and leverage debt and asset to provide for future expansion, while supporting socio-economic development, **performance achieved was 84%.**

- > SO 4 – Improve financial systems and key financial ratios, 89%.
- > SO 5 – Improve financial sustainability and enhance socio-economic development, 76%.

Key outcomes: *Financial Viability, Infrastructure Stability, Community Sustainability.*

For the **General performance (risk audit and governance)** Perspective and **Strategic Goal 4:** Ensure a well-governed and resilient entity that innovates, educates and supports community development and contributes to environmental sustainability, **86% performance was achieved, for which:**

- > SO 6 – Improve governance, risk and compliance systems 86%;

Key outcomes: *Operational Resilience, Community and Environmental Sustainability.*

For the **Organisational capacity** and **Strategic Goal 5:** Strengthen and develop quality human resources and ensure a participatory, collaborative organisation dedicated to continual learning and improvement, **performance achieved was 88%.**

- > SO 7 – Increase skills and competency, 88%.

Key outcomes: *Leadership and Employee Development.*

Figure 8.3: Performance per Strategic Goal

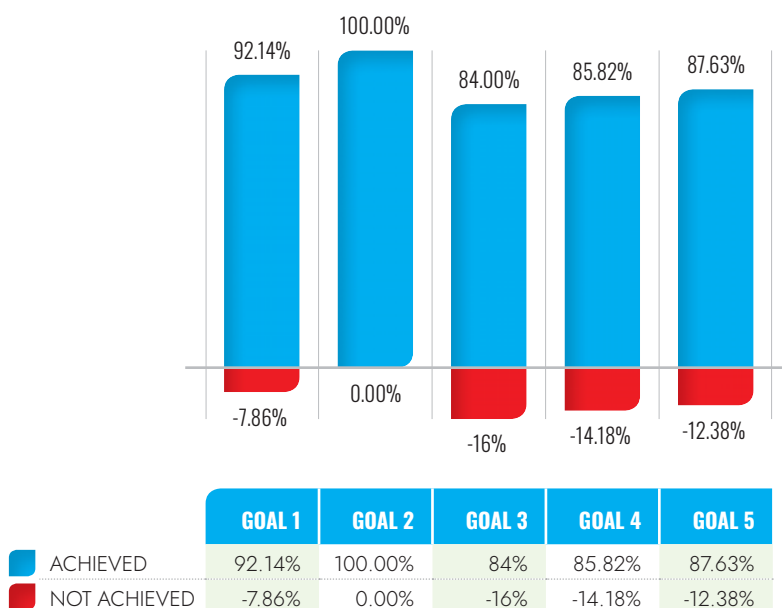
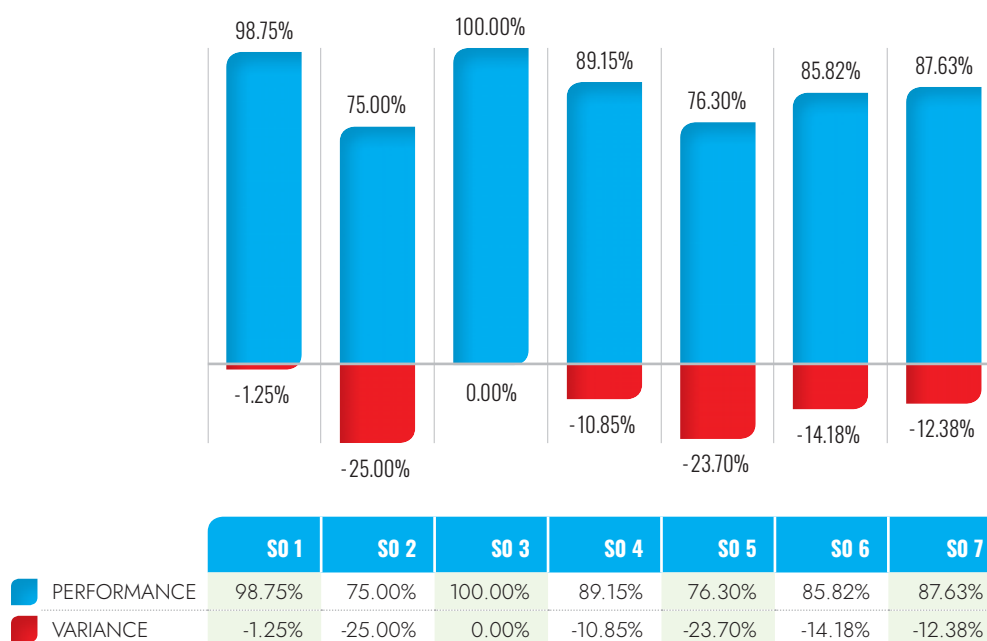


Figure 8.4: Performance per Strategic Objective



The detailed performance of the organisation against indicators and targets for 2019/20 follows, with further expansion in each of the Annual Report chapters.

Annual Performance Report 2019/2020ⁱ

#	Result Indicator	Target	Actuals	Reason for Variance	Est. Pg#
Balanced Scorecard Perspective: Organisational efficiency and effectiveness					
Strategic Goal 1: Provide reliable, responsive and affordable services and expand infrastructure to increase access, whilst ensuring stable water resources to meet current and future needs					
OUTCOMES: Product Quality, Water Resources Adequacy, Customer Satisfaction, Stakeholder Understanding and Support, Community and Environmental Sustainability, Infrastructure stability, Operational Optimisation					
Strategic Objective 1: Improve supply security and service delivery					
PO1: Bulk potable water quality compliance					
1.1	Per cent compliance of WTW systems with SANS 241 water quality standard per risk category (*SHC)	13 WTW systems 100% compliant with Excellent SANS 241. Four (4) UMDM schemes compliant Excellent SANS 241 in three categories and with Good SANS 241 only in operational and aesthetic Three (3) UTDM schemes compliant with Good SANS 241.	12 of 13 WTW 100% complaint with Excellent SANS 241: 2015 standard in five (5) risk categories. 3 of 4 UMDM schemes 100% Compliant with Excellent SANS 241:2015 standard in all five (Chronic Chemical Health, Operational, Aesthetic, Acute Chemical Health, Acute Microbiological Health) risk categories. One (1) UTDM scheme compliant with Good SANS 241.	Ixopo WTW compliant with Good SANS 241: 2015 standard in Operational Risk category due to stabilization processes of the new pressure filter and package plant. 1 UMDM scheme compliant with Good SANS 241: 2015 standard in Acute Microbiological Health risk category due sedimentation in the storage tank as a result of decommissioning processes. Unacceptable compliance for 2 UTDM schemes (Ezakheni and Oliphantskop WTW) in Operational risk Categories of SANS 241. This was due to aluminium, chlorine and turbidity failures associated with failure of sand filters and a contaminated final water reservoir in Ezakheni WTW. In Oliphantskop WTW, failures were due to turbidity, manganese, chlorine, coliforms, heterotrophic plate count and coliphages failures associated with poor raw water quality and deteriorated sand filter media.	77
PO2: Manage avoidable water losses					
2.1	Avoidable water lost (mil m ³) over total water produced (mil m ³) (*SHC)	≤ 5%	2.91%	Nil	106

ⁱ Parent Only

Annual Performance Report 2019/2020ⁱ ...continued

#	Result Indicator	Target	Actuals	Reason for Variance	Est. Pg#
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Balanced Scorecard Perspective: Organisational efficiency and effectiveness ...continued

Strategic Goal 1: Provide reliable, responsive and affordable services and expand infrastructure to increase access, whilst ensuring stable water resources to meet current and future needs ...continued

OUTCOMES: Product Quality, Water Resources Adequacy, Customer Satisfaction, Stakeholder Understanding and Support, Community and Environmental Sustainability, Infrastructure stability, Operational Optimisation ...continued

Strategic Objective 1: Improve supply security and service delivery

PO3: Reliability of supply

3.1	Supply and demand status and projections demonstrating long-term water resources adequacy per system and region	Short-Term Water Resource Status Report. Updated Infrastructure Master Plan.	Short-Term Water Resource Status Report developed for UW area of operation. Infrastructure Master Plan for Umgeni Water's operational areas has been updated.	Nil	86
3.2	Number of days (> 24 hours) supply disrupted over total supply days (365 days per year) (*SHC)	0 days > 24 hours	5.46 of 365 supply days disrupted at 2 of 17 Supply Systems as at Q4.	1.88 supply days disrupted at Maphumulo WTW during Q3 as a result of delayed power reconnection to the national grid. 3.58 supply days disrupted at Maphephetheni WTW during Q2 due to human error and action was taken against the responsible party.	80

Strategic Objective 2: Increase bulk infrastructure access, customers and services

PO 4: Increased access to services

4.1	Investigations for new services or products completed	Scope for new bulk services for existing customers.	Scope for new bulk services for existing customers developed.	Nil	87
4.2	Capital expenditure for rural expansion (development) projects as % of total Capex budget spent (*SHC)	R408m ± 30% of annual capex spend.	R184m, 22% of total Capex spent	R224m below target due to a combination of factors including: - Contractors going into business rescue - Tender appeals (delaying anticipated construction target dates) - COVID-19 shutdown and restrictions at construction sites	88

Annual Performance Report 2019/2020 ⁱ ...continued

#	Result Indicator	Target	Actuals	Reason for Variance	Est. Pg#
Balanced Scorecard Perspective: Customer / stakeholder interaction					
Strategic Goal 2: Develop strategic partnerships, increase support to customers, improve visibility and be a regional leader in the provision of bulk water and sanitation services					
OUTCOMES: Stakeholder Understanding and Support, Customer Satisfaction, Community and Environmental Sustainability					
Strategic Objective 3: Increase customer and stakeholder value					
PO 5: Bulk supply agreements concluded with municipalities / other customers					
5.1	Total number of signed contracts (bulk supply agreements) in place as a % of total customers (*SHC)	7 customers, 100% signed agreements	7 customers, 100% signed agreements	Nil	59
5.2	Number of engagements with Customers	≥ 1 engagement with all 7 customers	≥ 1 engagement with all 7 customers	Nil	57
PO 6: Implementation of ministerial directives					
6.1	Directives implemented in accordance with plan (*SHC)	N/A	One (1) Directive being Water Supply Scheme	Nil	111
PO 7: Support rural development					
7.1	Number of signed contracts/MOUs with rural Municipalities for provision of support (*SHC)	Contracts/MOUs for ≥ 1 projects/services implemented	3 Contracts/MOUs signed with Harry Gwala DM, UGU DM and Alfred Nzo DM	Nil	83
PO 8: Achieve statutory reporting compliance					
8.1	Number of submissions in respect of Monthly Reports, Quarterly Reports, Annual Report, Tariff, Corporate Plan and Shareholder Compact (*SHC)	20 reports on time: 4 Quarterly Reports. 12 Monthly Reports. Annual Report. Tariff. Corporate Plan SHC	20 reports on time: 4 Quarterly Reports. 12 Monthly Reports. Annual Report. Tariff. Corporate Plan SHC	Nil	58
8.2	Number of engagements with statutory stakeholders: Minister, DWS, PC and NT	≥ 4 engagement	14 engagements	Nil	58
8.3	Number of engagements with strategic stakeholders, including KZN Province	≥ 4	15 engagements	Nil	59
8.4	Number of Engagements with non-contractual stakeholders, including Communities, Media, General Public and other institutions.	≥ 1 Community ≥ 4 Media ≥ 1 Business ≥ 1 National	10 engagements	Nil	60

Annual Performance Report 2019/2020ⁱ ...continued

#	Result Indicator	Target	Actuals	Reason for Variance	Est. Pg#
Balanced Scorecard Perspective: Financial performance					
Strategic Goal 3: Ensure sufficient operating cash flows; manage key cost drivers and leverage debt and asset to provide for future expansion, while supporting socio-economic development					
OUTCOMES: Financial Viability, Infrastructure Stability, Community Sustainability					
Strategic Objective 4: Improve financial systems and key financial ratios					
PO 9: Financial reporting compliance					
9.1	Unqualified external audit report with no emphasis of matters clean audit (*SHC)	Unqualified external audit report with no emphasis of matters clean audit	Unqualified external audit report with respect to financial statements and predetermined objectives.	Material findings with respect to compliance with legislation.	169 -172
PO 10: Improve key financial ratios					
10.1	Operating cash flows, Rm	≥ R1 500m	R1 863m	Nil	178
10.2	Current ratio (*SHC)	≥1.5	2.6	Nil	160
10.3	Debt to Equity ratio (*SHC)	≤ 0.2	0.2	Nil	160
10.4	Interest cover ratio	≥ 5.6	5.6	Nil	160
10.5	Number of debtor days (*SHC)	≤ 40	59 days	Debtors day target exceeded by 19 days due to late payment by UMDM and Msunduzi Municipality and overdue debt by iLembe DM	160
10.6	Percent return on assets (*SHC)	≥ 9.5%	10.7%	Nil	160
10.7	Gross profit margin % for primary activity (Bulk Water and Wastewater) (*SHC)	≥ 57%	64%	Nil	160
10.8	Net profit margin % for primary activity (Bulk Water and Wastewater) (*SHC)	≥ 30%	30%	Nil	160
10.9	Gross profit margin % for secondary activity (*SHC)	≥ 19%	21%	Nil	195
10.10	Net profit margin % for secondary activity (*SHC)	≥ 17%	14%	3% below target due to provision for credit losses for Ugu DM.	195
10.11	Repairs and maintenance as % of PPE and Investment Property (Carrying Value) (*SHC)	R356m ±10% ≥ 3% of PPE	R231m 2.6% of PPE	R125m below target 0.4% below targeted percentage of PPE due to delays in acquisitions of WTWs in Ugu, Harry Gwala and uThukela DMs as a result of the water service authorities not honouring their original contracts.	83
10.12	Staff remuneration % of total operating expenditure (*SHC)	≤ 35%	27%	Nil	243

Annual Performance Report 2019/2020ⁱ ...continued

#	Result Indicator	Target	Actuals	Reason for Variance	Est. Pg#
Balanced Scorecard Perspective: Financial performance ...continued					
Strategic Goal 3: Ensure sufficient operating cash flows; manage key cost drivers and leverage debt and asset to provide for future expansion, while supporting socio-economic development ...continued					
OUTCOMES: Financial Viability, Infrastructure Stability, Community Sustainability ...continued					
Strategic Objective 5: Improve financial sustainability and enhance socio-economic development					
PO 11: Increase B-BBEE expenditure in relation to operational projects					
11.1	Per cent PSP and contractor order values (CPGs) awarded to BBBEE suppliers. PSP and contractor order values (CPGs) awarded to BBBEE suppliers that are women. (*SHC)	≥ 35% ≥ 10% women B-BBEE suppliers	35% (R336m of R951m) awarded to BBBEE suppliers 49% (R165m of R336m went to Women-owned or where Women held Economic Interests). This represents 17% of the total R951m of the tenders awarded eligible for CPG.	Nil	93
11.2	Actual BBBEE spend as a % of total discretionary expenditure and number of new BBBEE entrants awarded work (*SHC)	≥ 80% spend	122% Three new entrants were sourced and awarded work.	Nil	94
11.3	Number of Engagements with Suppliers	≥ 1 Supplier forum	Supplier Forum not convened as planned.	Supplier Database was not finalised, Supplier Forum had to be cancelled.	94
PO 12: Manage costs within approved budget					
12.1	Total expenditure, Rm and percent variance (*SHC)	R2.93bn±10%	R2.9bn, -1% variance	Nil	160
12.2	Total revenue, Rbn and percent variance	R4.16bn±10%	R4.1bn, - 0.5% variance	Nil	160
12.3	Total surplus (loss), Rm and percent variance	R1 23m±10%	R1 251m, +1% variance	Nil	174
PO 13: Capital expenditure programme					
13.1	Capex Rm against budget and % variance (*SHC)	≥ 80% of R1505m ≤ 20% variance	R840m, 30% variance	R364m below target due to a combination of factors including: - Contractors going into business rescue - Tender appeals (delaying anticipated construction target dates) - COVID-19 shutdown and restrictions at construction sites	160

Annual Performance Report 2019/2020ⁱ ...continued

#	Result Indicator	Target	Actuals	Reason for Variance	Est. Pg#
Balanced Scorecard Perspective: Financial performance ...continued					
Strategic Goal 3: Ensure sufficient operating cash flows; manage key cost drivers and leverage debt and asset to provide for future expansion, while supporting socio-economic development ...continued					
OUTCOMES: Financial Viability, Infrastructure Stability, Community Sustainability ...continued					
Strategic Objective 5: Improve financial sustainability and enhance socio-economic development ...continued					
PO 13: Capital expenditure programme ...continued					
13.2	Number of Capex projects within target completion dates against planned number and % variance (*SHC)	<p>≥ 85% projects within target Dates</p> <p>≤ 15% for 14 Strategic Infrastructure Projects</p>	<p>55% of strategic projects</p> <p>45% variance</p>	<p>30% variance against allowed variance of 15% due to a combination of factors including:</p> <ul style="list-style-type: none"> - Contractors going into business rescue - Tender appeals (delaying anticipated construction target dates) - Covid-19 shutdown and restrictions at construction sites. 	90-92
13.3	Turnaround time (working days) for awarding of Capex programme tenders, contract negotiations and issuing of signed contracts	<p>≤90 days per tender for award</p> <p>≤ 45 days per tender for CPG negotiations</p> <p>≤ 15 days per tender for signed contract</p>	<p>Average: 123 days</p> <p>11 of 23 tenders < 90 days (34%)</p> <p>Average 24 Days;</p> <p>47 of 51 CPG Negotiations < 45 days (92%)</p> <p>Average: 15 days 9 of 14 tenders < 15 days (64%)</p>	<p>21 of 32 tenders > 90 days (66%)</p> <p>4 of 51 CPG Negotiations > 45 days (8%)</p> <p>5 of 14 tenders > 15 days (36%)</p> <p>A combination of administrative delays as a result of a shift in doing business due to COVID-19 and appeals hampered the achievement of turnaround times.</p>	90
PO 14: Engagement in secondary activities					
14.1	Total s30 revenue, Rm and per cent of turnover (*SHC)	R37m ±10%, ≥ 1% of turnover	R32m, 1% of turnover	R5m below target due to reprioritisation of lab testing capacity towards to public health in response to COVID-19.	160

Annual Performance Report 2019/2020ⁱ ...continued

#	Result Indicator	Target	Actuals	Reason for Variance	Est. Pg#
Balanced Scorecard Perspective: General performance (risk audit and governance) ...continued					
Strategic Goal 4: Ensure a well-governed and resilient entity that innovates, educates and supports community development and contributes to environmental sustainability					
OUTCOMES: Operational Resiliency, Community and Environmental Sustainability					
Strategic Objective 6: Improve governance, risk and compliance systems					
PO 15: Board effectiveness					
15.1	Board / Committee meetings attended as a % of planned meetings and resolutions taken by the board as a % of resolutions required (*SHC)	≥ 80% attendance ≥ 80% resolutions taken	100% attendance 100% resolutions taken	Nil	41-45
15.3	Ethical issues addressed as assessed against key ethics areas	7 key ethics areas assessed and issues dealt with.	7 key ethics areas assessed and issues dealt with.	Nil	42
PO 16: Effective internal controls, compliance and risk management					
16.1	Number of repeat and unresolved findings (*SHC)	≤ 7 findings	7 Findings	Nil	43
16.2	Per cent findings (both internal and external audit) resolved by action date	≥ 80% findings (total internal and external) resolved within target dates	87% resolved within target dates.	Nil	43
16.3	Quarterly report on management of strategic risks	4 reports by 30 Jun	4 reports by 30 Jun	Nil	138
16.4	Per cent compliance against Legal Compliance Register	100% against compliance register	73% against compliance register	27% below target due to a combination of factors comprising administrative delays and business process disruptions related to Covid-19.	43
16.5	Disabling Injury Frequency Ratio (DIFR)	≤ 1	0.06	Nil	123
PO 17: Good Governance					
17.1	Number of breaches in materiality and significance framework (*SHC)	Nil	10 instances of irregular expenditure resulting in breach of materiality and significance framework	The breaches resulted from non-compliance with SCM Legislation. The majority of the irregular expenditure disclosed as at 30 June 2020 relates to transactions concluded in prior years.	168
PO 18: Corporate social responsibility initiatives					
18.1	Number of CSR/CSI initiatives undertaken (*SHC)	≥ 2 initiatives completed	15 CSI initiatives completed	Nil	97
18.2	Number of schools / community initiatives undertaken	3 initiatives implemented	3 initiatives implemented	Nil	95
PO 19: Bulk wastewater compliance					
19.1	Per cent compliance of WWTW systems with discharge licence or General Authorisation requirements (*SHC)	7 WWTW ≥ 85% compliant 3 WWTW ≥ 80% compliant	10 WWTW > 85% compliant 1 WWTW > 80% compliant	Nil	78
PO 20: Environmental sustainability, research and innovation					
20.1	Number of environmental sustainability, research and innovation initiatives implemented.	1 initiative in planning 1 initiative in implementation	7 initiatives in planning	No initiative reached implementation phase due to project delays.	138

Annual Performance Report 2019/2020ⁱ ...continued

#	Result Indicator	Target	Actuals	Reason for Variance	Est. Pg#
Balanced Scorecard Perspective: Organisational Capacity					
Strategic Goal 5: Strengthen and develop quality human resources and ensure a participatory, collaborative organisation dedicated to continual learning and improvement					
OUTCOME: Leadership and Employee Development					
Strategic Objective 7: Increase skills and competency					
PO 21: Training and skills development					
21.1	Number of employees enrolled and developed through management development programme	> 90% enrolled candidates attended target modules for the year.	The MDP was concluded in Q2; Final academic results were issued to all 25 delegates in Q2 with 100% pass rate.	Nil	125
21.2	Number of candidate engineers / professionals developed (NT) and number of professional registration submissions	≥ 25 enrolled / developed	37 enrolled / developed	Nil	126
21.3	Number of Artisan, Apprentices and Process Controllers (Learnerships) (*SHC)	≥ 10 Apprentices ≥ 40 Artisan Trainees ≥ 20 Process Controllers	53 Qualified (Trade tested) Artisan Trainees. 32 Process Controllers trained	Nil	125
21.4	Number of Bursar degree plans met (*SHC)	≥ 10 ≥ 80% from designated groups	10 Bursars ≥ 80% from designated groups	Nil	126
21.5	Number of Graduate Trainees (Graduates, In-service Trainees, Interns) development plans met (*SHC)	≥ 20 Graduate Trainees ≥ 20 In-service Trainees ≥ 5 Interns	23 Graduate Trainees 26 In-Service Trainees 13 Interns	Nil	126
PO 22: Jobs created					
22.1	Number of permanent jobs created and number of temporary jobs created (*SHC)	≥ 600 temporary jobs (Capex programme). Report on any new permanent establishment posts created in the reporting year.	268 temporary jobs (Capex programme). 36 new permanent establishment posts created	332 temporary jobs below target due to combination of factors including: - Contractors going into business rescue - Tender appeals (delaying anticipated construction target dates) - Covid-19 shutdown and restrictions at construction sites. Nil	94
PO 23: Staff levels					
23.1	Number of staff terminations as a % of the total staff complement (*SHC)	≤ 8%	3.37%	Nil	122
PO 24: Employee / Union Engagement					
24.1	Number of engagements with Employees and Union.	≥ 3 Union ≥ 2 Staff ≥ 1 Executive Site Visit	4 Union 2 Staff 1 Executive Site Visit	Nil	122

CREATING VALUE



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

9.1 Product Quality

Management Approach

The quality of potable water is paramount to Umgeni Water, thus the organisation endeavours to ensure that the quality

of potable water produced within its operational area is safe to consumer health over a lifetime of consumption. To achieve this, a comprehensive water quality management programme is implemented throughout the supply area. The programme adopts a risk-based approach including monitoring programmes, water quality assessments, system audits, compliance reporting and water safety plans embracing the catchment to consumer concept.

The risks associated with abstraction, conveyance, treatment and bulk distribution are constantly reviewed to ensure control effectiveness and quality assurance. Potable water

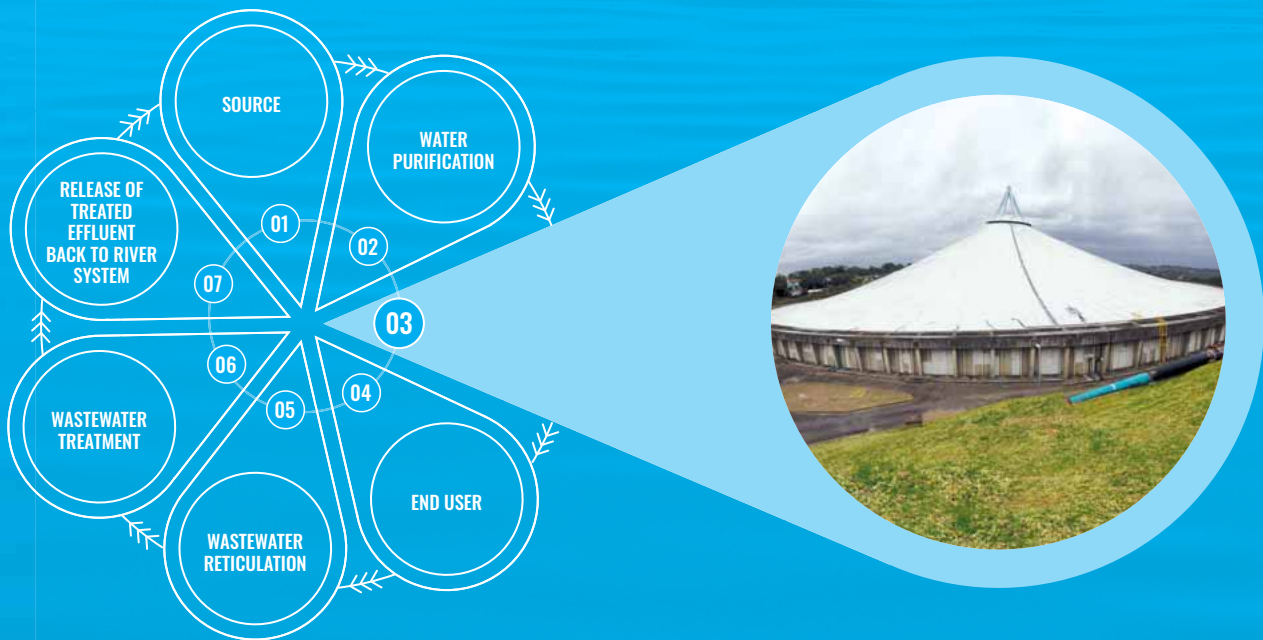
“IN ADDITION TO PROVIDING SAFE DRINKING WATER AND PROTECTING PUBLIC HEALTH, UMGENI WATER IS ALSO COMMITTED TO ENSURING THAT WASTEWATER DISCHARGES ARE NOT HARMFUL TO THE ENVIRONMENT AND DOWNSTREAM USERS.



WATER & WASTEWATER TREATMENT PROCESS

03. DISTRIBUTION TO MUNICIPAL STORAGE

Currently supplying 7 WSAs in an area spanning 57 492 km² - population of 8.5 million people (2.32 million households).



quality incidents are managed in accordance with an Incident Management Protocol aligned to the requirements of the South African National Drinking Water specification (SANS 241:2015).

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

site specific incident management protocols to manage wastewater incidents and non-compliances.

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

Potable Water Quality Performance

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

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

Table 9.1: Key to classification of the performance of drinking water supply systems according to SANS 241:2015

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

In the reporting period, 13 Umgeni Water bulk water supply systems and four uMgungundlovu District Municipality (UMDM) schemes were monitored and reported against the five categories as specified in SANS 241:2015. One of UMDM schemes, Appelsbosch WTW, was decommissioned in December 2019.

In March 2019, Umgeni Water acquired three small Water Treatment Works (WTWs) schemes from UThukela District Municipality (uTDM) including Ezakheni WTW, Olifantskop WTW and Thukela Estates WTW. These schemes were also monitored and reported against the five risk categories as

specified in SANS 241:2015. Umgeni Water intends to assess, maintain and refurbish or consolidate these schemes to provide a more sustainable bulk water solution to the areas supplied by the schemes in a similar manner that has been accomplished with the UMDM schemes.

Overall, compliance of the Umgeni Water bulk potable water supply systems was excellent for the period under review. Compliance per SANS 241:2015 risk category is shown in **Figure 9.1**. Detailed potable water quality compliance per water supply system is shown in **Table 9.1**.

Figure 9.1: Umgeni Water Bulk Systems Potable Water Quality Compliance (%) with SANS 241

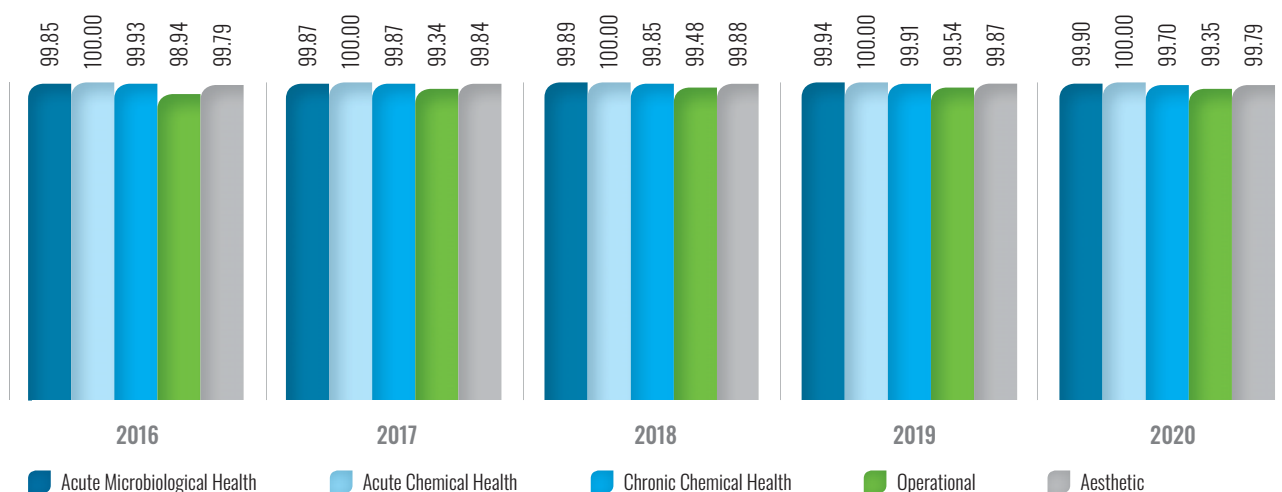


Table 9.2: 2019/20 Potable Water Quality Compliance (%) with SANS 241:2015 per Water Supply System

Water Supply System	Average daily volume treated (Ml/d)	% Volume	Per cent Compliance with SANS 241:2015					
			Acute Microbiological Health	Acute Chemical Health	Chronic Chemical Health	Operational	Aesthetic	
1	Durban Heights	507.0	33.88%	100	100	100	99.92	100
2	Wiggins	290.0	19.38%	100	100	100	99.95	100
3	Midmar	318.0	21.25%	99.87	100	100	99.8	100
4	DV Harris	102.0	6.82%	100	100	100	99.71	100
5	Amanzimtoti	87.0	5.81%	99.78	100	99.65	99.72	100
6	Hazelmere	64.0	4.28%	99.81	100	99.03	99.48	99.92
7	Lower Thukela	32.0	2.14%	100	100	100	99.27	100
8	Maphumulo	8.0	0.53%	99.56	100	99.52	95.53	97.8
9	Umzinto	13.0	0.87%	100	100	98.61	99.38	100
10	Mthwalume	12.0	0.80%	100	100	100	100	100
11	Mhlabatshane	6.0	0.40%	100	100	100	99.36	100
12	Maphephetheni	4.0	0.27%	100	100	100	98.21	100
13	Ixopo	2.6	0.17%	100	100	99.65	91.97	99.61
14	Mpofana	5.7	0.38%	100	100	100	97.98	100
15	Appelsbosch*	0.4	0.03%	96.15	100	100	100	100
16	Rosetta	0.2	0.01%	100	100	100	100	100
17	Lidgetton	0.6	0.04%	98.25	100	100	98.21	97.84
18	Ezakheni	37	2.47%	97.09	100	100	81.57	94.23
19	Olifantskop	6.0	0.40%	96.77	100	100	79.29	86.49
20	Thukela Estates	0.8	0.05%	92.86	100	99.17	77.92	82.07

* System decommissioned in Quarter 2, now supplied through the uMshwathi BWSS

Compliance per System

The uMgungundlovu District Municipality's drinking water supply systems recorded a combined excellent performance against all the risk categories specified in SANS 241:2015. There has been a notable improvement in the water quality compliance trend since the acquisition of the four small schemes (now three) in 2016. This is largely because of a number of interventions that have been implemented by Umgeni Water including the installation of 2Ml/day package plants at Mpofana WTW and Lidgetton WTW. The key success story from the organisation's interventions in uMgungundlovu District Municipality was the decommissioning of the small Appelsbosch WTW and connection of the area's supply into the larger and more sustainable uMshwathi Regional Bulk Water Supply Scheme.

The three drinking water supply systems acquired from uThukela District Municipality, namely Ezakheni, Olifantskop and Thukela Estates. These systems recorded excellent performance against the Acute Health Chemical and Chronic Health Chemical risk categories, while unacceptable performance was recorded in the Acute Health Microbiological, Aesthetic and Operational risk categories. Non-compliances were associated with a number of issues including varying raw water quality, the lack of optimisation or malfunction of treatment chemical dosing systems, challenges with the gravity sand filters, insufficient disinfection and aging plant infrastructure. Various mitigation measures have been implemented to improve compliance including process optimisation and the refurbishment of the treatment units.

Wastewater Quality Performance

Figure 9.2 and Table 9.3 show wastewater quality compliance per system, assessed against the relevant licence or General Authorisation General Limits prescribed by the Department of Water and Sanitation (DWS).

Figure 9.2: Wastewater Quality Compliance (%)

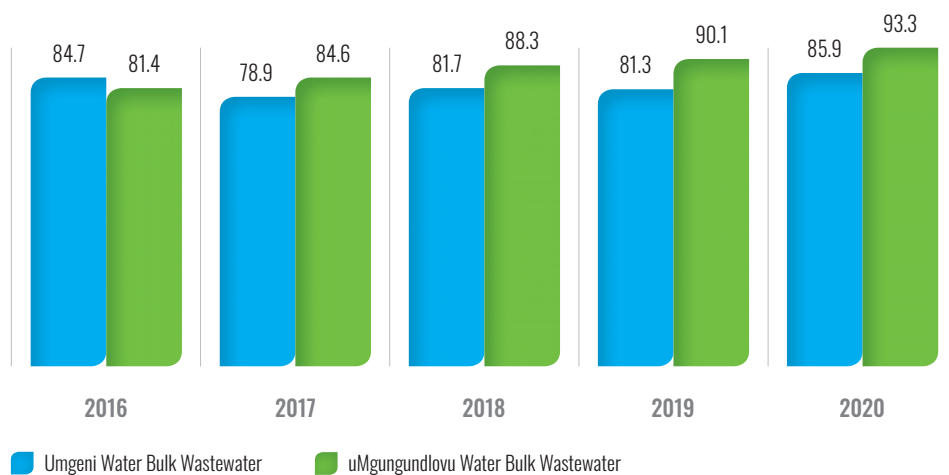


Table 9.3: Wastewater Compliance per Treatment Works

Wastewater Treatment Works		Average daily volume treated		Percentage compliance					
		(MI/d)	(%)	2016	2017	2018	2019	2020 Target	2020 Actual
1	Darvill	71.99	86.44%	82%	72%	73.8%	73.7%	≥ 80%	82.2%
2	Howick	6.07	7.30%	89%	86%	91.1%	90.3%	≥ 85%	91.1%
3	Ixopo	0.50	0.60%	93%	94%	96.0%	94.0%	≥ 85%	92.6%
4	Lynnfield Park	0.17	0.20%	86%	96%	95.9%	93.6%	≥ 85%	92.5%
5	Mpofana	3.38	4.06%	65%	72%	78.0%	77.7%	≥ 60%	88.4%
6	Richmond	0.68	0.82%	89%	87%	93.9%	96.7%	≥ 85%	95.3%
7	Cool Air	0.36	0.43%	90%	98%	98.2%	99.6%	≥ 85%	99.5%
8	Camperdown	0.08	0.10%	91%	97%	91.7%	91.7%	≥ 85%	93.1%
9	Appelsbosch	0.04	0.05%	94%	91%	81.9%	88.9%	≥ 85%	93.1%

Compliance per System

Overall, effluent compliance for the Umgeni Water Bulk Wastewater Systems increased from 81.3% to 85.8% for the reporting period. Once again, an increasing trend in effluent compliance is noted for the UMDM sites on the back of a number of interventions that have been implemented by Umgeni Water including process optimisation, installation of electrical panels and aerators, chlorination system improvements and the refurbishment of a number of process units. A notable increase in effluent compliance was observed at Mpofana WWTW where a number of mitigation measures were implemented, such as the refurbishment of the clarifiers, upgrade of pumps, optimisation of the sludge-dewatering machine and the dredging, refurbishment and reconstruction of the reed beds. However, a major part of the improvement was also because of a large textile industry shutting down in the reporting period. Of the nine wastewater treatment works (WWTW) managed by the entity, seven achieved greater than 90% compliance and two works achieved over 80% compliance.

The non-compliances recorded for Darvill WWTW were mainly caused by incomplete construction related problems, as well as process overloading, trade effluent inputs (including the Willowton oil pollution incident), power outages and in summer, high inflows leading to intermittent spillages from the storm dam. The upgrade work remains on hold, with a number of important process components being affected, thus compromising the efficiency of the treatment process. The completion of the works upgrade project remains critical to increase capacity and improve effluent compliance. The authorisation for the proposed constructed wetland for detention of some storm dam spills was further delayed, but will also have a significant benefit once completed.

9.2 Customer Satisfaction

Geographical Markets and Customers

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

1. **KwaZulu-Natal:** for water services and other related activities;
2. **South Africa:** water services and other related activities on demand;

3. **Continent of Africa:** knowledge management, networking and responding to bilateral agreements between South Africa and other countries.

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

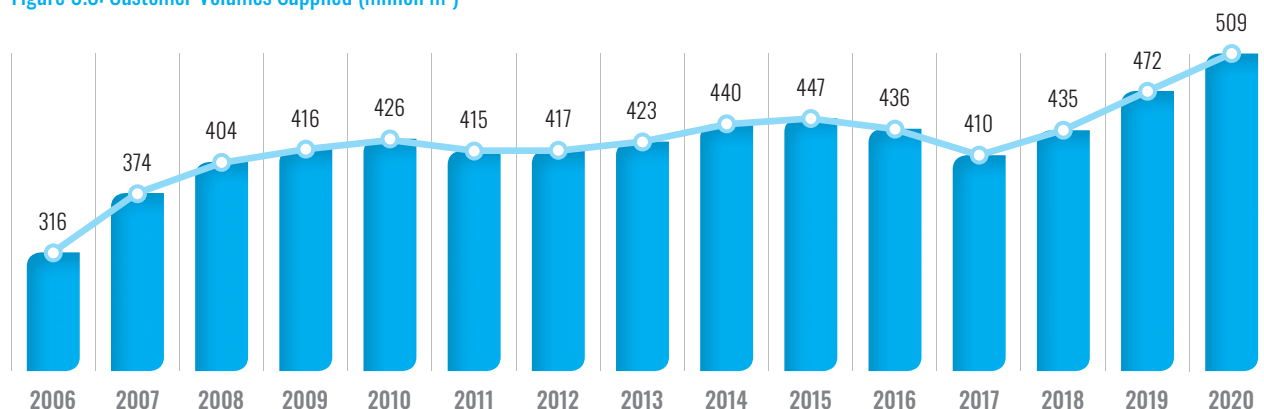
1.	eThekweni Metropolitan Municipality:	Retain and grow
2.	Msunduzi Municipality:	Retain and grow
3.	iLembe District Municipality:	Retain and grow
4.	uMgungundlovu District Municipality:	Retain and grow
5.	Harry Gwala District Municipality:	Market penetration
6.	Ugu District Municipality:	Market penetration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

Bulk Provision and Infrastructure Assets

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

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

Figure 9.3: Customer Volumes Supplied (million m³)



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

- > Approximately 1 260km of pipelines and 67km of tunnels;
- > Fifteen impoundments;
- > Twenty water treatment works;
- > Eleven wastewater treatment works.

A total of 509 million cubic metres of potable water per annum (1 395Ml/d) were supplied to customers (**Figure 9.3**) who serve a population of 6.7m or 1.9m households through reticulation networks.

Treatment works' capacities and utilisation are shown in **Figure 9.4 (a)** and **(b)** respectively.

In the year under review, there was an unplanned supply disruption of five supply days in two of the 17 supply systems. The one-day disruption at Maphumulo WTW was as a result of a delayed power reconnection to the national grid.

Power was successfully restored and water supply resumed at Maphumulo. As a mitigating measure, back-up power is being installed at this water treatment works.

The four-day unplanned disruption at Maphephetheni WTW was as a result of human error. Appropriate disciplinary actions were instituted in this regard and supply was successfully restored.

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

Bulk wastewater treated from nine wastewater treatment works over this period amounted to 32 million cubic metres (89Ml/d) for the year per annum (70Ml/d), a 10% increase from the previous year (29 million cubic meters or 80Ml/d in 2019), which are at levels similar to the preceding year. Wastewater Treatment Works' (WWTWs) capacities and utilisation are shown in **Figure 9.4 (c)** and **(d)** respectively.

Bulk Supply Agreements

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

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

Figure 9.4: Water and Wastewater Treatment Works Capacity and Utilisation

Figure 9.4(a): WTW Capacity (MI /d)

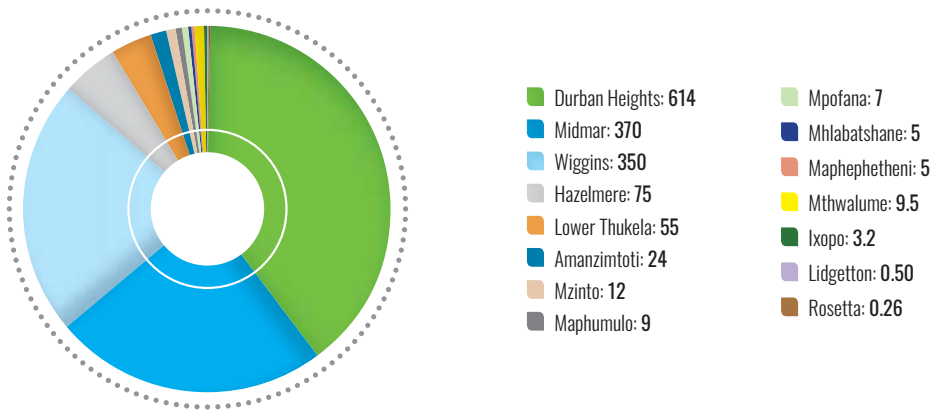


Figure 9.4 (b): WTW % Utilisation

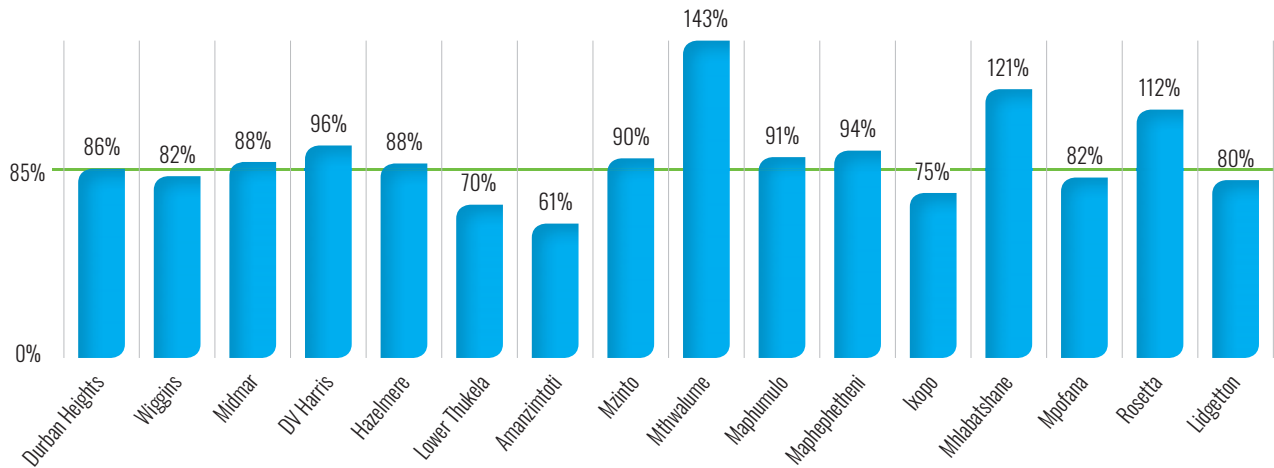


Figure 9.4 (c): WWTW Design Capacity (Ml/d)

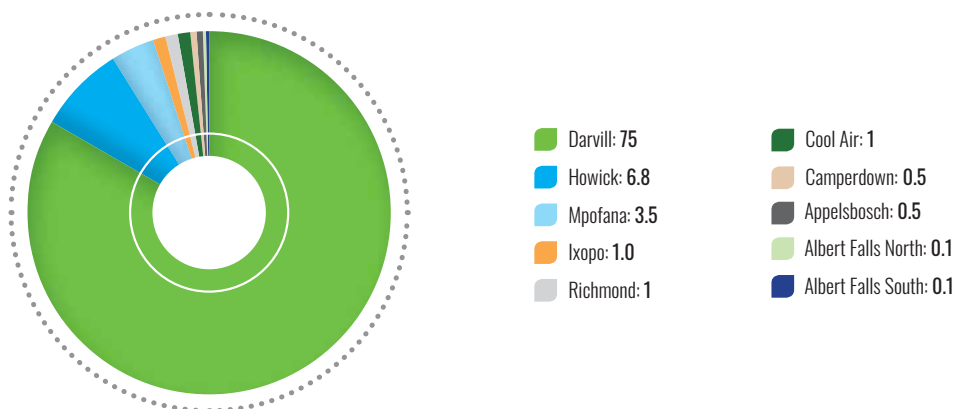
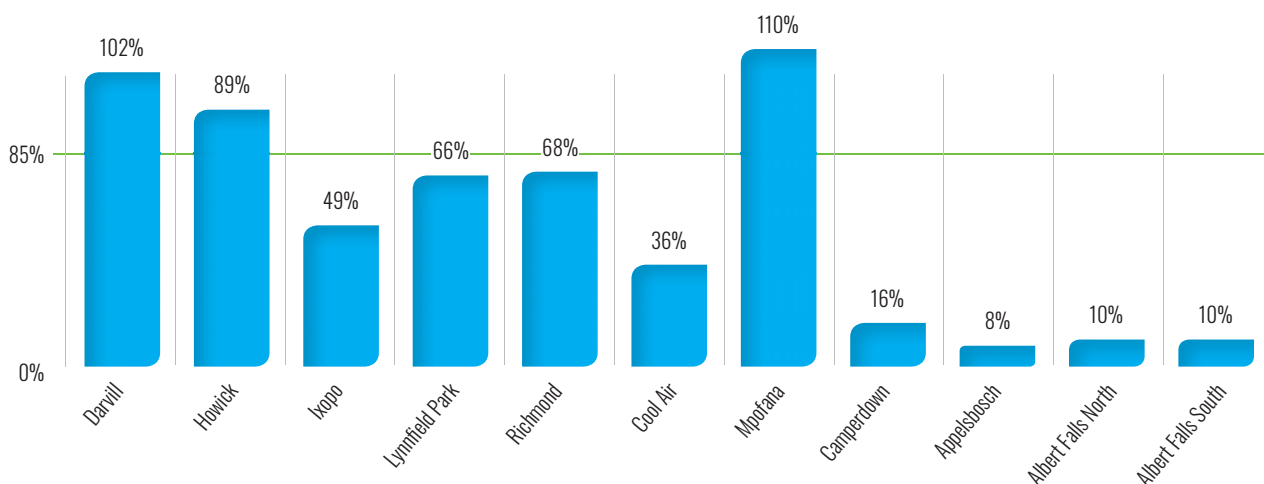


Figure 9.4 (d): WWTW % Utilisation



Supply Capacity and Constraints

Several works, as shown in **Figure 9.4 (b)** are currently operated above their design capacity to meet demands and both long- and short-term interventions are in place to address these including major works capital upgrades, refurbishments, pipeline developments, utilisation of package plants (interim measure) and general operational and process upgrades to alleviate bottlenecks.

Operational Performance and Service Planning

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

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

Support to Rural Municipalities

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

- > Infrastructure assessments were completed for Ugu and King Cetshwayo District Municipalities, and recommendations for process optimisations to improve the state of the infrastructure and ultimately water quality also provided;
- > Support was provided to Ugu District Municipality with respect to Water sampling, testing and other support services;
- > Process optimisation interventions were implemented at Ezakheni and Olifantskop WTWs in UThukela District Municipality. Possible refurbishment and upgrade options for the two WTWs were developed. Additional support was provided to the water service authority with respect to the implementation of its water quality-monitoring programme;
- > Water and wastewater quality monitoring and related support services were provided to Harry Gwala, Alfred Nzo District and Mbizana Municipalities;
- > Trade effluent support provided to uMsunduzi Municipality with regards to investigation and management of multiple illegal discharges in the rivers;
- > Water tanks were supplied and installed in various municipalities throughout KwaZulu-Natal at the start of the COVID-19 crisis. This initiative was done in collaboration with the Department of Water and Sanitation, and the Water Institute of Southern Africa.

Drought Management

Although average rainfall was recorded in the inland areas managed by Umgeni Water over the past year, it was not sufficient to raise the level of some of the impoundments to their capacity. In particular, the Albert Falls Dam was still well below full supply level at the start of the dry winter months. The current volume of this resource is, however, sufficient to ensure that water restrictions will not be required between June 2020 and May 2021. The impoundments along the coastal area (excluding Hazelmere Dam) received good rainfall in January and February 2020, and as a result were all at full supply capacity at the beginning of the winter period. Some construction work still has to be undertaken by the Department of Water and Sanitation on Hazelmere Dam before the impoundment can increase to greater than 54% of full supply capacity.

Asset Condition, Maintenance and Management

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

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

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

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

In the year the total asset maintenance spend was R231m (**Figure 9.5**). This was R125m below the budgeted maintenance spend of R356m. The underspend was a result of the delay in acquisition of water treatment works in Ugu, Harry Gwala and uThukela District Municipalities that were already provided for in the maintenance budget. The budget assumptions for 2020/21 will be revised in line with the current year performance baseline.

Over the years Umgeni Water has continued to maintain its assets and on average invests 6.8% of its revenue on asset maintenance. Based on assessments conducted over the past year, there are no assets that pose significant risk to supply and the organisation does not envisage major interruptions to its business over the next five years and beyond.

Figure 9.5(a): Maintenance Spend (Rm)

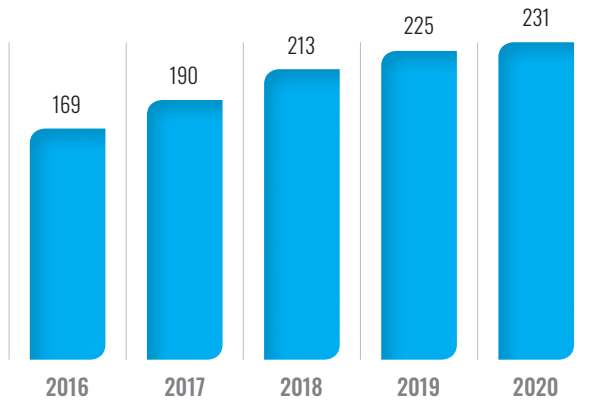
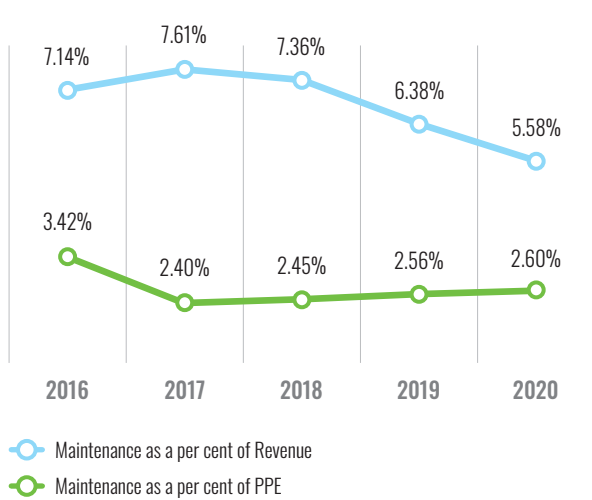


Figure 9.5(b): Maintenance (%)



9.3 Infrastructure Stability

Management Approach

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

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

In implementing infrastructure projects, Umgeni Water uses local labour as its preferred workforce to facilitate skills transfer and economic support to local communities. Umgeni Water further ensures that there is meaningful BBBEE through its policies that drive provision of meaningful economic opportunities to targeted enterprises.

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

Water Loss Management and Metering

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

Status of Water Access in the Supply Area

Within Umgeni Water's area of focus in the reporting period, access to piped (tap) water inside the dwelling / house / yard comprise 70% of the total number of people with access to water (**Figure 9.6** - Community Survey 2016). There are many areas that are outside of Umgeni Water's bulk water infrastructure supply footprint that still receive no water from schemes. In addition, components of the served areas that are characterised by small schemes have been found to be unsustainable.

