



2022/2023
ANNUAL
REPORT





| OUR VISION

Your reliable water and waste water
business partner of choice

| OUR MISSION

By providing high quality water and waste water disposal
services that contribute to sustainable development



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FOREWORD BY THE MINISTER OF WATER AND SANITATION

The R550 million project which is being implemented over a four year period has already started to bring about permanent relief to entire communities that have for the longest time been without access to water.

I present this report at a time when we find ourselves at the cusp of an exciting era of transformation that holds promise of radically improving bulk water delivery in the province of KwaZulu-Natal.

In a bid to fast track the provision of water and create forward looking entities that thrive on professionalism, sustainability and sound governance principles, we issued the unequivocal edict that water boards would have to leverage on their expertise and align their boundaries more closely, thereby creating complementary rather than competing partnerships. It was with this bold vision in mind that as the Department of Water and Sanitation we announced the extension of the boundary of Umgeni Water to include Mhlathuze Water to form a single water board in KwaZulu-Natal. It is this Board that will, ultimately, carry forward the aspirations of the millions of people of KwaZulu-Natal of accessing improved water and sanitation services as guided by the Millennium Development Goals and the National Development Plan, which both cite an improved and sustained supply of safe drinking water and basic sanitation as critical ingredients and catalysts for socio-economic development. This is particularly true for a province like KwaZulu-Natal which is characterised by a largely rural geography where water infrastructure is either dilapidated or non-existent. This places into sharp focus the need for collaborative partnerships between the various levers of state charged with the delivery of water to communities – these being Water Boards and municipalities. One particularly pronounced challenge besetting most municipalities has been that of ageing or dilapidated infrastructure due, to a large extent, to a failure by these institutions to effectively operate and manage their water infrastructure.



Honourable Senzo Mchunu

This in turn results to intermittent water interruptions and billions of rands in non-revenue water.

It is a cause for great concern that 36.8% of the total water supplied by municipalities in the country does not get to its intended recipients. This is an unforgivable wastage when considered alongside the fact that 19% of our country's rural population does not have access to a reliable water supply. Within this context of broadening access to water as a catalyst for socio-economic development and improved livelihoods, we instructed Mhlathuze Water to forge forging closer ties with those municipalities within which it has a footprint in order to hasten its water infrastructure plans. We are grateful that Mhlathuze Water has heeded this call and is forging full steam ahead with assisting the UMkhanyakude District Municipality with a water infrastructure upgrade programme in that district. This R550 million project which is being implemented over a four year period has already started to bring about permanent relief to entire communities that have for the longest time been without access to water. Throughout the implementation of this partnership, we have instructed Mhlathuze Water to continue working closely with municipal and traditional leadership in that District in order to truly understand and respond to the concerns of our stakeholders.

Critically, and understanding the dire skills shortage within municipalities, particularly in engineering vocations, we want to Mhlathuze Water, through its presence in the District, ensuring that skills transfer occurs as it implementation of the uMkhanyakude water infrastructure directive.

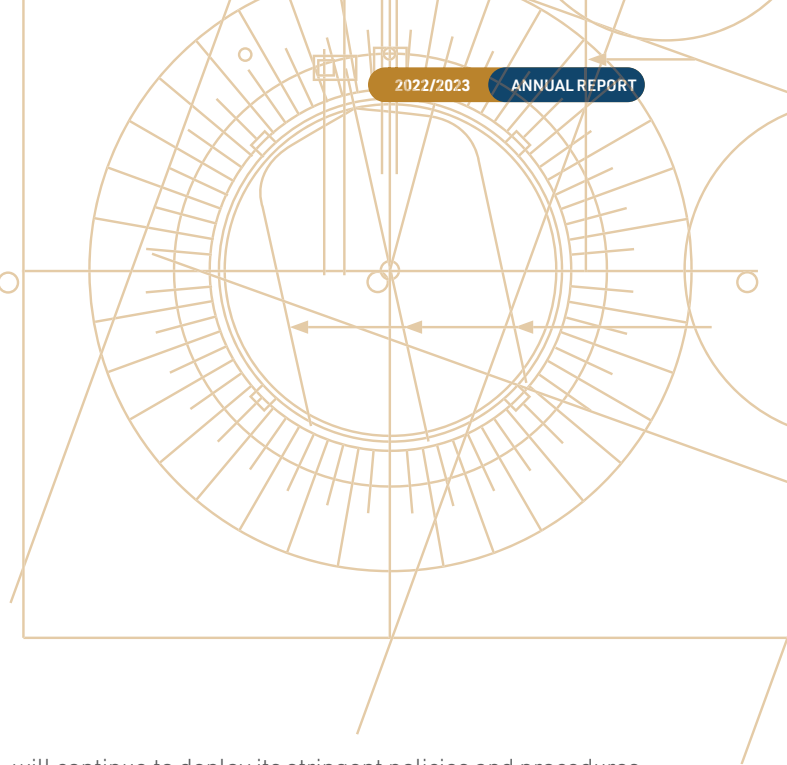
Relying upon the King IV principles on good corporate governance as our lodestar, we have set the bar very high in terms of ensuring accountability, ethical leadership and an overall adherence to the prescripts of good governance.

This we do understanding that beyond the delivery of water, communities must also benefit economically and otherwise from the implementation of infrastructure projects where they reside.

It is an indubitable fact that our government institutions have seen a gradual decline in the adherence to ethical leadership principles. This leadership malaise has, unfortunately, resulted in an overall erosion of good governance and a rise in corruption. As could be expected, these circumstances have created an environment that is unfavourable to the development agenda, resulting in our country being increasingly characterised as one where corruption is pervasive. Mindful of the need to address this urgent national crisis, and guided by the immortal words of the American Writer, Harold Rosenberg, who poignantly remarks that: "The people of an era must either carry the burden of change assigned to their time or die under its weight in the wilderness," the leadership of Mhlathuze Water, at both management and Board levels, was instructed to turn the tide against the spectre maladministration in all its guises. Relying upon the King IV principles on good corporate governance as our lodestar, we have set the bar very high in terms of ensuring accountability, ethical leadership and an overall adherence to the prescripts of good governance.

In our quest to root out corruption from our entities, we instructed our entities to take immediate and stringent action against those whose actions were surrounded by even a whiff of impropriety. The gains of this stance have either been expulsions, suspensions or resignations from those implicated. Furthermore, we also saw Mhlathuze Water instituting civil and criminal proceedings where the outcomes of our investigations demanded such.

Looking ahead, and buoyed by the pronouncements by the President of the Republic, His Excellency Cyril Ramaphosa that "corruption is a betrayal of our democracy and an assault on the institutions that we established together to advance the values of our Constitution and the interests of our people," we expect that the newly formed Umngeni-Uthukela Water



will continue to deploy its stringent policies and procedures as a bulwark against those intent on redirecting public funds and resources for their dishonourable goals of self-enrichment. As the extended term of office of the current Board of Mhlathuze Water comes to an end in the year under review, and as we herald a single water utility for KwaZulu-Natal, our goal is to ensure continuity and that the process of delivering bulk water to communities is not disturbed.

In this regard, we want to gratefully acknowledge the efforts of the Board and management of Mhlathuze Water for forging full steam ahead with those projects geared towards achieving greater access to clean drinking water. These include the multi-million rand expansion to the Nsezi plant which, once complete, will guarantee future water security for municipalities and industries; upgrades to the Tugela-Goedetrouw dam inter basin transfer scheme to double the bulk transfer capacity as well as the completion of feasibility studies for raising the Goedetrouw dam wall, the construction of an earth dam on the Nseleni River as well as the construction of a mega coastal pipeline to transfer water from the Tugela River to Richards Bay.

In all of the cited instances, our strategic focus has been on mobilising the required financial resources, strengthen institutional capacity and, mostly importantly, ensure strong adherence to sound governance prescripts in the execution of these projects.

Therefore, in handing over the baton to the soon to be established single water board for KwaZulu-Natal, and while we are under no illusions about the massive task of resolving our province's water challenges, we remain confident that under the able stewardship and support of Honourable Minister Senzo Mchunu, this undertaking is not a bridge too far.

Mr Senzo Mchunu

Minister for Water and Sanitation, MP

FOREWORD BY THE CHAIRPERSON OF THE BOARD

I am delighted to present this Annual Report of Mhlathuze Water for the 2023, which is not only an account of our performance but also gives an update of our strategic direction, governance issues and the threats and opportunities endemic to our operating environment. The report also sheds more light on our innovative solutions to ensure the provision of bulk water and waste water disposal services in a sustainable manner to municipalities and industries.

There were a number of exogenous factors that impacted indirectly on our operations and which, if left unchecked, could have undermined the long term sustainability of the utility. For instance, we began to feel the indirect effects of the conflict between Russia and Ukraine when suppliers of our strategic infrastructure components, some of which are sourced internationally, principally from the European single market, began to either cite supply chain bottle necks or an escalation in prices due to interest rate hikes.

This setback came as our country and the globe were still recovering from the tectonic shifts that came with the Covid-19 pandemic which really put to the test our ability to withstand adversity. In KwaZulu-Natal, our perils were taken a step further by the floods of April 2022 that brought home the disastrous effects of climate change. These unconnected events all had one common denominator; they shocked us into the realisation that unless we plan sustainably and rethink our strategies, taking into account the political, economic and environmental volatilities and uncertainties that surround us, we are bound to operate from a position of constant crisis management.

Providing infrastructure support to municipalities

The business of bulk water provision is a moving target which requires that we constantly monitor our operations and, where needs be, review our approach to our water provision plans. This means that we must keep our finger to the pulse and ensure that our bulk water infrastructure and maintenance plans are responsive to the identified risk posed by an inadequate future water supply for communities and industries.



Adv. V Khuzwayo SC.

As Mhlathuze Water, our guiding principle has always been that of driving sustainable transformation, of ensuring that, as we plan for the future, we do so without losing sight of the need to correct our country's skewed spatial planning where Black Africans, more so in rural parts of KwaZulu-Natal were not catered for in water delivery plans.

We therefore remain relentless in our plans of ensuring that we address this past imbalance by working hand in glove with rural municipalities in particular to bring about a more equitable provision of water. This is a stance advocated for by our shareholder representative, Minister Senzo Mchunu who gave us the unequivocal decree that Mhlathuze Water's presence must be felt in the far north of the province of KwaZulu-Natal.

In particular, the Minister gave us a section 63 intervention wherein he directed that we assist the uMkhanyakude District Municipality in hastening the reticulation of water to households. As part of executing this directive, in the year under review we have successfully initiated a process where existing but dysfunctional water schemes were repaired throughout the local municipalities that make up the uMkhanyakude District. This quick fix undertaking which was carried out using internal resources was started in November 2022 and completed in February 2023. At the end of this four month period, we had brought back to functionality a total of 18 schemes in the Jozini and Big Five Hlabisa Municipalities.

At the same time as the rehabilitation of these schemes at community level, we also concerned ourselves with larger infrastructure project undertakings forming part of the uMkhanyakude directive. The overall construction progress to date on various sites is 40% with overall expenditure reaching R28 million of the approved R67 million for the reporting period.

Bulk water and wastewater infrastructure master plan

In accordance with our Bulk Water and wastewater infrastructure master plan, the Board instructed management to maintain a deliberate and keen focus on investing heavily in primary secondary infrastructure activities. It is this Plan that serves as our lodestar, guiding us on all the actions that we must, in the short, medium and long term, necessarily take if we are to satisfy the present and future bulk water and waste water management demands of existing and future customers. This commitment to meeting our stakeholders' expectations saw the Board approving R21-million for prefeasibility studies for the following critical undertakings:

Abstraction from the Tugela River

MW will conduct a Pre-Feasibility Study of the proposed abstraction works on the Tugela River and associated infrastructure. This is to commission Mhlathuze Water's 47.3million m³/annum Water Use License (WUL) issued in 2005. The intention would be to supply Tronox: Fairbreeze Mine as well as the King Cetshwayo District in order to meet domestic and industrial demand. The intention of this proposal would be to enable Mhlathuze Water to meet future demand and business development initiatives by relieving pressure on the Mhlathuze Weir Supply system; and add second raw water source to the supply of the existing and potential new customers. This project had achieved 90% completion by end of June 2023

Desalination of Seawater

Lessons from the tectonic shifts in weather patterns, ranging from extreme rainfall to droughts, as did happen in 2015 in the Zululand District, have brought into keen focus the need to explore alternate water sources. This has prompted Mhlathuze Water to undertake a pre-feasibility study for the Desalination of Seawater. The purpose of the Desalination Plant is to augment the current water resources in the foreseeable future. Through this initiative, seawater would be fed by an intake in the Richards Bay harbour to a site close to the Alkantstrand pump station, where the Desalination Plant will be situated. Potable water would be pumped to the Mzingazi Water Treatment Plant for blending and distribution.

These above undertakings clearly show Mhlathuze Water's commitment to a water secure agenda for KwaZulu-Natal. This we do firm in the belief that water provision and socio-economic development are inextricably linked, hence the need for us to ensure that our plans are geared towards the achievement of this ideal.

A firm commitment to clean and accountable governance There is no denying that all organisations, at some point in their existence, go through some turbulence which, at times, even threatens their very existence and sustainability. Mhlathuze Water is no exception.

At Board level and management levels, the year under review presented an array of challenges which necessitated that we take drastic action in order to restore balance and an adherence to the principles of good governance.

However, despite these turbulences, and in obvious testament to the good sense behind the measures that we put in place, Mhlathuze Water was able to once again post strong financial results which by the Auditor-General's own findings could be described as those of an organisation that is a going concern.

While there exists ample room for improvement, it is comforting that as the Board of Mhlathuze Water bows out at the end of this financial year, we bequeath our successors an organisation that is financially sound and is able to meet its obligations to its stakeholders.

The journey towards new beginnings

It is now common knowledge that the directive by the Minister of Water and Sanitation, Mr Senzo Mchunu, to form a single water Board for KwaZulu-Natal has been fully implemented. This forward looking intervention has already shown the first promising signs of accelerating the very urgent task of an equitable distribution of water and sanitation services in the province. The appointment of a permanent Board by the Minister for the newly conceived Umngeni-uThukela Water will create a more resilient water sector in the province that will work with all water actors.

In the coming years, we shall begin to see the fruits of a tree whose planting we would proudly proclaim to have been a part of. We thank Minister Mchunu for having entrusted us, as the Board collective, with the unenviable but very rewarding task of playing an oversight role at the newly formed Umngeni-uThukela Water. We equally look forward to working with all our stakeholders and staff of this wonderful organisation to fulfil our mandate during our tenure in office.



Adv. V. Khuzwayo SC.
Chairperson of Board

ACTING CHIEF EXECUTIVE'S OVERVIEW

This Annual Report serves as a review of Mhlathuze Water's performance for the 2022/23 financial year. It provides an account of the management of the utility's financial and non-financial assets as required of us by the Water Services Act.



Dr Siphon Manana

Beyond this, this report also provides us an opportunity to consider what remedial actions to take in order to meet and even surpass our mandate of bulk water and waste water provision.

Our designation as a Schedule 3B national government business entity in terms of the Public Finance Management Act (PFMA), Act 1 of 1999, means that we are accountable to the Minister of Water and Sanitation, Honourable Senzo Mchunu as well as the Parliament of the Republic of South Africa. Therefore, it remains the responsibility of the Board of Mhlathuze Water to ensure that, at a strategic level, it provides sufficient oversight and direction so that the operations and plans of this entity are reflective of the priorities set out by the Department of Water and Sanitation. Our country has placed strong emphasis on forward planning and the effective management and use of water resources to address past societal imbalances, including a skewed water infrastructure provision as well as the sustenance and growth of the economy. This is a task that we had to undertake against a backdrop of an unpredictable economic outlook marked by increasing interest rates as well as rapidly deteriorating infrastructure. These twin variables rendered the ensuring the availability of water a moving target which must be closely managed since the maintenance of bulk water infrastructure is one that demands considerable capital commitments.

Therefore, the same time as planning for water infrastructure upgrades to meet industrial and household demands, Mhlathuze Water must remain alive to the need to ensure its long term financial sustainability. We have nonetheless continued, in the year under review, to drive forward Mhlathuze Water's vision of a water secure future, including

proactively identifying alternate water resources to offset the rapidly growing demand for freshwater. To this extent, and working collaboratively with the Department of Water and Sanitation and all interested and affected stakeholders, we have made progress towards implementing the recommendations of the Richards Bay Reconciliation Study. Relying on current and future growth scenarios for the greater Richards Bay region, this study proposes a number of interventions to be undertaken until 2045 in support of sustainable development.

Investing in a water secure future

We have in earnest begun driving the implementation of catalytic projects identified in the Richards Bay Reconciliation study. A critical starting point is the development of a Bulk Water Resource Master Plan. The Plan responds to the priorities set out in the National Development Plan (NDP), the National Water Act and the Sustainable Development Goals by approaching water provision in a holistic manner. Therefore, our goal is to deliver a bulk water model that includes the King Cetshwayo, Zululand and UMkhanyakude District Municipalities. In pursuit of this goal, the Board of Mhlathuze Water approved a prefeasibility study for the proposed abstraction and associated infrastructure from the UThukela River in Mandeni. This would enable Mhlathuze Water to abstract an additional 47.3million m³/annum Water as per the conditions of its Water Use License which was awarded back in 2005. This would significantly bolster our ability to supply both industrial and municipal stakeholders with raw and potable water. Furthermore, this intervention would enable us to meet future demand by adding a second raw water source to the supply of the existing and potential new customers. Our suite of

interventions for a water secure future also include a pre-feasibility study for the desalination of sea water. Our strategic placement along the coast of the Indian Ocean means that, provided we devote sufficient research and resources, we can augment conventional water sources with desalinated water derived from the ocean. Through this approach, sea water would be fed via a marine intake to a site close to the Alkanstrand pump station, where the proposed Desalination Plant would be situated.

Infrastructure upgrades for water security and effective waste management

Mindful of the added demands that will be placed on our operations by the anticipated growth in demand for water and related services in the foreseeable future, Mhlathuze Water has made provision for the rejuvenation and upgrade of its critical water infrastructure. These activities include the expansion of the Nsezi Water Treatment Plant from its current 205 mega litres a day to 260 mega litres.

The overall approved budget for this undertaking is R457 469 939. Accepting the unambiguous link that exists between effective water and waste water management and an improvement in economic development efforts, Mhlathuze Water has embarked on a process of upscaling its waste management capabilities. Our plans include upgrading the Alkanstrand waste water disposal pump station which is the heart of effluent disposal for both our industry and municipal waste. Improvements to this plant include upgrades to the dense effluent pipelines as well as upgrades to mechanical and electrical instrumentations to ensure maximum operations on all our pipelines. Acting upon a directive issued to us in 2022 by the Minister of Water and Sanitation, Honourable Senzo Mchunu, to resolve the water crisis in the uMkhanyakude District, the Board of Mhlathuze Water has covered some ground in terms of resuscitating redundant water schemes into operation in the uMkhanyakude District. Looking ahead, we continue to work with the Department of Water and Sanitation in applying for the necessary business plans approvals. This will allow us to move ahead with greater speed in our efforts to revive water infrastructure and offer assistance and support to assist the uMkhanyakude District restore its operations and maintenance activities.

Environmental Sustainability for water security

Our waste water disposal operations are closely monitored by the Department of Environmental Affairs, Forestry and Fisheries to ensure compliance with environmental laws. Our commitment to the environment has led to us developing and implementing an environmental sustainability policy which is aimed at achieving the following: Foster a culture of sustainability and reducing Mhlathuze Water's ecological footprint; Incorporate principles and understanding of sustainability into all activities, services, operations and stakeholder engagements; and Incorporate sustainability performance alongside other key performance indicators of the organisation. As the holders of a coastal discharge permit which governs our waste disposal activities, Mhlathuze Water has devised a financial penalties system to serve as a deterrent to waste contributors who do not who do not comply with our stringent water quality requirements.

Looking ahead, the organisation also launched research in the treatment of effluent in order to further reduce the impact of the effluent discharged into the ocean. In all our actions to accelerate the delivery of water, we remain mindful of the need to maintain frugal spending, in a manner that, as outlined by His Excellency President Cyril Ramaphosa in the 2023 State of the Nation Address, will bring about a reliable supply of water and also directly contribute to economic growth and job creation. We are doubtless that with the right policies in place, our prospects look bright and fit in securely with our government's stated objectives of accelerating growth and overcoming the prevailing economic and social inequality in our country. Finally, with the announcement by the Minister of Water and Sanitation, Honourable Senzo Mchunu that KwaZulu-Natal is poised to have a single water board which, in effect, means that Mhlathuze Water will cease to exist in its current format, we want to express our sincere gratefulness and pride to have served for more than 40 years as part of this institution.

As the management and employees of Mhlathuze Water, we will continue to support the new single water board for KwaZulu-Natal with the same intense passion and vigour. We are doubtless that this new Board is poised to play a central role in being enablers for investment and job creation in the province of KwaZulu-Natal.



Dr Siphon Manana
Acting Chief Executive

STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY FOR THE ANNUAL REPORT

To the best of my knowledge and belief, I confirm the following:

All information and amounts disclosed in the annual report are consistent with the annual financial statements audited by the Auditor General.

The annual report is complete, accurate and is free from any omissions.


The annual report has been prepared in accordance with the guidelines on the annual report as issued by National Treasury.

The Annual Financial Statements have been prepared in accordance with the GRAP standards applicable to the public entity.

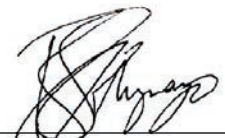
The accounting authority is responsible for the preparation of the annual financial statements and for the judgements made in this information.

The accounting authority is responsible for establishing and implementing a system of internal control that has been designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources information and the annual financial statements.

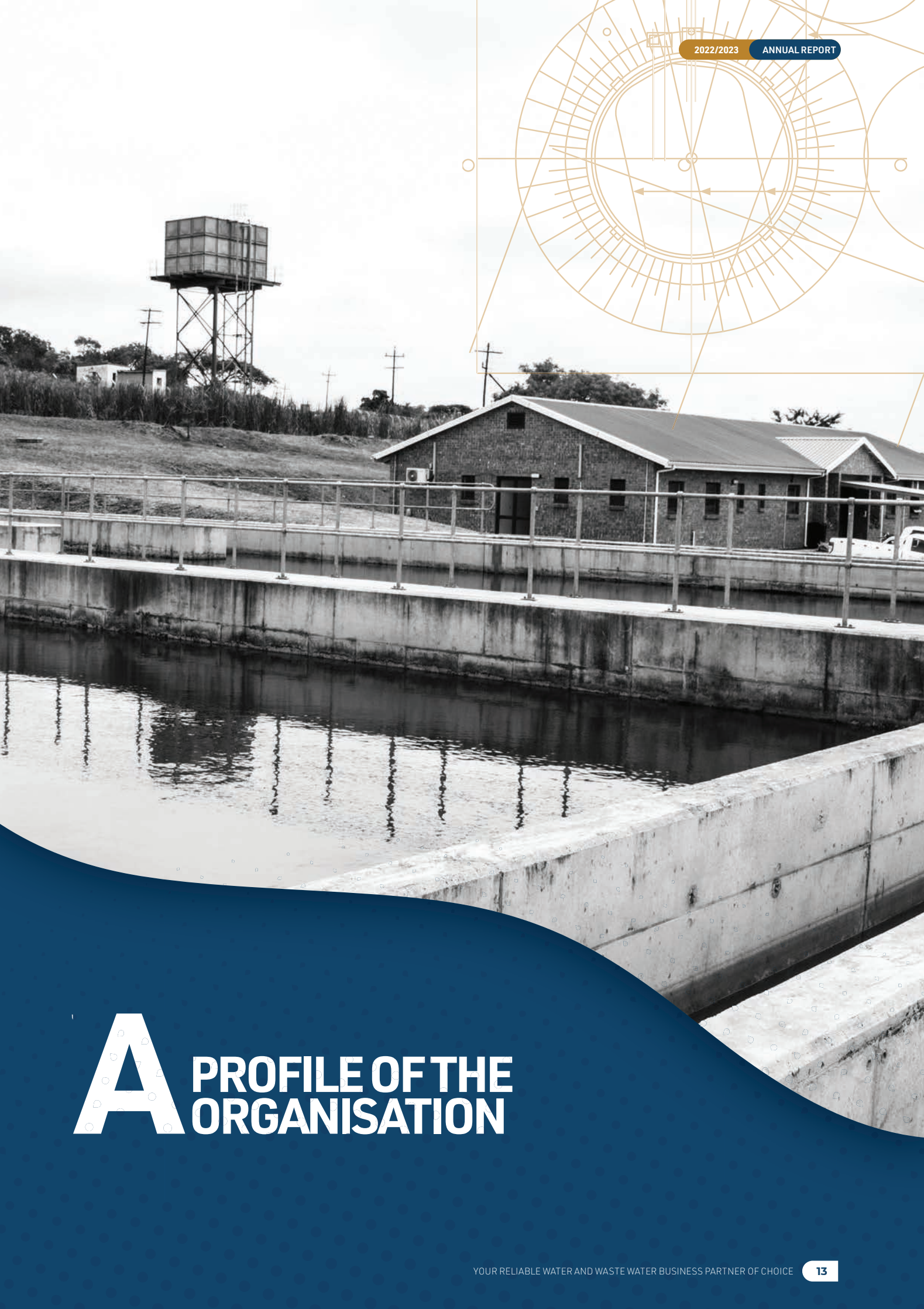
The external auditors expressed an unqualified audit opinion on the annual financial statements. In our opinion, the annual report fairly reflects the operations, performance information, human resources information and financial affairs of the entity for the financial year.



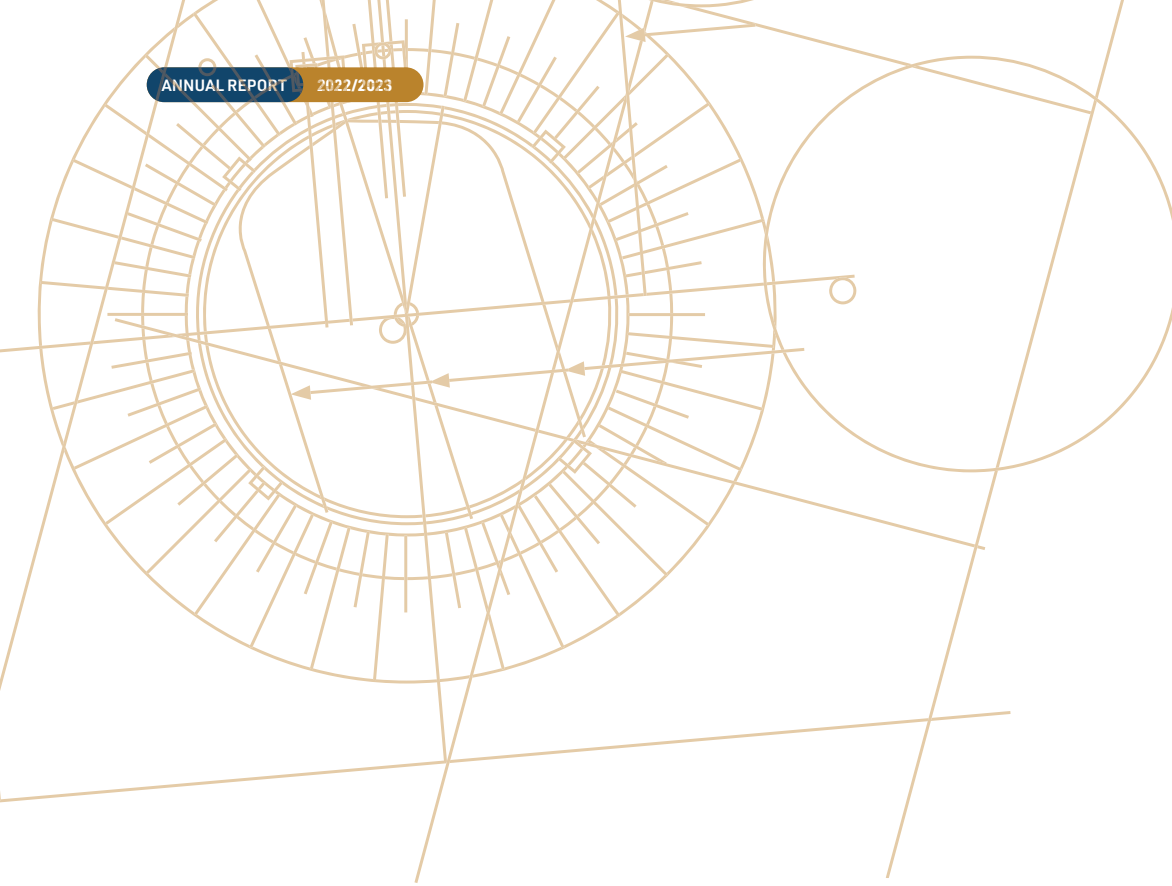
Dr S Manana
Acting Chief Executive



Adv. BS Khuzwayo, SC
Chairperson of the Board



A PROFILE OF THE ORGANISATION



Introduction

Mhlathuze Water (MW) is a state-owned entity based in Richards Bay and operating in the Province of KwaZulu Natal. However, due to its geographic location in Richards Bay, the entity predominantly operates in the uMkhanyakude, King Cetshwayo and Zululand District Municipalities.

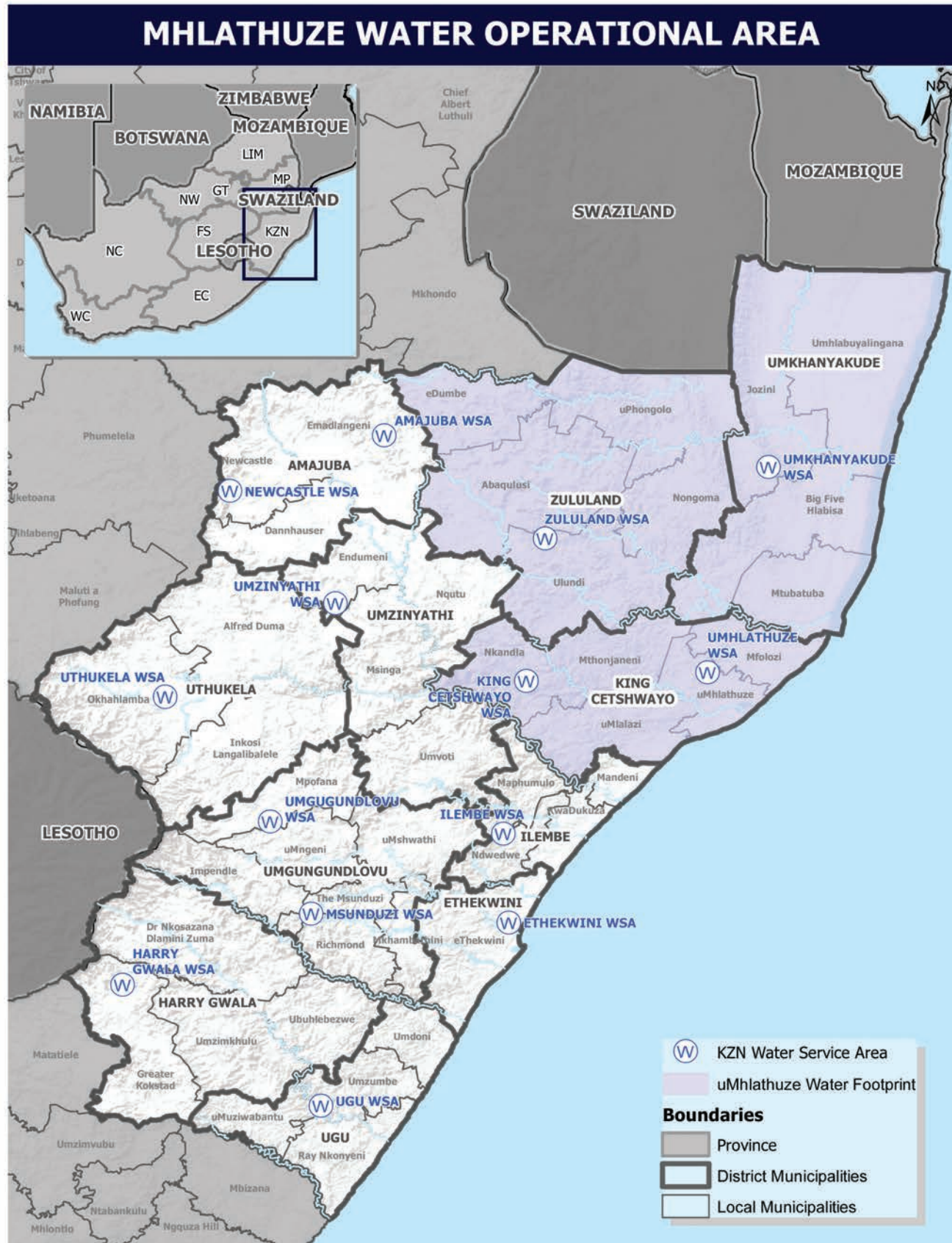
Richards Bay is supplied by three dominant water sources namely: Mhlathuze River, Lake Mzingazi and Lake Nsezi. The organization's business activities include raw (untreated), clarified (partially treated) and purified water supply; disposal of industrial and domestic waste water; and scientific services. The organisation provides these bulk water services in a sustainable and cost-effective manner. The organisation's major clients include: Foskor, Richards Bay Minerals, City of uMhlathuze and Mondi.

Mhlathuze Water strives to achieve its role as a water board by being a responsible bulk water service provider in terms of the Water Services Act, 1997 No. 108 of 1997, and by supporting and assisting local water service authorities with planning, development, operations and maintenance of water services schemes. Maintaining and expanding good relationships with its existing customers is a key success factor for sustainability of the organisation.

As mentioned in the mission statement, Mhlathuze Water strives to contribute towards economic growth through the provision and efficient management, and maintenance of bulk services to new industrial investors and residential demands and expansions. Making a meaningful and noticeable contribution to the daily lives of the communities that live within its immediate area of operation is achieved through the organisation's Corporate Social Investment and Rural Development Programmes respectively. In providing these services to customers, Mhlathuze Water strives to protect the natural and social environmental and water resources.

Mhlathuze Water is proud to be associated with its employees. It is stated boldly in the organisation's mission statement and in the core set of values that the organisation promotes. The organisation ensures that its most important resource; the employees, are managed, supported, developed and rewarded in a responsible, transparent and unbiased manner by implementing the human resources management and development policies.

Figure 1: Area of Operation



SOURCES

Boundaries: MDB
 Rivers: OSM
 Cities: StatsSA
 WSA: DSW

PROPERTIES

Document Name :
 Mhlathuze Water Operational Areas
 Creation date : 04/12/2019

Created by :
 Mhlathuze GIS
 Print format : A4 Potrait
 Confidentiality : Public

SCALE

1:2 280 000 1 cm = 22 800 m
 0 20 40 60 80 100 km





B CORPORATE GOVERNANCE

6. Vision, Mission, Values and Critical Success Factors

6.1 Vision, Mission, Outcomes and Key Strategic Objectives



6.2. VALUES

Mhlathuze Water will develop a culture of trustworthiness, transparency and loyalty that responds to the needs of customers and employees with honesty and passion.

Ethics and Integrity

To act within high moral and professional principles in a resolute and truthful manner.

Excellence and Quality

To maximise the use of available resources so that Mhlathuze Water continues to produce work of excellent quality.

Fairness and Redress

To treat customers in a fair and equitable manner and put right what was wrong harness good relationships.

Creativity and Innovation

To continually strive for new, different and efficient ways of doing business, challenging the status quo, mind-sets and assumptions.

Enthusiasm and Passion

To encourage employees and stakeholders to have a healthy and live interest in the business of the organisation, to build momentum and drive change.

Viability and Sustainability

To provide the services in a manner that would ensure its longevity whilst maintaining such so that it is not detrimental to the environment, the economy, nor society.

6.3. CRITICAL SUCCESS FACTORS

Good Governance

To conduct and present the business in a reliable, transparent, accessible and compliant manner.

Customers and Communities

To cordially consult with customers and communities on the services provided in an open, responsive and transparent manner.

Operations

To deliver services to customers and communities in a safe, healthy, efficient and environmentally friendly manner.

Skills and Competence

To attract, develop and retain a diverse, skilled and competent workforce

Financial Viability

To optimise available resources through sound financial management, asset management and sustainable tariffs.

Research and Development

To continuously strive to create and harness knowledge to advance the organisation and find innovative solutions to improve organisational performance and efficiency.

7. Legislative and other Mandates

The Board and Management of Mhlathuze Water have committed to discharge their duties of good corporate citizenship by ensuring compliance to all applicable laws and good corporate governance principles that are inherent in sound business practice.

These are prescribed within a specific, applicable legal and regulatory framework for public entities such as the Public Finance Management Act, 1999 (Act No.1 of 1999), the Water Services Act, 1997(Act No.108 of 1997) and the King IV Report, which are the cornerstones of these prerequisites. Changes to the accounting standards that impacted on the financial reporting have been acknowledged to ensure minimal deviations from the requirements. Mhlathuze Water realises that compliance is an ongoing process and will, therefore, continue to seek sound and innovative ways to ensure full compliance in all the reporting obligations to both its customers and stakeholders to maintain transparency, effectiveness and accuracy.

7.1. Legislative Mandates

7.1.1 Constitution of the Republic of South Africa

The Constitution of the Republic of South Africa, 1996 (Act 108 of 1996) states that members of Cabinet are individually and collectively accountable to exercise their powers and provide Parliament with full and regular reports on matters under their control. The Constitution specifies that institutions have a responsibility to publish administrative and performance information to account to Parliament and provincial legislatures.

7.1.2 Water Services Act, 1997

The Water Services Act, 1997 (Act No. 108 of 1997) sets out objectives to provide for amongst other matters; the rights of access to basic water supply and basic sanitation and the establishment and disestablishment of water boards and water services committees and their powers and duties.

7.1.3 National Water Act, 1998 (Act 36 of 1998)

The National Water Act, 1998 (Act 36 of 1998) recognizes that water is a scarce and unevenly distributed national resource which occurs in many different forms. It further states that while water is a natural resource that belongs to all people, the discriminatory laws and practices of the past have prevented equal access to water and use of water resources. This Act acknowledges the National Government's overall responsibility for and authority over the nation's water

resources and their use, including the equitable allocation for beneficial use.

7.1.4 Public Finance Management Act, Act 1 of 1999 (as amended)

The Public Finance Management Act (PFMA) (Act 1 of 1999) outlines the fiduciary roles and responsibilities of both the Board and the Officials of Mhlathuze Water. Mhlathuze Water is a Schedule 3B Government Owned Business Enterprise. Amongst other responsibilities, the Board must submit the report and statements for tabling in Parliament or the provincial legislature, to the relevant Executive Authority through the Accounting Officer of a department designated by the Executive Authority.

7.1.5 Disaster Management Act, Act 57 of 2002.

According to Section 25 of the Disaster Management Act, "each national organ of state indicated in the national disaster management framework must prepare a disaster management plan" setting out "the way in which the concept and principles of disaster management are to be applied in its functional area".

7.1.6 Other legislative imperatives include, but are not limited to:

Companies Act, 2008 (Act 71 of 2008);
Treasury Regulations (in terms of the PFMA Act 1 of 1999);
South African Receiver of Revenue Act 34 of 1997;
National Environmental Management Act 107 of 1998;
The National Environmental Management: Integrated Coastal Management Act 24 of 2008;
Occupational Health and Safety Act 85 of 1993;
The Compensation for Occupational Injuries and Diseases Act Treasury Regulations 130 of 1993;
Employment Equity Act 55 of 1998;
Labour Relations Act 66 of 1995;
Basic Conditions of Employment Act 75 of 1997;
Skills Development Act 97 of 1998;
Protection of Personal Information Act 4 of 2013; and
Protected Disclosures Act 26 of 2000.
Disaster Management Act 57 of 2002.
King IV Report on Corporate Governance for South Africa

7.2 Other Mandates Relevant To Mhlathuze Water

7.2.1 United Nation's Sustainable Development Goals

Mhlathuze Water further contributes to the SDGs by building capacity and capability in water- and sanitation-related activities and programmes, including water harvesting, desalination, water efficiency, wastewater treatment, recycling and reuse technologies.

Through these programmes, Mhlathuze Water aim to further contribute to support and strengthen the participation of local communities in improving water and sanitation management, drive towards achieving universal and equitable access to safe and affordable drinking water; and adequate and equitable sanitation and hygiene for all especially to those in vulnerable situations.

The organisation further aims to contribute to improve water quality by reducing pollution, eliminating dumping and minimising the release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally.

Mhlathuze Water committed itself to substantially increase water-use efficiency and ensure sustainable withdrawals and supply of freshwater to address water scarcity and work

with Water Services Authorities to substantially reduce the number of people suffering from water scarcity.

7.2.2 National Development Plan

The National Development Plan (NDP), Vision 2030, adopted by Cabinet in 2012, is the visionary blueprint of government, with business and society as collaborative partners. This long-term plan for the country, which cuts across all sectors of society, identifies the critical challenges to be addressed by the country over the period to 2030. The NDP aims to integrate planning and ensure greater policy coherence in government, thus building a common vision of South Africa in 2030.

7.2.3 National Water and Sanitation Master Plan; 2018

It is critical for Mhlathuze Water to align itself to the Department of Water and Sanitation's National Water and Sanitation Master Plan. The Master Plan aims to minimise the strain placed on the scarce water resources available in South Africa, guide water services authorities and institutions to be make provision of water services to address three areas of inequality and drives the point of preserving and managing the quality of water through protecting and restoring ecological infrastructure.





8. Mhlathuze Water's Business

Our services:

- ↳ Bulk Water provision: raw, clarified and purified to industries and Water Services Authorities
- ↳ Bulk waste water disposal
- ↳ Section 30 Additional Activities as permitted in the Water Services Act

8.1 Section 29: Core Business

8.1.1 Bulk water provision

Mhlathuze Water provides raw, clarified and purified water to industries and water service authorities through its flagship Nsezi Water Treatment Plant which provides treated water that meets and exceeds the quality standard for drinking water as well as customer specific requirements for both domestic and industrial purposes. The production capacity is 74mil m3 per annum.

8.1.2 Bulk waste water disposal

Mhlathuze Water collects waste water from all industries and disposes off through the sea off shore pipelines in a safe environment. The disposal capacity is 120mil m3 per annum.

8.2 Section 30: Other Activities

8.2.1 Scientific Services

The organisation is the proud owner of a state-of-the-art water and waste water testing laboratory facility. The facility is ISO 17025 accredited and offers a variety of water quality testing services in the fields of chemistry, microbiology and hydrobiology.

The laboratory uses a Laboratory Information Management System (LIMS) to support its operations in managing samples, integrating instruments, exchanging electronic data and facilitating reporting. The services focus on developing internal Research & Development expertise in order to deal with current innovation challenges in the sector. The initial approach will be collaborative (with external institutions) whilst building internal capacity.

8.2.2 Project implementation and management services

Mhlathuze Water possess a wide range of experience in programme and project implementation; as well as management services in both bulk water and sanitation projects.

9. Board Member Appointment Dates and Details

9.1 THE BOARD

The former Board members of Mhlathuze Water were appointed by the Minister of Water and Sanitation (DWS) in terms of the Water Services Act, 1997 (Act 108 of 1997) to ensure that governance is effective, appropriate and within the bounds of sound corporate governance practices. The Minister reappointed the former Board on 5 December 2022 up until the reconfiguration of the two water boards in KZN were concluded on 30 June 2023. The activities of the former Board are outlined in paragraphs 9.2 and 9.3 below.

The profiles included in this Annual Report is that of the newly established Board of the uMngeni-uThukela Water entity appointed by the Minister in terms of the Water Services Act. Since the Minister disestablished Mhlathuze Water on 30 June 2023 (GN: Vol. 696, No 48833, 19 June 2023), the Board of uMngeni-uThukela Water appointed by the Minister presided over the transfer of staff, assets and liabilities to the new entity effective from 1 July 2023. This included the conclusion of the 2022/2023 external audit of the financial statements, performance information and submission of this annual report.



Adv. Vusi Khuzwayo SC.

Appointed as the Chairperson and Board Member 01 October 2023.

Adv. Khuzwayo has more than 31 years practical experience in law, admitted to practice in RSA and Lesotho. Currently practising from the Durban Chambers. He is currently serving as the chairman of the Integrated Forensic Accounting Services (Pty) Ltd, erstwhile chairman of KZN Gaming and Betting Board. He is currently the sole member of QCK Lezmin 4650 cc, with interest in property portfolio.



Ms Nothando Nonkululeko Mkhize

Appointed as Board Member and Deputy Chairperson on 01 October 2023.

Ms. Mkhize is certified Director with the Institute of Directors in South Africa. She holds a degree in Civil Engineering specializing in Water, a Postgraduate diploma in Project Management, and a diploma in Civil Engineering. Her experience spans across both the public and private sector. she served as the non- Executive director at Mhlathuze Water,

She has a deep understanding of the public sector governance and oversight, Statutory compliance requirements, PFMA, Treasury Regulations King INV Code on Good Corporate Governance in South Africa (King IV), the Companies Act and other legislation applicable to the public sector including municipal entities



Adv. Kwazikwenkosi Innocent Mshengu

Appointed as Board Member on 01 October 2023

Adv. Mshengu has 11 years' experience in government administration and 3 years as MEC for Education.

Leadership: Former CSRC President-General and Former CSRC Secretary General at UKZN.



Ms Diana Gloria Hoorzuk

Appointed as Board Member on 01 October 2023

Ms. Hoorzuk is a former Deputy Mayor of eThekweni Municipality and Chair of Finance Committee of Council in 2021. Former local government Councillor for a period of 20 years. She held various positions of office during her tenure as a Councillor at eThekweni Municipality.



Mr Sibusiso Wycliff Mkhize

Appointed as Board Member on 01 October 2023.

Mr. Mkhize is a Public Administrator and has accumulated over 20 years' experience in various public and service delivery management roles within Local, Provincial and National Government. These roles included being a Transformation Manager, responsible for amalgamation and integration of policies, structures, systems and procedures from various erstwhile Transitional Local Authorities into a single wall-to-wall then Hibiscus Coast Municipality.

A vast experience of more than 10 years as an accounting office at Local Government including a Water Service Authority. A Ministerial Representative at one distressed Municipality responsible for financial, governance and service delivery recovery plan. A General Manager: Corporate Services responsible for organisational efficiency and effectiveness at a provincial department member of US based Global Decisions Inc.



Mr Khanyisani Stanley Shandu

Appointed as Board Member on 01 October 2023.

Mr. Khanyisani Shandu is a distinguished business man and community leader with an exceptional track record. He is the founder and driving force behind a highly successful business operating in the Civil Construction and Engineering Sector, known as Lthah Africa.

With a background as a Chemical Engineer, Mr. Shandu possesses over 5 years of Invaluable experience in Plant Management and Operation at Sappi Salcor. His expertise In managing large scale projects across various industries showcases his proficiency in leveraging world-class engineering infrastructure. Under his exemplary leadership as the Managing Director, the company has achieved remarkable growth and established itself as a significant player in the Construction and Engineering Sector.

Mr. Shandu's commitment to social responsibility is evident In his employment and development of over 2000 young South Africans. Moreover, he actively promotes young talent by providing sponsorship opportunities and serving as a mentor. With a strong business acumen, extensive experience in engineering, and a dedication to community empowerment, Mr. Khanyisani Shandu Is a highly respected figure In both the business and social spheres.



Ms Senamile Masango

Appointed as Board Member on 01 October 2023.

Ms. Masango is a Director at Mphathisithle Consultancy (PTY): Clean sustainable and innovative- energy solutions, focuses on Renewables, Climate Change, Energy Decarbonisation, Just energy transition. Founder of the Senamile Masango Foundation, Non-executive Director at South African Nuclear Energy Corporation, Ltd (NECSA), Chairperson of the Research, Development and Technology Subcommittee at NECSA, Council Member at The University of the Western cape and Non-Executive Director at Moses Kotane Institute



Mr Timothy Cornish

Appointed as Board Member on 01 October 2023

Mr. Cornish brings a wealth of experience spanning over 45 years in the fields of civil engineering, project management, and water sector support. He has dedicated ten years, divided into two periods, to working for Umgeni Water, focusing on the design and project management of major projects within the CAPEX program.

For nine years, he served as the manager of water and sanitation services for what is now the Msunduzi Municipality. Additionally, Mr. Cornish has contributed his expertise in the private sector, working for a contractor in a senior role on the construction of the King Shaka Airport.



Adv. Lavandran Gopaul

Appointed as Board Member on 01 October 2023.

Adv. Gopaul is a Director & Fund Manager of Merchant Afrika. He held various Director level and senior management roles in stock brokering, derivatives, fund management and law. Gopaul wrote a regular Sunday Tribune & Post column on Finance, Economics and business personalities. Past Adjunct Academic at Mancosa. He is a regular finance and economics commentator on TV and Radio since 2000.



Ms Hlengiwe Mvubu

Appointed as Board Member on 01 October 2023.

Ms Mvubu is an experienced Public Affairs & Stakeholder Executive with over 22 years of experience. She has held positions at Foskor, including Communications & PR Specialist as the first black PR Professional in 2004. She has served as Group Stakeholder Manager for Foskor Richards Bay Division, Phalaborwa, and Johannesburg. She is an impact driven professional currently works at Mondi South Africa responsible for managing Stakeholder Engagement,



Mr Sipho Maxwell Mtolo

Appointed as Board Member on 01 October 2023

Mr. Mtolo, possess a diverse career that spans both from the public and private sectors. He has served as a soldier between 1994 and 2006 in the Umkhonto Wesizwe Military and the South African National Defence Force. He then ventured into Engineering consultancy, Property development, printing, and building construction



Ms Thandazile Mhlongo

Appointed as Board Member on 01 October 2023.

Ms. Mhlongo's area of expertise is mainly on Project Management; Contract Management; Project Finance; Risk Management; Human Resources Management; Auditing; Performance Management System; Internal Audit; Risk Management; Corporate Governance; Supply Chain and Asset Management.

9.2 Attendance Of The Board Meetings

Number of quarterly Board Meetings held	4
Number of Special Meetings held	10
Attendance per member: (July 2022 to June 2023)	
Ms TA SHANGE (Chairperson)	14/14
Mr SZ HLOPHE (Deputy Chairperson)	13/14
Mr MM XULU (SET Chairperson)	13/14
Mrs N GEVERS (FINCOM Chairperson)	13/14
Mr BV MSHENGU (HR&REMCO Chairperson until Dec 2022)	10/10
Mr MP ZIKALALA (IOC Chairperson)	13/14
Mrs A BADUL	14/14
Mrs GD BIYELA	10/14
Dr ME MAKGAE (HR&REMCO Chairperson from Jan 2023)	14/14
Ms N MKHIZE	13/14
Prof PS REDDY	13/14

↳ BV Mshengu – term of office expired in Dec 2022

↳ M Makgae was appointed as the chairperson of HR&REMCO in Jan 2023

9.3 Board Committees

9.3.1 Audit and Risk Committee

The Audit and Risk Committee serves as an objective structure that is entrusted with the responsibility of reviewing and making recommendations on issues relating to improving the effectiveness of organisational governance, manage organisational risks and internal controls.

Number of meetings held:	8
Attendance per member: (July 2022 to June 2023)	
Mr SZ HLOPHE – Chairperson	8/8
Mr MM XULU	7/8
Mrs A BADUL	3/3
Ms N MKHIZE	5/5
MR B MSHENGU	3/3
DR ME MAKGAE	5/5

↳ BV Mshengu – term of office expired in Dec 2022

↳ In Jan 2023 A Badul was replaced by M Makgae

↳ N Mkhize was added as a member of the committee from Jan 2023.

9.3.2 Finance Committee

The Finance Committee serves as an independent oversight structure that is entrusted with the responsibility of reviewing and making recommendations on issues relating to financial budgeting, including the preparation of annual operating and revenue budgets and periodic budget reviews. This committee further ensures that the organisation maintains the required standards of financial management and reporting. It gives assurance on the availability of funds for both operational and capital budget requirements

Number of meetings held:	7
Joint Committee Meetings of Infrastructure & Operations and Finance	3
Attendance per member: (July 2022 to June 2023)	
Mrs N GEVERS – Chairperson	10/10
Dr ME MAKGAE	6/6
Mrs GD BIYELA	7/10
Mr MP ZIKALALA	4/4
MS N MKHIZE	5/6
MRS S HLOPHE	5/6

↳ In Jan 2023 M Zikalala was replaced by S Hlophe.

↳ M Makgae and G Biyela were removed from the committee when the committees were reconfigured.

↳ N Mkhize was added as the members of the committee from Jan 2023 when the committees were reconfigured.

9.3.3 Infrastructure and Operations Committee

This committee provides oversight on the implementation of core strategic infrastructure programmes, aimed at enhancing the provision of bulk water while developing and maintaining sustainable customer and stakeholder relationships to achieve cost effective, reliable and sustainable water and related services. The committee is also tasked with the responsibility of ensuring that water produced by Mhlathuze Water complies with water quality standards, health and safety standards and environmental risks issues.

The committee discharges its duties through recommending capital projects reports to the Board and ensures that capital projects are completed on time and cost effectively to improve service delivery on communities and fulfil the Shareholder mandate.

Number of meetings held:	4
Attendance per member: (July 2022 to June 2023)	
Mr MP ZIKALALA – Chairperson	4/4
Mr SZ HLOPHE	1/1
Ms N MKHIZE	2/2
Prof PS REDDY	2/2
MS N GEVERS	4/4
MRS G BIYELA	2/2
MRS A BADUL	2/2

↳ In Jan 2023 N Mkhize was replaced by S Hlophe.

↳ A Badul, G Biyela were added as new members of the committee.

↳ P Reddy was removed from the committee.

9.3.4 Human Resources and Remuneration Committee

The purpose of the Human Resource and Remuneration Committee is to establish and oversee the human resources policies and procedures, which govern the areas of recruitment, resignations, retirements and terminations, organisational planning and design, training and development and succession planning. This committee reports and recommends to the Board issues relating to human resource policies, employment equity, remuneration, the organisational structure, and compliance with labour relations matters. The Companies Act, 2008 (Act No. 71 of 2008) requires and the King IV Code recommends public companies to establish this committee.

Attendance of the Human Resources & Remuneration Committee

Number of meetings held:	6
Attendance per member: (July 2022 to June 2023)	
Mr BV MSHENGU - Chairperson	3/3
Mr SZ HLOPHE	3/3
Dr ME MAKGAE - Chairperson	3/3
Mrs GD BIYELA	6/6
MS N MKHIZE	2/3
Mr M ZIKALALA	3/3

- ↳ BV Mshengu – term of office expired in Dec 2022 and ME Makgae was appointed as the chairperson of the committee in Jan 2023
- ↳ Jan 2023 reshuffling of committee members: M Zikalala replaced SZ Hlophe, N Mkhize was removed from this committee

9.3.5 Social and Ethics Committee

The Companies Act, 2008 (Act No. 71 of 2008) requires that the Boards of all listed public companies, state-owned enterprises (SOEs) and companies with significant public interest should have a social and ethics sub-committee. This emphasizes that companies have a significant social impact on the societies in which they operate. This committee is responsible for oversight and reporting on organisational ethics, responsible corporate citizenship, sustainable development, transformation and stakeholder relationships as stated in the King IV Report on Corporate Governance.

Attendance of the Social and Ethics Committee

Number of meetings held:	6
Attendance per member: (July 2022 to June 2023)	
Mr MM XULU – Chairperson	6/6
Mrs A BADUL	3/3
Prof PS REDDY	6/6
DR M MAKGAE	6/6
MR M ZIKALALA	2/3

- ↳ In Jan 2023 A Badul was replaced by M Zikalala

9.4 Other Governance Matters

9.4.1 Company Secretariat

The Company Secretary is responsible for the secretariat function at a strategic level, governance advisory services, compliance management and also plays a critical role in legal advisory to the Board and Organisation in relation to King IV. The Company Secretariat attends all Board and Board sub-committee meetings.

The Board and members of the Executive Committee have access to the Company Secretary for guidance on how to perform their duties and responsibilities in the best interests of the Organisation. The Company Secretary is responsible for the ongoing training of Board members and the scheduling, preparation and administration for Board and Board sub-committee meetings.

9.4.2 Disclosure of Interest

Principle 7, Practise 25 of King IV recommends that: "Subject to legal provisions, each member of the governing body should submit to the governing body a declaration of all financial, economic and other interest held by the member and related parties at least annually or whenever there are significant changes." During the period under review, all members of the Board submitted their general declarations of all financial, economic and other interests. At every Board and Committee meetings, members are required to declare any interest, real or perceived, pertaining to agenda items of each meeting

9.4.3 Code of Conduct

Mhlathuze Water has a comprehensive Code of Conduct that applies to directors, management and employees in regulating conditions that constitute or could constitute a conflict.

Objectives of this Code, among others, are to:

- ↳ Promote transparency and avoid business related conflicts of interest;
- ↳ Ensure fairness in dealing with the interests of all employees, other affected individuals and the company;
- ↳ Document the process for disclosure, approval and review of activities that may amount to actual, potential or perceived conflicts of interest; and
- ↳ Provide a mechanism for the objective review of personal outside interests.

9.4.4 Internal Control

Internal control systems, for which the Board is accountable, are designed to provide reasonable assurance that assets are safeguarded and that liabilities and working capital of the Organisation are efficiently managed. Features of Mhlathuze Water's internal controls are:

- ↳ A system of financial planning, budgeting and reporting, which allows continuous monitoring of the Organisation's performance;
- ↳ A materiality and significance framework;

- ↳ Clearly defined delegations of authority;
- ↳ The establishment of a short-, medium and long-term funding strategy;
- ↳ An effective tariff model; and
- ↳ Established policies and procedures.

Internal audit performs an independent assessment of the internal control systems and business risks and reports to the Board through the Audit, Risk and Finance Committee.

9.4.5 Risk Management

The Board is ultimately accountable for risk management and the system of internal controls at Mhlathuze Water. The Board has set the tone at the Top by implementation of the Enterprise Risk Management Policy and approved the Enterprise Wide Risk Management Implementation Plan 2022/23 in order to increase probability for achievement of strategic objectives. The Risk management plan outlines set objectives supported by various risk management programs that aimed to build a smart workforce and build risk intelligent organization.

9.4.6 Internal Audit

Internal Audit function is an independent assurance provider. The function reports administratively to the Chief Executive and functionally to the Audit, Risk Committee. The function has a specific mandate directly from the Audit, Risk Committee to independently appraise the adequacy and effectiveness of risk management, internal controls and governance of Mhlathuze Water. Internal Audit Function adheres to a 3-year rolling Internal Audit Plan aligned to Mhlathuze Water's Corporate Strategy that seeks to achieve the following objectives:

- ↳ Effectiveness and efficiency of operations;
- ↳ Reliability of financial reporting; and
- ↳ Compliance with relevant laws and regulations.

In line with the Institute of Internal Auditors, PFMA and King IV requires internal audit to provide reasonable assurance on the adequacy and effectiveness of risk management, internal controls and governance to management and the Board via the Audit, Risk & Finance Committee.

9.4.7 External Audit

The Auditor General of South Africa (AG) is mandated to conduct an independent appraisal of Mhlathuze Water. The AG provides independent assurance on Mhlathuze Water's Annual Financial Statements including review of predetermined objectives information, risk management, internal control systems and compliance with legislation and regulations applicable to the institution.

The audit outcomes are presented as per the Public Finance Management Act (PFMA) and other regulations related to public entities. The audit report is tabled to National Parliament through the Portfolio Committee on Water and Sa Chief Executive Unit

9.5. Report by the Audit and Risk Committee for the year ended 30 June 2023

Objective

The audit and risk committee serves as an independent body to assist the Board with its responsibility for safeguarding assets, maintaining effective and efficient internal controls, risk management, IT governance, performance information, performing oversight in the review of the financial information and overseeing the preparation of the financial statements.

Audit and Risk Committee Responsibilities

The Audit and Risk Committee reports that it has complied with its responsibilities arising from Section 51 (1)(a) of the PFMA, Treasury Regulations 3.1.13, and principles of King IV Report on Corporate Governance. The Audit and Risk Committee also reports that it has adopted formal terms of reference as its audit and risk committee charter and has regulated its affairs in compliance with this charter. The Audit

and Risk Committee has reviewed its charter during the year and has made amendments which were subsequently approved by the Board.

Audit and Risk Committee Composition And Attendance

The composition of audit committee as per Section 77 of the Public Finance Management Act, No. 1 of 1999 (PFMA) prescribes that, "An audit committee must consist at least three persons". During the year under review, Audit and Risk Committee comprised of 04 independent members. This requirement was accordingly complied with.

The Audit and Risk Committee held 08 meetings during the 2022/2023 financial year and the member's attendance was as follows:

Attendance of the Audit & Risk Committee

Number of meetings held:	8
Attendance per member: (July 2022 to June 2023)	
Mr SZ HLOPHE – Chairperson	8/8
Mr MM XULU	7/8
Mrs A BADUL	3/3
Ms N MKHIZE*	5/5
MR B MSHENGU*	3/3
DR ME MAKGAE*	5/5

- BV Mshengu – term of office expired in Dec 2022
- In Jan 2023 A Badul was replaced by M Makgae
- N Mkhize was added as a member of the committee from Jan 2023.

As per table above the meetings attendance was satisfactory from all members of the committee, the committee was able to discharge its duties and responsibilities.

In the conduct of its duties, the Audit and Risk Committee has been complying with its Charter and has discharged its responsibilities therein. The Committee is satisfied that it complied with legal, regulatory and other responsibilities. Audit and Risk Committee performed the following statutory duties and would like to report as follows:

9.5.1 External Auditors Appointment and Independence

With effect from year ended 30 June 2017, the Auditor General of South Africa (AGSA) in terms of Section 4 (3) (a) of the Public Auditors Act, No 25 of 2004, took over the audit of Mhlathuze Water. The Committee in consultation with Management accepted the terms and conditions of the engagement letter, audit fees as outlined in the audit strategy for the year under review.

9.5.2 Efficiency and Effectiveness of Internal Controls

The system of internal control employed by the entity to financial and risk management is partially effective, efficient and transparent in line with the PFMA and the recommendations from the King IV Report on Corporate Governance requirements. Internal Audit provides the Audit and Risk Committee and management with assurance that the internal controls are appropriate and effective. This is achieved through the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes.

From the various reports of Internal Audit, the Audit Report on the annual financial statements and the management report of the Auditor-General South Africa (AGSA), it was noted that certain matters were reported indicating deficiencies in the system of internal control. It is of crucial importance that the issues reported should receive ongoing

attention and focus by management to effect qualitative administration and financial management within the entity. Management has committed to implement corrective action and this will be closely monitored by the Audit and Risk Committee. Among other things in this financial year, a review and investigation of irregular, fruitless and wasteful expenditure has been undertaken. A team has been appointed to assist management with the review of irregular expenditure as reported by AGSA in the 2020/21 audit.

Mhlathuze Water has anti-corruption measures that curb the frequency and magnitude of fraud and corruption. The Audit and Risk Committee is satisfied that the prevention of fraud controls has improved and continues to be monitored. Fraud and other irregular activities are reported through the whistle blower hotline that is monitored by an independent service provider.

9.5.3 Internal Audit

The Audit and Risk Committee reviewed and approved the Internal Audit Charter. The Internal Audit Plan was also approved after considering specific risk areas facing Mhlathuze Water. The Audit and Risk Committee considers the internal audit function to be optimally resourced. During the year under review the Internal audit function comprised of internal staff and co-sourced capacity. The Audit and Risk Committee decided on this approach so as to build internal capacity and gain skills from the external service provider. The Audit and Risk Committee also reports that out of the planned audits and activities of the Internal Audit, all the audits were concluded.

9.5.4 Review of Annual Financial Statements

The Audit and Risk Committee has exercised oversight over reviewed Annual Financial Statements, before submission to the Office of the Auditor-General. The Audit and Risk Committee was satisfied with the going concern basis used to prepare the Annual Financial Statements. We are of the view that Mhlathuze Water is a viable business that it is and will be able to meet its obligations as they fall due. Improvement was noted on planning and quality of Financial Statements that were submitted to the Committee.

The Audit and Risk Committee will continuously engage management and review the action plans to address the issues raised.

Among other responsibilities allocated to the Audit and Risk Committee, the committee performed the following:

- ↳ Reviewed the entity's compliance with legal and regulatory provisions where internal audit reports were discussed with the Audit and Risk Committee and Management in which corrective actions were identified in instances where weakness in the systems of internal controls were identified.
- ↳ Reviewed the information on predetermined objectives in which internal audit presented the annual performance report to the Audit and Risk Committee.

The report of the Auditor-General on the Annual Financial Statements for 2022/23 is noted. While the entity received an unqualified audit opinion, the Audit and Risk Committee is concerned with matters raised in the management letter and some compliance issues on the report itself. We will ensure that management develop an action plan addressing issues raised by Auditor General and these will be submitted to the new Audit Committee for continuous monitoring and implementation of corrective measures in this regard.

9.5.5 Risk Management

The Audit and Risk Committee considered and approved the Risk Management Framework. The Entity conducted risk assessment workshops during the year addressing both operational and strategic risks. Included in the operational risk register are Information Technology related risks. Management also developed a fraud risk register which was considered by the Audit and Risk Committee.

The assessment of internal controls over financial reporting is risk-based and hence the Audit and Risk Committee is responsible for overseeing management's risk policies and discussing the key risk exposures with management as per its charter.

The Audit and Risk Committee noted and considered the risk registers and the updated risk registers where it was appropriate. The strategic risk session was held with the Board and subsequently adopted by the Board. The progress on implementation of the mitigating factors is presented quarterly to the Audit and Risk Committee through the reports of internal audit and from risk unit to assess and monitor implementation.

The risk unit provided assurance concerning the management's assertions surrounding the robustness and effectiveness of risk management. Although there is room for improvement with regards to implementation of mitigating factors, management must be commended for their hard work in this regard. The Audit and Risk Committee was satisfied with the overall risk management process and the entire risk management framework applied by the entity. We however recommend that the risk function needs to be beefed up with at least one additional risk officer in future in order to allow this office to objectively fulfil its responsibilities.

9.5.6 Performance Management

As part of the responsibility of the Audit and Risk Committee, the committee amongst other things with regards to performance management:

- ↳ Reviewed and commented on the compliance with statutory requirements and performance management best practices and standards.
- ↳ Reviewed and commented on the alignment of the performance reports to performance plans and business plans.
- ↳ Reviewed and commented on the relevance of indicators to ensure that they are measurable and relate to the services performed by the Mhlathuze Water.

The Audit and Risk Committee reviews quarterly performance reports and the internal audit reports on performance management for 2022/23 financial year based on the entity's annual performance plan. The Audit and Risk Committee is dissatisfied with the effectiveness of internal controls around performance management. As have been noted in internal audit reports on performance, there is room for improvement in setting smart targets and the drive to achieve all set targets. In this regard the entity achieved 71% of the set targets for the 2022/23 financial year which is failure to achieve the set organizational performance target of 80%. We further commit to continued support to management in developing effective structures and mechanisms to support effective performance management.

Recommendations

- ↳ The Board should continue to ensure that financial sustainability plans are in place, monitored regularly and that adequate steps are taken to bring more business to Mhlathuze Water.
- ↳ The Board and management should continuously review, evaluate and monitor internal controls to implement remedial coherent action to address weaknesses. The Chief Executive must ensure that there are consequences for non-adherence with

internal controls and non-compliance with laws and regulations.

- ↳ The Chief Executive should continue ensuring that recommendations of the internal and external audit are implemented as per the action plans and report progress every quarter. This should assist towards clean audit and prevent unauthorized, irregular, fruitless and wasteful expenditure as well as non-compliance with laws and regulations.

Conclusion

The Audit and Risk Committee confirms its commitment as mandated by the Board to assist management to achieve a clean audit and clean administration. The Audit and Risk Committee also wishes to thank the Members of the Board and management for their cooperation and support as well as the teams from internal audit and the Auditor-General for their contributions.



Ms T Mhlongo

Audit, Finance and Risk Committee Chairperson

9.6 Report by the Social and Ethics Committee

Introduction

Businesses in South Africa and globally are to some extent exposed to bribery, fraud, corruption and other unethical behaviour, and Mhlathuze Water is no exception.

As such, Mhlathuze Water ensured that its business was conducted in line with the strictest ethical standards and a lot of work went towards creating a strong ethical culture, a safe and transparent working environment. The Social and Ethics Committee ("the Committee") was instrumental in facilitating Mhlathuze Water's approach to ethical leadership and offered a structured forum for the monitoring, measuring and reporting on unethical behaviour and other aspects of Mhlathuze Water's business.

The Board, together with the Chief Executive, were responsible for inculcating the ethical culture of the organisation, with support and oversight provided by this Committee.

The Committee operated within the required framework set out in Public Finance Management Act, 1999 (Act No. 1999) as amended, Regulation 43 of the Companies Act No 71 of 2008, as amended, ("Companies Act") and the King Report IV Report on Corporate Governance for South Africa 2016 ("King IV").

Composition and Terms Of Engagement

A full description of the Committee's composition and a summary of its roles and responsibilities have been highlighted in this Annual Report.

During the period under review, the Committee held four (4) quarterly meetings and two (2) special meetings. These special meetings were for the purposes of discussing issues emanating from whistle-blower reports. The committee is satisfied with the level of attendance of meetings by the members as depicted in the below table.

Table 1: Attendance of Social and Ethics Committee

Number of meetings held:	4
Number of special meetings held:	2
Attendance per member: (July 2022 to June 2023)	
Mr MM XULU – Chairperson	6/6
Mrs A Badul	3/3
Prof PS REDDY	6/6
Dr M Makgae	6/6
Mr M Zikalala	2/3

*In Jan 2023 Mrs A Badul was replaced by Mr Zikalala.

The committee was reconfigured during the period under review, thus resulting in changes to committee members.

During the period under review, the Committee remained focused on and monitored Mhlathuze Water's activities in respect of a number of matters including, inter alia: B-BBEE, Human Rights and Labour, the workplace environment, environmental safety and protection, sustainability, compliance, the social environment including the Mhlathuze Water's involvement in Corporate Social Investment and charitable giving.

During the year Mhlathuze Water continued to implement and roll-out ethics awareness campaigns and ethics training programmes. These initiatives included training on the Mhlathuze Water's Ethics policies such as the Fraud Awareness event attended by the Executive Management of MW in June. Mhlathuze Water's business and its employees were guided by the Code of Ethics and Corporate Code of Conduct.

Mhlathuze Water's zero tolerance policy towards crime and all forms of unethical conduct was clearly communicated throughout the organisation.

Whistle-Blowing

The whistle-blowing policy outlines the procedures for reporting suspected instances of corruption and ensures that employees are not penalised for coming forward. Mhlathuze Water subscribed to "Whistle-Blower and Tip-offs Anonymous" an independently-run whistleblowing service that enables employees to anonymously report suspected illegal actions and ethical misconduct. All tip-offs were actively investigated and dealt with in terms of the relevant resolution structures within the organisation. Any material risks identified were elevated as per the Whistle-blower policy.

Labour and Human Rights

All Mhlathuze Water employees enjoyed the freedom to belong to recognised bargaining councils, in accordance with the Labour Relations Act No. 66 of 1995, as amended, and the UNGC Principles. All other HR related matters were dealt with at the Human Resources & Remuneration Committee of the Board. Mhlathuze Water is confident that human rights were upheld in all dealings within the organisation.

Transformation

The Committee continued to address Broad-Based Black Economic Empowerment during the year under review. At the time of disestablishment, Mhlathuze Water maintained a level 8 B-EE rating. This is despite efforts towards moving to the desired level with the assistance of a specialist in the field. Mhlathuze Water has also analysed its operations in reference to its Sector Code requirements, and prioritised organisation spend and resource allocation to ensure that the organisation improved its required certifications.

MW strived towards transformation across all occupational levels. In line with this narrative, as positions became available within the organisation, Mhlathuze Water strived to source and promote candidates in line with the organisation's Equity Plan.

Skills

The pre-existing shortage of technical skills within the water sector in which Mhlathuze Water operated as well as the retention of current skilled employees remained a concern shared across the organisation. During the year under review, Mhlathuze Water continued to invest more on skills development, improvement, learnerships, bursary programmes and youth development programmes, to actively target specific skills and educational initiatives in order to grow and maintain talent pipelines.

Health & Safety

There were no major safety, health and environmental ("SHE") impacts on communities, employees and/or customers, in terms of Mhlathuze Water's operations, activities and services were experienced. Mhlathuze Water continues to take all reasonable steps to guard against injuries on duty on an ongoing basis.

Environment

The organisation continues to provide water in line with the requirements of SANS 241 standard for drinking water. In order to minimise environmental impact of its effluent disposal business, the organisation explored initiatives to improve the quality of the effluent discharged by reducing the volume or load of effluent. Such initiatives include amongst others wastewater reuse.

Environmental reviews were conducted across the organisation, and significant environmental impacts relating to the organisation's activities were mitigated accordingly.

The organisation continued to monitor its carbon footprint and key contributors thereof. Due to the nature of MW's business, the biggest contributor is electricity, which is an indirect contributor to the organisation's footprint.

Customer and Stakeholder Management

For the period under review, various sessions were held with stakeholders in anticipation of the reconfiguration of the entity in to an attempt to communicate the proposed changes while confirming the reconfigured entity's ability to still service and maintain relations with the strategic partners across the value chain. Other interactions aimed at broadening our footprint and reaching out to existing and prospective clients with a view to further expanding our unique value offerings were also undertaken.

Our stakeholders are classified according to our identified organisational outcomes, and include, among others: political formations, municipalities and governmental organisations and private sector representatives as well as Traditional Leaders.

For the period under review, Mhlathuze Water had ongoing engagements with its key industrial clients as well as municipalities and Traditional Leaders.

Corporate Social Investment

During the period under review, this committee took a stance to actively support initiatives which are aligned to the organisation's core mandate, focusing on provision of water and sanitation services. Accordingly, Mhlathuze Water donated two (2) water tankers along with Borehole connection at Manqamu High School situated in deep rural areas of KwaMbonambi within King Cetshwayo District Municipality. Furthermore, a number of CSI donations were also issued to assist various needy communities within the areas of Mhlathuze Water operation.

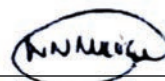
The Committee is satisfied that, in accordance with Mhlathuze Water's best practices, no political donations (whether direct or indirect) were made during the year under review.

Policies That Were Approved By The Committee

- ↳ PAIA Policy
- ↳ Legal and Compliance Policy
- ↳ Legal Policy

Conclusion

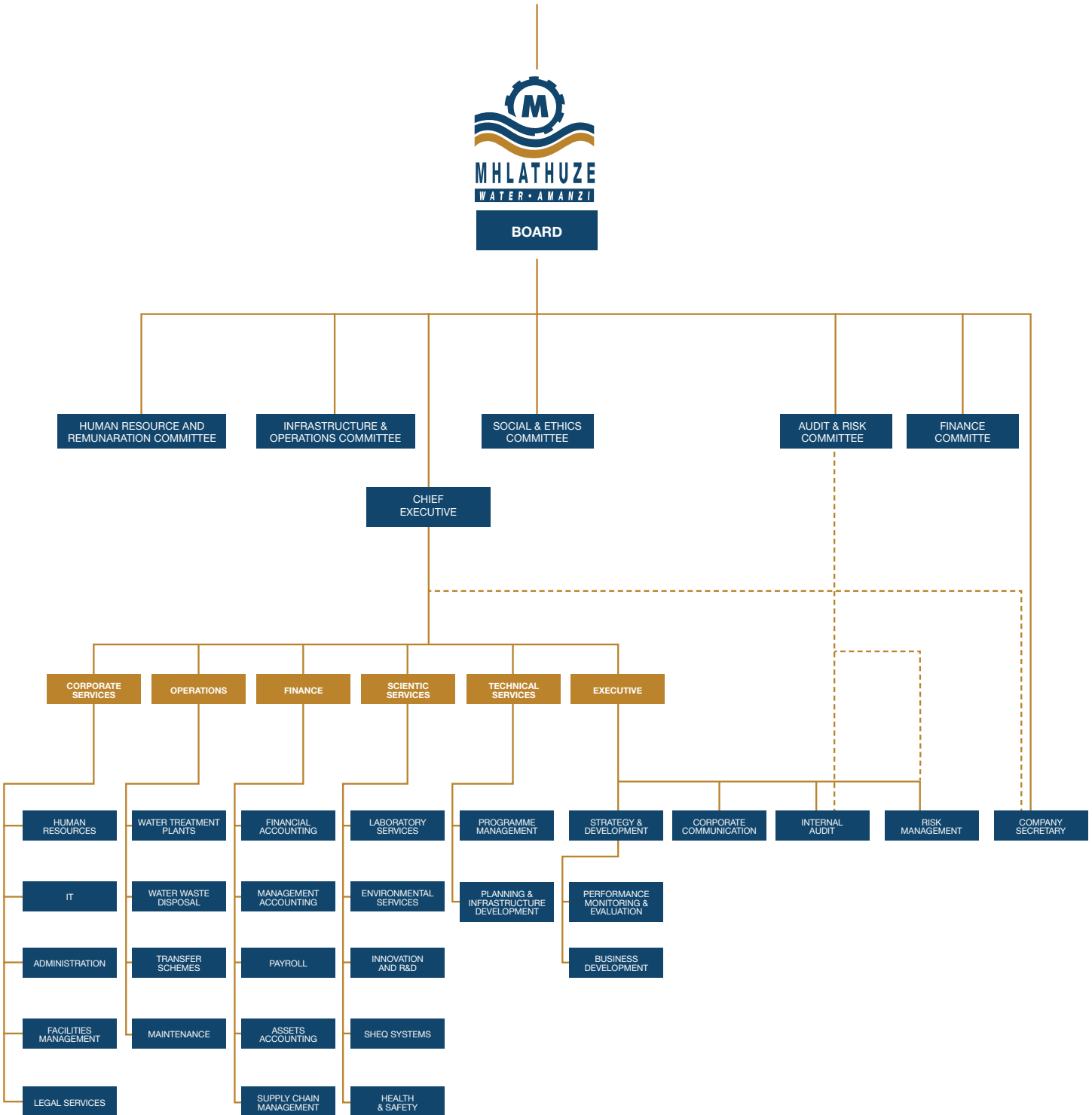
As chairperson of the Committee I am satisfied that in all material respects, the committee strived to achieve its objectives for the financial year ended 30 June 2022/23.