Figure 9.6 (a): Main Source of Water for Drinking - Umgeni Water Focus Area (StatsSA, Community Survey 2016)

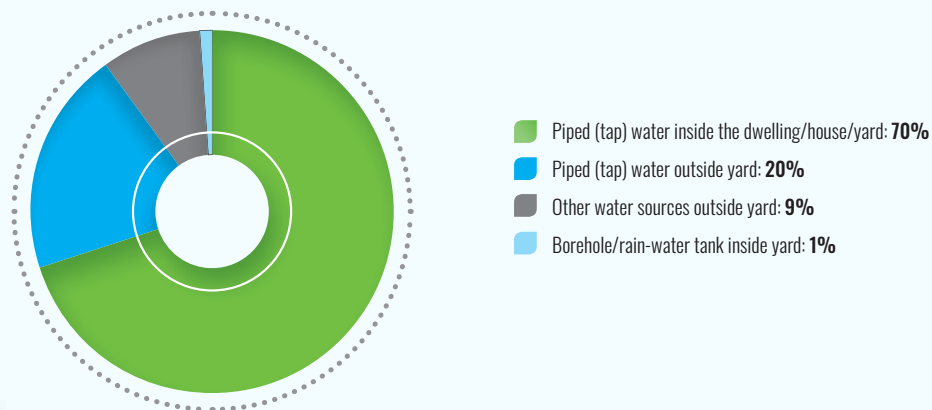


Figure 9.6 (b): Main Source of Water for Drinking by WSA – Umgeni Water Focus Area (Stats SA, Community Survey 2016)

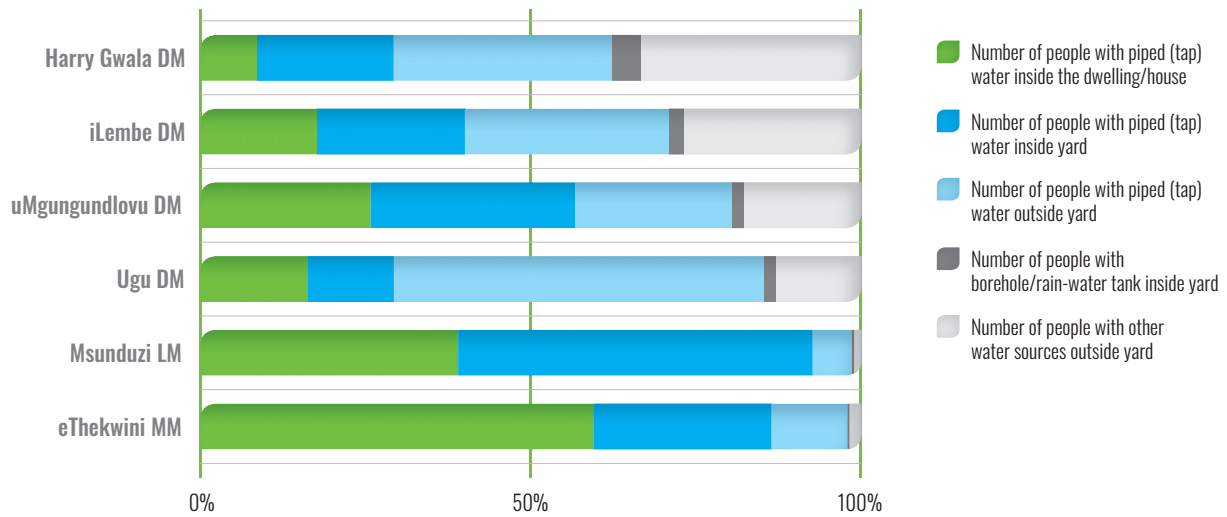
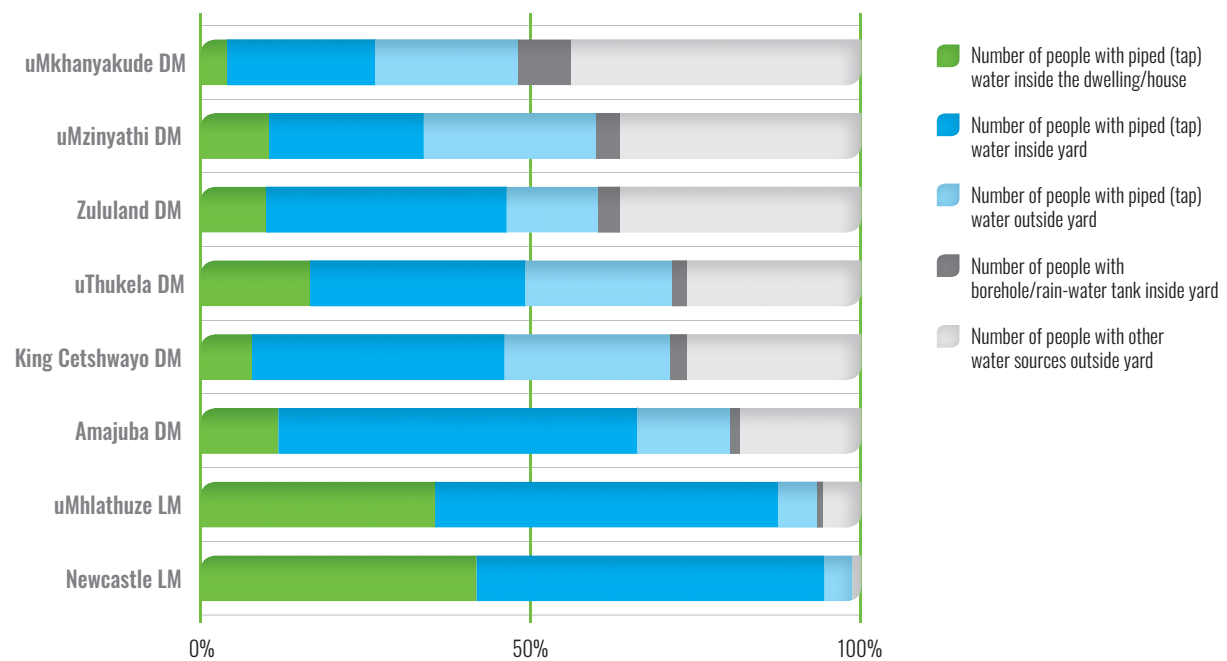


Figure 9.6 (c): Main Source of Water for Drinking by WSA – Rest of KZN (Stats SA, Community Survey 2016)

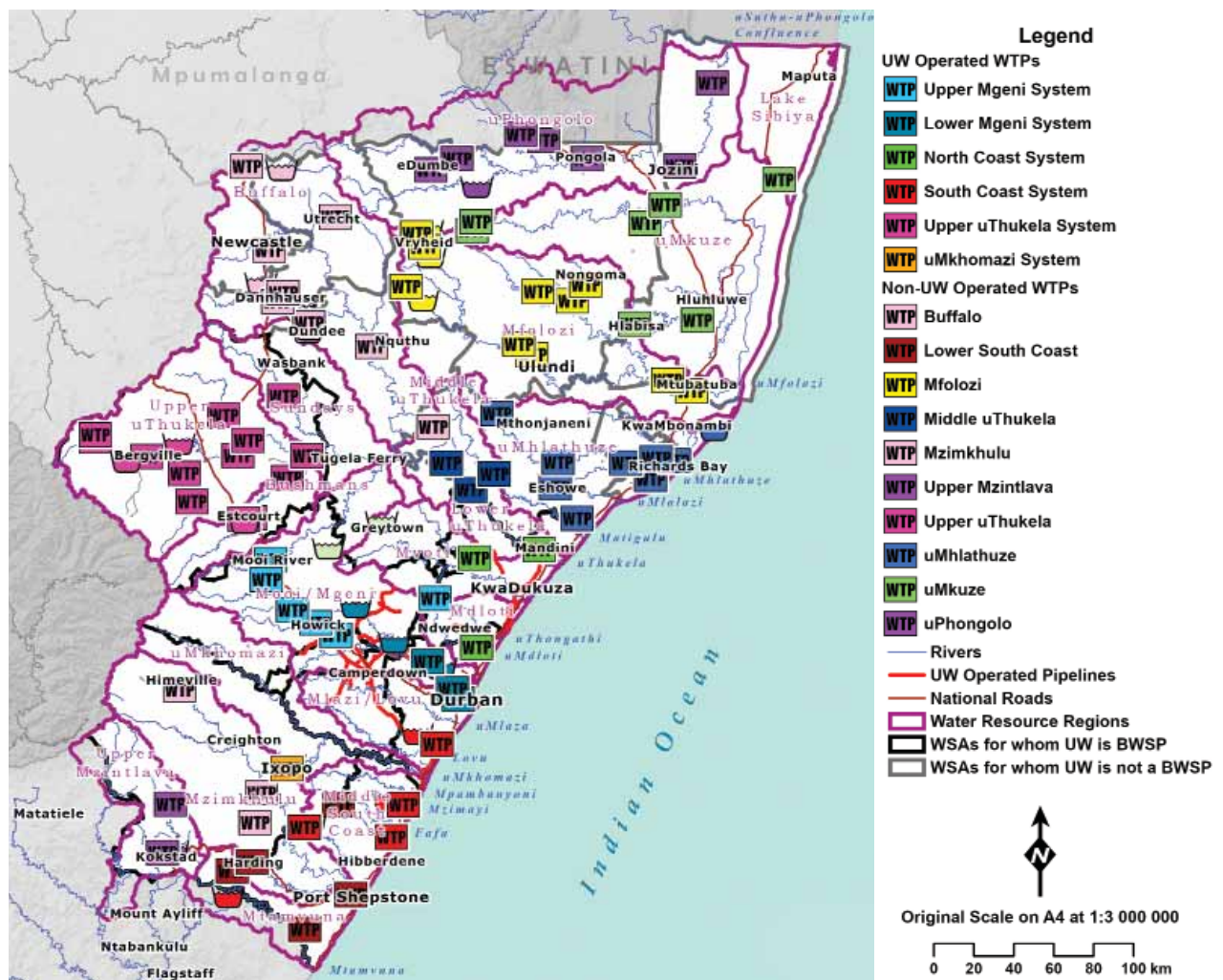


Universal Access Plan

Working closely with national and provincial stakeholders in KwaZulu-Natal, Umgeni Water completed the planned development of Universal Access Plans (UAPs) for all Water Services Authorities (WSAs) in KwaZulu-Natal in 2016. The outputs comprise conceptual bulk water supply scheme plans per municipality for all of KZN. The plans reconcile backlogs and growth in demands with bulk infrastructure to meet the needs for the 2045 planning horizon. In the year, Umgeni Water further extended this plan to include the secondary bulk that would be needed to link regional schemes to community areas. This UAP Phase 3 will be published towards the end of 2020.

In addition to the UAP suite of projects, Umgeni Water has developed bulk water Infrastructure Master Plans for the entire province of KwaZulu-Natal. They are available on the Umgeni Water website and provide an understanding of the status quo of the existing water resource and supply infrastructure as represented by **Figure 9.7 (a)** and **Figure 9.7 (b)**, the expected future supply needs and recommendations for infrastructure projects to provide regional supply to all areas.

Figure 9.7 (a): KZN Primary Water Supply Systems as identified in the Umgeni Water Infrastructure Master Plan 2020

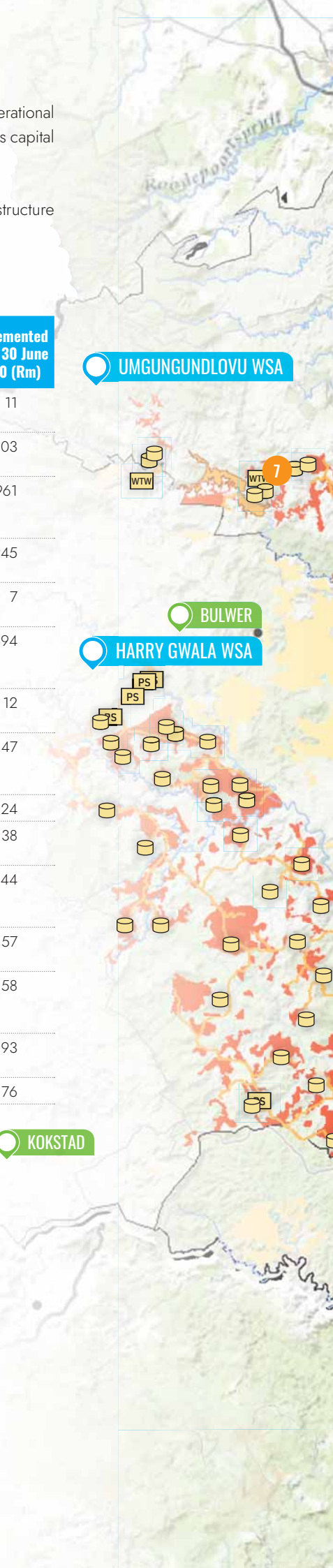


Umgeni Water investigates the feasibility of implementing these plans where they exist within its operational area, and feasible (financial and technical) projects are thereafter included within the organisations capital expenditure programme for implementation.

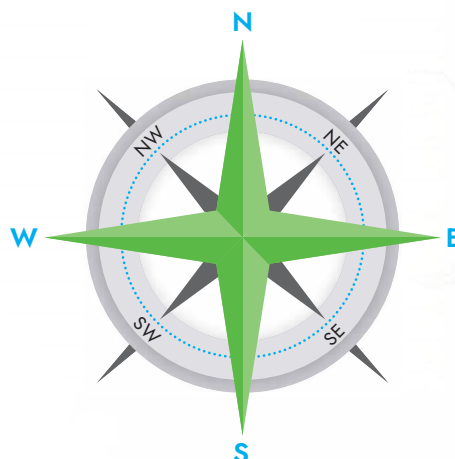
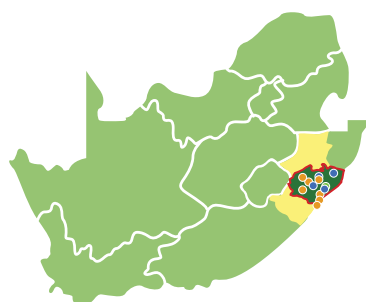
Umgeni Water’s Current Bulk Infrastructure and Supply Footprint and the Status of Bulk Infrastructure implemented in the reporting period are shown in **Figure 9.7 (b)**.

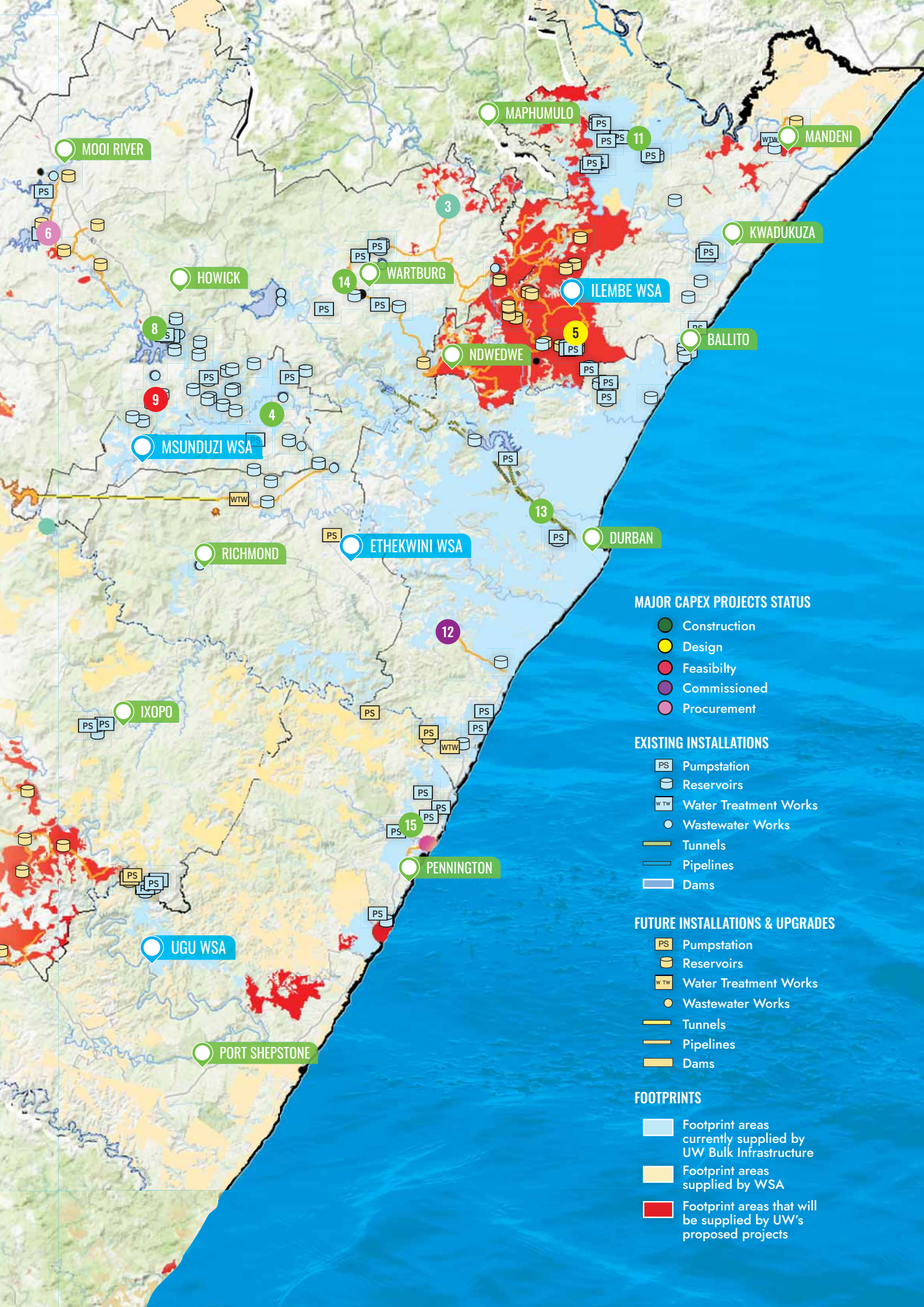
Table 9.4: Major Projects Implemented in 2019/20

Project Name	Project Status	Objective	Major Customer	Total Project Budget (Rm)	Implemented as at 30 June 2020 (Rm)
1 Mkhomazi Bulk Water Supply Scheme	Detailed Feasibility	Augmentation	eThekweni MM, uMgungundlovu DM	6 123	11
2 Lower uMkhomazi Bulk Water Supply Scheme	Detailed Design	Augmentation	eThekweni MM, Ugu DM,	4 210	103
3 uMshwathi Bulk Water Supply Scheme (Wartburg Phases 1 - 3)	Commissioned	Rural Expansion	uMgungundlovu DM, iLembe DM	1 025	961
4 Darvill WWTW Capacity Increase	Construction	Upgrade	Msunduzi LM	1 102	945
5 uMshwathi BWSS Phase 4 (Southern Ndwedwe)	Detailed Design	Rural Expansion	iLembe DM	678	7
6 Greater Mpofana Regional Scheme Phase 1	Procurement	Rural Expansion	uMgungundlovu DM	757	694
7 Impendle BWSS	Preliminary Design	Rural Expansion	uMgungundlovu DM	401	12
8 Mpophomeni Wastewater Treatment Works	Construction	Rural Expansion	uMgungundlovu DM	389	47
9 Vulindlela Upgrade	Pre-Feasibility	Augmentation	Msunduzi LM	349	24
10 South Coast Phase 2b Kelso to Umdoni	Procurement	Expansion	eThekweni MM, Ugu DM	165	38
11 Maphumulo BWSS Phase 3: WTW Upgrade (6 Ml/d to 12 Ml/d)	Construction	Rural Expansion	iLembe DM	199	44
12 Nungwane Raw Water Aqueduct	Commissioned	Rehabilitation	Ugu DM	185	157
13 Durban Heights WTW – Rehabilitation of key installations	Construction	Rehabilitation	eThekweni MM	179	58
14 Trustfeeds WWTW	Construction	Rural Expansion	uMgungundlovu DM	103	93
15 Umzinto WTW	Construction	Upgrade	Ugu DM	81	76



Umgeni Water Infrastructure Map





MAJOR CAPEX PROJECTS STATUS

- Construction
- Design
- Feasibility
- Commissioned
- Procurement

EXISTING INSTALLATIONS

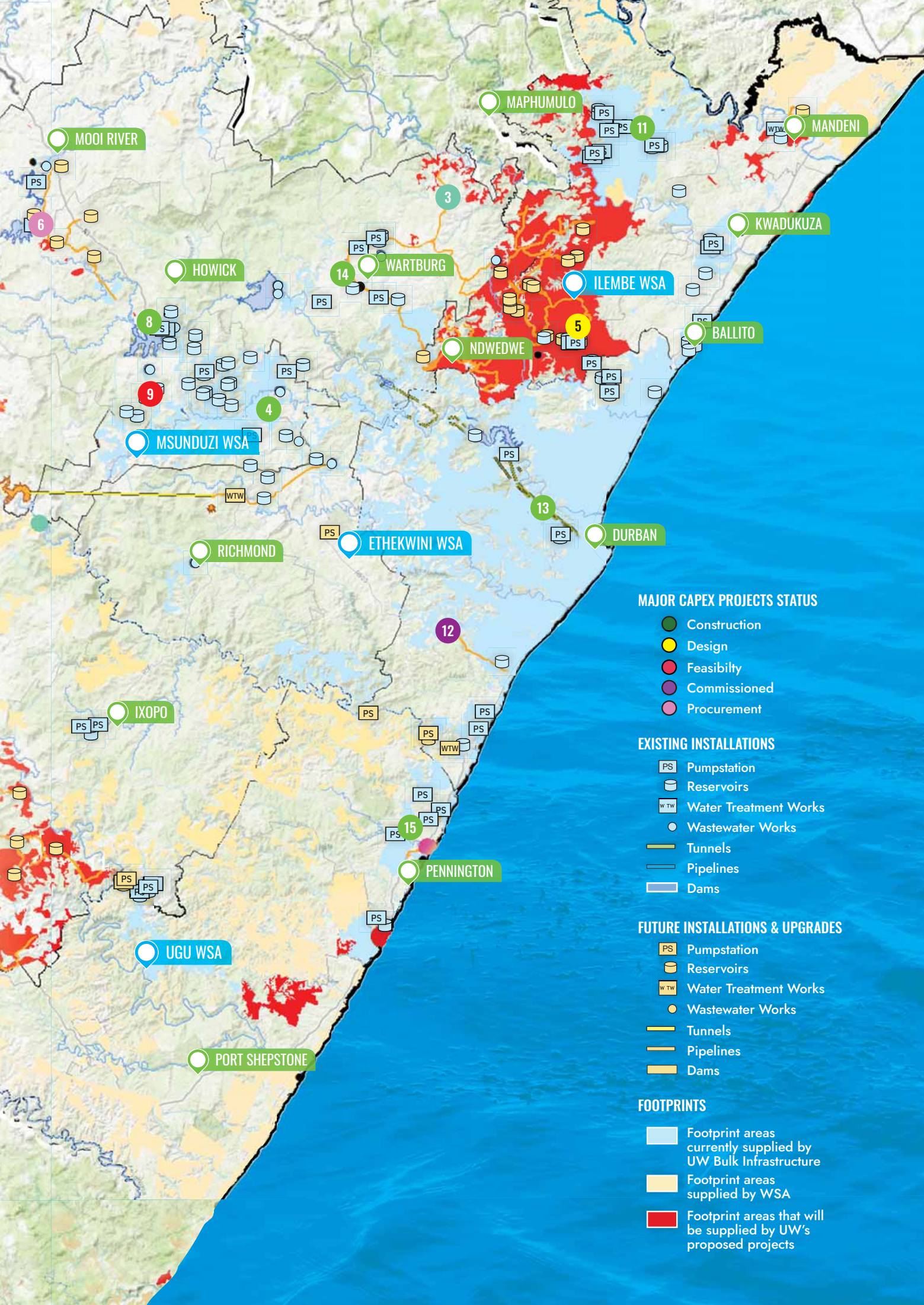
- PS Pumpstation
- Reservoirs
- W.T.W Water Treatment Works
- Wastewater Works
- Tunnels
- Pipelines
- Dams

FUTURE INSTALLATIONS & UPGRADES

- PS Pumpstation
- Reservoirs
- W.T.W Water Treatment Works
- Wastewater Works
- Tunnels
- Pipelines
- Dams

FOOTPRINTS

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



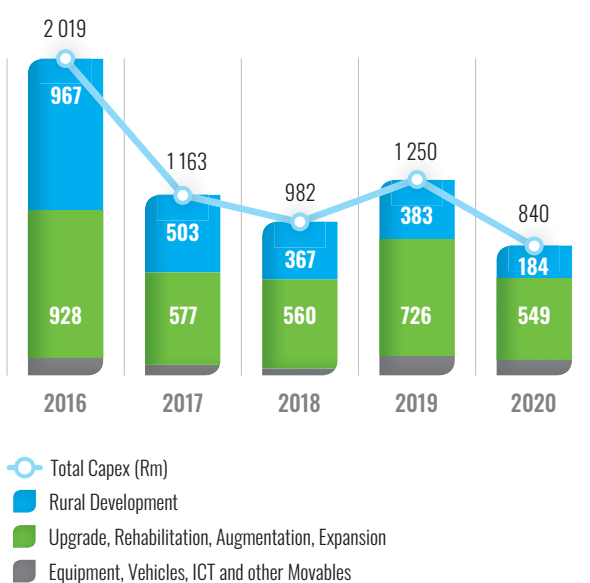
Performance with Capital Infrastructure Plan

Significant progress with capital infrastructure implementation was achieved in the reporting period. Spend performance for the year was R840 million, of which R549m (R1.1 billion in 2019) was spent on bulk infrastructure augmentation, expansion, upgrades and rehabilitation projects. Of this, R184m (22%) went towards projects for rural development. Overall, 55% of target water infrastructure project milestones were met. It has been a challenging year with two major contractors entering business rescue and two contract terminations that have had an adverse impact on progress.

Key projects implemented are shown in **Table 9.4**.

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

Figure 9.8: Capital Infrastructure Implemented (Parent) (Rm)



Customers Targeted and Progress with Key Bulk Infrastructure Developments

(1) uMshwathi Regional Bulk Water Supply Scheme

Serves uMgungundlovu District Municipality and iLembe District Municipality

This phased infrastructure development comprises of four pipelines with the total length of 91km, two booster Pump Stations and three reservoirs with the total storage of 30Ml/d. Construction of the 26km Pipeline from Claridge to Wartburg was completed in 2015/16. In 2017/18, construction of the next phase was under way. This comprised three pipelines, totalling 63km, linking Wartburg to Ozwathini via Dalton, Efaye and Fawn Leas, two booster Pump Stations and two reservoirs with a size of 8Ml and 10Ml at Wartburg and Dalton respectively and were successfully completed by May 2018. A further 12Ml reservoir is in construction at Ozwathini and was commissioned in December 2019.

(2) Greater Mpofana Bulk Water Supply Scheme

Serves uMgungundlovu District Municipality

The infrastructure development comprises construction of a water treatment works, two storage reservoirs and two bulk pipelines. The construction of the 20Ml/d Rosetta Water Treatment Works – adjacent to Spring Grove Dam – commenced in 2016/17, was 83% complete in June 2020 and is now scheduled for completion in December 2020 after delays caused by the contractor going into business rescue and by the Covid-19 pandemic. Construction of the 5Ml and 12Ml/d reservoirs feeding Nottingham Road and Bruntville respectively is complete and commissioning is complete. The construction of the Nottingham Road Pipeline – from the WTW to Nottingham Road Reservoir – was complete in June 2016. The construction of the Bruntville Pipeline – from the Water Treatment Works to Bruntville Reservoir was approximately 75% complete when the contract was terminated by the contractor. Tenders have closed for a new contract to complete the works and the award of this contract was expected in September 2020 with completion in July 2021.

(3) Vulindlela Bulk Water Supply Scheme Upgrade

Serves Msunduzi Local Municipality

Phase 1 includes a new 20ML reservoir, 6km of pipelines (rising main and gravity pipelines), a new Pump Station and including the detailed design was completed in 2017/18. Phase 1 comprises one Pump Station at Howick West Reservoir and two at Mpophomeni, each with 2 x 32ML/d pump sets; 9.37km of 800mm diameter rising mains and a new 10ML Reservoir at Mpophomeni. A pipe supply contract was awarded in June 2020 and procurement of construction contracts has commenced, with overall construction completion expected in 2024.

(4) Impendle Bulk Water Supply Scheme

Serves uMgungundlovu District Municipality and Impendle Local Municipality

The scheme comprises a 1.6 ML/d Bulk Water Supply Scheme with a possibility of future upgrade to 3ML/d at Stepmore and 10ML/d Bulk Water Supply Scheme at Nzinga with a possibility of future upgrade to 18.5ML/d. The detailed design is in progress. Construction of the Stepmore scheme is scheduled for 2021 with completion in 2024 and Nzinga scheme is scheduled to commence in 2022 with completion in 2025.

(5) Maphumulo Bulk Water Supply Scheme Phase 3

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

Phase 1, completed in 2013, consisted of the iMvutshane River abstraction, 6 ML/d Water Treatment Works (WTW), potable water pipelines, booster Pump Stations and reservoirs. Phase 2, construction of the iMvutshane Dam, was completed in 2015. Phase 3 includes the upgrade of the WTW from 6 to 12ML/d and upgrade of the raw water and booster Pump Stations. Upgrade of the Pump Stations are complete. Detailed design of the WTW upgrade was scheduled for completion in July 2020 and the procurement of a construction contractor was scheduled to commence in September 2020. A separate procurement for repairs to

the iMvutshane Dam Wall and upgrading of the access road is in progress with construction expected to commence in September 2020.

(6) uMkhomazi Water Project

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

Phase 1 of the infrastructure development includes a dam on the uMkhomazi River, raw water tunnel to Baynesfield, balancing dam, raw water pipeline, water treatment works and bulk potable storage reservoir at Baynesfield and bulk potable water pipeline to Umlaas Road. Phase 2 includes a further dam higher up on uMkhomazi River at Impendle, raw water tunnel, raw water pipeline, water treatment works capacity and reservoir storage upgrades and a second bulk potable water pipeline. In 2016/17, the detailed feasibility study and an Environment Impact Assessment (EIA) for phase 1 was in progress. In 2017/18, the detailed feasibility study was complete, EIA in progress and targeted for completion and authorisation in 2019/20.

(7) Lower uMkhomazi Bulk Water Supply Scheme

Serves eThekweni Metropolitan Municipality and Ugu District Municipality and will augment the Coastal Areas from Amanzimtoti to Hibberdene via the South Coast Pipeline

The planned infrastructure comprises of:

Phase 1: a dam at Ngwadini and two Raw Water Abstraction Systems together with pipelines, Raw Water Pump Stations and Raw Water Reservoir;

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

In 2016/17, the detail feasibility and preliminary design were completed. The design of preliminary works is complete and procurement of Phase 1 advanced works (road access and site preparation) and Phase 2 preliminary earthworks is in progress with appointments expected in September 2020. Detailed design is almost complete with final design reviews scheduled for August 2020, after which the procurement of further construction contracts can proceed.

(8) Nungwane Pipeline

Serves eThekweni Metropolitan Municipality and Ugu District Municipality along the coastal strip from South of Durban to upper South Coast

The construction stage of the 13.5km raw water pipeline from Nungwane Dam to Amanzimtoti Water Treatment Works commenced in 2016/17 was completed and handed over to Operations Division in December 2019. The pipeline is now in use.

(9) South Coast Pipeline Phase 2B

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

The pipeline is designed to supply approximately 16.7Ml/d and will link Scottburgh South to Pennington and then to Malangeni Reservoir. The initial construction procurement was cancelled. A new tender was advertised on 19 February 2020. Contract award was expected during August 2020. Construction was expected to commence in September 2020 and be completed in 2022.

(10) Mhlabatshane Bulk Water Supply Scheme Phase 2 – Mzimkhulu River Abstraction

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

The infrastructure development comprises an abstraction works on the Mzimkhulu River, pump station and pipeline to deliver water to the Mhlabatshane Water Treatment Works and an upgrade of the Water Treatment Works from 4Ml/day to 8Ml/day. After completion of the preliminary design report, an executive decision was taken to increase the treatment capacity to 12Ml/d. This entailed some rework. Detailed design to include the revised scope is in progress and was expected to be concluded by September 2020.

(11) Midmar Raw Water Pipeline Augmentation, Raw Water Pump Station and WTW Upgrade

Serves eThekweni Metropolitan Municipality, uMgungundlovu District Municipality and the Msunduzi Local Municipality

The planned infrastructure development includes duplication of the raw water pipeline and water treatment works upgrade. The construction of the 1.6km raw water

pipeline was completed in 2016/17. Construction of the Midmar Water Treatment Works upgrade from 250Ml/d to 395Ml/d was completed in Jun 2019. Commissioning and snagging was completed in March 2020 and handed over to the Operations Division. The project is now in operation.

(12) Darvill WWTW Capacity Increase

Serves Msunduzi Local Municipality

The works capacity is being upgraded from 65Ml/d to 100Ml/d. Construction is in progress and includes a new inlet works, Primary and Secondary Settling Tanks, pumps and Pump Station, Reactor, Chlorination House and Anaerobic Digesters, among other components. The project was significantly delayed as a result of the main contractor going into business rescue and the contract was terminated. A dispute over the termination has been referred to Arbitration, with a decision expected in August 2020. In the interim, a tender for the completion of the remaining works was issued and the commencement of the new contract was expected in July 2020. Completion of the remaining works is expected during 2022.

(13) Trustfeeds WWTW

Serves uMgungundlovu District Municipality and iLembe District Municipality

The infrastructure development comprises a 1 Ml/d Wastewater Treatment Works, 4.5km bulk sewer outfall pipeline and a 1.5km gravel access road. Planning and design were completed at the end of 2016/17. Construction of the 4.5km bulk sewer outfall pipeline and a 1.5km gravel access road has been completed. Construction of the Wastewater Treatment Works is 98% complete and commissioning is expected to commence in July 2020. The associated Housing Project being constructed for Department of Human Settlements has been delayed and the first flow of wastewater for treatment is expected in February 2021.

(14) Mpophomeni Wastewater Treatment Works

Serves uMgungundlovu District Municipality and uMngeni Local Municipality

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

9.4 Economic Empowerment

Management Approach

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

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

Contract Participation Goals

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

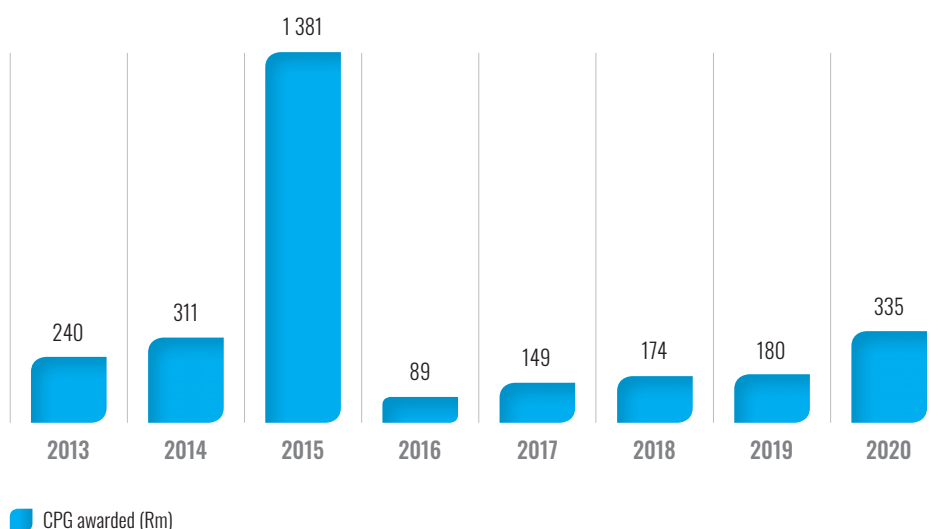
Performance with Contract Participation Goals (CPG) Targets in 2019/20

CPGs targets set for 2019/20 were 35% for construction contracts, professional services projects and other operational contracts (of which 10% was to be allocated to Black women-owned businesses).

An average of 35% CPG was achieved with a total of CPG award value of R335 million (R180m in 2019). Of the total CPGs R165m (49%) was awarded to Black women-owned businesses (R162m in 2019). Women participation represents 17% of the total spent on all applicable contracts. More than 70% of women participation came from subcontracting in the Built Environment (Engineering and Construction).

Overall, R2.8 billion worth of contracts has been awarded to Black-owned businesses since the start of the CPG initiative in 2013.

Figure 9.9: Contract Participation Goals (Rm)



BBBEE Spend Performance

Umgeni Water continues to monitor and ensure sourcing from BBBEE compliant suppliers. The BBBEE spend target of $\geq 80\%$ for the reporting period was achieved. Spend performance for the year exceeded 100% (123%).

Three new entrants were added to the database and awarded work.

Monitoring BBBEE / CPG implementation at Umgeni Water

Monitoring BBBEE / CPG implementation of awarded contracts is undertaken to confirm that:

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

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

Skills Development and Job Creation

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

In the 2019/20 reporting period, Umgeni Water created a total of 268 temporary jobs through its Capex Programme.

A total of R11.3m (R19.4m in 2019) was paid in wages to local labour.

Figure 9.10: Capex Jobs

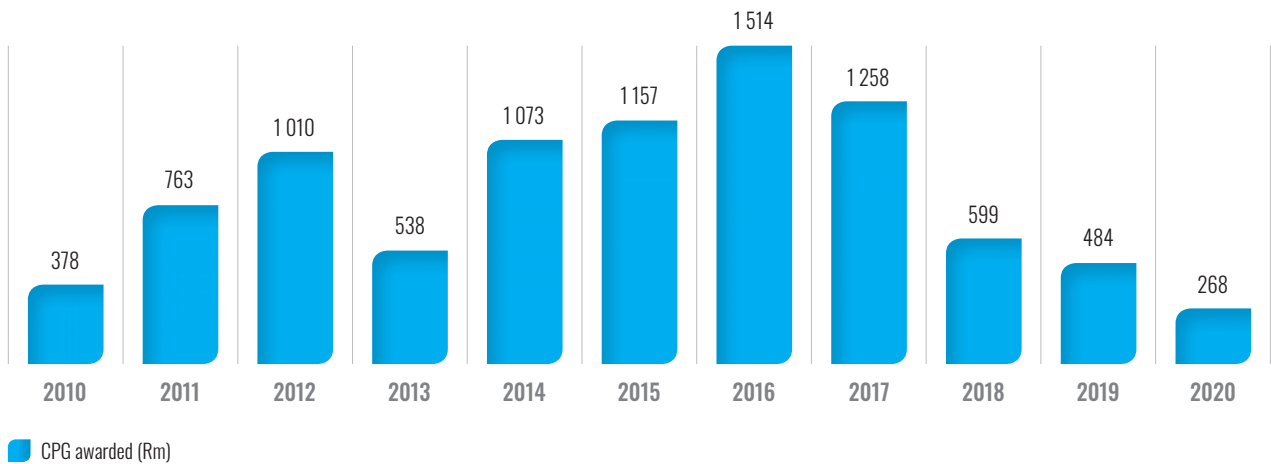
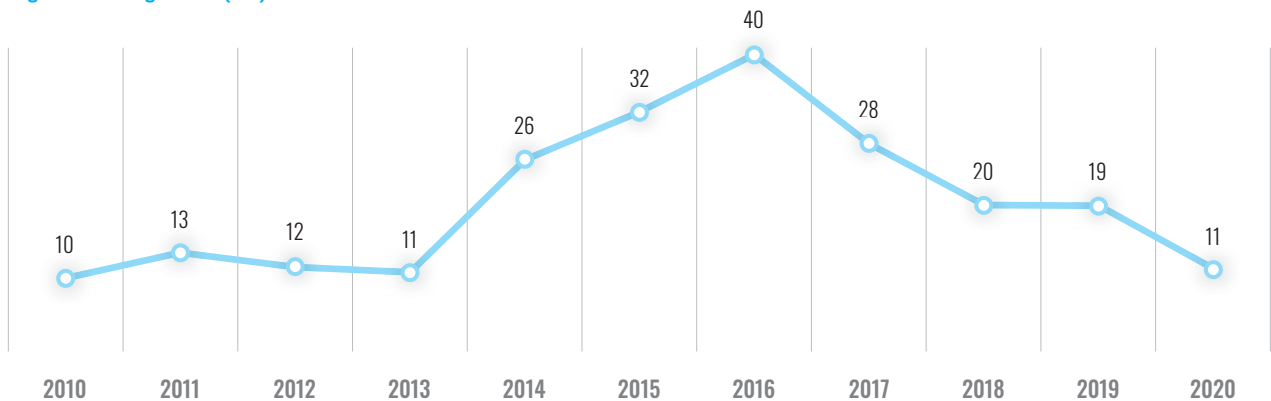


Figure 9.11: Wages Paid (Rm)



9.5 Corporate Social Investment

Management Approach

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

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

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

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

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

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

Water Education and Community Outreach

Education and awareness programmes strive to instil sound values that will complement and ensure long-term sustainability of the water services that are provided. Programme content and themes are reviewed regularly to assess suitability and address current issues facing the region. Content targeted includes the water cycle and source-tap-source view of the water value chain, water use, water treatment, water conservation, water quality, sanitation and the water, health and environment nexus.

Programmes target rural and urban schools, communities and a wide range of learner levels. Suitable educational materials and mechanisms to facilitate communication are identified and implemented, often in partnership with other sector stakeholders.

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

- > On Site Water Classrooms Programme;
- > Schools and Community Outreach Programmes;
- > Adopt-A-School Programme.

On Site Water Classrooms Programme: A total of 52 classes were taught at the Durban Heights, Midmar, Howick, Hazelmere and Lower Thukela sites, reaching 2 112 visitors and 53 institutions as part of Umgeni Water's efforts to promote community well-being, knowledge and environmental stewardship. Unfortunately, numerous scheduled classes could not be conducted due to the COVID-19 restrictions.

The feedback received from visitors reflected the programme as informative and engaging. The content was also said to be aligned to and supportive of the school curriculum, which provided a valuable learning experience. Active learning through recognition of prior knowledge and guided questioning ensured that learners were kept engaged and, therefore, enjoyed the programme.

Schools and Community Outreach Programmes: Schools and Community Outreach Programmes: The main objective of the outreach programmes is to raise awareness on dam safety, pollution, water conservation, climate change, environmental health and careers in the water sector. Programmes implemented included awareness campaigns and workshops, activations, clean-up campaigns, commemoration of special environmental days, as well as a holiday programme for learners around Umgeni Water's sites. Highlights of the activations are captured below:

- > Awareness talks to youth and women groups, river clean-ups, invasive alien plant removal and greening initiatives were implemented in communities within the eThekweni Metropolitan (KwaNdengezi), Mkhambathini (Emaqongqo), Msunduzi (Machibisa and Edendale), Richmond (Nhlazuka and Ophatheni), uMgeni (Howick and Mpophomeni), Umzumbe (Mthwalume), uMdoni (Amahlongwa), Impendle (Swamp), Ndwedwe (Bamshela and Lihlithemba) and, Mandeni (Hlomendlini) Municipalities.
- > Educators' workshops were conducted for educators representing various schools located within eThekweni Metropolitan (Hammarisdale and Inanda Dam Area), Umzumbe (Dweshula and Mthwalume), Umdoni (Umzinto) and uMshwathi (Fawn Leas) Municipalities.
- > Umgeni Water supported the Careers Day at eThekweni Metropolitan (Newlands West, Merebank, Wentworth and Bluff areas).
- > Umgeni Water hosted a three-day programme for Grade 6-9 learners at three sites namely at Durban Heights WTW, Hazelmere WTW and Midmar WTW. This fun-filled, interactive learning experience equipped learners with information on the water value chain, the importance of conserving water, effects of pollution and climate change, as well as careers within Umgeni Water. This programme was attended by over 70 learners from all parts of KwaZulu-Natal.

Special Environmental Day Commemorations: Over 200 trees were planted during Arbour Month at the adopted schools, community centres and outreach schools in various areas throughout the area of operations.

In commemoration of **International Coastal Clean-up Day**, clean-ups were conducted at Blythedale Beach in Stanger and the Beachwood Mangroves Nature Reserve on the banks of the Umgeni River Estuary.

Wetlands and Biodiversity awareness campaigns were conducted at 16 schools in commemoration of **World Wetlands Day**.

National Water Week was commemorated with a 90-day road show to 21 Adopted Schools to raise awareness on issues of pollution, climate change and water conservation.

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

Activities implemented at Adopted Schools for this reporting period include Arbour Week awareness coupled with tree planting. Wetlands and Water Week visits included talks, audit, clean-ups and presentations. Participation in and contribution to Grade 7 careers and awards days. The Department of Economic Development, Tourism and Environmental Affairs donated three recycling bins to Newark Primary and Nkolovuzane Primary. These bins will assist the school in managing their waste.

The onset of the COVID-19 Pandemic restrictions did not deter Umgeni Water from spreading water and environmental responsibility and sustainability messages to the public. Various messages related to health and hygiene, environmental sustainability and water conservation were shared with the public via social media platforms.

Institutional Support and Development (ISD)

Institutional Support and Development is one of the vehicles that the organisation is using to engage more broadly with the community. Effective communication and collaboration with the community is necessary to create change and improve participation. Awareness of the various cultures of a community and other factors affecting diversity were paramount in planning, designing and implementing approaches to engaging communities. Community engagement can only be sustained by identifying and mobilising community assets and strengths, which was achieved by developing the community's capacity and resources through creating opportunities for skills development, local labour employment and participation of local small business enterprises.

Corporate Social Investment (CSI) Programme

The total CSI investment in the year was R10.7 million. This represents an increase of 42% compared to that of the 2018/19 reporting period (R6.1m). This demonstrates Umgeni Water's commitment to contributing to socio-economic upliftment of communities in its area of operations.

The Education, Training and Skills Development CSI category accounted for 64% of the spending. This was followed by Public Health and Community Support at 16%. Environmental Conservation and Staff Voluntarism and Support were about 10% each. The organisation's CSI programme focused on six Water Services Authorities. **Figure 9.14** below outlines the CSI spend over time.

A total of 16 of the projects had been approved in the previous financial years and eight approved in the year under review,

reaching over 16 000 beneficiaries. **Table 9.5** below shows projects supported in the reporting year.

Figure 9.14: CSI Spend (Rm)

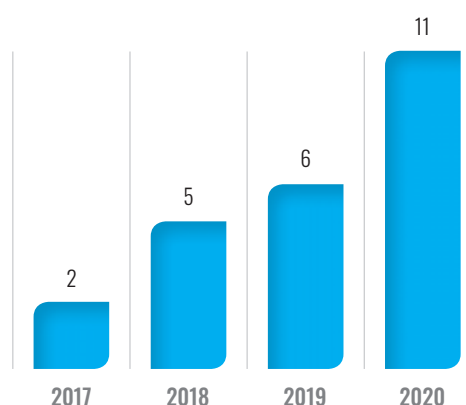


Table 9.5: Umgeni Water 2019/20 CSI Projects

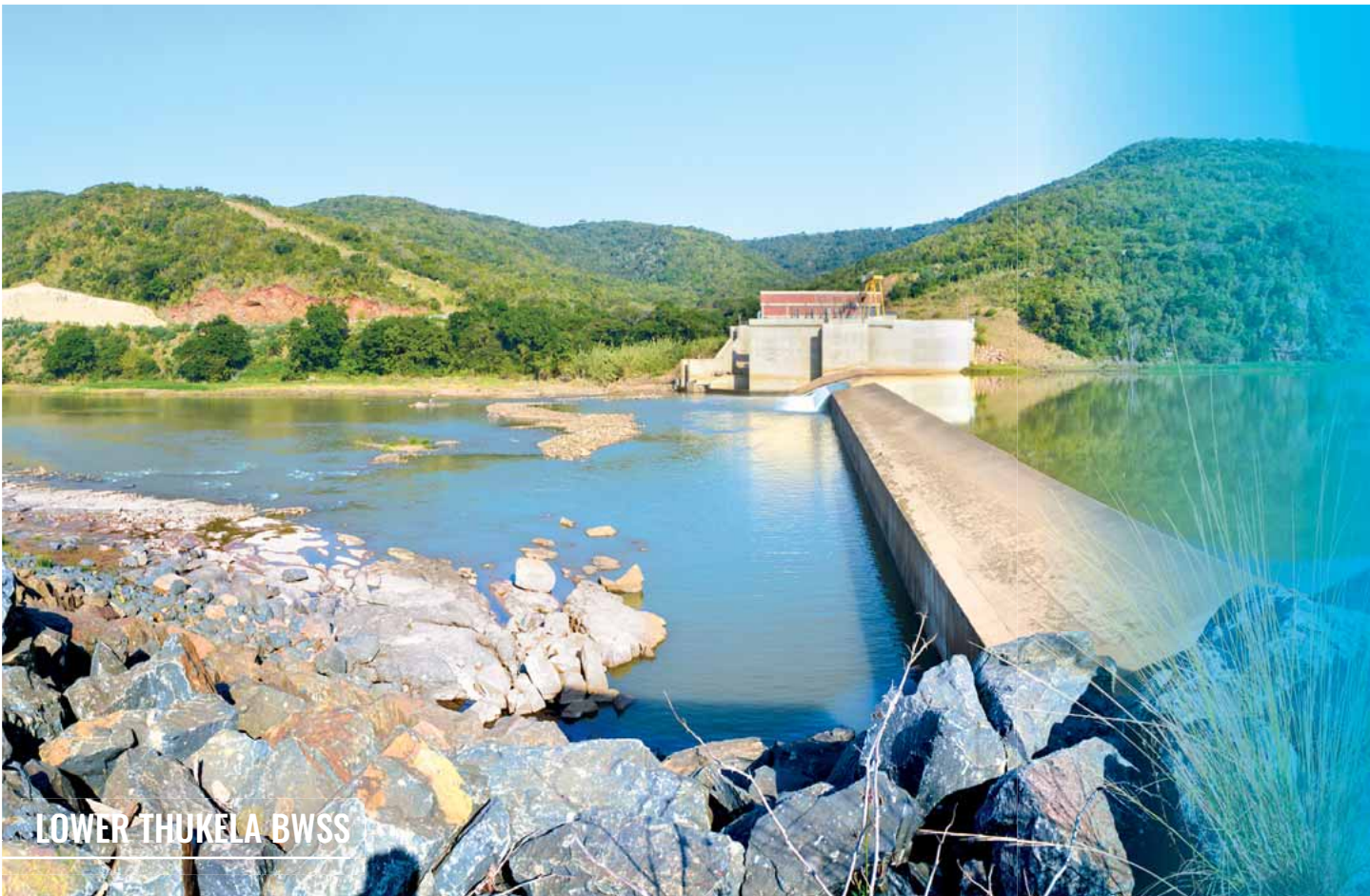
No	Project Name	Focus Area	Beneficiary	Project Budget (Rm)	Status
1.	Ekukhanyeni Special School	Staff Voluntarism and Support	uMgungundlovu District Municipality (Msunduzi)	0.3	Project Complete
2.	Inanda Child Welfare	Staff Voluntarism and Support	eThekwini Metro Municipality	0.35	Project Complete
3.	Siyjabula High School	Staff Voluntarism and Support	eThekwini Metro Municipality	0.15	Construction of toilets complete. Construction of borehole still outstanding
4.	Nqolayolwazi Primary School	Staff Voluntarism and Support	uMgungundlovu District Municipality (uMshwathi)	0.05	Project Complete
5.	Esidumbini Primary School	Staff Voluntarism and Support	eThekwini Metro Municipality	0.15	Construction of Toilets complete. Construction of borehole still outstanding
6.	Lukhasa Secondary School	Staff Voluntarism and Support	uMgungundlovu District Municipality (uMshwathi)	0.15	Construction of Toilets complete. Construction of borehole still outstanding
7.	Nieu Gederland School	Staff Voluntarism and Support	iLembe District Municipality (Maphumulo)	0.15	Construction of Toilets complete. Construction of borehole still outstanding
8.	Inkanyezi Crèche	Staff Voluntarism and Support	Ugu District Municipality (Ray Nkonyeni)	0.3	Project Completed
9.	Siyabonga Mngadi (Orphaned Student)	Education, Training and Skills Development	eThekwini Metro Municipality	0.1	Project Completed. Student was offered and accepted alternative funding
10.	Mandosi Combined School	Education, Training and Skills Development	eThekwini Metro Municipality	0.5	Working with eThekwini Water and Sanitation on a three-year partnership to assist with water and sanitation
11.	Chief Luthuli Commemorative Walk	Public Health and Community Support	iLembe District Municipality (KwaDukuza)	0.25	Project Complete

Table 9.5: Umgeni Water 2019/20 CSI Projects ...continued

No	Project Name	Focus Area	Beneficiary	Project Budget (Rm)	Status
12.	Umqhele High School	Education, Training and Skills Development	eThekweni Metro Municipality	0.2	Working with Umgeni Water Young Professionals to assist improvement of results by offering extra classes.
13.	Simphiwe Shembe Durban July Comedy	Public Health and Community Support	eThekweni Metro Municipality	0.11	Project Complete
14.	Simphiwe Shembe Durban July Comedy	Public Health and Community Support	eThekweni Metro Municipality	0.28	
15.	Duzi Adopt a River	Environmental Conservation	uMgungundlovu District Municipality (Msunduzi)	1	Five-year partnership with DUCT and Sobantu Township Youth for clearing alien plants in Msunduzi River. For the first three years the Youth is incubated by DUCT.
16.	Adopt a School	Staff Voluntarism and Support	eThekweni Metro Municipality, iLembe, Harry Gwala, Ugu, uMgungundlovu District Municipalities	1	Approved for three years to assist rural schools with ploughing equipment and seeds for gardening
17.	Ezindlovini Secondary School	Education, Training and Skills Development	iLembe District Municipality (Ndwedwe)	0.3	Project Complete
18.	Lebo Mashigo (Orphaned Student)	Education, Training and Skills Development	uMgungundlovu District Municipality (Msunduzi)	0.29	For the past two years, Lebo has been supported by CSI. Next year, she will apply for Umgeni Water Bursary Scheme
19.	Stanger Training Centre	Education, Training and Skills Development	iLembe District Municipality (KwaDukuza)	0.1	Project Complete
20.	UThukela Uniform Drive	Education, Training and Skills Development	UThukela District Municipality (Alfred Duma)	0.25	Project Complete
21.	Gogo Shobane House	Public Health and Community Support	eThekweni Metro Municipality	0.1	Project Complete
22.	Linda Sibiya Foundation Youth Empowerment Drive	Education, Training and Skills Development	iLembe District Municipality - Mandeni	2.25	Project Complete
23.	Linda Sibiya Foundation Youth Empowerment Drive	Education, Training and Skills Development	uMgungundlovu District Municipality - UMshwathi	2.25	Project complete
24.	Linda Sibiya Foundation Youth Empowerment Drive	Education, Training and Skills Development	Ugu District Municipality - Mdoni	5	Project ongoing,
25.	Phantane Athletics Club	Public Health and Community Support	eThekweni Metro Municipality	0.6	Three-year partnership still in its first year
26.	Simphiwe Shembe Comedy Picnic	Public Health and Community Support	eThekweni Metro Municipality	0.28	Project Complete
27.	Izimbewu ze Afrika	Public Health and Community Support	eThekweni Metro Municipality	0.2	Project Complete



10. CONSERVING OUR NATURAL RESOURCES



10.1 Environmental Sustainability, including Water Resources Adequacy

Management Approach

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

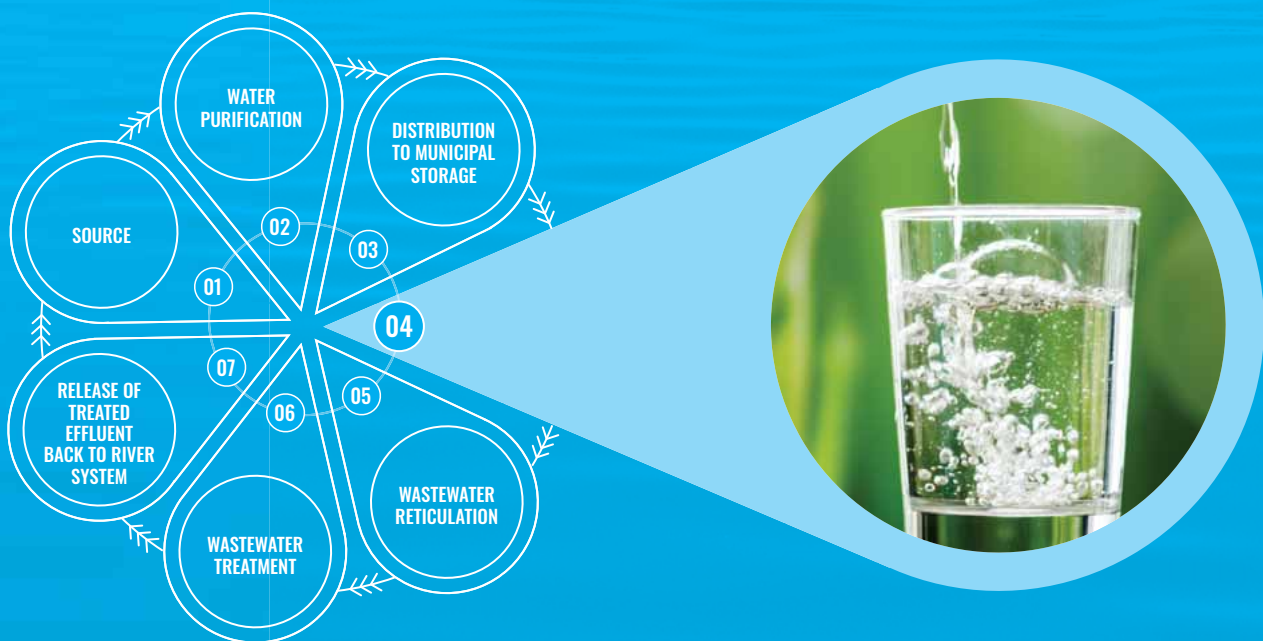
“UMGENI WATER’S CORE BUSINESS FUNCTION IS TO TREAT AND SUPPLY BULK POTABLE WATER – A BUSINESS HIGHLY DEPENDENT ON THE AVAILABILITY OF SUSTAINABLE WATER RESOURCES.



WATER & WASTEWATER TREATMENT PROCESS

04. END USER

To Progressively serve KwaZulu-Natal, 14 WSAs 94 361 km², home to 11.06 million people and 2.87 million households.



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

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

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

Water Resources Adequacy

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

The primary water sources used by the entity, include 14 impoundments on four major water resource systems, namely, the Mgeni System (Mooi and Mgeni rivers), Mkhomazi System (Home Farm Dam), the North Coast System (uMdloti, iMvutshane, uThukela and uMvoti rivers) and the South Coast System (Nungwane, Mzimayi, uMuziwezinto and Mhlabatshane rivers). Total water withdrawal by source is shown in **Figure 10.1**.

Figure 10.1 Water Withdrawal by Source (million m³)



Umgeni Water is operating some of the sub-systems in the Upper uThukela Region. These sub-systems include eZakheni and Tugela Estates that form part of the Spioenkop System and Olifantskop, which is part of the Sundays River System. The water sales captured for October 2019 – March 2020 for these three plants show that sales from eZakheni WTW have an average production of 30.6Ml/day during this period. The water sales from Tugela Estates show an average production of 0.4 Ml/day and Olifantskop has an average production of 5 Ml/day for the same period.

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

- > Smithfield Dam (DWS) as part of the uMkhomazi Water Project for which the feasibility study was completed with further work required on the raw water environmental impact assessment and construction is still anticipated to be completed by 2030;
- > Hazelmere Dam raising (DWS) for which construction is expected to resume in the near future and expected to be completed in 2021;
- > Ngwadini Dam (UW), as part of the Lower uMkhomazi Scheme, for which the detailed design completed, construction is planned to start in 2021.

Climate Change and Water Resources

The natural climate is the prime determinant of water resources availability, whether surface or groundwater. Sufficient water that is fit for purpose is key to the business of Umgeni Water. In the year, Umgeni Water developed its Climate Change Response Policy. The main purpose of the policy is to provide a framework for a transition to lower carbon water entity in the long-term. The objectives of the policy are to:

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

Initiatives implemented in support of the policy included:

- > The development of a real-time flood forecasting and early warning system for uMgungundlovu District Municipality and Umgeni Water;
- > A Climate Change Research Study was undertaken to update and expand on previous work covering Umgeni Water's area of operation.