Ms N Mkhize

Chairperson Social and Ethics Committee
31 October 2023

11. ORGANISATIONAL STRUCTURE



11.1 Chief Executive Unit

The principal mandate of the Chief Executive Unit is to provide executive and administrative support to the Chief Executive and the Board. It performs overall oversight in ensuring the implementation of Mhlathuze Water strategic objectives through Strategy and Development, Risk Management, Internal Audit, Company Secretary, and Corporate Communications.

11.2 Corporate Services Unit

The Corporate Services Unit provides a range of corporate services functions at strategic and operational levels. The Unit manages Information Technology, Human Resources operations, Training and Development, Employee Relations, Employee Wellness, Fleet Management, Document Management, Legal Services and the individual Employee Performance Management System. The Unit's strategic intent is to resource the organisation with the required skills and competence; and to optimise business processes and systems for efficiency.

11.3 Operations Unit

The Operations Unit is driven by the mandate of ensuring effective and uninterrupted water supply and waste water disposal systems to meet the needs of customers and minimise the impact on the environment. To meet this, the Unit continuously assesses, develops and actions preventative and troubleshooting plans for maintenance and capital improvements to the organisation's assets over the short, medium and long term. The unit continuously evaluates all civil, electrical instrumentation and mechanical maintenance and commissioning programmes in order to ensure that work is executed and performed to acceptable standards.

11.4 Scientific Services

The mandate of the Unit is primarily to ensure the provision of reliable and authentic laboratory, quality and environmental management services to Mhlathuze Water and external stakeholders. It also carries the overall responsibility for the organisation's compliance with a range of industry related SHEQ Systems and standards applied to water quality; waste water discharge permits; quality assurance; health and safety; environmental compliance; and energy efficiency. The section is also the hub for innovation, research, and development. These functions are absolutely necessary for the organisation to grow and provide alternative solutions to the growing regional water challenges.

11.5 Technical Services

The key mandate of the Technical Services Unit is to design, optimise, install, and extend the required infrastructure to provide sustainable water and waste water services that meet the requirements of customers. One of the key areas of focus of the unit is the conceptualising, planning and managing the construction of expansion related infrastructure for water and waste water related services. This involves the determination of requirements for water services through requests by customers, or as decided by regional consultation with Water Services Authorities and Regional Water Service Providers.

11.6 Executive Committee of Mhlathuze Water

The Board delegates the day-to-day operation of the Organisation to the Chief Executive, who is assisted by the executives, each heading up a Unit. The executive managed the affairs of the former Mhlathuze Water up until 30 June 2023 when the entity was disestablished. The profile included that of Dr Siphon Manana as the Acting Chief Executive of the newly established uMngeni-uThukela Water, who managed the affairs of the former Mhlathuze Water since its disestablishment.

11.7 Finance Unit

The finance unit is responsible for the reported results under the leadership of the chief financial officer. It is mandated to provide efficient and effective financial resources; financial planning and budgeting; financial structures; asset management; financial services; procurement & contract management; and financial risk management in line with the requirements of the Public Finance Management Act of South Africa. The Units core business is ensuring financial viability and sustainability of the organisation, thereby contributing to delivery on the organisation's mandate. The unit furthermore plays a crucial role in statutory audit by Auditor General of South Africa, by driving an audit improvement plan to ensure that previous financial year's audit findings are resolved and not repeated.



DR. SIPHO MANANA
ACTING CHIEF EXECUTIVE

Appointed as Acting Chief Executive in July 2022.

Dr. Manana has served as Chief Director, Deputy Director General at the National School of Government from 2009 to 2019. Director in the SAPS for Skills Development and international liaison in Pretoria and Mahikeng from 2000 to 2008. Spent 13 years at the KZN Department of Education as a Science and Mathematics educator and subject specialist respectively. Has been identified as one of the Thought Leaders on the Developmental State and the NDP: Vision 2030 by IRMSA (Institute of Risk Management in South Africa) and delivers sessions regularly on their platforms. His research interest is in human resource development and developmental state theory and practice.



Mr S NTLHORO
ACTING CHIEF EXECUTIVE (up to 30 June 2023)

AGE: 51 years **RACE:** African
GENDER: Male **Period of service at Mhlathuze Water:** 15 years,4 months

CORE QUALIFICATIONS

- ↳ **BSc Hons:** Chemistry
- ↳ **BSc Hons:** Water Utilisation
- ↳ **Post Graduate Diploma:** Management

AREAS OF EXPERTISE

- ↳ Water & Waste Water Quality Monitoring & Compliance
- ↳ Laboratory Accreditation
- ↳ Laboratory Management

YEARS OF SERVICE & POSITIONS HELD ON OTHER BOARDS

- ↳ None



Ms P MAGAGULA
INTERIM CHIEF FINANCIAL OFFICER

AGE: 46 years **RACE:** African
GENDER: Female **Period of service at Mhlathuze Water:** 6 months

CORE QUALIFICATIONS

- ↳ Chartered Accountant of South Africa
- ↳ **Postgraduate Diploma:** Integrated Reporting
- ↳ **BCom Hons:** Accounting Science: CTA
- ↳ **BCom.** Accounting Diploma: Commerce
- ↳ **Certified Director:** IoDSA
- ↳ **Certified Ethics Officer:** The Ethics Institute
- ↳ **Certificate:** Executive and Management Coaching

AREAS OF EXPERTISE

- ↳ IFRS/ GRAP Reporting public sector
- ↳ Finance and supply chain management
- ↳ International Integrated Reporting Framework and General Reporting Initiative (GRI) sustainability reporting
- ↳ Non - profit organisation finance and grant management
- ↳ Corporate governance
- ↳ Organisational strategy
- ↳ Enterprise risk management
- ↳ Ethics governance and management
- ↳ Executive coaching

YEARS OF SERVICE & POSITIONS HELD ON OTHER BOARDS

- ↳ Board member and Chairperson of Finance, Audit and Risk committee: World Vision SA - 2001 to date



Ms M MOLEKO
GENERAL MANAGER: CORPORATE SERVICES

AGE: 58 **RACE:** African
GENDER: Female **Period of service at Mhlathuze Water:** 10 months

CORE QUALIFICATIONS

- ↳ **Postgraduate Diploma:** Business Management
- ↳ **BCom.** Industrial Psychology
- ↳ **Certificate:** Management Development Programme

AREAS OF EXPERTISE

- ↳ Human Resource Management
- ↳ General corporate Services
- ↳ Communications
- ↳ Organasational Development
- ↳ Human Resources Development
- ↳ Restructuring processes

YEARS OF SERVICE & POSITIONS HELD ON OTHER BOARDS

- ↳ Council of Umgungundlovu TVET College (2014-2018)
- ↳ Board of Black Management Forum (2021)
- ↳ Member of South African Reward Association (SARA)



Ms N SOJI
INTERIM GENERAL MANAGER: TECHNICAL SERVICES

AGE: 51 years **RACE:** African
GENDER: Female **Period of service at Mhlathuze Water:** 11 months

CORE QUALIFICATIONS

- ↳ **Bachelor of Technology Degree:** Civil Engineering
- ↳ **Post graduate Diploma:** Project Management
- ↳ **National Diploma:** Civil Engineering
- ↳ **BCom. Degree:** Marketing Management Development Programme
- ↳ **Diploma:** Civil Engineering
- ↳ Registered as a professional Technologist with ECSA (Pr. Engineering Technologist)
- ↳ Registered as Professional Construction Manager (Pr.CPM)

AREAS OF EXPERTISE

- ↳ Construction Project Management
- ↳ Contract Administration and change Management
- ↳ Procurement and purchasing
- ↳ Budgeting and cost controls
- ↳ Project Safety and Risk Management
- ↳ Engineering design (water, waste water and storm water)
- ↳ Planning and Scheduling
- ↳ Project Management
- ↳ Project lifecycle process Management
- ↳ Client relationship building

POSITIONS HELD ON OTHER BOARDS

- ↳ Member of the South African Civil Engineers, SAICE
- ↳ Member of the Engineering Council of South Africa, ECSA
- ↳ Member of the South African Council of Project Construction Management Profession
- ↳ Member of the Project Management of South Africa, KZN



Mr PJ MAPONYA
GENERAL MANAGER: OPERATIONS

AGE: 48 years **RACE:** African
GENDER: Male **Period of service at Mhlathuze Water:** 2 year, 6 months

CORE QUALIFICATIONS

- ↳ **ND:** Mechanical Engineering
- ↳ **Government Certificate of Competency (GCC):** Mechanical Engineer Factories (DoL)
- ↳ **Certificate:** Maintenance Management
- ↳ Currently studying Executive Development Program

AREAS OF EXPERTISE

- ↳ Executive and General Management
- ↳ Project Management
- ↳ Maintenance Management
- ↳ Operations and Production Management
- ↳ Contract Management
- ↳ Mentoring and Coaching
- ↳ Corporate Account Management

POSITIONS HELD ON OTHER BOARDS

- ↳ Chairman of the board: Thuto ke Motheo NPO
- ↳ Managing Director- Quant Services South Africa Pty Ltd 2017 to 2018



Mr D ZUNGU
ACTING GENERAL MANAGER: SCIENTIFIC SERVICES

AGE: 49 years **RACE:** African
GENDER: Male **Period of service at Mhlathuze Water:** 15 years, 2 months

CORE QUALIFICATIONS

- ↳ National Diploma: Analytical Chemistry
- ↳ Higher Certificate in Supervision and Production
- ↳ Degree: Bachelor of Technology in Management
- ↳ Master of Business Administration (MBA)

AREAS OF EXPERTISE

- ↳ Water & Wastewater Quality Monitoring & Compliance
- ↳ Laboratory Accreditation
- ↳ SHEQ management
- ↳ Health and Safety Management
- ↳ Occupational Clinic and Staff Wellness

YEARS OF SERVICE & POSITIONS HELD ON OTHER BOARDS

- ↳ None



Ms S MBATHA
COMPANY SECRETARY

AGE: 39 years **RACE:** African
GENDER: Female **Period of service at Mhlathuze Water:** 3 years, 6 months

CORE QUALIFICATIONS

- ↳ **LLB Degree**
- ↳ Admitted as attorney of the High Court
- ↳ Non Practising Member of the Legal Practise Council
- ↳ **Postgraduate:** Strategic Management and Corporate Governance
- ↳ **Certificates:** Public Sector Governance: Chartered Governance Institute of Southern Africa

AREAS OF EXPERTISE

- ↳ Legal
- ↳ Corporate governance
- ↳ Compliance Management
- ↳ Public Sector Governance

POSITIONS HELD ON OTHER BOARDS

- ↳ Member of The Institute of Directors in Southern Africa (IODSA)

11.7 Stakeholder Understanding and Support

As part of its commitment to consistent service excellence, Mhlathuze Water held a number of engagement sessions with various stakeholders from both the public and private sectors. The entity held engagement sessions with Mondli, Foskor, Nyaza Metals, Amakhosi as well as the leadership of the King Cetshwayo and UMkhanyakude District Municipalities. In preparation for the reconfiguration of Umgeni Water and Mhlathuze Water to form a single water board for KwaZulu-Natal, the entity also convened stakeholder information sessions which were led at Executive and Board levels.

Mhlathuze Water also participated in a number of community engagement sessions convened by the Minister for Water and Sanitation, Honourable Senzo Mchunu to give updates on the implementation of the section 63 intervention within the uMkhanyakude District. Due to sporadic interruptions to infrastructure projects, particularly in the Tugela-Goedetrouw Transfer Scheme Upgrades, Mhlathuze Water also undertook a series of meetings with the King Cetshwayo Business Forum.

A total of 26 stakeholder engagement sessions were undertaken in the reporting period under review. From these above mentioned engagements, a number of outcomes were achieved including:

- ↳ Resolution of community concerns around the implementation of the Tugela-Goedetrouw Transfer Scheme
- ↳ Progress update on the implementation of infrastructure project for future water security and reuse for industries and municipalities.
- ↳ Preparation of an infrastructure implementation plan for the UMkhanyakude District Municipality.
- ↳ Resolution of Business Forum concerns which had led to work stoppages in the Tugela-Goedetrouw Transfer Scheme Upgrade.
- ↳ Improved awareness at community levels on Mhlathuze Water's role in the section 63 intervention in the UMkhanyakude District

11.8 Legal Services

11.8.1 Regulatory monitoring

During the reporting period, key legislative updates were identified and communicated to various departments and the following have been noted for management or the business to take cognizance of through its monthly reporting on the MW Regulatory Register.

11.8.2 Compliance management

Mhlathuze Water's Legal Compliance Procedure made provision for routine and independent compliance monitoring to ensure that the organisation is aware of problem areas and can implement any remedial action to address such defects. The organisation needs to comply with the regulatory requirements to avoid certain risks. The risks associated with non-compliance exposes the organisation to fines, imprisonment implications and reputational risk. The compliance function monitors non-compliance and provides a compliance assurance report to alert management to any gaps in legislative compliance. High risk legislation were identified for the departments and core statutory requirements recorded in the MW Legal Compliance Procedure to ascertain and provide reasonable assurance on the efficiency and effectiveness of controls.

11.8.3 Litigation management

Disciplinary matters

A whistle blower and the Auditor General pointed certain irregularities in respect of services rendered by a Legal firm and other contracts, which led to the Board commissioning an investigation. The Chief Executive, the Chief Financial Officer and the Legal Advisor were suspended with immediate effect. Volume 1 of the Investigation Report Commissioned by the board was delivered on 30/31 May 2022 and resulted in four (4) new suspensions and instructions to undertake appropriate steps. The four (4) is in addition to the three (3) previously suspended. Disciplinary proceedings were conducted against the officials and were concluded.

Civil litigation matters

During the reporting period the Legal Services section department has been managing a number of civil litigation matters initiated and defended by McGregor Erasmus Attorneys on behalf of Mhlathuze Water.

Case	Matter	Action
IFS Report purchase orders Case No. D5617/2022	Mhlathuze Water v Former Chief Executive Officer Mhlathuze Water v Former Chief Financial Officer Mhlathuze Water v Former Legal Advisor	Civil claim for payment for the Recovery Irregular Expenditure in terms of Section 27 of the National Treasury Irregular Expenditure Framework.
Nexus Investigation Report Case No. D 3695/2022	Mhlathuze Water v Former Chief Executive Officer Mhlathuze Water v Former GM: Technical Services Mhlathuze Water v Programme Manager Mhlathuze Water v Former Chief Financial Officer Mhlathuze Water v Contracts Specialist Mhlathuze Water v Project Technician Mhlathuze Water v Rembu Construction	Civil claim for payment for the Recovery Irregular Expenditure in terms of Section 27 of the National Treasury Irregular Expenditure Framework.
Fraud between Former CE and Mhlanga Case No. D9121/2022	Mhlathuze Water v Mhlanga Attorneys Inc. & Ralph Mhlanga	Civil claim for payment for the Recovery Irregular Expenditure in terms of Section 27 of the National Treasury Irregular Expenditure Framework
Claim for payment Case No. D12382/2022	Mhlanga Attorneys Inc. v Mhlathuze Water	Recovery of Debt
CCG JV: Claim for payment on contract Case No.3509/22P	CCG Systems & Quality Design Group	Payment Dispute
CCG JV: Review Application Case No. 17278/22P	Mhlathuze Water v CCG Systems & Quality Design Group	Self-Review Application
Makadebona VIP Protection Services Case No. 4160/2023	Beetee's Cabs t/a Makadebona VIP Protection Services v MW Interim CE	Review Application to set aside the cancellation of tender no 16/11/2022/2023

Criminal matters

Following the outcome of Investigation Reports received by MW the following criminal cases were opened with the SAPS and the National Head Office of the Directorate of Priority Crime Investigation Unit (DPCI / HAWKS) of the SAPS:

Case No	Accused details	Action
D5617/2022	MW vs 3 former Officials	Civil claim for payment for the Recovery Irregular Expenditure in terms of Section 27 of the National Treasury Irregular Expenditure Framework.
D 3695/2022	MW vs 6 former Officials	Civil claim for payment for the Recovery Irregular Expenditure in terms of Section 27 of the National Treasury Irregular Expenditure Framework.
	MW vs Service Provider A	
D9121/2022	MW vs Service Provider B	Civil claim for payment for the Recovery Irregular Expenditure in terms of Section 27 of the National Treasury Irregular Expenditure Framework
D12382/2022	Service Provider B vs MW	Recovery of Debt
3509/22P	Service Provider C vs MW	Payment Dispute
17278/22P	MW vs Service Provider C	Self-Review Application
4160/2023	Service Provider D vs MW	Review Application to set aside the cancellation of tender

11.8.4 Restricting suppliers

Five service providers were notified of MW's intention to report to National Treasury to restrict them from doing business with the state

11.8.5 Employee declarations of interest

The declaration process for all employees for the 2022/2023 financial year were completed and MW has complied 100% with this requirement.

11.8.6 Default judgements

There were no default judgements that were made against Mhlathuze Water in the period under review



12. Annual Performance Report

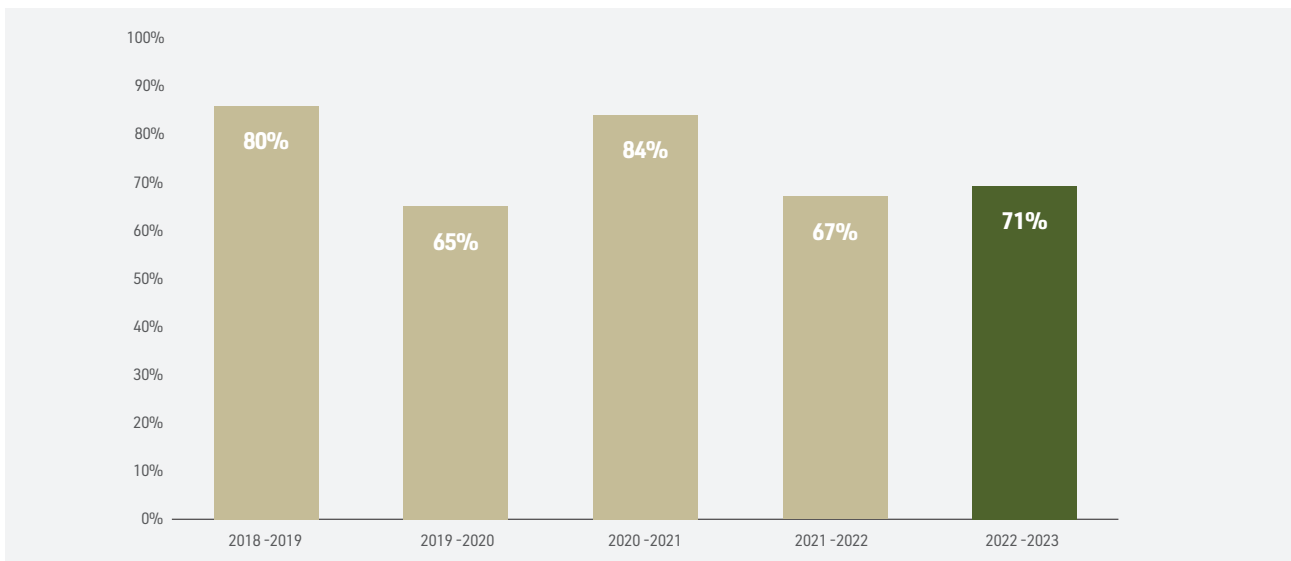
The core business of Mhlathuze Water, as pronounced in Section 29 of the Water Services Act, 1997 (Act 108 of 1997) is to provide water services, water supply and sanitation services to its customers. Mhlathuze Water developed processes for collecting, collating, verifying and validating financial and non-financial data in order to ensure effective evidence-based monitoring and reporting. The organisation prepares quarterly and annual reports for specific reporting periods.

This report covers a period of 12 months (01 July 2022 – 30 June 2023). It is prepared in line with compliance requirements of the Water Services Act, 1997 (Act 108 of 1997), Public Finance Management Act (PFMA), 1999

(as amended) and the National Treasury Framework for Managing Programme Performance Information (FMPPi), 2007. This report shows Mhlathuze Water’s performance on pre-determined objectives; as per the approved 2022/2023-2026/2027 Business Plan and 2022/2023 Shareholders Compact.

12.1 Comparative Organisational Performance Trend

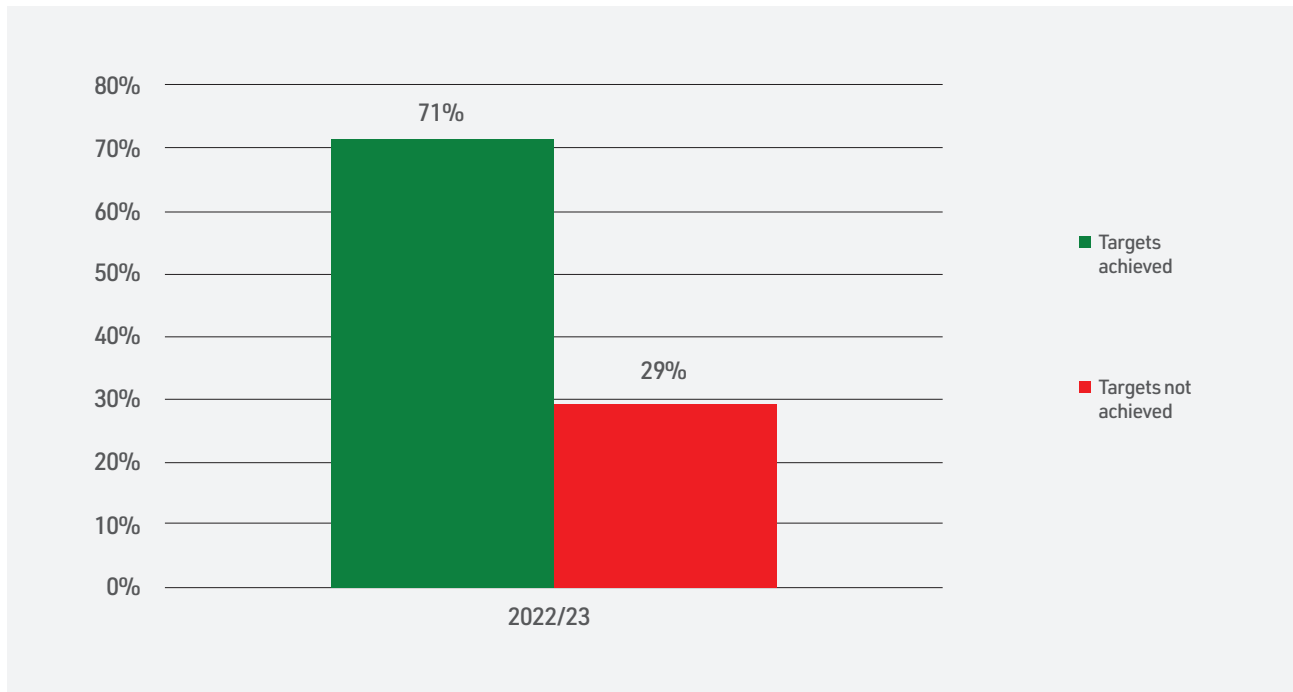
The graph is a reflection of the organisation’s ability to respond in a sustained manner to change indicators set to direct the organisation to meet its set objectives in the business plan.



12.2 Overall Organisational Performance for the Year

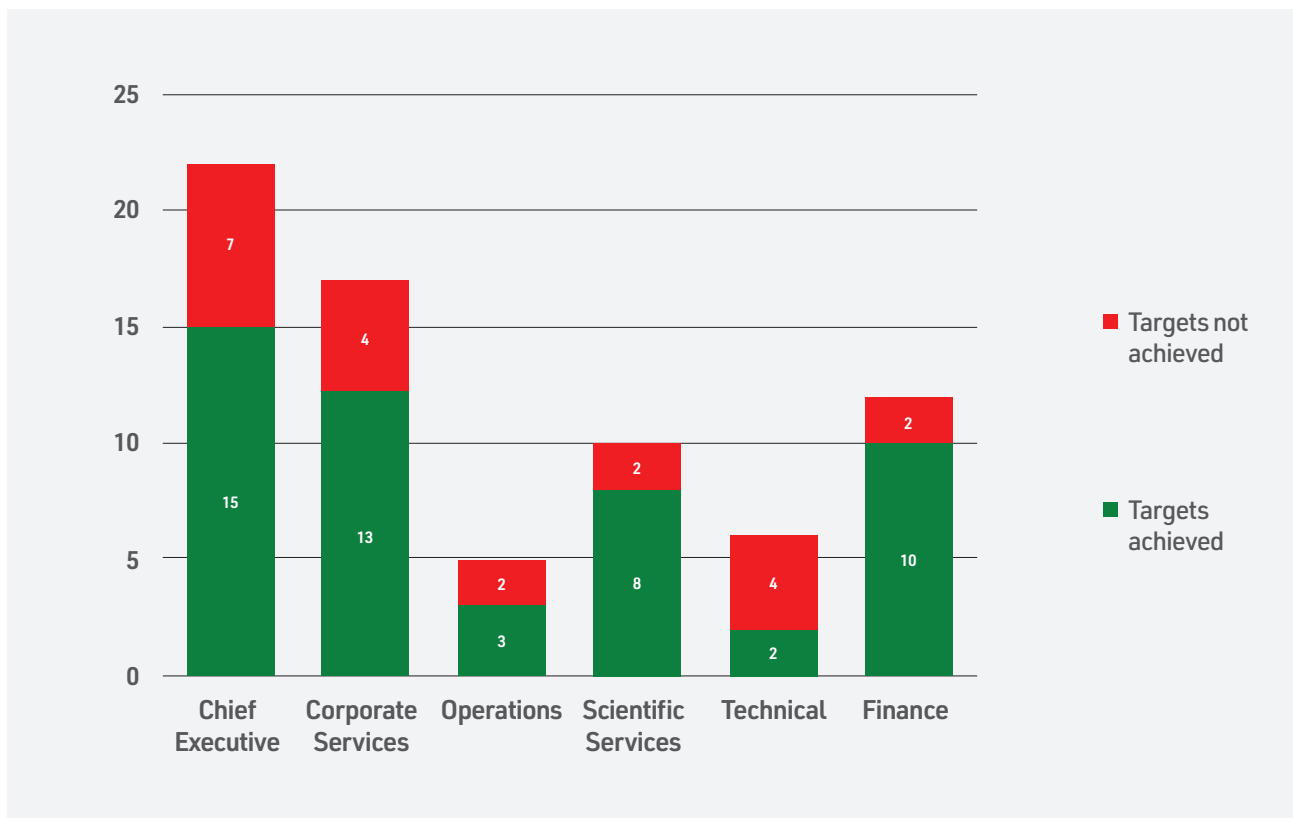
The figure below depicts that out of a total of 72 targets, 51 (71%) were achieved; and 21 (29%) targets were not achieved. Mhlathuze Water Board determined further performance indicators measured and reported on; in addition to the Shareholder Compact performance indicators.

Comparative Performance



Specific to the 35 Shareholders Compact Key Performance Indicators, 25 (71.43%) are achieved; and 10 (28.58%) targets were not achieved.

12.3 Performance by Department

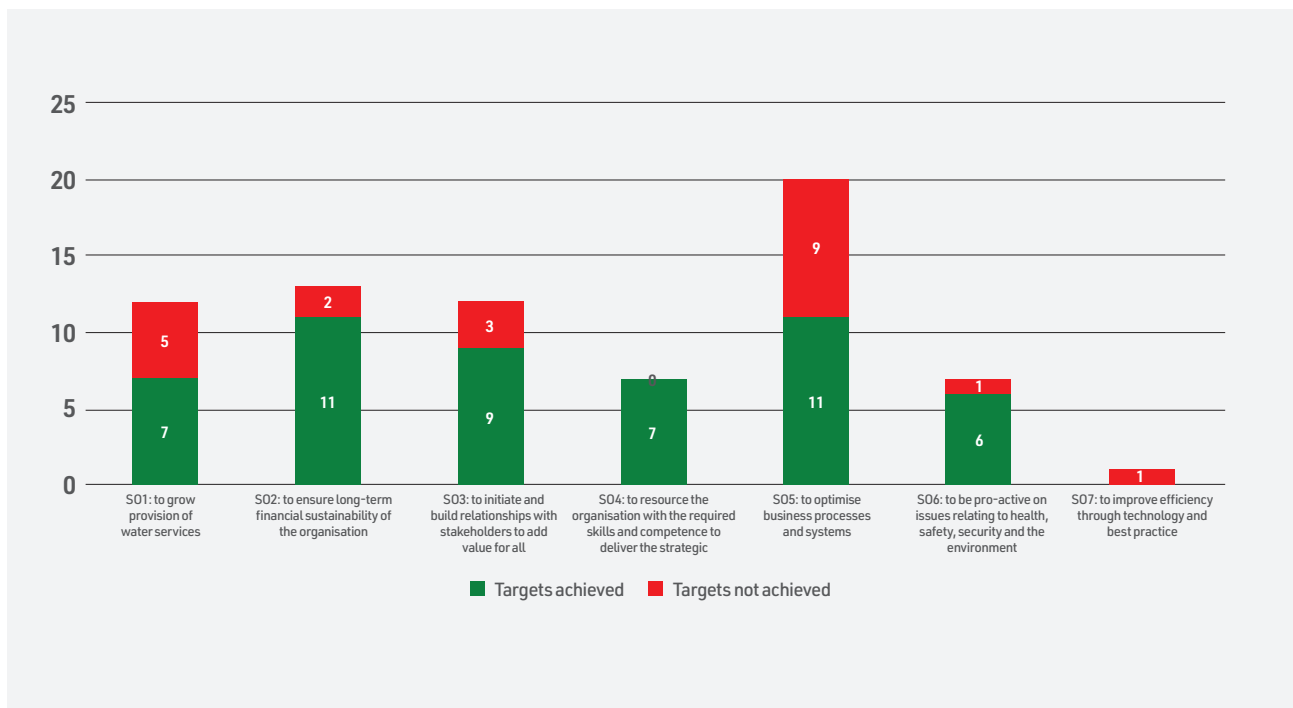


EXECUTIVE	CORPORATE SERVICES	OPERATIONS	SCIENTIFIC SERVICES	TECHNICAL SERVICES	FINANCE
1 Annual report (2021/2022) submitted as per compliance requirements, the actual is 0.00	95% ERP user requirements implemented, the actual is 0.00%,	4% avoidable water losses on water abstracted, the actual is 2.02%,	100% quality compliance with CWDP, the actual is 89.72%,	90% CAPEX spend against budget, the actual is 35.56%,	100% SMME invoices paid within 14 days of receipt, the actual is 85.70% and
1 Unqualified external audit report (2021/2022), the actual is 0.00	100% service level agreements finalised within 30 days after the appointment of service provider, the actual is 20.84%	3.50% repairs and maintenance of PPE, the actual is 3.20%,	5% growth in laboratory revenue (real growth excluding annual price increases), the actual is (19.66%).	100% capital projects completed within targeted dates, the actual is 68.50%,	100% invoices paid within 30 days of receipts, the actual is: 92.77%.
0 Breaches of materiality and significant framework, the actual is 7.00 (2021/2022 financial year)	95% compliance with facility management standards, the actual is 94.45%, and			100% Ministerial directives implemented against allocated budget, the actual is 65.94% and	
0 unresolved internal audit findings, the actual is 4.00	95% implementation of knowledge & information management, the actual is 0.00%.			1 Catchment assessment study presented at EXCO, the actual is: Draft	
0 repeat internal audit findings, the actual is 6.00					
80% Shareholder Compact targets achieved, the actual is 71.43%					
100% implementation of strategic risk further action plans, the actual is 87.50%.					

12.4 Performance By Strategic Objectives

The set performance indicators contribute ultimately to achieving the seven organisational objectives set in the business plan.

Organisational Performance Strategic Objectives



12.5 Report On 2022/2023 Pre-Determined Objectives

12.5.1 Chief Executive Unit

SC/ MW	Strategic Objective	Outputs	Performance Indicator	Annual target	Actual performance	Deviation from Planned Target to Actual Achievement	Comment on Deviation
SC 10	S03: To initiate and build relationships with stakeholders	Bulk supply agreements concluded with municipalities/ other customers	Number of bulk supply service level agreements in place	7	7.00	0.00	N/A
SC 12	S03: To initiate and build relationships with stakeholders	Rural Development support in line with the organization's mandate	Number of projects implemented in municipalities	2	2.00	0.00	N/A
SC 20	S03: To initiate and build relationships with stakeholders	Corporate Social Investment (CSI) initiatives in line with the organization's mandate	Number of CSI initiatives undertaken	4	5.00	1.00	Additional CSI initiatives conducted
SC 17	S05: To optimise business processes and systems for efficiency	Board effectiveness	Percentage of attendance of Board members at Board meetings	80%	83.41%	3.41%	Board meetings scheduled had a quorum.
SC 13	S05: To optimise business processes and systems for efficiency	Meeting statutory submission deadlines	Number of approved business plans submitted as per compliance requirements	1	1.00	0.00	N/A
SC 13	S05: To optimise business processes and systems for efficiency	Meeting statutory submission deadlines	Number of approved shareholders compact submitted as per compliance requirements	1	1.00	0.00	N/A
SC 13	S05: To optimise business processes and systems for efficiency	Meeting statutory submission deadlines	Number of approved annual reports submitted as per compliance requirements	1	0.00 (2021/2022 Annual report)	(1.00)	Delays in finalising the annual report due to the external audit that was not completed timeously.
SC 13	S05: To optimise business processes and systems for efficiency	Meeting statutory submission deadlines	Number of approved quarterly reports submitted as per compliance requirements	4	4.00	0.00	N/A
SC 4	S05: To optimise business processes and systems for efficiency	Effective governance, compliance with financial legislation and financial sustainability	Number of unqualified external audit reports	1	0.00 (2021/2022 qualified report)	(1.00)	Qualified audit report
SC 18	S05: To optimise business processes and systems for efficiency	Corrective measures for internal audit findings	Number of unresolved internal audit findings	0	4.00	(4.00)	Findings identified could not be resolved timeously by management.
SC 18	S05: To optimise business processes and systems for efficiency	Corrective measures for internal audit findings	Number of repeat internal audit findings	0	6.00	(6.00)	Six repeat findings were identified during the financial year.
SC 9	S02: To ensure long-term financial sustainability	Engagement in secondary activities	Percentage of growth in turnover secondary activities	0.5%	33.59%	33.09%	Revenue increase compared to prior year.
SC 19	S02: To ensure long-term financial sustainability	Good governance	Number of breaches of materiality and significant framework	0	7.00 (2021/2022)	(7.00)	Identified material losses incurred as per the AG report of 2021/2022.
MW 1	S03: To initiate and build relationships with stakeholders	Board Performance Assessment	Number of Board performance assessment conducted	1	1.00	0.00	N/A

SC/ MW	Strategic Objective	Outputs	Performance Indicator	Annual target	Actual performance	Deviation from Planned Target to Actual Achievement	Comment on Deviation
MW 2	S03: To initiate and build relationships with stakeholders	Meeting statutory obligations	Percentage of Shareholder Compact targets achieved	80%	71.43%	(8.57%)	10 shareholders compact targets are not achieved.
MW 3	S03: To initiate and build relationships with stakeholders	MW positioned as the preferred water service provider	Number of stakeholders engagement sessions held	8	8.00	0.00	N/A
MW 4	S03: To initiate and build relationships with stakeholders	MW positioned as customer focused organisation	Number of Stakeholder indaba held	1	1.00	0.00	N/A
MW 5	S03: To initiate and build relationships with stakeholders	MW positioned as a brand through Marketing initiatives	Number of marketing initiatives conducted	4	9.00	5.00	Additional marketing initiatives
MW 6	S03: To initiate and build relationships with stakeholders	External stakeholders informed on MW programmes, projects and services through media engagements	Number of media initiatives conducted	16	23.00	7.00	Additional media initiative conducted
MW 7	S05: To optimise business processes and systems for efficiency	Effective internal controls	Number of three-year strategic rolling internal audit plan	1	1.00	0.00	N/A
MW 8	S05: To optimise business processes and systems for efficiency	Effective risk controls and management	Percentage of implementation of strategic risk further action plans	100%	87.50%	(12.50%)	Three action plans were not completed by the end of the financial year.
MW 9	S05: To optimise business processes and systems for efficiency	Effective risk controls and management	Percentage of implementation of fraud risk further action plans	100%	100.00%	0.00%	N/A

Corrective measures to address areas of underperformance

Key performance indicators	Core reason for under-achievement	Recovery strategy for 2023/2024
Number of approved annual reports submitted as per compliance requirements	Delays in finalising the annual report due to the external audit that was not completed on time	Motivated for extension of time to meet statutory compliance dates.
Number of unqualified external audit reports	Qualified audit report	An audit improvement plan was developed to address the findings. The Internal Audit Unit must conduct follow up audits to facilitate improvements and resolve findings.
Number of unresolved internal audit findings	Findings identified could not be resolved timeously by management.	Realistic target dates and actions must be set by management to resolve findings.
Number of repeat internal audit findings	Six repeat findings were identified during the financial year.	Management to provide realistic action plans that prevent the re-occurrence of findings.
Number of breaches of materiality and significant framework	Identified material losses incurred as per the AG report of 2021/2022.	Management developed an audit improvement plan that identified the controls to be strengthened and implemented to prevent the reoccurrence.
Percentage of Shareholder Compact targets achieved	10 shareholders compact targets are not achieved.	Recovery actions specified to each KPI was developed and to be implemented in the next financial year.
Percentage of implementation of strategic risk further action plans	Three action plans were not completed during the reporting period.	The action items have been transferred to the 2023/2024 risk register for continuous implementation.

12.5.2 Corporate Services Unit

SC/ MW	Strategic Objective	Outputs	Performance Indicator	Annual target	Actual performance	Deviation from Planned Target to Actual Achievement	Comment on Deviation
SC 14	S04: To resource the organisation with the required skills and competence	Optimal Staff Retention	Percentage of Staff Turnover	8%	7.56%	0.44%	18 Unplanned separations since the beginning of the financial year.
SC 15	S04: To resource the organisation with the required skills and competence	Learners trained and equipped with skills	Number of learners trained and equipped with skills	5	7.00	2.00	Additional learners trained and equipped with skills.
SC 15	S04: To resource the organisation with the required skills and competence	MW employees trained and equipped with skills	Number of new internal bursaries awarded to MW employees	3	10.00	7.00	Additional bursaries awarded
SC 15	S04: To resource the organisation with the required skills and competence	Graduate trainees participating in the graduate training programme	Number of graduate trainees participating in the graduate training programme	4	5.00	1.00	Additional graduate participating in the graduate training programme.
SC 5	S02: To ensure long-term financial sustainability	Effective and efficient mechanisms to ensure financial sustainability and viability	Percentage of staff remuneration of total operating expenditure	30%	28.88%	1.12%	Increase in expenditure relating to employee costs and under expenditure on other operating costs
MW 10	S04: To resource the organisation with the required skills and competence	MW internship programme that equips the youth with the required skills that will assist them to be professionals	Number of graduates appointed in the MW internship programme	16	18.00	2.00	Additional interns participating in the graduate training programme.
MW 11	S04: To resource the organisation with the required skills and competence	Approved vacant positions filled within turnaround time on recruitment	Percentage of approved vacant positions filled within average of 90 days	100%	100.00%	0.00%	N/A
MW 12	S04: To resource the organisation with the required skills and competence	Employment of people living with disabilities	Percentage of people living with disabilities employed	1.25%	2.09%	0.84%	Additional employees declared disabilities in the employment equity A1 forms
MW 13	S04: To resource the organisation with the required skills and competence	Ensure management of business continuity	Percentage of identified employees participating in the mentorship programme	50.00%	50.00%	0.00%	N/A
MW 14	S02: To ensure long-term financial sustainability	Effective and Efficient Mechanisms to Ensure Financial Sustainability and Viability	Percentage of skills development budget spent	90%	93.10%	3.10%	Additional training provided
MW 15	S05: To optimise business processes and systems for efficiency	Business Continuity and reliable IT Operations	Percentage of server availability based on operating hours	95%	99.56%	4.56%	Optimal server availability
MW 16	S05: To optimise business processes and systems for efficiency	Efficiency of ERP System	Percentage of ERP user requirements implemented	95%	0.00%	(95.00%)	ERP system implementation on hold pending the finalisation of the legal matters.

SC/ MW	Strategic Objective	Outputs	Performance Indicator	Annual target	Actual performance	Deviation from Planned Target to Actual Achievement	Comment on Deviation
MW 17	S05: To optimise business processes and systems for efficiency	Zero default judgments	Number of default judgments against the organisation	0	0.00	0.00	N/A
MW 18	S05: To optimise business processes and systems for efficiency	Service level agreements concluded with service providers	Percentage of service level agreements finalised within 30 days after appointment of service provider	100%	20.86%	(79.14%)	A majority of service level agreements were not signed within 30 days due a lengthy contract review period.
MW 19	S05: To optimise business processes and systems for efficiency	Compliance with financial disclosure	Percentage of compliance with financial disclosure	100%	100%	0.00%	N/A
MW 20	S05: To optimise business processes and systems for efficiency	Compliance with facility management standards	Percentage of compliance with facility management standards	95%	94.45%	(0.55%)	Ground maintenance service provider not appointed timeously.
MW 21	S05: To optimise business processes and systems for efficiency	Ensure management of business continuity	Percentage implementation of knowledge & information management	95%	0.00%	(95.00%)	Knowledge & information management project was put on hold due to Mhlathuze Water Board and Umgeni Water Board reconfiguration.

Corrective measures to address areas of underperformance

Key performance indicators	Core reason for under-achievement	Recovery strategy for 2023/2024
Percentage of staff remuneration of total operating expenditure	Increase in expenditure relating to employee costs and under expenditure on other operating costs	Improve management of expenses on staff and general operating expenses.
Percentage of ERP user requirements implemented	ERP system implementation on hold pending the finalisation of the legal matter.	Surveys will be done per module to assess user satisfaction for modules after implementation and commissioning of the system.
Percentage of service level agreements finalised within 30 days after appointment of service provider	A majority of service level agreements were not signed within 30 days due a lengthy contract review period.	SLAs are drafted and sent with the appointment letters to minimize the delays.
Percentage of compliance with facility management standards	Ground maintenance service provider not appointed.	The service provider was appointed in June 2023 and the assessment on ground maintenance compliance standards was conducted.
Percentage implementation of knowledge & information management	Knowledge & information management project was put on hold due to Mhlathuze Water Board and Umgeni Water Board reconfiguration.	Records Management and IT Units to explore and invest on the current SharePoint system and integrate systems of newly reconfigured entity.

12.5.3 Operations Unit

SC/ MW	Strategic Objective	Outputs	Performance Indicator	Annual target	Actual performance	Deviation from Planned Target to Actual Achievement	Comment on Deviation
SC 2	S07: To improve efficiency through technology and best practice	Manage avoidable water losses	Percentage of avoidable water losses on water abstracted	4%	2.02%	1.98%	For reliability, flow meter verification was not conducted.
SC 3	S01: To grow the provision of water services	Reliability of water supply	Number of instances of unplanned supply interruptions exceeding 24hours	3	3.00	0.00	N/A
SC 5	S02: To ensure long-term financial sustainability	Effective and efficient mechanisms to ensure financial sustainability and viability	Percentage of repairs and maintenance of PPE	3.50%	3.20%	(0.30%)	Slow progress on repairs and maintenance work due to inadequate procurement support
MW 23	S01: To grow the provision of water services	Existing infrastructure maintained to ensure plant availability	Percentage of plant availability based on operating hours	95%	96.53%	1.53%	Ensure optimal maintenance of assets
MW 24	S01: To grow the provision of water services	Availability of the Thukela Goedetrouw (TG) Scheme	Percentage of scheme availability based on production volumes	75%	75%	0.00	The dam level is above 100% and MW is only required to pump water if the dam level is under 75%.

Corrective measures to address areas of underperformance

Key performance indicators	Core reason for under-achievement	Recovery strategy for 2023/2024
Percentage of avoidable water losses on water abstracted	For reliability, flow meter verification was not conducted.	The new flow meter will be installed in the next financial year. Alternative calculation methods used as per policy provisions.
Percentage of repairs and maintenance of PPE	Slow progress on repairs and maintenance work due to inadequate procurement support.	The memorandum for the request of pre-approval of sole supplier and Original Equipment Manufacturer (OEM) for the supply of goods and services assisted in reducing the backlog. Maintenance Strategy was reviewed. SCM is constantly engaged to fast track issuing of purchase orders.

12.5.4 Scientific Services Unit

SC/ MW	Strategic Objective	Outputs	Performance Indicator	Annual target	Actual performance	Deviation from Planned Target to Actual Achievement	Comment on Deviation
SC 1	S06: To be pro-active on issues relating to health, safety, security and the environment	Compliance with SANS 241:2015 water quality standard for potable water	Percentage compliance to water quality standard	97%	99.91%	2.91%	Efficient treatment of water at treatment works
SC 21	S06: To be pro-active on issues relating to health, safety, security and the environment	Health and safety of employees	Disabling injury frequency rate (DIFR)	0.45	0.00	0.45	No incident recorded.
MW 25	S06: To be pro-active on issues relating to health, safety, security and the environment	Compliance with Coastal Water's Discharge Permit (CWDP)	Percentage of quality compliance with CWDP	100%	90.58%	(9.42%)	pH and TSS exceeded limits for both A and C line. Effluent at PS1 is not treated, but MW relies on contributor to comply.
MW 26	S06: To be pro-active on issues relating to health, safety, security and the environment	ISO 9001, 14001 & OHSAS 45001 standard certification	Number of compliance certifications maintained	3	3.00	0.00	N/A

MW 27	SO6: To be pro-active on issues relating to health, safety, security and the environment	ISO 17025 laboratory management system standard accreditation maintained	Number of accreditations retained on laboratory management system	1	1.00	0.00	N/A
MW 28	SO6: To be pro-active on issues relating to health, safety, security and the environment	Annual Marine Impact Assessment conducted as per the CWDP	Number of annual marine impact assessments conducted	1	1.00	0.00	N/A
MW 29	SO6: To be pro-active on issues relating to health, safety, security and the environment	Annual Marine Impact Assessment conducted as per the CWDP	Percentage of recommendations implemented in accordance with the marine impact assessment conducted	100%	100.00%	0.00%	N/A
MW 30	SO7: To improve efficiency through technology and best practice	Improve Knowledge Hub, evidence and innovation through research and development	Number of research and development initiatives completed	1	1.00	0.00	N/A
MW 32	SO7: To improve efficiency through technology and best practice	Improve Knowledge Hub, evidence and innovation through research and development	Number of research papers finalised	1	1.00	0.00	N/A
MW 34	SO1: To grow the provision of water services	Engagement in secondary activities (section 30 activities)	Percentage of growth in Laboratory Revenue (Real growth excluding annual price increases)	5%	(19.66%)	(14.66%)	Loss of Gert Nsibande contract contributed to under-performance

Corrective measures to address areas of underperformance

Key performance indicators	Core reason for under-achievement	Recovery strategy for 2023/2024
Percentage of quality compliance with CWDP	pH and TSS exceeded limits for both A and C line. Effluent at PS1 is not treated, but MW relies on contributor to comply	Feasibility study for effluent treatment options prior to marine disposal was conducted. The organisation is working on water re-use projects with the CoU and gypsum re-use with Foskor.
Percentage of growth in Laboratory Revenue (Real growth excluding annual price increases)	Loss of Gert Nsibande contract contributed to under- performance	The organisation will continue to engage prospective customers on possible new business opportunities.



12.5.5 Technical Services Unit

SC/ MW	Strategic Objective	Outputs	Performance Indicator	Annual target	Actual performance	Deviation from Planned Target to Actual Achievement	Comment on Deviation
SC 8	S01: To grow the provision of water services	Capital expenditure programme	Percentage of CAPEX spend against budget	90%	35.56%	(54.44%)	Delays in the appointment of Transnet Way leaves & appointment of the quantity surveyor.
SC 8	S01: To grow the provision of water services	Capital Expenditure Programme in line with infrastructure master plan	Percentage of capital projects completed within targeted dates	100%	68.50%	(31.50%)	Delays in the appointment of Transnet Way leaves & appointment of the quantity surveyor.
SC 11	S01: To grow the provision of water services	Implementation of Ministerial directives	Percentage of Ministerial directives implemented against allocated budget	100%	65.94%	(34.06%)	Delays were due to work stoppages by business forums.
SC 16	S01: To grow the provision of water services	Temporary jobs created	Number of temporary jobs created through MW programme	60	157.00	97.00	Additional jobs were created
MW 35	S01: To grow the provision of water services	MW Infrastructure Master plan entailing emerging infrastructure requirements	Number of approved MW bulk infrastructure master plans developed	1	1.00	0.00	N/A
MW 36	S01: To grow the provision of water services	Determining the state of the water resources in a catchment for different future developments	Number of catchment assessment studies completed	1	0.00	(1.00)	The Department of Water and Sanitation is conducting a similar study.

Corrective measures to address areas of underperformance

Key performance indicators	Core reason for under-achievement	Recovery strategy for 2023/2024
Percentage of CAPEX spend against budget	Delays in the appointment of Transnet Way leaves & appointment of the quantity surveyor.	A capital project accelerator programme was developed and is in various stages of implementation to ensure projects are implemented according to their schedules.
Percentage of capital projects completed within targeted dates		
Percentage of Ministerial directives implemented against allocated budget	Delays were due to work stoppages by business forums.	Closely monitor the implementation of projects in partnership with municipality and relevant stakeholders, including SAPS.
Number of catchment assessment studies completed	The Department of Water and Sanitation is conducting a similar study.	The catchment assessment study will be presented in the next financial year. The organisation is part of the team that attends PSP meetings. Therefore, there is no need for the organisation to conduct/ duplicate the study.

12.5.6 Finance Unit

SC/ MW	Strategic Objective	Outputs	Performance Indicator	Annual target	Actual performance	Deviation from Planned Target to Actual Achievement	Comment on Deviation
SC 5	S02: To ensure long-term financial sustainability	Effective and efficient mechanisms to ensure financial sustainability and viability	Current ratio	2.5	3.05	0.55	Settlement of DWS invoices has significantly reduced current liabilities.
SC 5	S02: To ensure long-term financial sustainability	Effective and efficient mechanisms to ensure financial sustainability and viability	Percentage of primary gross profit margin	60%	60.83%	0.83%	More volumes were sold than budgeted.

SC 5	S02: To ensure long-term financial sustainability	Effective and efficient mechanisms to ensure financial sustainability and viability	Percentage of primary net profit margin	15%	23.12%	8.12%	Material cost savings in different cost drivers.
SC 5	S02: To ensure long-term financial sustainability	Effective and efficient mechanisms to ensure financial sustainability and viability	Debt equity ratio	0.23	0.04	0.19	Interest bearing borrowings have decreased due to the repayment of loans & no new loans being taken.
SC 5	S02: To ensure long-term financial sustainability	Effective and efficient mechanisms to ensure financial sustainability and viability	Percentage of return on assets	6%	12.46%	6.46%	Overall savings on expenditure which contributed positively on the net income for the period.
SC 5	S02: To ensure long-term financial sustainability	Effective and efficient mechanisms to ensure financial sustainability and viability	Number of days to collect primary activities debts	45	38.86	6.14	N/A
SC 6	S03: To initiate and build relationships with stakeholders	Increase BBBEE expenditure relative to operational projects	Percentage of total procurement spent on BBBEE services providers	55%	88.03%	33.03%	More BBBEE orders issued.
SC 7	S02: To ensure long-term financial sustainability	Manage cost within approved budget	Percentage expenditure over approved operational budget	0%	0.00%	0.00%	N/A
MW 37	S02: To ensure long-term financial sustainability	Approved tariff increase	Approved tariffs by the Minister	15-Mar	15 March	0.00	N/A
MW 38	S03: To initiate and build relationships with stakeholders	SMMEs paid within turnaround time	Percentage of SMME invoices paid within 14 days of receipt	100%	85.70%	(14.30%)	A total of 77 invoices were paid after 14 days of receipt due to delays in processing of invoices.
MW 39	S03: To initiate and build relationships with stakeholders	Invoices paid within 30 days of receipt	Percentage of invoices paid within 30 days of receipts	100%	92.77%	(7.23%)	A total of 25 invoices were paid after 30 days of receipt because they were put on hold due to disputes.
MW 40	S03: To initiate and build relationships with stakeholders	Emerging suppliers developed through the incubation programme	Number of new emerging suppliers developed through the incubation programme	1	1.00	0.00	N/A

Corrective measures to address areas of underperformance

Key performance indicators	Core reason for under-achievement	Recovery strategy for 2023/2024
Percentage of SMME invoices paid within 14 days of receipt	A total of 77 valid invoices were paid after 14 days of receipt due to delays in processing of invoices.	Invoice handling refresher training was conducted. Continuous engagements with users to sign invoices timeously to allow necessary processing.
Percentage of invoices paid within 30 days of receipts	A total of 25 invoices were paid after 30 days of receipt because they were put on hold due to disputes.	Invoice handling refresher training was done to all end-users. Continue to engage users to sign invoices timeously to allow the necessary processing.



13. CREATING VALUE

13.1 Product Quality

Mhlathuze Water is committed to providing its customers with water that is suitable for lifetime consumption and to discharge effluent in a manner that does not have a deleterious impact on the environment. Rigorous and system-wide water quality management programmes, auditing, compliance testing and reporting, water quality assessments and water safety plans are implemented. A risk-based water quality monitoring programme is reviewed annually to ensure that it meets legislative requirements, bulk customer supply agreements and water treatment process requirements, as well as, to take into account new risks that have been identified in the system. An Incident Management Protocol, which is aligned to the requirements of South African National Standard (SANS 241 is in place. The protocol provides a framework for responding to water quality incidents in a structured manner and also includes stakeholder communication during such incidents.

13.2 Potable Water Quality Performance

Water quality at Nsezi Water Treatment Plant is evaluated and reported against six risk categories:

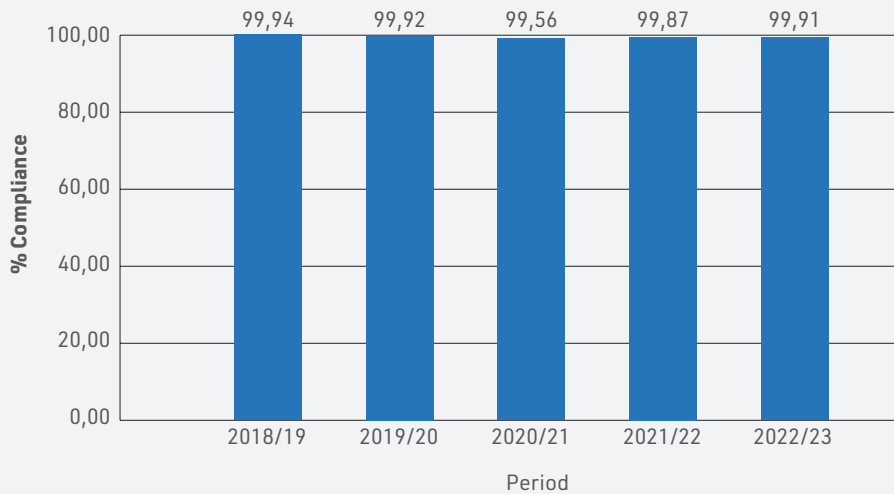
- ↳ Acute Health: Microbiological;
- ↳ Acute Health: Chemical;
- ↳ Chronic Health;
- ↳ Aesthetic;
- ↳ Operational;

Monitoring performed exceeded the minimum requirements so as to cater for other operational requirements and contractual obligations with certain industrial consumers. Overall compliance of 99.9% was achieved for the reporting period. Performance is detailed below:

13.2.1 SANS 241 Compliance for Nsezi Water Treatment Plant

Risk Category	Performance	SANS Target (for excellent water quality for population > 100 000)	Comment
Aesthetic	99.6%	≥ 95	Target exceeded
Acute Chemical Health	100%	≥ 99	Target exceeded
Chronic Chemical Health	99.6%	≥ 97	Target exceeded
Acute Microbiological Health	99.7%	≥ 95	Target exceeded
Operational	99.3%	≥ 95	Target exceeded

13.2.2 Water Quality Compliance at Nsezi WTP over a 5-year Period



13.2.3 Blue Drop (BD) System & Certification

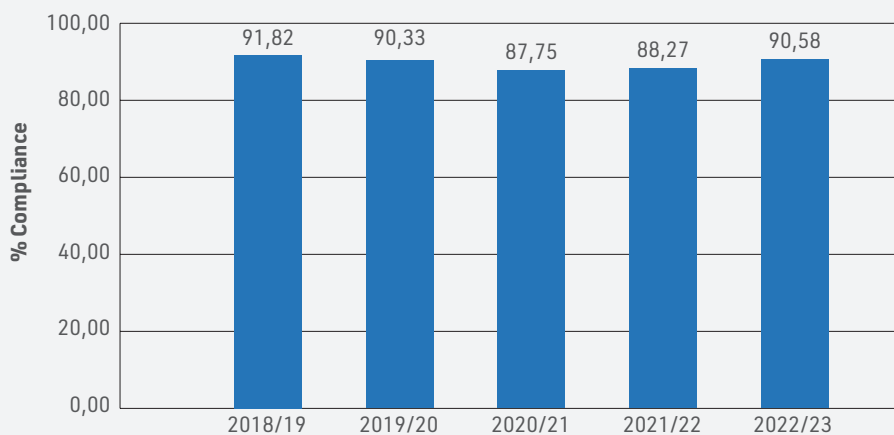
The Department of Water and Sanitation initiated the Blue Drop Programme 2008 to encourage continuous progress and to acknowledge excellence in drinking water services management in South Africa. The system uses a set of criteria that would, collectively, assess and measure an organisation’s ability to deliver drinking water within acceptable standards to its community.

The Blue Drop System (BDS) audit was conducted by DWS in January 2023. A technical assessment has been reported by DWS, to which Nsezi WTP was assessed to be 90% compliant. The outcome of the full BDS assessment is yet to be reported by the Department.

13.3 Waste water disposal compliance

The organisation owns and operates one of the largest offshore wastewater disposal system in South Africa. The system comprises of two pipelines; the A-line which discharges industrial wastewater, sludge from Nsezi Water Treatment Plant and macerated sewage from the City of uMhlathuze, and the C-Line which discharges gypsum effluent from Foskor. The organisation has a permit (which was issued in 2017 and renewed in 2022) to dispose wastewater to sea in terms of Section 69 of the National Environmental Management: Integrated Coastal Management Act, 2008 (Act No. 24 of 2008).

Overall compliance for the period was 90.6%, with low pH and high TSS being the main frequently non-complying parameters. Overall compliance over the past five years is as follows:

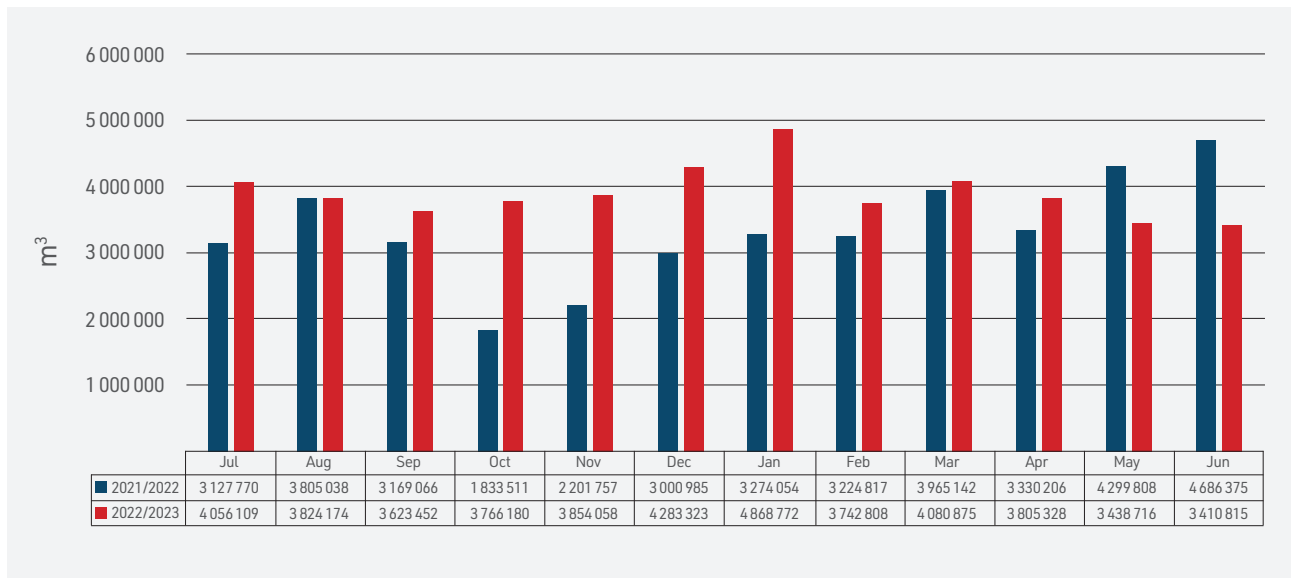


13.4 Customer satisfaction

13.4.1 Bulk provision

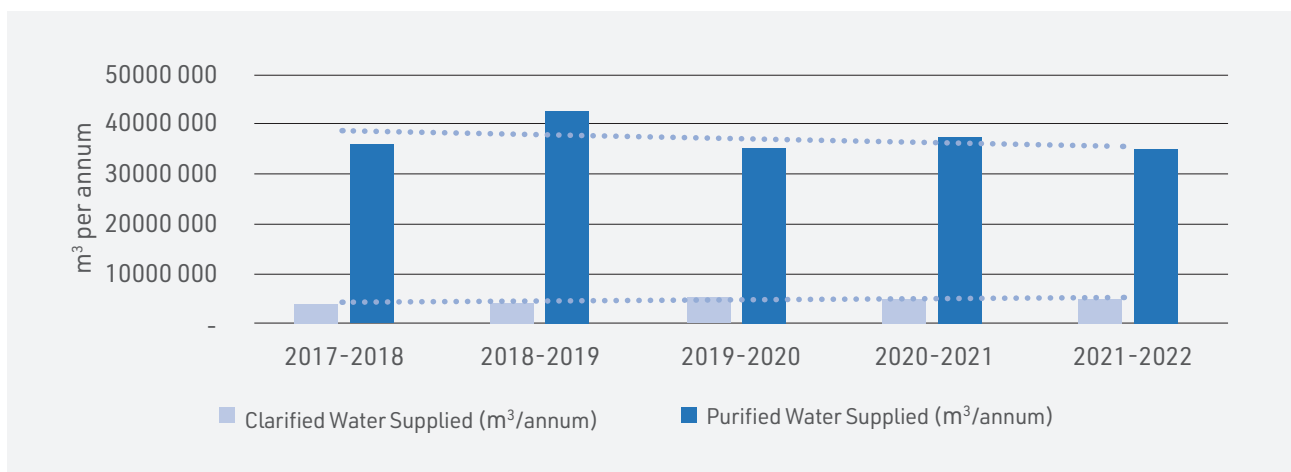
A total average volume of 32 060 m³ of water was treated at Nsezi Water Treatment Plant, with 98% of this volume from Mhlathuze River and 2% from Lake Nsezi. This is was due to good rains in our catchment area. The total volume supplied by Nsezi WTP to customers during the financial year under review decreased increased year-on-year mainly due to Mondi increased volume as the customer did not have an extended annual shutdown and increased production volumes. The customers were supplied as per demand within contracted volumes.

Total treated water supplied from Nsezi WTP



The supply trend over the past 5 years show a gradual decline, largely due to operational efficiencies within the industrial customers and improved maintenance of the municipal treatments works that abstract water from the lakes, and not the river.

Treated Water



13.4.2 Support to municipalities

Umkhanyakude District municipality

Mhlathuze Water initiated a process where the dysfunctional existing water schemes were repaired a by internal MW Operation and Maintenance resources. To implement this, Mhlathuze Water availed R3 000 000 for the procurement of any identified spare material to repair the existing schemes and restore its functionality. This process was in started in November 2022 and completed in February 2023.

These were stand-alone schemes that had operational issues and were identified as Quick Fixes. Teams from both Mhlathuze Water and uMkhanyakude District Municipality assessed eighteen of these schemes, 9 in Jozini and 9 in Big 5 Hlabisa LM.

City of uMhlathuze Local Municipality

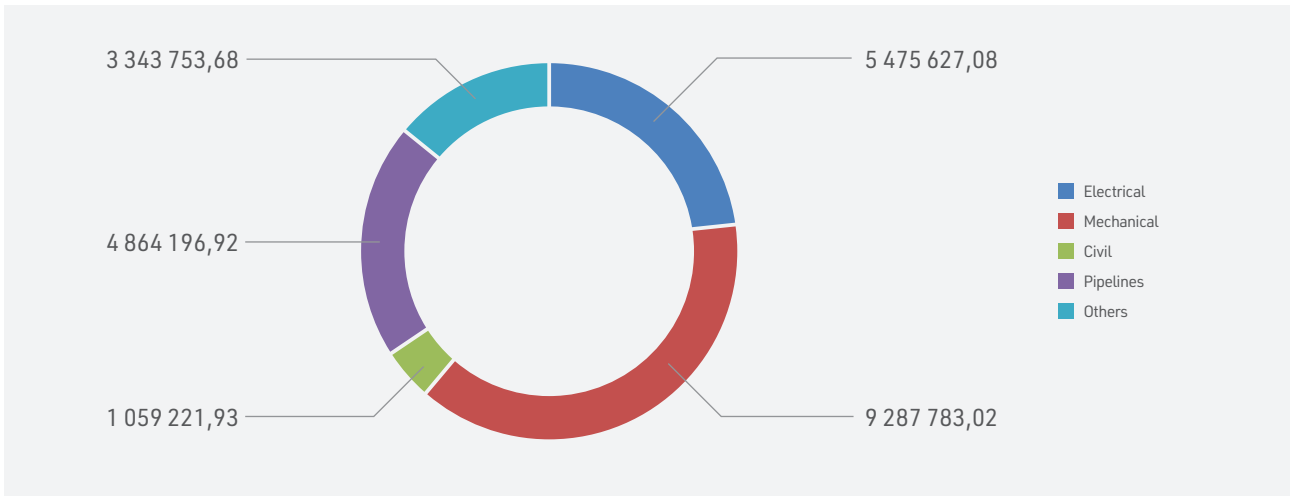
Mhlathuze Water donated 10 Jojo Tanks (5 x 10 000L and 5 x 5 000L Jojo tanks) with stands within Esikaleni in the City of

Umhlathuze Local Municipality. The COU filled the tanks with water and maintain such going forward. Three boreholes were modified to connect to the Eskom power grid to supply two schools and households with water.

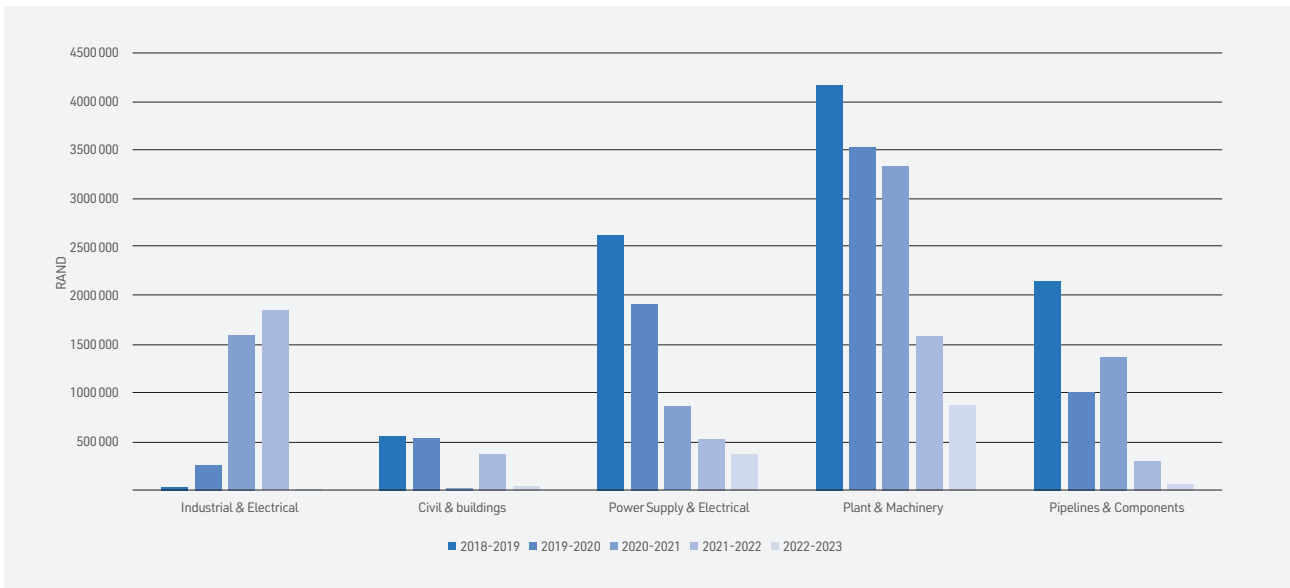
13.5 Maintenance, plant efficiency and availability

Maintenance Strategy was enhance as well as Maintenance Plan implemented to ensure the high plant availability and minimise water supply interruptions. Staff turnover was stabilised within the department at all levels that affected primary planning and implementation of the maintenance plan. However expenditure in the maintenance section was still low as compared to the annual target of 3.50% by 3.11%. A total of R24 030 582.60 was spent on mechanical, electrical, instrumentation and civil maintenance and repairs work on all Mhlathuze Water owned plants and operations as per the figure below.

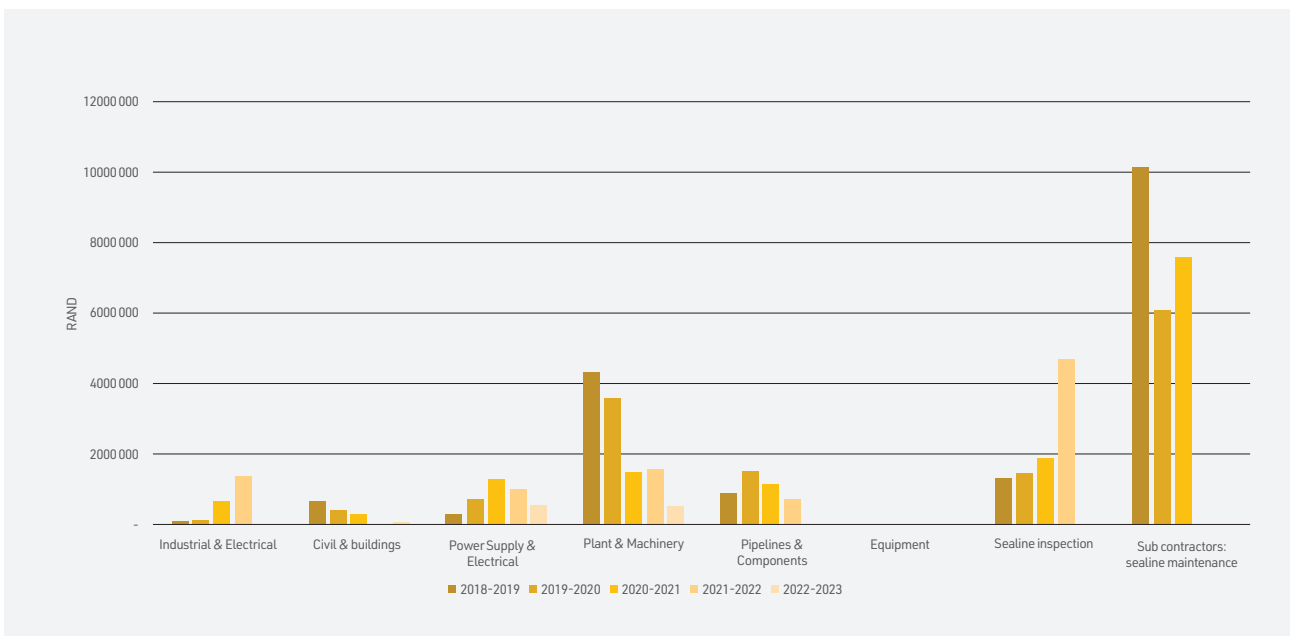
Maintenance Expenditure



Maintenance spend comparative over past 5 years: WATER SEGMENT

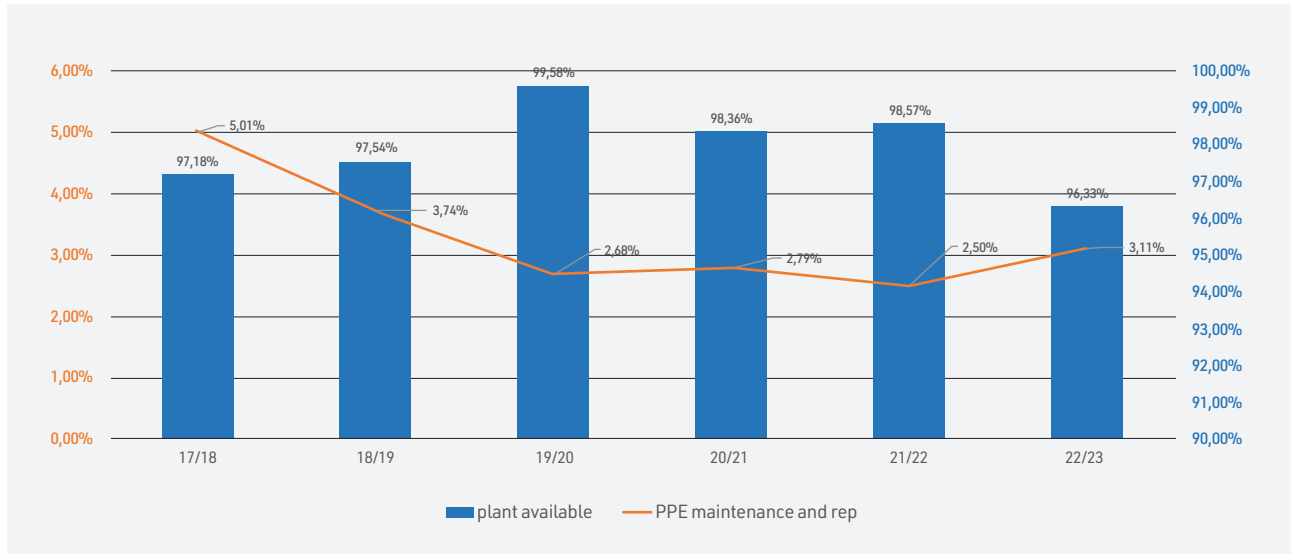


Maintenance spend comparative over past 5 years: WASTE WATER SEGMENT



Mhlathuze Water maintained its world class plant availability of 96.33% down by -2.24% from the previous year. The target is 95%. However more still needs to be done to execute and maintain a reliable asset base. Three interruptions on waste water disposal exceeding 24 hours were experienced. This matches the target of minimum of 3 per year.

Mhlathuze Water Infrastructure



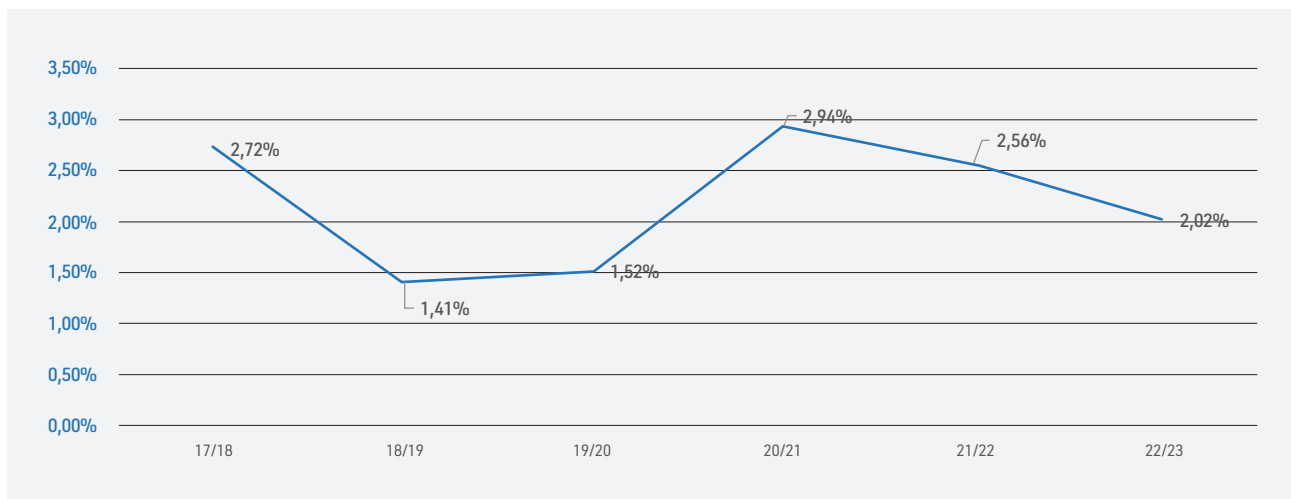
In order to ensure plant integrity and maintainability as well as take care of the environment, an annual integrity and bathymetric inspections were conducted all dense and buoyant discharge pipelines. This is in line with requirements of Coastal Waters Discharge Permit Mhlathuze Water has. This then informed the maintenance plan performed on this offshore pipe line which inter alia included repairs were then made to certain diffusers, anodes, dredging of pipelines as well as unblocking thereof. A capex plan from this has now developed so as to ensure long term sustainability of the pipelines.