Wastewater Reuse

Umgeni Water is piloting a reuse plant at its Darvill Wastewater Treatment Works. The 2 Ml/d direct reuse demonstration plant comprises a conventional water treatment works to provide high-pressure wash water followed by an advanced treatment process plant. The plant is to be used for evaluating the effectiveness of reuse processes and will be used as a demonstration plant where outside organisations and learning institutions (universities and schools) can visit, learn and understand the benefits of wastewater reuse and the processes involved in treating wastewater to potable standards. Implementation is delayed and is expected to be completed in 2021 together with the Darvill WWTW upgrade project.

Raw Water Quality

The status of raw water quality per resource is shown in **Table 10.1** and **Figure 10.2**. Water quality risks associated with Umgeni Water's raw water supplies can arise from various catchment and impoundment aspects including eutrophication (nutrient enrichment and its associated threats including algal blooms, taste and odours and aquatic weed infestations), faecal contamination and associated pathogen risks, suspended solids and chemical constituents (including iron and manganese). The effects of these aspects in turn relate to raw water treatability, chemical usage and other cost implications and may contribute to final water non-compliance with SANS 241:2015 Drinking Water specification.

Umgeni Water has set resource quality objectives for water resources used for abstraction and use these alert levels to assess and mitigate treatability risks, optimise raw water quality and provide early warnings of adverse raw water quality.

Table 10.1: Resource Water Quality

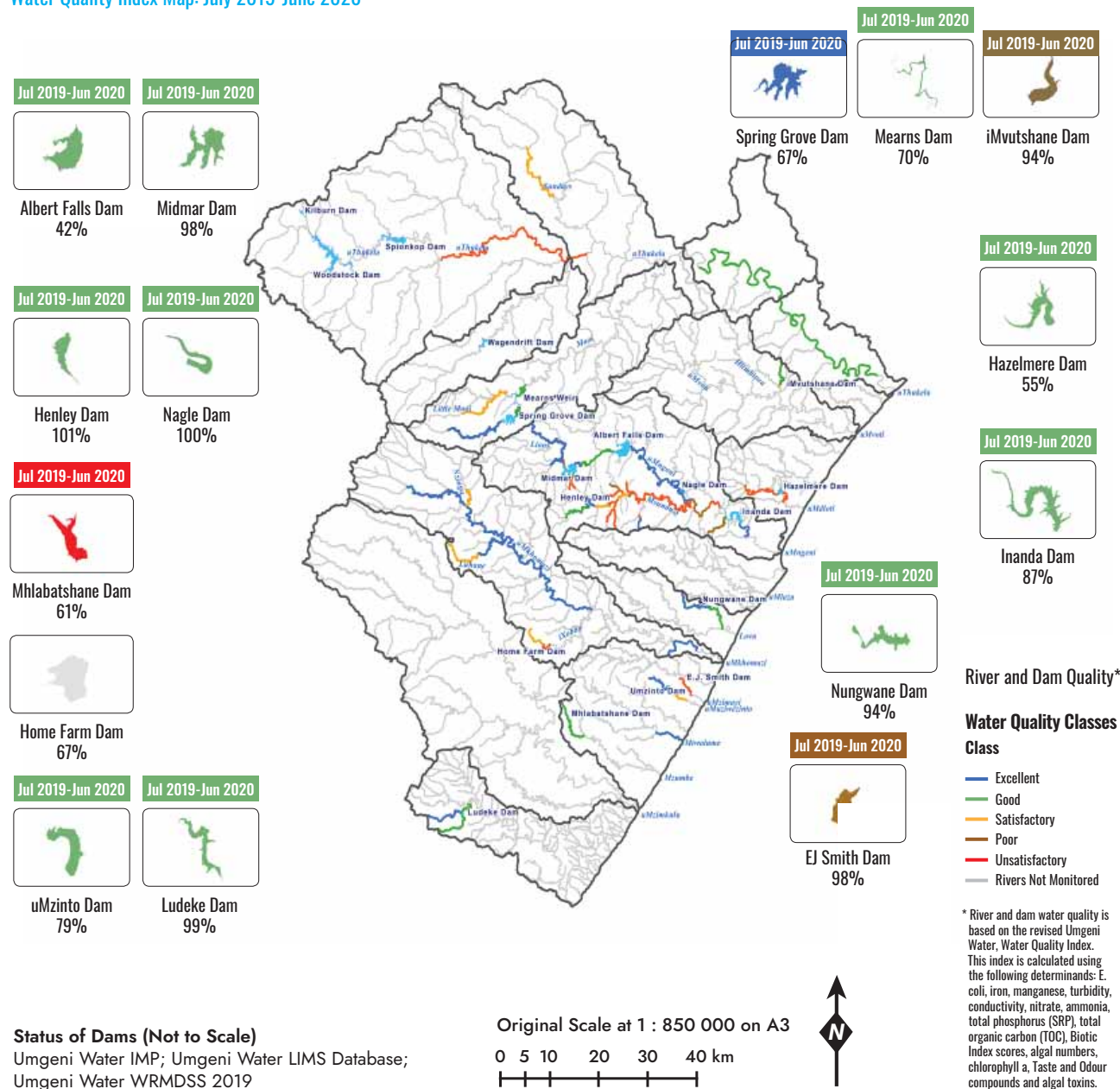
System	Catchment	Impoundment/ Abstraction	Abstraction Water Quality Status and Trends				Comments	
			2016	2017	2018	2019	2020	Adverse Raw Water Quality
Inland & Central Coast	Mooi	Spring Grove Dam	Excellent	Excellent	Excellent	Excellent	Excellent	Occasional bacteriological inputs as a result of rainfall events in the catchments.
		Mearns Dam	Good	Good	Excellent	Good	Excellent	Occasional bacteriological inputs as a result of rainfall events in the catchments.
	uMgeni	Midmar Dam	Excellent	Excellent	Good	Good	Good	Elevated algal counts dominated by filter clogging diatom (<i>Fragilaria</i>) were recorded during the warm weather period. A relatively higher number of cyanobacteria was recorded in the period under review.
		Albert Falls Dam	Good	Good	Moderate	Satisfactory	Unsatisfactory during the summer months	Elevated algal counts associated with nutrient inputs from the Howick area. Low dam volumes exacerbated the algal blooms.
		Nagle Dam	Good	Excellent	Good	Good	Generally Good during Winter, but Unsatisfactory during the summer months	Elevated algal counts associated with very hot temperatures and notably elevated nutrient inputs from the Howick WWTW and intensive agricultural activities in the catchment. Activated carbon was dosed to mitigate taste and odour challenges in treated waters.
		Inanda Dam	Moderate	Moderate	Good	Good	Unsatisfactory (upper dam), Poor (mid-dam), Good - Excellent (main basin)	Significant algal blooms and aquatic weed growth were recorded in the upper and mid dam, associated with eutrophication from the uMsunduzi catchment. Nutrient enrichment was exacerbated by a reduction in assimilative capacity of the uMsunduzi River due to a serious pollution incident.

Table 10.1: Resource Water Quality ...continued

System	Catchment	Impoundment/ Abstraction	Abstraction Water Quality Status and Trends				Comments	
			2016	2017	2018	2019	2020	Adverse Raw Water Quality
North Coast	uMdloti	Hazelmere Dam	Moderate	Poor	Excellent	Excellent	Excellent	Occasional nutrient and turbidity inputs associated with rainfall-related catchment inputs, as well as the impact of a mixing event resulting in an upwelling of high phosphorus concentration bottom waters to the surface layers.
	uMvoti	iMvutshane Dam & River abstraction	Good	Moderate	Good	Poor	Unsatisfactory	Elevated algal numbers (particularly taste and odour genera), soluble Iron and soluble Manganese concentrations associated with inputs from the dam catchment and impoundment stratification.
	uThukela	River abstraction	Poor	Moderate	Unsatisfactory	Unsatisfactory	Unsatisfactory	Elevated Total Organic Carbon, Turbidity, <i>E. coli</i> counts, <i>Cryptosporidium</i> and <i>Giardia</i> associated with rainfall events/catchment runoff, erosion issues, human and agricultural activities in the catchment.
South Coast	iLovu	Nungwane Dam	Good	Good	Good	Satisfactory	Good to Unsatisfactory	Elevated soluble iron concentrations, total organic carbon and turbidity associated with catchment inputs, rainfall runoff and impoundment effects.
	uMzimayi	Ej Smith Dam	Poor	Moderate	Unsatisfactory	Unsatisfactory	Unsatisfactory	Elevated nutrient, total organic carbon, turbidity and <i>E. coli</i> associated with sewage input from Umzinto town.
	uMhlabatshane	Mhlabatshane Dam	Filling	Moderate	Unsatisfactory	Good	Good to Satisfactory	Elevated <i>E. coli</i> , turbidity and iron concentrations associated with rainfall events, inputs from the surrounding communities and livestock feeding in the riverbed.
	uMzinto	uMzinto River abstraction downstream of uMzinto Dam	Moderate	Good	Moderate	Satisfactory	Excellent to Good	Elevated algal counts, geosmin and <i>E. coli</i> associated with inputs from the surrounding community and rainfall events.
	uMtiamvuna	Ludeke Dam	-	Good	Moderate	Good	Good	Elevated <i>E. coli</i> and ortho-phosphate associated with inputs from the catchment.
	uMthwalume	uMthwalume River abstraction	Moderate	Good	Good	Satisfactory	Good to Unsatisfactory	Elevated <i>E. coli</i> , soluble iron, turbidity and the presence of the parasite, <i>Giardia</i> , associated with rainfall-related runoff and both human and animal activities in the riverbed.
	iXobho	Home Farm Dam	Poor	Poor	Unsatisfactory	Poor	Not monitored due as it was accessible by boat due to low dam levels and the presence of weeds.	Nutrient enrichment due to sewer inputs from Ixopo Town and catchment

Figure 10.2: Map of Water Quality Status of water resources.

Water Quality Index Map: July 2019-June 2020



Catchment water quality management plans include:

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

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

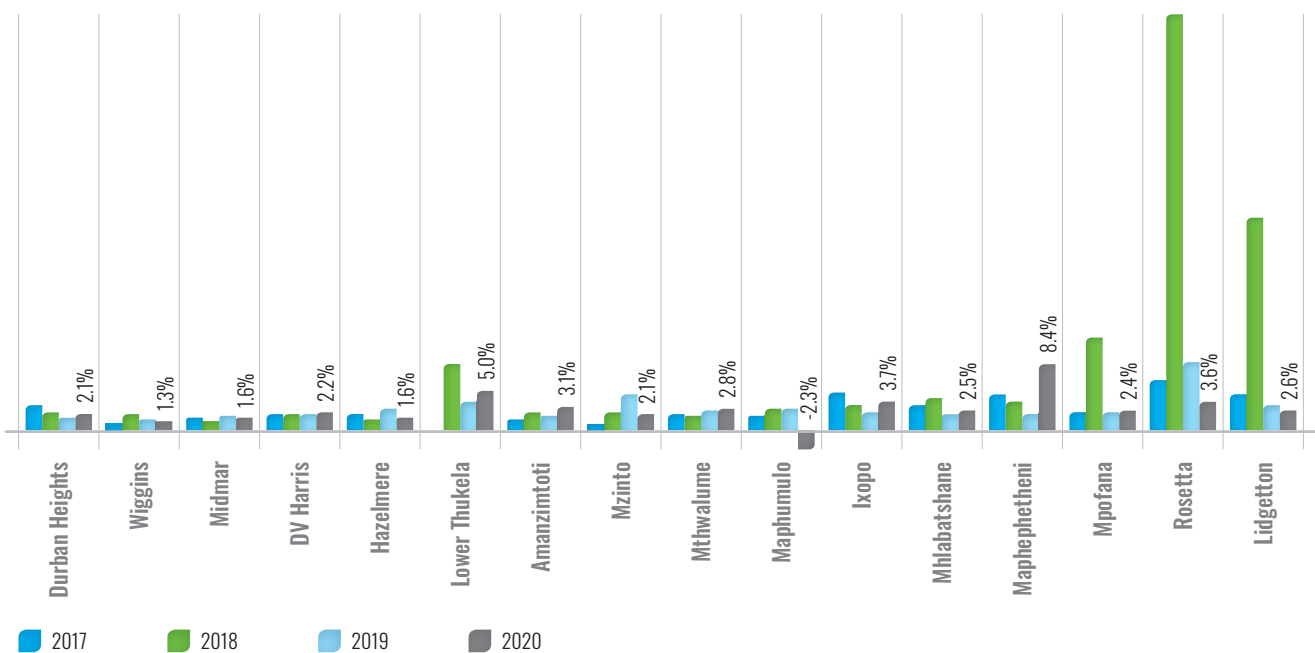
Water Loss Management

Umgeni Water strives to use the water abstracted from resources assiduously. Water balancing and water loss management measures are in place per treatment system. Overall, water loss levels have been maintained below the entity's target level of 5% over the years. Water loss trends are shown in **Figure 10.3** below.

The systems with losses above 5% are as follows:

- > Lower Thukela at 5%. The works is new and is currently operating at 70% capacity. The water loss per cent will progressively reduce, as uptake from this works increases;
- > The infrastructure for Rosetta, Appelsbosch, Lidgetton and Mpofana small schemes are in need of refurbishment. Small schemes are to be replaced by more efficient and effective regional schemes in the short to medium term.

Figure 10.3: Water Loss (%)



Materials Usage and Efficiency

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

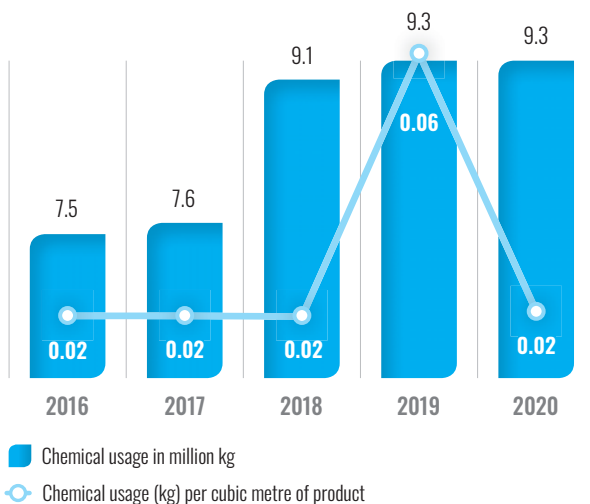
Chemicals Usage and Efficiency

The chemical usage trend for the past five years presented in **Figure 10.4**. During the current assessment period, Umgeni Water utilised a total of 9.3 million kg of water treatment chemicals. There is no difference observed in the chemical usage if comparing to the previous year. The reason for this amount is because of the treatment of high volumes of raw water with unsatisfactory quality associated with drought, catchment activities and the operation of additional plants. Water treatment chemicals were used to ensure that the quality of the potable water was of acceptable standard and that the quality was maintained to the point of use.

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

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

Figure 10.4: Chemical Usage and Efficiency Trends



Energy Usage, Carbon Footprint and Emissions Reduction Initiatives

Figure 10.5: Umgeni Water's direct carbon emissions (CO₂e)

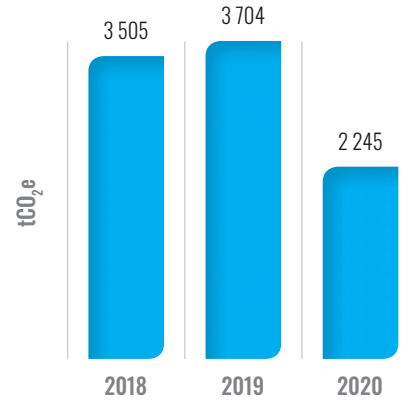
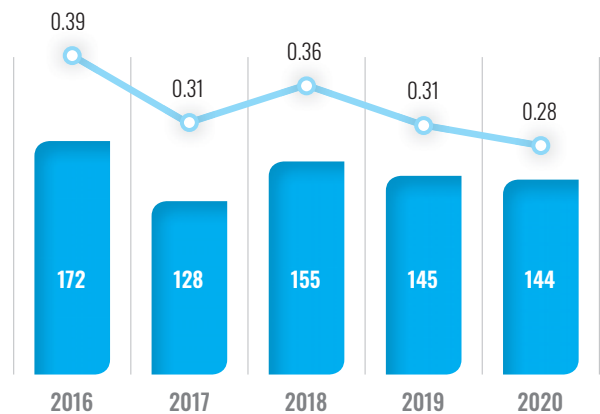


Figure 10.6: Electricity Usage and Efficiency Trends



Electricity Usage in Kilowatt hour (kWh)

Carbon footprint can be described as the total amount of carbon dioxide and other greenhouse gas (GHG) emissions (expressed as carbon dioxide equivalents or CO₂e) for which an organisation or site is responsible for or has control over, resulting from business activities. The entity's carbon emissions are shown in **Figure 10.5**.

Umgeni Water wants to take full ownership of all emissions that it can control, influence and reduce. Scope 1 emissions refer to direct emissions that Umgeni Water can control, whereas scope 2 and 3 emissions are indirect emissions controlled by third party organisations. **Table 10.2** shows the GHG Emissions for scopes 1, 2 and 3.

Umgeni Water's direct CO₂ emission (Scope 1) contributions emanate mainly from vehicles, boats, generators and methane production from anaerobic wastewater treatment process (**Figure 10.4**). Indirect GHG emissions are largely due to the usage of purchased electricity (Scope 2) and to a lesser extent flights and the use of hired vehicles (**Table 10.2**).

The entity's carbon footprint is predominantly caused by electricity consumption (approximately 98%), which is one of the main inputs to water and wastewater treatment processes. The total electricity usage for the reporting period was 144 million KWh as depicted in the Electricity usage and efficiency trends in **Figure 10.6**.

Table 10.2: CO₂ Equivalentents (tons)

Emission type	Activity	Tonnes of CO ₂ equivalents per activity		
		2018	2019	2020
Direct (Scope 1)	Combustion: Generators, Cars, boats & Mobile Plant	2 071	2 303	2 112
	Methane from Anaerobic wastewater treatment	1 434	1 401	132
Indirect (Scope 2)	Electricity	153 076	143 332	142 166
Indirect (Scope 3)	Travel: Air & Car Hire	2 494	425	327
TOTAL		159 075	147 461	144 738

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

Green Building

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

Umgeni Water's journey began with a Feasibility Study that focused on assessing operational sites in line with the Green Building Council of South Africa (GBCSA) Existing Building Performance Tool. The assessments presented green building strategies/recommendations, organised into the

Water, Energy and Waste categories that Umgeni Water can take forward to expand green building practices. From these recommendations, Umgeni Water has put focus on exploring the feasibility of establishing an energy management system that will be an intelligent system designed to reduce energy consumption, predict electrical system performance and optimise energy usage to reduce costs and negative environmental impacts. As a water utility, Umgeni Water can play a significant role in the green building sector through its comprehensive Capital Expenditure Programme, which involves the provision of vital infrastructure required to enhance assurance of water supply. Umgeni Water has since therefore developed a Green Building Policy with the following objectives:

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

This policy will provide a framework to structure the approach to achieving sustainable design outcomes, commitment and minimum requirements for its implementation. Umgeni Water is currently in the process of identifying new buildings with its Capex Programme eligible for Green Star Certification with the GBCSA.

Integrated Catchment Management

Reduction in water yields and deteriorating water quality are among the pressing environmental challenges facing Umgeni water area of operation. These issues are evidence of poor land-use management activities that affect the ability of nature-based resources to deliver ecosystem services that result in improved catchment yields and water quality. These issues are also a symptom of a failure of traditional water resource management approaches that did not consider protection of water resources at catchment lever and did not promote integration and participation of various stakeholders in the management of water resources. In the quest to improve the current status of water resources Umgeni Water adopts a holistic approach to water management and acknowledges that it is only by actively managing the causes of the problems that sustainable water supply can be assured. Umgeni Water, therefore, adopts and promotes the approach known as Integrated Water Resource Management in undertaking its catchment management initiatives. This approach ensures that the organisation collaborates with various stakeholders in implementing various initiatives to ensure effectiveness and sustainability of interventions. The catchment management initiatives undertaken by Umgeni Water in the year are discussed below.

Biodiversity Management - Alien Invasive Weeds Management

Well-managed and sustainable water resources are critical to Umgeni Water's core function of providing sustainable potable water supply. Alien aquatic weeds invading various water resources pose a significant risk to water quality and quantity. The aquatic weeds of main concern in Umgeni Water impoundments and rivers include Water Hyacinth (*Eichhornia crassipes*); Water Lettuce (*Pistia stratiotes*) and Kariba weed (*Salvinia molesta*). These free-floating aquatic plants are extremely difficult to control in eutrophic waters due to their exponential growth rate and invasion in the riverine environments.

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

- > Regular monitoring and assessment of aquatic weed invasion status at all Umgeni Water impoundments and critical rivers;
- > Undertaking detailed weed assessment status and risk at Home Farm Dam, Msunduzi River, Mngeni River Inanda Dam and Albert Falls Dam;

- > Close co-operation with the Alien Weed Working-group for collaboration in eradication efforts.
- > Weed invasion control and management measures implemented included:
 - Mechanical removal of weeds at Home Farm Dam;
 - Release of host specific bio-control agents in several impoundments and river systems, with particular focus at Midmar Dam and inflows, Albert Falls Dam inflow, uMsunduzi River and Inanda Dam inflow, Home Farm Dam, Mpushini Stream, Mpolweni System and EJ Smith Dam;
 - Aerial herbicide application at Midmar Dam and inflow, Msunduzi River reach, Inanda Dam and Home Farm Dam.

It is important to note that towards the end of the period under review, no eradication programmes were implemented in the Msunduzi River and Inanda Dam because of the coronavirus pandemic restrictions. However, monitoring of risk of infestation has been continuous in all vulnerable impoundments.

Similar to aquatic alien weeds, terrestrial alien weeds have significant impacts on sustainable water supply. The national environmental legislation on biodiversity management requires state owned entities to put in place measures to control, monitor and eradicate terrestrial alien weeds. Umgeni Water in partnership with Msinsi developed and implemented a plan to remove terrestrial alien weeds at the sites specified in **Table 10.3**.

Table 10.3: Cleared terrestrial alien invasive plants

Reserve/site	Hectares Removed (Ha)
Albert Falls Dam	1 000
Spring Grove Dam	31
Hazelmere Dam	87.3
Inanda Dam	56
Nagle Dam	630
Mvutshane Dam	17.68
Nungwane Dam	19
Darvill WWTW	17.4
EJ Smith Dam	10.76
Mzinto Dam	56.41

Ecological Infrastructure Management

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

Umgeni Water's area of operation faces the challenge of deteriorating ecological infrastructure caused by pollution, degradation, uncontrolled development and poor land-use management activities. Furthermore, South Africa is a water-stressed country that is also facing climate uncertainty with cycles of drought and unexpected excessive rains. Ecological infrastructure, therefore, plays a significant role in providing services that underpin socio-economic development and supplements and at times substitutes built infrastructure solutions. Wellmanaged ecological infrastructure buffers human settlements and built infrastructure against extreme events of floods and droughts, playing a cost-effective role in disaster risk reduction.

Management and protection of ecological infrastructure assures our water resources stock and is, therefore, as fundamental to Umgeni Water's business as built infrastructure development.

As part of its commitment to catchment management, Umgeni Water has, therefore, considered ecological infrastructure management as one of the key drivers for achieving the objectives of catchment management namely to ensure that water resources are protected, used efficiently, conserved, controlled and managed in a sustainable manner.

Umgeni Water initiatives on investment in ecological infrastructure are aligned to national government priorities and National Development Plan objectives. This also include the key principles that guide investment in ecological infrastructure as recommended by SANBI (South African National Biodiversity Institute). The ecological infrastructure related initiatives undertaken by Umgeni Water in the year include:

The Upper Mkhomazi Soil Erosion Project

The overall objective of this project is to address the severe land degradation and invasive alien plant infestation in the Upper Mkhomazi Catchment so as to improve water security, the livelihood prospects of local residents and biodiversity outcomes. This will be achieved initially by:

- > Providing a rationale for and plan in detail the conservation and restoration of the upper-Mkhomazi River Basin. This would be undertaken in parallel with;
- > Conducting select short-term restoration actions in specific high risk areas (particularly immediately upstream of the proposed Smithfield Dam) from which to learn and which demonstrate various conservation and restoration systems.

Table 10.4 lists all of the activities that were undertaken to achieve the objective of phase 1 of the Upper Mkhomazi Project.

Table 10.4: Upper Mkhomazi Catchment Restoration Activities

Activity	Description of activities
Business case development	The purpose of the business case was to demonstrate how an investment in ecological infrastructure would protect and complement the investment in the proposed Smithfield Dam.
Socio-economic assessment	This included a census review combined with analysis of proposed interventions to assess potential socio-economic benefits of the proposed catchment restoration initiative.
Stakeholder engagement	This included engaging traditional authorities, local municipalities, research institutions, conservation organizations, private sector organizations, government organizations and local communities (AmaNgwane, Mapanekeni, Ntwasahlobo) and the proposed projects getting the required buy-in.
Short term implementation of interventions	This included identifying areas of immediate conservation and restoration opportunities and commencing with pilot scale interventions in consultation with target groups. Pilot interventions were implemented at Mapanekeni and MaNgwane areas where 40 smallholder farmers were supported to implement conservation agriculture. The rehabilitation interventions at the pilot sites included removal of alien wattle, using of cleared alien wattle for constructing brushpacks along contours; establishment of vetiver hedgerows for erosion control and planting vetiver nurseries; donga shaping to flatten and smooth donga edges; the use of eco-logs and eco-mattresses and reseeding of bare areas in dongas and behind brush packs.
Designing of training and learning packages	This included modifying and adapting the already existing training and learning packages to be specific for the Upper Mkhomazi catchment scale of degradation.
Designing a communication plan	This entailed developing a plan to inform the general public and broad stakeholder base and the initiative.
Designing a monitoring and evaluation system	This entailed developing a system that quantifies biophysical economic and social impacts and included developing hydrological, ecological monitoring and evaluation plan.
Developing a research strategy	This entailed collating and synthesising existing research and information on any previous catchment work attempted in the area, and identify key research gaps. A specific research programme was designed to inform management, planning and implementation. Groups and individuals that are best placed to carry out the research were identified.

Wetland Identification and Ecological Status Assessment

Umgeni Water undertook a study to identify all wetlands within Umgeni Water strategic catchments. The study also involved the assessment of the ecological status of the identified wetlands and high-level prioritisation for immediate implementations of interventions. The assessment revealed that the majority of wetlands within Umgeni Water strategic catchments fall under the category C, D, E and F in terms of the present ecological status that implies high level of degradation that is characterised by loss of natural habitat, biota and basic ecosystem function. The wetlands that were found to be highly degraded are located in the following quaternary catchments: Mooi River (V20A-D), Midmar (U20B and C), Msunduzi River – Pietermaritzburg City (U20J), Msunduzi River – Edendale (U20H), Kakloof (U20D) Nungwane (U70D), Ixopo (U10K), uThukela – Wagensdrift (V70C), uThukela – Sundays (V60B) and uMdloti (U30A).

In parallel to the broader wetland status assessment, Umgeni Water, in collaboration with the Durban University Technology, is undertaking a research project to determine the potential of constructed floating wetlands to improve water quality in nutrient-rich environments. In this project, floating wetlands are piloted using a variety of plant species in several aquatic environments. It is anticipated that the project will use modest technology to identify the most appropriate non-invasive plant species that can improve water quality in nutrient enriched aquatic environments and if successful, floating wetlands will be implemented at strategic wastewater treatment works and water resources to reduce nutrient loads to the receiving aquatic environment.

Water Use Licence Status

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

- > taking water from a water resource (water abstractions);
- > storing water (raw water in a dam);

- > impeding or diverting the flow of water in a watercourse (river or wetland crossing or construction of a dam or weir);
- > discharging waste or water containing waste into a water resource through a pipe, canal, sewer, sea outfall or other conduits (discharges from WWTW and WTW to the river);
- > disposing of waste in a manner which may detrimentally impact on a water resource (sludge solids disposal);
- > altering the bed, banks, course or characteristics of a watercourse (river or wetland crossing or construction of a dam or weir);
- > engaging in a controlled activity (Irrigation with wastewater/sludge);
- > Water users can include any entity or individual whose operations trigger the water uses that are listed in section 21 of the NWA.

To ensure compliance with the requirements of the NWA, the water-use licence status was monitored and quarterly reporting was undertaken. This included developing and implementing action plans to obtain all water use licences that may not be in place.

Catchment Assessments

Catchment Assessments are diagnostic tool for identifying and implementation of catchment rehabilitation interventions to improve water quality and quantity. The assessment process is designed to determine specific information about the water resources at risk.

During the period under review, two detailed catchment assessments were undertaken by Umgeni Water. They included Mzimayi and Mhlabatshane catchments. The outcomes of the assessments indicated that a number of catchment land-use activities contributed to the identified water quality problems.

In the case of Mhlabatshane catchment, the assessment results indicated that the unsatisfactory water quality status observed at Mhlabatshane WTW resulted from three main factors and these included extensive overgrazing of the catchment by livestock; poorly managed sugarcane production, which results in soil exposure to erosion and population increase that is associated with an increase in livestock and land degradation.

Msinsi Holdings Land and Sustainable Resource Management

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

These reserves are located at:

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

The following sites have been added in the reporting period where Msinsi is responsible for catchment management through alien invasive plant eradication:

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

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

- > The management of the game and species according to the carrying capacity of each reserve;
- > Local community development;
- > Recreation for the public;
- > Grassland management;

- > Control of pollution inside the purchase areas;
- > Removal of alien invasive plants both terrestrial and aquatic.

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

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

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

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

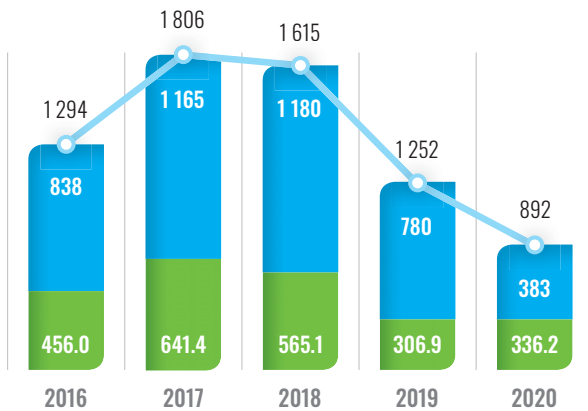
Msinsi continued providing environmental education targeting surrounding communities. A total of 58 environmental education initiatives in areas of water conservation environmental awareness and commemoration of environmental special days were implemented. These initiatives reached 1 984 school learners and communities residing adjacent to Msinsi-managed establishments.

Sourcing labour within the communities around Msinsi operations created job opportunities for the communities with a total of 480 temporary jobs created during the reporting period. In partnership with other stakeholders, six graduates, in-service trainees and interns received training opportunities in fields ranging from Hospitality to Human Resources Management. Msinsi Holdings is planning to sustain its training programmes in order to continue to contribute to skills development, particularly for the youth from neighbouring communities.

Waste Management

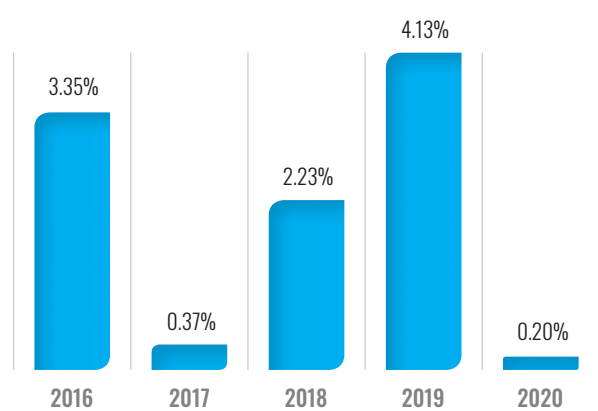
Umgeni Water has solidified its commitment to conserve scarce natural resources and reduce the environmental impacts of its operational activities through environmental sustainability initiatives. These initiatives aim to transform the organisation from the typical wasteful linear economic model (of take-make-use-dispose) to an economic model that enables economic growth while aiming to optimise the operation chain in a more sustainable approach. Waste minimisation was identified as one of the crucial initiatives in reducing the amount of waste that is disposed at landfill sites. In the year, the total amount of waste that was produced is 892 kg per million cubic meters and 0.20% of the waste was recycled (**Figure 10.7 and 10.8**).

Figure 10.7: Waste Produced



○ General Waste (kg per million cubic metres)

Figure 10.8: Per Cent Waste Recycled



Water Treatment Residues and Wastewater Sludge

Water treatment residues (WTRs) and wastewater sludge are the major waste streams that are produced during the operations of Water Treatment Works (WTWs) and Wastewater Treatment Works (WWTWs) respectively. The management of these streams thus forms an integral component of the core business of Umgeni Water. Current sludge management practices include on and off-site disposal and river discharges. However, these practices are not sustainable because of the environmental impacts associated with on-site disposal, the limited landfill space and the impact of the river discharges on the aquatic ecosystem. Moreover, the current sludge management practices have posed challenges in recent years from changes in the environmental legislation,

with additional requirements for expensive landfill liners and leachate management at all landfill sites. This triggered the need for Umgeni Water to develop a comprehensive Sludge Management Plan (SMP) for its operational sites.

The SMP was developed through research, data gathering, assessments and stakeholder consultation; it sets out both the short- and long-term strategies for the management of WTRs and wastewater sludge at Umgeni Water. The WTRs will be applied to agricultural land as a soil conditioner whilst the wastewater sludge will be used as organic compost. Wastewater sludge contains organic matter and nutrients that can provide soil benefits. Expression of interest is currently being sought from a suitable Service Provider to design and pilot a long-term solution that will transform both management of WTRs and wastewater sludge from a liability into an asset on a commercially representative scale.

Environmental performance of Operational Sites

Annual environmental audits are undertaken at operational sites the objectives, which are:

- > To assess whether the site complies with all applicable environmental legislation and regulations;
- > To assess internal policy and procedural compliance in relational to environmental management;
- > To assess the status of energy consumption waste management and biodiversity management at the site and alignment with corporate environmental sustainability initiatives;
- > To recommend mitigation measures to address areas of non-conformance.

Operational environmental audits were conducted at 24 sites for 2019/2020. Of a 136 findings, and 17 findings were rated above moderate.

Table 10.5: Environmental Findings Classification

Risk Rating	No. of Findings	%
Minor	76	56
Moderate	43	32
Significant	17	12
Critical	0	0
Catastrophic	0	0
TOTAL	136	

Environmental findings at a corporate level related to:

- > The storage and disposal of sludge at all WWTW's are non-compliant with the National Environmental Management Act (NEMWA) requirements. In addition, the storage and disposal of WTRs was also non-compliant at most WTWs;

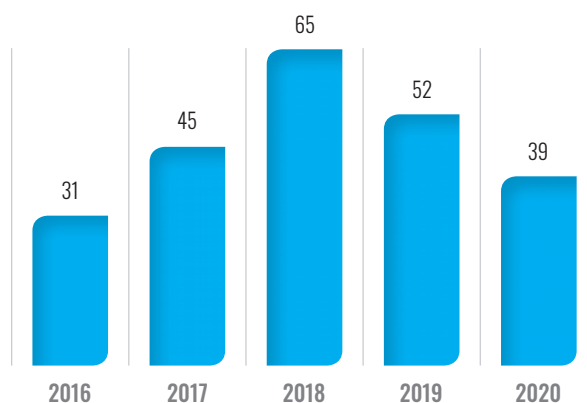
- > Non-compliances against discharge Water Use Licenses (WUL) in terms of effluent quality and monitoring requirements;
- > The absence of discharge licenses, WUL or General Authorisation at some of the newly acquired sites as well as some of the existing WTWs;
- > Low inflow volumes into WWTWs caused by sewer reticulation system leaks, resulting in the pollution of the surrounding environment and catchment dams;
- > The deviation from Section 30 of the eThekweni Municipal Waste By-Laws that stipulate a requirement for sites within the eThekweni Municipal area to possess Waste Management Plans.

Mitigation measures and action plans have been instituted address these findings.

Environmental Incidents

In the year under review, there were 39 environmental incidents recorded (52 in 2019). **Figure 10.9** provides the comparative analysis for the past five years.

Figure 10.9: Environmental Incidents



Integrated Environmental Management

Figure 10.10: Integrated environmental management system in the implementation of new infrastructure projects

ENVIRONMENTAL IMPACT ASSESSMENT

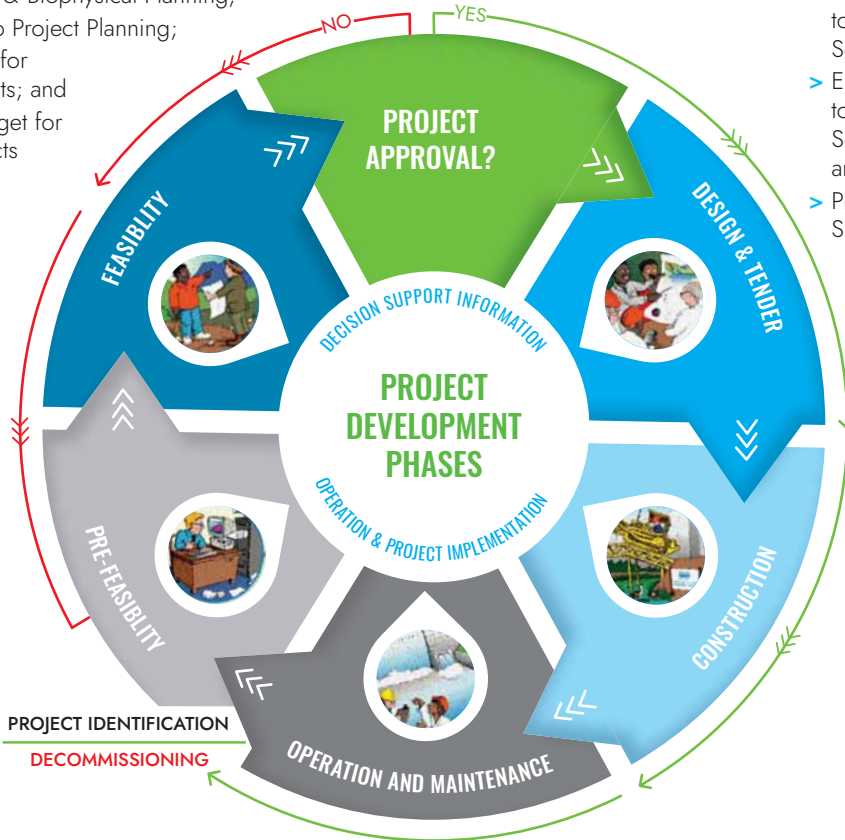
- > Public Consultation;
- > Impacts on Human & Biophysical Planning;
- > Pro-active Input into Project Planning;
- > Recommendations for Mitigation of Impacts; and
- > Preparation of Budget for Mitigation of Impacts

CONSTRUCTION E.M.P & CONTRACT SPECIFICATIONS

- > Input to Design Process to Ensure Environmentally Sensitive Project Design;
- > E.M.P Developed to Guide Environmentally Sensitive Construction; and
- > Project Specific Contract Specification Prepared.

SCREENING REPORT OF INITIAL E.I.A

- > Identification of Need;
- > Desktop Study;
- > Reconnaissance Field Investigation;
- > Identification of Preferred Alternatives; and
- > Multi-Disciplinary Input.



IMPLEMENTATION OF E.M.P

- > Appointment of E.O;
- > Monitoring of construction; and
- > Reporting of Contractor's Environmental Performance.

ONGOING IMPLEMENTATION OF E.M.P

- > Monitoring;
- > Auditing; and
- > Adaptive Management.

KEY

- E.I.A – Environmental Impact Assessment
- E.M.P – Environmental Management Plan
- E.O – Environmental Officer

Umgeni Water's core business function is the treatment and supply of bulk potable water and wastewater treatment services. Business operations relies highly on the natural resource, which is freshwater resources, although there has been measures to venture into other sources of water. In this regard, the natural environment is core to Umgeni Water. The assessment and management of environmental aspects, which could arise from the development of new infrastructure projects, is managed through the integrated environmental management system (IEM). The IEM is a philosophy that is concerned with finding the right balance between development and the environment and provides an overarching framework for the integration of environmental assessment and management principles into environmental decision-making. IEM has various tools, which can be applied at different stages of the activity life cycle such as planning, design, construction, operations and closure. These include

conducting environmental screenings, environmental impact assessments (EIAs), Environmental Management Plans (EMPs), and auditing, specialist inputs.

Umgeni Water utilises the EIA tool governed by the provisions of the NEMA, which stipulates that projects that trigger listed activities as stipulated in the regulations are required to obtain an environmental authorisation (EA) either a basic assessment (BA) or a scoping and full environmental impact assessment process (EIA). Where project developments do not trigger listed activities as defined in the Act, the environmental screening and EMP tools are utilised to ensure that all the potential environmental impacts emanating from project implementation are eliminated or minimised to acceptable levels. There are currently 21 projects in the planning, design or procurement phase, which are being managed through the IEM System as depicted in **Tables 10.6 and 10.7** below.

Table 10.6: Environmental Authorisation status for key Bulk Infrastructure Projects

Project Name	Project Phase	EA Status Requirements
uMkhomazi Water Project Phase 1	Feasibility	EIA application
Lower uMkhomazi BWSS	Design	EIA amendment application
uMzimkhulu BWSS	Feasibility	EIA application
Vulindlela BWSS: Howick West P/S – Howick Res 2	Design	BA application
Lower Thukela BWSS Phase 2	Design	EIA amendment application
uMshwathi BWSS Phase 4: Southern Ndwedwe	Design	EIA application
Impendle: Stepmore Bulk Water Supply Scheme	Design	EIA amendment application
UMshwathi BWSS Phase 6	Planning	EIA amendment application
Umbumbulu Pump Station Upgrade	Design	EA obtained

Table 10.7: Project with no listed activities

Project Name	Project Status
Howick West	Construction
Mthwalume WTW - Additional Filter	Construction
Umzinto Water Works	Construction
Wiggins Ozone Plant Rehab and Element Replacement	Construction
Mpophomeni WWTW and Sewer Outfall Pipeline	Construction
Hilton N3 Corridor WWTW	Construction
Lovu River Emergency Scheme	Construction
Wiggins: HLPS Pumps Refurbishment	Design
Hazelmere WTW - Upgrade of Reservoir No.2	Design
Hazelmere WTW - Upgrade Clarifier No. 03	Design

Further delays in the application processes have been experienced as a result of the COVID-19 lockdown period. Progress has been noted in one of the largest bulk water supply scheme, uMkhomazi Water Project, where the requirements of the various authorities have been addressed and communicated. Feedback regarding the outcome of the application is awaited by Umgeni Water.

To curb and minimise project delays because of the environmental process, Umgeni Water is in the process of integrating the IEM system into the EPCM (Engineering, Procurement, and Construction Management) system. Umgeni Water's EPCM system is managed through the Project Lifecycle Process (PLP) where there is a formal, structured gate review process to assess the deliverables of each project stage to ensure they meet the defined requirements and standards for that stage. With this system, environmental fatal flaws will be identified early in the process. Tolls to the PLP have been initiated and work is in progress.

There are 10 projects currently in the construction phase, which are monitored for compliance against the Environmental Management Plans by the Environmental Control Officers, Environmental Site Officers and Environmental Scientists. The overall environmental performance has been satisfactory, however, minor non-compliances were identified and mitigation measures implemented timeously. The non-compliances included:

Grass not trimmed and alien weed infestation noted at construction camps:

- > Poor grass germination in rehabilitated areas, in some areas seeds are washed away by rainfall run-off;
- > Eroded areas need to be stabilised and reshaped;
- > Poor waste management, overfilled waste receptacles, litter on sites, rubble and pipe off-cuts, poor housekeeping, concrete rubble and excess rock material stored on site;
- > Signs of soil erosion were observed;
- > Portable toilets not regularly serviced;
- > Drinking water not available on site;
- > Fence neighbouring the site needs fixing;
- > Wetland inadequately rehabilitated;
- > Drip trays not placed underneath heavy machinery, and diesel/ oil spills observed.

Umgeni Water was issued with a directive by DWS for the Bruntville Pipeline Project. This was as a result of the contractor disposing construction rubble in a wetland. Umgeni Water was required to appoint a Rehabilitation Specialist to develop and submit a rehabilitation plan to address the infilling of the Bruntville wetland. The rehabilitation plan that was compiled and submitted to DWS was approved. The Contractor has since been instructed to appoint a Rehabilitation Specialist who will implement the rehabilitation plan. However, progress in the project has been affected by the COVID-19 Lockdown.



MPOPHOMENI WWTW

11.0. ENABLING OUR PEOPLE



11.1 Leadership and Employee Development

Management Approach

Umgeni Water promotes and encourages ethical behaviour and decision-making by all employees, Board Members and

stakeholders. This is facilitated through a Code of Ethics. During the reporting period, the Ethics Committee monitored and assessed the following activities of Umgeni Water:

Labour and employment matters, including:

- > Human capital and workforce matters: recruitment and selection, succession and coaching, health and safety, HIV awareness, wellness programmes, disciplinary and dispute resolution processes, training and development.

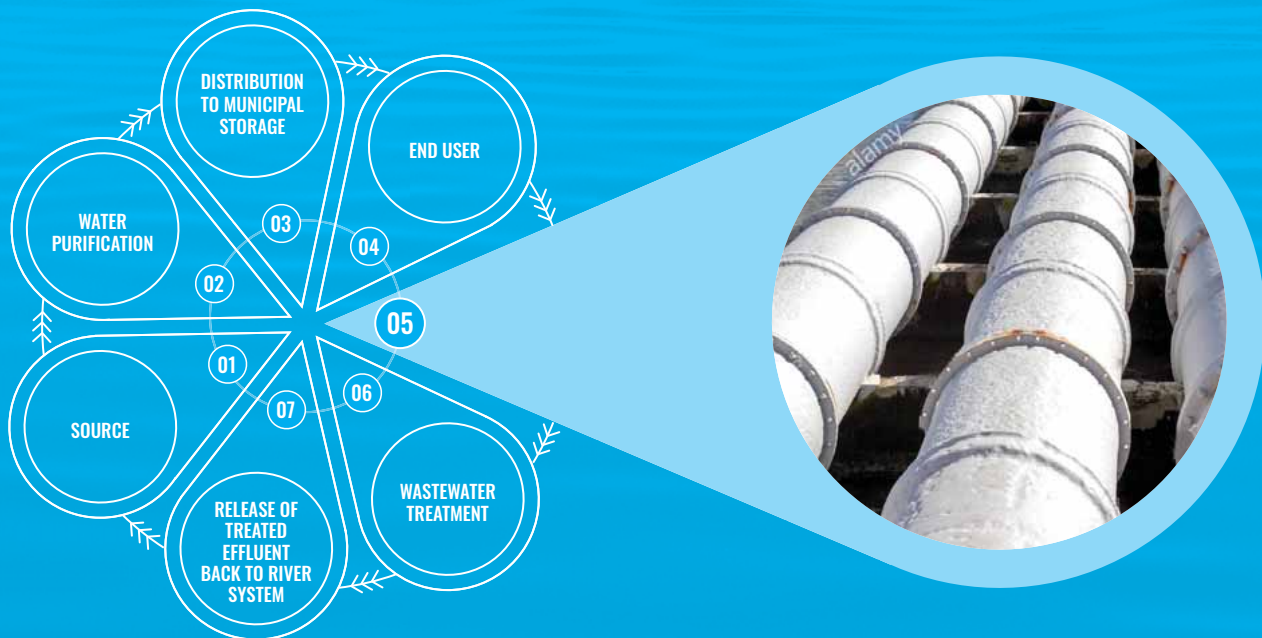
“UMGENI WATER’S GRADUATE TRAINEE PROGRAMME IS ALIGNED TO GUIDELINES PROVIDED BY PROFESSIONAL REGISTRATION BODIES. IN THE REPORTING PERIOD, THE ENTITY HAD 31 GRADUATES ENROLLED IN ENGINEERING, SCIENCE AND OTHER REQUIRED PROFESSIONAL FIELDS AND 37 IN-SERVICE TRAINEES RECEIVING EXPERIENTIAL TRAINING.



WATER & WASTEWATER TREATMENT PROCESS

05. WASTEWATER RETICULATION

The transfer of wastewater through the Municipalities reticulation network.



Social and economic development, including:

This includes Umgeni Water’s standing in terms of the goals and purposes of:

- > The 10 principles set out in the United Nations Global Compact Principles and OECD recommendations regarding corruption, including human rights, child and forced labour, environment, anti-corruption, bribery, extortion and transparency;
- > The Employment Equity Act, No 55 of 1998;

- > The Broad-Based Black Economic Empowerment Act, No 53 of 2003.

Good corporate citizenship, including:

- > Promotion of equality, prevention of unfair discrimination and measures to address corruption;
- > Corporate social contribution and development of the communities in which Umgeni Water conducts its business;
- > Impartial/objective sponsorship, donations and charitable giving.

The Environment, Health and Public Safety, Including:

- > Impact of Umgeni Water's activities, products and services.

Consumer Relationships, Including:

- > Umgeni Water's policies and record relating to advertising, public relations and compliance with consumer protection laws.

Labour Practices and Decent Work

The entity's goals and human resources needs are mutual, compatible and strongly interdependent and Human Resources policies seek to ensure a competent, motivated and engaged workforce.

Employment

The workforce profile is shown in **Table 11.1** and **Figure 11.1**.

- > The entity seeks to maintain a workforce that enables it to deliver quality services to all stakeholders;
- > All employees are based in KwaZulu-Natal and within commuting distance from all operational sites;
- > All full-time and fixed-term contract employees are provided with several benefits, including: membership of provident fund or retirement fund, housing allowance and medical aid;

- > All female employees are entitled to maternity leave. During the reporting period 20 female employees qualified for 100% maternity leave benefits and 98% returned to work after their leave and 2% are still on leave.

Succession, Mentoring and Coaching

Succession, mentoring and coaching of employees is crucial to enable the entity to create a pool of competencies to meet current and future needs. This is facilitated through sound policies and plans that embrace:

- > Scarce, Core and Critical positions, including positions critical for retention of institutional memory;
- > Profiling of potential retirees (60-65 years of age) occupying scarce and critical positions;
- > Documenting competencies identified for key positions for compilation of job profiles;
- > Preparing individuals to assume higher levels of responsibility in key and strategic positions;
- > Developing a skills database of Employees, Learners, Apprenticeships and other Trainees, which provides an informed pool from which to identify successors. Mentorship Agreements and Talent Review Questionnaires are being drawn up.

Table 11.1: 2019/20 workforce by employment type/category, and race and gender is shown for the permanent establishment for (a) parent company and (b) wholly-owned subsidiary.

(a) Umgeni Water (Permanent Establishment)

Occupational Category	Total	Male				Female			
		African	Coloured	Indian	White	African	Coloured	Indian	White
Top management *	5	3	0	0	0	1	0	1	0
Senior management	29	9	2	7	3	5	0	2	1
Professionally qualified and experienced specialists and mid-management	272	96	5	29	18	94	4	20	6
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	453	210	5	34	11	160	7	24	2
Semi-skilled and discretionary decision making	210	191	2	0	0	15	0	2	0
Unskilled and defined decision making	51	37	0	0	0	14	0	0	0
Total	1 020	546	14	70	32	289	11	49	9

* Top management consists of Executives on five-year fixed-term contracts

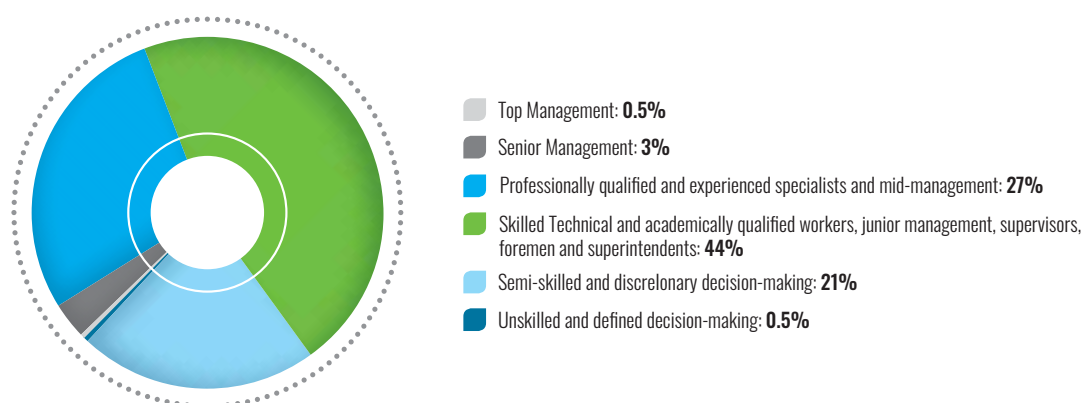
(b) Msinsi Holdings SOC Ltd (Permanent Establishment)

Occupational Category	Total	Male				Female			
		African	Coloured	Indian	White	African	Coloured	Indian	White
Top management*	1	1	0	0	0	0	0	0	0
Senior management	2	0	0	0	0	2	0	0	0
Professionally qualified and experienced specialists and mid-management	6	2	0	0	0	3	0	1	0
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	29	11	0	0	0	18	0	0	0
Semi-skilled and discretionary decision making	41	34	0	0	0	7	0	0	0
Unskilled and defined decision making	39	22	0	0	0	17	0	0	0
Total	118	70	0	0	0	47	0	1	0

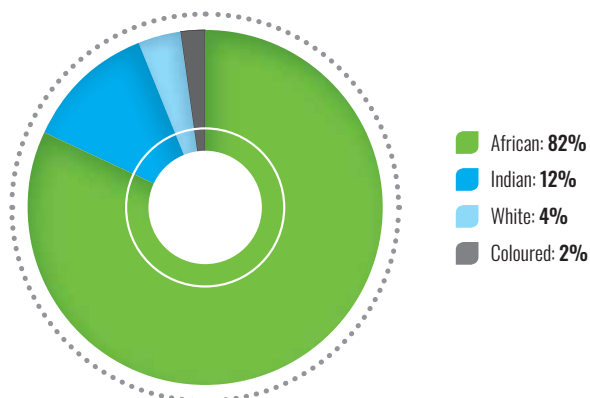
* Top management consists of the Managing Director on a five-year fixed-term contract

Figure 11.1: Employment in 2019/20 showing (a) category, (b) race, (c) gender, (d) age and (e) disability

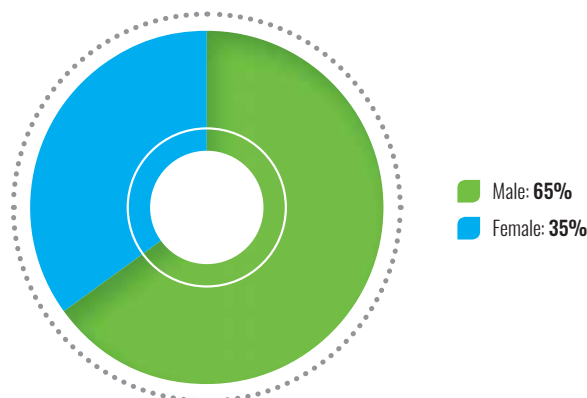
(a) Employment status (Parent) by Category



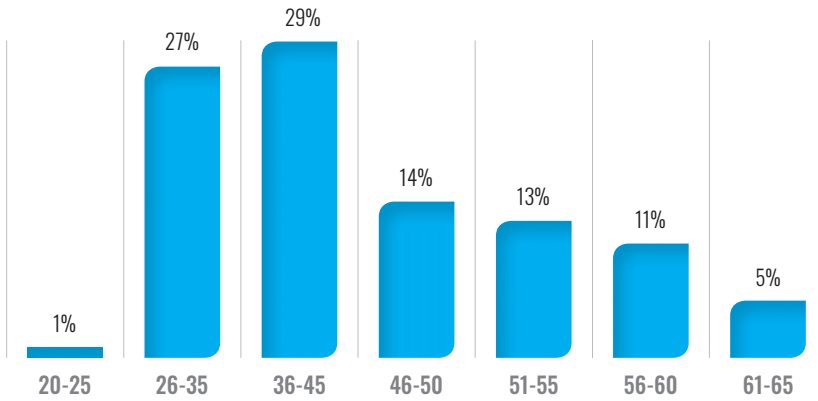
(b) Employment status (Parent) by race



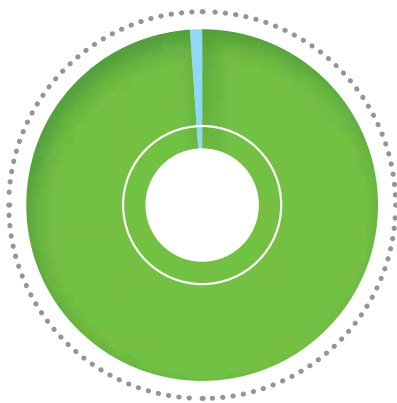
(c) Employment status (Parent) by gender



(d) Age Profile (Parent)



(e) Employee Disability Profile (Parent)



■ Total Employees: **99%** ■ Total with Disability: **1%**

Table 11.2 Summary of staff numbers as at 30 June 2020

Staff Numbers	Total
Parent permanent	1 015
Msinsi permanent	118
Group permanent	1 133
Group fixed term contracts	116
Group Total	1 249

Recruitment and Turnover

In the reporting period the entity recruited 82 employees, comprising:

- > Thirty-six permanent employees;
- > Nineteen contract employees; and
- > Twenty-seven graduates, interns and in-service trainees.