13.6 Water Loss

Unaccounted water loss during the financial year was 2.02%, against a target of 5%, this was an improvement from 2.56 % from last fiscal year. However, this figure is not reliable due to electronic flow meters not being in order and reliance had to be placed on alternative readings that involve pump hours and pump capabilities.

The graph below illustrate the past performance trend.

Water loss



13.7 Infrastructure Stability

13.7.1 Bulk water and wastewater infrastructure master plan

The Master Plan provides an integrated overview of all actions, initiatives and projects that Mhlathuze Water must undertake in order to effectively meet current and future bulk water and wastewater demands for its customers. The Bulk Water and Wastewater Infrastructure Master Plan also makes provision for reserves in order to accommodate for future demand resulting from growth and development within Richards Bay and surrounding areas. The Bulk Water and Wastewater Infrastructure Master Plan is reviewed every five years or as and when required. Mhlathuze Water successfully developed the terms of reference to review the existing Master Plan in 2020/2021 Financial Year.

The Objectives of the Water and Wastewater Master Plan report is to provide an integrated overview of all actions

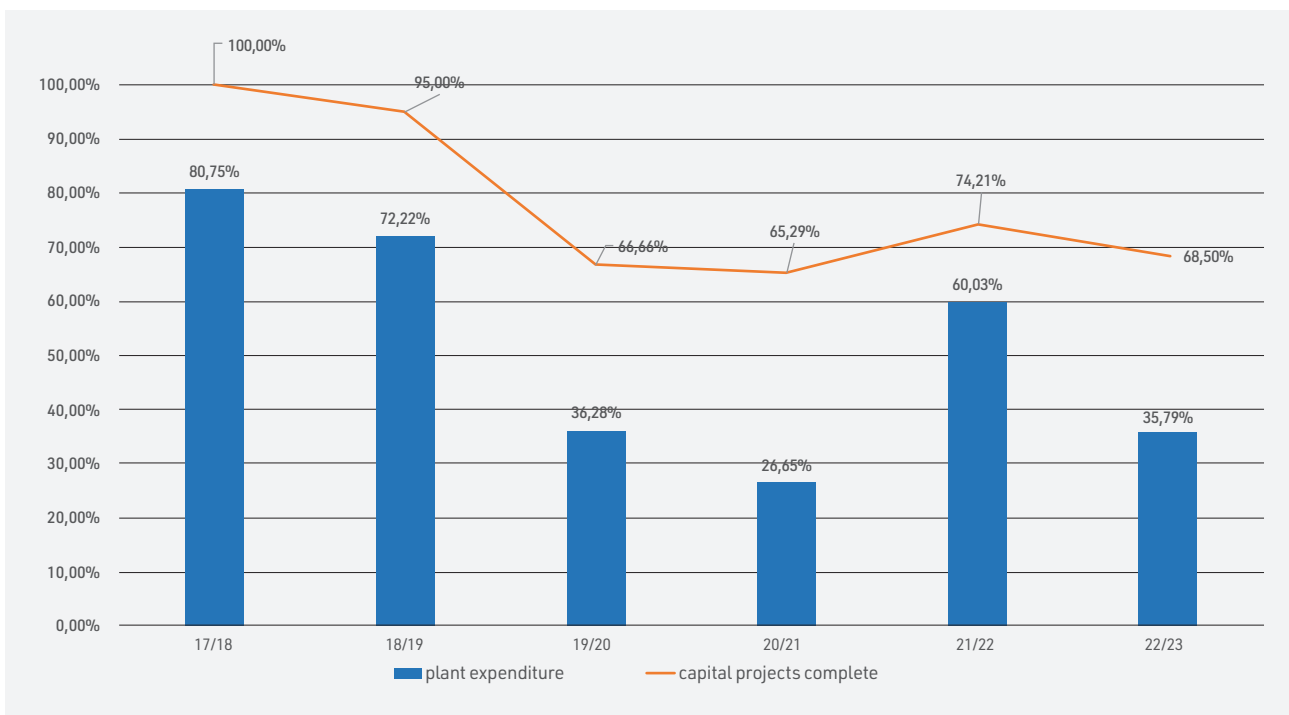
(short, medium and long term) that Mhlathuze Water needs to take in order to be able to meet current and future bulk water supply and bulk wastewater needs of all its current and potential customers. The final Master Plan was approved in May 2023.

13.7.2 Performance on CAPEX programme

For the year under review, CAPEX expenditure was below the targeted 80% of the set budget and also below the target of 100% of projects complete from the CAPEX programme. The underperformance is largely due to two factors. One being continuous and lengthy interruption of work on sites by business fora, and secondly due to challenges in initiating project through the procurement processes.

Comparing the performance against past years, it is notable that the trend is negative and necessitates improved project planning and scheduling as well as consultation with local stakeholders to mitigate the impacts on infrastructure stability and resilience.

Capital Projects



13.7.3 Bulk water and wastewater infrastructure future plans

The Reconciliation Strategy for Richards Bay and surrounding areas which was completed in 2015 and revised in 2021 identified a number of infrastructure development interventions that needs to be investigated in further detail in order to ensure the potential future water requirements in Richards Bay and surrounding towns are met up to 2040. Mhlathuze Water Board approved a budget of R21 million for the following pre-feasibility studies in line with the Bilk Water and Waste Water Infrastructure Master Plan:

Abstraction from the Tugela River (Mandini)

MW will conduct a Pre-Feasibility Study of the proposed abstraction works on the Tugela River and associated infrastructure. This is to commission Mhlathuze Water's 47.3million m³/annum Water Use License (WUL) issued in 2005. The intention would be to supply Tronox Fairbreeze Mine as well as the King Cetshwayo domestic demand from this supply point (i.e. raw water and potable water pipeline); and/or to transfer the abstraction license to Tugela-Goedertrouw Transfer Scheme by increasing water being transferred to the Goedertrouw, to the Mhlathuze River. The intention of this proposal would be to enable Mhlathuze Water to meet future demand and business development initiatives by relieving pressure on the Mhlathuze Weir Supply system; and add second raw water source to the supply of the existing and potential new customers. The project achieved 90% completion by end of June 2023

Desalination of Seawater

MW will undertake a pre-feasibility study for the Desalination of Seawater

The purpose of the Desalination Plant is to support the current water resources in use that plays a vital role in supplying water to Richards Bay and the surrounding areas. Seawater will be fed by an intake in the Richards Bay harbour or a marine intake to a site close to the Alkantstrand pump station, where the Desalination Plant will be situated. Potable water will be pumped to the Mzingazi WTW for blending and distribution. The PSP has been appointed as of June 2023 to start the pre-feasibility study.

RBIDZ Phase 1F Water Supply and Effluent Disposal for Nyanza Metals

Nyanza Light Metals (herein referred to as Nyanza) has commenced with the construction of the flagship R5 billion titanium dioxide (TiO₂) pigment and chemicals manufacturing facility. The chemicals manufacturing facility is being built in the Richards Bay Industrial Development Zone (RBIDZ) Phase 1F precinct with the first phase of the construction complete. Nyanza requires the following infrastructure from Mhlathuze Water:

- ↳ Effluent disposal infrastructure to dispose approximately 872m³/hr. (≈ 20.9 Mℓ/d) of brine containing gypsum suspended solids
 - ↳ The project is currently at pre-feasibility stage
 - ↳ The pre-feasibility study was at 85% completion by end of June 2023 and anticipated completion date is 30 August 2023.
- ↳ Clarified water approximately 30Mℓ/day (≈9.2 million m³ per annum).
 - ↳ The project is currently at pre-feasibility stage - service provider was appointed as of June 2023, the project is planned to take 6 months.

13.7.4 Primary infrastructure development activities

Mhlathuze Water, as part of its core business (section 29 of the WSA), made a budget available for the implementation of key multi-year water infrastructure project upgrades and expansions. In ensuring continuous and reliable supply to customers, Mhlathuze Water then embarked on implementation of following projects:

Augmentation of Nsezi Water Treatment Works

Project scope: The augmentation of the Plant shall increase the water treatment capacity from 205ML/day to 260ML/day. This includes the upgrade of the raw water pipeline from the Shooting Range to Nsezi Water Treatment Works through construction of an additional 1 500mm Ø pipeline. The Upgrade of the Water Treatment Works through construction of additional treatment units which are to include:

- 2 Units of additional Clarifiers
- 4 Units of additional Dissolved Air Flotation
- 4 Units of additional of Filters
- 3 Mega litre Chlorine Contact Tank
- 2 Mega litre Recovery Tank
- Sand Trap
- Upgrade of the Inlet Tower

The Augmentation project scope was apportioned into three different work packages (contracts), for pipe material supply, pipeline construction and WTP upgrade works. The pipe material supply works has been completed, with the WTP upgrade works underway. The pipeline construction project could not be implemented in financial year 2021/22 due to environmental objection. New route had to be decided on for the raw water pipeline from shooting range to Nsezi WTP. The pipeline project is currently at bid evaluation stage for appointment of service provider(s).

Overall budget: R457 469 939 (as per the approved 2021/2022- 2025/2026 business plan)

2022/2023 budget: R 225 050 492.70 (as per the approved 2021/2022- 2025/2026 business plan)

Expenditure as at 30 June 2023: R 91 993 531.95

Progress as at 30 June 2023: 73%

Contract	Project Description	Physical Progress %
1	Construction – Augmentation of Nsezi Water Treatment Works	73
2	Supply; Deliver, Protect Raw Water Pipes, Shooting Range to the Nsezi Water Treatment Works	100
3	Construction – Augmentation of Nsezi Raw Water Supply; Shooting Range to Nsezi WTP	Nil
Augmentation of Nsezi Water Treatment Works Total Progress %		58.2

Contract 1: Construction – Augmentation of Nsezi Water Treatment Works progress breakdown as at the 30 June 2023

Construction Works Milestones	Progress %
Interconnecting Pipework and Chambers	86
Loading Bay	79
Backwash Recovery	88
3ml Chlorine Contact Tank	91
Clari-Flocculators	82
Head Of Works	98
Dissolved Air Flotation (DAF)	41
Filters	92
Electrical Works and Instrumentation	58
Mechanical Works	66
Contract 1 overall construction works progress was at 73% as at 30 June 2023	

Planned completion date: 10 April 2024

Impact: The increased capacity will accommodate current and future water demands and reliable supply to Mhlathuze Water customers. The project shall further enhance operational efficiency of the Plant; through refined treatment processes and improve final water quality.

Contract 3 is at bid evaluation stage for procurement of suitable service provider(s) for construction of 4.5 kilometre raw water steel pipeline of 1500mm diameter, from Shooting Range to Nsezi Water Treatment Works. Contract 3 experienced delay in the approval of way-leave applications, which has since been approved by applicable institutions. Contract 1, ground improvement layers works for the two new clarifiers was performed over an extended period than initially projected and has affected time to practical completion. There were a number of works disruptions in a form of abnormal rainfall, works stoppages by local business and labour forums, together with labour industrial actions.

13.7.5 Secondary infrastructure development activities

Mhlathuze Water, as part of its additional activities (section 30 of the WSA), a number of key multi-year water infrastructure project upgrades and expansions are being implemented on behalf of the Department and other institutions. In ensuring continuous and reliable supply to customers, Mhlathuze Water then embarked on implementation of following projects:

Construction of a 15Mℓ/Day Package Water Treatment Plant & Pump station for the Augmentation of the Forest Reservoirs Supply on behalf of the City of uMhlathuze Local Municipality (CoU)

Project scope: Design, supply and construction of a new 15Mℓ/day water treatment package plant in 3 x 5Mℓ modules working in parallel to augment the supply of water to Esikhaleni community. Upgrading of the pumps at the Esikhaleni WTW.

Overall budget: R142 560 747.21

2021/2022 Contract amount: N/A

Expenditure as at 31 March 2023: R 58 962 967.09

Progress as at 31 March 2023: The overall was at 36%.

Site establishment is 100% complete

Offices refurbishment 98%

Package Plant 27%

Planned completion date: June 2023

Impact: To augment the supply of water to the Forest Reservoirs by 15Mℓ/day to meet the demand of Esikhaleni community, alleviate water shortfall challenges at Esikhaleni

Challenges: The project experienced;

Contractual delays at the initial stages of the project, as a result the project completion date has been delayed

Disruption from local Business Forums

None payment of sub-contractors

Theft and Vandalism

MW terminated the contract with the appointed Contractor on the 20th of December 2022. The SLA between MW & CoU expired on the 31st of December 2022 and the project was then transferred to CoU for completion.

13.7.6 Ministerial directives

Ministerial Directives are issued by the Minister in terms of the National Water Service Act, 1998 (ACT No. 36 of 1998) and Section 41 (1) (ii) 1997, (ACT No. 108 of 1997) respectively as and when required. These are multi-year projects that can only be implemented once DWS has confirmed the budget allocation for the financial year. The table below summarises the projects which are implemented by MW as part of Ministerial Directives in the financial year.

Directive to complete the upgrade of the Thukela-Goedertrouw transfer scheme (issued to mw on the 09th July 2021)

Project scope: Complete the upgrade of the Thukela-Goedertrouw transfer scheme to supply raw water from the uThukela River to the Mvuzane Stream, a tributary of the Mhlathuze River at the upstream of the Goedertrouw Dam.

Overall budget: R646 000 000.00
2021/2022 contract amount: R386 100 000.00
Expenditure as at 30 June 2023 : R119 453 834.99
Progress as at 30 June 2023: Overall progress was at 22.66%

↳ Abstraction Works	31%
↳ Madungela To Abstraction & Scour Pipeline	80%
↳ De-Sanding Works	54%
↳ Madungela Pump Station	9%
↳ Madungela Rising Main	2%
↳ Mkhalazi Pump Station	4%
↳ Mkhalazi Rising Main & Gravity Main	14%
↳ Electrical Works	10%
↳ Control and Instrumentation	0%

Planned completion date: August 2023
Revised anticipated completion date: November 2023
Impact: To augment the supply to the Goedertrouw Dam from the uThukela River.

Refurbishment of the existing mechanical & electrical infrastructure at the existing Madungela and Mkhalazi pump stations to improve pumping efficiency. Community Hall and training center facilities to accommodate 300 people, pedestrian bridges and cattle troughs construction will uplift community activities.

Challenges: There has been little progress on site due to work stoppages by social issues as well local labour/business forum, however the offsite mechanical & electromechanical work has not been affected. Local community issues remaining a risk on a project, however Mhlathuze Water has introduced a Stakeholder Social Facilitator.

Directive to Mhlathuze Water to undertake management, operations and maintenance of water and wastewater infrastructure at Umkhanyakude District Municipality (issued in to mw on the 03rd February 2022)

Since the receipt of the directive by MW, no work on the ground had commenced 9 months later. The delays were due to prolonged processes of concluding agreements and budget confirmation or Business Plans approvals. As part of fast racking the project implementation, Mhlathuze Water proposed utilizing the already appointed PSP by UKDM which were already working on projects.

Approval was granted by UKDM to to utilize the PSP's that were originally appointed by uMkhanyakude for the implementation of WSIG Business Plans. The said PSP's prepared the business plans for various Wards in UKDM local municipalities and prepared Detailed designs and Tender documentation.

In addition, these PSP's were appointed under Turnkey approach.

In this Turnkey approach, MW's retained and carried out all its responsibilities as an Implementing Agent and this was achieved by putting in place various controls by MW.

A dedicated Social Facilitator was employed in the beginning of November 2022 and is located in uMkhanyakude. The Social Facilitator is doing ground work in liaising with Local, traditional and Political structures.

Progress to date.

- ↳ Procurement of thirty-three (33) contracts has commenced,
- ↳ Ten (10) contractors have been appointed
- ↳ Thirteen (13) contractors have been sent intention to appoint
- ↳ The balance of ten (10) projects are under evaluation, and;
- ↳ Eight (8) projects planned to be advertised.
- ↳ Thirty-one (31) Business Plans (BPs) have been submitted to Department of Water and Sanitation (DWS) amounting to R750 million.
- ↳ Twenty two (22) BPs have already been approved to a value of R674 million
- ↳ Fourteen (14) BPs are being reviewed and in the approval process by DWS. Mhlathuze Water is awaiting additional funding of R330 million for the F/Y 2023/24.

Overall construction progress on various site is 40% with overall expenditure reaching R28 million of the approved R67 million (41% expenditure)

13.8 Economic Empowerment

13.8.1 Contract participation goals

Mhlathuze Water is committed to empowerment of emerging contractors. During the year, two project of a value greater than R50million was under construction and is still ongoing. The Rand Value of participation of emerging contractors in these major construction works are as per the table below.

	Project value (excl VAT, CPA and contingencies)	CPG target spend	CPA %	Actual CPA spend June 2023
TGS Upgrade	119 475 716,00	36 804 396,96	31	2 006 573,07
Nsezi Upgrade	288 321 775,36	86 496 532,61	30	56 854 949,64
TOTAL	407 797 491,36	123 300 929,57		58 861 522,71

13.8.2 Community outreach and corporate social investment

Mhlathuze Water is passionate about community and youth development within its area of operation. The CSI projects are external to the business and undertaken for the purpose of uplifting communities and have strong developmental approach.

The focus areas of the CSI strategy are as follows:

- ↳ Education; Mhlathuze Water supports interventions that address effective delivery of quality education or/ and improvement of resources.
- ↳ Supply of potable water and sanitation facilities; Mhlathuze Water provides water tanks to communities and schools, build boreholes and fast track the process of ensuring availability of water in rural areas.

- ↳ Economic development; Mhlathuze Water partners with stakeholders in its area of operation to create opportunities to train women and youth to be economically independent
- ↳ Sports development; Mhlathuze Water provides support by addressing sport development and youth development
- ↳ Public health and community development; Mhlathuze Water may decide to provide public health and community development support where necessary depending on the needs of the community.

The following CSI initiative were undertaken during the year.

Csi Initiative	Brief Description	Expenditure
Zamani Disabled People's Organization	Donated a Bus to a non-profit organization for people living with disability. The bus came from MW's obsolete assets register and replaced of bus battery and MW branding.	The total expenditure for this initiative was R550
Inkosi uMthiyane	This event was in support of an initiative by Amakhosi within Mhlathuze operates They were assisted with the hiring of a tent & 2 VIP toilets as well as catering.	The total expenditure for this initiative was R130 404.30
Ocilwane Primary School	Assistance with Sport kits of netball and soccer to develop the skills and talents for the children in the school.	The total expenditure for this expenditure for this initiative was R7 830
Baqaqe Primary School	Re painted two blocks of classrooms and refurbishment of school kitchen which will be used for the purposes of implementing the National School Nutrition Program. The NSNP provides healthy nutrition that support children's ability to learn.	The total expenditure for this initiative was R82 700
Ungibukani Women Co-Op	Assistance with Razor wire fencing and Rehabilitation of roof on building structure. This is an organization that produce fresh vegetables which are being distributed to the City of UMhlathuze for school feeding programme around King Cetshwayo District Municipalities.	The total expenditure of this initiative was R145 394.50



14. Environmental Sustainability Conserving Our Natural Resources

14.1 Catchment Water Quality Monitoring Programme

A water quality monitoring programme is in place to monitor rivers and dams in the catchment area on an ongoing basis. The quality of the water resources in the Mhlathuze Water catchment area is shown temporally and spatially with the aid of Water Quality Index (map). Various water quality parameters were identified and these are weighted and scored to give the overall index which is related to the water quality in the area.

The overall water quality status of the Mhlathuze catchment area is also monitored on a monthly basis through a set of water quality variables. These variables are required for minimum monitoring for prescribed risk indicators.

During the reporting period, the overall water quality in most locations was good except for Mposa and Nseleni Rivers, where it has deteriorated due to human induced activities mostly related to waste. Water quality at Goedertrouw Dam and Nsezi Lake was “excellent” while at Mhlathuze River Weir water quality was classified as “good”.

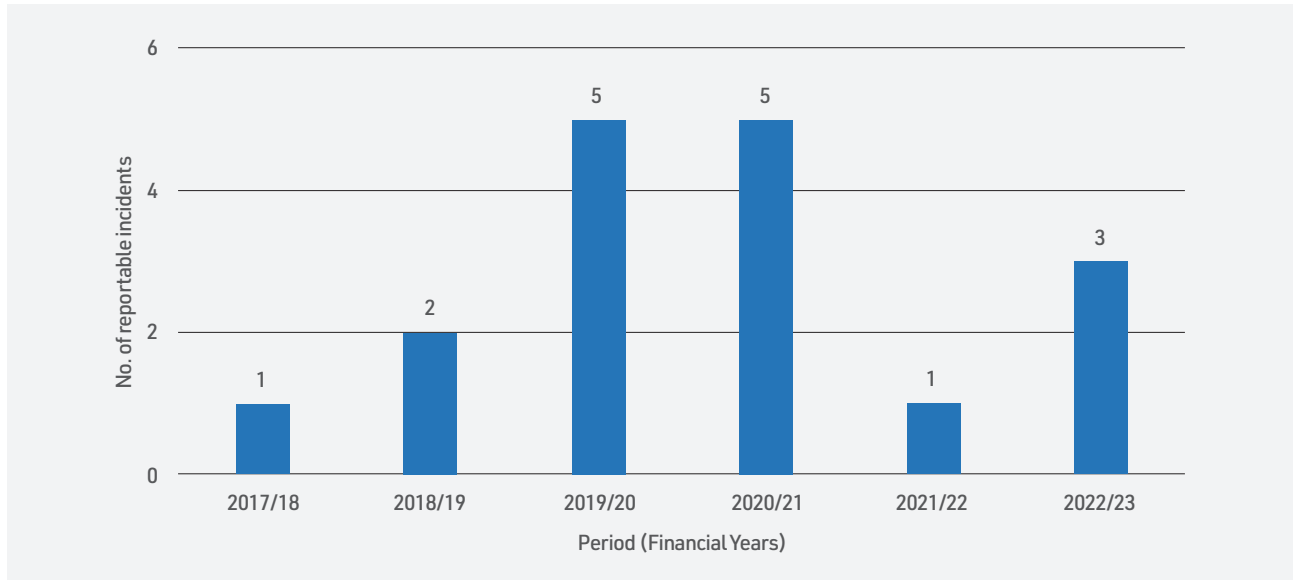
14.2 Environmental Forums

Mhlathuze Water participates in number of environmental forums such as the Catchment Management Forum (CMF) and the Effluent Pipeline Forum (EPF). The CMF’s main objective is to facilitate stakeholder engagements on water resources and related matters, focus being mostly on the Mhlathuze River catchment area. This forum platform is to allow for stakeholders along the catchment area to be able to engage on activities associated with the overall catchment management and conservation. The EPF on the other hand was established in line with the requirements of the Coastal Waters Discharge Permit (effluent disposal permit). This forum serves as a communication tool for customers and interested and affected parties regarding the operational activities on the effluent disposal system. It is also a platform to transparently deliberate on permit compliance matters with the general public and to communicate environmental mitigation measures that are put in place to monitor possible environmental impacts. EPF meetings were held as follows:

Meetings	Dates
1	2 August 2022
2	29 November 2022
3	28 February 2023
4	20 June 2023

14.3 Environmental Incidents

An incident is an unplanned or undesired event that adversely affects the organisation’s operations. Environmental incidents include property damage, water contamination, effluent and chemical spillages, or near miss events that could have resulted in any of these. Incident management systems with protocols are in place to ensure proper and timeous response to all incidents. Mhlathuze Water continually strives to be environmentally sustainable in all its operations. There was a slight increase in the number of reportable incidents during the financial report period as compared to 2021/22 financial year



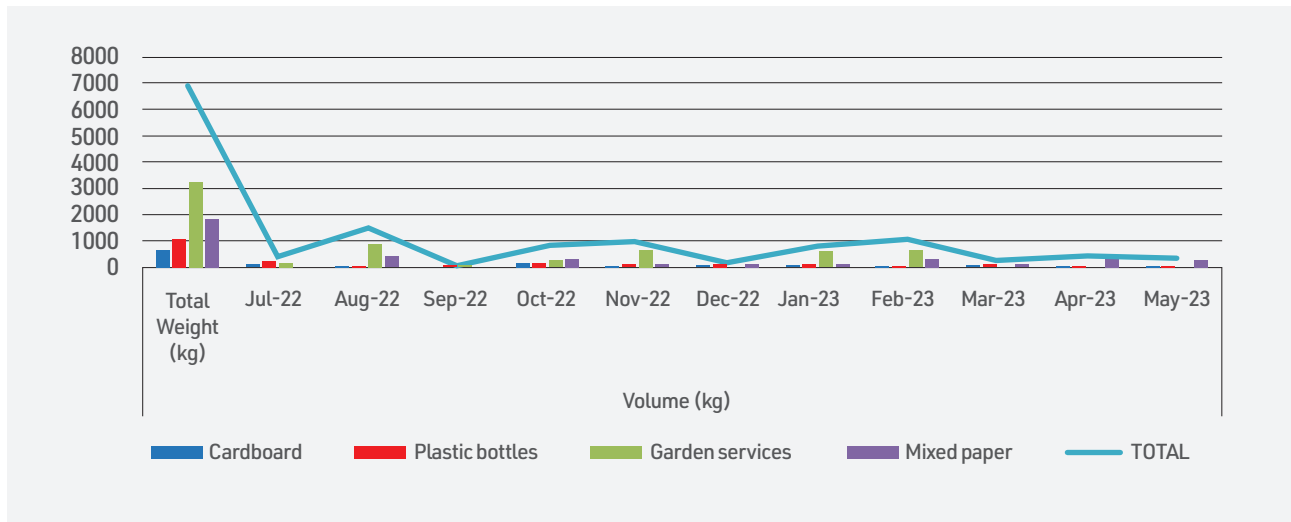
Reporting protocols as outlined in Section 30 of the National Environmental Management Act were followed. Details of the incidents are as follows:

Reportable Environmental Incidents				
Date	Incident Details	Root Cause	Risk To The Business	Mitigation/Action Plans
1 August 2022	An unplanned municipal power outage was experienced on the 31 st of July 2022 (at around 18:30) as result of a faulty 132 KV electrical cable. As a result the system was put on bypass and monitored closely throughout the period. A spillage was then noticed at about 10:00 the following morning (1 st of August) at the sea water intake outside Mhlathuze Water boundary.	The faulty 132 KV electrical cable caused the power outage.	Potential reputational risk and contamination of the environment.	Immediate Action: Effluent contributors were notified of the power outage and instructed to contain effluent in their waste ponds and not to discharge into the Mhlathuze Water effluent pipeline. Pan stock valves have back-up generators that are in place and hence were able to seal to a certain extent. The spillage into the sea water intake was experienced 9 hours after the outage.
12 December 2022	An unplanned Eskom power outage which began on the 12 th of December 2022, at around 15:30 emanating from a burnt down insulator that caused fault on the 132 KV network. The power outage lasted for about 9 hours and was restored at 22:00pm on 12 December 2022. This resulted on an unplanned shut of the dense line system causing a seepage of the effluent residue that had remained on the line after the shut. This residue had become visible at the intake outside Mhlathuze Water boundary.	The faulty 132 KV electrical system caused the power outage.	Potential reputational risk and contamination of the environment.	Immediate Action: Foskor was instructed to stop pumping immediately
8 May 2023	An unplanned Eskom power outage. A detailed incident report was submitted to DFFE.	Eskom power outage	Potential reputational risk and contamination of the environment	Immediate Action: Foskor was instructed to stop pumping immediately

14.4 Waste Management

Mhlathuze Water has developed a Waste Management Plan which is aimed at reducing waste in line with waste management principles, viz. recycle, recover, reuse and / or avoid on all sites of operation. The following principles are followed:

- ↳ Waste separation at source
- ↳ Recycling of paper, metals, used toner cartridges, glass bottles, wooden pallets
- ↳ The graph below shows the amount of general waste recycled during the reporting period.

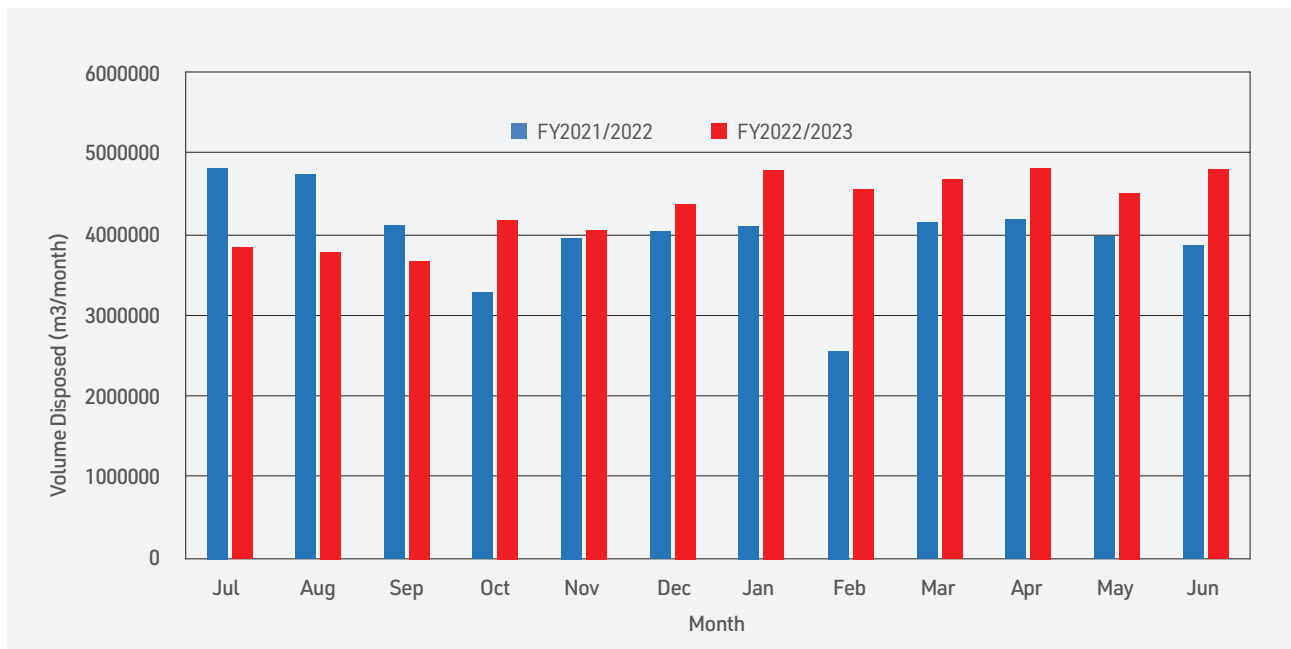


14.5 Bulk Industrial and Domestic Waste Disposal

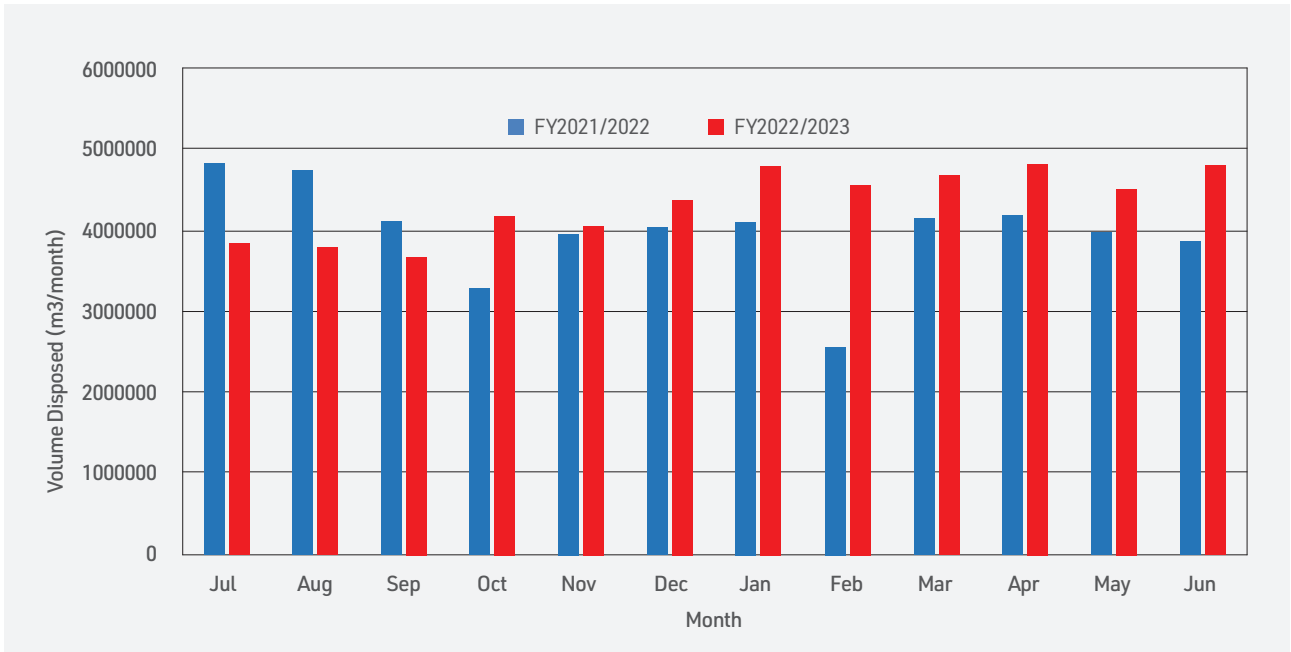
Mhlathuze Water: Alkantstrand Bulk Effluent Disposal Scheme

A total of 110,835,577 m³ was disposed off-shore through the Waste Water Disposal System 58,813,902 m³ of this volume was discharged through the buoyant line and 52,021,675 m³ through the dense line which represent 8.93% and 3.59 % increase year or year due to increase in volumes and production rates by major customers.

Total Bouyant effluent disposed

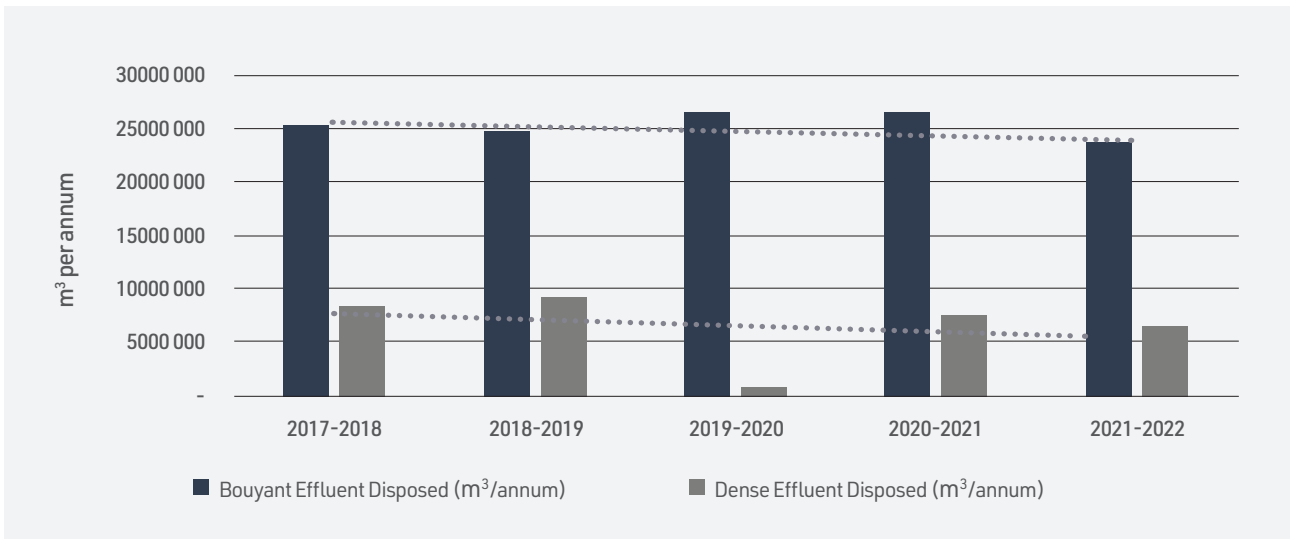


Total Dense effluent disposed



The disposal trend over the past 5 years show a gradual positive decline, largely due to operational efficiencies within the industrial customers.

Effluent disposal



14.6 Water Conservation

In response to climate change, Mhlathuze Water is currently exploring measures to improve water use efficiency. The following has been undertaken thus far:

- ↳ General awareness to all staff through induction, toolbox talks and internal magazine.
- ↳ Conducting water audits to assist in establishing new ways to conserve water in the installations.
- ↳ Water leaks are timeously repaired.
- ↳ Awareness campaigns promoting water conservation are continuously done amongst employees. Roadshows and school visits are also conducted to sensitise the community members in the area of operation.

14.7 Environmental Authorisations

Environmental Impact Assessments are conducted for all construction projects to ensure that environmental impacts are managed. Where environmental impacts are identified, Environmental Management Plans are developed to mitigate the risk. Projects involving a change of land use, construction or upgrading of infrastructure and storage/handling of hazardous substances are amongst a number of listed activities that are required to follow the Environmental Impacts Assessment process. The service is outsourced to external service providers but the organisation monitors and audits these to ensure compliance with the Environmental Management Plans during project implementation. Below are environmental applications that were dealt with during the period under review:

Environmental Applications

DN 1500 Pipeline from Shooting Range to Nsezi WTP	Current status/ progress to date
General Authorisation (WULA)	A General Authorisation was received from DWS on the 2 nd of June 2023.

14.8 Commemoration Of Environmental Days, General Awareness And Education

The organisation conducts awareness and education campaigns on environmental protection as well as water and energy conservation. These initiatives focus on communities in MW’s areas of operation, and employees also participate in most of these initiatives. The table below outlines activities undertaken internally and externally during the reporting period.

Environmental Awareness Campaigns and Events

Events/ Initiative	Period	Activities
Mandela Day River clean up	July 2022	A river clean-up was conducted at Dlangezwa Township in collaboration with DWS, CoU, KCDM and EDTEA.
Arbour Month	September 2022	A visit to eMnqobokazi Primary School at KwaMduku (uMkhanyakude DM) in collaboration with EDTEA, WESSA and other local stakeholders. The aim was to promote the planting of indigenous trees and the importance of growing vegetable gardens as a way of sustaining livelihoods.
Wetland’s Month	February 2023	A visit to Ingweni Primary School (outside Ngwelezane Township) in collaboration with EDTEA and KZN wildlife. The aim was to teach learners on the importance of preserving wetlands and their function in the ecosystem.
Water Month	March 2023	A water conservation initiative in partnership with IDZ and internal staff to promote the use of bucket water for washing cars (instead of hose pipes). A visit to Richards Bay Taxi rank to conduct water awareness including promoting the protection of water infrastructure.
Environmental and Oceans Day	June 2023	A competition involving schools in the KCDM district was held in collaboration with EDTEA, DWS, DBE and DAC. The schools used drama, poetry and music to highlight environmental issues and climate change impacts.



14.9 Water Resources Adequacy

The effects of the devastating drought experienced in prior years resulted in a number of stakeholder interventions being initiated. Mhlathuze Water played a pivotal role in ensuring the continued engagements to realising successful implementation of drought alleviation and water conservation initiatives. The realization of these initiatives was through the collaboration with other stakeholders as follows:-

↳ **Continued Consultation with stakeholders regarding water use reduction:**

Mhlathuze Water continues to be an active participant in the Mhlathuze Catchment Joint Operating Committee (JOC). The role of the committee was to develop strategies to mitigate the impact of the drought including water conservation and demand management activities. This ensure proactive sustainability water usage within our catchment area and secures future water usage.

↳ **Operations and Maintenance of the Thukela-Goedertrouw Transfer Scheme:**

Mhlathuze Water operates and maintains the aforementioned schemes on behalf of Department of Water and Sanitation. The scheme has been maintain well over the current fiscal year without any water interruptions to customers. However due to the Goedetrouw dam impounding sufficient water over the period no need for transfer were needed nor requested.

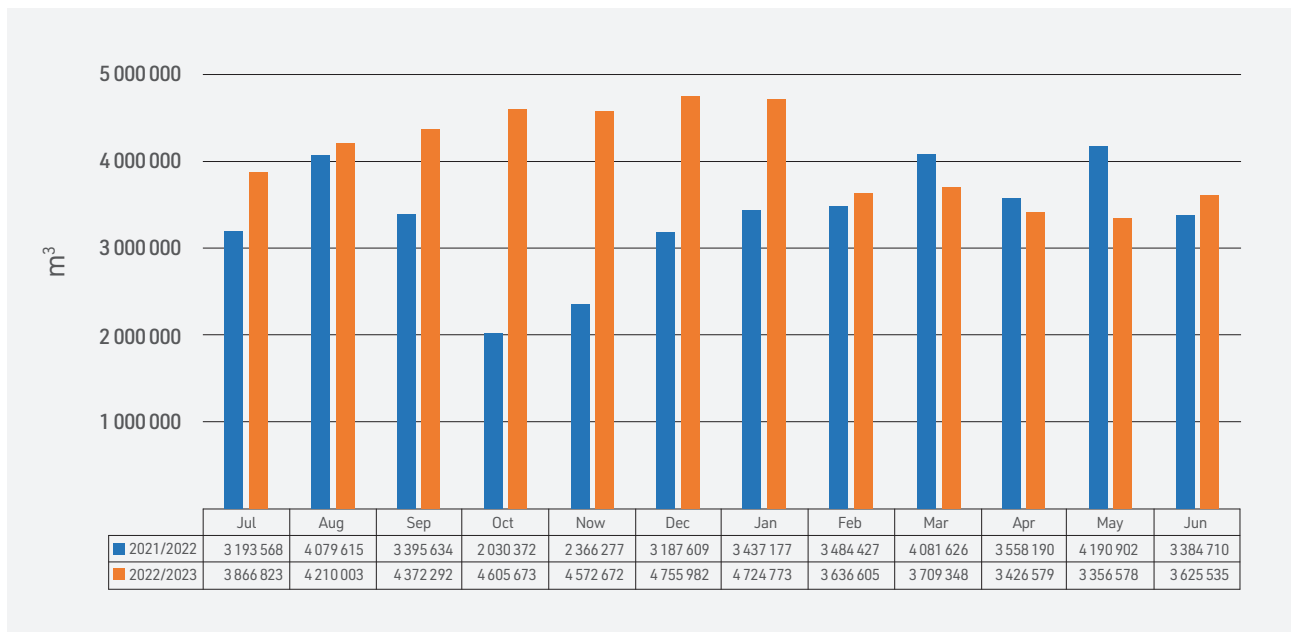
↳ **Water Conservation**

As part of operations section sustainable operations, water produced has to be conserved, 4this is done by measuring the amount of water losses as a percentage. The target was 4.00% and this actual achieved in this fiscal year by 2.02% through water recover methodology leaks detection and repairs

14.10 Mhlathuze Water: Weir to Nsezi Transfer Scheme

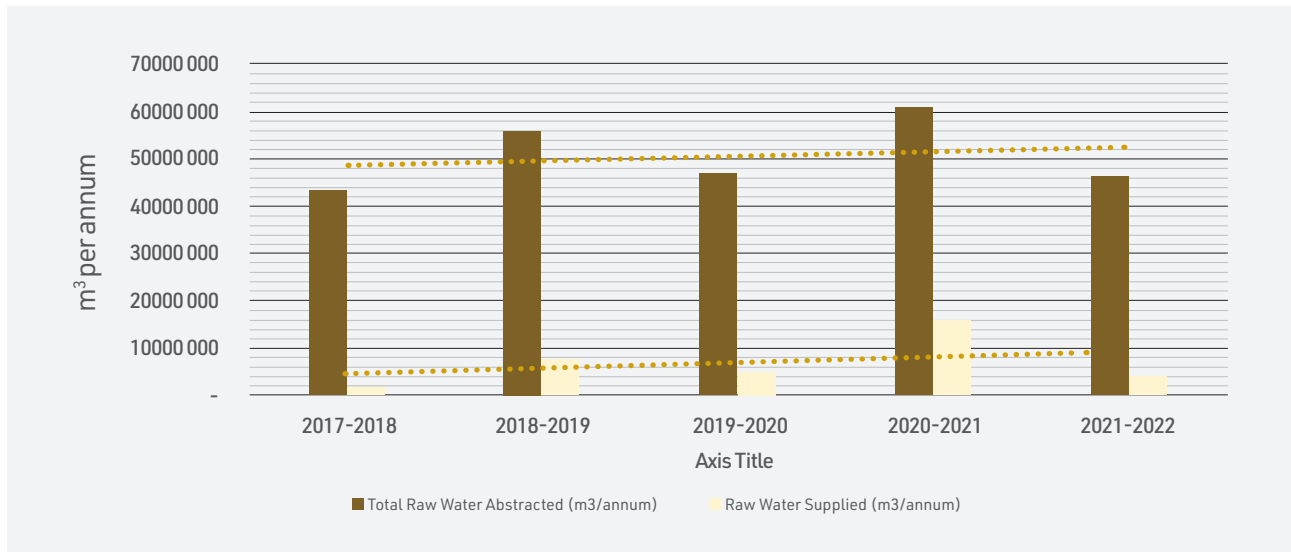
Mhlathuze Water continues to abstract water from the Mhlathuze River which is fed by the Goedertrouw Dam that is augmented by the Tugela Goedertrouw Scheme (TGS). The raw water abstraction takes place at the Weir Pump Station, which is approximately 70km from the discharge of Goedertrouw Dam. The primary beneficiaries from this scheme are Mhlathuze Water (Nsezi Water Treatment Plant and Lake Nsezi), City of uMhlathuze (CoU) (Esikhaleni Water Treatment Works), Tronox (Fairbreeze Mine) and Richards Bay Minerals (via Lake Nsezi).

A total average volume of 56 180.75 m³ of raw water was pumped from the scheme this financial year, which is 16.79 % higher than the volume supplied in the previous financial year, with 97% being supplied to Nsezi WTP, remainder being supplied to the CoU (Esikhaleni) and Tronox. No raw water was supplied to Lake Nsezi during the financial year since the lake was full. Tronox was supplied as when requested, albeit at reduced rates. CoU Esikhaleni was supplied following operational challenges experienced with their primary raw water abstraction system.



The trend over the past 5 years show a gradual increase, largely due to increased demand from domestic and industrial customers.

Raw Water



14.11 Thukela-Goedertrouw Transfer Scheme

Mhlathuze Water operates and maintains the aforementioned schemes on behalf of Department of Water and Sanitation. The scheme has been maintain well over the current fiscal year without any water interruptions to customers. However due to the Goedetrouw dam impounding sufficient water over the period no need for transfer were needed nor requested.

The Thukela-Goedertrouw Transfer Scheme has a current transfer capacity of capacity of 1.2m³/s. This scheme is critical for providing water to the region, particularly during the drought. The scheme has been maintain well over the current fiscal year without any water interruptions to customers. However due to the Goedetrouw dam impounding sufficient water over the period no need for transfer were needed nor requested. Routine preventive and predictive maintenance is still effected to ensure scheme sustainability and availability.

14.12 Jozini Regional Water Treatment Plant and Bulk Reticulation Network.

Mhlathuze Water operates and maintains the water treatment plant on behalf of uMkhanyakude District Municipality since

it was handed over by Department of Water and Sanitation in 2017 after completion. The scheme include a 40ML/day water works, 19 reservoirs and numerous pump stations over a bulk reticulation network spanning over 120 kilometres. For the reporting period, a total daily average of 29 907 m³ of purified water was produced by the scheme and distributed via the bulk network. The plant utilisation factor has also increased to 70% which points to an upgrade needed soon to augment demand.

14.13 Richards Bay Minerals (Rio Tinto)

Mhlathuze water is responsible for operations of RBM mining office ponds and waste water treatment plants. During the reporting period Mhlathuze Water managed to operate this plant even under severe conditions when there were riots at the customer which led to force majeure being declared. This point’s good managed contract which the customer appreciated. However the system need to undergo an extensive maintenance in order for it to be operated safely. The contract will tightened up in the next contract negotiations with the customer including increase of personnel to supervise this.



15. Enabling Our People

15.1 Employment Profile

Staff numbers

The tables below reflect the workforce profile as at 30 June 2023. The total staff structure was 238 employees. The number of employees disaggregated by gender and race is as follows:

Employment group	Baseline (at start of the financial year)	Total (end of the quarter)	Reasons for variances
African	210	223	Appointments
Indian	6	5	Retirement
Coloured	3	3	
White	7	7	

Workforce Profile as at 30 June 2023											
Occupational Levels	Male				Female				Foreign Nationals		TOTAL
	African	Coloured	Indian	White	African	Coloured	Indian	White	Male	Female	
Top Management	0	0	0	0	0	0	0	0	0	0	0
Senior Management	2	0	0	0	3	0	0	0	0	0	5
Professionals	18	0	1	1	14	0	2	2	0	0	38
Skilled Technical & Academically qualified workers	38	0	0	2	43	1	2	1	0	0	87
Semi-Skilled	48	1	0	0	25	1	0	1	0	0	76
Unskilled & Defined Decision Making	16	0	0	0	16	0	0	0	0	0	32
Totals	122	1	1	3	101	2	4	4	0	0	238
Percentage	51%	0.5%	0%	1%	42%	1%	2%	2%	0.5%	0%	100%
Total Percentage	54%				47%				0.5%		100%

Filled Positions

A total of 15 positions were filled during the financial year 2022/2023. The filled vacancies disaggregated by gender and race is as follows:

Race	Gender	Total	
		Number	Percentages
African	Male	09	60%
	Female	06	40%
Indian	Male	0	0%
	Female	0	0%
Coloured	Male	0	0%
	Female	0	0%
White	Male	0	0%
	Female	0	0%
Total		15	100%

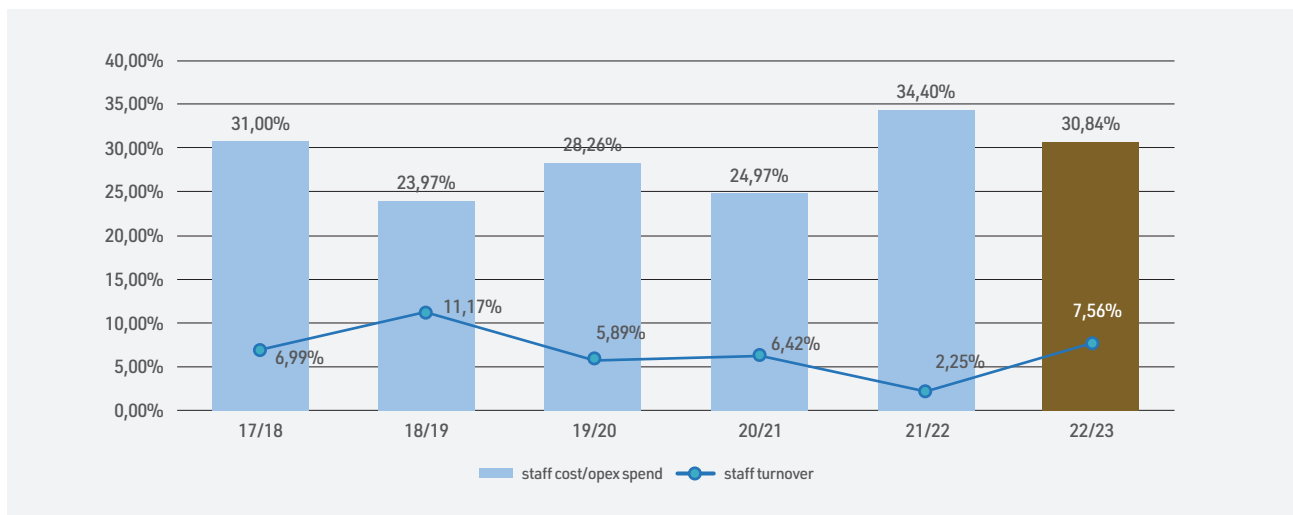
Staff Retention

The projected annual staff turnover rate of 7.56% was achieved, which is within the projected rate of 8% as shown in the table below. This was due to 18 unplanned separations since the beginning of the financial year, largely due to internal disciplinary proceedings.

Unplanned separations	18
Average complement for the period	238
Staff Turnover rate	7.56%
Projected annual staff turnover rate	8%

The staff retention of the organization over the past 5 years was on average 6.54% against a target of 8% indicating a strength in the ability of the organization retaining its staff. The average percentage of staff cost against overall operating expenditure over the past 5 year term is 28.52% against the actual of 32.66% in the reporting period. The latter largely due to increased staff cost and a reduced spend on the operating expenses budgeted.

Human Resources staff cost vs staff retention

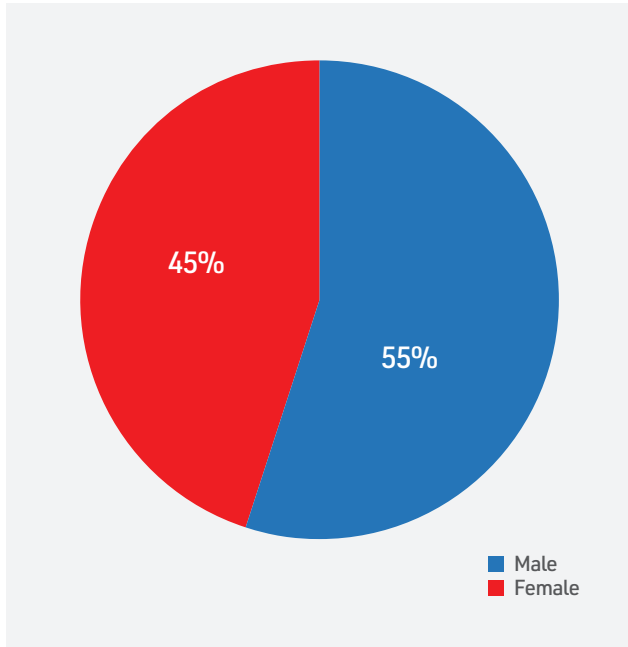


15.2 Workforce Profile

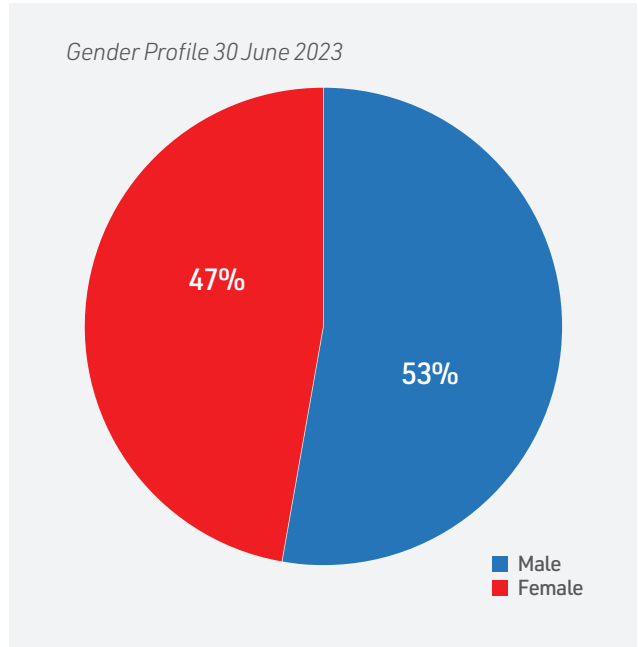
Mhlathuze Water as at the 30 June 2023 exceeded the gender target when compared to the Economically Active Population for South Africa.

Gender Profile of Mhlathuze Water Employees

Gender Profile of economically Active Population of South Africa



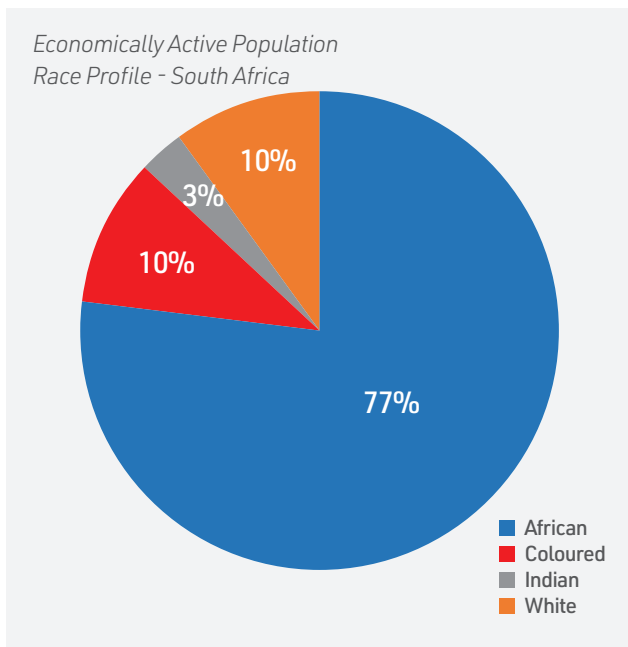
Gender Profile of Mhlathuze Water Employees



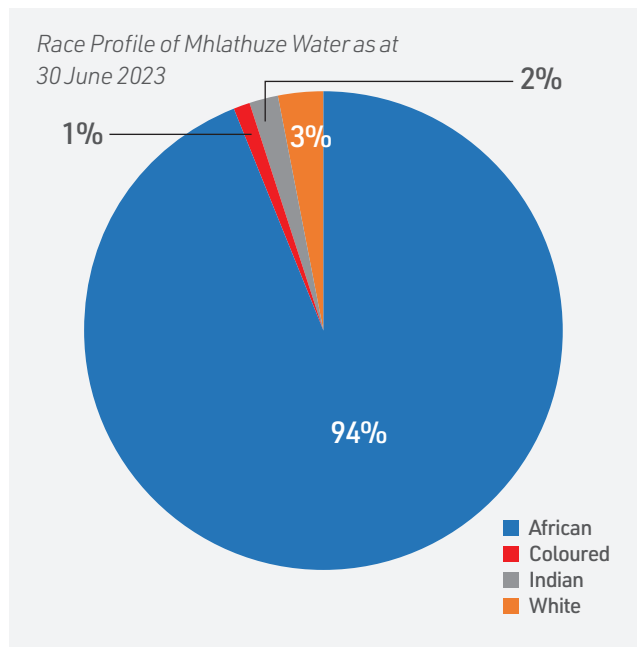
Source: Commission for Employment Equity 2021/2022 Report

Race Profile of Mhlathuze Water Employees

Race Profile - EAP South Africa



Race Profile of Mhlathuze Water employees



Source: Commission for Employment Equity 2020/2021 Report

While there was a 85% achievement in terms of Employment Equity as per Race Groups, more effort should be geared towards recruiting Coloureds and Whites.

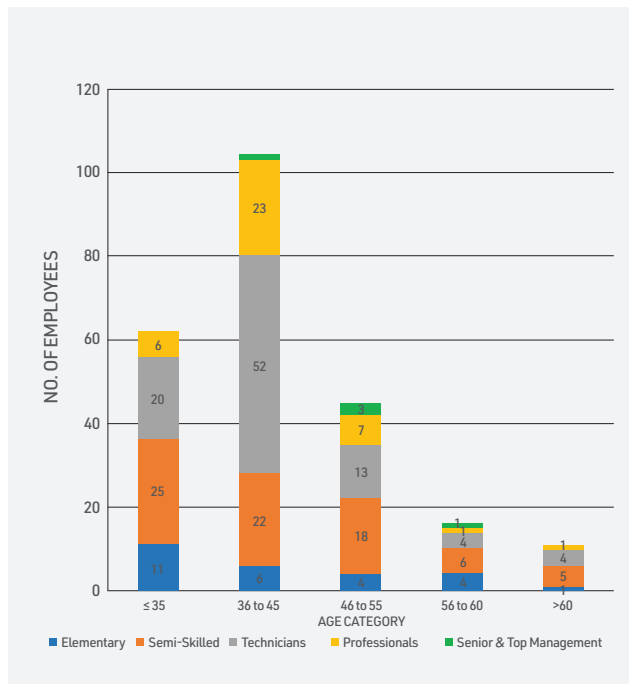
The overall annual target for recruiting persons with disabilities was 1% and this target was achieved with a reported performance of 2.09%.

Age profile of Mhlathuze Water Employees

The highest concentration of employees are in the age bracket 36 - 45 years in the Technicians Occupational Group, mainly due to the number of Interns and In-service Trainees.

Age Range	Number of Employees
≤ 35 years	58 employees
36 - 45 years	100 employees
46 - 55 years	48 employees
56 - 60 years	12 employees
>60 years	08 employees

Age Profile as at 30 June 2023



Employment Equity Committee

The Employment Equity Committee was established in order to comply with Section 20 of the Employment Equity Act, 1998 (Act No. 55 of 1998) for the purpose of enabling the employer to consult with the employees. The Committee consists of employees or their nominated representatives who are from designated groups. The table below outline the activities of the committee during the financial year.

Date	Meeting
14 December 2022	Report on External Bursary Program New developments on Graduate Development program Employment Equity and Training report
14 December 2022	Discussing the Close-out report on EWSETA, Development of the annual workplace skills plan and Annual Training Report Employment Equity and Training report
6 April 2023	Discussing the EE and Training Report Internship Stipends Development of the annual workplace skills plan and Annual Training Report
22 June 2023	Discussing the way-forward SETA funded bursaries for 18.1 i.e. internal staff members

15.3 Industrial Relations

Formal disciplinary hearings were convened as per table below:

Disciplinary Hearings

Total Disciplinary Hearings	Resignation prior to conclusion of DH	Verbal Warnings	Written Warnings	Final Written Warnings	Dismissals	Not Guilty
7	4	0	0	2	2	1

Total Disciplinary Hearings	Resignation prior to conclusion of DH	Verbal Warnings	Written Warnings	Final Written Warnings	Dismissals	Not Guilty
Chief Executive Officer	1					
Chief Executive Officer	1					
Legal Advisor	1					
General Manager: Technical Services	1					
Programme Manager: Technical Services					1	
Contracts Specialist						1
Project Technician: Technical Services					1	

There were 3 CCMA referrals during the financial period however they no adverse rulings against the employer. The salary negotiations for the financial year under the auspices of the Amanzi Bargaining Council was concluded and parties agreed on 7% increase and a housing allowance of R3500. Mhlathuze Water's Industrial Relations climate was stable during the period under review. Monthly meetings and special consultative meetings were held regularly with labour unions where issues were amicably resolved.

15.4 Code of Conduct

Mhlathuze Water has a comprehensive Code of Conduct that applies to directors, management and employees in regulating conditions that constitute or could constitute a conflict.

Objectives of this Code, among others, are to:

- ↳ Promote transparency and avoid business related conflicts of interest;
- ↳ Ensure fairness in dealing with the interests of all employees, other affected individuals and the company;
- ↳ Document the process for disclosure, approval and review of activities that may amount to actual, potential or perceived conflicts of interest; and
- ↳ Provide a mechanism for the objective review of personal outside interests.

15.5 Resignation, Appointment of Key Personnel

The following termination have been recorded at senior management level. Key resignations during the year is tabled below.

Section	Position	Reason for Termination	Date
Corporate Services	Legal Advisor	Resignation	31 July 2022
Executive	Office Manager	Resignation	31 August 2022
Executive	Chief Finance Officer	Resignation	13 September 2022
Executive	Chief Executive	Resignation	31 October 2022
Technical Services	Planning Engineer	Resignation	22 December 2022
Corporate Services	Facilities Manager	Resignation	12 April 2023
Supply Chain Management	Supply Chain Manager	Resignation	28 May 2023
Technical Services	Programme Manager: Project Execution	Dismissal	19 June 2023
Executive	GM: Technical Services	Resignation	30 June 2023
Executive	Interim Chief Finance Officer	Resignation	31 December 2023
Executive	Interim Chief Executive	Resignation	30 April 2023

At senior management level, the Organisation appointed the following individuals. Key appointments during the year is tabulated below.

Dept.	Job title	Date of engagement
Executive	GM: Corporate Services	04 July 2022
Technical Services	Programme Director – UKDM Ministerial Directive	18 July 2022
Executive	Interim Chief Executive	05 September 2022
Supply Chain Management	Contracts Specialist (Temp)	22 August 2022
Corporate Services	Legal Advisor (Temp)	12 October 2022
Executive	Interim GM: Technical Services	12 October 2022
Executive	Interim Chief Finance Officer	24 October 2022
Technical Services	GIS Specialist	01 October 2022
Executive	Interim Chief Finance Officer	16 January 2023

15.6 Leadership and Employee Development

The reconfiguration of Mhlathuze Water with uMngeni Water gave rise to a moratorium being placed on the filling of vacancies. The reconfiguration process was finalised on the 30 June 2023. This resulted in recruitment being placed on hold with interim or fixed term contract staff being utilised to fill vacancies. The vacancy rate as at 30 June 2023 was 10% in comparison to 2022/23 where the rate was 5%.

15.7 Skills Development Programme

In the areas of skills development, the organisation has increased its commitment to the development of youth by appointing an additional eight students to the Internship Programme as well as increasing the duration of the programme as from the next intake of students. This will enable the beneficiaries of this programme to acquire more work experience so as to fill positions that may arise internally and externally.

Youth Development Programs 2022/2023			
Skills Development programmes	No. of People	Annual Budget	Actual Budget
Graduate Development Program	5	R 1 224 981.00	R 1 309 518.00
Internships	16	R 756 620.00	R 569 839.00
Artisan Development	2	R 577 000.00	R 77 000.00
Amanzi Busary	3	R 354 000.00	R 355 103.00
Learnship Training	5	R 420 000.00	R 293 855.00
Learnship Salary	5	R 120 000.00	R 95 000.00

Employee Development Programs 2022/2023			
Employee Development programmes	No. of People	Annual Budget	Actual Budget
Study Assistance	8	R 190 000.00	R 137 414.00
Organisational Development	9	R 350 000.00	R 265 711.00
Training Course fees	240	R 1,990 297.00	R 2,545 575.00
Travel & Subs	240	R 424 000.00	R 304 872.00
Refreshments General	140	R 50 000.00	R 25 000.00

Managing Engineering and Construction Contracts

This three days course equipped employees to expertly manage their contracts, from compiling watertight contract documents, through to handling problems on site and managing the contractors effectively. It was attended by 29 employees from Technical Services, SCM and Finance.

Supervisory Development Programme

A two day programme in a month for six months was attended by 22 Supervisors. The course is aimed improving Supervisors skills in terms of setting goals, decision making and managing performance for their staff members or supervisees.

Retirement Survival skills programme

This programme is well known as a Retirement Survival programme aimed at equipping employees who are about to retire i.e. from 55 years old and above with skills that will assist them to earn living when they are on retirement. Skills that were provided were as follows:

Programme	No. of people	Amount spent
Learners License and driving license	5 (including a person living with disability)	R 35 950.00
Plumbing course	6	R 72 000.00
Leather and Upholstery	2	R 40 000.00

Artisan Development Programme

The Artisan Development Programme is conducted in compliance with the Skills development Act No. 97 of 1988. The primary objective of the programme is to build internal capacity in relevant trades as well as to contribute towards the National Skills Development Strategy. There are two unemployed youth who are participating in this programme on Instrumentation Trade to capacitate the Maintenance Section. The Apprenticeship training programme under Instrumentation covers field instruments, basic PLC programming and basic SCADA programming for a person to be a qualified Instrument Mechanic. This would assist Mhlathuze Water with the current shortage of instrumentation staff if students can qualify because they can be utilized in daily plant maintenance activities and

further SCADA development to suite ever changing operational requirements. One employee achieved a Boiler-Maker Trade Test through attending training programmes.

Graduate Development Program

The purpose of this programme is to equip graduates with skills and experience in order to become professionals and be able to register with ECSA. Five graduate trainees are currently participating in the programme. Two are registered with ECSA as Candidates Engineering Technicians and three are registered as Candidate Engineering professional. The graduate trainees submit quarterly reports and professionally registered mentors has been appointed to monitor their progress towards meeting ECSA requirements.

Field Of Study	Department/Section	Start Date	End Date
National Diploma: Civil Engineering	Technical Services	01 November 2021	31 October 2024
BSc. Chemical Engineering	Operations- Nsezi	02 April 2022	31 March 2025
BSc. Electrical Engineering	Central Maintenance	02 April 2022	31 March 2025
BTech Mechanical Engineering	Central Maintenance	01 April 2023	31 March 2027
BTech Civil Engineering	Technical Services	01 April 2023	31 March 2027

15.8 Bursary Programmes

Bursary and Study Assistance Committee

In terms of the regulations of the Skills Development Act, 1998 (Act No.97 of 1998), the organisation is required to develop the skills of the South African workforce by improving the quality of life, prospects of work, labour mobility and productivity in the workplace. The Bursary and Study Assistance Committee is responsible for assessing and making recommendations to the Executive Management on review study applications submitted by employees in light of the available budget, applicable policies as well as current and future operational requirements of the organisation. The table below outline the activities of the committee during the financial year.

Internal Bursaries

The employees below are currently furthering their studies through the Study Assistance Scheme.

No	Department	Qualification Applying For	Institution	Amount
1	Finance	BCom in Project Management	MANCOSA	R 27,880.00
2	Engineering	BCom in Project Management	MANCOSA	R 27,880.00
3	Corporate Services	Postgrad Diploma in Project Management	MANCOSA	R 18,960.00
4	Executive	Postgrad Diploma in Project Management	MANCOSA	R 43,950.00
5	Executive	Postgrad Diploma in Marketing Management	INSTITUTE OF MARKETING MANAGEMENT(IMM)	R 10,430.00
6	Operations	BCOM Project Management	MANCOSA	R31 880.00
7	Operations	BCOM Project Management	MANCOSA	R31 880.00
8	Operations	Post Graduate Diploma in Information Technology	MANCOSA	R12 640.00
9	SCM	Advanced Diploma in Supply Chain	HARVESTHOUSE	R37 049.45
10	Operations	Advanced Diploma in Mechanical Engineering	UNISA	R11 325.00
11	Corporate Services	Masters in Information Management	UNISA	R16 795.00

External Bursaries

There are currently three students from needy communities participating in the Amanzi Bursary Programme:

No.	Institution	Field of Study	Year of Study
1.	UKZN	BSC Civil Engineering	3rd
2.	University of Pretoria	BSC Computer Science	1 st
3.	Wits	BCOM Accounting	2 nd

15.9 Learnership Programme

Furthermore, in order for Mhlathuze Water to provide clean water of high quality at all times, a need to up skill water employees was identified. Therefore, a Learnership Programme on Water and Waste Water Treatment was implemented. Learners received a national qualification accredited by the EWSETA. This programme further equips internal employees to build their capacity for advancement opportunities in the organisation by assisting them to obtain up to NQF level 4 qualification.

The table below provides learners who commenced participating in the learnership programme (NQF Level 3) in July 2022 and they have completed their training, currently awaiting certificates

Race	Gender	Department
African	Female	Operations
African	Male	Operations
African	Male	Operations
African	Male	Operations

15.10 Compliance Training

The total number of employees that attended trainings were 166 and the total costs were R340 556.68.

15.11 Long Service Recognition Programme

The long service recognition programme intends to recognise employees for their contribution in the organisation in the form of a long service incentive at five years intervals. The following number of employees qualified in the period under review.

Years	Number of Employees
5	21
10	3
15	5
20	0
25	2
30	1
35	1

15.12 Safety, Health, Environment and Quality Management Systems

ISO 17025:2005: Laboratory System Accreditation

The organisation maintained its ISO 17025 accreditation for the water testing laboratory. No external assessments were conducted during the period under review as the organisation is on an 18-month assessment cycle.

Safety, Health, Environmental and Quality Management Systems (SHEQ)

In order to ensure compliance with best practices and international standards, the organisation has certified management systems for Safety, Health, Environment and Quality. The system (SHEQ) is certified externally to the requirements of ISO 14001, 9001 and 45001. The certification body (SACAS) conducted an assessment on 28-30 November 2022. Non-conformances raised were successfully cleared.

Occupational Injuries

No Disabling Injuries (DI) were experienced for the 2022/23 reporting period. The Disabling Injury Frequency Rate (DIFR) as at the end of June was 0.00. This is within the Board's tolerance of 0.25.

First Aid Cases

Seven (7) First Aid Cases were reported for the period. All incidents were investigated and reports submitted to management and also discussed at the quarterly Health & Safety Meetings.

Health & Safety Meetings

The Occupational Health & Safety Act requires that Health & Safety meetings be held at least on a quarterly basis to deal with related matters. Four (4) meetings were held for the 2022/23 period. Investigation reports for incidents are discussed and reviewed with the team.

Health & Safety Training

The Occupational Health and Safety Act requires staff members to be appointed as health and safety representatives to inspect the workplace. The employer is required to provide health and safety training in order for employees to perform their duties. Twelve training interventions were planned for the period. Implementation is summarised below:

#	Training	Date	Duration (Days)	No. of Attendees
1	Legal Liability Training	09 & 10 Nov 2022	1	23
2	SHE REP Training	12 Dec 2022	1	5
3	COIDA	25 Jan 2023	1	5
4	Incident Investigation	24 Jan 2023	1	2
5	Evacuation Officer	23 Jan 2023	1	3
6	SHE REP Training	20 Jan 2023	1	2
	Legal Liability Training	09 & 10 Nov 2022	1	23
7	Risk assessment training	09 February 2023	3	All Reps
8	Overhead Crane Refresher Course	14-22 June 2023	1	36

Only 8 out of the 12 interventions were completed. The outstanding interventions will not result in any adverse implications for the entity.

Emergency Preparedness

Fire and chlorine gas drills are conducted on a quarterly and annually respectively at different installations. Overall, the drills have achieved the objectives and no concerns were noted.

Site						
Emergency Drill	Head Office Complex	Nsezi WTP	Weir Pumpstation	Effluent Pumpstation	Middledrift Pumpstations	Jozini WTP
Fire drill	Sep 2022	Sep 2022	Sep 2022	Sep 2022	July 2022	Sep 2022
Fire drill	Nov 2022	Nov 2022	Nov 2022	Nov 2022	Nov 2022	Nov 2022
Fire drill	Feb 2023	Feb 2023				Feb 2023
Chlorine drill		Feb 2023				

Occupational Health

The organisation has established an internal Clinic to cater for the occupational health needs of employees. The clinic provides amongst others, the following services:

- ↳ Medical Examination
- ↳ Wellness Assessments
- ↳ IOD Management
- ↳ Wellness Counselling
- ↳ Disability Management

- ↳ Primary Health Care Consultation
- ↳ Chronic Disease Management.

The clinic operates Monday to Thursday from 07H00 to 16H00 and Friday from 07H00 to 13H00. The facility is staffed by a fulltime Nurse. A contracted Occupational Health Medical Practitioner (OHMP) comes to site weekly or as and when required.

There were no occupational diseases identified during period under review. The table below summarises the Clinic’s activities:

Perio	Entry Medicals	Periodic Medicals	Exit Medicals	Primary Health Care	Wellness Consultation	Doctor’ Referrals	Chronic Disease Treatment	Total
2022/23	47	134	31	194	237	54	62	668

Employees with primary health concerns are transferred to their own private Health Practitioners and public health facilities. Outlying installations were visited by the Clinic Sister periodically as part of the Health & Safety inspections and awareness.

Medical Examinations

Entry and exit medicals were conducted for staff as required. Regular medical examinations were also performed for all staff. The frequency and extent depends on the job and risk of exposure.





16. Improving Operational Resilience

16.1 Information Technology

Mhlathuze Water operates several divisions, each of which has a dependency on IT to enable its business processes. Due to the critical nature of IT, and the intellectual and other information resources that are exposed through technology channels, IT governance and risk management now represents an essential component in ensuring the efficient and secure operation of the business.

The Board and Management recognises the impact of Cyber security threat that is prevalent in the IT environment and is cognizant of the fact that appropriate measures have to be taken to significantly improve Mhlathuze Water's security posture and equip the organisation to deal with the next level of information security threats.

In line with National Institute of Standards and Technology (NIST), the organisation has established and implemented the Cyber security Framework. The Cyber security framework is a series of best practices an organisation follows to manage its Cyber security risk. It also ensures systems are well maintained and continually improving information security management and systems within the organisation as to reduce the exposure to Cyber security and related IT risks.

16.2 Risk Management

The Board is accountable for risk management and the system of internal controls at Mhlathuze Water. The Board reviewed and approved the Risk Management Policy and Implementation Plan and monitored the implementation thereof.

Risk management is recognised as an integral part of responsible management and good corporate governance, hence Mhlathuze Water adopts a comprehensive approach to risk management to balance its opportunities and minimise threats. The purpose of the Enterprise Risk Management (ERM) framework is to provide guidance to management and employees regarding the implementation of enterprise risk management within the culture of MW.

Enterprise Risk Management approach has been rolled out at a strategic level, and across all business units for identification of strategic, operational, fraudulent and compliance risks. In order to ensure that MW achieves its objectives, the Risk Management Function fulfilled the following responsibilities:

- ↳ Facilitate organisation-wide risk and opportunity identification and analysis;
- ↳ Promote the management of risks in line with best practices at all levels of the organisation;
- ↳ Promote training in management of risks within different business units and across the organisation;
- ↳ Ensure enterprise-wide compliance with key regulatory and legal requirements;
- ↳ Ensure resilience of MW operations through Business Continuity and Disaster Management Planning;
- ↳ Provide emerging risk intelligence in respect of service delivery projects and interventions;
- ↳ Provide support and guidance to business units in managing risks; and
- ↳ Report regularly on the performance of the organisation with regards to management of risks.