Turnover was 36 including:

- > Six resignations;
- > Eight natural deaths;
- > Eighteen retirements;
- > One dismissal;
- > Three because of medical boarding.

The entity's turnover percentage for the year is 3.4% and is below the industry benchmark of 8%.

Labour/Management Relations

The rights and well-being of all employees are safe-guarded and protected through alignment of corporate policies with relevant legislation and regulations. Specifically, with its union, NEHAWU, the entity has in place a Collective Agreement that is maintained. Currently 59% of the total workforce are members of the union of which 54% are within the collective bargaining unit.

Quarterly Union-Management meetings were held in the reporting period, excluding special meetings that were held to provide more timely feedback. The collective agreement serves as the minimum terms of engagement, as the entity is committed to information sharing and to providing reasonable response at all times to organised labour regarding any significant operational changes that affect employees. During the engagement sessions, management actively engaged labour regarding concerns raised and sought to achieve resolution of issues without any stand-offs.

Occupational Health and Safety

Umgeni Water places great importance on the protection of Health and Safety and welfare of its employees; contractors and other stakeholders and firmly believes in risk prevention and

the promotion of Health and Safety at the workplace, as these are key factors that improve job quality, working conditions, competitiveness and sustainability of operations. Health and Safety is a way of doing business and it is not the responsibility of a single person or department but a collective effort where every employee is responsible for playing their part.

The entity's commitment is driven by:

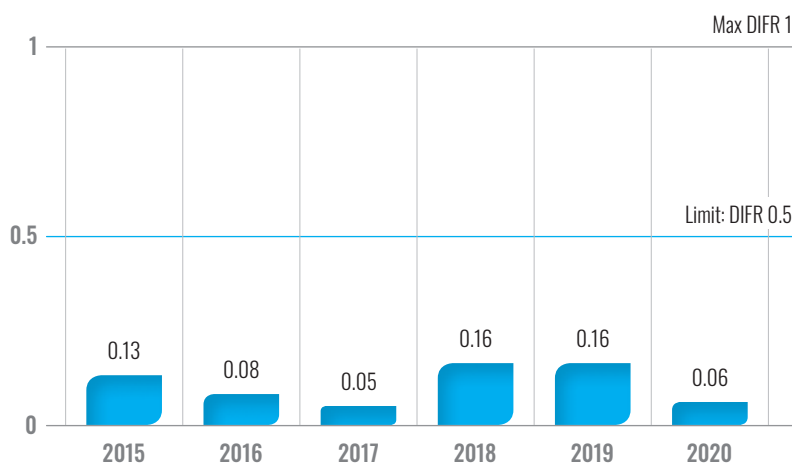
- > Acknowledging that while we operate in an inherently high-risk industry we cannot ignore our moral and legal obligation to safeguard the wellbeing of our people and community and other stakeholders;
- > The introduction of a safety article by CE to demonstrate leadership and commitment;
- > By ensuring that employees understand the hazards and risks associated with their activities;
- > By prioritising and addressing and mitigating Health and Safety risks;
- > Our approach is that to health and safety comes first at all times and that there are no shortcuts;
- > Our continuous efforts to create a culture where every employee understands the importance of working safely and can go home safe and healthy to their family after every shift;
- > Ongoing supervision and inspections by supervisors and line management;
- > Introduction of site Health and Safety IMBIZO's to promote Health and Safety Awareness amongst all employees;
- > By instilling our beliefs and culture to our employees and relevant stakeholders, that a safe site is a productive site and that safety and production go hand in hand;

- > Maintaining the health and safety of our employees as well as within the communities in which we operate;
- > Promoting Dam Safety awareness to schools and communities, which are located within the Dams;
- > Scheduled compliance audits are conducted on all sites to ensure maximum SHEQ compliance, and these include management audits to instil participative leadership;
- > Continuously providing resources, information, training, equipment, systems and other support to all individuals as they have a role to play; to enable all to understand their role, to work safely, healthily, and to participate in improving performance overall and minimise business impact upon the environment;
- > The migration from an Operations Division SHEQ policy to a Co-operate SHEQ policy, and this further strengthened our top management leadership commitment.

Umgeni Water applies International, as well as South African standards across the organisation. The organisation also drives programmes to support the organisation in complying with relevant legislation and regulations that govern our operations and our operating environment. In this regard, the organisation has retained its OHSAS 18001 accreditation and duly awarded ISO 9001:2015 accreditation. To maintain the integrity and continuous improvement of this system, regular SHE legal compliance audits were conducted by an independent; competent and accredited service provider.

One of the measures adopted by Umgeni Water in measuring its safety performance is the Disabling Injury Frequency Rate (DIFR). There was a noticeable increase in the number of disabling incidents recorded in the year compared with previous years. Our final DIFR was recorded at 0.16. **(Figure 11.2)**

Figure 11.2: Disabling Injury Frequency Rate (DIFR)



Calculation of disabling incident frequency rate (DIFR) is as follows:
 The total number of fatal injury cases, permanent disability cases, lost workday cases, restricted workday cases, health fatality cases, irreversible diagnosed disease cases and reversible diagnosed cases times 200 000 divided by the number of rolling man-hours worked over the exposure period.

Skills Development

Every year, Umgeni Water compiles and submits a Workplace Skills Plan and Annual Training Report to Energy and Water Sector Education Training Authority (EWSETA), which guides the implementation of skills and development initiatives through the identification of the skills needs of the entity and ensures the effectiveness of skills development plans. The skills development programmes include:

- > Employee training and development;
- > Assisted education programme;
- > Learnership and apprenticeship programmes;
- > Bursary programme;
- > Graduate trainee and Internship programmes.

Skills Audit

The completion of the Skills Audit provided the entity with a five-year multi-layered competency framework that guides the identification of skills development gaps, scarce and critical skills and prioritisation of training and development initiatives to support the entity's continuity.

Training and Development

Training categorised by gender and by employee category are shown in **Figure 11.3 (a)** and **Table 11.3** and show that all categories of employees were exposed to training with a total of 26 918 hours spent in training and development. COVID-19 resulted in the suspension of all training plans in quarter 4 of 2019/20, which led to the decrease in planned training hours and interventions.

Figure 11.3 (a): Training Hours by Gender

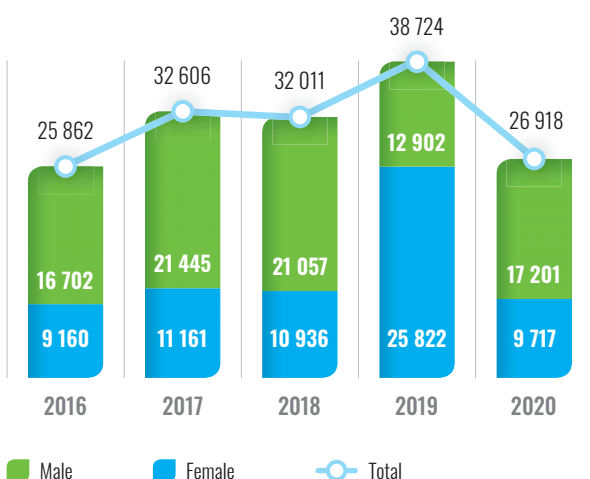


Figure 11.3 (b): Training Spend (Rm)

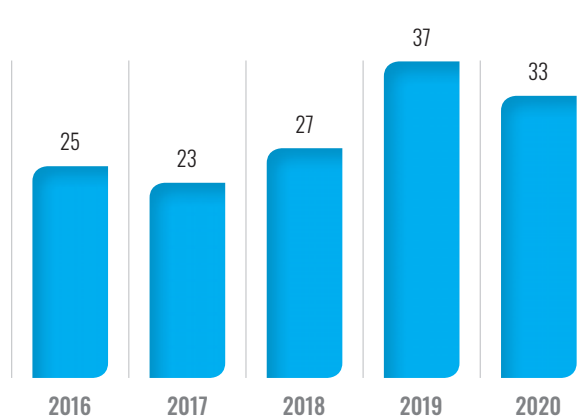


Table 11.3: Training Hours by Occupational Level, Gender and Per Employee in 2019/2020

Occupational Levels	Total Employees Trained	Total Female	Training Hours Female	Total Male	Training Hours Male	Total Hour per category
Top Management.	6	2	72	4	280	352
Senior Management	20	7	300	13	412	712
Professionally Qualified and Experienced Specialists and Mid-Management.	182	81	4 550	101	4533	9 083
Skilled Technical and Academically Qualified Workers, Junior Management, Supervisors, Foreman and Superintendents.	245	114	2 963	131	3876	6 839
Semi-Skilled and Discretionary Decision Making.	87	13	476	74	5 988	6 464
Unskilled and Defined Decision Making.	106	42	1 348	64	2 088	3 436
Board Members	3	1	8	2	24	32
Total	649	260	9 717	389	17 201	26 918

Leadership, Learnership and Apprenticeships

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

In partnership with the University of KwaZulu – Natal (Extended Learning), 25 delegates from skilled technical to middle management occupational categories enrolled and completed the six months customised Management Development Program (MDP). Aligned with the organisational growth strategy, the programme was designed to build the delegates' capacity to lead the entity into the future, provided a context for enhancing awareness and organisation wide thinking from the challenges of leading transformation to working more effectively in uncertain environments and harnessing technology to ensure that systems and procedures are optimised. It also challenged delegates' views about management, expands their horizons and enhance their understanding of the relevance and role of leading the organisation.

The Learnerships and Apprenticeships programme provided training, development and exposure to both internal and external candidates. In the year, a total of 58 Apprentices were enrolled in the apprenticeship programme and received theoretical training at Amajuba TVET College and Shukela Training Centre in the Electrical, Boilermaking, Instrumentation, Motor Mechanics and Mechanical Engineering trades. During this period, learners further received practical work exposure from the various Umgeni Water operational sites, as per the requirements of the programme. A total of 58 learners in the abovementioned trades have completed their trade tests and were deemed to be competent as Artisans. Artisan Trainees who passed their trade tests are currently placed within the entity over a two-year period serving as Junior Artisans.

Umgeni Water assessed the skills and competency levels of internal personnel against requirements of Draft Regulation 17 of the Water Services Act for Blue Drop and Green Drop certification and developed a multi-yearly training plan to fill the skills and competency gaps. The internal positions include Superintendent, Process and Quality Technicians, Senior Operator, Operator and Process Controller positions. In the reporting period a total of 144 Process Controllers were enrolled in either the Learnership Programme or in N3 Water and Waste Treatment and various courses in water and wastewater treatment.

Assisted Education

The organisation continued to provide employees with financial support to further their studies in disciplines related to the entity's core and support business for improved performance to meet the current and future skills needs through the Assisted Education Programme (AEP). For this period under review, 33% of employees enrolled in formal qualifications that respond directly to critical and scarce skills needs.

Umgeni Water Young Professionals

The existence of Umgeni Water Young Professionals (UWYP) proves the entity's ongoing acknowledgement and support towards initiatives aimed at developing the youth. Since the inception of UWYP in 2014, the forum has an active membership of 180; consisting of employees below the age of 35. The UWYP is a solution oriented platform that aims to cultivate professional development, leadership and social responsibility among the entity's young workforce.

The forum continues to aim at being a catalyst in supporting the organisation to achieve its vision and mission, be the proponent of continuous learning, growth and collaboration, and being a key partner to enable the organisation to achieve efficiency gains through innovation and use of best-fit technology. Aligned with Umgeni Water's growth strategy; the forum's operational model is underpinned by its constitution, strategy and the following objectives:

- > To create enabling environment for professional growth through affiliation and registration;
- > To encourage active community and social responsibility participation;
- > To create a solid professional and social networking the young professionals in the organisation;
- > To empower Umgeni Water Young Professionals (UWYP) through skills development, resources and information sharing.

During the reporting period the UWYP initiated and advocated for different Initiatives that were seen being key to the progress and continuous success of the forum. These initiatives were born of engagements with different internal and external stakeholders.

Notable activities completed by UWYP in the year include:

- > The 6th South African Young Water Professionals Biennial Conference 2019;
- > KwaZulu-Natal COVID-19 Water Relief Project in collaboration with WISA and DWS;
- > Umqhele High School Matric Tutoring and COVID-19 Outreach Programmes.

Bursar, Graduate and In-service Trainee Programmes

Umgeni Water's graduate trainee programme is aligned to guidelines provided by professional registration bodies. In the reporting period, the entity had 31 graduates enrolled in engineering, science and other required professional fields and 37 in-service trainees receiving experiential training.

The entity also has a one-year internship programme that provides work experience to unemployed graduates. A total 22 interns were contracted in the reporting year to work in multi-disciplinary fields across the organisation.

Umgeni Water is funding 10 bursary students through the Umgeni Bursary Scheme with students enrolled at various universities in disciplines of Civil Engineering, Mechanical Engineering, Electrical Engineering, Chemistry, Microbiology and Finance.

The entity in partnership with National Treasury continued to implement the graduate development programme of engineers, technologists, process support and technicians with specific emphasis on meeting the skills shortages in municipalities in the province.

In the reporting period, 39 Graduates were developed under the National Treasury Graduate Development Programme. These graduates are expected to be professionally registered by 2024.

Key Memberships and Associations

Umgeni Water employees subscribe to a wide range of memberships and associations (**Table 11.4**). These straddle governance and risk, water, science and engineering, natural resources, social impact management, business, finance and accounting, and occupational health and safety, amongst others. The memberships ensure employees keep abreast in fields of expertise and participate in sector knowledge sharing.

Table 11.4: Key Membership and Associations

Category	Memberships
Governance and Risk	<ul style="list-style-type: none"> > Institute of Directors in Southern Africa (IoDSA) > Institute of Risk Management South Africa (IRMSA) > Ethics Institute of South Africa (EthicsSA) > Institute of Internal Auditors (IIA) > Information Systems Audit and Control Association (ISACA) > Compliance Institute of South Africa > Association of Arbitrators > Corporate Counsel Association of South Africa > Association of Arbitrators and Corporate Counsel Association of South Africa
Financial and Business	<ul style="list-style-type: none"> > South African Institute of Chartered Accountants (SAICA) > Association of Corporate Treasurers of Southern Africa (ACTSA) > Chartered Institute of Management Accountants (CIMA) > South African Institute of Professional Accountants (SAIPA) > National Business Initiative (NBI) > Durban Chamber of Commerce and Industry (DCCI) > Pietermaritzburg Chamber of Business (PCB) > Chartered Institute of Purchasing (CIPS) > SA Accounting Academy (SAAA)

Table 11.4: Key Membership and Associations ...continued

Category	Memberships
Product Quality, Infrastructure Stability, Research, Innovation, Science and Technology	<ul style="list-style-type: none"> > Water Institute of Southern Africa (WISA) > South African Association of Water Utilities (SAAWU) > International Desalination Association > South African Institute of Agricultural Engineers > South African Institute of Mechanical Engineers > International Association of Hydrological Sciences > American Water Works Association (AWWA) > International Water Association (IWA) > Engineering Council of South Africa (ECSA) > South African Institute of Civil Engineers (SAICE) > Construction Industry Development Board (cidb) > South African Institute of Chemical Engineers (SAChE) > Project Management Institute > South African Council for Planners > South African Planning Institute > South African National Committee on Large Dams (SANCOLD) > The Association of SA Quantity Surveyors > Concrete Society of Southern Africa NPC > South African Council for the Project and Construction Management Professions (SACPCMP) > The Southern African Institute of Mining and Metallurgy (SAIMM) > South African Geomatics Council > American Chemical Society (ACS) > South African National Standards
Community and Environmental Sustainability, Science and Technology	<ul style="list-style-type: none"> > International Association for Impact Assessment (IAIAsa) > South African Council for Natural Scientific Professions (SACNASP) > Institute of Waste Management
Employee and Leadership Development, Operational Resilience, Operational Optimisation	<ul style="list-style-type: none"> > Institute of Information Technology Professional of South Africa (IITPSA) > South African National Standards Association (SABS) > South African Institute of Draughting > Electrical Contractors' Association > NACE International > South African Right of Way Association (SARWA) > Institute of Safety Management. > Fire Protection Association of South Africa > South African Board of People Practice (SABPP) > South African Nursing Council(SANC) > South African Reward Association(SARA) > South African Society of Occupational Health Nursing Practitioners (SASHON) > Chartered Institute for Purchasing and Supply (CIPS) > State-Owned Entities Procurement Forum (SOEPF) > Society of South African Archivists (SASA) > Library and Information Association of South Africa (LIASA) > South African Institute of Occupational Safety and Health (SAIOSH) > Toastmasters International > The Association for Office Professionals of South Africa (OPSA)

Performance, Alignment to Strategy and Remuneration

Umgeni Water continues to implement successfully a three-component performance management system in the organisation. The system ensures that all employees have conceptual knowledge and understanding of the role and purpose of their jobs with line of sight to the entity's strategy and performance objectives and targets.

The Board of Umgeni Water assesses the entity's performances against predetermined objectives on a quarterly and annual basis, while formal employee performance assessments are undertaken twice a year.

The Remuneration Policy and Strategy are aligned to the Performance Management Policy in order to ensure that the performance management process at Umgeni Water is development orientated and intended to cultivate effective human resources management and career development.

As a result, appraisals are constructively used to provide feedback and coaching to individual employees concerning their job performance.

Through this structured performance management system, Umgeni Water ensures implementation of its strategic goals through skilled, competent, motivated and engaged employees, while recognising and rewarding good performance.

Diversity and Equal Opportunity

Umgeni Water's workforce by employment type/category, race and gender is shown in **Table 11.1** and **Figures 11.1**. The organisation annually submits an Employment Equity Plan to the Department of Labour and prepares quarterly equity reports to track the status of its workforce diversity against its plan. Umgeni Water does not discriminate between men and women in terms of remuneration. **Table 11.5** outlines the remuneration ratio of women to men by Occupational Category.

Table 11.5: Ratio of Remuneration of Women to Men by Occupational Category

Occupational Levels	2017	2018	2019	2020
Top Management.	0.8	0.9	0.8	0.8
Senior Management	1.0	1.0	1.0	1.0
Professionally Qualified and Experienced Specialists and Mid-Management.	0.8	0.9	0.9	0.9
Skilled Technical and Academically Qualified Workers, Junior Management, Supervisors, Foreman and Superintendents.	0.9	0.8	0.9	0.9
Semi-Skilled and Discretionary Decision making.	0.8	0.7	0.9	0.7
Unskilled and defined decision making	1.0	0.7	1.0	0.7

Human Rights

Investment and Procurement Practices

Umgeni Water is an entity of the State that is committed to a system of acquisition of goods and services that is fair, equitable, transparent, competitive and cost-effective and promotes the objectives of Broad-Based Black Economic Empowerment.

Awareness continues to be built amongst the entity's employees through requesting mandatory disclosures of interests in support of fair, equitable, transparent and competitive procurement practices.

Performance with participation goals set for the reporting period may be found in the Economic Empowerment Chapter of this Annual Report.

The entity remains confident that it is contributing to effective economic transformation that will benefit the sector as a whole.

Child and Forced Labour

Umgeni Water, as a state-owned entity, subscribes fully to National Legislation that ensures a healthy and safe work environment for its employees. The entity's Human Resources Policies comply and are in line with the Labour Relations Act (Act No 66 of 1995), Basic Conditions of Employment Act (Act No 75 of 1997) and their relevant Codes of Good Practice. The entity is also aligned to the United Nations Global Compact Principles and OECD recommendations in this regard. Umgeni Water does not practise child and forced labour.

Non-Discrimination

In the year, zero incidents of discrimination were reported.

Indigenous Rights

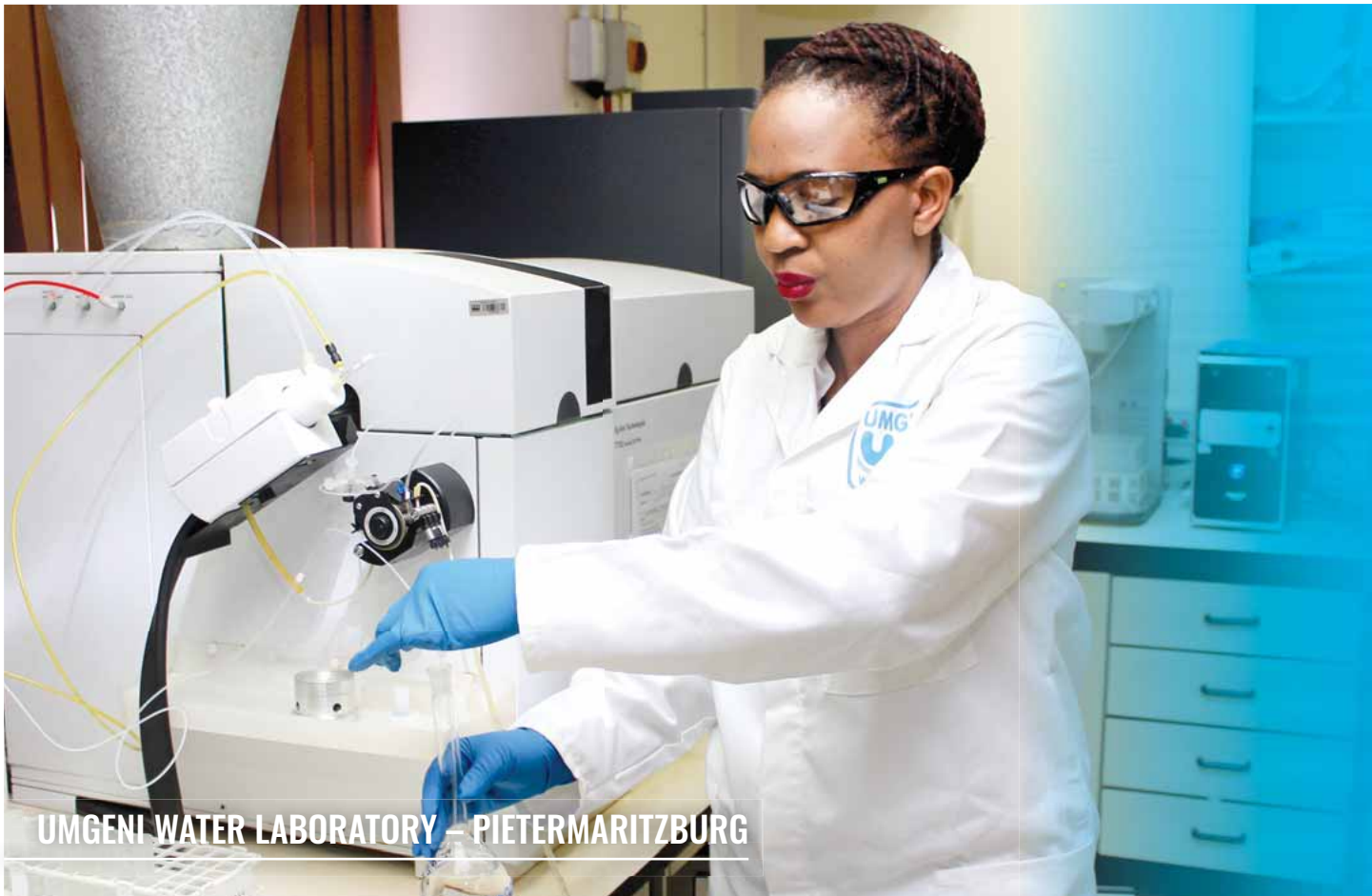
Umgeni Water subscribes fully to the Bill of Rights in terms of the Constitution of the Republic of South Africa (Act 108 of 1997). During the year, there were zero reported incidents of violation of rights of indigenous people in any aspect of the organisation's business.

Human Rights Remediation

Zero grievances related to human rights issues / contraventions were filed.



12.0 IMPROVING RESILIENCE



12.1 ISO 17025 Accredited Laboratory Services Assuring Water Quality

Four modern ISO/IEC 17025-accredited laboratories make up the entity's Laboratory Services. They are Chemistry, Microbiology, Hydrobiology and Soil Chemistry Testing, all with a long-established reputation of meeting international standards. Highly-skilled and dedicated scientists, technicians and laboratory support staff, utilising modern analytical techniques enable this facility to provide a world-class service 365 days a year.

“UMGENI WATER IS FACED WITH UNPRECEDENTED GROWTH OPPORTUNITIES. THESE INCLUDE REGIONALISATION AND GEOGRAPHICAL EXPANSION, AS WELL AS INTEGRATION ACROSS THE WATER VALUE CHAIN. EMBRACING TECHNOLOGY AND REMAINING WELL-CONNECTED IS VITAL FOR THE ENTITY TO BE EFFICIENT IN ITS OPERATIONS.



WATER & WASTEWATER TREATMENT PROCESS

06. WASTEWATER TREATMENT

Domestic and industrial wastewater goes into WWTs to be treated. Various processes are used for treatment of wastewater thus ensuring the final effluent discharged is not harmful to the environment.



During the year, the laboratory supported core business activities through:

- > Providing assurance that the entity produces potable water that complies with drinking water standards;
- > Assuring that treated effluent complies with wastewater and effluent discharge limits;
- > Assuring, via the above, public health protection from water-borne diseases and water-related health impacts;
- > Undertaking research and development and generation of scientific data for new infrastructure developments,
- > Supporting/auditing water treatment for process selection and optimisation;
- > Undertaking catchment and river health monitoring to assess the status of water resources and quality of raw water supply;
- > Immediate provision of early warnings and alerts stakeholders immediately when a breach of quality standards is detected. An incident-management protocol is followed, to contain and remedy the breach.

Water samples from the entire supply system (catchment to consumer) are collected by a team of dedicated well-trained sampling officers on daily throughout Umgeni Water's operational area, and are assessed in terms of physical, chemical and microbiological characteristics, as per SANS 241 standard requirements. The sampling activities are also governed and guided by ISO 9001 accreditation standard, which they have to conform to.

The analytical results are produced within specified times that form part of Service Level Agreements with end users. Supported by LabWare Laboratory Information Management System (LIMS), water quality results are captured, validated, stored and reported timeously. Laboratory Services generates 20 000 to 30 000 analytical results per month from its four accredited laboratories, split as follows: Chemistry, approximately 16 000; Microbiology, 4 000; Hydrobiology, 450 and Soil Chemistry, 100. The laboratories generated about 290 872 test results in this financial year. Direct access to the results is also provided to external users via the Electronic Water Quality Management System (eWQMS), the IRIS Blue Drop System (BDS) and the IRIS Green Drop System (GDS).

In addition to assuring the quality of bulk water produced, Laboratory Services provides water testing and sampling services to municipalities and various private sector clients. This valuable service supports and assists municipalities to improve their IRIS Blue and Green Drop compliance.

As an ISO 17025-accredited laboratory, Umgeni Water laboratory has to constantly keep up with the requirements of the standard, in order to maintain its accreditation status. As such, the laboratory had to transition to the new ISO 17025: 2017 Management System, thus achieving and enhancing customer and stakeholder quality assurance.

One of the requirements of an ISO 17025-accredited laboratory like Umgeni Water's is that the results that are produced from

accredited methods must be validated and authorised by a Technical Signatory who is assessed and deemed competent by SANAS, before release to the customers (both internal and external). Responding to this requirement, the laboratory is aiming to have at least three or more Technical Signatories for each accredited method. To achieve this goal and in line with the increase of the accreditation scope, 10 new Technical Signatories were assessed and recommended by SANAS for 13 different methods in Chemistry, Microbiology, Hydrobiology and Soil Testing, in this financial year.

12.2 Information and Communication Technology

The Fourth Industrial Revolution (Industry 4.0) is characterised by technology becoming increasingly connected and a convergence of the digital, physical and biological spheres. Emerging technologies have the potential to change the face of the water and sanitation business. Umgeni Water is faced with unprecedented growth opportunities. These include regionalisation and geographical expansion, as well as integration across the water value chain. Embracing technology and remaining well-connected is vital for the entity to be efficient in its operations.

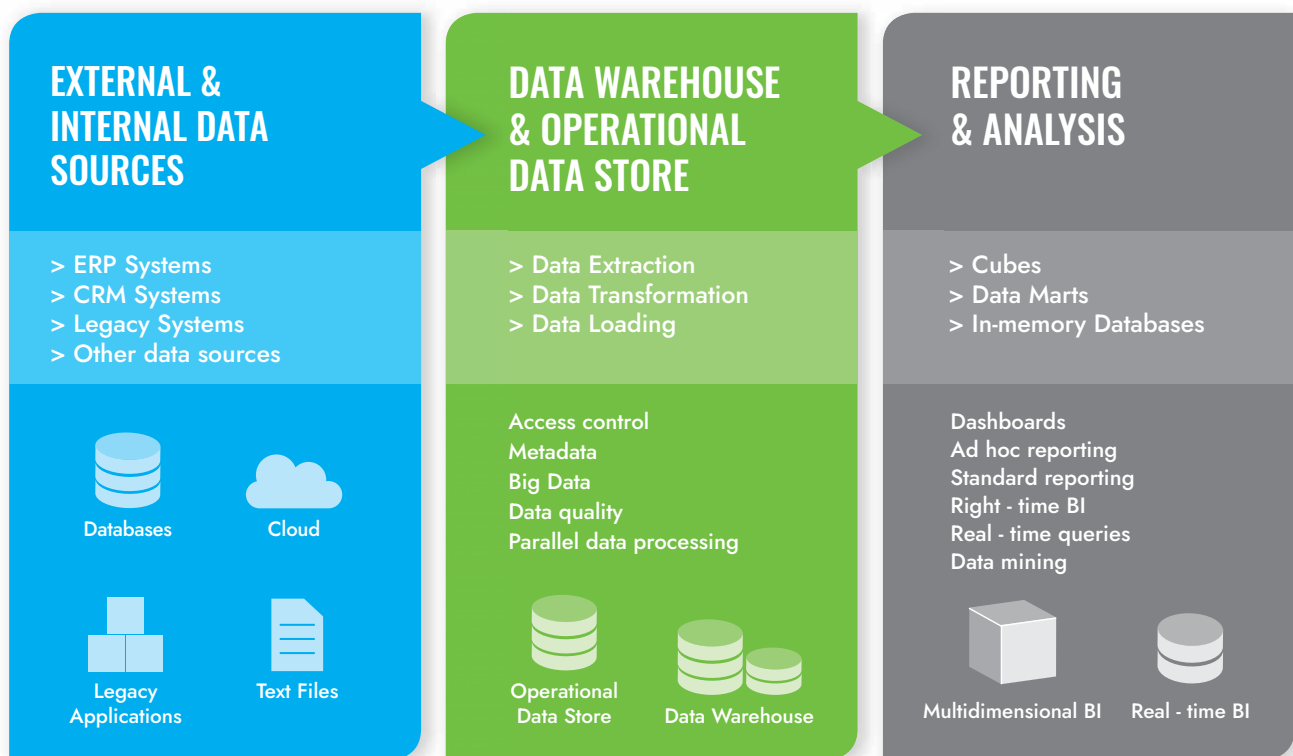
In the year under review, Umgeni Water continued to implement key projects that firmly placed the entity on a path of being a data-centric organisation. These will be outlined in the subsections that follow.

Notwithstanding this, Umgeni Water also understands the security risks associated with such a high degree of interconnectedness and is duly implementing its integrated security measures to secure its information, human capital and physical assets through various projects and initiatives.

12.2.1 SAP BW4/HANA (Tapping Data Project)

The SAP BW4/HANA (Tapping Data Project) is data warehousing, business intelligence and data analytics project implemented to enable the organisation to leverage from advanced ICT infrastructure to extract key insights from operational and market data to make informed decisions in near real-time speeds. The illustration in **Figure 12.1** below is an overview of this project. The project started in May 2019 and went live on 1 June 2020. This project was delivered within time and budget.

Figure 12.1: Tapping Data Project architecture overview

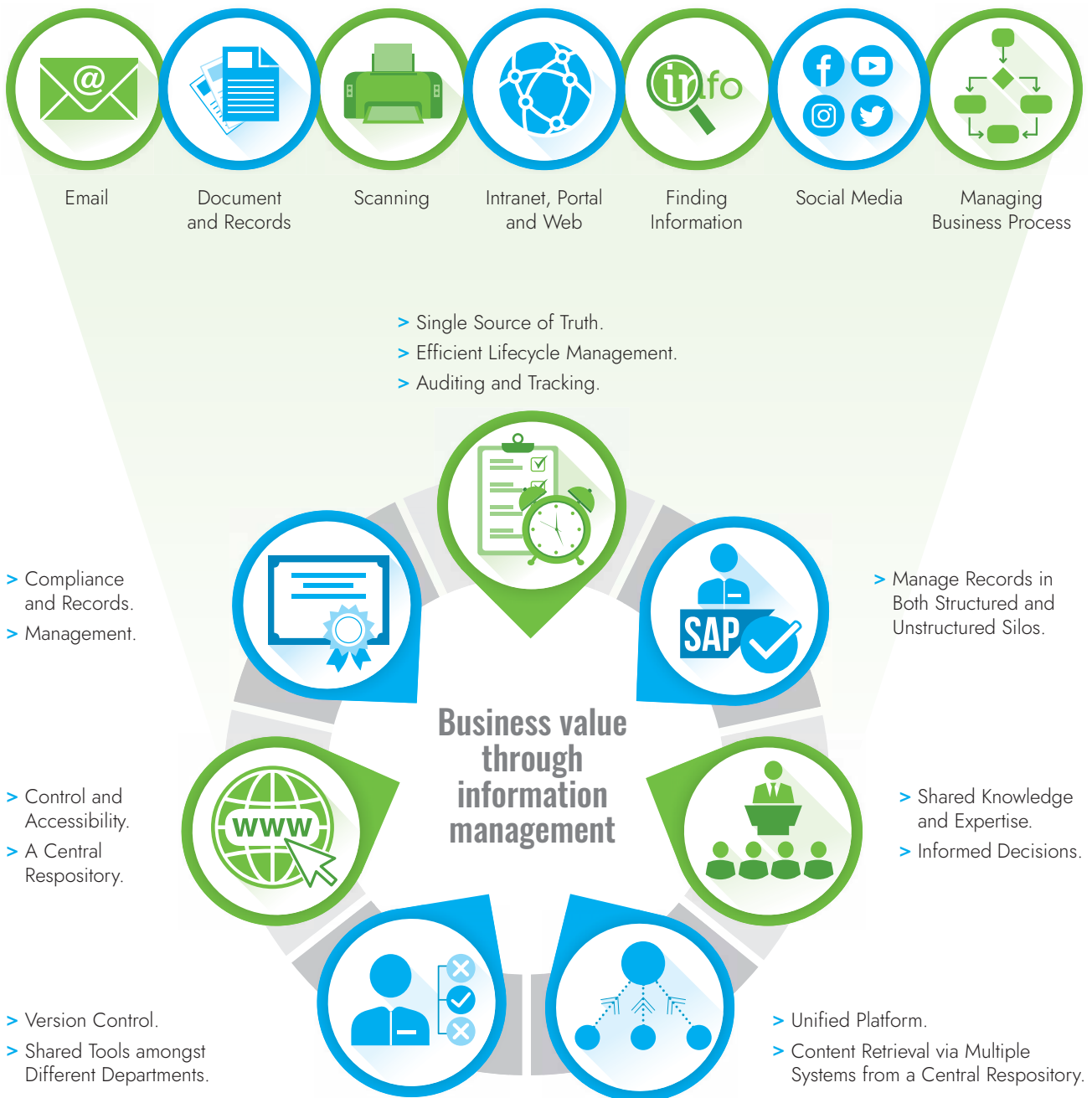


12.2.2 Enterprise Information Management (EIM)

The Enterprise Information Management (EIM) is the collection and management of the organisational information as well as distribution of that information. The implementation of the Enterprise Information Management system started in 2018 and went live during June 2020. The EIM system is assisting with document management, record management, the archiving of records as well as employee collaboration. As Umgeni Water moves to a fully digital and paperless environment; the implementation of the EIM is one of the stepping stones in achieving fully digital transformation. **Figure 12.2** outlines the conceptual overview of the EIM System functionality.

Figure 12.2: EIM System functionality (credit: Open Text)

Enterprise Information Management



12.2.3. Digital Signatures

The organisation has responded to the accelerated need to ensure accountability and traceability through e-approvals by implementing the LawTrust Digital Signature Solution. This solution uses cloud base/Server Held Advance Electronic Signature (AeSign) to minimise cost associated with the hardware Tokens. The cloud base/server provides flexibility to use an Advance Electronic Signature (AeSign) on a mobile device to sign documents digitally. As per the Electronic Communication Transactions Act 25 of 2002 (ECTA), there are some instances where an electronic signature other than a standard electronic signature may be required and include circumstances where the law requires that an agreement or document must be in writing and signed. In such instances, the document can only be signed with an advanced electronic signature as defined by ECTA.

Umgeni Water started the registration of managers onto the digital signature portal from May 2020. The solution also accommodates workflows and its deployment throughout the organisation is in progress.

12.2.4 Geographical Information System (ArcGIS)

The organisation also completed the ArcGIS image server project in the year under review. This will assist the organisation manage and store its GIS imagery. This enterprise-wide image distribution platform provides a new approach for managing, processing, and distributing imagery that reduces costs and improves workflows immediately.

12.3 Research, Development and Innovation

Umgeni Water recognises the importance of investing in Research, Development and Innovation. In the key objectives of its research programme include:

- > Addressing challenges of the water sector including supporting economic growth and improving the quality of life;
- > Creating new water knowledge and finding technical solutions for better planning and water management leading to sustainable development;
- > Optimising operational processes and reducing costs (energy, treatment chemicals & waste recycling/reduction);
- > Value creation by harnessing leading technologies and improving water/wastewater quality;

- > Investigating new technology and improving water quality compliance;
- > Reducing demand through innovation;
- > Increasing water availability from exploring non-traditional sources of supply and re-use;
- > Protecting ecological infrastructure and biodiversity from the harmful effects of pollution;
- > Adapting to climate change;
- > Increasing competitiveness;
- > Protecting water resources, and reducing non-revenue water;
- > Providing research training and intellectual capital development;
- > Aligning research programmes with the broader national policies and plans.

In the year, the entity commenced with the construction of a centralised research facility mandated to drive the research agenda and build greater institutional knowledge. The facility is intended to serve as a special-purpose knowledge hub and a key enabler for studies on the so called Contaminants of Emerging Concern (CECs) in potable water and environmental samples, water/wastewater sludge testing and classification, and to carry out microbial genomic studies.

The organisation has established links and collaborates with academic institutions and researchers worldwide, both nationally and internationally. Locally, research is undertaken with local sector partners including the University of KwaZulu-Natal (UKZN) and the Water Research Commission (WRC).

The Umgeni Water Chair for Water Resources Management continued to complement internal research initiatives, specifically in the following aims:

- > Establish mutually beneficial projects in teaching, research and technical services;
- > Building on existing projects and implementing new ones;
- > Making use of complementary skills and pursuing opportunities of a strategic nature locally, nationally and internationally;
- > Explore beneficial opportunities to provide research projects to postgraduate students;
- > Supervise research projects;
- > Develop project proposals and research programmes;
- > Seek ways in which there can be closer collaboration in research and development on technological and socio-economic projects.

A large component of research is undertaken by subject matter specialists within the entity. These studies are expected to yield both economic and non-economic benefits with significant gains in intellectual capital, improved water security, improved water quality, and a better life for society. Steady progress has been noted on a number of high priority projects as per **Table 12.1**.

Table 12.1: Research funded by Umgeni Water through the Chair for Water Resources Management

Research Topic	Project Objective
Eel recruitment and fish movement in the Lower Thukela	<ul style="list-style-type: none"> > Evaluate water quality, flows and habitat alterations of the Thukela River and Estuary associated with the LTBWSS and the impact of these changes to the wellbeing of the local river and estuary ecosystem, using fish, invertebrates and plants as ecological indicator. > Evaluate the use of the fishway by fish and invertebrates and characterisation of the efficiency of the facility and any possible optimisation opportunities and or risks to the migration of ecological important organisms in the region.
Monitoring of environmental stressors in real time and remotely using the behavioural ecology of selected fish species in southern Africa	<ul style="list-style-type: none"> > Evaluate the behavioural response of Yellowfish to water quality and flow changes in the uMgeni River below Howick. > Use the behavioural response of Yellowfish to monitor the wellbeing of the water quality and flow in the uMgeni River below Howick in real time, remotely.
Developing an equity and equality assessment method for water resources allocation in South Africa	<ul style="list-style-type: none"> > To review the subjects of equity and equality with respect to its application in water resources management. > To develop a methodology for assessing equity and equality for the fair allocation of water resources. > To develop a system of equity and equality indicators for the fair allocation of water resources. > To investigate the plausibility of the method it will be applied to selected WMAs areas, including UW
Quantitative Analysis of Selected Pharmaceuticals and Illicit Drugs in the Darvill Wastewater Treatment Plant	<ul style="list-style-type: none"> > To develop and validate a method for extraction, clean-up, qualitative and quantitative analysis of illicit drugs, pharmaceuticals and their respective metabolites present in wastewater samples; > To analyse for illicit drugs, selected pharmaceuticals and their respective metabolites via the use of High Pressure Liquid Chromatography (HPLC) and Liquid Chromatography – Mass Spectrometry (LC – MS); > To establish the removal efficiency of drugs, pharmaceuticals and their metabolites based on the current removal process within the WWTP, and; > To estimate potential environmental effects that the effluent may have on aquatic ecosystems.
Mathematical modelling of the activated sludge treatment process at Darvill Wastewater Works	<ul style="list-style-type: none"> > Microbial growth has been determined as non-linear, and the identification of a second steady state would allow for a push of an unsteady system towards a second steady state for more efficient processing. The overall aim is to identify multiple steady states of microbial growth for 3 species for efficient water treatment. > The project aims to understand the system dynamics of 3 microbial species using growth and death rates to establish metabolic processes. This system dynamics will enable the development of a model. The growth and death rates in conjunction with flow rates will assist to determine microbial concentrations in treatment tanks. Once the concentrations are estimated, more efficient tank reaction rates can be determined.
Finding the significance of miniSASS as a citizen science tool and linking it to Resource Quality Objectives (RQOs)	<ul style="list-style-type: none"> > Investigate if river sites are compliant with the set RQOs using SASS5. > Investigate if miniSASS and the velocity plank can assist in implementing and monitoring the RQOs. > Find the technical relationship between citizen science and RQOs > Investigate whether citizens could engage with the enforcement of RQOs through citizen science tools

Table 12.1: Research funded by Umgeni Water through the Chair for Water Resources Management ...continued

Research Topic	Project Objective
Analysis of residual water treatment polymers in drinking water (Poly DADMAC)	<ul style="list-style-type: none"> > Optimization of the existing analytical method for the analysis of poly-DADMAC by changing the parameters such as gold nanoparticle concentration, poly-DADMAC concentration and competition from other ions. > Improvement of the sensitivity of the instrument method, inter-day precision and recovery of the colorimetric analytical method down to trace concentrations. > Transfer of the optimized analytical method to a real raw water treatment plant sample for application.
Detection of wastewater cyanotoxins and measurements of microcystins	<ul style="list-style-type: none"> > Commercially available Enzyme-Linked Immunosorbent Assay (ELISA) test kits are one of the most commonly utilized cyanotoxins testing methods, since they do not require expensive equipment or extensive training to run. Semi-quantitative field screening ELISA kits are available for the presence or absence of cyanotoxins. Although they provide rapid results, ELISA kits generally have limitations in specificity and are not congener specific. Methods that utilize liquid chromatography combined with mass spectrometry (LC-MS) can precisely and accurately identify specific toxic microcystin congeners together with their metabolites. > To Develop a chromatographic analytical method for determination of cyanotoxins and microcystins congeners in Darvill wastewater treatment plant. > Qualitative and quantitative determination of cyanotoxins concentration levels in Darvill wastewater treatment and reclaimed water using LC-MS and HPLC-PDA methods. > To establish the efficiency of treatments methods to remove cyanotoxins.
Development of a predictive mass balance model of flocculant consumption in water treatment systems	<ul style="list-style-type: none"> > The outcome of the project will be to determine a system for to enable Umgeni Water to reduce the amount of chemicals (Cl and flocculant), as well as estimate the optimal amount of chemicals (Cl and flocculant), required in the water purification process whilst still maintaining optimal water purity. This will entail evaluating whether an algorithm will be suitable to undertake this prediction. > The intention is to develop a template system that can be applied to multiple sites by amending certain basic operating parameters relating to plant capacity.
The development of Mass Spectrometry techniques in sludge analysis and the evaluation of advanced semiconductors in waste remediation	<ul style="list-style-type: none"> > To develop sludge analysis techniques using advanced MS techniques. > Development of strategies to implement machine learning techniques for large dataset analyses upon qualitative method developments using LC-MS, and photocatalytic remediation of sludge contaminants with the identification and detection of 'smaller molecules' post reaction.
Monitoring of the efficiency of the artificial fish barrier on the Mooi River upstream of Inchbrakie falls and environmental performance of the facility	<ul style="list-style-type: none"> > Evaluate the fish communities and population structures within the Springrove Dam. This will include evaluation of the biology and ecology of the dam and its fish communities which will contribute to an understanding of the trends in community and population structures associated with the operation of the dam. > Evaluate the operation of the fish barrier in the context of the OMP and establish the efficiency of the structure in achieving the intended purpose of preventing the migration of Smallmouth bass up the Mooi River from Spring Grove Dam. > Characterise the fish communities and associated populations structures in the Moor River upstream of the fish barrier, below the barrier and below Springrove Dam, and evaluate the risk of, and consequences of invasion of the upper Mooi River by <i>M. dolomieu</i>. > Provide dam fisheries management and monitoring recommendations.

12.4 Research and Innovation Task Teams

The organisation established the Task Teams to pursue feasible and sustainable solutions presented by the Fourth Industrial Revolution to address water and sanitation challenges in its service area. These task teams are also a collaborative platform between experienced and emerging professionals in formulation and delivery of solutions to organisational and sectorial challenges.

The task teams will enable the entity to identify opportunities for applying technology to address water and sanitation challenges in the following key areas:

- > Obtaining a complete, current and accessible picture of water supply and demand;
- > 21st century water infrastructure systems and management;
- > Providing access to and ensuring the quality of water and sanitation services;
- > Managing growing demand;
- > Diversified sources of supply;
- > Ensuring water quality;
- > Building resilience to climate change;
- > Leveraging real-time water data to empower users (decision-makers, end-users, communities);
- > Cybersecurity and mitigation of other technology risks (including the future of work).

The task teams are at various stages of developing business cases to be considered as potential products and services to drive internal efficiencies and increase the organisation's offering to its customers throughout the water value chain. This work will continue in the coming years as the organisation implements its growth strategy.

12.5 Risk Management

Risk management at Umgeni Water is guided by an Integrated Risk Management Framework that is aligned to strategy, thereby ensuring a focused and directed process of risk management in the entity. The risk appetite and tolerance framework is reviewed and approved on an annual basis.

The entity's strategic risks are shown in **Table 12.2** and show the risk name, the link to strategic perspectives, objectives and outcomes, score and status, together with the risk cause, context and treatment approach.

Of five strategic risks, three are outside appetite but within tolerance, one is within appetite and within tolerance and one is outside both risk appetite and tolerance.

Four strategic risks (80%) have been managed to a level of equal to or above reasonable ($\geq 55\%$) overall response effectiveness.

Figure 12.1 Overall Response Effectiveness

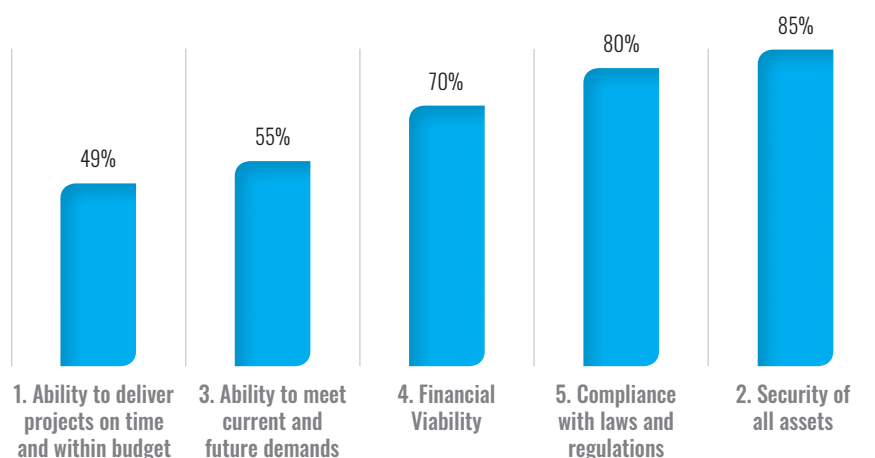



Table 12.2: Strategic Risks as at 30 June 2020

Risk #	Risk Name, Score and Status	Cause, Context and Treatment	Main Strategic, Perspective, Objectives and Outcomes Impacted
1	<p>Ability to deliver projects on time and within budget.</p> <ul style="list-style-type: none"> > Overall Response Effectiveness: Poor 49% > Severity: Major-Low: 100 > Probability: 90% Highly probable and / or certain to occur within 1 year > Risk Owner: Executive: Infrastructure Development  <p>Risk Appetite and Tolerance</p> <ul style="list-style-type: none"> > Outside Appetite > Outside Tolerance 	<p>Cause & Context: Project lifecycle process not efficient/responsive enough; Lack of agility in decision-making; Insufficient stakeholder interaction by Umgeni Water. External stakeholder interests; Stringent procurement regulations and Lack of continuous communication. Lockdown due to COVID-19 and the impact on the construction industry. Under-expenditure due to economic recession resulting from COVID-19 pandemic, Eskom energy crisis and worsening fiscal deficits. Businesses not able to sustain operations and closing down creating instability in the various sectors that are not essential services such as infrastructure investment sector. Turnaround time to resume activity may be at least 18 months.</p> <p>Treatment Approach: <i>Implementation of the PLP for all projects. Pro-active social facilitation processes. Alignment of procurement processes to the Infrastructure Delivery Management System (IDMS). Optimisation of processes for project implementation. COVID-19 Pandemic Management.</i></p>	<p>Organisational Efficiency and Effectiveness Perspective:</p> <p>SO 1: Improve supply security and service delivery</p> <p>SO2: Increase bulk infrastructure access, customers and services</p> <p>Increase access to services</p> <p>Financial Performance Perspective:</p> <p>SO5: Improve financial sustainability and enhance socio-economic development</p> <p>Manage costs within approved budget</p> <p>Outcomes:</p> <ul style="list-style-type: none"> > Product Quality > Customer Satisfaction > Infrastructure Stability > Stakeholder Understanding and Support > Community and Environmental Sustainability
2	<p>Security of all assets.</p> <ul style="list-style-type: none"> > Overall Response Effectiveness: Good 85% > Severity: Moderate-High: 40 > Probability: 65 % Even probability &/or could occur within 1- 2 years > Risk Owner: Executive: Corporate Services  <p>Risk Appetite and Tolerance</p> <ul style="list-style-type: none"> > Outside Appetite > Within Tolerance 	<p>Cause & Context: Breach of/ damage to/ loss of physical or information assets and resources (includes physical and non-physical assets – people, property & information). Land claims on prospective servitudes. Illegal settlements and encroachments on properties & servitudes. Remote locations that are difficult to secure or monitor theft and vandalism. Service delivery protests may affect site accessibility or cause damage to infrastructure. Cyber attacks and social engineering. Sabotage. Personal safety and occupational health and safety hazards. Non-compliance to applicable acts/legislation (i.e. POPI, Critical Infrastructure Act, Occupational Health & Safety Act, Compensation for Occupational Injuries and Diseases (COID). Sustainability of natural resources (air, land, water, energy).</p> <p>Treatment Approach: <i>Physical Security Policy. Housing and Accommodation policy. Implementation of asset management plans.</i></p> <p><i>Servitude Management Plan. ICT strategy implementation plan. Cyber security implementation. Information Security Policy.</i></p> <p><i>Implementation of the Occupational Health and Safety Management System (ISO 45001).</i></p> <p><i>Implementation of the Sustainability Development Policy. Implementation of the Sustainability Framework Plan.</i></p>	<p>Organisational Efficiency and Effectiveness Perspective:</p> <p>SO2: Increase bulk infrastructure access, customers and services</p> <p>Increase access to services</p> <p>Financial Performance Perspective:</p> <p>SO5: Improve financial sustainability and enhance socio-economic development</p> <p>Manage costs within approved budget</p> <p>Organisational Capacity Perspective:</p> <p>SO 7: Increase skills and competency</p> <p>Outcomes:</p> <ul style="list-style-type: none"> > Infrastructure Stability > Stakeholder Understanding and Support > Community and Environmental Sustainability

Table 12.2: Strategic Risks as at 30 June 2020 ...continued

Risk #	Risk Name, Score and Status	Cause, Context and Treatment	Main Strategic, Perspective, Objectives and Outcomes Impacted
3	<p>Ability to meet current and future demands</p> <ul style="list-style-type: none"> > Overall Response Effectiveness: Reasonable 55% > Severity: Moderate-High: 40 > Probability: 50% Fairly poor and/or could possibly occur within 2 years > Risk Owner: Executive: Infrastructure Development  <p>Risk Appetite and Tolerance</p> <ul style="list-style-type: none"> > Outside Appetite > Within Tolerance 	<p>Cause & Context: Long-term water resources: Delays in the implementation of water resource development projects. Non-conformity with the National Water Resources Reconciliation Strategy. Inability to implement National Water Masterplan.</p> <p>Short-term water resources: Drought; Lack of system resilience in the short term.</p> <p>Infrastructure Adequacy: Mismanaged urbanization, ineffective demand management (demand outstripping supply). Delays in developing infrastructure.</p> <p>Treatment Approach: <i>Integrated planning and implementation for medium and long-term augmentation of systems with stakeholders. Diversifying sources of supply. Controlling water releases. Embarking on initiatives to improve ecological infrastructure and engaging in multi-stakeholder management initiatives.</i></p>	<p>Organisational Efficiency and Effectiveness Perspective:</p> <p>SO 1: Improve supply security and service delivery</p> <p>SO2: Increase bulk infrastructure access, customers and services</p> <p>SO3: Increase customer and stakeholder value</p> <p>Increase access to services</p> <p>Financial Performance Perspective:</p> <p>SO5: Improve financial sustainability and enhance socio-economic development</p> <p>Manage costs within approved budget</p> <p>Outcomes:</p> <ul style="list-style-type: none"> > Product Quality > Customer Satisfaction > Infrastructure Stability > Stakeholder Understanding and Support > Community and Environmental Sustainability
4	<p>Financial Viability</p> <ul style="list-style-type: none"> > Overall Response Effectiveness: Good 70% > Severity: Moderate-Low: 20 > Probability: 50% Fairly poor and/or could possibly occur within 2 years > Risk Owner: Chief Financial Officer  <p>Risk Appetite and Tolerance</p> <ul style="list-style-type: none"> > Outside Appetite > Within Tolerance 	<p>Cause & Context: Financial viability of organisation. Infrastructure Investment. Debtor's Collections. Business model. Cash flow. Inability to raise funding. Opportunity: Sustainable growth. Service provision. Leveraging debt.</p> <p>Treatment Approach: <i>Business case for all projects. Revenue enhancement with customers. Monitoring and reporting on payment plans and cash flows. Lobbying with national government. Strict management of operating cash flows. Tariff model for potable water and wastewater business model programme linked to strategy. Secure funding facilities</i></p>	<p>Organisational Efficiency and Effectiveness Perspective:</p> <p>SO 1: Improve supply security and service delivery</p> <p>SO2: Increase bulk infrastructure access, customers and services</p> <p>SO3: Increase customer and stakeholder value</p> <p>Increase access to services</p> <p>Financial Performance Perspective:</p> <p>SO4: Improve financial systems and key financial ratios</p> <p>SO5: Improve financial sustainability and enhance socio-economic development</p> <p>Manage costs within approved budget</p> <p>Outcomes:</p> <ul style="list-style-type: none"> > Product Quality > Customer Satisfaction > Infrastructure Stability > Stakeholder Understanding and Support > Community and Environmental Sustainability > Financial Viability > Operational resiliency

Table 12.2: Strategic Risks as at 30 June 2020 ...continued

Risk #	Risk Name, Score and Status	Cause, Context and Treatment	Main Strategic, Perspective, Objectives and Outcomes Impacted
5	<p>Compliance with laws and regulations</p> <ul style="list-style-type: none"> > Overall Response Effectiveness: Good 80% > Severity: Negligible: 1 > Probability: 65% Even probability and / or could occur within 1-2 years > Risk Owner: Chief Executive Officer  <p>Risk Appetite and Tolerance</p> <ul style="list-style-type: none"> > Within Appetite > Within Tolerance 	<p>Cause & Context: Non-compliance to laws, regulations, policies and procedures as a result of dishonest behaviour and/ or poor performance impacting Umgeni Water's reputation, leading to loss of stakeholder confidence. Ever changing regulatory environment and the ability to adapt to the operating environment.</p> <p>Treatment Approach: Proactive policy review process. Strategic oversight. Assurance of compliance through on-going assessment of control effectiveness. Combined assurance framework.</p>	<p>General Compliance (Risk, Audit and Governance) Perspective:</p> <p>SO6: Improve governance, risk and compliance systems</p> <p>Effective Internal Controls, Compliance and Risk Management</p> <p>Outcomes:</p> <ul style="list-style-type: none"> > Financial Viability > Operational resiliency > Stakeholder Understanding and Support

In accordance with the Integrated Risk Management risk priority table, risks that are outside the risk appetite and tolerance levels require specific sign-off by the Umgeni Water Board and disclosure in the Annual Report. The entity's divisional risks outside appetite and tolerance are shown in **Table 12.3**.

There are four divisional risks outside both risk appetite and tolerance.

Table 12.3: Divisional Risks outside appetite and tolerance as at 30 June 2020


Risk 1	Risk Name, Score and Status	Cause, Context and Treatment	Main Strategic, Perspective, Objectives and Outcomes Impacted
1	<p>Wastewater Quality for Wastewater Treatment Works treating > 10 Ml/d</p> <ul style="list-style-type: none"> > Overall Response Effectiveness: Poor 30% > Severity: Major-Low 100 > Probability: 65% Even probability and / or could occur within 1-2 years > Risk Owner: Executive: Operations.  <p>Risk Appetite and Tolerance</p> <ul style="list-style-type: none"> > Outside Appetite > Outside Tolerance 	<p>Cause & Context: Darvill Plant running over capacity, process units left incomplete e.g. Subsurface sewage treatment system (SSTs), impact of industrial effluent, storm water ingress, leaks or losses in the trunk main sewer and delayed construction.</p> <p>Treatment Approach: Darvill Wastewater Treatment Works upgrade.</p>	<p>General Compliance (Risk, Audit and Governance) Perspective:</p> <p>SO6: Improve governance, risk and compliance systems</p> <p>Effective Internal Controls, Compliance and Risk Management</p> <p>Outcomes:</p> <ul style="list-style-type: none"> > Product Quality > Customer Satisfaction > Infrastructure Stability > Stakeholder Understanding and Support > Community and Environmental > Sustainability

Table 12.3: Divisional Risks outside appetite and tolerance as at 30 June 2020 ...continued

Risk 1	Risk Name, Score and Status	Cause, Context and Treatment	Main Strategic, Perspective, Objectives and Outcomes Impacted
2	<p>Catchment Water Quality</p> <ul style="list-style-type: none"> > Overall Response Effectiveness: Poor 40% > Severity: Major-High: 200 > Probability: 90% Highly probable and / or certain to occur within a year > Risk Owner: Executive: Scientific Services  <p>Risk Appetite and Tolerance</p> <ul style="list-style-type: none"> > Outside Appetite > Outside Tolerance 	<p>Cause & Context: Pollution in catchments (point and diffuse sources) as a result of non-compliance (e.g. wastewater treatment works) or illegal discharges into water resources (e.g. industry) and failing municipal sewer infrastructure. Reduced assimilative capacity of water resources, exacerbated by drought / dry periods.</p> <p>Insufficient municipal capacity / resourcing for monitoring and enforcement and sewer maintenance. Inadequate catchment monitoring and water resources assessment by DWS together with poor / inadequate regulation and enforcement by DWS and other regulators. Changing contaminants (emerging contaminants) which are not being analysed e.g. hormones (endocrine disrupters), micro plastics and pharmaceuticals.</p> <p>Limited ability to influence catchment activities and land uses that impair water quality. Insufficient budgets / resources targeting catchment management initiatives. Impact on ecological infrastructure e.g. impact on wetlands, indigenous vegetation / alien invasive and land degradation / soil erosion.</p> <p>Treatment Approach: <i>Ecological Infrastructure Management. Identification / Management of emerging contaminants. Identification of high critical areas for emerging contaminants. Water quality monitoring / assessments. Catchment Management Forums.</i></p>	<p>Organisational Efficiency and Effectiveness Perspective:</p> <p>SO 1: Improve supply security and service delivery</p> <p>Increase access to services</p> <p>Outcomes:</p> <ul style="list-style-type: none"> > Product Quality > Customer Satisfaction > Infrastructure Stability > Stakeholder Understanding and Support > Community and Environmental Sustainability
3	<p>Wastewater Quality for Wastewater Treatment Works <10Ml/d</p> <ul style="list-style-type: none"> > Overall Response Effectiveness: Good 70% > Severity: Major-Low: 100 > Probability: 80% Likely &/or could occur within 1 year > Risk Owner: Executive: Operations  <p>Risk Appetite and Tolerance</p> <ul style="list-style-type: none"> > Outside Appetite > Outside Tolerance 	<p>Cause & Context: Hydraulic and organic overload at Mpofana. Howick under utilisation/ low flows. Power outages. Quality and quantity impact of trade influent (Howick & Mpofana) High and prolonged down time in treatment works. Plant design. Skills competence of process controllers and capability. Leaks at the pumps station.</p> <p>Dilapidated Infrastructure.</p> <p>Treatment Approach: <i>Howick and Mpofana Wastewater Treatment Works upgrade.</i></p>	<p>General Compliance (Risk, Audit and Governance) Perspective:</p> <p>SO6: Improve governance, risk and compliance systems</p> <p>Effective Internal Controls, Compliance and Risk Management</p> <p>Outcomes:</p> <ul style="list-style-type: none"> > Product Quality > Customer Satisfaction > Infrastructure Stability > Stakeholder Understanding and Support > Community and Environmental Sustainability

Table 12.3: Divisional Risks outside appetite and tolerance as at 30 June 2020 ...continued

Risk 1	Risk Name, Score and Status	Cause, Context and Treatment	Main Strategic, Perspective, Objectives and Outcomes Impacted
4	<p>Credit Risk</p> <ul style="list-style-type: none"> > Overall Response Effectiveness: Good 80% > Severity: Moderate-High: 40 > Probability: 100% Virtually certain and /or already occurred > Risk Owner: Executive: Chief Financial Officer.  <p>Risk Appetite and Tolerance</p> <ul style="list-style-type: none"> > Outside Appetite > Outside Tolerance 	<p>Cause & Context: Instability in municipality leadership increasing risk of non-payment. Municipalities under administration and financial pressure. Inability of customers to manage their cashflows and make payments on time. Increased credit risk due to new customers in new areas taken over and existing customers (uGu District Municipality and uThukela District Municipality) which are behind on payments.</p> <p>Treatment Approach: Debtor's monthly report and age analysis. Quarterly reports to be submitted to DWS under financial matters. Debtor's policy & procedure in place. Enhanced customer engagement. Inter-government relations framework. Liquidity buffer. Monthly reporting to National Treasury in terms of Section 41.</p>	<p>Financial Performance Perspective: SO4: Improve financial systems and key financial ratios</p> <p>Financial Reporting Compliance</p> <p>Outcomes:</p> <ul style="list-style-type: none"> > Financial Viability > Operational resiliency > Stakeholder Understanding and Support

Financial risks are detailed in the annual financial statement section of this annual report.

Mitigated Risks


Mitigated risks refer to risks that have been treated to an acceptable level with continual monitoring by Internal Audit to ensure the controls in place are still effective and efficient. There were no strategic risks mitigated.

Emerging Risks

The entity regularly reviews the internal and external landscapes with a view to identifying emerging risks. Climate change remains on the radar as an emerging strategic risk and divisional emerging risks are constantly monitored.

There is only one (1) strategic emerging risk

Table 12.4: Strategic Emerging Risk as at 30 June 2020

Risk #	Risk Name, Score and Status	Cause, Context and Treatment	Main Strategic, Perspective, Objectives and Outcomes Impacted
1	<p>Climate Change</p> <ul style="list-style-type: none"> > Overall Response Effectiveness: Reasonable 60% > Severity: Minor-High: 10 > Probability: 65% Even probability and / or could occur within 1-2 years > Risk Owner: Executive: Scientific Services  <p>Risk Appetite and Tolerance</p> <ul style="list-style-type: none"> > Within Appetite > Within Tolerance 	<p>Cause & Context: It is highly probable that the following will occur in an increasing intensity over a period of 30 - 50 years.</p> <p>Mean temperature will increase (in the range 1.2 – 2.5°C), frequency and intensity of extreme hot days (and nights) will increase, frequency and intensity of extreme cold days (and nights) will decrease frequency of warm spells / heat waves will increase, frequency of heavy rainfall events (or the proportion of total rainfall from heavy events) will increase. Risk of drought will increase.</p> <p>Treatment Approach: <i>Modified wastewater treatment works designs. Modified water treatment works designs. Catchment management. Early flood warning system.</i></p> <p><i>Carbon footprint minimisation. Water resource analysis. Water resource assessments.</i></p> <p><i>Climate change policy/strategy.</i></p>	<p>Organisational Efficiency and Effectiveness Perspective:</p> <p>SO 1: Improve supply security and service delivery</p> <p>Increase access to services</p> <p>General Compliance (Risk, Audit and Governance) Perspective:</p> <p>SO6: Improve governance, risk and compliance systems</p> <p>Effective Internal Controls, Compliance and Risk Management</p> <p>Outcomes:</p> <p>Operational resiliency Community and Environmental Sustainability</p>

12.6 Business Continuity Management

Umgeni Water has a well-established Business Continuity Management Programme, which includes routine scenario/stress-testing of Business Continuity Plans (BCPs), as an integral part of the Corporate-wide Integrated Risk Management Framework.

The relevant structures that are required to ensure that these principles and protocols are entrenched and executed within the organisation are mature and in place. The overall direction and management of the Business Continuity Management Programme is by the Crisis Management Team (CMT), which is chaired by the Chief Executive and membership comprises the Executive Committee and other senior managers and specialists as required. The Business Continuity Management protocols specifically related to the COVID-19 pandemic have been developed by each division under the leadership of the relevant executives and approved by the CMT and subsequently implemented by senior departmental management and specialists. The single highest risk faced by the organisation is the loss of key operational staff on a shift basis that operate Umgeni Water’s infrastructure for water and wastewater treatment. The relevant plans to mitigate infections of staff is well documented within our BCP’s and has been successfully implemented since March 2020 and constantly monitored, assessed and amended as the risk profile changes.



ROSETTA WTW

13.0 FINANCIAL REVIEW



IMVUTSHANE DAM

1. Introduction

The last quarter of this financial year presented a tough operating environment with the COVID-19 pandemic and country-wide lockdown. Umgeni Water as an essential service provider continued to operate within these challenging and strict operating conditions. This, coupled with the deteriorating economic

conditions during the current year, has negatively impacted on the operating performance of the organisation.

Profits for the year reduced by 7% and totalled R1 264m (2019: R1 354m). The reduction was predominantly due to the 49% increase in other operating and administration expenses

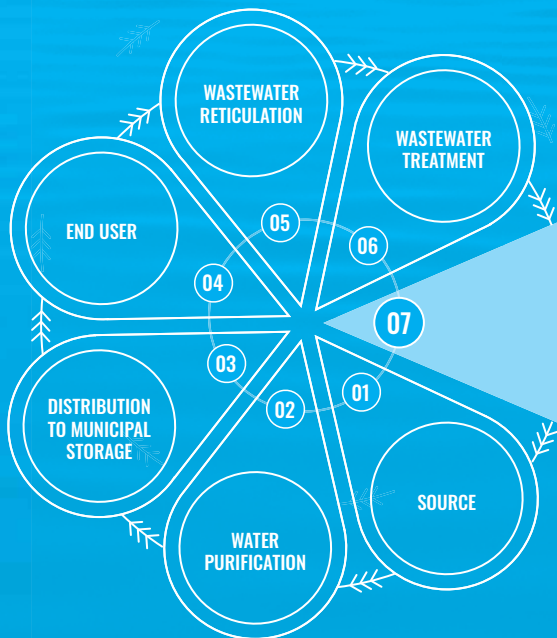
“COVID-19 COUPLED WITH THE DETERIORATING ECONOMIC CONDITIONS HAS NEGATIVELY IMPACTED ON THE OPERATING PERFORMANCE...”



WATER & WASTEWATER TREATMENT PROCESS

07. RELEASE OF TREATED EFFLUENT BACK TO RIVER SYSTEM

32 Million cubic metres of wastewater treated at 11 WWTWs.



arising from increases in the allowances for credit losses and impairments of property, plant and equipment.

On a positive note the financial position of the organisation relating to total assets improved by 12% mainly due to increases in financial investments. The economic recession coupled with COVID-19 and the national lockdown has impacted on the delivery of the capital expenditure

programme which did not reach the expected milestones this year.

Umgeni Water measures its financial performance in terms of its achievement against financial indicators which are aligned to the organisation’s strategic objectives and are included in the key performance indicators section of the annual report, pages 66 - 73.

Financial Review (continued)

2. Operating Performance

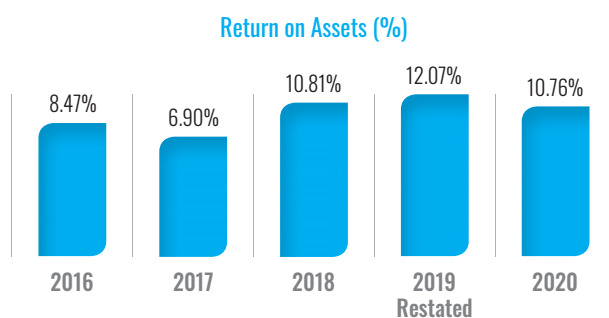
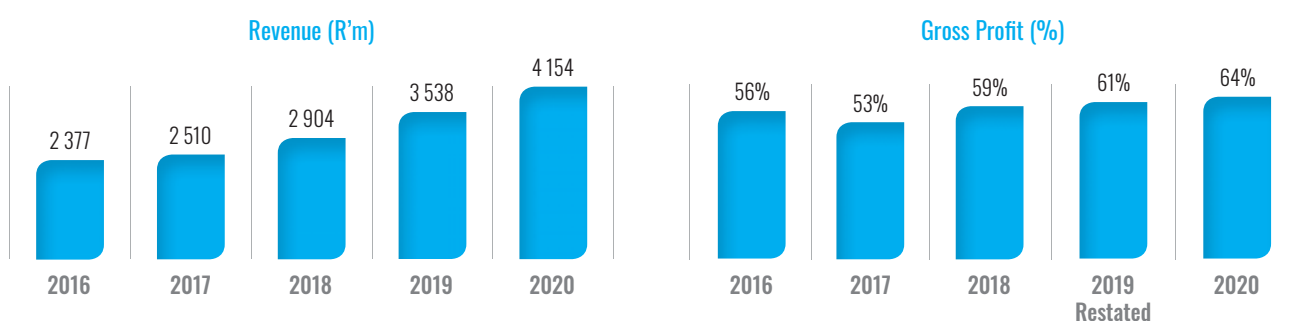
2.1 Overview of Operating Performance

2.1.1 Year on Year Changes of Group Operating Performance

Bulk water revenue increased by 18% as a result of the 9.6% bulk water tariff increase combined with a 7.9% sales volumes growth. The bulk water direct operating costs increased by 8% arising from the increase in the main cost drivers. Wastewater revenue increased by 8% in line with contractual agreements with customers whilst wastewater cost of sales increased by 32% mainly due to the higher depreciation charges arising from the commissioning of major components of the Darvill Wastewater Treatment works in the current year.

Other operating and administrative expenses increased by 49% mainly due to increased allowance for credit losses and impairments of property, plant and equipment further discussed under sections 2.1.3. and 5.2. of the financial review.

	2020	Movement	2019 Restated
	R'm	%	R'm
Revenue	4 154	17	3 538
Water	3 894	18	3 291
Wastewater	216	8	200
Section 30	44	(6)	47
Cost of sales	(1 492)	9	(1 363)
Water	(1 327)	8	(1 231)
Wastewater	(139)	32	(105)
Section 30	(26)	(4)	(27)
Gross profit	2 662	22	2 175
<i>GP%</i>	<i>64%</i>	<i>2</i>	<i>61%</i>
Other income	13	(50)	26
Other operating and administration expenses	(1 597)	49	(1 069)
Profit from operations	1 078	(5)	1 132
Net finance income	181	(16)	216
Share of profit from associate	5	(17)	6
Profit before tax	1 264	(7)	1 354



Financial Review (continued)

2. Operating Performance (continued)

2.1 Overview of Operating Performance (continued)

2.1.2. Main Cost Drivers Included in Cost of Sales

The main drivers for direct operating costs are chemicals, energy, maintenance, raw water and staff costs which account for 76% (2019: 78%) of cost of sales.

Chemical costs increased by 12% due to increased usage resulting from the higher volumes treated for the year, combined with an average increase in chemical prices of 9%.

Energy costs were 7% higher as a result of the average price increase of 14% offset with reduced pumping requirements.

Maintenance costs reduced by 6% as a result of a reduction in internal maintenance arising from the downward revision of workshop rates as well as limited maintenance performed during the last quarter of the financial year as a result of COVID-19 lockdown restrictions.

Direct staff costs increased by 8% mainly due to the average salary increases of 7.8%.

Raw water costs increased by 12%. The average raw water tariff increase was 2% for Mgeni system, 4% for Hazelmere system and 15% for Lower Thukela system, whilst volumes extracted from the Mgeni system which is the main source of supply were 9% higher.



Financial Review (continued)

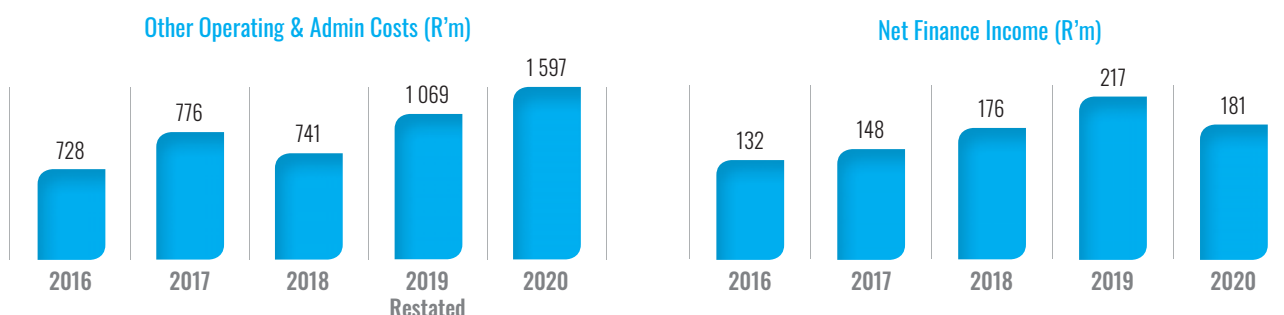
2. Operating Performance (continued)

2.1 Overview of Operating Performance (continued)

2.1.3. Other Operating and Administration Expenses and Net Finance Income

Other operating and administration costs increased by 49% mainly as a result of the allowance for credit losses of R274 million due to late and non-payments by customers and impairments of property, plant and equipment which totalled R189 million.

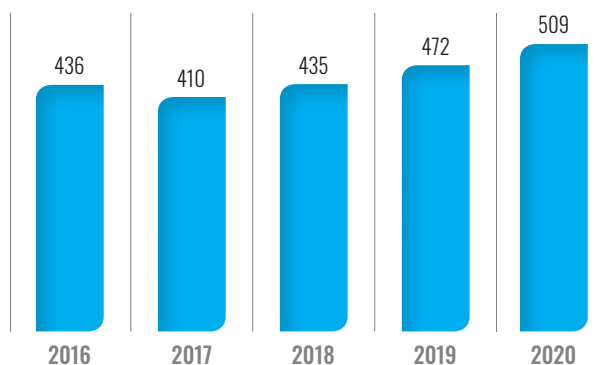
Net finance income was 16% lower as a result of an increase in finance costs as borrowing costs capitalised reduced. Interest income on investments increased by 24% to R286m (2019: R231m) while finance costs after borrowing costs capitalised was R105m (2019: R14m). Borrowing costs capitalised to qualifying assets were R87m (2019: R182m), the reduction was due to a decrease in qualifying assets under construction.



2.2 Bulk Water Sales Volume Analysis

Bulk water sales volumes grew by 7.9%. The main source of increased sales volumes were from eThekweni Metro Municipality; Msunduzi Local Municipality and uThukela District Municipality.

Water Sold (kl'm)



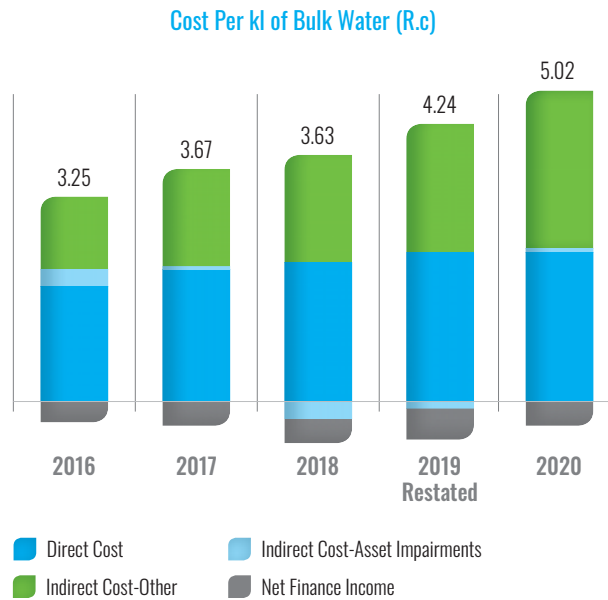
	Volume by Customer and % Change									
	2016		2017		2018		2019		2020	
	kl'000	%	kl'000	%	kl'000	%	kl'000	%	kl'000	%
eThekweni MM	320 151	(3.4)	299 045	(6.6)	314 523	5.2	335 724	6.7	355 835	6.0
Msunduzi LM	69 944	(0.6)	62 513	(10.6)	68 433	9.5	71 040	3.8	77 286	8.8
uMgungundlovu DM	19 417	29.1	18 475	(4.8)	18 797	1.7	20 426	8.7	22 905	12.1
Siza Water	3 338	(24.8)	3 360	0.6	3 458	2.9	3 527	2.0	3 562	1.0
uGu DM	11 295	9.5	12 916	14.4	13 981	8.2	13 956	(0.2)	13 543	(3.0)
iLembe DM	10 790	(23.3)	12 716	17.9	14 182	11.5	18 646	31.5	20 731	11.2
Harry Gwala DM	661	(21.0)	743	12.5	1 066	43.4	1 156	8.5	1 234	6.7
uThukela DM	-	-	-	-	-	-	7 192	100.0	13 998	100.0
Other	130	(9.5)	119	(8.5)	129	8.2	134	4.0	124	(7.7)
Total	435 726	(2.4)	409 887	(5.9)	434 568	6.0	471 801	8.6	509 218	7.9

Financial Review (continued)

2. Operating Performance (continued)

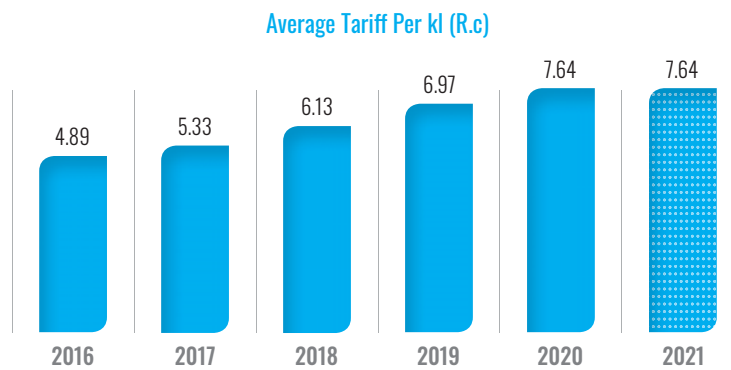
2.3 Bulk Water Cost Per Kilolitre (kl)

The cost of bulk water per kl increased by 18% mainly due to higher other operating and administration expenses discussed under section 2.1.3.



3. Bulk Water Tariff

The average Umgeni Water bulk water tariff increase for 2019/2020 was 9.6% and the bulk water tariff increase for the financial year 2020/2021, effective 1 July 2020, has been approved at zero percent after taking into consideration the current economic and operating environment.



Financial Review (continued)

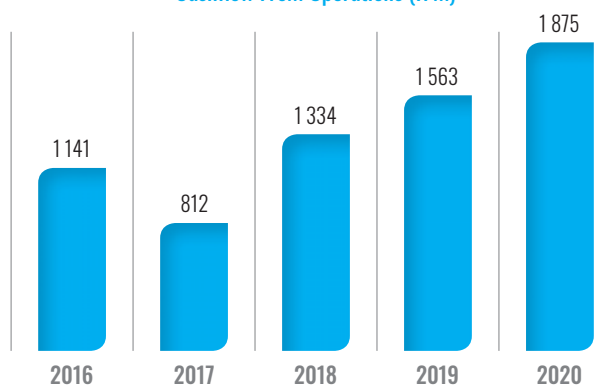
4. Cash Flow Analysis

Operating cash flows were 20% higher at R1 875m (2019: R1 563m), primarily due to the 7.9% bulk water sales volumes growth combined with the 9.6% bulk water tariff increase.

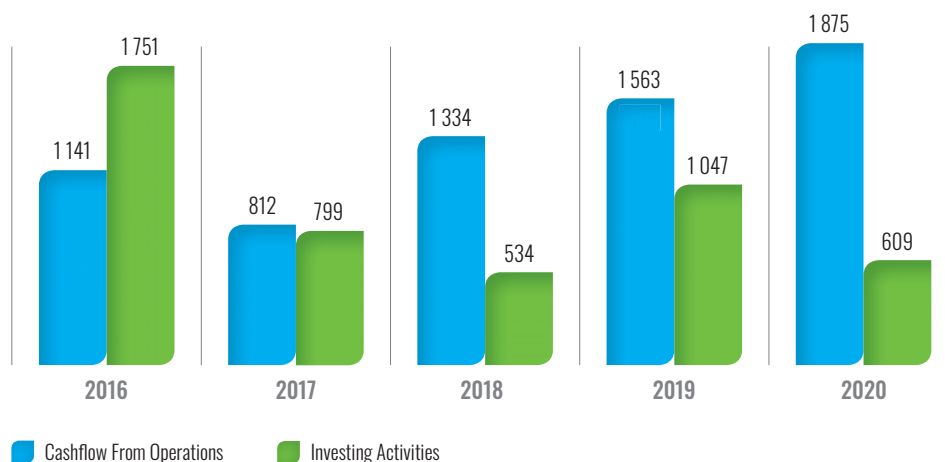
Cash used in investing activities were R609m (2019: 1 047m) consisting of R 788m (2019: R1 162m) additions to property, plant & equipment offset by R242m (2019: R152m) Rural Bulk Infrastructure Grant funding received for development projects, while additions to intangible assets were R69m (2019: R42m).

Cash used in financing activities was R1 332m (2019: R456m) which consisted of R29m (2019: R79m) loan repayments and R5m net interest received (2019: R50m net interest paid). Investments increased by R1 307m (2019: R327m) as a result of reduced capital expenditure and Rural Bulk Infrastructure Grants received.

Cashflow From Operations (R'm)



Cash Flows from Operations vs Cash Used in Investing Activities (R'm)



5. Capital Projects

The capital expenditure programme is based on Umgeni Water's Infrastructure Master Plan which is aligned to the KZN provincial and local strategic priorities to meet regional water demands. The capital expenditure programme is estimated at R12.1bn for the next five years as per the Corporate Business Plan for 2021.

The capital expenditure commitments for the next five years will be funded through a combination of available cash investments, operating cash flows, new debt and regional bulk infrastructure grants.

For further details on the funding requirements, refer to section 8.1.

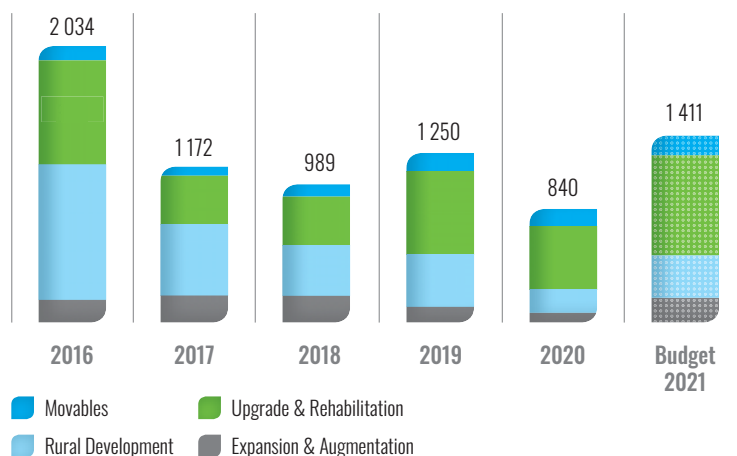
Financial Review (continued)

5. Capital Projects (continued)

5.1 Capital Expenditure

During the year capital expenditure including intangible assets totalled R840m (2019: R1 250m). Details of major projects are included in the infrastructure section of the annual report on page 88.

Capital Expenditure - Group (R'm)



5.2 Development Projects

In response to customer water demands and the need to eliminate water service delivery backlogs, a specific allocation of R4.3bn for development projects has been made for the period 2021 to 2025.

Due to their developmental nature, there is a need for government support via subsidy or grant funding for part of the social component of the development projects which cannot be recovered through the existing tariff structure. The social component carried by Umgeni Water is reflected in the statement of profit and loss as impairments. These impairments are recognised during the construction period and reflected in work in progress on a progressive basis.

Development Projects Funding & Impairments June 2020

Projected Funding Split

Project	System	Total Projected Cost R'000	Projected Funding Split		Total Project Cost June 2020 R'000	Impairment %	2020 Impairment R'000
			Regional Bulk Infrastructure Grant Funding R'000	UW Funding R'000			
Impendle	Upper Umgeni	852 910	-	852 910	12 119	0	-
Greater Mpofana Phase 1	Mooi	855 998	163 961 19%	692 037 81%	851 497	9	(10 196)
Mhlabatshane Sub Regional Scheme Phase 2 (Mzimkhulu River)	South Coast	983 494	-	983 494	14 728	100	10 052
Mpophomeni WWW and Mpophomeni Sewer Outfall	WWW	562 061	-	562 061	55 970	100	55 970
Trustfeeds WWW	WWW	142 102	-	142 102	104 166	100	104 166
uThukela DM Bulk Meters	Upper uThukela	6 162	-	6 162	5 067	100	5 067
Refurbish of Pumps Ezakheni	Upper uThukela	45 000	-	45 000	18 824	100	18 824
Total		3 447 727	163 961 5%	3 283 766 95%	1 062 371		183 884

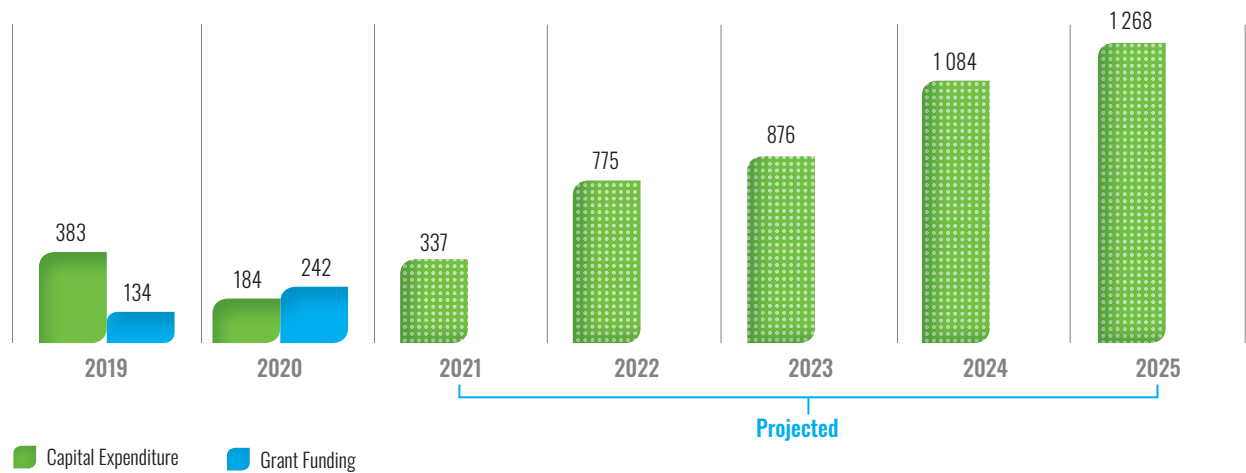
Impairments on development infrastructure commissioned and included under buildings and infrastructure totalled R5m (2019: R47m impairment reversal). Further details on impairments are included in note 9 of the financial statements.

Financial Review (continued)

5. Capital Projects (continued)

5.2 Development Projects (continued)

Capital Expenditure On Development Projects and Grant Funding (R'm)



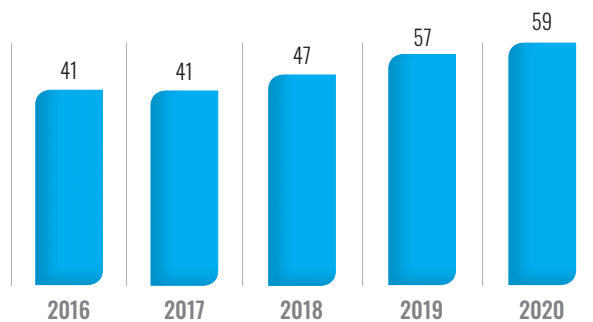
The projected capital expenditure is per the approved 2021 business plan.

6. Accounts Receivables

The total trade and other receivables totalled R846m (2019: R723m). Trade debtors days were 59 (2019: 57) at the end of the reporting period. The allowance for credit losses were R410m (2019: R164m), a 150% increase from the prior year as a result of the increase in credit risk emanating from the overdue amounts from uGu District Municipality and uThukela District Municipality.

Further details on trade and other receivables are included in note 15 of the financial statements.

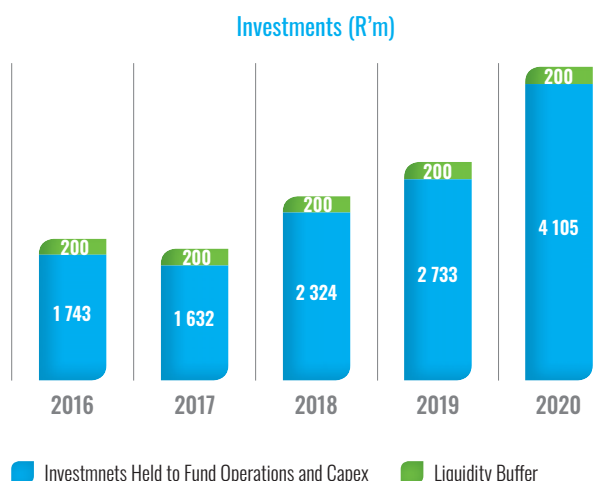
Debtors Days



Financial Review (continued)

7. Investments

Financial investments totalled R4 305m (2019: R2 933m), a 47% increase due to reduced capital expenditure and Regional Bulk Infrastructure Grant Funding received.



8. Debt Management

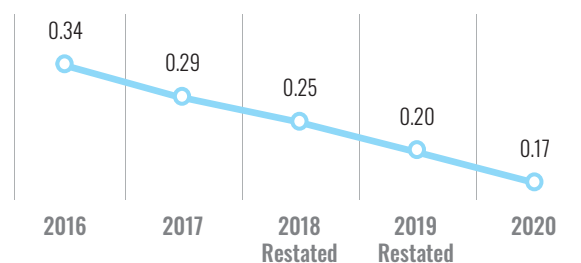
Debt Management is a key focus area at Umgeni Water and is integral to the delivery of sustainable financial business solutions. Umgeni Water targets a debt: equity ratio of 0.67 and an interest rate structure of 70% fixed and 30% variable.

The gross debt: equity ratio improved by 15% to 0.17 times (2019: 0.20 times) while the interest rate structure was 94% fixed and 6% variable (2019: 93% fixed and 7% variable). The high fixed rate structure is as a result of the two bonds in issue (UG21 and UG26) which comprise 85% of the total interest bearing liabilities. The gross weighted average cost of capital was 10.54% (2019: 10.70%).

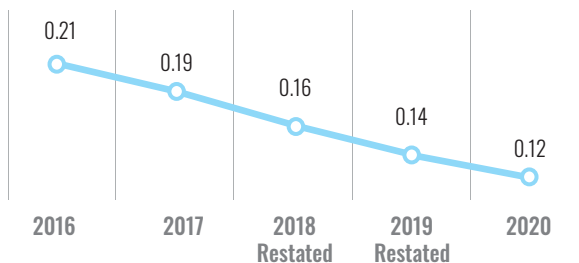
During the year R29m collectively was repaid towards the DBSA and EIB loans.

	2020	2019
	R'm	R'm
Debt		
Long-term	1 133	1 763
Short-term	684	83
Total Debt	1 817	1 846
Decrease in debt	(29)	(79)

Gross Debt: Equity Ratio (Times)



Gross Debt: Assets Ratio (Times)



Financial Review (continued)

8. Debt Management (continued)

8.1 Funding Requirements

Umgeni Water will continue to fund its operating and capital expenditure requirements in the most cost effective way while diversifying its sources of funding. Umgeni Water's funding sources encompass:

- > Issuing through its DMTN programme which has an authorised amount of R4bn;
- > Utilising development funding (including grant funding); and
- > Bank loans.

As per the Corporate Business Plan for 2021 the detailed cash flow forecasts have been prepared for the next five years, taking into account the group's R12.1bn planned capital expenditure (unescalated) and is detailed in the table that follows:

FUNDING REQUIREMENTS	Short term		Medium-Term			Long-Term
	F20	F21	F22	F23	F24	F25
Financial Year (R'm)	(R'm)	(R'm)	(R'm)	(R'm)	(R'm)	(R'm)
Operational Cash flows	1 268	1 395	1 581	1 867	2 214	2 588
Capex - Gross (Escalated)	(1 549)	(1 411)	(2 387)	(3 077)	(3 630)	(3 933)
Net Operating and Capex cash flow	(280)	(16)	(806)	(1 210)	(1 416)	(1 345)
Capex - Grants: Confirmed	187	-	-	-	-	-
Financing activities - capital						
Existing Debt	(29)	(29)	(25)	(25)	(25)	(25)
UG21 repayment	-	(600)	-	-	-	-
New Debt	-	-	-	1 120	1 973	2 200
Financing activities - Net Finance costs						
Existing financial instruments	(83)	(85)	(49)	(82)	(99)	(110)
New Debt	-	-	-	(136)	(375)	(626)
Funding Requirements	(206)	(731)	(880)	(333)	59	94
Redemption Portfolio	-	363	-	(7)	(312)	(301)
Redemption Portfolio - Interest earned	-	254	-	-	-	-
Net Incremental Funding Requirement p.a.	(206)	(114)	(880)	(340)	(253)	(207)
Net (Funding) Investing requirements						
Opening Balance Available investments	2 045	1 840	1 726	846	506	253
Closing Balance	1 840	1 726	846	506	253	46

The funding requirements in the short to medium term will be funded via operating cash flows, the utilisation of existing financial investments, grant funding and new debt to be raised in 2022/2023. Further details of the various sources of funding available to Umgeni Water can be found in note 30 of the financial statements.

Financial Review (continued)

8. Debt Management (continued)

8.2 Borrowing Limits

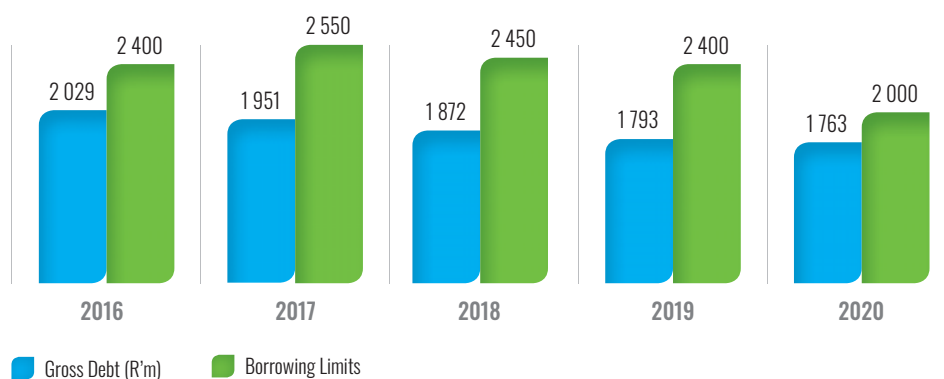
The borrowing limits for the period 2020 to 2022 were approved by the Minister of Water and Sanitation with the concurrence of the Minister of Finance. The borrowing limit is applicable to the value of gross borrowings, collateral and guarantees exposure and may not exceed the approved limits. The conditional limits may be availed by motivation to National Treasury.

	Total Amount	Conditional	Unconditional
	R'm	R'm	R'm
2019	2 700	300	2 400
2020	2 000	-	2 000
2021	1 400	-	1 400
2022	1 400	-	1 400

Utilisation of the borrowing limit as at 30 June 2020 was as follows:

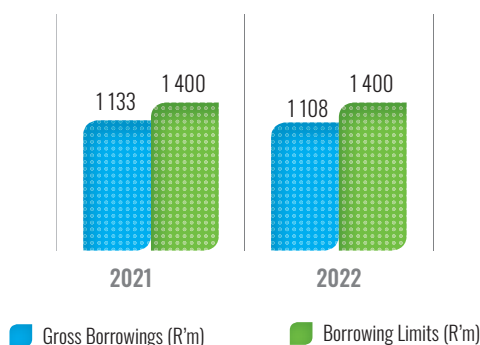
Actual gross borrowings	R1 763m
Collateral and guarantees	R 7m
Total actual borrowings	R1 770m
Borrowing limit	R2 000m
Underutilisation	R 230m

Gross Debt & Borrowing Limits (R'm)



8.3 Projected Borrowing Level

Projected Borrowing Level (R'm)



Financial Review (continued)

8. Debt Management (continued)

8.4 Credit Ratings

Fitch Ratings agency re-affirmed Umgeni Water's long-term and senior unsecured ratings at AA+zaf and short-term rating at F1+zaf in November 2019. The affirmation reflects stability in Umgeni Water's stand-alone profile due to cost reflective tariffs and relatively stable funds from operations. Standard and Poor's also re-affirmed their ratings for Umgeni Water in May 2020 at zaAAA for long-term and zaA-1+ for short-term.

Standard & Poor's places particular emphasis on the critical role of Umgeni Water to the government and the integral link thereto, whilst Fitch Ratings places more emphasis on Umgeni Water's liquidity position.

9. Retirement Benefit Obligations

Defined Benefit Pension Plan

In terms of IAS19, the group's retirement benefit plan is in an under-funded position of R0.11m (2019: R171m) and in terms of the approved accounting policy the full amount has been recognised in the statement of financial position in order to account for this liability. Further details are disclosed in note 25 of the financial statements.

Retirement Medical Aid

This scheme is currently unfunded and the group has recognised its full past service liability in the statement of financial position at the actuarial valuation of R331m (2019: R395m). Further details are disclosed in note 25 of the financial statements.

10. Prior Period Errors

During the current year the following prior period errors were identified and as a result comparative information is restated accordingly in the financial statements and detailed in note 32.

Five Year Long Service Benefit

This benefit aims at retaining employees and skills for at least five years and more. The liability was previously not measured and recorded in terms of IAS 19, as the liability was considered to be only vesting with the employee once the five years of unbroken service was confirmed. Furthermore, the employee has the option to commute the full benefit to cash or a full 30 days leave to be taken within a specified period or a combination of the both options being 50% cash and the remainder as leave. In the prior years, the expense was recorded as and when it became due when conditions of service were met.

Residual Values of Property, Plant and Equipment and Intangible Assets

Management judgement for the residual values of Infrastructure assets was determined using previous valuation exercises together with the annual review of useful lives in accordance with the approved and accepted business processes within the organisation. During the current year the residual values were revised downwards based on the audit assessment of a lack of current available market evidence to support these residual values. The organisation had during the last two years initiated the process of obtaining valuation services for all infrastructure assets, which was not successful. The procurement process is currently underway for these services and the valuations are expected to be completed within the next two financial years. It is anticipated that once this exercise is completed there may be further adjustments to the residual values and useful lives of infrastructure assets, which may impact on the prior years as well.

The residual values for intangible assets have been revised down to nil as there is no intention to sell these intangible assets currently in use at the end of their useful lives, in addition there is no market for such intangible assets customised for use that could be sold in a similar condition at the end of its useful life.

Financial Review (continued)

10. Prior Period Errors (continued)

Provisions

Legal claims were previously accounted for as a provisions. However, the conditions for recognition of the liability were not met at year-end and as a result these were assessed for contingent liability disclosures.

Allowance for Credit Losses

In the prior years, management judgement determined the estimated credit losses on the trade receivables excluding VAT. This component of the trade receivable was not considered irrecoverable as this would either be recovered from the customer payment or in the event of the debt being written off (as a claim for input VAT). During the current year the assessed default rates have been applied to the total trade receivable inclusive of VAT.

11. Financial Risks

As in most companies, Umgeni Water is faced with financial risks that need to be effectively managed in order to ensure that any negative impact on the group's financial performance and position is minimised.

During the current year credit risk was elevated to one of the strategic risks as the organisation faced challenges with recovery of amounts due from uGu District Municipality and uThukela District Municipality. As a result the allowance for credit losses increased significantly this year based on the uncertainty related to the recoverability of revenue for these two customers. The risk is being managed by the Accounting Officer in terms of the bulk supply agreements with each of these customers respectively and will follow the necessary processes as legislated to allow for collection of the overdue amounts whilst managing the service delivery objectives.

The group has evaluated the credit risk exposure in terms of the impact on COVID-19 to its financial assets. The potential impact on trade receivables has been taken into account in the determination of the allowance for credit losses. The operating environment has been assessed and where municipal customers were considered an increase in credit risk exposure, these were provided for in terms of the potential impact on credit losses to the organisation.

The major risks to the organisation and the mitigating strategies are analysed in note 30 of the financial statements on financial risk management and the Corporate Risk Management Framework on pages 138 - 144 of the annual report.

12. Future Prospects

The focus will be preserving the financial resources to maintain financial sustainability and resilience whilst delivering the key water resource infrastructure in the next five years, as well as to support the strategies of:

- > Provision of efficient and cost-effective water and sanitation;
- > Enhanced security of water supply to support economic growth;
- > Enabled and innovative growth to quicken the pace of infrastructure implementation and find sustainable and innovative solutions for current and future markets in the water service provision value chain; and
- > Positioning Umgeni Water as a sector leader and increasing its footprint both within the existing area of operation as well as within the KwaZulu-Natal province.

Group Five-Year Key Performance Indicators

For the year ended 30 June 2020

	2020	2019 Restated	2018 Restated	2017	2016	2019-2020 Movement
	R'000	R'000	R'000	R'000	R'000	R'000
Performance criteria/indicators						
Total revenue (R'm)	4 154	3 538	2 904	2 510	2 377	17.41%
Profit from operations/revenue	0.26	0.32	0.34	0.23	0.27	(18.75%)
Total expenditure/revenue	0.70	0.63	0.60	0.72	0.69	11.77%
Cost of sales/revenue	0.36	0.39	0.41	0.47	0.44	(7.69%)
Capex spend (R'm) (including intangibles)	840	1 250	989	1 172	2 034	(32.80%)
Bulk water business segment						
Treated water volume sold (Kl'000)	509 217	471 801	434 568	409 887	435 726	7.93%
Raw water volume sold (Kl'000)	427	454	419	619	630	(5.95%)
Total water sold (kl'000)	509 644	472 255	434 987	410 506	436 356	7.92%
Bulk water tariff 1 (Rc/kl)	7.734	7.057	6.207	5.397	4.951	9.60%
Bulk water tariff 2 (Rc/kl)	7.582	6.918	6.084	5.290	4.853	9.60%
WRC levy (Rc/kl)	0.067	0.065	0.065	0.062	0.057	3.54%
Total bulk cost/volume sold (Rc/kl) ⁽¹⁾	5.02	4.24	3.63	3.67	3.25	25.71%
Kl'000 sold per employee ⁽¹⁾	401	378	353	357	396	6.08%
Operating risk indicators						
Working ratio	0.65	0.58	0.56	0.67	0.68	12.07%
<i>Operating costs (excl depreciation and amortisation) divided by revenue</i>						
Rate of return on assets	10.76%	11.48%	10.81%	6.90%	8.47%	(0.72%)
<i>Profit from operations divided by assets (excl investments)</i>						
Gross profit margin ratio	64.08%	61.48%	58.97%	53.02%	56.22%	2.6%
Debtors collection period (days) after allowance for credit losses	59	57	47	41	41	(3.45%)
<i>Trade and other receivables (excl VAT; grant funding and advance invoicing) divided by revenue x 365</i>						
Financial risk indicators						
Current ratio	2.61	2.72	2.55	2.07	2.10	(4.04%)
<i>Current assets divided by current liabilities</i>						
Interest cover before interest capitalised	5.63	5.77	4.83	2.77	4.50	(2.44%)
<i>Profit from operations divided by finance costs before interest capitalised</i>						
Debt : equity ratio	0.17	0.20	0.25	0.29	0.34	(15.00%)
<i>Gross debt divided by capital and reserves</i>						
Debt : asset ratio	0.13	0.14	0.17	0.19	0.21	(7.14%)
<i>Gross debt divided by total assets</i>						

⁽¹⁾ These indicators have been calculated using treated water volumes only.

Group Five-Year Key Performance Indicators (continued)

For the year ended 30 June 2020

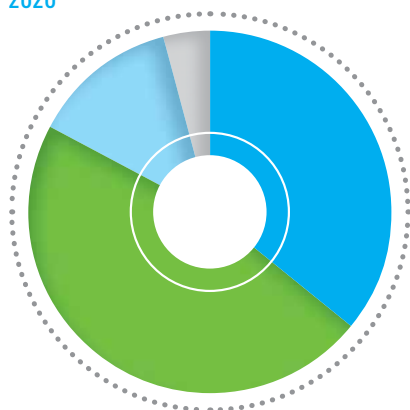
	2020	2019 Restated	2018 Restated	2017	2016
	R'000	R'000	R'000	R'000	R'000
Financial position					
Capital and reserves	10 678 635	9 119 947	7 715 595	6 817 778	5 983 758
Net debt	(2 487 518)	(1 086 515)	(596 506)	153 834	114 345
Assets excluding investments	10 021 483	9 864 092	8 770 196	8 508 601	7 614 335
Total interest-bearing debt	1 817 201	1 846 629	1 927 940	1 950 724	2 029 388
Total investments	4 304 719	2 933 144	2 524 446	1 832 475	1 943 408
Total assets	14 326 202	12 797 236	11 294 642	10 341 076	9 557 743
Financial performance					
Revenue	4 154 375	3 538 457	2 903 723	2 509 520	2 377 324
Cost of sales	(1 492 279)	(1 363 161)	(1 191 532)	(1 178 925)	(1 040 846)
Gross Profit	2 662 096	2 175 296	1 712 191	1 330 595	1 336 478
Other income (expenses)	13 067	26 179	13 746	32 503	36 881
Other operating and administration expenses	(1 596 866)	(1 069 274)	(741 371)	(775 646)	(728 800)
Profit from operations	1 078 297	1 132 201	984 566	587 452	644 559
Net finance income	181 288	216 592	176 188	148 202	132 269
Share of profit from associate	5 441	5 664	5 285	4 995	4 427
Profit before taxation	1 265 026	1 354 457	1 166 039	740 649	781 255
Taxation	(31)	(106)	(76)	(101)	(65)
Profit for the year	1 264 995	1 354 351	1 165 963	740 548	781 190
Cash flow					
Net cash from operating activities	1 875 365	1 563 404	1 334 123	935 527	1 140 609
Net cash used in investing activities	(609 107)	(1 047 016)	(534 449)	(922 460)	(1 751 245)
Net cash generated (utilised)	1 266 258	516 389	799 674	13 067	(610 636)
Net cash used in financing activities	(1 332 307)	(455 651)	(798 499)	(32 035)	616 588
Net (decrease) increase for the year	(66 049)	(60 738)	(1 175)	18 969	(5 952)
Net cash (utilised) generated	(1 266 258)	(516 389)	(799 674)	(13 067)	610 636

Value Added Statement

For the year ended 30 June 2020

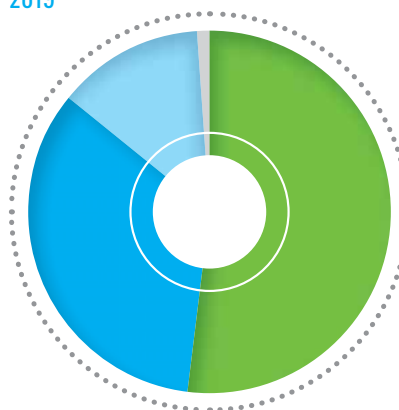
	2020	2019 Restated	2018 Restated	2017	2016
	R'000	R'000	R'000	R'000	R'000
Gross revenue	4 154 375	3 538 457	2 903 723	2 509 520	2 377 324
Paid to suppliers for materials & services	(1 734 039)	(1 186 584)	(863 383)	(975 423)	(906 129)
Value added	2 420 336	2 351 873	2 040 340	1 534 097	1 471 195
Income from investments	285 917	230 547	177 907	149 601	133 454
Total wealth created	2 706 253	2 582 420	2 218 247	1 683 699	1 604 649
Salaries, wages and other benefits	968 990	889 711	804 102	765 151	658 277
Providers of debt capital	104 629	13 955	1 719	1 399	1 185
Depreciation	367 639	324 403	246 464	176 601	163 997
Profit for the year	1 264 995	1 354 351	1 165 963	740 548	781 190
Total wealth distributed	2 706 253	2 582 420	2 218 247	1 683 699	1 604 649

2020



- Profit for the year: 47%
- Salaries, wages and other benefits: 36%
- Depreciation: 13%
- Providers of debt capital: 4%

2019



- Profit for the year: 52%
- Salaries, wages and other benefits: 34%
- Depreciation: 13%
- Providers of debt capital: 1%

Employee statistics

	2020	2019	2018	2017	2016	2019-2020 Movement
Number of employees as at year-end	1273	1 250	1 231	1 150	1 101	1.54%
Gross revenue per employee (R'000)	3 263	2 831	2 359	2 182	2 159	20.01%
Value added per employee (R'000)	1 901	1 900	1 657	1 334	1 336	14.67%
Wealth created per employee (R'000)	2 126	2 084	1 802	1 464	1 457	15.65%

Statement of Directors Responsibilities and Approval of the Financial Statements

The Directors are responsible for the integrity, preparation and fair presentation of the annual financial statements of Umgeni Water and its subsidiaries (the group). The Directors are required by the Public Finance Management Act No.1 of 1999 to keep full and proper records of the financial affairs of the group and its performance against predetermined objectives at the end of the year.

The financial statements set out in this report have been prepared in accordance with International Financial Reporting Standards (IFRS) as approved by National Treasury in terms of section 79 of the Public Finance Management Act No.1 of 1999, as amended, and in the manner required by the Water Services Act No. 108 of 1997. The preparation of financial statements in conformity with IFRS requires management to consistently apply appropriate accounting policies, supported by reasonable and prudent judgements and estimates. The financials have been prepared on a going concern basis under the supervision of the Acting Chief Financial Officer, Kajal Singh.

The Directors are also responsible for the oversight of the group's system of internal controls. To enable the directors to meet their responsibilities, the Board sets standards and management implement systems of internal control aimed at reducing the risk of error or loss in a cost-effective manner. These standards include policies, procedures, proper division of responsibilities within a clearly defined framework and effective accounting procedures to ensure an acceptable level of risk. Both management and internal audit monitor controls and actions are taken to correct deficiencies as they are identified.

The focus of risk management in the group is on identifying, assessing, managing and monitoring all known forms of risk across the group. While operating risks cannot be fully eliminated, the group strives to minimise these risks by ensuring that appropriate infrastructure, controls, systems and ethical behavior are applied and managed within predetermined procedures and constraints.

The external auditor is responsible for independently auditing and expressing an independent opinion on the financial statements in accordance with International Standards on Auditing, the Public Audit Act No. 25 of 2004, Public Finance Management Act No.1 of 1999 and the Companies Act No. 71 of 2008. The entity's external auditor, Auditor-General of South Africa, has audited the financial statements after having been provided unrestricted access to all financial records and related data. The Directors believe that all representations made to the external auditor during the audit were valid, appropriate and complete.