Mhlathuze Water has identified and categorised 11 key strategic risks areas of delivering on objectives and mitigation approaches/ responses. The list of the key strategic risks are presented in the table below in residual format. Residual risks, refers to the impact and likelihood, taking into consideration the current mitigation approaches/ responses.

Risk Name	Residual Risk Score (Q1)	Exceeds Appetite and Tolerance	Exceeds Appetite Within Tolerance	Within Appetite Within Tolerance	Residual Risk Score (Q4)
Possibility of environmental damage due effluent spillage	Priority 3		X		Priority 3
Inadequate infrastructure to meet customer needs and to attain business growth	Priority 3		X		Priority 3
Inability to attract, develop and retain critical skills	Priority 2	X			Priority 3
Liquidity and cash flow risk	Priority 4			X	Priority 4
Vulnerability to fraud and corruption	Priority 2	X			Priority 1
Scarcity of water resources to meet demand	Priority 2	X			Priority 2
Delayed implementation and adaptation of new technologies	Priority 3		X		Priority 3
Unauthorized access to information and operational systems	Priority 4			X	Priority 4
Unfavorable Political Climate and Stakeholder Management	Priority 4			X	Priority 4
Poor Organizational Culture	Priority 3		X		Priority 3
Negative Publicity on Mhlathuze Water Brand ad Image	Priority 2	X			Priority 3

Risks outside Mhlathuze Water Risk Appetite and Tolerance levels.

Risks outside the risk appetite and tolerance levels require urgent and immediate action to be taken until the residual risk is reduced to acceptable levels and further requires quarterly reporting to the Board. There were four (4) risks identified by the Board at a strategic level that exceeded Appetite and Tolerance levels of the Board.

Risks outside Appetite but within Tolerance levels.

There are four (4) risk areas identified by the Board at strategic level that exceed Appetite but within Tolerance level for this reporting period. These risks require a proactive management approach.

Risks within Appetite and within Tolerance levels.

Three (3) risk areas identified by the Board at strategic level are within the Risk Appetite and Tolerance level for this reporting period.

16.3 Research, Development & Innovation

Presentation at conferences

A paper titled "Evaluation of Alternative Water Treatment Technologies for KZN Rural Communities" at the 2022 WISA Conference. A presentation titled "Challenges and opportunities faced by the water sector amid unreliable power supply" was also presented at the IFAT Africa Conference in July 2023.

Collaboration and capacity building programmes

Engagements were held with the different stakeholders to find ways of collaborating on projects of mutual interest. These included the University of Zululand (UNIZULU), the Technology Innovation Agency, the Water Research Commission, EWSETA, Durban University of Technology (DUT) and the University of KwaZulu-Natal (UKZN). MoU's were signed with DUT, IWWT, UNIZULU, UKZN and MANTEC.

Collaboration and capacity building programmes

The organisation signed an agreement with the KZN Industrial Energy Efficient and Training Centre station at DUT to implement 2 projects. Both projects will be completed in the 2023-24 period. An agreement was also signed with the IWWT to implement one project in the 2023-24 financial year.



17. Financial Overview

17.1 Financial Analysis Overview

The Minister of DWS gazetted the disestablishment of MW effective 1 July 2023. Umgeni Water's boundaries were extended to cover the entire jurisdictional area of KwaZulu Natal forming one entity; Umgeni-Uthukela Water. This financial year 2022/23 therefore marks the last year for Mhlathuze Water as Section 3B entity. The financial performance and position is of importance as that is what is carried forward as a going concern to the new entity. The overall financial performance indicates yet another healthy financial year for the period up to 30th June 2023. The increase in revenue generated compared to prior year indicated value added to the entity. The cost controls implemented and lagging in some operational and capital expending ensured that Mhlathuze Water (MW) managed to decrease its expenses reporting high profitability and maintain positive financial viability. Financial targets against budget indicated that entity continues to be a going concern with full potential for growth planned ahead. Mhlathuze Water's overall financial position is backed by a solid balance sheet with a growing capital asset base and reduction in long term financial obligations. Overall increase in revenue generated and capital asset investment contributed to a total wealth created by Mhlathuze Water.

Unqualified Audit Opinion

Consistent with prior years, the Annual Financial Statements for the financial year ended 30th June 2023 were prepared and presented in accordance with Generally Recognised Accounting Practice, the Public Finance Management Act as amended. The entity achieved an unqualified audit opinion with findings from the AGSA report. This is an improvement

from the qualified audit opinion reported in the prior year. The entity however did report instances of non-compliance with PFMA in irregular expenditure incurrence whose details are set out in the separate PFMA and Other compliance disclosure on page 150 of this report.

Material Irregularity

The AG identified one material irregularity since the implementation of the material irregularity process. This is an unlawful act or omission committed by any person responsible for the management of an entity, which – (a) has caused or is likely to cause material financial loss to the entity; (b) is fraudulent or amounts to theft; or (c) represents a material breach of any fiduciary duty owed by such person to the entity or any partner, member, shareholder, creditor or investor of the entity under any law applying to the entity or the conduct or management thereof.

Management responded adequately and in detail with actions taken to address the matter raised which included adopting and implementing recommendations from forensic investigations reports onto the matters. This included identifying circumstances that led to the material irregularity and steps that were taken to address it and ensure that it no longer exist.

17.2 Financial Performance

MW performed well against all of its financial performance targets in the current year. The following table summarises Mhlathuze Water five year financial performance in comparison to past financial years and against the approved budget as per five year Business Plan:

Table 1: Five-year Financial Indicators

Key Financial Ratios	Previous Financial Years				Target	Actual
	2019	2020	2021	2022	2023	2023
Gross profit percentage	56.50%	64.31%	60.95%	65.00%	60.00%	60.83%
Debtors collection days	44.77	38.39	40.89	41.55	45	38.86
Net profit margin: Primary activities	20.00%	23.95%	18.45%	24.92%	15.00%	23.12%
Current ratio	2.5	3.12	3.04	2.39	2.5	3.05
Acid Test Ratio	2.29	2.93	2.89	2.32	3.00	2.92
Debt equity ratio	0.12	0.09	0.07	0.05	0.23	0.04
Return on assets	7.79	10.40	8.36	10.42	6.00	12.64
Asset turnover ratio	0.48	0.42	0.53	0.49	0.45	0.53
Interest turnover ratio	20.01	16.56	15.69	25.23	10.32	27.82
EBIT margin	24.38%	27.47%	25.14%	30.39%	8.64%	23.99%



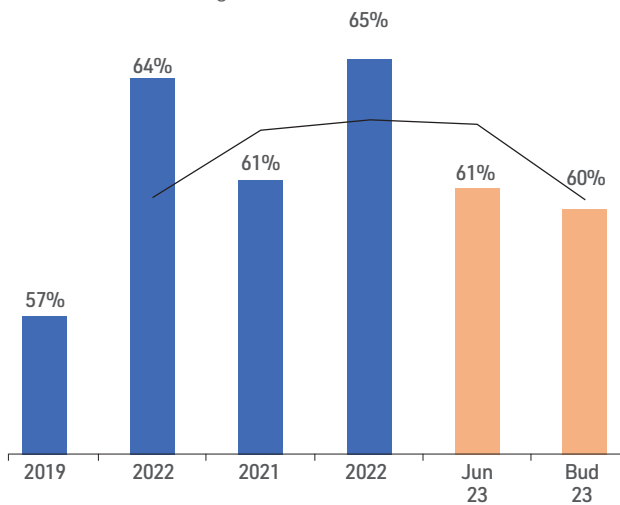
Table 2: Five-year Statement of Financial Performance

	2019	2020	2021	2022	2023	%
	kl'000	kl'000	kl'000	kl'000	kl'000
Volumes						
	123,578	115,214	125,777	111,548	124,714	12%
	R'000	R'000	R'001	R'002	R'000	R'000
Sale of goods and services	712,643	664,048	643,514	643,089	749,370	17%
Cost of Sales	309,410	240,762	250,898	227,747	304,309	34%
Raw water purchases	63,069	58,538	76,514	56,631	75,215	33%
Electricity and water	129,147	70,951	79,449	76,393	78,321	3%
Chemicals	18,969	21,296	18,365	20,119	33,015	64%
Employee related costs	51,935	40,561	22,816	23,563	32,685	39%
Depreciation and amortisation	46,290	49,416	53,754	51,041	50,991	(0%)
Repairs and maintenance	46,290	49,416	53,754	51,041	34,082	(33%)
Gross Profit	403,233	423,179	392,616	41,342	445,061	977%
Other income	19,969	18,009	18,761	27,336	55,260	102%
Expenditure						
Employee related costs	95,588	106,740	111,610	142,685	157,415	10%
Remuneration of board membes	3,274	4,7000	4,342	5,733	5,628	(2%)
Depreciation and amortisation	9,490	5,984	6,301	6,955	8,829	27%
Impairment of assets	295	3,269	4,260	17,864	23,252	30%
Finance costs	9,770	7,670	6,465	5,447	4,919	(10%)
Lease rentals on operating lease	2,797	4,201	3,504	2,300	2,470	7%
Debt impairment	20	1	104	101	-	(100%)
Repairs and maintenance	81,055	74,008	50,672	29,272	4,044	(86%)
Electricity and water	2,076	2,181	3,854	2,512	2,340	(7%)
Other expenses	110,833	93,562	101,429	66,798	114,338	71%
Total expenditure	315,198	302,314	292,541	281,017	323,234	15%
Operating surplus	108,005	138,981	118,836	163,010	177,087	9%
Gain (loss) on disposal of assets	(4,014)	(2,547)	(3,871)	(6,030)	2,175	(136%)
Surplus for the year	103,991	136,434	114,965	155,632	174,912	12%

Table 2 above depicts an increase in the operating surplus compare to the previous financial year, a 9% slight increase against 2022/23 financial year indicates a healthy growth in financial performance.

18.3 Key Performance Indicators

Gross Profit Percentage



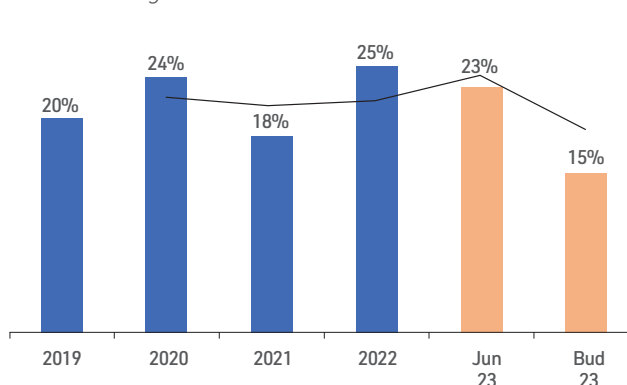
The Gross Profit Percentage has generally been maintained above 50% since FY2018/19, indicating MW's ability to maintain the cost of production.

The financial year's Gross Profit Percentage is 61%, resulting to a positive variance of 4% against budget of 60% mainly driven by a reduction in cost of production contributed by the following:

- ↳ Depreciation and Amortisation less than budgeted due to delays in the commissioning of the Weir Project and Pipeline to the Shooting Range Projects and the full impairment of the ERP projects: whose capitalisation would have contributed to the depreciation and amortisation
- ↳ Employee Related Costs reflects an under-spending due to the moratorium of the filling of vacant positions during the process of reconfiguration of the two water boards; and
- ↳ Electricity and Water reflected lower spend mainly due to not pumping at 100% at TG scheme due to lower volumes pumped at Weir.

Overall, in comparison to previous financial years, the Gross Profit Percentage is a median, which consistently demonstrated profitability and financial health of MW.

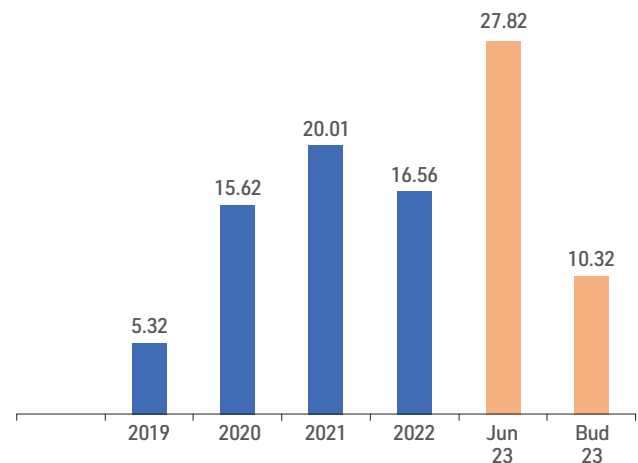
Net Profit Margin



The Net Profit Margin has been increasing over the five year period. The current year ratio is 23% against the projected 15%. This is due to material cost savings and under-expenditure in various line items, as follows:

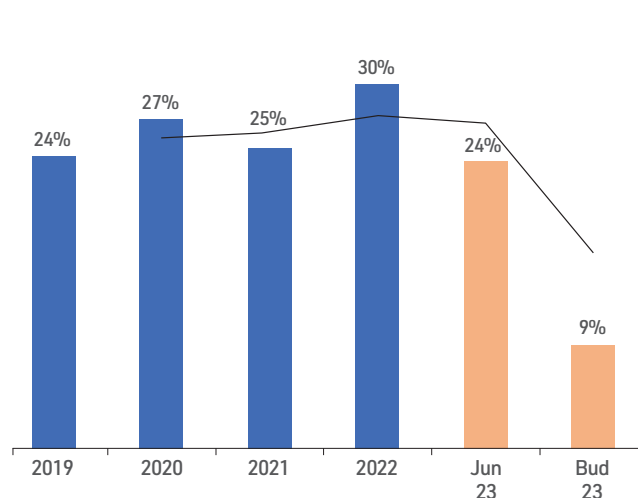
- ↳ Repairs and Maintenance reflects an under-spending due to maintenance work not executed in accordance to the maintenance plan
- ↳ Other Expenses reflects a positive variance of R73.9 million, due to expenditure incurred on different categories being less than what was budgeted for, some of the main contributors of the variance such as legal expenses, insurance and consultancy fees.

Interest Turnover Ratio



The current year Interest Turnover Ratio is 27.82 times compared to a target of 10.32 times. This is as MW did not excessive its planned borrowing as there were sufficient cash reserve to cover current capital spending whilst projects progress also stalled easing cash flow demands.. MW's ratio is well-within the current loan covenant requirements.

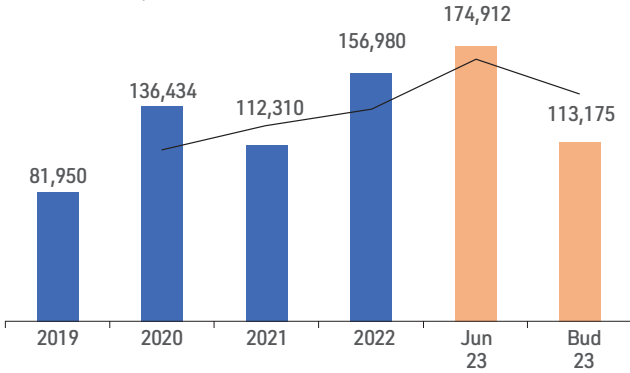
Earnings before Interest, Taxation, Depreciation and Amortisation (EBITDA) Margin ratio



The past five financial year trend indicates good financial health for MW; margin has always been above 20% with the current year's margin being 24% reflecting a financially viable entity.

18.4 Profitability Analysis

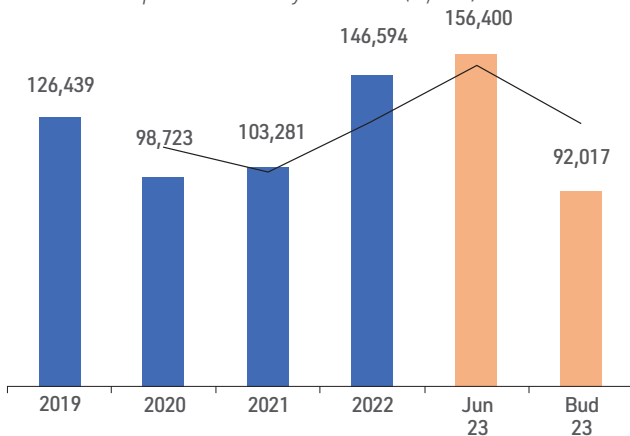
Total Year Surplus (R,000)



The surplus for the year is R174.9 million against a budgeted surplus of R113.2 million resulting to a positive variance of R61.7 million. This is contributed to cost saving and material underspending in different line items of expenditure.

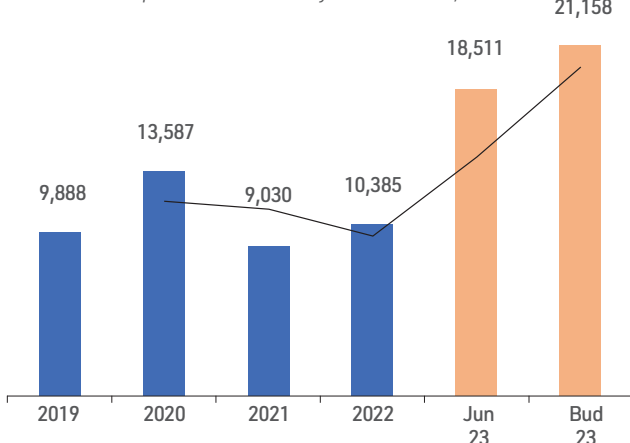
Mhlathuze Water maintained a steady growing surplus over the financial years which is indicating good financial health and an increasing performance growth over the years through a drive to better manage operational costs.

Total Year Surplus for Primary Activities (R,000)



Primary Activities as defined by Section 29 of the Water Services Act. These are activities related to the supply of bulk raw, clarified and treated water and the disposal of buoyant dense effluent. Surplus for the current financial year is R156.4 million against a budgeted surplus of R92 million, resulting in a positive variance of R64.4 million. This is due to material cost savings and under-spending on various expenditure and better operational cost management.

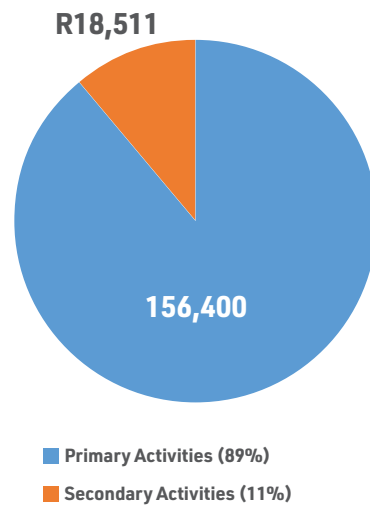
Total Year Surplus for Secondary Activities (R,000)



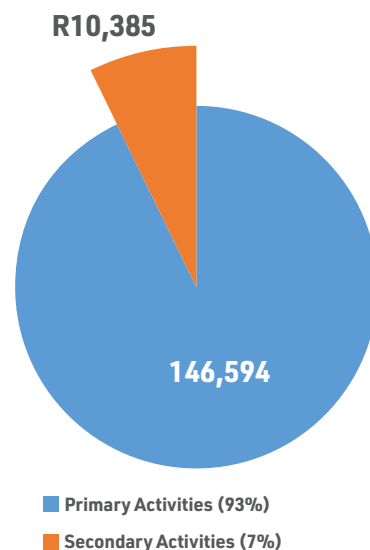
The Secondary Activities as defined by the Water Services Act are those non-regulated services that complement bulk water provision. These comprises of revenue from operating and maintenance contracts of various water schemes and being an implementing agent and providing laboratory service amongst other services.

MW reported an under achievement of R18.5 million against budgeted surplus of R21.2 million for the year ended 30 June 2023; The target lagged throughout the year and the subsequent pick up experienced driven by implementing agency fees revenue could not compensate as the Lab revenue also experienced as slight decline compared to previous financial year. Although the surplus realised did not meet the set budget, secondary activities performance saw a sharp increase which is the highest over the last 5 financial years.

Surplus for the period (R,000)



Surplus for the period 2022 (R,000)

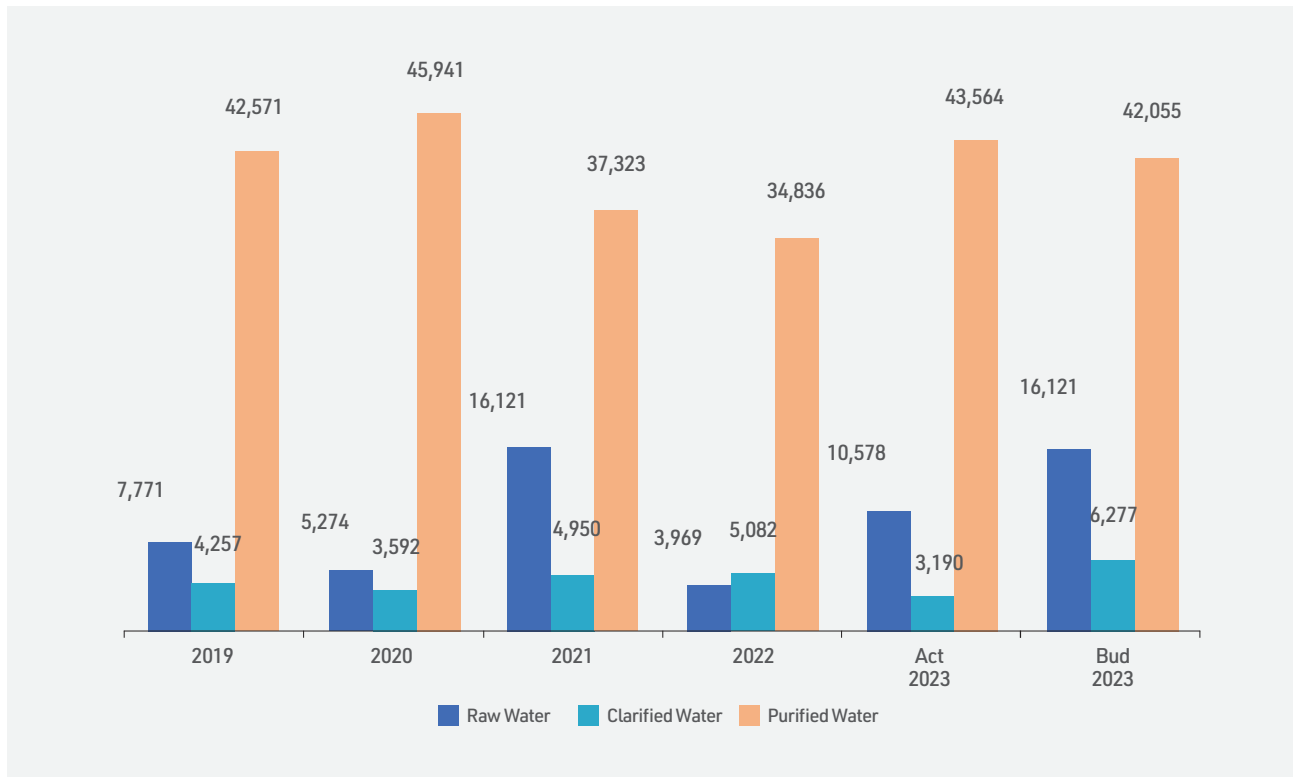


MW achieved an 89/11 percentage split between Primary and Secondary Activities Surplus in the current financial year which is in accordance with the approved business plan in comparison to 93/7 reported in prior year. This was driven by the increase in revenue generated by Section 30 activities revenue especially on implementing agency fees realised from projects that were being implemented.

Both revenue generated grew over the period highlighting wealth creation and value add.

18.5 Volume Analysis

Bulk Water Sales ('000 mega litres)



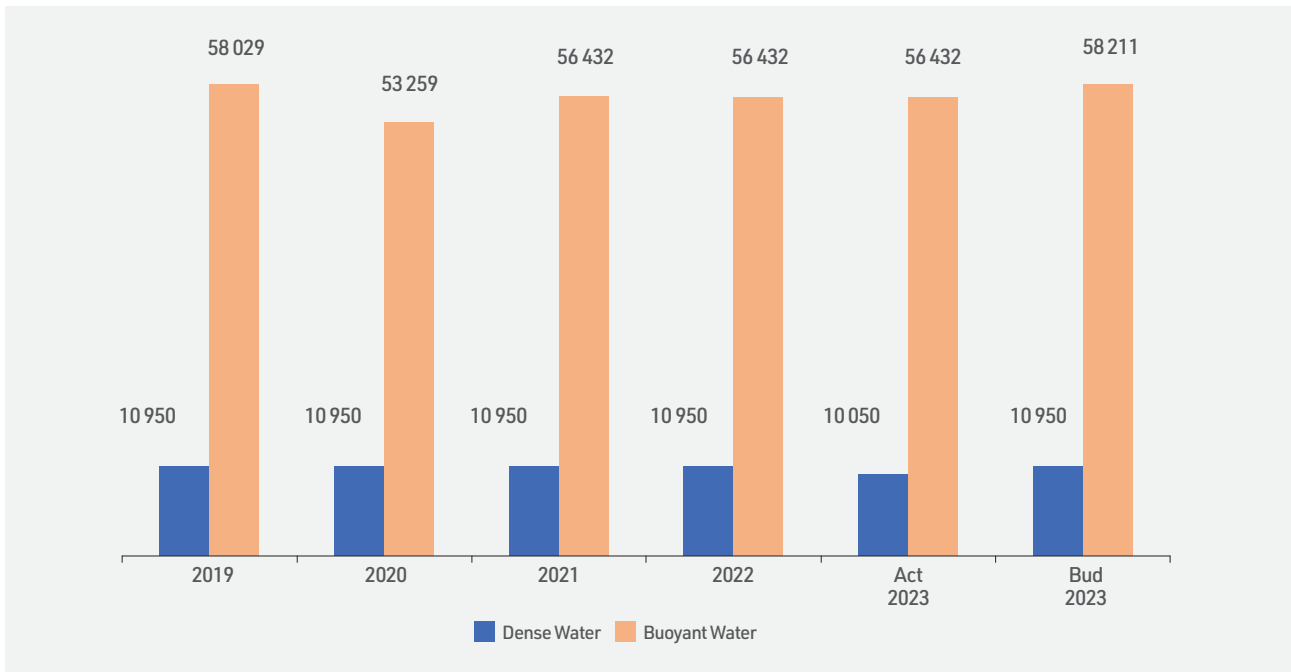
Bulk water sales increased in the current financial year compared to previous financial year due to customers utilising more purified water and raw water than budgeted for. One of key customers went through a longer shut last year increased their production and usage of purified water.

The actual volumes sold for the period ended 30 June 2023 are 57.3 mega litres from a budget of 64,4 mega litres realising in an overall under sales variance of 7.1 mega litres, this is due to customers utilising less raw and clarified water than budgeted

for. In the current year, there was a noticeable increased rainfall and that filled up the other water source for our customers, resulting to them abstracting less water than budgeted from Mhlathuze Water.

Clarified consumption also shows a negative variance due to a contract with a potential customer that did not commence as planned. This is also attributed to lower production at the current customer which resulted to them needing less water.

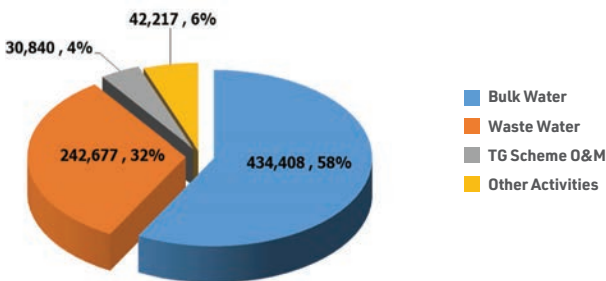
Waste Water Volumes Disposed ('000 Mega litres)



Mhlathuze Water maintained the same number of waste water customers during the financial year and there were no changes in contracted amounts. A negative variance was realised due to a new customer not coming on board as planned due to project delays.

18.6 Revenue Management

Revenue per Segment 30 June 2022 ('000)



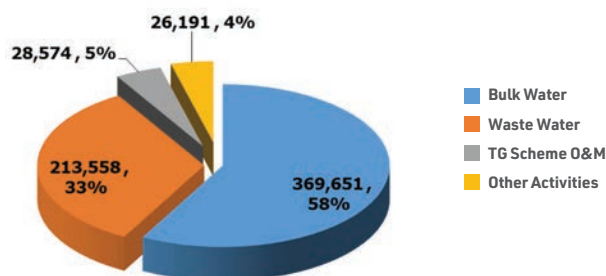
Total revenue recognised during the financial year increased compared to prior year. The main contributors to this growth are:

- ↳ Bulk water sales increased by 17% compared to last year as more volumes were sold for raw water and purified water customers.
- ↳ Mhlathuze Water maintained growth in waste water disposal revenue as it increased by 12% compared to previous financial year.
- ↳ Mhlathuze Water obtained more implementing agency contracts and executed projects and that resulted to a 384% increase in revenue.

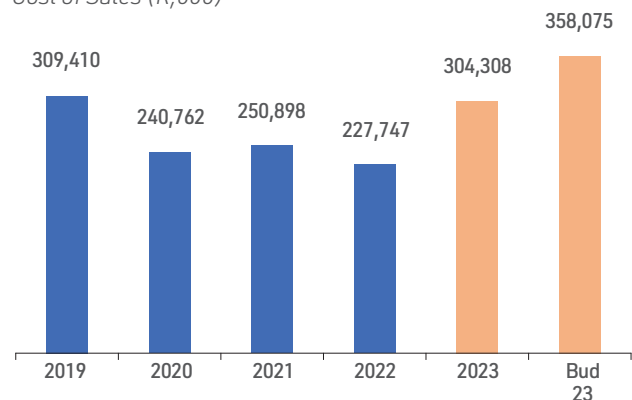
The split percentage of revenue per segment remained almost constant.

18.7 Expenditure Management

Revenue per Segment 30 June 2023 ('000)



Cost of Sales (R,000)



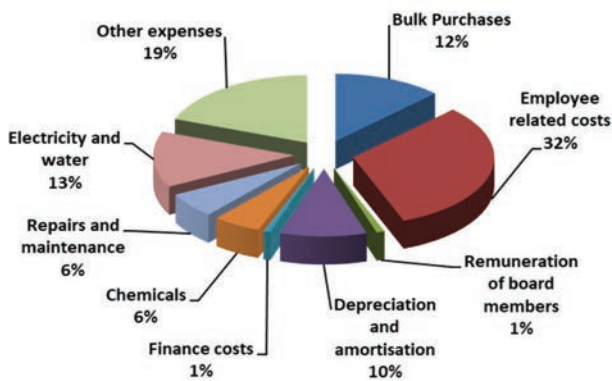
The decrease in the Cost of Sales is due to the following: Chemicals and raw water purchases

↳ The reduction in comparison to prior year is due to fewer volumes sold than budgeted for, as well as a decrease in usage of chemicals due to better turbidity of raw water and lower consumption by purified and clarified water customers.

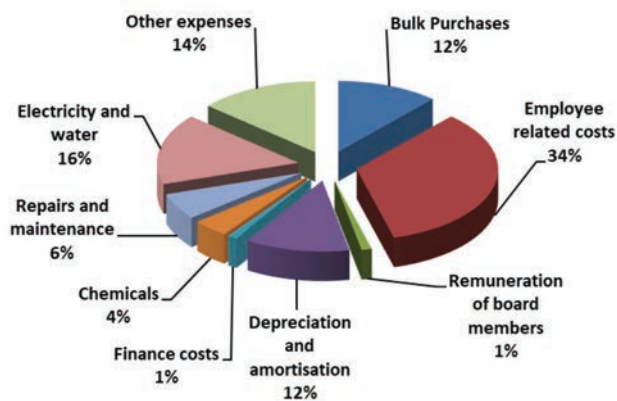
Pie chart 2: Cost structure: Expenditure

The chart below depicts expenditure per categories. In totality, expenditure incurred reduced in comparison to previous financial year.

2023

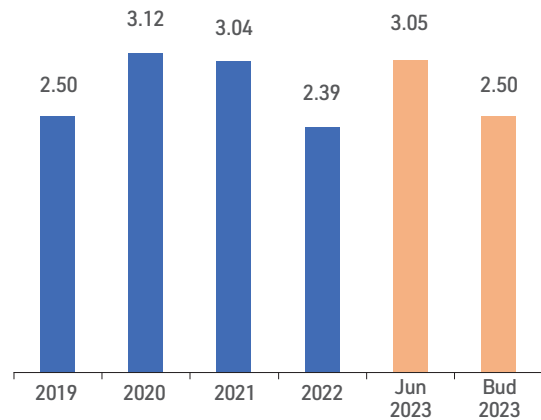


2022



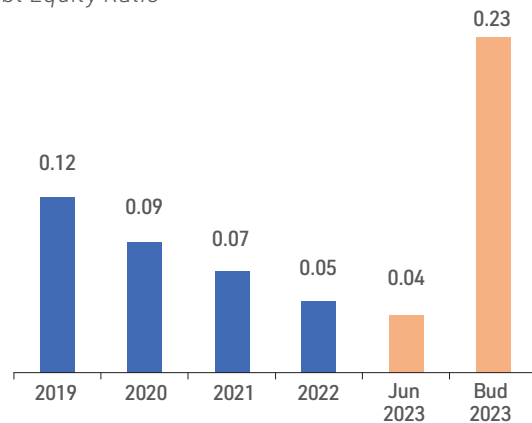
18.8 Asset and Liability Management

Current Ratio (Liquidity ratio)



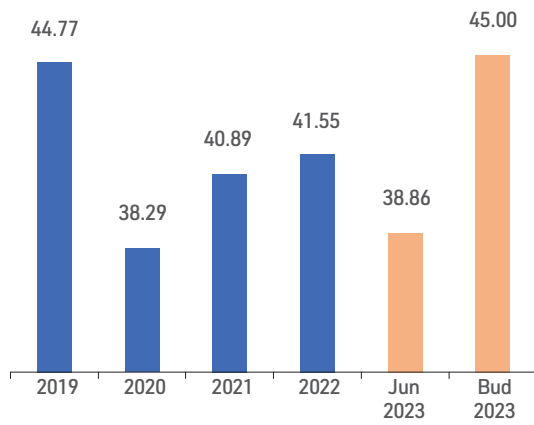
Mhlathuze Water remained financial viable during the financial year, the current financial year ratio is 3.05, compared to a target of 2.5, resulting in a variance of 0.5. Mhlathuze Water is able to honour all its current liabilities from its current assets, due to an increase in cash and cash equivalents and accounts receivables. Mhlathuze Water has a good financial standing as a current ratio achieved indicates the ability to meet all current obligations from current assets, without a need for new borrowings.

Debt Equity Ratio



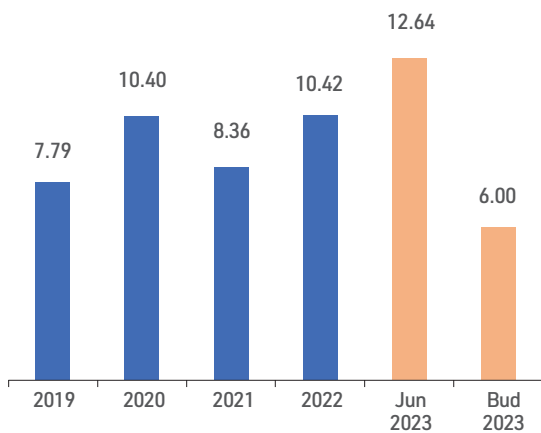
The debt-to-equity ratio achieved is 0.04 the financial year compared to the target of 0.23. This is due to interest-bearing borrowings that have decreased due to the repayment of loans and no new funding being sought.

Primary Debtors' Collection Days



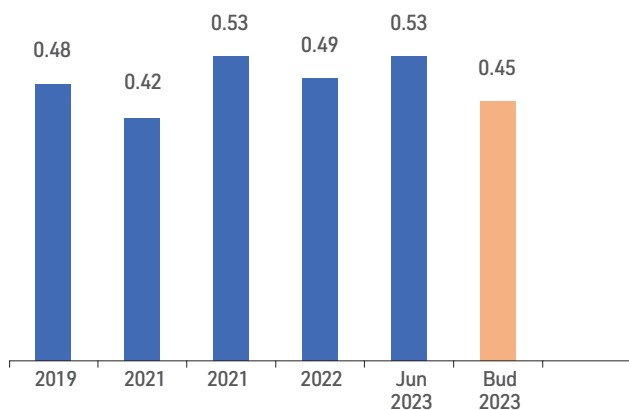
The current year Debtors' Collection Days is 38.86 days against targeted days of 45. The target was achieved. The Primary Debtors' Collection Days have been maintained around 45 days over the five year period except for 2020/21, this is due to an employment of enhanced credit controls and debt collection processes.

Return on Assets Ratio (RoA) (%)



The current year Return on Assets is 12.64% with the target of 6%, due to overall savings on expenditure which contributed positively on the net income for the financial year.

Asset Turnover Ratio



The achieved ratio is 0.53, the Asset Turnover Ratio above reflects MW's ability to utilise its income-generating assets to generate revenue.

18.9 Treasury Management

Funding Requirements

No new funding was sought in the current financial year due to a delay in the implementation of the capital programme. Mhlathuze Water utilised internally generated funds to implement current year capital projects. The cash and cash equivalents balance decreased by 11.26% from the prior year, closing at R634.1 million. The decrease was due to settlement of suppliers payments in the current financial year.

Borrowing Limit

The Borrowing Limit for FY2021/22 to FY2023/2024 were approved by the Minister of Finance in concurrence with the Minister of Human Settlement, Water and Sanitation, and thereafter published in the Government Gazette no. 46288 on 29 April 2022 as follows:

Borrowing Limits

Financial Year	Approved Limit
	R'000
2021/22	136,610
2022/23	216,265
2023/24	265,920

The outstanding interest-bearing debt of R26.1 million (2022: R36.5 million) remained below the authorised limit of R216 million for the period ending 30 June 2023. The Gearing Limit of 1.50% (2022: 2.28%) remained below the threshold of 50% as prescribed in the Borrowing Limit Approval.

The Cash Interest Cover Ratio of 19.49 times (2022: 79.99) does not only meet the threshold of 3 times as prescribed in the Borrowing Limit Approval but also in compliance with the current Long Term Borrowings contract's Financial Covenants of 1.5 times. The Debt Service Cover Ratio of 6.37 times (2022: 34.86) met the requirement of at least 1 times as prescribed in the Borrowing Limits Approval.

18.10 Capital Projects and Capital Expenditure Management

The entity has completed phase one of the Nsezi Plant Augmentation which was delivery of pipelines and continues to implement phase two (Plant Upgrade from 205ML/d to 260 ML/d) planned to be completed in FY2023/24. The Nsezi Plant Augmentation contributes a significant balance of Work in Progress amounting to R 266,8 million.