Nothing significant has come to the attention of the Directors to indicate that any material breakdown in the functioning of controls, procedures and systems has occurred during the year under review. The Directors are of the opinion, based on the information and explanations given by management, the internal auditors and the external auditors, that the systems of internal control provide reasonable assurance that the financial records may be relied on for the preparation of the consolidated financial statements and that accountability for assets and liabilities is maintained.


The Audit Committee has evaluated Umgeni Water and the group's financial statements and has recommended its approval to the Directors. The Audit Committee's approval is set out on page 164.

The Directors have reviewed the group's forecast financial performance for the year to 30 June 2021 as well as the longer term business plans and, in light of this review and the current financial position, they are satisfied that the group has access to adequate resources to continue as a going concern for the foreseeable future. The Directors have considered the impact of COVID-19 in their review which has not impacted negatively on the financial sustainability of the organisation. Customers have not requested extended payment terms and any increase in credit risk has been adequately taken into account in the allowance for credit losses.

In the opinion of the Directors, based on the information available to date, the financial statements fairly present the financial position of Umgeni Water and the group as at 30 June 2020 and the results of its operations and cash flow information for the year then ended.

Approval of Financial Statements

The financial statements set out on pages 174 to 245 were approved by the Accounting Authority/Board on 25 February 2021.



Mr Magasela Mzobe
Chairperson of the Board



Ms Nomalungelo Mkhize
Acting Chief Executive

Report of the Audit Committee

REPORT OF THE AUDIT COMMITTEE IN TERMS OF REGULATION 27.1 OF THE PUBLIC FINANCE MANAGEMENT ACT NO. 1 OF 1999, AS AMENDED

The Audit Committee reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter, and has discharged all of its responsibilities contained therein.

In the conduct of its duties, the Audit Committee has, inter alia, reviewed the following:

- **Internal control, risk management and compliance with legal and regulatory provisions:**
 - > The effectiveness of the internal control systems;
 - > the risk areas of the entity's operations covered in the scope of internal and external audits;
 - > the effectiveness of the system of and process of risk management including the following specific risks:
 - financial reporting;
 - internal financial controls;
 - fraud risks relating to financial reporting; and
 - information technology risks relating to financial reporting;
 - > the effectiveness of the entity's compliance with legal and regulatory provisions.
- **Financial information and finance function**
 - > The adequacy, reliability and accuracy of financial information provided by management and other users of such information; and
 - > the experience, expertise and resources of the finance function.
- **Internal and external audit:**
 - > Accounting and auditing concerns identified as a result of internal and external audits;
 - > the effectiveness of internal audit;
 - > the activities of internal audit, including its annual work programme, co-ordination with the external auditor, the reports of significant investigations and the responses of management to specific recommendations; and
 - > the independence and objectivity of the external auditor, the Auditor General.

The Audit Committee is of the opinion, based on the information and explanations given by management and internal audit and discussions with the independent external auditors on the result of their audits, that:

- > The internal accounting controls are adequate to ensure that the financial records may be relied upon for preparing the financial statements, and accountability for assets and liabilities is maintained;
- > the expertise, resources and experience of the finance function are adequate;
- > the system and process of risk management and compliance processes are adequate;
- > the effectiveness of the combined assurance function is adequate and the internal audit charter was approved by the audit committee and
- > is satisfied with the independence and objectivity of the external auditors.

Nothing significant has come to the attention of the Audit Committee to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review. The Audit Committee is satisfied that the financial statements are based on appropriate accounting policies, supported by reasonable and prudent judgments and estimates.

In line with the principles of combined assurance as outlined in King IV report on corporate governance, Umgeni Water has developed a combined assurance model which provides a coordinated approach to all assurance activities.

The Audit Committee has evaluated the financial statements of Umgeni Water and the group for the year ended 30 June 2020 and, based on the information provided to the Audit Committee, considers that they comply, in all material respects, with the requirements of the Public Finance Management Act No. 1 of 1999, as amended, and International Financial Reporting Standards. The Audit Committee concurs with the Accounting Authority that the adoption of the going concern premise in the preparation of the financial statements is appropriate. The Audit Committee has therefore recommended, at their meeting held on 23 February 2021, the adoption of the financial statements by the Accounting Authority.



Mrs Linda Ngcobo

Audit Committee Chairperson

Directors' Report

In terms of the Public Finance Management Act No. 1 of 1999, as amended, "the Board of Umgeni Water is the accounting authority of the Umgeni Water.

Effective from 1 August 2020, the Executive Authority terminated the term of office of the Board and replaced it with an Interim Board. This decision was subject to court contestation. The Court issued a judicial injunction dismissing the urgent court application, thus confirming the powers of the accounting authority to vest with the Interim Board, and it is on this basis that the financial statements and this report have been authorised as reflected herein.

Nature of Business

Umgeni Water is a state owned business enterprise, established in 1974 to supply potable water in bulk to municipalities within its operational area. Umgeni Water defines its activities in line with the Water Services Act No. 108 of 1997.

The primary activities in terms of section 29 of the Act is to provide water services (water supply and sanitation services) to other water services institutions within its area of operation.

In terms of section 30 of the Water Services Act, Umgeni Water also engages in other services that complement bulk water service delivery such as laboratory services, water quality monitoring, and environmental management also provides other support services to water services institutions in order to promote co-operation in the provision of water services.

Compliance with Legislation

The financial statements are prepared in accordance with International Financial Reporting Standards, approved by National Treasury in terms of section 79 of the Public Finance Management Act No. 1 of 1999, as amended, and the following relevant statutes:

- > Water Services Act No. 108 of 1997;
- > Public Finance Management Act No. 1 of 1999, as amended (PFMA);
- > Public Audit Act, 25 of 2004;

Umgeni Water is not required and has not fully complied with the provisions of the Companies Act No 71 of 2008, as amended. The organisation has, however, incorporated aspects of the Act that relate to the accounting records, financial statements and other ancillary matters which may have an impact on the annual financial statements.

Corporate Governance and Risk Management

The Board supports the Code of Governance Principles as set out in King IV (King IV). The organisation's policies, procedures and processes are continuously reviewed to ensure alignment with King IV and the Board provides the required oversight and is pleased with the commitment that prevails at all spheres of the organisation in as far as compliance with King IV is concerned. Where the organisation has not fully complied with a certain principle of King IV, a rational reason and explanation for such deviation exists and is provided where required.

The Board is responsible for monitoring the risk management process.

Share Capital and Directors' Interests

The entity has no share capital and therefore no director has any equity interest in the organisation.

Directorate

The Board as it is currently constituted is set out on pages 48 - 50 of the annual report.

Members of the Board and Executive Committee's emoluments are disclosed in the note 34 on pages 243 - 245 in terms of regulation 28.1 of the PFMA.

Company Secretary and Registered Address

The Company Secretary is Mr Sbusiso Madonsela, appointed on 1 January 2014. The registered address of the Company Secretary and that of the registered office during the current financial year are as follows:

Business address

310 Burger street
Pietermaritzburg
3201

Postal address

PO Box 9
Pietermaritzburg
3200

sbusiso.madonsela@umgeni.co.za

Directors' Report (continued)

Auditors

The Auditor General of South Africa will continue to conduct external audit services to Umgeni Water for the next financial year.

Pricing Policy

Section 34 of the Water Services Act No. 108 of 1997 states that the water tariff must allow for the following:

- > repayment and servicing of debt;
- > recovery of capital, operational and maintenance costs;
- > reasonable provision for depreciation of assets;
- > recovery of costs associated with the repayment of capital from revenues (including subsidies) over time; and
- > reasonable provision for future capital requirements and expansion.

Thus in setting its pricing policy Umgeni Water has committed to the following underlying principles:

- > the promotion of the efficient and sustainable use of water;
- > the equitable access to water supply services, whereby the basic water service should be affordable; and
- > the solvency and sound financial management of Umgeni Water.

In implementing the pricing policy Umgeni Water uses a 30-year tariff model which is based on the cash flow methodology underpinned by a financially viable tariff. As a result of this cash flow methodology the organisation is able to manage its debt level which is the ultimate output of this model.

The annual tariff review process is carried out in terms of the requirements of Section 42 of the Municipal Finance Management Act No.56 of 2003 and Circular 23 issued by National Treasury. This process encompasses the principle of consultation and transparency and aims to assist Umgeni Water's stakeholders with their long term planning.

Umgeni Water bulk water tariff increase for 2020/2021 effective 1 July 2020 has been approved at zero percent for all Water Service Authorities. The directors, after full analysis of its projected cash flows including the delay and revision of the five-year capital expenditure programme together with prudent management of controllable operating costs in response to the zero percent tariff increase for 2021, are of the opinion that the tariff for 2020/2021 will not adversely affect Umgeni Water's gearing levels or its financial sustainability.

Price per kilolitre	2019	2020	2021
Bulk Tariff 1: Water Service Authorities			
Base tariff	R6.207	R7.057	R7.734
Tariff increase	R0.850	R0.677	R0.00
Umgeni Water bulk tariff	R7.057	R7.734	R7.734
% increase	13.7%	9.6%	0%
Capital unit charge Spring Grove dam*	R0.552	R1.498	R1.498
Mkhomazi bulk water supply charge*	R0.141	R0.155	R0.155
New Tariff	R7.750	R9.387	R9.387
% increase	13.2%	21.1%	0%
Bulk Tariff 2: eThekweni Metropolitan Municipality			
Base tariff	R6.084	R6.918	R7.582
Tariff increase	R0.834	R0.664	R0.00
Umgeni Water bulk tariff	R6.918	R7.582	R7.582
% increase	13.7%	9.6%	0%
Capital unit charge Spring Grove dam	R0.552	R1.498	R1.498
Mkomazi bulk water supply charge	R0.138	R0.152	R0.152
New Tariff	R7.608	R9.232	R9.232
% increase	13.1%	21.3%	0%

* Not applicable to uThukela District Municipality as these systems are not within the uThukela operational areas.

Directors' Report (continued)

Financial Performance

The group results reflect a 7% reduction in profits for the year, which totalled R1 264m (2019: R1 354m). Bulk water revenue was 18% higher as a result of the 7.9% growth in bulk water sales volumes combined with the 9.6% bulk water tariff increase, whilst bulk water direct operating costs increased 8% mainly due to the increases in the main cost drivers. Other operating and administrative expenses were 49% higher mainly due to increases in the allowances for credit losses and impairments of property, plant and equipment. The allowance for credit losses increased by R274m in 2020 due to late and non-payment by two bulk water customers, uGu District Municipality and uThukela District Municipality. The Accounting Officer is managing the increase in credit risk in terms of the bulk supply agreements with each of these customers respectively and will follow the necessary mediation processes to pursue collection of the overdue amounts whilst managing the service delivery objectives.

Impairments of property, plant and equipment were R189m (2019: R61m impairment reversal). Impairment of buildings and infrastructure was R5m while impairment of projects included in capital work in progress were R184m. Refer to note 9 of the financial statements for further details on impairments.

Operating cash flows were R1 875m (2019: R1 563m), an increase of 20% year on year as a result of the higher operating surplus after adjusting for non-cash items. Net cash used in investing activities was R609m (2019: R1 047m) after the receipt of Regional Bulk Infrastructure Grants of R242m (2019: R152m) and net cash used in financing activities was R1 332m (2019: R456m).

During the year capital expenditure including intangible assets totalled R857m (2019: R1 204m). The group's capital commitments are set out in note 9.1 of the financial statements and the funding thereof is discussed in the financial review on page 156.

Loan covenants remain un-breached at financial year end and Umgeni Water remained within its approved borrowing limits of R2 000m.

Full details of the financial results of the group and company are set out in the financial statements and summarised in the financial review on pages 146 - 159.

Subsidiary and Associate Companies

Umgeni Water is the sole shareholder of Umgeni Water Services SOC Limited and Msinsi Holdings SOC Limited.

There were no changes to subsidiary and associate companies during the year. Further details are set out in note 12 of the financial statements.

Events After the Reporting Period

Information was received from Umgeni Water's Attorneys after the reporting date but prior to approval of the financial statements, that the Constitutional Court decision to dismiss the matter regarding the tariff dispute between Siza Water and Umgeni Water was possibly an administration mishap, as the matter was appealed by the Minister as the third respondent in the matter on the same grounds as Umgeni Water and Umgeni Water was allowed to participate in the Minister's appeal. The appeal was heard by the Constitutional Court some time in November 2020. Judgement has been reserved by the court. As at the date of this report the matter was heard and judgement is awaited. As a result the revenue from bulk water sales to Siza Water has been recognised consistent with the prior year, at the approved bulk water tariff for Siza Water with the amounts in dispute recorded in the allowance for expected credit losses.

Effective from 1 August 2020, the Executive Authority terminated the term of office of the Board and replaced it with an Interim Board. This decision was subject to court contestation. The Court issued a judicial injunction dismissing the urgent court application, thus confirming the powers of the accounting authority to vest with the Interim Board, and it is on this basis that the financial statements and this report have been authorised as reflected herein.

The Chief Executive, Mr T Hlongwa, resigned on 21st October 2020. Whilst his appointment ensured continuity and stability for the organisation, his departure has not impacted on the operating sustainability of the organisation, as the Chief Financial Officer has been appointed as the Acting Chief Executive and the Treasury Manager has been appointed as the Acting Chief Financial Officer. Thus the Executive team is duly constituted to execute their functions.

Directors' Report (continued)

Going Concern

The directors, having considered all the relevant information, have satisfied themselves that the group is in a sound financial position and that it has adequate access to sufficient borrowing facilities to meet its foreseeable funding requirements. There are no indicators that COVID-19 has impacted negatively on the financial sustainability of the organisation. Customers have not requested extended payment terms and any increase in credit risk has been adequately taken into account in the allowance for credit losses. There are adequate resources to continue operating for the foreseeable future and it is therefore appropriate to adopt the going concern basis in preparing the financial statements.

In the previous financial years the Directors reported that the Executive Authority of Umgeni Water had initiated a process towards the establishment of a single provincial water board in KwaZulu-Natal. This decision was formalised through an official proclamation in the government gazette. This process was envisaged to culminate in a merger between Umgeni Water and Mhlathuze Water, with the former absorbing the latter. This decision was subject to a court challenge and on 19 September 2019 a judicial injunction invalidated the decision and set it aside.

As a result, the matter is concluded, potential uncertainties removed and there is no impact on the ability of Umgeni Water to operate as a going concern in the foreseeable future.

Information Required by the Public Finance Management Act No.1 Of 1999, as Amended

Materiality Framework

In terms of Section 28.3.1 of the regulations of the PFMA, for the purposes of materiality and significance, the accounting authority has developed and agreed a framework of acceptable levels of materiality and significance established at 0.5% of gross revenue which equates to R20.8m (2019: R17.7m). Management also apply a qualitative aspect to all errors found.

Fruitless and Wasteful Expenditure

Group fruitless and wasteful expenditure incurred for the year was R0.015m (2019: R0.067m) which arose as a result of penalties incurred. Further details are set out in note 29 of the financial statements.

Irregular Expenditure

Group irregular expenditure incurred during 2019/2020 totalled R712.9m (2019: R229.7m) which arose due to non-compliance with legislation. Reported irregular expenditure comprises of R151.3m incurred during the year under review of which R136.4m relates to transactions concluded in prior years and R14.9m to transactions concluded in the current year, and R562.6m of the disclosed amount identified in the current year is a direct result of prior year transactions concluded between 2016-2019. Management has introduced preventative measures and corrective steps considered appropriate for improving internal controls and procedures. Significant effort has been invested in establishing and improving controls to maintain complete and accurate records of irregular expenditure. Evidence that control improvements are starting to yield results is evident in the distribution of the irregular expenditure reported. The vast majority (98%) of irregular expenditure identified and disclosed for 2019/2020 relates transactions concluded in prior years. Further details are set out in note 28 of the financial statements.

Fraud & Financial Misconduct

There were no instances of fraud; corruption and financial misconduct in the current financial year. All allegations reported through the hotline were duly investigated as per the Hotline Protocol and are properly documented to record actions and none led to fraud or financial misconduct.

Performance Against Financial Targets (Parent Only)

The performance of Umgeni Water against the key financial indicators as agreed in the shareholders compact is illustrated on pages 66 - 73 of the annual report.

Report of the Auditor-General to Parliament on Umgeni Water

Report on the audit of the consolidated and separate financial statements

Opinion

1. I have audited the consolidated and separate financial statements of Umgeni Water and its subsidiaries (the group) set out on pages 174 - 245, which comprise the consolidated and separate statement of financial position as at 30 June 2020, consolidated and separate statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, as well as the notes to the consolidated and separate financial statements, including a summary of significant accounting policies.
2. In my opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the group as at 30 June 2020, and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA) and the Companies Act of South Africa, 2008 (Act No. 71 of 2008) (Companies Act).

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the consolidated and separate financial statements section of this auditor's report.
4. I am independent of the group in accordance with sections 290 and 291 of the Code of ethics for professional accountants and parts 1 and 3 of the International Code of Ethics for Professional Accountants (including International Independence Standards) of the International Ethics Standards Board for Accountants (IESBA codes) as well as the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA codes.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key audit matters

6. Key audit matters are those matters which, in my professional judgement, were of most significance in my audit of the consolidated and separate financial statements for the current period. These matters were addressed in the context of my audit of the consolidated and separate financial statements as a whole and in forming my opinion, and I do not provide a separate opinion or conclusion on these matters.

Key audit matter	How the matter was addressed in the audit
Property, plant and equipment – impairments	
<p>The financial statements include significant water infrastructure assets that are subject to annual impairment assessments which require significant judgement.</p> <p>The value in use method of valuation is used to determine the recoverable amount of the water infrastructure assets, which makes use of the future estimated cash flows and other assumptions to determine the recoverable amount.</p> <p>The expected performance of these assets are based on the sales volume demand and the operating cost structure.</p> <p>Key assumptions include the discount rate (gross weighted average cost of capital), cash flows and sales volume demand for each water infrastructure asset.</p> <p>Future cash flows are projected over the useful life of the assets to reflect the long-term plans for the group using the growth rates as projected by economic indicators (e.g. consumer price inflation, producer price inflation, energy).</p>	<p>The key assumptions and estimates used by management in determining the recoverable amounts were reviewed.</p> <p>This included the review of the reasonableness of the discount rates, cash flows, assets' useful lives as well as other management estimates used in the calculation. The forecasted inputs were assessed to determine whether they were consistent with inputs and judgements included in the rest of the business, including management's forward-looking corporate plan.</p> <p>The completeness of the information supporting the assumptions and estimates was assessed and it was confirmed that assessments were carried out for all assets where there was a possibility of reduced cash flows.</p> <p>Based on the above procedures, the assumptions and resulting valuations were found to be reasonable.</p>

Report of the Auditor-General to Parliament on Umgeni Water (continued)

Report on the Audit of the Consolidated and Separate Financial Statements

Responsibilities of the Accounting Authority for the Consolidated and Separate Financial statements

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

Auditor-General's responsibilities for the Audit of the Consolidated and Separate Financial Statements

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

Report on the Audit of the Annual Performance Report

Introduction and Scope

11. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for selected goals presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.
12. My procedures address the usefulness and reliability of the reported performance information, which must be based on the approved performance planning documents of the entity. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures do not examine whether the actions taken by the entity enabled service delivery. My procedures also do not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
13. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for Strategic goal 1— provide reliable, responsive and affordable services and expand infrastructure to increase access, whilst ensuring stable water resources to meet current and future needs set out on pages 66 - 67, presented in the annual performance report of the entity for the year ended 30 June 2020.
14. I performed procedures to determine whether the reported performance information was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

Report of the Auditor-General to Parliament on Umgeni Water (continued)

Report on the Audit of the Consolidated and Separate Financial Statements

Report on the Audit of the Annual Performance Report (continued)

Introduction and Scope (continued)

15. I did not raise any material findings on the usefulness and reliability of the reported performance information for the selected strategic goal.

Other matters

16. I draw attention to the matters below.

Achievement of Planned Targets

17. The annual performance report on pages 66 - 73 includes the information on the achievement of planned targets for the year.

Adjustment of Material Misstatements

18. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information of strategic goal 1 – provide reliable, responsive and affordable services and expand infrastructure to increase access, whilst ensuring stable water resources to meet current and future needs. As management subsequently corrected the misstatements, I did not raise any material findings on the usefulness and reliability of the reported performance information.

Report on the Audit of Compliance with Legislation

Introduction and Scope

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

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

Annual Financial Statements

21. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework, as required by section 55(1)(b) of the PFMA. Material misstatements of non-current assets as well as asset impairment, segment reporting, financial risk management, related parties and commitments disclosures identified by the auditors in the submitted financial statements were corrected, resulting in the financial statements receiving an unqualified audit opinion.

Expenditure Management

22. Effective and appropriate steps were not taken to prevent irregular expenditure amounting to R712,95 million (2018-19: R224,89 million), as disclosed in note 28 to the financial statements, as required by section 51(1)(b)(ii) of the PFMA. Most of the irregular expenditure was caused by contract extensions not approved by the National Treasury.

Consequence Management

23. I was unable to obtain sufficient appropriate audit evidence that disciplinary steps were taken against officials who had incurred irregular expenditure, as required by section 51(1)(e)(iii) of the PFMA. This was due to proper and complete records not being maintained as evidence to support the investigations into irregular expenditure.

Report of the Auditor-General to Parliament on Umgeni Water (continued)

Report on the Audit of the Consolidated and Separate Financial Statements

Other information

24. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report, which includes the directors' report, the audit committee's report and the company secretary's certificate, as required by the Companies Act. The other information does not include the consolidated and separate financial statements, the auditor's report and those selected goals presented in the annual performance report that have been specifically reported in this auditor's report.
25. My opinion on the consolidated and separate financial statements, the report on performance information and the findings on compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.
26. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements and the selected goals presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
27. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, and if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

Internal Control Deficiencies

28. I considered internal control relevant to my audit of the consolidated and separate financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on compliance with legislation included in this report.
29. The accounting authority did not implement adequate processes to prevent irregular expenditure and did not ensure that proper investigations were carried out for all irregular expenditure previously reported.
30. Senior management has not implemented proper monitoring controls to ensure compliance with laws and regulations, and did not prepare accurate and complete financial statements that complied with the applicable financial reporting framework.

Other Reports

31. I draw attention to the following engagements conducted by various parties which had, or could have, an impact on the matters reported in the entity's financial statements, reported performance information, compliance with applicable legislation and other related matters. These reports did not form part of my opinion on the financial statements, my report on performance information or findings on compliance with legislation.

Investigations

32. The Special Investigating Unit is investigating alleged irregularities in the management of the affairs of the entity, which cover the period 2012 to 2019. These investigations were still in progress at the date of my report.

Auditor-General

Pietermaritzburg
5 February 2021



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure – Auditor-General’s Responsibility for the Audit

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the consolidated and separate financial statements and the procedures performed on reported performance information for the selected goal and on the entity’s compliance with respect to the selected subject matters.

Financial Statements

2. In addition to my responsibility for the audit of the consolidated and separate financial statements as described in this auditor’s report, I also:
 - > identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control
 - > obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control
 - > evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors, which constitutes the accounting authority
 - > conclude on the appropriateness of the use of the going concern basis of accounting by the board of directors, which constitutes the accounting authority, in the preparation of the consolidated and separate 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 group to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor’s report to the related disclosures in the consolidated and separate financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the consolidated and separate financial statements. My conclusions are based on the information available to me at the date of this auditor’s report. However, future events or conditions may cause an entity to cease operating as a going concern
 - > evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and determine whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation
 - > obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated and separate financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

Communication with those Charged with Governance

3. I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also confirm to the accounting authority that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.
5. From the matters communicated to those charged with governance, I determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore key audit matters. I describe these matters in this auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in this auditor’s report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest of such communication.

Statements of Profit and Loss

for the year ended 30 June 2020

	Note	Group		Parent	
		2020	2019 Restated	2020	2019 Restated
		R'000	R'000	R'000	R'000
Revenue	4	4 154 375	3 538 457	4 142 653	3 524 469
Cost of sales		(1 492 279)	(1 363 161)	(1 492 279)	(1 363 161)
Changes in water inventory		(760)	459	(760)	459
Chemicals		(80 305)	(71 995)	(80 305)	(71 995)
Depreciation		(304 502)	(243 664)	(304 502)	(243 664)
Energy		(311 583)	(290 799)	(311 583)	(290 799)
Maintenance		(196 038)	(207 878)	(196 038)	(207 878)
Raw water		(269 560)	(240 000)	(269 560)	(240 000)
Section 30 activities		(24 231)	(25 380)	(24 231)	(25 380)
Staff costs		(269 508)	(250 488)	(269 508)	(250 488)
Other direct operating expenses		(35 792)	(33 416)	(35 792)	(33 416)
Gross profit		2 662 096	2 175 296	2 650 374	2 161 308
Other income	5	13 067	26 179	11 774	36 436
Other operating and administration expenses		(1 596 866)	(1 069 274)	(1 592 489)	(1 056 380)
Profit from operations	6.1	1 078 297	1 132 201	1 069 659	1 141 364
Net finance income		181 288	216 592	181 281	216 541
Interest income	7	285 917	230 547	285 839	230 496
Finance costs	8	(104 629)	(13 955)	(104 558)	(13 955)
Share of profit from associate	12	5 441	5 664	-	-
Profit before taxation		1 265 026	1 354 457	1 250 940	1 357 905
Taxation	6.2	(31)	(106)	-	-
Profit for the year		1 264 995	1 354 351	1 250 940	1 357 905

Statements of other Comprehensive Income

for the year ended 30 June 2020

	Group		Parent	
	2020	2019 Restated	2020	2019 Restated
	R'000	R'000	R'000	R'000
Profit for the year	1 264 995	1 354 351	1 250 940	1 357 905
Other comprehensive income:				
Items that will not be reclassified to profit and loss:				
Remeasurement of gains and losses - retirement plans	293 692	50 001	293 692	50 001
Total other comprehensive income for the year	1 558 687	1 404 352	1 544 632	1 407 906

Statements of Financial Position

for the year ended 30 June 2020

Note	Group			Parent		
	2020	2019 Restated	2018 Restated	2020	2019 Restated	2018 Restated
	R'000	R'000	R'000	R'000	R'000	R'000
ASSETS						
Non-current assets						
	9 272 554	9 553 149	8 614 781	9 249 478	9 532 993	8 599 007
Property, plant and equipment	9	8 877 779	8 822 270	7 985 960	8 870 566	8 807 069
Intangible assets	10	224 913	196 910	215 694	224 820	196 819
Biological assets	11	3 475	4 359	3 224	-	-
Investment in associate	12.2	11 446	11 669	6 005	-	-
Loans to subsidiaries	12.3	-	-	-	-	11 164
Investments - financial assets	13	79 268	517 941	403 898	79 268	517 941
Trade and other receivables	15.2	72 012	-	-	71 792	-
Right of use assets	23.1	3 661	-	-	3 032	-
Current assets						
	5 042 805	3 244 087	2 679 861	5 032 064	3 233 329	2 655 923
Loans to subsidiaries	12.3	-	-	-	10 113	-
Investments - financial assets	13	4 225 451	2 415 203	2 120 548	4 225 451	2 415 203
Other financial assets		-	-	2 404	-	2 404
Inventories	14	22 096	18 985	18 955	22 096	18 985
Trade and other receivables	15.1	774 478	723 069	511 862	773 756	721 723
Bank and cash	16	20 780	86 830	26 092	648	77 418
Non-current asset held for sale	9.2	10 843	-	-	677	-
Total assets	14 326 202	12 797 236	11 294 642	14 282 219	12 766 322	11 254 930
EQUITY AND LIABILITIES						
Capital and reserves						
	10 678 634	9 119 947	7 715 595	10 634 621	9 089 989	7 682 083
Capital	18	442 847	442 847	442 847	442 847	442 847
Other Comprehensive Income Reserve		414 413	120 721	70 720	414 413	120 721
Accumulated profit		9 821 374	8 556 379	7 202 028	9 777 361	8 526 421
Non-current liabilities						
	1 713 076	2 484 583	2 529 184	1 712 741	2 483 573	2 528 173
Long-term debt - financial liabilities	19	1 133 226	1 763 679	1 848 929	1 133 226	1 762 669
Contract liabilities	20.1	233 990	158 700	95 868	233 990	158 700
Provisions	21	17 732	1 078	34 102	17 732	1 078
lease liability long term portion	23.2	2 487	-	-	2 152	-
Post-retirement benefit obligations	25	314 946	550 709	541 087	314 946	550 709
Five year long service benefit non-current	26	10 695	10 417	9 198	10 695	10 417
Current liabilities						
	1 934 492	1 192 706	1 049 863	1 934 857	1 192 761	1 044 674
Short-term debt - financial liabilities	19	683 975	82 950	79 011	683 975	82 950
Provisions	21	86 099	124 109	81 641	84 478	123 102
Accounts payable	22	1 008 158	837 250	749 528	1 010 417	838 312
Contract liabilities	20.2	133 308	129 549	122 354	133 308	129 549
Lease liability short term portion	23.2	1 110	-	-	837	-
Post-retirement benefit obligations	25	16 041	14 712	13 763	16 041	14 712
Five year long service benefit current	26	5 801	4 136	3 566	5 801	4 136
Total equity and liabilities	14 326 202	12 797 236	11 294 642	14 282 219	12 766 322	11 254 930

Statements of Changes in Equity

for the year ended 30 June 2020

Group - Attributable to equity holders of the parent				
	Capital	OCI Reserve	Accumulated profit	Total
	R'000	R'000	R'000	R'000
Balance as at 30 June 2018	442 847	70 720	7 547 198	8 060 765
Prior period errors	-	-	(345 170)	(345 170)
Balance as at 30 June 2018 - Restated	442 847	70 720	7 202 028	7 715 595
Movement for the year				
Total comprehensive income	-	50 001	1 354 351	1 404 352
Profit for the year - Restated	-	-	1 354 351	1 354 351
Other comprehensive income	-	50 001	-	50 001
Balance as at 30 June 2019 - Restated	442 847	120 721	8 556 379	9 119 947
Movement for the year				
Total comprehensive income	-	293 692	1 264 995	1 558 687
Profit for the year	-	-	1 264 995	1 264 995
Other comprehensive income	-	293 692	-	293 692
Balance as at 30 June 2020	442 847	414 413	9 821 374	10 678 634

Parent				
	Capital	OCI Reserve	Accumulated profit	Total
	R'000	R'000	R'000	R'000
Balance as at 30 June 2018	442 847	70 720	7 513 686	8 027 253
Prior period errors	-	-	(345 170)	(345 170)
Balance as at 30 June 2018 - Restated	442 847	70 720	7 168 516	7 682 083
Movement for the year				
Total comprehensive income	-	50 001	1 357 905	1 407 906
Profit for the year - Restated	-	-	1 357 905	1 357 905
Other comprehensive income	-	50 001	-	50 001
Balance as at 30 June 2019 - Restated	442 847	120 721	8 526 421	9 089 989
Movement for the year				
Total comprehensive income	-	293 692	1 250 940	1 544 632
Profit for the year	-	-	1 250 940	1 250 940
Other comprehensive income	-	293 692	-	293 692
Balance as at 30 June 2020	442 847	414 413	9 777 361	10 634 621

Statements of Cash Flows

for the year ended 30 June 2020

	Note	Group		Parent	
		2020	2019	2020	2019
		R'000	R'000	R'000	R'000
OPERATING ACTIVITIES					
Cash receipts from customers		3 793 630	3 278 074	3 781 798	3 274 764
Cash paid to suppliers and employees		(1 918 265)	(1 714 670)	(1 919 138)	(1 700 481)
Net cash from operating activities	17	1 875 365	1 563 404	1 862 660	1 574 283
INVESTING ACTIVITIES					
Proceeds on disposals of assets		145	-	145	-
Receipt of grants	9	241 739	151 590	241 739	151 590
Additions to property, plant and equipment	9	(788 044)	(1 161 682)	(782 544)	(1 161 491)
Additions to intangible assets	10	(68 611)	(42 209)	(68 459)	(42 115)
Dividend received		5 664	5 285	-	-
Repayment of loan to subsidiaries		-	-	1 783	935
Net cash used in investing activities		(609 107)	(1 047 016)	(607 336)	(1 051 081)
FINANCING ACTIVITIES					
Long-term borrowings repaid	19	(29 222)	(79 011)	(29 222)	(79 011)
Lease payments		(1 294)	-	(1 074)	-
Purchase of Investments		(1 306 732)	(326 886)	(1 306 732)	(326 886)
Interest received		195 649	148 601	195 571	148 550
Finance costs paid -leases		(215)	-	(144)	-
Finance costs paid		(190 493)	(198 355)	(190 493)	(198 355)
Net cash used in financing activities		(1 332 307)	(455 651)	(1 332 094)	(455 702)
CASH AND CASH EQUIVALENTS					
Net (decrease)increase for the year		(66 049)	60 738	(76 770)	67 500
At beginning of year		86 830	26 092	77 418	9 918
At end of year	16	20 780	86 830	648	77 418

Notes to the Consolidated Financial Statements

for the year ended 30 June 2020

1. General Information

Umgeni Water is a water board established in terms of Section 28 of the Water Services Act, (Act 108 of 1997) and a national government business entity as per Schedule 3B of the Public Finance Management Act (Act 1 of 1999), as amended, domiciled in South Africa. The consolidated financial statements comprise that of the entity and its subsidiaries (collectively 'the group' and individually 'group entities'). The accounting policies are applicable to both the group and parent entity. The following principal accounting policies were applied by the group for the year ended 30 June 2020.

2.1. Basis of Preparation and Measurement

Statement of Compliance

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRSs) and interpretations of those standards, as issued by the International Accounting Standards Board (the IASB), the Public Finance Management Act (Act 1 of 1999), as amended (PFMA) and the Companies Act (Act 71 of 2008). In terms of section 79 of the PFMA, National Treasury has issued an approval authorising the use of IFRS as the financial reporting framework.

Basis of Preparation of Financial Results

The consolidated financial statements are prepared using the historic cost basis except for the following items in the statement of financial position:

- > Biological assets are measured at fair value less costs to sell; and
- > The defined benefit plan obligation and post-retirement healthcare obligation are measured at the projected unit credit method.

The consolidated financial statements are prepared on the going concern basis using the accrual basis of accounting except for cash flow information.

Except as otherwise disclosed, these accounting policies are consistent with those applied in all periods presented in these consolidated financial statements.

Current and Non-Current Classification of Assets and Liabilities

Current assets are assets that are expected to be realised in the entity's normal operating cycle, held primarily for the purpose of trading, expected to be realised within 12 months after the reporting period or the asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after reporting date. All other assets are non-current.

Current liabilities are those liabilities expected to be settled within the entity's normal operating cycle, held for purpose of trading, due to be settled within 12 months for which the entity does not have an unconditional right to defer settlement beyond 12 months. Other liabilities are non-current.

Functional and Presentation Currency

These consolidated financials are presented in Rands, which is the group's functional and presentation currency. All financial information presented in Rands has been rounded to the nearest thousand.

Use of Estimates and Judgements

Critical Judgments in Applying the Group's Accounting Policies

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Notes to the Consolidated Financial Statements (continued)

for the year ended 30 June 2020

2.1. Basis of Preparation and Measurement (continued)

Allowance for Credit Losses

As detailed under the accounting policy for impairment of financial assets, the group recognizes a loss allowance for expected credit losses (ECL) on investments measured at amortised cost and trade and other receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a trade receivables has increased significantly since initial recognition when contractual payments are more than 90 days past due, unless the group has reasonable and supportable information that demonstrates otherwise. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative reasonable and supportable forward looking information.

Amortisation of Leased assets (Right of Use)

Amortisation of leased assets is calculated using the straight line method to allocate their cost, net of their residual values over their estimated useful lives being the lesser of the remaining lease term and the life of the asset.

There were no other significant judgments in the process of applying the group's accounting policies.

Key Sources of Estimation Uncertainty

Value-In-Use Calculations for Impairment of Property, Plant and Equipment

The recoverable amount of development infrastructure is determined based on value-in-use calculations. Key assumptions relating to these valuations include the discount rate (gross weighted average cost of capital), cash flows and sales volume demand per scheme. Future cash flows are extrapolated over the useful life of the assets to reflect the long-term plan for the group using the growth rates as projected by the economic indicators (CPI, PPI, energy).

Management determines the expected performance of these assets based on the sales volume demands and the operating cost structure aligned to the system from which water will be drawn. Refer to note 9 for further details on impairments of property, plant and equipment.

Residual Values and Useful Lives of Property, Plant and Equipment

Property, plant and equipment are depreciated over its useful life taking into account residual values, where appropriate. Assessments of useful lives and residual values are performed annually after considering factors such as technological innovation, maintenance programs, relevant market information, manner of recovery and management consideration. In assessing residual values, the group considers the remaining life of the asset, its projected disposal value and future market conditions. Refer to note 9.

Fair Values of Biological Assets

The carrying amounts of biological assets are recognised at fair value. The fair values of game were determined with reference to market prices as at 30 June 2020. Refer to note 11 for further detail on biological assets.

Defined Benefit Plans

The key assumptions relating to the defined benefit plan sensitivity analysis are disclosed in note 25.

Calculation of a Loss Allowance

When measuring expected credit losses (ECL) the group uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. Further explanation is given under the impairment of financial assets accounting policy.

No further key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date exist, that management may have assessed as having a significant risk of causing material adjustment to the carrying amounts of the assets and liabilities within the next financial year.

Notes to the Consolidated Financial Statements (continued)

for the year ended 30 June 2020

2.1. Basis of Preparation and Measurement (continued)

Calculation of a Loss Allowance (continued)

No further key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date exist, that management may have assessed as having a significant risk of causing material adjustment to the carrying amounts of the assets and liabilities within the next financial year.

Standards, Interpretations and Amendments to Published Standards that are not yet effective

Amendments to the Conceptual Framework – Effective 1 January 2020

The revised Conceptual Framework now contains a comprehensive set of concepts, making some major changes to the previous version. It now contains guidance on:

- > Measurement
- > Presentation and disclosure
- > The reporting entity
- > derecognition.

It further updates the definitions of assets and liabilities and the guidance on recognition as well as clarifying the concepts of measurement uncertainty, prudence, stewardship and substance over form.

The amendment applies to annual periods beginning on or after 1 January 2020, with earlier application permitted.

The group does not anticipate the application of the amendments in the future will have a significant impact on the group's consolidated financial statements.

Amendments to IAS 1 (Presentation Of Financial Statements) and IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors – Effective 1 January 2020

The amendment revised the definition of material, which is quoted, as "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity"

The amendment applies to annual periods beginning on or after 1 January 2020, with earlier application permitted.

The group does not anticipate the application of the amendments in the future will have a significant impact on the group's consolidated financial statements.

Amendments to IFRS 9 Prepayment Features with Negative Compensation – Effective 1 January 2022

The amendments to IFRS 9 clarifies which fees an entity includes when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

The amendment applies to annual periods beginning on or after 1 January 2022, with earlier application permitted.

The group does not anticipate the application of the amendments in the future will have a significant impact on the group's consolidated financial statements.

IFRS 10 Consolidated Financial Statements and IAS 28 (Amendments) Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture – No Effective Date Set as yet

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the re-measurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

Notes to the Consolidated Financial Statements (continued)

for the year ended 30 June 2020

2.1. Basis of Preparation And Measurement (continued)

Standards, Interpretations and Amendments to Published Standards that are not yet Effective (continued)

IFRS 10 Consolidated Financial Statements and IAS 28 (Amendments) Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture – No Effective Date Set as yet (continued)

The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted.

The group does not anticipate the application of the amendments in the future will have a significant impact on the group's consolidated financial statements as both subsidiaries are 100% owned by Umgeni Water.

IFRS 3 Business Combinations Effective 1 January 2020

The amendment of IFRS 3 deals with the definition of a business. The IASB issued Definition of a Business to make it easier for companies to decide whether activities and assets they acquire are a business or merely a group of assets. The amendments:

- > confirmed that a business must include inputs and a process, and clarified that:
 - the process must be substantive; and
 - the inputs and process must together significantly contribute to creating outputs.
- > narrowed the definitions of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs; and
- > added a test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets.

The group does not anticipate the application of the amendments in the future will have a significant impact on the group's consolidated financial statements.

Adoption of New and Revised Standards

IFRS 16 Leases

IFRS 16 replaces IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease. IFRS 16 primarily affects lessees who must account for all leases in a single model on the statement of financial position where the lease term exceeds 12 months, unless the underlying asset is of low value. A lessee is required to recognize a Right of Use Asset representing its right to use the underlying leased asset and a liability representing its obligation to make lease payments. Lessees are required to separately recognize the interest expense on the lease liability and depreciation expense on the right of use asset.

Lessor accounting substantially remains unchanged from the previous requirements in IAS 17.

Pursuant to IFRS 16, all leases are now recognized by recording a right-of-use asset and liability equal to the present value of the future payments. The right-of-use assets are amortised over the shorter of the useful life of the asset or lease term.

The group contracts that come within the scope of this standard concern the following: Lease of a building and IT equipment.

The group has opted for the modified retrospective approach, the cumulative effect of initially applying IFRS 16 was recognised at the date of initial application in the current financial year with no restatement of comparatives. This approach was applied as the leases held that fall within the scope of the standard are not material to the group. All practical expedients available to lessees under this approach are applied.

Improvements to IFRS

A number of standards have been amended as part of the IASB annual improvement project. The group is in the process of considering the relevant amendments to the standards and determining the financial impact on the group.

Notes to the Consolidated Financial Statements (continued)

for the year ended 30 June 2020

2.2. Summary of Significant Accounting Policies

Basis of Consolidation of Financial Results

The consolidated financial statements reflect the financial results of the group. All financial results are consolidated by combining like items of assets, liabilities, equity, income, expenses and cash flows of the parent with those of its subsidiaries except for investments in associates, which are included in the group's results as set out in the accounting policy for associates.

Elimination of Inter-Company Transactions

Inter-company transactions, balances and unrealised gains and losses between entities are eliminated on consolidation. To the extent that a loss on a transaction provides evidence of a reduction in the net realisable value of current assets or an impairment loss of a non-current asset, that loss is charged to the statement of profit and loss.

In respect of associates, unrealised gains and losses are eliminated to the extent of the group's interest in these entities. Unrealised gains and losses arising from transactions with associates are eliminated against the investment in the associate.

Business Combinations

A business may comprise an entity, group of entities or an unincorporated operation including its operating assets and associated liabilities. Business combinations are accounted for using the acquisition method which is the date on which control is transferred to the group. On acquisition date, fair values are attributed to the identifiable assets, liabilities and contingent liabilities. Fair value of all identifiable assets and liabilities included in the business combination are determined by reference to market values of those similar items, where available, or by discounting expected future cash flows using the discount rate to present values. The consideration transferred is the fair value of the group's contribution to the business combination in the form of assets transferred, liabilities assumed or contingent consideration at the acquisition date. Transaction costs directly attributable to the acquisition are charged to the statement of profit and loss except if related to the issue of debt or equity securities.

A non-controlling interest at acquisition date is determined as the non-controlling shareholders' proportionate share of the fair value of the net identifiable assets of the entity acquired.

On acquisition date goodwill is recognised when the consideration transferred and the recognised amount of the non-controlling interests exceeds the fair value of the net identifiable assets of the entity acquired. Goodwill is tested at each reporting date for impairment. To the extent that the fair value of the net identifiable assets of the entity acquired exceeds the consideration transferred and the recognised amount of non-controlling interests, the excess is recognised in the statement of profit and loss on acquisition date.

When an acquisition is achieved in stages (step acquisition), the identifiable assets and liabilities are recognised at their full fair value when control is obtained, and any adjustment to fair values related to these assets and liabilities previously held as an equity interest is recognised in the statement of other comprehensive income or statement of profit and loss as appropriate.

When there is a change in the interest in a subsidiary after control is obtained, that does not result in a loss in control, the difference between the fair value of the consideration transferred and the amount by which the non-controlling interest is adjusted is recognised directly in the statement of changes in equity.

When the group loses control of a subsidiary it derecognises the assets and liabilities and related equity components of the former subsidiary. Any gain or loss is recognised in profit or loss. Any investment retained in the former subsidiary is measured at its fair value at the date when control is lost. The profit or loss realised on disposal or termination of an entity is calculated after taking into account the carrying value of any related goodwill.

Subsidiaries

Subsidiaries are defined as those companies in which the group, either directly or indirectly, has:

- > More than one half of the voting rights;
- > the right to appoint more than half of the Board of directors; or
- > otherwise has the power to control the financial and operating activities of the entity.

The group has two subsidiaries which are wholly owned and further details are included in note 12 of the financial statements.

Notes to the Consolidated Financial Statements (continued)

for the year ended 30 June 2020

2.2. Summary of Significant Accounting Policies (continued)

Subsidiaries (continued)

The assets, liabilities, income, expenses and cash flows of subsidiaries are consolidated from the date of acquisition, being the date on which the group obtains control, and continue to be consolidated until the date that such control ceases. Control is achieved when the group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the group controls an investee if and only if the group has:

- > Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- > exposure, or rights, to variable returns from its involvement with the investee; and
- > the ability to use its power over the investee to affect its returns.

When the group has less than a majority of the voting or similar rights of an investee, the group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- > The contractual arrangement with the other vote holders of the investee;
- > rights arising from other contractual arrangements; and
- > the group's voting rights and potential voting rights.

The group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the group obtains control over the subsidiary and ceases when the group loses control of the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those used by the group. All material inter-company balances and transactions are eliminated. In the parent financial statements, the parent accounts for investments in subsidiaries at cost.

Associates

An associate is an entity over which the group has significant influence and that is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The group has an associate via its subsidiary Umgeni Water Services SOC Ltd. Further details on the associate are included in note 12 of the financial statements.

The financial results of associates are included in the group's results according to the equity method from acquisition date until disposal date. Under the equity method, the investment in associate is initially recognised at cost and the carrying amount is increased or decreased to recognise the group's share of profit or loss of the associate after the acquisition date. The group's share of profits or losses and other comprehensive income are recognised in the statement of profit and loss as equity accounted earnings. Distributions received from associates reduce the carrying amount of the investment. All cumulative post-acquisition movements in other comprehensive income of associates are adjusted against the carrying amount of the investment. When the group's share of losses in associate equals or exceeds its interest in those associates; the group does not recognise further losses, unless the group has incurred a legal or constructive obligation or made payments on behalf of those associates. Goodwill relating to associates forms part of the carrying value of those associates.

The total carrying value of each associate is evaluated annually, as a single asset, for impairment or when conditions indicate that a decline in fair value below the carrying amount is other than temporary. If impaired, the carrying value of the group's share of the underlying assets of associates is written down to its estimated recoverable amount in accordance with the accounting policy on impairment and charged to the statement of profit and loss as part of equity accounted earnings of that associate.

When significant influence over an associate is lost, the group measures any investment retained in the former associate at fair value, with any consequential gain or loss recognised in profit or loss.

Where the reporting date of an associate differs from that of the group, adjustments are made to the associate's most recent audited financial results for material transactions and events that occur since then to the reporting date of the group.

Where a group entity transacts with an associate of the group, unrealised profits and losses are eliminated to the extent of the group's interest in the relevant associate.

In the parent financial statements, the parent accounts for investments in associates at cost.

Notes to the Consolidated Financial Statements (continued)

for the year ended 30 June 2020

2.2. Summary of Significant Accounting Policies (continued)

Operating Segments and Segment Reporting

The group has two reportable segments:

- > The primary segment as defined by section 29 of the Water Services Act No. 108 of 1997; and
- > other activities as defined by Section 30 of the Water Services Act No. 108 of 1997.

Segment results that are reported include items directly attributable to the segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, head office expenses, assets and liabilities.

Property, Plant & Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Land is not depreciated.

Costs include expenditure that is directly attributable to the acquisition of the asset. Works under construction are stated at cost less accumulated impairment losses and grant funding. Cost includes the cost of materials, direct labour, allocated portion of direct project overheads and any costs incurred which is directly attributable to bringing it to its present location and condition. Work-in-progress is commissioned on date of significant completion net of grant funding in accordance with the accounting policy on grant funding.

Servitudes are considered an integral part of the asset and are essential to the operation of the asset and therefore forms part of the cost of the relevant asset. Borrowing costs are capitalised on qualifying assets in accordance with the relevant accounting policy on finance costs.

When property, plant and equipment comprise major components with different useful lives, these components are accounted for as separate items. Expenditure incurred to replace or modify a significant component of plant is capitalised if it meets the recognition criteria and any remaining carrying amount of the component replaced is written off in the statement of profit and loss. All other expenditure is charged to the statement of profit and loss.

Subsequent expenditure is only capitalized if it is probable that the future economic benefits associated with the expenditure will flow to the group.

The carrying amount of property plant and equipment will be derecognised on disposal or when no future economic benefits are expected from its use. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the statement of profit and loss.

Property, plant and equipment are depreciated to its estimated residual values on a straight line basis over its expected useful life. The depreciation methods, estimated remaining useful lives and residual values are reviewed at least annually and adjusted prospectively if appropriate

ASSET CATEGORY	ESTIMATED USEFUL LIFE (YEARS)	ESTIMATED RESIDUAL VALUE
Buildings and infrastructure		
Buildings	40	2%
Dams and weirs	45	2%
Pipelines	30-45	2%
Pump stations	10-30	2%
Reservoirs and intake works	45	2%
Tunnels	45	2%
Water treatment works	10-45	2%
Wastewater works	10-45	2%
Roads	15-30	2%
Fences and gates	15	2%
Temporary and timber structures	25	2%
Equipment and vehicles		
Plant and equipment, furniture and fittings	5	0%-10%
Vehicles	5	0%-10%
Computers	3-5	0%-10%
ERP Hardware	5	0%-10%
ERP Software	5	0%

Notes to the Consolidated Financial Statements (continued)

for the year ended 30 June 2020

2.2. Summary of Significant Accounting Policies (continued)

Non-Current Assets or Disposal Groups Held for Sale

Non-current assets or disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification except to the extent that there is a delay caused by events or circumstances beyond the group's control and there is sufficient evidence that the group remains committed to its plan to sell the asset (or disposal group).

Where a disposal group held for sale will result in the loss of control of a subsidiary, all the assets and liabilities of that subsidiary are classified as held for sale, regardless of whether a non-controlling interest in the former subsidiary is to be retained after the sale.

At the time of classification as held for sale, immediately before the initial classification of the asset as held for sale, the carrying amount of the asset is measured in accordance with applicable accounting policy. After classification as held for sale, non-current assets (and disposal groups) classified as held for sale are measured at the lower of the asset's carrying amount and fair value less costs to sell. No depreciation or amortisation is provided on non-current assets from the date they are classified as held for sale.

Upon classification of a non-current asset or disposal group as held for sale it is reviewed for impairment. Any impairment loss is recognised in profit or loss. After classification as held for sale, any impairment loss is calculated based on the difference between the adjusted carrying amounts of the asset/disposal group and fair value less costs to sell. Any impairment loss that arises is recognised in profit or loss.

If a non-current asset or disposal group is classified as held for sale, but the criteria for classification as held for sale is no longer met, the disclosure of such non-current asset as held for sale is ceased. On ceasing classification, the non-current assets are reflected at the lower of:

- > The carrying amount before classification as held for sale adjusted for any depreciation or amortisation that would have been recognised had the asset not been classified as held for sale; and
- > the recoverable amount at the date the classification as held for sale ceases.

The recoverable amount is the amount at which the asset would have been recognised after the allocation of any impairment loss arising on the cash generating unit as determined in accordance with the group's policy on the impairment of non-financial assets.

Any adjustments required to be made on reclassification are recognised in profit or loss on reclassification.

Leases

Group as a Lessee

Right of Use Assets

The group implemented a single accounting model, requiring lessees to recognize assets and liabilities for all leases excluding exceptions listed in IFRS 16. The group elected to apply exemptions for short term leases that have a lease term of 12 months or less; and for leases for which the underlying asset is of low value.

Right of use assets are capitalised at the commencement date of the lease and comprise of the initial lease liability amount, initial direct costs incurred when entering into the lease less any lease incentive received.

After the commencement date the right-of-use assets are measured at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any re-measurement of the lease liability. Depreciation is calculated using the straight-line method over the shorter of the assets estimated useful lives in terms of the accounting policy for that class of asset or the lease term, except for land which is depreciated over the term of the lease. If the lease transfers ownership of the underlying asset to the group by the end of the lease term or if the cost of the right-of-use asset reflects that the group will exercise a purchase option, the group depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the group depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

An impairment review is undertaken for any right of use lease asset that shows indicators of impairment and an impairment loss is recognised against any right of use leased assets that is impaired.

Notes to the Consolidated Financial Statements (continued)

for the year ended 30 June 2020

2.2. Summary Of Significant Accounting Policies (continued)

Leases (continued)

Group as a Lessee (continued)

Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at that date. These include:

- > fixed payments, less any lease incentives receivable;
- > variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- > amounts expected to be payable by the lessee under residual value guarantees;
- > the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and—
- > payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The lease payments exclude variable elements which are dependent on external factors such as e.g. sale volume. Variable lease payments not included in the initial measurement of the lease liability are recognized directly in profit and loss.

The lease payments are discounted using the group's incremental borrowing rate or the rate implicit in the lease contract.

After the commencement date the group measures the lease liability by:

- > increasing the carrying amount to reflect interest on the lease liability;
- > reducing the carrying amount to reflect lease payments made; and
- re-measuring the carrying amount to reflect any reassessment or lease modifications.

Group as a Lessor

In case of lease contracts based on which the group is a lessor; each of its leases is classified as either operating or finance lease. Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership to the lessee.

Intangible Assets (other than Goodwill)

Research and Development

Research expenditure is charged to the statement of profit and loss when incurred. Development expenditure relating to the production of new or substantially improved products is capitalised if the following conditions are met:

- > it is technically feasible to complete the intangible asset so that it will be available for use or sale;
- > management intends to complete the intangible asset and use or sell it;
- > there is an ability to use or sell the intangible asset;
- > it can be demonstrated how the intangible asset will generate probable future economic benefits;
- > adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- > the expenditure attributable to the intangible asset during its development can be measured reliably.

Research and development costs that do not meet the criteria are recognised in profit and loss. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Intangible assets are amortised from the time it's ready for use over a straight line basis over its useful life.

Software

Software is carried at cost less accumulated amortisation and impairment. Internally developed and packaged software and the direct costs associated with the development and installation thereof are capitalised and recognised as intangible assets.

Notes to the Consolidated Financial Statements (continued)

for the year ended 30 June 2020

2.2. Summary of Significant Accounting Policies (continued)

Software (continued)

Software is amortised in full on a straight-line basis as follows:

- > customised software 5 years; and
- > shelf software 2 years.

Costs associated with research and development of computer software programs are recognised as an expense as they are incurred as these costs do not meet the criteria for capitalisation. Development costs are capitalised if it meets the criteria for capitalising development expenditure. Costs relating to the acquisition of licenses are treated as an expense in the period in which the license is acquired.

The useful lives of intangible assets are reviewed annually and adjusted prospectively if appropriate. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount and are recognised in the statement of profit and loss when the asset is derecognised.

Biological Assets

Game stock are measured at their fair value less estimated point-of-sale costs. The fair value of biological assets is determined annually based on market prices of similar age, genies, and genetic merit after considering its highest and best use. All changes in fair values are recognised in the statement of profit and loss in the period in which they arise.

Impairment of Non-Financial Assets

At each reporting date, the group reviews the carrying amounts of its non-financial assets other than inventories to determine whether there is any indication that the carrying value may not be recoverable and whether those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where the asset does not generate cash flows that are independent from other assets, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value-in-use. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset, or cash-generating unit, is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit, is reduced to its recoverable amount.

An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss, other than for goodwill, subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, not exceeding the carrying amount that would have been determined had no impairment loss been recognised for the asset or cash generating unit, in prior years.

A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Inventories

Inventories are stated at the lower of the weighted average cost and net realisable value. Obsolete, redundant and slow-moving inventories are identified and written down to the estimated net realisable value.

Net realisable value is the estimate of the selling price in the ordinary course of business, less the estimated costs of completion, selling and distribution expenses.

Notes to the Consolidated Financial Statements (continued)

for the year ended 30 June 2020

2.2. Summary of Significant Accounting Policies (continued)

Umgeni Water Capital and Grant Funding

Capital grants for infrastructure received by Umgeni Water are reflected against property, plant and equipment. The grant is recognised in profit or loss over the remaining useful life of the depreciable asset as a reduced depreciation expense.

Government grants towards staff training are recognised as income over the periods necessary to match them with the related costs and are deducted in reporting the related expense.

Employee Benefits

Retirement Benefit Costs - Provident Fund

Contributions to the defined contribution retirement benefit plan for the provident fund are recognised as an expense when employees have rendered service entitling them to the contributions.

Retirement Benefit Costs - Pension Fund

For the defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each reporting period. Actuarial gains and losses are recognised immediately in other comprehensive income in accordance with IAS 19 revised. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight line basis over the average period until the benefit becomes vested.

The retirement benefit obligation recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, and as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to the present value of available funds and reductions in future contributions to the plan.

Post Retirement Healthcare Benefits

Post-retirement healthcare benefits are provided to certain of the group's retirees. The cost of providing benefits is determined using the projected unit credit method with actuarial valuations being carried out at the end of each reporting period. Actuarial gains and losses are recognised immediately in other comprehensive income in accordance with IAS 19 revised.

Other Long Term Employee Benefits

Other long term employee benefits comprise a five-year long service leave benefit that is either taken as leave or equivalent cash value. The cost of providing benefits is determined using the projected unit credit method with actuarial valuations being carried out at the end of each reporting period. Actuarial gains and losses are recognised immediately in profit and loss in accordance with IAS 19 revised.

Short-Term Employee Benefits

Short-term employee benefits are those that are due to be settled within twelve months after the end of the period in which the services have been rendered. Short-term employee benefits include salaries, bonuses, allowances and other fringe benefits. Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. Remuneration of employees is charged to the statement of profit and loss. The group recognises a liability for leave and performance bonuses which is included in provisions and accrues for other short-term employee benefits if the group has a present legal or constructive obligation to pay the amount and the obligation can be estimated reliably.

Provisions

Provisions are recognised when the group has a present legal or constructive obligation as a result of a past event and it is probable that this will result in an outflow of economic benefits that can be reliably estimated.

Financial Assets

The group classifies its financial assets as financial assets measured at amortised cost. These financial assets relating to investments comprise redemption assets as well as money market funded investments. Other financial assets include trade and other receivables and cash and cash equivalents.

Notes to the Consolidated Financial Statements (continued)

for the year ended 30 June 2020

2.2. Summary Of Significant Accounting Policies (continued)

Employee Benefits (continued)

Financial Assets (continued)

The classification is based on the group's business model to collect cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding over the life of the instruments. Management re-evaluates such designation at least at each reporting date.

Financial assets are recognised on transaction date when the group becomes party to the contracts and thus obtains rights to receive economic benefits and are derecognised when those rights no longer exist. Financial assets are initially measured on transaction date at fair value including transaction costs.

Trade and Other Receivables

Trade and other receivables are initially measured at their transaction price as they do not have significant financing components. Subsequent to initial recognition these are measured at amortised cost less any impairment losses.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand. Cash and cash equivalents are measured at amortised cost.

Impairment of Financial Assets

The group recognizes a loss allowance for expected credit losses (ECL) on investments measured at amortised cost and trade and other receivable. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a tradereceivables has increased significantly since initial recognition when contractual payments are more than 90 days past due, unless the group has reasonable and supportable information that demonstrates otherwise.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12 months expected credit losses.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

The loss allowance is measured at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition.

The loss allowance is recognised in the statement of financial position and the movement in accounted for in profit and loss. Interest income is calculated using the effective interest method on the financial asset's gross carrying amount when the asset is not credit impaired and on the amortised cost when the asset is credit impaired. The impairment is accounted for under the simplified approach for trade receivables where the loss allowance is equal to the lifetime expected credit losses at every reporting date.

Notes to the Consolidated Financial Statements (continued)

for the year ended 30 June 2020

2.2. Summary of Significant Accounting Policies (continued)

Derecognition of Financial Assets

The entity derecognises a financial asset only when:

- > The contractual rights to the cash flows from the asset expire; or
- > It transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity; or
- > Retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients in an arrangement.

Financial Assets -Write off

The gross carrying amount of a financial asset is written off or derecognised (either partially or in full) when all attempts to recover the outstanding amount have failed or there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. The amount written off is recognised as a reduction to the allowance for ECLs. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss, as a reduction to the impairment loss for the period.

Financial Liabilities

Financial liabilities are initially recognised at the transaction date when the group becomes party to a contract, at fair value, net of transaction costs incurred and are subsequently stated at amortised cost. Premiums or discounts arising from the difference between the fair value of financial liabilities raised and the amount repayable at maturity date are charged to the statement of profit and loss as finance costs based on the effective interest rate method. Financial liabilities comprise loans as well as trade and other payables.

Trade and Other Payables

Trade payables are not interest bearing and are stated at their nominal value.

Derecognition of Financial Liabilities

The group derecognises financial liabilities when, and only when, the group's obligations are discharged, cancelled or they expire.

Effective Interest Method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or cash payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period.

Offset

Financial assets and financial liabilities are only offset if there is a currently enforceable legal right to offset and there is an intention either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Fair Value of Financial Instruments not Measured at Fair Value

A number of the group's financial instruments require the disclosure of fair value even though these assets are not measured at fair value.

When determining the fair value of the asset or liability for disclosure purposes the group uses observable market data as far as possible. Fair values are categorised into different levels in the fair value hierarchy based on inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included in level 1 that are observable for the asset or liability either directly (i.e. prices) or indirectly (i.e. derived from prices); and

Level 3: inputs for the assets and liabilities that are not based on observable market data (unobservable inputs).

Notes to the Consolidated Financial Statements (continued)

for the year ended 30 June 2020

2.2. Summary of Significant Accounting Policies (continued)

Revenue

The group recognises revenue from the following major sources:

- > Sale of potable bulk water
- > Treatment of bulk wastewater
- > Providing other services in the bulk water value chain in terms of Section 30 of the Water Services Act

Revenue is measured based on the consideration to which the group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer. Transactions prices are guided by the Pricing Policy of the organisation.

The following major revenue streams and significant judgements made for each revenue stream in applying IFRS 15 were relevant to the group.

Potable Bulk Water Supply

Raw water is abstracted from dams; distributed via bulk water infrastructure to the bulk water treatment plants for treatment processes and stored at Reservoirs. The treated Potable water is then distributed via the reservoirs and bulk water pipelines to customers and the bulk meters are the source of transfer of control of the bulk water from Umgeni Water to the customer. This revenue is recognised when potable bulk water is metered at these bulk water metering points which is the point at which Umgeni Water satisfies its performance obligation in terms of the bulk water supply contract with its customers. Revenue is recognised based on the water volumes sold at the bulk water tariff approved by the Minister of Water and Sanitation.

Treatment of Bulk Waster Water

Operating and Maintaining: Revenue is recognised when operating and maintaining activities of the bulk wastewater works on behalf of the customer is performed every month according to the agreed upon standards in terms of the contract and control is transferred when the customer accepts these invoices with supporting schedules. The transaction price is as per the contractual arrangement and based on the actual cost of carrying out these activities plus an agreed markup.

Bulk Wastewater treatment, which includes sewage; trade effluent and contaminated storm water: Revenue is recognised when wastewater is accepted from the municipality and treated to an acceptable standard and released to rivers, in terms of the agreed period of the contract with the customer. Control is transferred when the customer accepts these invoices. The transaction price is a fixed fee as per the contractual arrangement and based on the expected costs associated with operating the infrastructure to treat wastewater.

Other Activities Revenue

Other activities consist of other services included in the bulk water value chain such as laboratory services, water quality monitoring, operating and maintenance contracts acting as an implementing agent for any sphere of government for projects related to water service delivery as well as subsidiaries revenue, which includes eco-tourism.

Revenue from acting as an implementing agent is recognised over time on a cost-to-cost method based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. The directors consider that this input method is an appropriate measure of the progress towards complete satisfaction of these performance obligations under IFRS 15. This revenue includes the initial amount agreed in the contract plus any variations in contract work to the extent that they will result in revenue and can be measured reliably. The transaction price is determined based on the type of goods/services to be delivered in accordance with the customer policies for implementing agents fees where these are entities that are part of the National Government and in accordance with the pricing policy of Umgeni Water.

Revenue from laboratory services and water quality monitoring is recognised at a point in time when the requested service is completed. The transaction prices are determined in accordance with costs associated to perform these services and are approved annually.

Revenue from eco-tourism is recognised at a point in time when the control of goods have been transferred and title has transferred to the customer, with the exception of the wild card revenue where performance obligations are met over a period of time. The transaction prices are determined in accordance with costs associated to perform these services and are approved annually.

Notes to the Consolidated Financial Statements (continued)

for the year ended 30 June 2020

2.2. Summary of Significant Accounting Policies (continued)

Revenue (continued)

Other Activities Revenue (continued)

Revenue from eco-tourism is recognised at a point in time when the control of goods have been transferred and title has transferred to the customer, with the exception of the wild card revenue where performance obligations are met over a period of time. The transaction prices are determined in accordance with costs associated to perform these services and are approved annually.

Cost of Sales

Cost of sales includes the costs of raw water and all other direct operating costs associated with the production processes. The costs directly attributable to sales for other activities, as defined in Section 30 of the Water Services Act (Act 108 Of 1997), are disclosed as cost of sales. All other costs are considered to be administration expenses.

Taxation

Umgeni Water and Msinsi Holdings SOC Ltd are tax-exempt entities in terms of Section 10 (1) (i) (ix) of the Income Taxation Act and therefore the policy is only in respect of its subsidiary, Umgeni Water Services SOC Ltd and associates.

The Income Tax Charge Represents the Tax Currently Payable and Deferred Tax.

Current Tax

The tax currently payable is based on taxable income for the year. Taxable income differs from profit as reported in the statement of profit and loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred Tax

Deferred tax is the tax expected to be payable or recoverable on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable income, and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. No deferred tax is recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the entity intends to settle its current tax assets and liabilities on a net basis.

Interest Income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Finance Costs

Finance costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing cost eligible for capitalisation to those assets.

All other borrowing costs are reflected in the statement of profit and loss in the period in which they are incurred.

Notes to the Consolidated Financial Statements (continued)

for the year ended 30 June 2020

2.2. Summary of Significant Accounting Policies (continued)

Fruitless, Wasteful and Irregular Expenditure

Fruitless and Wasteful Expenditure

Fruitless and wasteful expenditure is defined as expenditure which was made in vain and would have been avoided had reasonable care been exercised.

Where a transaction, event or condition was undertaken without value or substance and which did not yield any desired results or outcome and careful application, attentiveness and caution was applied to ensure that the probability of a transaction, event or condition not being achieved as planned is being managed to an acceptable level, such transaction, event or condition is recognised as fruitless and wasteful expenditure.

Irregular Expenditure

Where expenditure has been incurred that does not comply with any law or regulation, the group recognises that expenditure as irregular expenditure. Irregular expenditure is recognised when it is confirmed and to the extent that the expenditure is recognised in accordance with IFRS.

Irregular expenditure is derecognised when it is either:

- (a) condoned by the relevant authority if no official was found to be liable in law;
- (b) recovered from an official liable in law;
- (c) written-off if it is irrecoverable from an official liable in law; or
- (d) written-off if it is not condoned and not recoverable.

3. Operating Segments and Segment Reporting

Umgeni Water has two reportable segments:

- (i) The primary segment as defined by section 29 of the Water Services Act No. 108 of 1997 which is made up of bulk water and wastewater treatment; and
- (ii) Other activities as defined by Section 30 of the Water Services Act No. 108 of 1997. This business segment consists of non-regulated activities which are mainly defined as services that complement bulk water service provision such as laboratory services, water quality monitoring, environmental management and where Umgeni Water acts as an implementing agent for any sphere of government for projects related to water service delivery."
- (iii) Trade debtors comprise bulk water and wastewater sales to municipalities of which eThekweni Metro Municipality revenue was R2 700m (2019:R2 324m) and Msunduzi Municipality R 776m (2019:R 656m) which contributes to 84.31% (2019: 84.83%) of revenue.

Additional information on the major customers per segment are included in notes 15.

Segment results that are reported include items directly attributable to the segment as well as those that can be allocated on a reasonable basis. "

Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2020

3. Operating Segments and Segment Reporting (continued)

For the year ended 30 June 2020

	Group			
	Primary activities		Other activities	Total
	Bulk water	Wastewater		
	kf'000	kf'000	kf'000	kf'000
Treated water volume sold	509 217	27 637	-	536 854
Raw water volume sold	427	-	-	427
	R'000	R'000	R'000	R'000
Revenue	3 893 773	216 373	44 229	4 154 375
Cost of sales	(1 327 444)	(139 004)	(25 830)	(1 492 279)
Changes in water inventory	(760)	-	-	(760)
Chemicals	(75 852)	(4 453)	-	(80 305)
Depreciation	(266 321)	(38 180)	-	(304 502)
Energy	(286 850)	(24 733)	-	(311 583)
Maintenance	(178 340)	(17 120)	(578)	(196 038)
Raw water	(269 560)	-	-	(269 560)
Section 30 activities	-	-	(24 231)	(24 231)
Staff costs	(227 122)	(41 452)	(934)	(269 508)
Other direct operating expenses	(22 639)	(13 066)	(87)	(35 792)
Gross profit	2 566 329	77 369	18 399	2 662 096
Other income	10 692	1 082	1 293	13 067
Other operating and administration expenses	(1 405 602)	(184 774)	(6 490)	(1 596 866)
Impairments of property, plant and equipment	(28 649)	(160 135)	-	(188 784)
Amortisation	(40 406)	-	(150)	(40 556)
Depreciation	(54 902)	(1 072)	(3 590)	(59 564)
Staff costs	(437 968)	-	(40 810)	(478 778)
Allowance for credit losses	(273 680)	(76)	-	(273 756)
Other expenses and recoveries	(569 997)	(23 491)	38 060	(555 428)
Profit from operations	1 171 419	(106 323)	13 201	1 078 297
Interest income	285 839	-	78	285 917
Finance costs	(106 393)	1 835	(71)	(104 629)
Share of profit from associate	-	-	5 441	5 441
Profit before tax	1 350 865	(104 488)	18 649	1 265 026
Taxation	6.2	-	(31)	(31)
Profit for the year	1 350 865	(104 488)	18 618	1 264 995
Capital expenditure	742 112	114 122	421	856 655
Segment assets	9 037 029	822 135	18 007	9 877 170
Interest in associate	-	-	11 446	11 446
Investments	4 171 411	-	133 308	4 304 719
Unallocated				132 867
Consolidated total assets				14 326 202
Segment liabilities	1 683 893	-	133 308	1 817 201
Unallocated				1 830 367
Consolidated total liabilities				3 647 568

Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2020

3. Operating Segments and Segment Reporting (continued)

For the year ended 30 June 2019 Restated

	Group			
	Primary activities		Other activities	Total
	Bulk water	Wastewater		
	k'000	k'000	k'000	k'000
Treated water volume sold	471 801	26 918	-	498 719
Raw water volume sold	454	-	-	454
	R'000	R'000	R'000	R'000
Revenue	3 291 481	199 792	47 184	3 538 457
Cost of sales	(1 231 220)	(105 274)	(26 667)	(1 363 161)
Changes in water inventory	459	-	-	459
Chemicals	(67 046)	(4 949)	-	(71 995)
Depreciation	(237 563)	(6 101)	-	(243 664)
Energy	(265 937)	(24 862)	-	(290 799)
Maintenance	(186 930)	(20 295)	(653)	(207 878)
Raw water	(240 000)	-	-	(240 000)
Section 30 activities	-	-	(25 380)	(25 380)
Staff costs	(211 891)	(38 020)	(577)	(250 488)
Other direct operating expenses	(22 312)	(11 047)	(57)	(33 416)
Gross profit	2 060 261	94 518	20 517	2 175 296
Other income	19 329	1 055	5 795	26 179
Other operating and administration expenses	(984 674)	(73 348)	(11 252)	(1 069 274)
Impairments of property, plant and equipment	61 061	-	-	61 061
Amortisation	(57 805)	-	(209)	(58 014)
Depreciation	(70 059)	(1 130)	(3 426)	(74 615)
Allowance for credit losses	(66 981)	-	(1 136)	(68 117)
Staff costs	(390 416)	-	(35 366)	(425 782)
Other expenses and recoveries	(460 474)	(72 218)	28 885	(503 807)
Profit from operations	1 094 916	22 225	15 060	1 132 201
Interest income	228 910	739	898	230 547
Finance costs	(13 955)	-	-	(13 955)
Share of profit from associate	-	-	5 664	5 664
Profit before tax	1 309 871	22 964	21 622	1 354 457
Taxation	6.2	-	(106)	(106)
Profit for the year	1 309 871	28 138	17 843	1 354 351
Capital expenditure	1 015 994	187 612	285	1 203 891
Segment assets	9 558 119	162 957	21 173	9 742 249
Interest in associate	-	-	11 669	11 669
Investments	2 803 595	-	129 549	2 933 144
Unallocated				110 174
Consolidated total assets				12 797 236
Segment liabilities	1 717 080	-	129 549	1 846 629
Unallocated				1 830 660
Consolidated total liabilities				3 677 289

Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2020

4. Revenue

The group recognises revenue for both goods and services at a point in time and over time in accordance with the accounting policies described on pages 192 - 193 of the financial statements. Revenue is derived from the sale of goods and services within the KwaZulu-Natal Province from the major product/service lines as per the disaggregation of revenue table below.

The group applies the practical expedient in IFRS 15 with regards to the transaction price allocated to performance obligations unsatisfied or partially satisfied. Revenue has been recognised at the amount to which the group has a right to invoice, which corresponds directly to the value to the customer of the group's performance completed to date.

Bulk water revenue comprises 94% (2019: 93%) of total revenue for the group. The average bulk water tariff was R7.64 (2019: R6.97).

DISAGGREGATION OF REVENUE For the year ended 30 June 2020	Primary activities R'000	Other Activities R'000	Group		
			Total Parent R'000	Subsidiary R'000	Total R'000
Revenue from major products/service lines as a result of performance obligations satisfied					
Bulk water sales	3 893 773	-	3 893 773	-	3 893 773
Wastewater sales	216 373	-	216 373	-	216 373
Scientific and environmental services	-	9 767	9 767	-	9 767
Operating and Maintenance	-	4 235	4 235	-	4 235
Training and capacity building	-	17 919	17 919	-	17 919
Other	-	586	586	11 722	12 308
	4 110 146	32 507	4 142 653	11 722	4 154 375
Timing of revenue recognition					
At a point in time	4 110 146	14 002	4 124 148	8 802	4 132 950
Over time	-	18 505	18 505	2 920	21 425
	4 110 146	32 507	4 142 653	11 722	4 154 375

For the year ended 30 June 2019

Revenue from major products/service lines as a result of performance obligations satisfied

Bulk water sales	3 291 481	-	3 291 481	-	3 291 481
Wastewater sales	199 792	-	199 792	-	199 792
Water Infrastructure(IA)	-	-	-	-	-
Scientific and environmental services	-	10 645	10 645	-	10 645
Operating and Maintenance	-	2 488	2 488	-	2 488
Training and capacity building	-	17 420	17 420	-	17 420
Other	-	2 643	2 643	13 988	16 631
	3 491 273	33 196	3 524 469	13 988	3 538 457
Timing of revenue recognition					
At a point in time	3 491 273	13 133	3 504 406	10 593	3 514 999
Over time	-	20 063	20 063	3 395	23 458
	3 491 273	33 196	3 524 469	13 988	3 538 457

Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2020

4. Revenue (continued)

	Group		Parent	
	2020	2019	2020	2019
	R'000	R'000	R'000	R'000
REVENUE FROM CONTRACT LIABILITIES				
Revenue recognised that was included in the contract liability balance at the beginning of the period, due to performance obligations satisfied.				
Refer to note 20 for the contract liabilities	23.2			
	18 581	20 301	18 581	20 301

5. Other Income

	Group		Parent	
	2020	2019	2020	2019
	R'000	R'000	R'000	R'000
Sundry income	9 487	21 848	8 343	32 709
Rental income	3 580	4 331	3 431	3 727
Total other income	13 067	26 179	11 774	36 436

Sundry income comprises primarily: Insurance proceeds and penalties on contracts.

Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2020

6.1. Profit from Operations

Profit from operations is stated after taking the following items into account:

Asset impairments and write-offs

- Buildings & infrastructure impairments (refer to note 9)
- Buildings & infrastructure write-offs (refer to note 9)
- Capital work-in-progress impairments (refer to note 9)
- Capital work-in-progress write-offs (refer to note 9)
- Intangible assets write-offs (refer to note 10)
- other asset impairments and write-offs (reversals)

Amortisation

Right of use agreement

Amortisation of intangible assets (Refer to note 10)

Auditors remuneration

- Audit fees - current year
- Audit fees - prior year over provision

Board members' emoluments (note 34)

Depreciation

- Buildings and infrastructure (refer to note 9)
- Equipment and vehicles (refer to note 9)
- Right of use Asset (refer to note 24.1)

Allowance for credit losses

Fair value adjustment of biological assets (refer to note 11)

Maintenance

- Direct costs
- Indirect costs

Lease payments (Refer to note 24.2)

(Profit)Loss on disposal of property, plant and equipment
Research and Development

Retirement benefits

- Post retirement medical aid (refer to note 25.2)
- Pension - defined benefit (refer to note 25.1)

Salaries and other staff costs

- Direct
- Indirect
- Maintenance

Number of employees at 30 June

Permanent

Fixed term contracts

Total number of employees

	Group		Parent	
	2020	2019 Restated	2020	2019 Restated
	R'000	R'000	R'000	R'000
Asset impairments and write-offs	200 000	36 674	200 000	36 674
- Buildings & infrastructure impairments (refer to note 9)	4 901	(46 948)	4 901	(46 948)
- Buildings & infrastructure write-offs (refer to note 9)	413	8 825	413	8 825
- Capital work-in-progress impairments (refer to note 9)	183 884	(14 113)	183 884	(14 113)
- Capital work-in-progress write-offs (refer to note 9)	10 179	83 033	10 179	83 033
- Intangible assets write-offs (refer to note 10)	52	5 512	52	5 512
- other asset impairments and write-offs (reversals)	571	365	571	365
Amortisation	(40 556)	52 463	(40 406)	(52 670)
Right of use agreement	-	2 533	-	2 533
Amortisation of intangible assets (Refer to note 10)	(40 556)	(55 481)	(40 406)	(55 272)
Auditors remuneration	4 865	3 592	3 521	2 602
- Audit fees - current year	4 873	3 610	3 529	2 620
- Audit fees - prior year over provision	(8)	(18)	(8)	(18)
Board members' emoluments (note 34)	5 694	4,824	5 414	3 192
Depreciation	367 639	324 403	364 364	320 977
- Buildings and infrastructure (refer to note 9)	312 052	251 420	312 052	251 420
- Equipment and vehicles (refer to note 9)	54 556	72 983	51 281	69 557
- Right of use Asset (refer to note 24.1)	1 346	-	1 031	-
Allowance for credit losses	273 826	68 117	273 756	68 117
Fair value adjustment of biological assets (refer to note 11)	701	(1 345)	-	-
Maintenance	233 132	226 862	230 974	224 603
- Direct costs	196 038	207 878	196 038	207 878
- Indirect costs	37 094	18 984	34 936	16 725
Lease payments (Refer to note 24.2)	866	908	474	516
(Profit)Loss on disposal of property, plant and equipment	(98)	318	(145)	316
Research and Development	3 631	4 170	3 631	4 170
Retirement benefits	102 160	100 690	99 138	97 846
- Post retirement medical aid (refer to note 25.2)	47 332	46 984	47 332	46 984
- Pension - defined benefit (refer to note 25.1)	54 828	53 706	51 806	50 862
Salaries and other staff costs	866 830	790 810	826 020	755 444
- Direct	269 508	250 488	269 508	250 488
- Indirect	478 778	425 782	437 968	390 416
- Maintenance	118 544	114 540	118 544	114 540
	No.	No.	No.	No.
Permanent	1 126	1 091	1 008	974
Fixed term contracts	147	159	147	159
Total number of employees	1 273	1 250	1 155	1 133

Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2020

6.2. Taxation

	Group		Parent	
	2020	2019	2020	2019
	R'000	R'000	R'000	R'000
Taxation arose from a 100% owned subsidiary Umgeni Water Services (SOC)Ltd				
Taxation expense	31	106	-	-
Reconciliation of taxation				
Accounting profit	5 475	5 954	-	-
Permanent differences	(5 365)	(5 575)	-	-
Profit from associate	(5 441)	(5 664)	-	-
Disallowed expenses	76	89	-	-
Taxable income	110	379	-	-
Taxation expense	31	106	-	-

7. Interest Income

Interest received - investments	267 977	226 475	267 977	226 475
Interest received - other financial assets	-	129	-	129
Interest received - other	17 940	3 943	17 862	3 892
Total interest income	285 917	230 547	285 839	230 496

8. Finance Costs

Other	-	281	-	281
Bonds	170 414	169 948	170 414	169 948
Leases	215	-	144	-
Loans	20 765	25 827	20 765	25 827
Less: borrowing costs capitalised (refer to note 9)	(86 765)	(182 101)	(86 765)	(182 101)
Interest was capitalised to work-in-progress at the gross weighted average cost of capital of 10.54 %.(2019:10.70%)				
Total finance costs	104 629	13 955	104 558	13 955

Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2020

9. Property, Plant and Equipment

	Land	Buildings and infrastructure	Equipment and vehicles	Capital work in progress	Total parent	Subsidiaries	Group
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Year ended 30 June 2020							
Carrying Amount 1 July 2019	3 543	5 840 175	152 191	2 811 160	8 807 069	15 201	8 822 270
Cost	3 543	9 972 306	429 266	3 017 017	13 422 132	38 337	13 460 469
Accumulated impairments	-	(461 332)	-	(78 176)	(539 508)	-	(539 508)
Accumulated grant funding	-	(1 709 695)	-	(127 681)	(1 837 376)	-	(1 837 376)
Accumulated depreciation	-	(1 961 104)	(277 075)	-	(2 238 179)	(23 136)	(2 261 315)
Additions	-	-	6 509	776 035	782 544	5 500	788 044
Grant funding	-	-	-	(241 739)	(241 739)	-	(241 739)
Borrowing costs capitalised	-	-	-	86 765	86 765	-	86 765
Disposals/Asset write-offs	-	(413)	(686)	(10 179)	(11 278)	(47)	(11 325)
Cost	-	(13 624)	(5 873)	(10 179)	(29 676)	(47)	(29 723)
Accumulated depreciation	-	13 211	5 187	-	18 398	-	18 398
Transfers	-	(1)	1	-	-	-	-
Cost	-	-	-	-	-	-	-
Accumulated depreciation	-	(1)	1	-	-	-	-
Transferred to assets held for sale	-	-	(677)	-	(677)	(10 166)	(10 843)
Cost	-	-	(6 769)	-	(6 769)	(10 166)	(16 935)
Accumulated depreciation	-	-	6 092	-	6 092	-	6 092
Depreciation charge	-	(312 052)	(51 281)	-	(363 333)	(3 275)	(366 608)
Impairment	-	(4 901)	-	(183 884)	(188 785)	-	(188 785)
Commissioning	397	846 647	-	(847 044)	-	-	-
Cost	397	1 020 259	-	(1 020 656)	-	-	-
Accumulated grant funding	-	(173 612)	-	173 612	-	-	-
Total property, plant and equipment	3 940	6 369 455	106 057	2 391 114	8 870 566	7 213	8 877 779
Cost	3 940	10 978 941	423 133	2 848 982	14 254 996	33 624	14 288 620
Accumulated impairments	-	(466 233)	-	(262 060)	(728 293)	-	(728 293)
Accumulated grant funding	-	(1 883 307)	-	(195 808)	(2 079 115)	-	(2 079 115)
Accumulated depreciation	-	(2 259 946)	(317 076)	-	(2 577 022)	(26 411)	(2 603 433)
Total property, plant and equipment	3 940	6 369 455	106 057	2 391 114	8 870 566	7 213	8 877 779

Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2020

9. Property, Plant and Equipment (continued)

	Land	Buildings and infrastructure	Equipment and vehicles	Capital work in progress	Total parent	Subsidiaries	Group
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Year ended 30 June 2019 Restated							
Carrying Amount 1 July 2018	3 543	5 375 193	154 624	2 434 162	7 967 522	18 438	7 985 960
Cost	3 543	9 224 457	365 996	2 602 550	12 196 546	38 148	12 234 694
Accumulated impairments	-	(508 280)	-	(92 289)	(600 569)	-	(600 569)
Accumulated grant funding	-	(1 609 687)	-	(76 099)	(1 685 786)	-	(1 685 786)
Accumulated depreciation	-	(1 731 297)	(211 372)	-	(1 942 669)	(19 710)	(1 962 379)
Additions	-	-	67 829	1 093 662	1 161 491	191	1 161 682
Grant funding	-	(17 137)	-	(134 453)	(151 590)	-	(151 590)
Borrowing costs capitalised	-	-	-	182 101	182 101	-	182 101
Disposals/Asset write-offs	-	(8 825)	(681)	(83 033)	(92 539)	(2)	(92 541)
Cost	-	(30 612)	(4 361)	(83 033)	(118 006)	(2)	(118 008)
Accumulated depreciation	-	21 787	3 680	-	25 467	-	25 467
Transfers	-	24	(24)	-	-	-	-
Cost	-	198	(198)	-	-	-	-
Accumulated depreciation	-	(174)	174	-	-	-	-
Depreciation charge	-	(251 420)	(69 557)	-	(320 977)	(3 426)	(324 403)
Impairment	-	46 948	-	14 113	61 061	-	61 061
Commissioning	-	695 392	-	(695 392)	-	-	-
Cost	-	778 263	-	(778 263)	-	-	-
Accumulated grant funding	-	(82 871)	-	82 871	-	-	-
Accumulated impairment	-	-	-	-	-	-	-
Total property, plant and equipment	3 543	5 840 175	152 191	2 811 160	8 807 069	15 201	8 822 270
Cost	3 543	9 972 306	429 266	3 017 017	13 422 132	38 337	13 460 469
Accumulated impairments	-	(461 332)	-	(78 176)	(539 508)	-	(539 508)
Accumulated grant funding	-	(1 709 695)	-	(127 681)	(1 837 376)	-	(1 837 376)
Accumulated depreciation	-	(1 961 104)	(277 075)	-	(2 238 179)	(23 136)	(2 261 315)
Total property, plant and equipment	3 543	5 840 175	152 191	2 811 160	8 807 069	15 201	8 822 270

Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2020

9. Property, Plant and Equipment (continued)

Infrastructure consists of: pipelines, dams, weirs, reservoirs, tunnels, pump stations, sludge plants, wastewater treatment works and water treatment works.

Equipment and vehicles consists of: motor vehicles, computer hardware and furniture and fittings. The subsidiaries property, plant and equipment is all classified as equipment and vehicles.

A schedule of land and buildings is available for inspection at the registered office of Umgeni Water. The group has an agreement with its major customer to operate and maintain the South Coast Booster pump station with the option for the customer to acquire the pump station at the end of its useful life of 14 years the asset has a remaining useful life of 7 years. The pump station has a carrying amount of R54m and is used by the customer to guarantee supply to a portion of its operational areas.

Change in estimate of residual values of equipment and vehicles

During the current year the residual values of some equipment and vehicles were revised based on the age and condition which impacts on the amount expected to be obtained from the sale of these assets at the end of their useful lives. The impact of the change in estimate is a reduction in residual values resulting in an increase in depreciation of R5.05 million (2019: Nil).

The impairment losses arose from projects relating to rural development infrastructure where the recoverable amount is less than the carrying amount. The impairment reversals arose as a result of increases in the recoverable amount due to grant funding received as well as increases in value in use based on the projections. The recoverable amount is the estimated value in use using the weighted average cost of capital as at 30 June 2020 10.54% (2019: 10.70%). It was not possible to determine fair value less costs to sell as there was no basis for making a reliable estimate of the amount obtainable from the sale of these assets in an arms length transaction between knowledgeable and willing parties. The impairment losses to work-in-progress were calculated as a pro-rata impairment based on the final projected impairment value. Below is the summary impairment expense/reversals recognised during the year.

Summary of impairments	Accumulated Impairment 30 June 2019	Impairment expense 30 June 2020	Accumulated Impairment 30 June 2020
	R'000	R'000	R'000
Buildings & infrastructure			
Maphumulo bulk water supply scheme	292 574	4 901	297 475
Mhlabatshane bulk water supply scheme	108 045	-	108 045
Mpambanyoni emergency scheme	15 465	-	15 465
Pipeline Ngcebo bulk water	38 774	-	38 774
Other assets	6 473	-	6 473
Total	461 331	4 901	466 232

Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2020

9. Property, Plant and Equipment (continued)

	Progressive Impairment 2019	Progressive Impairment 2020	Accumulated Impairment 30 June 2019	Impairment expense / (Reversal) 30 June 2020	Accumulated Impairment 30 June 2020
	%	%	R'000	R'000	R'000
Work in progress					
Bulk Water					
Greater Mphofana (Phase 1)	9%	9%	73 501	(10 196)	63 305
Impendle Bulk Water Supply Scheme	0%	0%	-	-	-
Mhlabashane Bulk Water Supply Scheme	44%	100%	4 676	10 052	14 728
uThukela DM bulk meters	0%	100%	-	5 067	5 067
Refurbishment of Pumps- Ezakheni	0%	100%	-	18 824	18 824
Sub-total bulk water			78 177	23 748	101 925
Wastewater					
Mpophomeni WWW and Mpophomeni Sewer Outfall	0%	100%	-	55 970	55 970
Trustfeeds WWW	0%	100%	-	104 166	104 166
Sub-total wastewater			-	160 136	160 136

9.1. Capital Commitments

	Group		Parent	
	2020	2019	2020	2019
	R'000	R'000	R'000	R'000
Commitments in respect of capital expenditure:				
- contracted for but not provided for in the financial statements	1 075 391	800 989	1 075 391	800 989
Total capital commitments	1 075 391	800 989	1 075 391	800 989

Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2020

9. Property, Plant and Equipment (continued)

9.2. Non-Current Assets Held for Sale

The assets held for sale by the parent comprises of vehicles and equipment and form part of the bulk water reportable segment. The assets are approved by the Disposal Committee to be disposed off via auction. This will ensure that Umgeni Water obtains optimal value from the disposal of the assets, which is fair, equitable, transparent, competitive and cost-effective. Consultations are currently in progress with the Auctioneer to secure a surety bond for the sum of R2.1 million (total reserve prices of all the vehicles). On presentation of the above bond the said auction will proceed either as an online auction or a full public auction within the next 12 months.

An agreement has been entered into for the property held for sale by Msinsi Holdings SOC Limited to Umgeni Water with the transfer of ownership of the property outstanding as at the end of the reporting period. Control of ownership transfers once the property transfer has been effected. Upon conclusion of the property transfer, the loan account due by Msinsi Holdings SOC Limited to Umgeni Water (Refer to note 12.3) will be settled and the property recorded accordingly in the parent financial statements. The property forms part of other activities reportable segment.

	Vehicles	Equipment	Parent Total	Subsidiary	Group
	R'000	R'000	R'000	R'000	R'000
AS AT 30 JUNE 2020					
Balance as at 1 July 2019	-	-	-	-	-
Transferred from Property, plant and equipment	626	51	677	10 166	10 843
Fair value adjustment	-	-	-	-	-
Balance as at 30 June 2020	626	51	677	10 166	10 843

10. Intangible Assets

	Intangible Asset	Work in progress	Parent Total	Subsidiary	Group
	R'000	R'000	R'000	R'000	R'000
AS AT 30 JUNE 2020					
SOFTWARE					
Carrying Amount 1 July	153 957	42 862	196 819	91	196 910
Cost	284 295	42 862	327 157	1 016	328 173
Accumulated amortisation	(130 338)	-	(130 338)	(925)	(131 263)
Additions	-	68 459	68 459	152	68 611
Commissioning	5 984	(5 984)	-	-	-
Disposals and write-offs	(52)	-	(52)	-	(52)
Cost	(521)	-	(521)	-	(521)
Accumulated amortisation	469	-	469	-	469
Amortisation	(40 406)	-	(40 406)	(150)	(40 556)
Total intangible assets	119 483	105 337	224 820	93	224 913
Cost	289 758	105 337	395 095	1 168	396 263
Accumulated amortisation	(170 275)	-	(170 275)	(1 075)	(171 350)
Total	119 483	105 337	224 820	93	224 913

Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2020

10. Intangible Assets (continued)

	Intangible Asset	Work in progress	Parent Total	Subsidiary	Group
AS AT 30 JUNE 2019 RESTATED	R'000	R'000	R'000	R'000	R'000
SOFTWARE					
Carrying Amount 1 July	210 230	5 258	215 488	206	215 694
Cost	308 835	5 258	314 093	922	315 015
Accumulated amortisation	(98 605)	-	(98 605)	(716)	(99 321)
Additions	-	42 115	42 115	94	42 209
Commissioning	1 614	(1 614)	-	-	-
Disposals and write-offs	(2 615)	(2 897)	(5 512)	-	(5 512)
Cost	(26 154)	(2 897)	(29 051)	-	(29 051)
Accumulated amortisation	23 539	-	23 539	-	23 539
Amortisation	(55 272)	-	(55 272)	(209)	(55 481)
Total intangible assets	153 957	42 862	196 819	91	196 910
Cost	284 295	42 862	327 157	1 016	328 173
Accumulated amortisation	(130 338)	-	(130 338)	(925)	(131 263)
Total intangible assets	153 957	42 862	196 819	91	196 910

11. Biological Assets

	Group		Parent	
	2020	2019	2020	2019
	R'000	R'000	R'000	R'000
11.1. Game	3 475	4 359	-	-
Opening carrying amount	4 359	3 224	-	-
Disposals	(183)	(210)	-	-
Fair value adjustment	(701)	1 345	-	-
Total biological assets	3 475	4 359	-	-

The carrying amount was based on an estimated 654 (2019: 633) game, the most significant categories being Buffalo, Giraffe, Zebra and Wildebeest. The fair values of game are based on market related prices and is therefore classified as level 2 fair values in terms of IFRS 13.

These assets are not restricted nor are they pledged as security.

Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2020

12. Subsidiaries and Associates

	Group		Parent	
	2020	2019	2020	2019
	R'000	R'000	R'000	R'000
12.1. Investments in Subsidiaries				
Cost	-	-	30 000	30 000
Accumulated impairment	-	-	(30 000)	(30 000)
Share of post-acquisition reserves	-	-	-	-
Total investments in subsidiaries	-	-	-	-
12.2. Investments in Associates				
Cost	2 590	2 590	-	-
Share of post-acquisition reserves	8 856	9 079	-	-
Total investments in associates	11 446	11 669	-	-
12.3. Loans to Subsidiaries				
Msinsi Holdings SOC Limited	-	-	10 113	11 164
Total loans to subsidiaries	-	-	10 113	11 164

The loan with Msinsi Holdings SOC Limited is unsecured and bears interest at a variable rate which was 7.35% as at 30 June 2020. An agreement has been entered into by Umgeni Water and Msinsi Holdings SOC limited whereby the loan will be settled on transfer of the administrative property by Msinsi Holdings SOC limited to Umgeni Water, refer to note 9.2.

INVESTMENTS IN SUBSIDIARIES			Proportion of ownership interest		Proportion of voting power held	
Subsidiary	Principal activity	Place of incorporation	2020	2019	2020	2019
			%	%	%	%
Umgeni Water Services SOC Limited	Water services	RSA	100	100	100	100
Msinsi Holdings SOC Limited	Land and environmental management	RSA	100	100	100	100

The above entities remained subsidiaries throughout the year.

The impairment in the parent investment in Msinsi Holdings SOC Ltd was re-assessed in 2020 based on value-in-use calculations using the projected operating cashflows of Msinsi and the weighted average cost of capital as at 30 June 2020 of 10.54% (2019:10.70%)

Umgeni Water continues to provide financial support to Msinsi Holdings SOC Limited to ensure that the company continues to trade in the foreseeable future without any disruption in its business. Msinsi SOC Limited has an investment of 16.67% in Powaprops 31 (Proprietary) Limited. The investment has been fully impaired in 2013.

Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2020

12. Subsidiaries and Associates (continued)

INVESTMENTS IN ASSOCIATE OF UMGENI WATER SERVICES SOC LIMITED			Proportion of ownership interest		Proportion of voting power held	
Associate	Principal activity	Place of incorporation	2020	2019	2020	2019
			%	%	%	%
Durban Water Recycling (Pty) Limited	Water recycling	RSA	18.5	18.5	18.5	18.5

Umgeni Water Services SOC Limited has significant influence over Durban Water Recycling (Pty) Limited through the exercise of voting rights due to representation on the board of directors and is thus accounted for as an associate. Durban Water Recycling (Pty) Limited's financial year end is 31 December. There has been an impact to revenue of the associate due to the COVID-19 shutdown during the 6 month period January 2020 to June 2020 of R1.3 million, which represent the group's 18.5% share.

	Carrying amount		Directors' valuation	
	2020	2019	2020	2019
	R'000	R'000	R'000	R'000
Investments in associate of Umgeni Water Services SOC Limited				
Durban Water Recycling (Pty) Limited	11 446	11 669	11 446	11 669
Investments held by Msinsi Holdings SOC Limited				
Powaprops 31 (Pty) Limited	-	-	-	-
Net Investment	11 446	11 669	11 446	11 669

Summarised financial information of associates:	2020	2019
	R'000	R'000
Total non-current assets of associates	8 563	14 102
Total non-current liabilities of associates	2 019	3 713
Total current assets of associates	89 049	61 966
Total current liabilities of associates	33 724	9 280
Total capital and reserves	61 869	63 075
Total revenue of associates	80 985	85 489
Share of profit for the year of associates	5 441	5 664

Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2020

13. Investments - Financial Assets

	Group		Parent	
	2020	2019	2020	2019
	R'000	R'000	R'000	R'000
13.1. Long-Term Investments - Financial Assets				
Financial assets at amortised cost	79 268	517 941	79 268	517 941
13.2. Short-Term Investments - Financial Assets				
Financial assets at amortised cost	4 225 451	2 415 203	4 225 451	2 415 203
Financial assets comprise money market investments and redemption assets.				
Financial assets include interest receivable which was previously separately disclosed				
Refer to note 30 financial risk management and financial instruments for interest rates and maturity profile of investments. The carrying amount of investments approximates its fair value.				
Total other financial assets	4 304 719	2 933 144	4 304 719	2 933 144
ANALYSIS OF REDEMPTION ASSETS AT AMORTISED COST				
Opening Balance	417 078	320 224	417 078	320 224
Receipt of capital and interest	106 286	96 854	106 286	96 854
Closing balance	523 364	417 078	523 364	417 078
14. Inventories				
14.1. Stores				
	20 033	16 162	20 033	16 162
Pipe inventories	954	952	954	952
Maintenance spares	1 622	1 760	1 622	1 760
Chemicals	7 780	6 089	7 780	6 089
Miscellaneous	9 677	7 361	9 677	7 361
14.2. Water Inventory				
Water inventory consists of closing inventory of raw and treated water.	2 063	2 823	2 063	2 823
Total inventories	22 096	18 985	22 096	18 985

Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2020

15. Trade and Other Receivables

	Group		Parent	
	2020	2019	2020	2019
	R'000	R'000	R'000	R'000
15.1. Current				
Trade receivables	1 103 870	790 412	1 103 870	790 412
Less: Allowance for credit losses	(410 797)	(164 222)	(410 797)	(164 222)
Opening Balance	(164 222)	(90 517)	(164 222)	(90 517)
Written off during the year	349	31	349	31
Raised for during the year	(246 924)	(73 736)	(246 924)	(73 736)
Sub-total trade receivables	693 074	626 190	693 074	626 190
Sundry debtors	81 607	97 013	80 682	95 533
Less: Allowance for credit losses	(203)	(134)	-	-
Sub-total sundry debtors	81 404	96 879	80 682	95 533
Total current trade and other receivables	774 478	723 069	773 756	721 723
15.2. Non-current trade receivables				
The non-current trade receivable relates to the capital unit charges as well as the interest receivable due by iLembe District Municipality as at 30 June 2020, payable over an 11 year period, recognised at the present value of the future cash flows over this period.	72 012	-	71 792	-
Total trade and other receivables	846 490	723 069	845 548	721 723

Trade debtors are granted credit terms of 30 days from date of invoice to settle outstanding debts. The average credit period, at financial year-end, is 59 Days (2019: 57 days)

The group measures the loss allowance for trade receivables at an amount equal to the lifetime expected credit loss using the simplified approach. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and the analysis of the debtors current financial position adjusted for factors that are specific to the debtors general economic conditions as well as its operational conditions. The group recognises a loss allowance of 100% against receivables over 90 days past due based on historical experience and current operational and economic conditions unless there is an arrangement in place with the customer. As a result the overdue amounts from iLembe District Municipality have not been provided for as these relate to the MMTS-2 capital unit charges previously in dispute, which was settled and the agreement concluded in the current year, including a payment plan for settlement of the overdue amounts. As a result the amounts due to be repaid over the 11 years that are due after the next 12 months have been reclassified to non-current trade receivables, refer note 15.2 below. Due to the significant increase in credit risk relating uGu District Municipality as well as uThukela District Municipality, amounts due from these customers have been provided for in full.

Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2020

15. Trade and Other Receivables (continued)

The dispute with Siza Water relating to their 2015/2016 bulk water tariff increase is still at court. The revenue was recorded in full in prior years and the current year with respect to the customer, based on the Umgeni Water's assessment that it was entitled to the full revenue in terms of its bulk supply agreement with the customer. However, the amounts under dispute were provided for in full in prior years and the current year against the trade receivable.

The disclosures that follow relate to the parent only as the impact of the subsidiaries are not material to the group

	Amount due	Current	30 Days	60 Days	90 Days	120 + Days
	R'000	R'000	R'000	R'000	R'000	R'000
June 2020						
Customer						
eThekweni Metropolitan Municipality	384 586	384 586	-	-	-	-
Msunduzi Local Municipality	199 919	94 349	84 335	21 234	-	-
uMgungundlovu District Municipality	57 308	32 119	25 076	98	3	12
iLembe District Municipality	43 264	22 621	20 643	-	-	-
Siza Water	43 324	4 181	688	17	311	38 127
uGu District Municipality	203 295	16 726	13 875	14 287	13 317	145 091
Harry Gwala District Municipality	1 969	1 968	-	-	-	1
uThukela District Municipality	165 435	13 288	10 369	10 852	9 127	121 799
Retail	531	104	52	10	8	357
Other	4 239	962	627	513	66	2 071
Gross carrying amount	1 103 870	570 905	155 665	47 010	22 832	307 458
Expected default rate ^{N1}		5,42%	16,11%	54,80%	100,00%	100,00%
Credit loss allowance (default rate x Gross carrying amount)	(410 797)	(29 587)	(25 056)	(25 864)	(22 832)	(307 458)
Net carrying amount	693 073	541 318	130 609	21 146	-	-

	Amount due	Current	30 Days	60 Days	90 Days	120 + Days
	R'000	R'000	R'000	R'000	R'000	R'000
June 2019						
Customer						
eThekweni Metropolitan Municipality	304 559	304 559	-	-	-	-
iLembe District Municipality	72 499	17 064	15 101	984	931	38 420
Msunduzi Local Municipality	148 520	78 285	70 265	-	-	(30)
uGu District Municipality	96 581	13 233	11 385	11 274	10 441	50 248
uMgungundlovu District Municipality	67 911	24 986	21 142	21 783	-	-
Harry Gwala District Municipality	4 800	3 300	1 501	(1)	-	-
Siza Water	41 256	4 158	1 028	997	925	34 147
uThukela District Municipality	51 433	13 620	12 038	11 172	7 583	7 019
Retail	602	249	19	6	12	315
Other	2 251	722	247	98	18	1 166
Gross carrying amount	790 412	460 175	132 728	46 313	19 911	131 285
Expected default rate ^{N1}		2,22%	1,58%	1,57%	100,00%	100,00%
Credit loss allowance (default rate x Gross carrying amount)	(164 222)	(10 200)	(2 100)	(726)	(19 911)	(131 285)
Net carrying amount	626 190	449 976	130 627	45 587	-	-

N1 - The expected default rate is calculated as the default rate for the current year. The rate is = credit loss allowance amount per ageing bracket ÷ total trade receivables balance per age category.

Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2020

15. Trade and Other Receivables (continued)

	Amount due	Allowance for credit losses	Total 2020	Total 2019
	R'000	R'000	R'000	R'000
The summary of the impact of expected credit losses is as follows:				
Customer				
eThekweni Metropolitan Municipality	384 586	-	384 586	304 559
iLembe District Municipality	43 264	-	43 264	31 267
Msunduzi Local Municipality	199 919	(260)	199 659	148 520
uGu District Municipality	203 295	(203 295)	-	22 640
uMgungundlovu District Municipality	57 308	(35)	57 273	67 911
Harry Gwala District Municipality	1 969	-	1 969	4 800
Siza Water	43 324	(40 017)	3 307	-
uThukela District Municipality	165 435	(165 435)	-	43 910
Other bulk customers	531	(279)	252	733
Trade receivables - primary activities	1 099 631	(409 321)	690 310	624 340
Trade receivables - secondary activities	4 239	(1 476)	2 764	1 850
Total trade receivables	1 103 870	(410 797)	693 074	626 190

A further analysis of financial risk relating to trade receivables is included in note 30.

16. Bank and Cash

	Group		Parent	
	2020	2019	2020	2019
	R'000	R'000	R'000	R'000
Cash and cash equivalents consist of:				
Bank and cash on hand	20 780	86 830	648	77 418
The carrying amount of bank and cash is held at amortised cost and approximates its fair value.				
All cash reserves are placed with reputable, investment grade financial institutions. The estimated Probability of Default ("PD") rate is zero, therefore no allowance for expected credit losses were raised.				
The group's outstanding guarantees are disclosed under note 24.				
Total bank and cash	20 780	86 830	648	77 418

Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2020

17. Reconciliation of Profit for the Year to Net Cash Generated from Operating Activities

	Group		Parent	
	2020	2019	2020	2019
	R'000	R'000	R'000	R'000
Profit for the year	1 264 995	1 354 351	1 250 940	1 357 905
Interest income	(285 917)	(230 547)	(285 839)	(230 496)
Finance costs	104 629	13 955	104 558	13 955
Adjusted for non-cash items:				
Fair value adjustment of biological assets	701	(1 345)	-	-
Write off of biological assets	183	210	-	-
Asset impairments and write-offs	200 063	31 162	200 063	31 162
Intangibles disposals and write-offs	52	5 512	52	5 512
Amortisation - financial assets	-	2 533	-	2 533
Amortisation - intangible asset	40 556	55 481	40 406	55 272
Depreciation	366 608	324 403	363 333	320 977
leases repayment	260	-	260	-
Depreciation -Right of use asset	1 346	-	1 031	-
Loss(Profit) on disposal of property, plant and equipment	(98)	318	(145)	316
Increase in provisions and non-current liabilities	39 160	71 673	39 231	72 347
credit losses	273 826	68 251	273 756	68 117
Income Tax expense	31	106	-	-
Share of profit from associate	(5 441)	(5 664)	-	-
Tax paid	(106)	(76)	-	-
Operating surplus before working capital changes	2 000 848	1 690 323	1 987 646	1 697 600
Working capital changes	(125 483)	(126 919)	(124 986)	(123 317)
Increase in accounts receivable	(385 277)	(291 842)	(373 029)	(285 742)
Increase in accounts payable	183 856	94 926	172 105	92 428
Increase in contract liabilities	79 049	70 027	79 049	70 027
Increase in inventory	(3 111)	(30)	(3 111)	(30)
Net cash from operating activities	1 875 365	1 563 404	1 862 660	1 574 283

18. Capital

Capital consists primarily of contributions made by the Department of Water and Sanitation

Capital consists primarily of contributions made by the Department of Water and Sanitation	442 847	442 847	442 847	442 847
Total capital	442 847	442 847	442 847	442 847

Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2020

19. Debt - Financial Liabilities

	Group		Parent	
	2020	2019	2020	2019
	R'000	R'000	R'000	R'000
Long-term	1 133 226	1 763 679	1 133 226	1 762 669
Short-term	683 975	82 950	683 975	82 950
Debt consists of interest bearing liabilities held at amortised cost.				
Total debt	1 817 201	1 846 629	1 817 201	1 845 619

19.1. Analysis of Debt Held at Amortised Cost

	Nominal Amount		Interest Rates		Maturity date	Group		Parent	
	2020	2019	2020	2019		2020	2019	2020	2019
	R'000	R'000	%	%		R'000	R'000	R'000	R'000
Development Funding Institutions	227 668	256 890				228 354	257 705	228 354	257 705
DBSA - Fixed Rate	4 604	8 987	5.00%	5.00%	31 Mar 2021	4 662	9 098	4 662	9 098
EIB - Fixed Rate	113 387	125 322	9.08%	9.08%	17 Dec 2029	113 791	125 701	113 791	125 701
EIB - Variable Rate	109 677	122 581	4.82%	8.33%	15 Dec 2028	109 901	122 906	109 901	122 906
Bonds	1 535 000	1 535 000				1 588 847	1 587 914	1 588 847	1 587 914
UG21 - Fixed rate	600 000	600 000	10.70%	10.70%	02 Mar 2021	621 108	620 755	621 108	620 755
UG26 - Fixed rate	935 000	935 000	11.31%	11.31%	09 Mar 2026	967 739	967 159	967 739	967 159
Other						-	1 010	-	-
Total debt						1 817 201	1 846 629	1 817 201	1 845 619

Refer to note 30 financial risk management and financial instruments for maturity profile and fair value of debt.

Financial liabilities include interest payable which was previously separately disclosed.

Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2020

20. Contract Liabilities

Contract liabilities comprise of section 30 advances, which represents amounts received from customers in terms of the contractual agreements and primarily relate to implementing agent agreements. Performance obligations relating to these contract liabilities will be recognised over time and revenue will be recognised accordingly. Refer to note 4 for revenue recognised relating to performance obligations satisfied.

Contract liabilities also includes amounts invoiced in advance which relates to Mkhomazi Bulk Water supply charge for water resource infrastructure which will be amortised to revenue over the life of the asset when the asset is capitalised.

	Group		Parent	
	2020	2019	2020	2019
	R'000	R'000	R'000	R'000
20.1. Contract Liabilities Non-Current				
Amounts invoiced in advance (Mkhomazi Bulk Water Supply Scheme)	233 990	158 700	233 990	158 700
20.2. Contract Liabilities - Current				
The following table provides information about contract liabilities from contracts with customers:				
	133 308	129 549	133 308	129 549
Opening balance	129 549	122 354	129 549	122 354
Received during the year	22 340	27 496	22 340	27 496
Recognised in revenue during the year	4 (18 581)	(20 301)	(18 581)	(20 301)
Total contract liabilities	367 298	288 249	367 298	288 249

Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2020

21. Provisions

	Short term incentive bonus	Long term incentive bonus provision - current portion	Sub-total current provisions	Long term incentive bonus provision - non current portion	Total 2020	Total 2019 Restated
	R'000	R'000	R'000	R'000	R'000	R'000
Group						
Opening balance	81 917	42 192	124 109	1 078	125 187	115 744
Provided during the year	82 888	12 947	95 835	16 654	112 489	121 840
Utilised during the year	(78 706)	(55 139)	(133 845)	-	(133 845)	(112 397)
Closing balance	86 099	-	86 099	17 732	103 831	125 187
Parent						
Opening balance	80 910	42 192	123 102	1 078	124 180	114 199
Provided during the year	80 520	12 947	93 467	16 654	110 120	121 405
Utilised during the year	(76 952)	(55 139)	(132 091)	-	(132 091)	(111 424)
Closing balance	84 478	-	84 478	17 732	102 210	124 180

The provision for short term incentive bonus is raised to recognise the performance of employees, which is payable to employees at the Board's discretion in line with the Performance Management Scheme.

The long term incentive bonus provision is raised in terms of Umgeni water's performance policy and is based on a five year performance period. Refer to note 34 on page 244 for further detail.

All provisions are raised in the ordinary course of business and no material unutilised provisions were written back except for the legal provisions as detailed in note 32.

22. Accounts Payable

	Group		Parent	
	2020	2019	2020	2019
	R'000	R'000	R'000	R'000
Trade accounts payable	432 840	287 150	430 542	284 629
Trade accruals	164 975	182 103	163 071	178 298
Leave Accrual	42 090	33 256	39 418	33 256
Amounts due to related parties:				
Water purchases accrual - DWS	223 434	107 053	223 434	107 053
Sundry creditors	97 316	211 749	106 899	219 695
SARS	47 503	15 939	47 053	15 381
Trade accounts payable and accruals comprise amounts outstanding for trade purchases.				
Trade and other payables are carried at amortised cost and the carrying amount approximates fair value. These are normally settled within 30 days from date of statement.				
Total accounts payable	1 008 158	837 250	1 010 417	838 312

Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2020

23. Leases

23.1 Group as a Lessee

The group has recognised a lease liability measured at the present value of the remaining lease payments, discounted using weighted average cost of capital (WACC) rate as the entities incremental borrowing rate for all leases, except for short-term leases and leases of low-value assets as at 30 June 2020.

- > The group has elected for all leases to recognise a right-of-use asset at an amount equal to the lease liability, adjusted by the amount of prepaid or accrued lease payments relating to those leases recognised in the statement of financial position immediately before the date of initial application.

The Group elected the following practical expedients:

- > has applied a single discount rate to a portfolio of leases with reasonably similar characteristics;
- > relied on its assessment of whether leases are onerous applying IAS37 immediately before 01 July 2019 as an alternative to performing an impairment analysis.
- > not to apply the new lessee accounting model to leases for which the lease term ends within 12 months after the date of initial application. Instead, it has accounted for those leases as short-term leases.

The group has opted for the modified retrospective approach, the cumulative effect of initially applying IFRS 16 was recognised at the date of initial application in the current financial year with no restatement of comparatives. This approach was applied as the leases held that fall within the scope of the standard are not material to the group. All practical expedients available to lessees under this approach are applied.

The groups leased assets include land, buildings and ICT equipment. Information about these assets is as per the table below:

	Land	Buildings	ICT equipment	Parent Total	Subsidiary	Group v
	R'000	R'000	R'000	R'000	R'000	R'000
As at 30 June 2020						
RIGHT OF USE ASSET						
Carrying Amount						
1 July 2019	109	3 048	43	3 200	-	3 200
Cost	112	3 266	67	3 445	-	3 445
Accumulated Depreciation	(3)	(218)	(24)	(245)	-	(245)
Accumulated Impairment	-	-	-	-	-	-
Additions	-	618	-	618	944	1 562
Depreciation	(37)	(736)	(13)	(786)	(315)	(1 101)
Total right of use assets	72	2 930	30	3 032	629	3 661
Cost	112	3 884	67	4 063	944	5 007
Accumulated Depreciation	(40)	(954)	(37)	(1 031)	(315)	(1 346)
Accumulated Impairment	-	-	-	-	-	-
Total right of use assets	72	2 930	30	3 032	629	3 661

Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2020

23. Leases (continued)

23.1 Group as a Lessee (continued)

	Group		Parent	
	2020	2019	2020	2019
	R'000	R'000	R'000	R'000
LEASE LIABILITIES				
Present value of the minimum lease payments	3 597	-	2 989	-
0 - 1 year	1 110	-	837	-
1 - 5 years	2 487	-	2 152	-
> 5 years	-	-	-	-
Total Lease liabilities	3 597	-	2 989	-
Lease liabilities included in the statement of financial position				
Current portion	1 110	-	837	-
Non-current portion	2 487	-	2 152	-
Capital repayment for the year (Refer: cashflows - financing activities)	1 306	-	1 074	-
Current year	1 046	-	814	-
Prior year	260	-	260	-
Recognised in Profit or loss				
Depreciation	1 346	-	1 031	-
Current year	1 051	-	787	-
Prior year	244	-	244	-
Interest expense on lease liabilities (included in finance cost)	202	-	144	-
Current year	173	-	115	-
Prior year	29	-	29	-
Expense relating to low value leases included in operating expenses	61	-	61	-
Expense relating to short-term leases included in operating expenses	413	-	413	-
Reconciliation of operating lease commitments as at 30 June 2019 and leases Liability as at 01 July 2019				
Operating lease liability before discounting	4 662	-	4 662	-
Discounting using the incremental borrowing rate	(1 217)	-	(1 217)	-
Total lease liabilities recognised under IFRS 16 as at 01 July 2019	3 445	-	3 445	-

Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2020

23. Leases (continued)

23.2 Group as a Lessor

	Group		Parent	
	2020	2019	2020	2019
	R'000	R'000	R'000	R'000
Operating leases				
At the reporting date, the group had no outstanding commitments under non-cancellable operating leases.				
The group as the lessor - rental income				
The group owns a number of properties on the plants, where an insignificant portion of the property is rented out. The properties are insured as part of PPE and deposit are held for the duration of the lease to mitigate the any risk associated with the underlying asset. The rental income of R3.4m (2019: R3.7m) was earned. Rentals are received from staff and tele-communications companies.				
At the reporting date, the group had contracted with tenants for the following future minimum lease payments.				
	4 687	5 390	4 687	5 390
0 - 1 year	1 190	936	1 190	936
1 - 5 years	3 497	4 252	3 497	4 252
> 5 years	-	202	-	202
Total group as a lessor	4 687	5 390	4 687	5 390
24. Contingent Liabilities & Guarantees				
Guarantees				
Guarantees have been given by certain financial institutions in respect of payments to utility service providers.	7 369	7 369	7 369	7 369
Contingent Liabilities				
The contingent liabilities relate to current litigations which may lead to possible obligations	2 060	2 060	2 060	2 060
Total contingent liabilities & guarantees	9 429	9 429	9 429	9 429

Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2020

25. Post-Retirement Benefit Obligations

All the Umgeni Water retirement benefit plans are governed by the Pension Funds Act (No. 24 of 1956) of South Africa. All full-time employees are compelled to belong to either the defined benefit or the defined contribution plan.

Summary of net liabilities for post-retirement benefit obligations:

Defined benefit plan (refer note 25.2.)

Post-retirement healthcare benefits (refer note 25.3.)

Group & Parent	
2020	2019
R'000	R'000
108	170 516
330 879	394 905
330 987	565 421

Total post-retirement benefit obligations

330 987 565 421

Group		Parent	
2020	2019	2020	2019
R'000	R'000	R'000	R'000
31 102	26 612	28 080	23 768

25.1 Defined Benefit Contribution

The total cost charged to income represents the group's portion of the contribution payable to the provident fund scheme. At reporting date all amounts due and payable to this scheme had been paid.

25.2 Defined Benefit Plan

The Umgeni Water Retirement Fund was established on 1 December 1985 and was closed to new members with effect from 6 February 2007.

The scheme is funded and actuarially valued every year. The effective date of the most recent valuation is 30 June 2020. The assets of the Umgeni Water Retirement Fund are held separately from those of the entity in a trustee administered fund, registered in terms of the Pension Funds Act, 1956. (Act 24 of 1956)

The fair value of the plan is arrived at after considering the following:

Key assumptions used in the actuarial valuation were as follows:

Discount rate

Inflation rate

Expected rate of salary increases

Future pension increase

Group & Parent	
2020	2019
13.30%	10.60%
7.50%	6.70%
8.50%	7.70%
5.00%	4.50%

Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2020

25. Post-Retirement Benefit Obligations (continued)

25.2 Defined Benefit Plan (continued)

	Group & Parent	
	2020	2019
	R'000	R'000
Amounts recognised in profit/loss in respect of the defined benefit plan are as follows:		
Current service cost	31 525	32 290
Interest on obligation	102 638	93 849
Expected return on plan assets	(82 357)	(75 277)
Total included in staff costs in statement of profit and loss	51 806	50 862
Amounts recognised in other comprehensive income in respect of the defined benefit plan are as follows:		
Net actuarial gain	(197 741)	(23 952)
Total included in statement of other comprehensive income	(197 741)	(23 952)
The amount included in the statement of financial position arising from the group's obligation in respect of its defined benefit plan is as follows:		
Present value of funded defined benefit obligation	803 965	951 230
Fair value of plan assets	(803 857)	(780 714)
Net liability in statement of financial position	108	170 516
Movement in the net liability recognised in the statement of financial position is as follows:		
Net liability at start of year	170 516	167 518
Net expense recognised in the statement of profit and loss	51 806	50 862
Net income recognised in the statement of other comprehensive income	(197 741)	(23 952)
Company contributions	(24 473)	(23 912)
Net liability at end of year	108	170 516
Movements in the defined benefit obligation for the year:		
Defined benefit obligation at beginning of year	951 230	954 189
Current service cost	31 525	32 290
Member contributions	9 114	8 962
Interest cost	102 638	93 849
Actuarial (gain) loss	(249 426)	(68 115)
Benefits paid	(35 066)	(64 285)
Risk premiums	(4 378)	(4 155)
Expenses	(1 672)	(1 505)
Defined benefit obligation at end of year	803 965	951 230

Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2020

25. Post-Retirement Benefit Obligations (continued)

25.2 Defined Benefit Plan (continued)

	Group & Parent	
	2020	2019
	R'000	R'000
Movements in the present value of plan assets in the current period were as follows:		
Fair value of plan assets at beginning of year	780 714	786 671
Interest on plan assets	82 357	75 277
Member contributions	9 114	8 962
Employer contributions	24 473	23 912
Actuarial gain	(51 685)	(44 163)
Benefits paid	(35 066)	(64 285)
Risk premiums	(4 378)	(4 155)
Expenses	(1 672)	(1 505)
Fair value of plan assets at end of year	803 857	780 714
Actual Return on Assets	30 672	31 114
Key assumptions used in the actuarial valuation were as follows:		
The major categories of plan assets and the expected rate of returns at the end of the reporting period are as follows:		
Cash	5.96%	5.96%
Equity	37.85%	37.85%
Bonds	21.91%	21.91%
Property	4.34%	4.34%
International	27.28%	27.28%
Other	2.66%	2.66%
Total	100.00%	100.00%

Percentages reflected in 2020 are based on June 2020 asset composition.

The group expects to make a contribution of R26.6m to the defined benefit plan during the next financial year.

Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2020

25. Post-Retirement Benefit Obligations (continued)

25.2 Defined Benefit Plan (continued)

An analysis of the impact of changes in the underlying assumptions used in the actuarial valuation are presented in the table that follows:

SENSITIVITY FACTOR	Accrued Liability				
	Central Assumption	Increase		Decrease	
			R'000		R'000
1% change in discount rate	13.30%	(7.60%)	(61 466)	13.00%	104 782
1% change in inflation rates	7.50%	9.90%	79 639	(4.20%)	(33 430)
1% change in salary increase rate	8.50%	5.40%	43 187	(0.90%)	(7 567)

25.3 Post-Retirement Healthcare Benefits

The scheme is unfunded and the group has recognised its full past service liability. Actuarial valuations are done annually. The effective date of the most recent valuation is 30 June 2020.

Employees who joined Umgeni Water after 28 February 2002 cannot elect to join this scheme.

	Group & Parent	
	2020	2019
Key assumptions used in the actuarial valuation were as follows:		
Discount rate	13.90%	10.40%
Expected rate of increase in medical indices	10.10%	8.50%
	R'000	R'000
Amounts recognised in profit and loss in respect of the post-retirement healthcare costs are as follows:		
Current service cost	7 097	7 804
Interest on obligation	40 235	39 180
Total included in staff costs in statement of profit and loss	47 332	46 984
Amounts recognised in other comprehensive income in respect of the post-retirement healthcare costs are as follows:		
Actuarial gain	(95 951)	(26 049)
Total included in statement of other comprehensive income	(95 951)	(26 049)
The amount included in the statement of financial position arising from the group's obligation in respect of its post-retirement healthcare obligations is as follows:		
Opening balance	394 905	387 332
Net expense recognised in the statement of profit and loss	47 332	46 984
Company contributions	(15 407)	(13 362)
Net income recognised in the statement of other comprehensive income	(95 951)	(26 049)
Liability at end of year	330 879	394 905

Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2020

25. Post-Retirement Benefit Obligations (continued)

25.3 Post-Retirement Healthcare Benefits (continued)

	Group & Parent	
	2020	2019
	R'000	R'000
Movements in the post-retirement healthcare obligation in the current period were as follows:		
Projected benefit obligation at beginning of year	394 905	387 332
Current service cost	7 097	7 804
Interest cost	40 235	39 180
Actuarial gain	(95 951)	(26 049)
Employer contributions	(15 407)	(13 362)
Projected benefit obligation at end of year	330 879	394 905

The group expects to make a contribution of R17.04m to the post retirement medical aid during the next financial year.

An analysis of the impact of changes in the underlying assumptions used in the actuarial valuation are presented in the table below:

SENSITIVITY FACTOR	Accrued Liability				
	Central Assumption	Increase		Decrease	
		%	R'000	%	R'000
1% change in discount rate	10.10%	13.20%	43 606	(11.00%)	(36 370)
1% change in inflation rates	60 years	(3.50%)	(11 789)	3.40%	11 189
1% change in salary increase rate	13.90%	(10.50%)	(34 854)	12.8%	42 265

The information presented above is as per the latest valuation, which was performed on 30 June 2020.

The risks faced by the company as a result of the post-employment retirement benefits obligation are as follows:

- > Inflation: the risk that future CPI Inflation is higher than expected and uncontrolled;
- > longevity: the risk that pensioners live longer than expected and thus their pension benefit is payable for longer than expected;
- > open-ended, long-term liability: the risk that the liability may be volatile in the future and uncertain;
- > future changes in legislation: the risk that changes to legislation with respect to the post-employment liability may increase the liability for the company;
- > future changes in the tax environment: the risk that changes in the tax legislation governing employee benefits may increase the liability for the company;
- > perceived inequality by non eligible employees: the risk of dissatisfaction of employees who are non eligible for a post-employment healthcare subsidy; and
- > administration: administration of this liability poses a burden to the company.

Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2020

26. Five Year Long Service Benefit

The liability for the employee long service leave benefit arises when qualifying employee remains in the employ of the organisation for at least 5 years. This benefit excludes the Senior Managers and Executives on the long term incentive bonus benefit. This benefit aims at retaining employees and skills for at least 5 years and more. The liability was previously not measured and recorded in terms of IAS 19, as the liability was considered to be only vesting with the employee once the 5 years of unbroken service was confirmed. The employee has the option to commute the full benefit to cash or a full 30 days leave to be taken within a specified period or a combination of the both options being 50% cash and the remainder as leave.

The liability for both the current and prior year has been determined via an actuarial valuation, which will be performed annually.

	Group & Parent	
	2020	2019
Key assumptions used in the actuarial valuation were as follows:		
Discount rate	4.80%	7.40%
Inflation rate	1.70%	4.30%
Salary increase rate	2.70%	5.30%
	R'000	R'000
Amounts recognised in profit and loss are as follows:		
Current service cost	4 595	4 019
Interest on obligation	1 264	1 170
Current year loss	220	166
Total included in staff costs in statement of profit and loss	6 079	5 355
Movement in the liability recognised in the statement of financial position is as follows:		
Liability at beginning of year	14 553	12 764
Net expense recognised in the statement of profit and loss	6 079	5 355
Company paid benefits	(4 136)	(3 566)
Net liability at end of year	16 496	14 553
Liability current	5 801	4 136
Liability non-current	10 695	10 417

Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2020

27. Related Parties

The group is wholly owned by its shareholder, the Department of Water and Sanitation. Umgeni Water is a schedule 3B public entity in terms of the Public Finance Management Act.

Government related parties include national departments (including the shareholder), constitutional institutions (schedule 1 of the Public Finance Management Act), public entities (schedule 2 and 3 of the Public Finance Management Act) and local government (including municipalities). The list of public entities in the national sphere of government is provided by National Treasury on its website www.treasury.gov.za. It also provides the names of subsidiaries of the public entities.

Related parties also comprise subsidiaries of Umgeni Water, and associates of the group and post retirement benefit plans for the benefit of the employees. For disclosures regarding the post retirement benefit plan, refer to note 25. Related parties also includes key management personnel of Umgeni or its shareholder and close family members of the related parties.

Key management personnel for Umgeni Water include the group's Board of directors and the executive management (EXCO) and their remuneration is disclosed in note 34.

IAS 24 Related Party disclosures provides government related entities an exemption which eliminates the requirements to disclose information that is costly to gather and of less value to users. The group applies the exemption in respect of its relationship with government related entities at national and local levels of government.

All related party transactions are carried within normal trade conditions. The following transactions were carried out with related parties.

	Group		Parent	
	2020	2019	2020	2019
	R'000	R'000	R'000	R'000
Revenue: Sale of goods and services				
Revenue: Section 30				
National Department	18 283	18 008	18 283	18 008
Cost of sales				
National Department	269 560	240 000	269 560	240 000
Section 30				
National Department	16 639	16 115	16 639	16 349
Other operating and administration expenses				
Subsidiaries and associates	-	-	54 244	42 189
Finance Income				
Subsidiaries and associates	-	-	732	847
Work-in-progress: Grant funding for rural development projects				
National Department	241 739	151 590	241 739	151 590
Loans to (from) subsidiaries:				
Msinsi Holdings SOC Limited	-	-	10 113	11 164
Investments in subsidiaries				
Subsidiaries and associates	11 446	11 669	-	-
Other payables				
Subsidiaries and associates	-	-	12 296	9 649
National Departments	223 434	107 053	223 434	107 053
Raw water purchases accrual	91 244	42 699	91 244	42 699
Capital Unit Charge accrual	132 190	64 354	132 190	64 354

Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2020

28. Irregular Expenditure

	Group		Parent	
	2020	2019	2020	2019
	R'000	R'000	R'000	R'000
Opening balance 1 July	229 545	33 241	224 893	32 976
Add: irregular expenditure relating to current year	151 320	226 660	150 395	224 893
Add: irregular expenditure relating to the prior year identified in the current year	562 559	3 054	562 559	-
Less: amounts transferred to receivable/recovered	-	(7)	-	-
Less: amounts condoned by appropriate authority	-	(33 403)	-	(32 976)
Closing balance	943 424	229 545	937 847	224 893

Details of irregular expenditure

Incident	Condoning Authority
2020	
<p>Deviations approval non-compliance (R182.9m)</p> <ul style="list-style-type: none"> > R13.9m – Deviation irregularities relating to transactions concluded during 2019/20 for non-compliant approval of deviations from competitive bidding and acceptance of less than 3 quotes. > R168.9m – incurred from prior year non-compliant deviations from competitive bidding <p>Procurement Procedures & Contract management (R530m)</p> <ul style="list-style-type: none"> > R218.2m – Procurement legislation non-compliance in respect of tender awards. > R311.8m – Contract variation approvals not complying with National Treasury's SCM instruction note 3 of 2016/2017. Variations exceeding threshold approved internally by Umgeni Water as opposed to seeking National Treasury authorisation. > The above noncompliance to contracts and procurement procedures giving rise to irregular expenditure detected during year under review emanated from historical tender awards and contracts variations approved between 2016-2019. 	The Board and National Treasury in terms of the Irregular Expenditure Framework instruction no. 2
2019	
<p>Non compliance to legislation, pre-approval was not obtained from National Treasury before the services were received resulting in irregular expenditure of R142m.</p> <p>Non compliance to legislation, pre-approval was not obtained from National Treasury prior to procuring from another organ of state resulting in irregular expenditure of R66m.</p> <p>The balance of R22m for the group (R17m Parent) resulted from other non compliances to legislation relating to procurement.</p>	The Board and National Treasury in terms of the Irregular Expenditure Framework instruction no. 2

Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2020

29. Fruitless and Wasteful Expenditure

	Group		Parent	
	2020	2019	2020	2019
	R'000	R'000	R'000	R'000
Opening balance 1 July	5 283	5 528	5 228	5 230
Fruitless and wasteful expenditure relating to the current year	15	67	14	23
Less: amounts written off/recovered by appropriate authority	(29)	(311)	(6)	(24)
Less: amounts transferred to receivable	-	(1)	-	(1)
Closing balance	5 269	5 283	5 236	5 228
Analysis of fruitless and wasteful expenditure				
Remuneration from 20 th August 2017 to 19 th August 2019	5 226	5 226	5 226	5 226
20 th August 2017 to 19 th Aug 2018	2 613	2 613	2 613	2 613
20 th August 2018 to 19 th Aug 2019	2 613	2 613	2 613	2 613
Fines and penalties	10	2	10	2
Interest paid	33	55	-	-
Total fruitless and wasteful expenditure	5 269	5 283	5 236	5 228

Details of fruitless and wasteful expenditure

Incident	Details
Remuneration paid in terms of a settlement agreement	The Board entered into a settlement agreement with the Chief executive as at 30th June 2017, which included the settlement of remuneration to the contract extension period to August 2019.
Penalty	For 2020 the penalty relates to a late payment to the lender which was 2 days later than scheduled.

30. Financial Risk Management and Financial Instruments

30.1.1 Capital Management

	Group		Parent	
	2020	2019 Restated	2020	2019 Restated
	R'000	R'000	R'000	R'000
Capital and reserves is consistent with the prior year and consists of:				
Capital	442 847	442 847	442 847	442 847
Accumulated profit	9 821 374	8 556 379	9 777 361	8 526 421
Other comprehensive income	414 413	120 721	414 413	120 721
Total	10 678 635	9 119 947	10 634 621	9 089 989
Total interest bearing debt	1 817 201	1 846 629	1 817 201	1 845 619

Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2020

30. Financial Risk Management and Financial Instruments (continued)

30.1.2 Debt Management

Debt management strategies

Umgeni Water's treasury strategy focuses on solvency and debt management through the cash flow tariff model, after taking into account the long-term business plans, water demand curves, and future capital expenditure. The liability curve and debt redemption is then actively managed:

- (a) By targeting an optimal debt level;
- (b) by asset liability matching, through a redemption strategy framework which pro-actively manages liquidity and refinancing risk associated with large debt maturities such as bonds;
- (c) within approved borrowing limits; and
- (d) by maintaining an external credit rating.

(a) Optimal debt level

Umgeni Water strives to be within an optimal debt level by not exceeding a gearing ratio of 0.5 and maintains a target debt interest rate structure of 70% fixed and 30% floating which aims to minimise volatility of both the tariff and statement of profit and loss.

	Group		Parent	
	2020	2019	2020	2019
	R'000	R'000	R'000	R'000
Gross Debt (Refer note 19 nominal amounts)	1 762 668	1 791 890	1 762 668	1 791 890
Interest Rate Structure				
Fixed	94%	93%	94%	93%
Floating	6%	7%	6%	7%
Gearing Ratio	0.17	0.20	0.17	0.20

(b) Asset and liability management

Asset and liability matching focuses on two components:

- > The first being the matching of maturity dates of financial assets and liabilities whereby financial assets will be used to repay debt on its maturity. This will typically be applied in a redemption strategy.
- > The second component is whereby surplus cash (cash after operating expenditure and interest cost) is matched to debt redemption or specific funding requirements.

Taking the business environment and market conditions into account, the following framework is used in managing the redemption portfolio build-up over the years preceding the redemption of the bond. Prior to redemption, the entity must have provided for at least:

- > 10% of the capital value 3 years before redemption;
- > 40% of the capital value 2 years before redemption;
- > 75% of the capital value 1 years before redemption;
- > the balance is funded during the year of maturity.

Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2020

30. Financial Risk Management and Financial Instruments (continued)

30.1.2 Debt Management (continued)

(c) Managing debt within approved borrowing limits

The borrowing limits for the period 2020 to 2022 were approved by the Minister of Water and Sanitation with the concurrence of the Minister of Finance and are as follows:

	2022	2021	2020
	R'000	R'000	R'000
Borrowing Limit			
Not exceed	1 400 000	1 400 000	2 000 000
Total	1 400 000	1 400 000	2 000 000

The borrowing authority is further subjected to Umgeni Water adhering to the following additional requirements

- A gearing limit of 50% calculated as follows: gross interest-bearing debt relative to total equity;
- A minimum cash interest cover (CIC) ratio of three (3) times,
- A minimum debt service cover ratio (DSCR) of one (1) time
- Umgeni Water submits quarterly progress reports to the Asset and Liability Management division on the Borrowing Programme and Funding Plan, including utilisation of the borrowing authority; and
- Umgeni Water submits bi-annual reports to the Asset and Liability Management division on the progress of major capital expenditure projects and the project plans for the upcoming 6 months. If there are any delays in the projects, the entity should provide reasons for such delays.

	2020	2019
	R'000	R'000
Utilisation of borrowing limits		
Borrowing limit	2 000 000	2 400 000
Gross borrowings (refer to note 19)	(1 762 668)	(1 791 890)
Collateral and guarantees (refer to note 24)	(7 369)	(7 369)
Unutilised borrowing limits	229 963	600 741

(d) Maintaining an external credit rating

The ability of Umgeni Water to raise debt at competitive interest rates is significantly dependant on the external credit rating issued by a Ratings Agency. The credit rating is maintained through protection of operating cashflows by anticipating adverse market and business conditions and continuous monitoring of strategies devised to counteract the adverse market conditions.

Umgeni Water's national credit ratings are as follows:

Rating Agency	Review date	Details	Long-term rating	Short-term rating
Standard & Poor's	18/05/2020	Affirmed rating	zaAAA	zaA-1+
FitchRatings	29/11/2019	Affirmed rating	AA+(zaf)	F1+(zaf)

Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2020

30. Financial Risk Management and Financial Instruments (continued)

30.2. Financial Risk Management

Umgeni Water's exposure to risk, its objectives, policies and processes for managing the risk and the methods used to measure it have been consistently applied in the years presented, unless otherwise stated. The Corporate Treasury function provides services to the business, co-ordinates access to domestic financial markets, monitors and manages the financial risks relating to the operations of Umgeni Water through the short, medium and long-term funding strategy, and highlights the risk implications of various financial transactions.

The use of financial derivatives is governed by Umgeni Water's policies approved by the Board of directors, which provide written principles on foreign exchange risk, interest rate risk, credit risk, and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. Umgeni Water does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The principal financial risks to which Umgeni Water is exposed as a result of its financial instruments are:

- > Credit risk (which includes counterparty risk);
- > liquidity risk and;
- > market risk (interest rate risk)

30.2.1 Credit Risk

Credit risk is the risk of financial loss to the group if a customer or other counterparty to a financial instrument fails to meet its contractual obligations.

Credit risk arises principally from the group's receivables and investment securities. Credit risk concentration will result in Umgeni Water being exposed to counter party failure. This has the potential to impact on the organisation's ability to remain within its optimal debt level.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	Group		Parent	
	2020	2019	2020	2019
	R'000	R'000	R'000	R'000
A) Investments	4 304 719	2 933 144	4 304 719	2 933 144
B) Trade and other receivables	1 257 489	887 425	1 256 344	885 945
C) Cash and cash equivalents (excluding petty cash)	20 696	24 857	623	77 392

COVID-19 impact on credit risk exposure

The group has evaluated the credit risk exposure in terms of the impact on COVID-19 to its financial assets. There are no significant impact to investments, as these are not held for trading but rather for future investment in water infrastructure. The potential impact on trade receivables has been taken into account in the determination of the allowance for credit losses where the operating environment has been assessed and where municipal customers were considered an increased credit risk exposure these were provided for in terms of the potential impact on credit losses to the organisation. Further details are included below under (b) trade and other receivables as well as note 15 of the financial statements.

Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2020

30. Financial Risk Management and Financial Instruments (continued)

30.2. Financial Risk Management (continued)

30.2.1 Credit Risk (continued)

a) Investments

According to its Investment Policy Umgeni Water will manage investment credit risk by:

- > Conducting transactions only with counter parties and issuers who satisfy soundly based and acceptable assessment processes, and only after formal limits have been set;
- > same-day settlement limits will be set wherever possible and/or strict settlement procedures set and adhered to, and
- > continuous monitoring of the credit quality of counterparties.

Concentration of credit risk is managed by setting credit limits at counterparty-specific level. The credit limit calculation is based on 5% of shareholders funds but subject to a maximum limit of R1 000m as approved by the Board, and limited to parties where 5% of shareholders funds exceeds R100m. The group limits its exposure to credit risk by investing only with approved institutions which have a national short term rating and/or a national long-term credit rating that are investment grade ratings but not lower than the credit ratings of the 5 main banks in South Africa. Utilisation of the credit limit is measured in terms of risk weighting except in the case of zero coupon bonds where credit limit utilisation is based on current market value.

Given the credit ratings of counterparties, management does not expect any counterparty to fail to meet its obligations and hence no investment has been impaired, during the current and prior years.

Maximum credit risk exposure to Umgeni Water:

The table below shows Umgeni Water's credit exposure to the approved counterparties in context of the credit limits assigned to each counterparty and the carrying value of the investment placed with each counterparty.

Financial Instruments

COUNTERPARTY	Group & Parent		
	Credit Limit	2020	2019
	R'000	R'000	R'000
Non-current financial assets		78 000	512 256
Nedbank Limited	1 000 000	-	414 256
ABSA Bank Limited	1 000 000	-	65 000
First Rand Bank Limited	1 000 000	78 000	33 000
Current financial assets		4 130 874	2 341 507
ABSA Bank Limited*	1 000 000	1 107 281	700 759
First Rand Bank Limited	1 000 000	817 600	817 002
Standard Bank of South Africa Limited	1 000 000	809 038	4 126
Nedbank Limited	1 000 000	997 982	443 661
Nedgroup Money Market Fund Limited	300 000	100 000	100 000
Stanlib Money Market Fund Limited	300 000	298 973	275 959
Corporation for Public Deposits	3 000 000	-	-
Total		4 208 874	2 853 763

* The notional limits with ABSA bank were breached temporarily in June 2020. The portfolio was rebalanced in July 2020 to keep within the Board approved limits.

Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2020

30. Financial Risk Management and Financial Instruments (continued)

30.2. Financial Risk Management (continued)

30.2.1 Credit Risk (continued)

b) Trade and other receivables

The management of credit risk in relation to trade and other receivables is summarised as follows:

- > Umgeni Water aims to minimise loss caused by default of customers through specific policies and procedures; and
- > compliance with these policies and procedures are the responsibility of the Chief Financial Officer and Financial Manager. Monitoring of compliance with these policies is carried out by internal audit. All known risks are required to be fully disclosed and accounted for and are provided for in the allowance for credit losses. Credit risk relating to bulk supply water service authorities is managed in terms of the contractual arrangements and legislation applicable to organs of state.

In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are bulk or commercial customers, their aging profile and existence of previous financial difficulties.

The average credit period allowed is 30 days from invoice date. Interest is charged at prime rate on debtors over 30 days from date of invoice.

The group measures the loss allowance for trade receivables at an amount equal to the lifetime expected credit loss using the simplified approach. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and the analysis of the debtors current financial position adjusted for factors that are specific to the debtors general economic conditions as well as its operational conditions. The group has recognised a loss allowance of 100% against receivable over 90 days past due based on historical experience and current operational and economic conditions, unless there is an arrangement in place with a customer.

Monitoring exposure

Umgeni Water monitors exposures on an on-going basis utilising various reporting tools and flagging potential risks which are reported to National Treasury in terms of Section 41 of the Municipal Finance Management Act. The following reports are used to monitor credit risk:

- > Age analysis reports; and
- > status report for significant overdue debtors.

The maximum exposure to credit risk for trade and other receivables at the reporting date is disclosed in note 15.

Lifetime Expected Credit Losses

Refer to note 15 for expected credit losses on trade and other receivables.

Analysis of the ageing of financial assets (trade receivables) which are past due but have not been impaired:

30 days
60 days
90 days
120+ days

Group & Parent	
2020	2019
R'000	R'000
151 755	176 214
130 609	130 627
21 146	45 587
-	-
-	-

The group believes that the unimpaired amounts that are past due by more than 30 days are still recoverable, based on historic payment behaviour and analysis of customer credit risk.

Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2020

30. Financial Risk Management and Financial Instruments (continued)

30.2. Financial Risk Management (continued)

30.2.1 Credit Risk (continued)

b) Trade and other receivables (continued)

Cash and Cash Equivalents

The group held cash and cash equivalents of R21m at 30 June 2020 (2019: R87m) of the following which represents the maximum credit exposure on these assets.

Counterparty	Group		Parent	
	2020	2019	2020	2019
	R'000	R'000	R'000	R'000
Cash	20 696	86 770	623	77 392
First Rand Bank Limited	20 073	9 378	-	-
Nedbank Bank Limited	623	77 392	623	77 392
Total	20 696	86 770	623	77 392

The remaining balance of R84K (2019: R59K) for the Group and R25K (2019: R25K) in for the parent represents petty cash in Rands per thousand for which there is no credit risk attached.

Guarantees

At 30 June 2020 the group had R7 369m (2019:R7 369m) of guarantees outstanding and this represents the maximum exposure to the Group.

Collateral

At 30 June 2020 the group has no collateral held as security.

30.2.2 Liquidity Risk

Liquidity risk is the risk that the group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the group's reputation.

Mitigation approach

To mitigate liquidity risk, Umgeni Water:

- > Monitors the level of expected cash inflows on trade and other receivables together with the expected cash outflows on trade and other payables;
- > has short-term funding facilities to meet on-going cash requirements;
- > has a Domestic Medium Term Note (DMTN) Programme has been established allowing for longer dated debt such as bonds to be issued with relative ease;
- > has provided for a R200m cash buffer investment to cater for a delay in payments by its customers;
- > has a redemption strategy framework, which provides guidelines for managing the risks associated with refinancing large debt maturities; and
- > has borrowing limits approved by National Treasury

Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2020

30. Financial Risk Management and Financial Instruments (continued)

30.2. Financial Risk Management (continued)

30.2.2 Liquidity Risk (continued)

30.2.2.1 Liquidity risk inherent in contractual cash flows

The following table details the group's expected maturity for its financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Umgeni Water anticipates that the cash flow will occur in a different period.

	Weighted average effective interest rate	Group					Total
		< 1 month	1-3 months	3 months-1 year	1-5 years	>5 years	
		R'000	R'000	R'000	R'000	R'000	
Financial Assets							
2020							
Fixed interest rate instruments*	9.21%	(5 241)	(10 483)	573 793	-	-	558 069
Variable interest rate instruments	5.94%	1 483 680	763 920	1 506 695	85 445	-	3 839 739
Trade and other Receivables	n/a	1 183 542	-	1 935	71 792	-	1 257 489
Total		2 661 981	753 437	2 082 423	157 237	-	5 655 078
2019							
Fixed interest rate instruments	9.21%	(5 241)	(10 483)	(47 172)	552 828	-	489 931
Variable interest rate instruments	8.19%	752 296	463 927	1 175 415	222 112	-	2 613 749
Trade and other Receivables	n/a	885 508	-	1 917	-	-	887 425
Total		1 632 562	453 444	1 130 159	774 939	-	3 991 105

* Negative up to 3 months due to the investment in the redemption asset which matures in 2021 to meet the redemption requirements for the UG21 Bond.

The group and parent figures remain the same with immaterial differences relating to the subsidiary.

Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2020

30. Financial Risk Management and Financial Instruments (continued)

30.2. Financial Risk Management (continued)

30.2.2 Liquidity Risk (continued)

30.2.2.1 Liquidity risk inherent in contractual cash flows (continued)

The following table details the group's expected maturity for its financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Umgeni Water anticipates that the cash flow will occur in a different period.

	Weighted average effective interest rate	Group					Total
		< 1 month	1-3 months	3 months-1 year	1-5 years	>5 years	
		R'000	R'000	R'000	R'000	R'000	
Financial Liabilities							
2020							
Fixed interest rate instruments	10.92%	-	88 062	708 624	500 602	1 106 348	2 403 637
Variable interest rate instruments	4.82%	-	-	17 786	70 312	53 784	141 882
Trade and other payables	n/a	167 590	620 053	93 057	37 866	-	918 566
Total		167 590	708 115	819 467	608 780	1 160 134	3 464 086
2019							
Fixed interest rate instruments	10.88%	-	87 131	110 084	1 174 236	1 229 401	2 600 853
Variable interest rate instruments	8.33%	-	-	21 986	78 366	71 243	171 595
Trade and other payables	n/a	4 019	630 448	130 923	20 150	-	785 540
Total		4 019	717 579	262 993	1 272 752	1 300 644	3 557 987

The group and parent figures remain the same with immaterial difference relating to the subsidiary.

Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2020

30. Financial Risk Management and Financial Instruments (continued)

30.2. Financial Risk Management (continued)

30.2.2 Liquidity Risk (continued)

30.2.2.2 Primary source of funding and unused facilities

The primary source of funding to meet Umgeni Water's requirements are revenue, cash inflows from maturing financial assets purchased, debt issued in the market and other loans. The following sources of funding are available to Umgeni Water to meet its short, medium and long-term funding requirements and will supplement the primary liquidity sources under stress conditions:

(a) Domestic Medium Term Note Programme (DMTN)

Umgeni Water has established a Domestic Medium Term Note Programme to issue bonds to meet long term capital expenditure funding requirements.

The programme has an authorised amount of R4 000m, and is a useful funding tool in terms of the following:

- > Refinancing the duration of the stock of debt;
- > refinancing the fixed to floating ratio of the debt book;
- > meeting short-term liquidity requirements; and
- > filling gaps in the debt maturity profile

The UG21 was issued at a total nominal value of R600m on 02 March 2010 at a fixed rate of 10.70% and the UG26 was issued at a total nominal value of R935m at a fixed rate of 11.31% on 09 March 2016, both under the DMTN Programme. The unutilised portion of the programme as at the 30 June 2020 is R2 465m.

(b) General banking facilities

Umgeni Water has the following committed and uncommitted bank facilities available:

Type of facility	Group & Parent	
	Committed	Uncommitted
	R'000	R'000
General Banking facility	-	50 000

(c) Bank Loans

This method of funding allows Umgeni Water to refinance short-term debt into longer-term debt with the view of achieving greater asset/liability matching.

Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2020

30. Financial Risk Management and Financial Instruments (continued)

30.2. Financial Risk Management (continued)

30.2.3 Interest rate risk

Interest rate risk is the risk that changes in interest rates cause a reduction/increase in net profit for Umgeni Water. Umgeni Water is exposed to interest rate risk as funds are borrowed at both fixed and floating interest rates. Borrowings issued at floating interest rates exposes Umgeni Water to cashflow interest rate risk.

Mitigation approach

The risk is managed by maintaining an appropriate mix between fixed and floating rate borrowings: 70% fixed to 30% floating interest rate profile.

	Group & Parent		
	Recommended Ratio	2020	2019
Ratio of fixed to floating interest rate			
Fixed	70%	94%	93%
Floating	30%	6%	7%

At reporting date the interest rate profile of the group's interest bearing financial instruments is as follows:

	Group & Parent	
	2020	2019
	R'000	R'000
Fixed rate instruments		
Financial assets	523 364	417 078
Financial liabilities	(1 652 990)	(1 669 309)
Net position	(1 129 626)	(1 252 231)
Variable rate instruments		
Financial assets	3 781 355	2 516 029
Financial liabilities	(109 677)	(122 581)
Net position	3 671 678	2 393 448

Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2020

30. Financial Risk Management and Financial Instruments (continued)

30.2. Financial Risk Management (continued)

30.2.3 Interest rate risk (continued)

Sensitivity Analysis

A sensitivity analysis to a change in interest rates has been performed based on the exposure to interest rates for both derivatives and non-derivative instruments at the reporting date. For floating rate liabilities and investments, the analysis is prepared assuming the amount of liability and investment outstanding at the reporting date was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonable possible change in interest rates. The sensitivity analysis assumes that all other variables remain constant and has been prepared on the same basis for the prior year.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the group's profit for the year ended 30 June 2020 would decrease/increase by R3.9m (2018: R3.0m).

30.4. Accounting Classifications and Fair Values

The following tables show the carrying values and the fair value of financial assets and liabilities, including the fair value hierarchy. It does not include fair value information for financial assets and liabilities not measured at fair value if the carrying amount is a reasonable approximation of the fair value.

	Group		Parent	
	2020	2019	2020	2019
	R'000	R'000	R'000	R'000
CARRYING VALUES				
CATEGORIES OF FINANCIAL INSTRUMENTS				
Non-current financial assets				
Financial assets at amortised cost	151 280	417 078	151 060	417 078
Redemption assets	-	417 078	-	417 078
Money market investments	79 268	-	79 268	-
Trade and other receivables	72 012	-	71 792	-
Current financial assets				
Financial assets at amortised cost	5 020 709	3 225 065	4 999 855	3 214 307
Redemption assets	523 364	-	523 364	-
Money market investments	3 702 087	2 415 166	3 702 087	2 415 166
Trade and other receivables	774 478	723 069	773 756	721 723
Cash and cash equivalents	20 780	86 830	648	77 418
Financial Liabilities				
Held at amortised cost	2 735 767	2 632 169	2 741 148	2 635 294
Long and short-term debt	1 817 201	1 846 629	1 817 201	1 845 619
Accounts payable	918 566	785 540	923 947	789 675

Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2020

30. Financial Risk Management and Financial Instruments (continued)

30.4. Accounting Classifications and Fair Values (continued)

Except as detailed below, the directors consider the carrying values of the financial assets and financial liabilities recorded at amortised cost in the financial statements to be a reasonable approximation of their fair values.

Fair Values	Fair Value Hierarchy Level	Group		Parent	
		2020	2019	2020	2019
		R'000	R'000	R'000	R'000
CATEGORIES OF FINANCIAL INSTRUMENTS					
Non-current financial assets - Redemption assets	Level 2	523 364	437 776	523 364	437 776
Long and short-term debt	Level 2	(2 007 130)	(1 948 524)	(2 007 130)	(1 948 524)

FINANCIAL INSTRUMENTS NOT MEASURED AT FAIR VALUE

Financial Instrument	Valuation Technique	Significant Unobservable Inputs
Non-current financial assets	Discounted cashflow analysis using prices from observable current market transactions for similar instruments.	N/A
Long-term and short term debt	Discounted cashflow analysis using prices from observable current market transactions for similar instruments.	N/A

31. Subsequent Events

Effective from 1 August 2020, the Executive Authority terminated the term of office of the Board and replaced it with an Interim Board. This decision was subject to court contestation. The Court issued a judicial injunction dismissing the urgent court application, thus confirming the powers of the accounting authority to vest with the Interim Board. This matter is a non-adjusting subsequent event with no financial impact.

Information was received from Umgeni Water's Attorneys after the reporting date but prior to approval of the financial statements, that the Constitutional Court decision to dismiss the matter regarding the tariff dispute between Siza Water and Umgeni Water was possibly an administration mishap, as the matter was appealed by the Minister as the third respondent in the matter on the same grounds as Umgeni Water and Umgeni Water was allowed to participate in the Minister's appeal. The appeal was heard by the Constitutional Court some time in November 2020. Judgement has been reserved by the court. As at the date of this report the matter was heard and judgement is awaited. As a result the revenue from bulk water sales to Siza Water has been recognised consistent with the prior year, at the approved bulk water tariff for Siza Water with the amounts in dispute recorded in the allowance for expected credit losses.

Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2020

32. Prior Period Errors

Five year long service benefit

The liability for the employee long service leave benefit arises when qualifying employee remains in the employ of the organisation for at least five years. This benefit excludes the Senior Managers and Executives on the long term incentive bonus benefit. This benefit aims at retaining employees and skills for at least five years and more. The liability was previously not measured and recorded in terms of IAS 19, as the liability was considered to be only vesting with the employee once the five years of unbroken service was confirmed. Furthermore, the employee has the option to commute the full benefit to cash or a full 30 days leave to be taken within a specified period or a combination of the both options being 50% cash and the remainder as leave. In the prior years, the expense was recorded as and when it became due when conditions of service were met, as summarised in the table below.

Residual values of property, plant and equipment and intangible assets

Management judgement for the residual values of Infrastructure assets was determined using previous valuation exercises together with the annual review of useful lives in accordance with the approved and accepted business processes within the organisation. During the current year the residual values were revised downwards based on an audit assessment of a lack of current available market evidence to support these residual values. The organisation had during the last two years initiated the process of obtaining valuation services for all infrastructure assets, which was not successful. The procurement process is currently underway for these services and the valuations are expected to be completed within the next two financial years. It is anticipated that once this exercise is completed there may be further adjustments to the residual values and useful lives of infrastructure assets, which may impact on the prior years as well.

The residual values for intangible assets have been revised down to nil as there is no intention to sell these intangible assets currently in use at the end of their useful lives, in addition there is no market for such intangible assets customised for use that could be sold in a similar condition at the end of its useful life.

The impact on the financial statements of the revision to the residual values of infrastructure assets and intangible assets are summarised below.

Provisions

Legal claims were previously accounted for as a provisions. However, the conditions for recognition of the liability were not met at year-end and as a result these were assessed for contingent liability disclosures. The impact on the financial statement of reversing the legal provisions is summarised below.

Allowance for credit losses

In the prior years, management judgement determined the estimated credit losses on the trade receivables excluding VAT. This component of the trade receivable was not considered irrecoverable as this would either be recovered from the customer payment or in the event of the debt being written off (as a claim for input VAT). During the current year the assessed default rates have been applied to the total trade receivable inclusive of VAT and the impact on the financial statements are summarised below.

The financial statements comparatives have been restated taking into account the prior period errors as set out above, the effect of the restatement is summarised as follows:

	Group		Parent	
	2019	2018	2019	2018
	R'000	R'000	R'000	R'000
Increase in five year leave obligation	1 789	12 764	1 789	12 764
Increase in accumulated depreciation	34 893	338 288	34 893	338 288
Increase in amortisation	5 551	1 665	5 551	1 665
Decrease in provisions	(590)	(7 548)	(590)	(7 548)
Increase in allowance for credit losses	16 412	-	16 412	-
Decrease in accumulated profit	58 055	345 169	58 055	345 169

Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2020

33. Going Concern

The directors, having considered all the relevant information, have satisfied themselves that the group is in a sound financial position and that it has adequate access to sufficient borrowing facilities to meet its foreseeable funding requirements. There are no indicators that COVID-19 has impacted negatively on the financial sustainability of the organisation. Customers have not requested extended payment terms and any increase in credit risk has been adequately taken into account in the allowance for credit losses. There are adequate resources to continue operating for the foreseeable future and it is therefore appropriate to adopt the going concern basis in preparing the financial statements.

In the previous financial years the Directors reported that the Executive Authority of Umgeni Water had initiated a process towards the establishment of a single provincial water board in KwaZulu-Natal. This decision was formalised through an official proclamation in the government gazette. This process was envisaged to culminate in a merger between Umgeni Water and Mhlathuze Water, with the former absorbing the latter. This decision was subject to a court challenge and on 19 September 2019 a judicial injunction invalidated the decision and set it aside.

As a result, the matter is concluded, potential uncertainties removed and there is no impact on the ability of Umgeni Water to operate as a going concern in the foreseeable future.

34. Remuneration Report

Remuneration Committee

The Human Resources and Remuneration Committee assisted the Board during the year in applying:

- (a) the policy set by the Department of Water and Sanitation for the remuneration of the Board of directors and the Chief Executive (CE); and
- (b) the remuneration policy approved by the Board for the Executives.

Remuneration Structure

The remuneration structure of EXCO is comprised of the following components:

> Guaranteed amount:

The guaranteed amount comprises a fixed cash portion and compulsory benefits such as medical aid and retirement.

> Short term incentive bonus:

The short term incentive bonus rewards the achievement of individual predetermined performance objectives and targets.

> Long term incentive bonus:

The long term incentive bonus is designed to attract, retain and reward the Chief Executive, Executives and Senior Managers at grade level 4 for meeting the organisational objectives set by the Board and the Shareholder.

Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2020

34. Remuneration Report (continued)

Directors' and Executives' Emoluments

	Fees for services/salary	Allowances & Bonuses	Expense allowances	Retirement contributions	2020 Total	2019 Total
	R'000	R'000	R'000	R'000	R'000	R'000
Non-Executive Board Members						
Ms. Z.B Mathenjwa (Chairperson) ^{N4}	674	-	20	-	694	679
Ms. N.B Chamane ^{N4}	382	-	10	-	392	460
Mr. V.G Reddy ^{N4}	408	-	9	-	417	440
Ms. M. Ndlovu ^{N4}	326	-	15	-	341	69
Adv. F. Hashatse ^{N1}	-	-	-	-	-	46
Mr. M.P.K. Tshivhase ^{N1}	-	-	-	-	-	345
Mr. M.D. Dikoko ^{N1}	-	-	-	-	-	291
Ms. Z.P. Manase ^{N1}	-	-	-	-	-	248
Mr. S Shabalala ^{N4}	441	-	18	-	459	80
Mr. T Nkhahle ^{N4}	375	-	7	-	382	74
Adv. S. Chamane ^{N4}	358	-	8	-	367	56
Mr. W.L. Mapena ^{N4}	466	-	17	-	483	57
Prof. T. Mthembu ^{N4}	381	-	16	-	397	61
Ms. L. Ngcobo	340	-	9	-	349	67
Mr. M.E. Zakwe ^{N4}	345	-	7	-	352	68
Ms. B. Zulu ^{N4}	397	-	11	-	408	56
Mr. S. Badat ^{N4}	372	-	-	-	372	43
Total Non Executive Board Members	5 266	-	149	-	5 414	3 140
Executive Board Member						
Mr T Hlongwa (CE) ^{N3}	2 702	1 515	83	-	4 299	8 473
Total -Parent	7 967	1 515	231	-	9 714	11 613
Msinsi Holdings (SOC) Ltd						
Non-Executive Board Members	280	-	-	-	280	-
Total Subsidiaries	280	-	-	-	280	-
Total Group	8 247	1 515	231	-	9 994	11 613
Exco Members						
Mr M Cele	592	24 247	27	-	24 867	2 617
Mr S Gillham	-	-	-	-	-	10 825
Ms M Moleko	-	-	-	-	-	18 158
Mrs M Malunga ^{N2}	743	403	83	164	1 392	-
Mrs. M. Pillay	1 507	543	63	394	2 507	1 191
Mrs. N. Mkhize	1 831	455	-	-	2 287	1 131
Mr. S. Mjwara	1 759	573	37	-	2 370	1 311
Dr. S. Manana	1 759	206	59	-	2 025	164
Total Exco	8 193	26 428	269	558	35 447	35 398

Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2020

34. Remuneration Report (continued)

Long-Term Incentive Bonus

The board has set performance conditions in line with Umgeni Water's shareholder compact over a five-year performance period which covers financial and non-financial targets.

In terms of the Umgeni Water Performance Management Policy, the long-term incentive bonus, based on variable pay, is payable to the Chief Executive, other Executives and Senior Managers when the following conditions are met:

- > The employee has fulfilled the full term of his/her employment contract for the five year period;
- > The employee has achieved a level of performance above 75%, in terms of the performance management scoring process, for the full term of the performance period in terms of the policy.

The distributable audited surplus is calculated at 20% of the audited surplus after consideration of loan covenant levels. The available variable pay for long term incentive bonuses is then calculated at the maximum of 25% of the distributable audited surplus.

Conditions met were approved by the board in September 2019, as a result the following long term incentive bonuses have accrued to Executives:

Name	Designation	Opening Balance	Accrued	Sub-total	Utilised	Total
		1 July 2019	2020	30 June 2020	2020	30 June 2020
		R'000	R'000	R'000	R'000	R'000
Mr T Hlongwa	Chief Executive	-	5 452	5 452	-	5 452
Mrs. M. Pillay	Executive: Scientific Services	-	3 479	3 479	-	3 479
Mrs. N. Mkhize	Chief Financial Officer	-	2 500	2 500	-	2 500
Mr. S. Mjwara	Executive: Infrastructure Development	-	2 908	2 908	-	2 908
Dr. S. Manana	Executive: Corporate Service	-	-	-	-	-
Mr M Cele	Executive: Operations	17 300	5 759	23 058	(23 058)	-
Total Executives		17 300	20 098	37 397	(23 058)	14 339
Total Management		25 969	9 506	35 474	(32 081)	3 393
Long - term incentive bonus provided		43 268	29 603	72 871	(55 139)	17 732

Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2020

34. Remuneration Report (continued)

Service Contract Period of Executives

Executives	Designation	Date first appointed by the Board	Date last re-appointed	Date due for re-appointment
Mr T Hlongwa	Chief Executive	01 July 2018	n/a	Resigned 21 October 2020
Mr M Cele	Executive: Operations	03 November 2014	n/a	Contract ended 02 November 2019
Mr S Gillham	Executive: Engineering and Scientific Services	01 February 2012	01 February 2017	Contract ended 31 January 2019
Ms M Moleko	Executive: Corporate Service	01 January 2014	n/a	Contract ended 31 December 2018
Mrs. M. Pillay	Executive: Scientific Services	01 December 2018	n/a	01 December 2023
Mrs. N. Mkhize	Chief Financial Officer	05 December 2018	n/a	05 December 2023
Mr. S. Mjwara	Executive: Infrastructure Development	01 November 2018	n/a	01 November 2023
Dr. S. Manana	Executive: Corporate Service	01 June 2019	n/a	01 June 2024

Umgeni Water Executives are also appointed, from time to time, as directors in the wholly owned subsidiaries and Associate firms of Umgeni Water. No remuneration was received by the directors from the subsidiaries for the services rendered in the current and prior year. Details of the Directorship are as follows:

Subsidiary Non-Executive Directors (Employed as Executives in Umgeni Water)

Executives	Designation	Date first appointed by the Board	Msinsi Holdings SOC Limited	Umgeni Water Services SOC Limited	Resignation date
Mr M Cele	Non Executive Director	07 June 2019	N/A	√	N/A
Mrs. M. Pillay	Non Executive Director	01 January 2019	√	N/A	N/A
Mrs. N. Mkhize	Non Executive Director	07 June 2019	√	√	N/A
Dr. S. Manana	Non Executive Director	07 June 2019	N/A	√	N/A

^{N1}: Served as interim Board member for the 2017/2018 financial year and their contract ended on the 30th of April 2019.

^{N2}: Mrs M Malunga is the Regional Manager Izintaba who was appointed as the Acting Executive Operations from 01st November 2019.

^{N3}: Mr T Hlongwa resigned on 21st October 2020.

^{N4}: Term ended 31st July 2020.

14.0

GRI CONTENT INDEX



Strategy and Profile Disclosures

Disclosure	Organisational profile (13 indicators)	Pg #
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102-5	Ownership and legal form	9
102-6	Markets served	8
102-7	Scale of the organisation.	8



Umgeni Water spent

R33 million

in **Training and Development** on 63% of its workforce (**649 employees**).



Strategy and Profile Disclosures (continued)

Disclosure	Organisational profile (13 indicators)	Pg #
102-8	Information on employees and other workers	120
102-9	Supply chain	8, 93
102-10	Significant changes to the organization and its supply chain	9
102-11	Precautionary Principle or approach	20
102-12	External initiatives	4
102-13	Membership of associations	126

Strategy and Profile Disclosures (continued)

Disclosure	Strategy (2 indicators)	Pg #
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102-15	Key impacts, risks and opportunities	28

Disclosure	Strategy (2 indicators)	Pg #
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102-17	Mechanisms for advice and concerns about ethics	42-43

Disclosure	Governance (21 indicators)	Pg #
102-18	Governance structure	38-55
102-19	Delegating authority	45
102-20	Executive-level responsibility for economic, environmental, and social topics	38-55
102-21	Consulting stakeholders on economic, environmental, and social topics	38-55; 56-60
102-22	Composition of the highest governance body and its committees	38-55
102-23	Chair of the highest governance body	38-55
102-24	Nominating and selecting the highest governance body	38-55
102-25	Conflicts of interest	38-55
102-26	Role of highest governance body in setting purpose, values, and strategy	38-55
102-27	Collective knowledge of highest governance body	38-55
102-28	Evaluating the highest governance body's performance.	38-55
102-29	Identifying and managing economic, environmental, and social impacts	38-55
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102-31	Review of economic, environmental, and social topics	38-55
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102-33	Communicating critical concerns	56-60
102-34	Nature and total number of critical concerns	56-60
102-35	Remuneration policies	128; 243-244
102-36	Report the process for determining remuneration.	41; 128
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102-38	Annual total compensation ratio	-
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Disclosure	Stakeholder Engagement (5 indicators)	Pg#
102-40	List of stakeholder groups	58-59
102-41	Collective bargaining agreements	122
102-42	Identifying and selecting stakeholders	58-59
102-43	Approach to stakeholder engagement	58-59
102-44	Key topics and concerns raised	58-59

Strategy and Profile Disclosures (continued)

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102-46	Defining report content and topic Boundaries	5
102-47	List of material topics	5
102-48	Restatements of information	5
102-49	Changes in reporting	5
102-50	Reporting period	5
102-51	Date of most recent report	5
102-52	Reporting cycle	5
102-53	Contact point for questions regarding the report	5
102-54	Claims of reporting in accordance with the GRI Standards	5
102-55	GRI content index	5
102-56	External Assurance	5

Disclosure	Management Approach (3 indicators)	Est Pg #
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103-2	The management approach and its components	5
103-3	Evaluation of the management approach	5

Disclosure	Economic Performance (4 indicators)	Est Pg #
201-1	Direct economic value generated and distributed	174
201-2	Financial implications and other risks and opportunities due to climate change	100-129
201-3	Defined benefit plan obligations and other retirement plans	220-225
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Economic Indicators

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203-2	Significant indirect economic impacts	93-98

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204-1	Proportion of spending on local suppliers	93

Economic Indicators (continued)

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205-2	Communication and training about anti-corruption policies and procedures	42-43
205-3	Confirmed incidents of corruption and actions taken	42-43
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206-1	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	43; 129
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301-1	Materials used by weight or volume	102-107
301-2	Recycled input materials used	113
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302-1	Energy consumption within the organization	107
302-2	Energy consumption outside of the organization	107
302-3	Energy intensity	107
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304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	109
304-2	Significant impacts of activities, products, and services on biodiversity	76-79; 109
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305-2	Energy indirect (Scope 2) GHG emissions	107-108
305-3	Other indirect (Scope 3) GHG emissions	107-108
305-4	GHG emissions intensity	107-108
305-5	Reduction of GHG emissions	107-108
305-6	Emissions of ozone-depleting substances (ODS)	107-108
305-7	Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	107-108

Economic Indicators (continued)

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306-2	Waste by type and disposal method	113
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306-5	Water bodies affected by water discharges and/or runoff	78; 103

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Disclosure	Supplier Environmental Assessment (2 Indicators)	Pg #
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Economic Indicators (continued)

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Economic Indicators (continued)

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