Having experienced delays in the project due to disruptions by local business forum, inclement weather, ground improvement additional scope we are confident that controls and risk mitigations deployed will assist in ensuring that phase two will be completed as planned.

The ERP Implementation projects was brought on hold and the entire work in progress of R 16.5m impaired due to the merger which rendered the system unnecessary.

MW saw the completion of the Supply, Install, Commission and Maintain CCTV Surveillance Equipment, that was fully capitalised in the current year. The project brings necessary security monitoring at MW sites.

MW continued to implement the upgrade the Tugela Goedertrouw Scheme upgrade on behalf of the DWS at the approved project budget is R420 million and DWS uMkhanyakude District Municipality water intervention programme budgeted at R209,153 million

18.11 Financial Outlook

In implementation the Minister's gazette on the disestablishment of Mhlathuze Water and the transfer of staff, assets and liabilities effective 1 July 2023; the entity was moved as a going. The going concern assumption ensures that the entity's function continues albeit in a modified form even if the functions will no longer be provided by MW as disestablished but by UUW.

The function previously performed by MW will continue to meet all statutory obligations for the foreseeable future under the new entity as the Richard's Bay Region of UUW. It is noteworthy that this is a consolidation of a healthy and financially sound function that will add value to the combined entity.

Materiality and Significance Framework

The National Treasury Regulation Section 28.3.1 and Section 55 (2), Section 54 (2) of the Public Finance Management Act; specify that for purposes of materiality the Accounting

Authority must develop and agree on a framework of acceptable levels of materiality and significance for the Public Entity with the relevant Executive Authority. The Board reviewed and approved the Materiality and Significance Framework Policy on 22 August 2019. The policy defines both the levels of significance and materiality. The purpose of the framework is to record the levels of materiality and significance for consideration by the governance structures of Mhlathuze Water and for submission to, and approval by, the Executive Authority. The framework is in line with the Mhlathuze Water Policy on Materiality and Significance Materiality. The Delegation of Authority Policy is aligned to the framework.

Capital Infrastructure Investment Framework

Historically, Mhlathuze Water has made significant investment and upgrades to its bulk infrastructure and associated assets. The capital investment planning for the medium term continue is to determine the required investment in critical areas and to ensure that the organisation derive maximum benefit from such investment. The objectives of the framework is to set out an effective process and criteria for planning and scheduling of material capital projects that has an impact on the organisation achieving its mandate. Further, it is to align the capital investment to the tangible deliverables as projected in the organisation's Business Plan, growth strategy, infrastructure plans and strategies as well



C ANNUAL FINANCIAL STATEMENTS

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Statement of Comparison of Budget and Actual Amounts	
Accounting Policies	
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General Information

Country of Incorporation and domicile	South Africa
Legal of entity	Schedule 3B Public Entity
Nature of business and principal activities	Provision of raw, clarified, and purified water to industries and water service authorities. Offshore disposal of domestic and industrial effluent. Program, project implementation and management services in both bulk water and sanitation projects. Water and wastewater laboratory testing services.
Compliance with legislation	The financial statements are prepared in accordance with Generally Recognised Accounting Practices (GRAP) and the following relevant pieces of legislation: 1. Water Service Act, 1997 (Act 108 of 1997), and 2. Public Finance Management Act, 1999 (Act No: 1 of 1999)
Business and registered office	Corner of Battery Bank and South Central Arterial Alton Richards Bay, 3900
Postal address	Private Bag x1047, Richards Bay, 3900
External Auditors	Auditor General of South Africa (AGSA)
Company Secretary	Ms. S Mbatha
Bankers	First National Bank
Reporting Period	30 June
Authorisation date by Accounting Authority	31 October 2023

Report by the Accounting Authority

The Accounting Authority hereby presents the report of the entity for the year ended 30 June 2023.

Review of Activities

Main business and operations

Former Mhlathuze Water's primary activity was provision of bulk water services in accordance with section 29 of the Water Services Act No. 108 of 1997. Mhlathuze Water also disposed of domestic and industrial water effluent as provided for in Section 30 of the Water Services Act, and also engaged in other services that complement bulk water service delivery such as water quality monitoring and environmental management, laboratory services and acted as an implementing agent for government entities as well as private industries on water

related services. The operating results and state of affairs of the entity are fully set out in the attached Annual Financial Statements. During the period under review, Mhlathuze Water continued to be a self-sustainable and financially viable entity, and was able to meet all its obligations for the financial year.

Going Concern

This basis presumed that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments would occur in the ordinary course of business.

Financial Assessment of Mhlathuze Water as at 30 June 2023

Table 1: Key Financial Indicators

Key Financial Ratios	Previous Financial Years				Target	Actual
	2019	2020	2021	2022	2023	2023
Gross profit percentage	56.50%	64.31%	60.95%	65.00%	60.00%	60.83%
Debtors collection days	44.77	38.39	40.89	41.55	45	38.86
Net profit margin: Primary activities	20.00%	23.95%	18.45%	24.92%	15.00%	23.12%
Current ratio	2.5	3.12	3.04	2.39	2.5	3.05
Acid Test Ratio	2.29	2.93	2.89	2.32	3.00	2.92
Debt equity ratio	0.12	0.09	0.07	0.05	0.23	0.04
Return on assets	7.79	10.40	8.36	10.42	6.00	12.64
Asset turnover ratio	0.48	0.42	0.53	0.49	0.45	0.53
Interest turnover ratio	20.01	16.56	15.69	25.23	10.32	27.82
EBIT margin	24.38%	27.47%	25.14%	30.39%	8.64%	23.99%

- ↳ As at the end of financial year 2022/23, Mhlathuze Water had realised a surplus of R174.9 million for the period;
- ↳ The gross profit percentage has generally been maintained above 50% over the past financial years and the current year ratio is 61%.
- ↳ The net profit margin has been increasing over the five year period and the current year ratio is 23% against the projected 15%;
- ↳ Bulk water sales increased by 17% compared to last year as more volumes were sold for raw water and purified water customers. Mhlathuze Water also maintained growth in waste water disposal revenue as it increased by 12% compared to previous financial year;
- ↳ Positive growth in financial position overall as the net asset base of the organisation has grown compared to the previous financial years;
- ↳ Current assets exceeded current liabilities indicating that Mhlathuze Water would be able to pay its current liabilities in the next financial period;
- ↳ The total cash and cash equivalents as reported is R634 million.
- ↳ Total reserves reported amounted to R344 million.
- ↳ The debt-equity ratio indicates that Mhlathuze Water has 0.04 ratio of debt over equity, indicating that financial leverage is within control;
- ↳ None of Mhlathuze Water's core business customers have indicated severe financial difficulties that may provide a reasonable doubt and that may significantly affect their credit risk;
- ↳ None of Mhlathuze Water's core customers have indicated an intention to cancel their long term supply agreements;
- ↳ There was no major impact whether through volumes sold and effluent disposed during the financial year ended 30 June 2023 that were as a result severe operational issues or going concern of such customers. None of Mhlathuze Water's customers have indicated that in the near future there will be a negative impact realised;
- ↳ None of key customers of Mhlathuze Water declared force majeure and inability to meet their contract demands and deliverables;

In summary, the entity closed off its financial year under Mhlathuze Water name as a very healthy and sustainable entity far from any possible financial difficulties/doubts.

The Board has assessed and satisfied itself that the entity:

- ↳ Is in a healthy net asset position at year-end that is expected to continue for the foreseeable future.
- ↳ Has sufficient cash resources and reserves to honour all its commitments and payables that exist at the reporting date.
- ↳ Forecasts that tariff revenue and reserves will be sufficient to cover operating and capital expenses in the foreseeable future.

Going Concern

This basis presumed that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments would occur in the ordinary course of business.

Going Concern in terms of transfer of function and mergers

Management further considered that the going concern basis remained appropriate even as the decision was taken to transfer the entire functions (staff, assets and liabilities) of Mhlathuze Water to uMngeni-uThukela to merge into a single water board. Management used GRAP 1: Going Concern standard in the disclosure and assessment of going concern.

The standard states that; financial statements are normally prepared on the assumption that the entity is a going concern and will continue in operation or some modified form, for example a merger, and meet its statutory obligations for the foreseeable future.

The approved and not yet effective GRAP 1 amendment further provided a better clarity with an amended paragraph on 'Transfer of Functions and Merger'. It states that the going concern basis remains appropriate where a decision is taken to transfer some, or all of an entity's functions to another entity, or to merge two or more entities. The entity's functions will continue in a modified form, even if the functions will no longer be provided by the entity itself. The transferor or combining entity applies the Standards of GRAP on Transfer of Functions under Common Control'

In the going concern assumption policy relating to the implementation of the Minister's gazette on the disestablishment of Mhlathuze Water of transfer of staff, assets and liability therefore ensured that the entity's function continued albeit in a modified form even if the functions will no longer be provided by MW as disestablished but by UUW. The function previously performed by MW will continue to meet all statutory obligations for the foreseeable future under the new entity.

The Annual Financial Statements have thus been prepared based on the expectation that the entity will continue to operate as a going concern for the foreseeable future and there are no significant circumstances that cast doubt on the going concern assumption under the new entity, uMngeni-uThukela Water.

Subsequent events

An arbitration award was made on the 27th of July 2023 against Mhlathuze Water to settle monies that was previously withheld from an employee's salary.

Share Capital and Director's Interests

Mhlathuze Water has no share capital and therefore no member has any equity interest in the organisation.

Borrowing limits

The borrowing limits for the period up to June 2022 were approved by the Minister as follows:

Financial year	Amount
2022/23	R216,265 million
2023/24	R265.920 million

The outstanding interest-bearing debt of R26.1 million (2023: R36.5 million) remained below the authorised limit of R216 million for the period ending 30 June 2023.

The Gearing Limit of 1.50% (2023: 2.28%) remained below the threshold of 50% as prescribed in the Borrowing Limit Approval.

The Cash Interest Cover Ratio of 19,49 times (2022: 79.99) does not only meet the threshold of 3 times as prescribed in the Borrowing Limit Approval but also in compliance with the current Long Term Borrowings contract's Financial Covenants of 1.5 times.

The Debt Service Cover Ratio of 6.37 times (2022: 34.86) met the requirement of at least 1 times as prescribed in the Borrowing Limits Approval.

The borrowing limit is based on Mhlathuze Water's borrowing requirements and the funding needed to ensure that infrastructure requirements are aligned to meet the demands from consumers.

Corporate Governance and Risk Management

General

Good governance is implemented through the best practice governance framework that aligns to the principles of the King IV Report on Corporate Governance™ for South Africa, 2016 (King IV).

During the period under review, the Board put into practice the principles of ethical leadership by ensuring that action necessary to correct alleged maladministration and malfeasance were taken and the Board's stance was known. In keeping with King IV's recommendations, the Board indeed served as a focal point and custodian of corporate governance by steering the entity and approving its strategic direction, approving policy and planning that gave effect to the direction provided. Through quarterly reporting, the Board was able to effectively oversee and monitor implementation and execution of the set targets by management.

The Board held its annual Strategic Risk workshop which culminated in the review and approval of the Risk Appetite and Risk Tolerance Statements and the revised Delegations of Authority Policy of the entity. Further details have been given under Risk Management reporting in 'Other Governance Matters'.

Mhlathuze Water's subscribed to a risk-based Internal Audit Plan, and the Board's responsibility for risk management was emphasized as one of the important components of their duty, without which it becomes difficult to diligently play our oversight role and ultimately prepare the going concern statement.

During the period under review, the Audit and Risk committee reported fully to the board on its discussions arising from the Internal Audit reviews, Risk Management, Organisational Performance and IT reports, and it is on this basis that improvement towards the implementation and adherence to the Combined Assurance Model is noted.

Bankers

First National Bank was appointed 1 January 2021 for a 3 year term to render banking services.

Auditors

The Internal Audit function is capacitated by a co-sourced resource, namely Nexia SAB & T and the in-house resources

comprising of the Internal Audit Manager, two Internal Auditors, Internal Audit Administrator and Internal Audit Intern. The Internal Audit function is overseen by the Audit and Risk Committee functionally and reports to the Chief Executive administratively, through the Internal Audit Manager.

External audit is performed by the Auditor-General SA on an annual basis in accordance with Public Audit Act, No. 25 of 2004.

Compliance with legislation

The Annual Financial Statements are prepared in accordance with Generally Recognised Accounting Practices (GRAP) and the following relevant pieces of legislation:

↳ Water Services Act, 1997 (Act No: 108 of 1997); and

↳ Public Finance Management Act, 1999 (Act No: 1 of 1999).

Tariff Policy

Mhlathuze Water charges a tariff for services rendered, which ensures that it remains viable and sustainable over the long term. To achieve this, Mhlathuze Water applies a Scheme-Specific Tariff for Bulk Services and/or time & material type charges for other services. The policy takes into account the stipulations contained in section 10 of the Water Services Act. The annual tariff review process is in terms of the requirements of Section 42 of the Municipal Finance Management Act and Circular 23 issued by National Treasury.

The table below depicts the approved 2022/23 bulk water and waste water tariff increases:

	FY2022/23 Approved Increase	FY2022/23 Approved Tariff
	%	R
Raw Water: City	8.01%	2.48
Raw Water: Industries	7.98%	2.63
Potable Water: City	9.94%	6.02
Potable Water: Industries	10.04%	6.92
Clarified Water	9.64%	3.10
Buoyant Effluent	8.18%	2.33
Dense Effluent	9.95%	8.40

11. Capital Expenditure and commitments

Commitments for the acquisition of property, plant and equipment were financed from internal resources. Mhlathuze Water intended to source funding from the market to finance shortfall. The capital expenditure commitments are set out in Note 6 of the financial statements.

12. Addresses

Business Address Corner of Battery Bank and South Central Arterial, Alton Industrial Area, Richards Bay 3900
Postal Address Private Bag x1047 Richards Bay 3900

13. Fruitless and wasteful expenditure

Fruitless and wasteful expenditure incurred in the current year amounts to R28,851,250 for the current financial year which comprises of three transactions. R31,647

relates to interest that was charged on an account that put on hold due to a dispute. R205,767 relates to a fee paid on terminating an agreement on a cancelled project. R28,583,000 relates to refund paid to a customer that was billed incorrectly between 2009 and 2013, the amount would be recovered from either the Department of Water and Sanitation (as the amount was previously remitted to the department) or it would be refunded by the customer upon resolution of the dispute.

14. Irregular expenditure

A total amount of new irregular expenditure reported in the 2022/23 financial year is R278,541,000 of which R98,311,000 was incurred in previous years due to non-compliance with section 51(1)(a)(iii) of the PFMA.

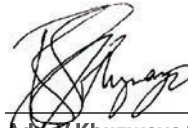
Financial misconduct

There were incidents and reports of financial misconduct during the current financial year. Allegations of Fraud and corruption; collusion by external and internal sources were amongst challenges the organization encountered during the year. The Board received a number of whistle-blower reports on these matters and sanctioned forensic investigations.

The outcome of these investigations resulted in 07 officials suspended; disciplinary processes were initiated, criminal and civil cases were opened with law enforcement agencies. In addition, one other official resigned before formal charges were levelled against her.

Disclosure in terms of Directive 12 of the Accounting Standards Board

There were no directives received during the current financial year. Information required by the Public Finance Management Act No 1 of 1999, as amended in assessing the materiality framework policy, the following is taken into account: 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 on a framework of acceptable levels of materiality and significance established at 1% of gross revenue which equates to R6 424.000. Management also applies a qualitative aspect to all errors found.



Adv. V Khuzwayo SC.

Chairperson of the Board
31 October 2023

Accounting Authority Responsibilities and Approval

The Accounting Authority is required by the Public Finance Management Act (Act 1 of 1999), to maintain adequate accounting records and is responsible for the content and integrity of the Annual Financial Statements and related financial information included in this report. It is the responsibility of the Chief Executive to ensure that the annual financial statements fairly present the state of affairs of the entity as at the end of the financial year and the results of its operations and cash flows for the year ended 30 June 2023.

The Auditor General is engaged to express an independent opinion on the Annual Financial Statements and was given unrestricted access to all financial records and related data. The Annual Financial Statements have been prepared in accordance with Generally Recognised Accounting Practices (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board and the requirements of the Public Finance Management Act (PFMA).

The Annual Financial Statements are based on appropriate accounting policies which are consistently applied and supported by reasonable and prudent judgements and estimates. The Accounting Authority is also responsible for the system of internal financial control established by the entity and places considerable importance on maintaining a strong control environment.

To enable the Board to meet these responsibilities, standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner were set.

The accounting standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the entity and all employees are required to maintain the highest ethical standards in ensuring the entity's business is conducted in a manner that in all reasonable circumstances is above reproach.

The focus of risk management in the entity is on identifying, assessing, managing and monitoring all known forms of risk across the entity. While operating risk cannot be fully eliminated, the entity endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

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

The Accounting Authority has reviewed the entity's cash flow forecast for the year ending 30 June 2023 and, in the light of this review and the current financial position, the Accounting Authority is satisfied that the entity has access to adequate resources to continue in operational existence for the foreseeable future.

The Annual Financial Statements set out from page 105 which have been prepared on the going concern basis, were approved by the Accounting Authority on 31 October 2023 and were signed on its behalf by:



Adv. V Khuzwayo SC.

Chairperson of the Board

Statement of Responsibility and Confirmation of Accuracy of Annual Financial Statements

The annual financial statements have been prepared in accordance with South African Statements of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The Accounting Authority acknowledges its responsibility for the preparation and integrity of the annual financial statements and related information included in the annual report. In order for the Accounting Authority to discharge these responsibilities, as well as those bestowed on it in terms of the Public Finance Management Act 1 of 1999 (PFMA) and other applicable legislation, it has developed and maintains a system of internal control.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

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

Internal controls include a risk-based system of internal accounting and administrative controls designed to provide reasonable, but not absolute assurance that assets are safeguarded and that transactions are executed and recorded in accordance with GRAP, as well as policies and procedures established by the Accounting Authority and independent oversight by the independent Board committees.

Mhlathuze Water is well placed to manage future funding requirements pertaining to its mandated activities and has adequate resources to continue its business for the foreseeable future. The Minister of Water and Sanitation pronounced the


disestablishment of Mhlathuze Water on 30 June 2023 to form a single water board for KZN. The disestablishment, effective on 1 July 2023, entailed the extension of the geographical boundaries of Umgeni Water to include the area formerly serviced by Mhlathuze Water and the transfer of Mhlathuze Water's staff, assets and liabilities to uMngeni-uThukela Water. The accounting authority concluded that using the going concern basis is appropriate in preparing its financial statements as there are no material uncertainties related to events or conditions that may cast significant doubt on Mhlathuze Water's ability to continue as a going concern. The reconfiguration and transfer of assets and liabilities will therefore be one of a going concern entity.

Although the Accounting Authority is primarily responsible for the financial affairs of the entity, assurance is provided by the entity's external auditors.

The annual financial statements set out on pages 5 to 53 which have been prepared on a going concern basis together with annual performance report, were approved by the Accounting Authority on 31 August 2023 and were signed on its behalf by:



Dr S Manana
Acting Chief Executive
31 October 2023



Adv. Mkhuzwayo
Board Chairperson
31 October 2023

Report of the auditor-general to Parliament on the Mhlathuze Water Board

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the Mhlathuze Water Board set out on pages 106 to 147, which comprise the statement of financial position as at 30 June 2023, the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Mhlathuze Water Board as at 30 June 2023, and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Public Finance Management Act 1 of 1999 (PFMA).

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the responsibilities of the auditor-general for the audit of the financial statements section of my report.
4. I am independent of the public entity in accordance with the International Ethics Standards Board for Accountants' International code of ethics for professional accountants (including International Independence Standards) (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of matters

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

Transfer of functions between entities under common control

7. We draw attention to note 37 in the financial statements, which deals with the Transfer of functions from Mhlathuze Water Board to Umgeni Water Board who subsequently changed its name to Umgeni-uThukela Water effective 01 July 2023.

Restatement of corresponding figures

8. As disclosed in note 30 to the financial statements, the corresponding figures for 30 June 2022 were restated as a result of an error in the financial statements of the public entity at, and for the year ended, 30 June 2023.

Material Impairment – Intangible assets

As disclosed in note 7 to the financial statements, material losses of R 16 548 000 were incurred as a result of an impairment of an ERP system in capital work in progress.

Other

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

National Treasury Instruction Note No. 4 of 2022-23: PFMA Compliance and Reporting Framework

10. On 23 December 2022 National Treasury issued Instruction Note No. 4: PFMA Compliance and Reporting Framework of 2022-23 in terms of section 76(1)(b), (e) and (f), 2(e) and (4)(a) and (c) of the PFMA, which came into effect on 3 January 2023. The PFMA Compliance and Reporting Framework also addresses the disclosure of unauthorised expenditure, irregular expenditure, and fruitless and wasteful expenditure. Among the effects of this framework is that irregular and fruitless and wasteful expenditure incurred in previous financial years and not addressed is no longer disclosed in the disclosure notes of the financial statements, only the current year and prior year figures are disclosed in note 30 to the consolidated and separate financial statements. Some movements in respect of irregular expenditure and fruitless and wasteful expenditure are no longer disclosed in the notes to the consolidated and separate financial statements of Mhlathuze Water Board. The disclosure of these movements (e.g., condoned, removed, under assessment, under determination and under investigation) are now required to be included as part of other information in the annual report of the entity. I do not express an opinion on the disclosure of irregular expenditure and fruitless and wasteful expenditure in the annual report

Responsibilities of the accounting authority for the financial statements

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

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

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

Report on the audit of the annual performance report

15. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I must audit and report on the usefulness and reliability of the reported performance against predetermined objectives for selected performance perspectives presented in the annual performance report. The accounting authority is responsible for the preparation of the annual performance report.
16. I selected the following performance perspective presented in the annual performance report for the year ended 30 June 2023 for auditing. I selected the performance perspective that measures the entity's performance on its primary mandated functions and that is of significant national, community or public interest.

Programme	Page numbers	Purpose
Performance perspective 1 – organisational efficiency and effectiveness	42	Reliability of water supply.
	42	Manage avoidable water losses.
	42	Compliance with SANS 241:2015 water quality standard for potable water.

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

18. I performed procedures to test whether:

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

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

20. The material findings on the performance information of the selected performance perspective is as follows:

Performance perspective 1 – organisational efficiency and effectiveness

Number of instances of unplanned supply interruptions exceeding 24 hours

21. Adequate processes had not been established to consistently measure and reliably report on this indicator. Consequently, I could not confirm the reliability of the reported achievement of three against the target of three.

Other matters

22. I draw attention to the matters below.

Achievement of planned targets

23. The annual performance report includes information on reported achievements against planned targets and provides explanations for over- and under-achievements. This information should be considered in the context of the material findings on the reported performance information.

Material misstatements

24. I identified a material misstatement in the annual performance report submitted for auditing. These material misstatements were in the reported performance information of performance perspective 1 – organisational efficiency and effectiveness. Management did not correct the misstatement and I reported material findings in this regard.

Report on compliance with legislation

25. In accordance with the PAA and the general notice issued in terms thereof, I must audit and report on compliance with applicable legislation relating to financial matters, financial management and other related matters. The accounting authority is responsible for the entity's compliance with legislation.
26. I performed procedures to test compliance with selected requirements in key legislation in accordance with the findings engagement methodology of the Auditor-General of South Africa (AGSA). This engagement is not an assurance engagement. Accordingly, I do not express an assurance opinion or conclusion.
27. Through an established AGSA process, I selected requirements in key legislation for compliance testing that are relevant to the financial and performance management of the , clear to allow consistent measurement and evaluation, while also sufficiently detailed and readily available to report in an understandable manner. The selected legislative requirements are included in the annexure to this auditor's report.
28. The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

Procurement and contract management

29. Some of the goods, works or services were not procured through a procurement process which is fair, equitable, transparent and competitive, as required by section 51(1)(a)(iii) of the PFMA.
30. Some of the contracts were awarded to bidders based on pre-qualification criteria that were differed from those stipulated in the original invitation for bidding, in contravention of the 2017 Preferential Procurement Regulation 4(1) and 4(2).
31. Some of the bid documentation for procurement of commodities designated for local content and production, did not stipulated the minimum threshold for local production and content as required by the 2017 Preferential Procurement Regulation 8(2). Similar non-compliance was also reported in the prior year.
32. Some of the commodities designated for local content and production, were procured from suppliers who did not submit a declaration on local production and content in accordance with paragraph 3.4 of National Treasury Instruction Note 4 of 2015/2016. Similar non-compliance was also reported in the prior year.

Expenditure management

33. Effective and appropriate steps were not taken to prevent irregular expenditure amounting to R285 472 000 as disclosed in note 29.1 to the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA. The majority of the irregular expenditure was caused by participation in contracts of other organs of state. Irregular expenditure amounting to R121 222 921 was incurred on the Augmentation of Nsezi Water Treatment Plant.

Annual financial statements and annual report management

34. Financial statements were not submitted for auditing within the prescribed period after the end of financial year, as required by section 55(1)(c)(i) of the PFMA.
35. 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.
36. Material misstatements of disclosure items identified by the auditors in the submitted financial statements were corrected, resulting in the financial statements receiving an unqualified audit opinion.

Consequence management

37. 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 because investigations into irregular expenditure were not performed at year end.

38. The accounting authority is responsible for the other information included in the annual report, which includes the chief executives' report and the audit committee's report. The other information referred to does not include the financial statements, the auditor's report and those selected performance perspectives presented in the annual performance report that have been specifically reported on in this auditor's report.
39. My opinion on the financial statements, the report on the audit of the annual performance report and the report on compliance with legislation, do not cover the other information included in the annual report and I do not express an audit opinion or any form of assurance conclusion on it.
40. My responsibility is to read this other information and, in doing so, consider whether it is materially inconsistent with the financial statements and the selected performance perspective presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
41. I have nothing to report in this regard.

Internal control deficiencies

42. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.
43. The matters reported below are limited to the significant internal control deficiencies that resulted in the material findings on the annual performance report and the material findings on compliance with legislation included in this report.
44. Management did not adequately review the annual financial statements to ensure that they have prepared accurate and complete annual financial statements supported and evidenced by reliable information.
45. Management did not implement proper record-keeping on a timely manner to ensure that complete, relevant and accurate information is accessible and available to support performance reporting.
46. Leadership did not establish and communicate adequate policies and procedures to enable and support the understanding and execution of internal control objectives, processes and responsibilities in procurement and contract management and consequence management.
47. Management did not adequately review and monitor compliance with applicable legislation with regards to compliance in procurement and contract management and consequence management.

Material irregularities

48. In accordance with the PAA and the Material Irregularity Regulations, I have a responsibility to report on material irregularities identified during the audit.

Material irregularities identified during the audit.

49. The material irregularities identified are as follows:

Non-compliance during variation order approved, on the misrepresentation of steel price increase by supplier resulting in potential financial loss

50. The public finance management act 1 of 1999(PFMA) section 57(b) states, "An official in a public entity is responsible for the effective, efficient, economical and transparent use of the financial and other resources within that official's area of responsibility."
51. A contractor was awarded bid MHLATHUZE WATER/46/8/2019 – "Supply, deliver, protect pipeline and construct pipe yard for raw water pipeline from shooting range to Nsezi water treatment works ("Pipe yard Contract")" on 17 May 2021. The terms of reference stipulated that the quotations must be open for acceptance for 60 days.
52. The tender submission made by the contractor on 26 April 2021 for the award included a quotation from the steel pipes supplier which indicated that the price of steel would be valid for 60 days. The steel pipes were raw materials to the contract awarded to the contractor.

53. On 10 June 2021, the contractor submitted a request that Mhlathuze Water (MW) pays for the additional costs which was indicated to be as a result of steel price increases even though the steel price quotation from the supplier was still valid for 60 days from the date of tender closing date. The request was discussed in a Bid Adjudication Committee (BAC) meeting dated 15 June 2021 wherein the request was approved by the BAC and thereafter by the CE. As part of the BAC discussion, a Mhlathuze Water representative was requested to obtain a price quotation from the steel pipes supplier to confirm the validity of the submission from the contractor. The representative did not obtain the quotation directly from the steel pipes supplier but obtained it from the contractor, which resulted in the variation of an amount of R9 318 528 being approved on false information.
54. The non-compliance resulted in a material financial loss of R9 318 528 for the Mhlathuze Water Board.
55. The accounting authority was notified of the material irregularity on 08 March 2023 and invited to make a written submission on the actions taken and those that will be taken to address the matter. The accounting authority responded on 03 April 2023 and indicated the following actions that had been taken and planned actions:
- ↳ A forensic investigation report dated 27 May 2022 was concluded on the matter that provided recommendations to be implemented by the accounting authority.
 - ↳ The recommendations indicated that the officials responsible for the material irregularity should be disciplined in accordance with the MW disciplinary policy. On implementation of the recommendation, some of the affected officials resigned prior to the disciplinary process being concluded. The remainder of the officials were to be disciplined in accordance with the disciplinary policy.
 - ↳ A criminal case was opened with the National Prosecuting Authority (NPA) against the identified officials as well as a civil recovery case against the contractor and officials. The contractor was also in the process of being reported to the National Treasury.
56. The progress as at audit report date is as per below:
- ↳ Disciplinary proceedings were concluded on three officials that had not resigned. Of the three officials, one was found not guilty and resumed duties and two officials were found guilty and dismissed.
 - ↳ The outcome of the criminal proceedings is awaited upon which the affected ex-officials will be reported to their respective professional bodies.
 - ↳ The civil recovery case against the contractor is ongoing.
57. I concluded that appropriate actions are being taken to address the matter. I will follow up on the progress of these actions and the implementation of the planned actions during my next audit.

Other reports

58. I draw attention to the following engagements conducted by various parties which had, or could have, an impact on the matters reported in the public 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 or my findings on the reported performance information or compliance with legislation.
59. A forensic investigation was conducted by an external service provider to investigate allegations of financial misconduct and fraud with regards to irregularities on purchase orders for various service providers, as identified from a whistle-blower's report. The investigation was still ongoing at year end. An investigation was conducted by an external service provider to investigate findings raised by the auditor-general during the prior year audit. These proceedings were not finalised in the financial year under audit.

Auditor General

Pretoria
31 October 2023



Annexure to the auditor's report

The annexure includes the following:

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

Auditor-general's responsibility for the audit

Professional judgement and professional scepticism

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

Financial statements

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

- ↳ identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- ↳ obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the public entity's internal control
- ↳ evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- ↳ conclude on the appropriateness of the use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the Mhlathuze Water Board to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a public entity to cease operating as a going concern
- ↳ evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance.

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

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

Compliance with legislation – selected legislative requirements.

The selected legislative requirements are as follows:

Legislation	Sections or regulations
Public Finance Management Act No.1 of 1999 (PFMA)	Section 50(3) Section 51(1)(a)(iii); 51(1)(a)(iv); 51(1)(b)(i); 51(1)(b)(ii); 51(1)(e)(iii) Section 52(b) Section 53(4) Section 54(2)(c'); 54(2)(d) Section 55(1)(a); 55(1)(b); 55(1)(c)(i) Section 56 Section 57(b) Section 57(d)
Treasury Regulations for departments, trading entities, constitutional institutions and public entities (TR)	Treasury Regulation 29.1.1; 29.1.1(a); 29.1.1(c'); 29.2.1; 29.2.2; 29.3.1 Treasury Regulation 31.1.2(c') Treasury Regulation 33.1.1; 33.1.3
Prevention and Combating of Corrupt Activities Act 12 of 2004 (PRECCA)	Section 34(1)
Construction Industry Development Board Act 38 of 2000 (CIDB)	Section 18(1) Section 22(3)
PPPFA	Section 2.1(a); 2.1(b); 2.1(f)
Preferential Procurement Regulations of 2017	Paragraph 4.1; 4.2 Paragraph 5.1; 5.3; 5.6; 5.7 Paragraph 6.1; 6.2; 6.3; 6.5; 6.6 Paragraph 7.1; 7.2; 7.3; 7.5; 7.6 Paragraph 8.2; 8.5 Paragraph 9.1; 9.2 Paragraph 11.2 Paragraph 12.1 and 12.2
Preferential Procurement Regulations of 2022	Paragraph 4.1; 4.2; 4.3; 4.4 Paragraph 5.1; 5.2; 5.3; 5.4
NT SCM Instruction Note 03 of 2021/22	Paragraph 4.3; 4.4; 4.4(c); 4.4(d)
NT SCM Instruction Note 11 of 2020/21	Paragraph 3.1; 3.4(b); 3.9
NT instruction note 4 of 2015/16	Paragraph 3.4
Second amendment of NTI 05 of 2020/21	Paragraph 4.8; 4.9; 5.1; 5.3
Erratum NTI 5 of 202/21	Paragraph 1
Erratum NTI 5 of 202/21	Paragraph 2
NT instruction note 5 of 2020/21	Paragraph 5.1 and 5.3

Statement of Financial Position as at 30 June 2023

	Note	30 Jun 2023 R'000	Restated 30 Jun 2022 R'000
ASSETS			
Current assets			
Inventories	2	35 661	26 256
Receivables from exchange transactions	3	162 835	119 798
Prepayments	4	3 008	2 135
Cash and cash equivalents	5	634 055	714 478
		835 559	862 666
Non-current assets			
Property, plant and equipment	6	1 219 229	1 152 920
Intangible assets	7	762	17 322
		1 219 991	1 170 242
Total assets		2 055 550	2 032 908
LIABILITIES			
Current liabilities			
Interest-bearing borrowings	8	10 569	10 658
Payables from exchange transactions	9	162 289	326 244
VAT payable	10	3 960	1 735
Employee benefit liability	11	13 978	21 552
Income received in advance	12	76 165	46 779
Provision for land rehabilitation	13	4 704	-
Finance lease liability	14	2 184	1 956
		273 849	408 925
Non-current liabilities			
Interest-bearing borrowings	8	15 518	25 863
Income received in advance	12	33 867	38 541
Finance lease liability	14	5 143	7 318
		54 528	71 722
Total liabilities		328 377	480 647
NET ASSETS			
Reserves			
Capital replacement reserve	26	272 193	260 179
Business development reserve	26	30 507	26 809
Self insurance reserve	26	6 893	6 402
Maintenance reserve	26	12 804	11 891
Environmental rehabilitation reserve	26	11 794	3 395
Loan obligation reserve	26	9 272	8 612
Accumulated surplus		1 383 710	1 234 973
Total net assets		1 727 173	1 552 261
Total net assets and liabilities		2 055 550	2 032 908

Statement of Financial Position as at 30 June 2023 (Continued)

		30 Jun 23	Restated 30 Jun 22
	Note	R'000	R'000
Revenue from exchange transactions			
Sale of goods and services	15	749 370	643 089
Cost of sales	16	(304 309)	(254 014)
Gross profit		445 061	389 075
Other income	17	55 260	27 404
Expenditure			
Employee related costs	18	(157 415)	(142 685)
Remuneration of board members	19	(5 628)	(5 733)
Depreciation and amortisation	6-7	(8 829)	(6 956)
Impairment of assets	6-7	(23 252)	(17 864)
Finance costs	20	(4 919)	(5 447)
Repairs and maintenance	21	(4 044)	(3 004)
Operating expenses	22	(114 338)	(68 148)
Operating leases	23	(2 470)	(2 300)
Bad debts written off	27	-	(101)
Electricity and water		(2 340)	(2 512)
Operating surplus		177 088	161 728
(Loss) on disposal of assets	24	(2 175)	(6 030)
Net surplus		174 912	155 698

Statement of Changes in Net Assets as at 30 June 2023

	Capital replacement Reserve	Business development Reserve	Self-insurance Reserve	Maintenance Reserve	Environmental Re-habilitation Reserve	Loan Obligation Reserve	Total Reserves	Accumulated Surplus	Total Net Assets
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Opening balance as at 01 July 2021	254 356	23 825	6 108	11 347	2 503	8 217	306 356	1 138 099	1 444 455
Surplus for the period 1 July 2021 to 30 June 2022, restated									
Transfers to reserves	5 823	2 984	294	544	892	395	10 932	(10 932)	-
Adjustments to prior period balance								(47 893)	(47 893)
Balance as at 30 June 2022, restated	260 179	26 809	6 402	11 891	3 395	8 612	317 288	1 234 973	1 552 262
Surplus for the period 1 July 2022 to 30 June 2023								174 912	174 912
Transfers to reserves	12 014	3 698	491	913	8 399	660	26 175	(26 175)	-
Balance as at 30 June 2023	272 193	30 507	6 893	12 804	11 794	9 272	343 463	1 383 710	1 727 173

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Cash Flow Statement as at 30 June 2023

	Note	30 Jun 23 R'000	Restated 30 Jun 22 R'000
Cash flows from operating activities			
Receipts			
Sale of goods and services		747 255	621 314
Interest received	17.2	42 995	25 016
		790 250	646 330
Payments			
Cash paid to employees	18	(190 100)	(166 248)
Cash paid to suppliers for goods and services		(528 232)	(112 192)
Finance costs	20	(4 919)	(5 447)
		(723 251)	(283 887)
	25	66 999	362 443
Cash flows from investing activities			
Purchase of property, plant and equipment	6	(134 716)	(176 164)
Proceeds from sale of property, plant and equipment	24	36	715
Purchase of intangible assets	7	(361)	(487)
		(135 041)	(175 936)
Cash flows from financing activities			
Repayment of financial liabilities	8	(10 435)	(10 434)
Movement on finance lease liability	14	(1 947)	9 274
		(12 382)	(1 160)
Net increase in cash and cash equivalents			
Cash and cash equivalents at beginning of year		714 478	529 131
Cash and cash equivalents at end of year		634 055	714 478

Statements of Comparison of Budget and Actual Amounts for the year Ended 30 June 2023

		Approved budget	Adjustments	Final Budget	Actual Amounts on Comparable basis	Difference between budgets and actual	Variance Percentage
	Note(s)	R'000	R'000	R'000	R'000	R'000	%
Statement of Financial Performance							
Volumes ('000 m ³)		133 613	-	133 613	124 714	(8 899)	-7%
Revenue from exchange transactions							
Sales of goods and services	39.1	873 882	-	873 882	749 370	(124 512)	-14%
Costs of Sales		(358 075)	(65 798)	(423 873)	(304 309)	119 564	-28%
Bulk Purchases		(77 856)	-	(77 856)	(75 215)	2 641	-3%
Electricity and Water	39.3	(147 698)	-	(147 698)	(78 321)	69 641	-47%
Chemicals	39.4	(28 844)	-	(28 844)	(33 015)	(4 171)	14%
Employee related costs		(30 385)	-	(30 385)	(32 685)	(2 300)	8%
Depreciation and amortisation	39.5	(73 292)	-	(73 292)	(50 991)	22 301	-30%
Repairs and maintenance*	39.6	-	(65 798)	(65 798)	(34 082)	31 716	-48%
Gross Profit		515 807	(65 798)	450 009	445 060	(4 949)	-1%
Other income	39.2	12 242	-	12 242	55 260	43 018	351%
Expenditure		(414 873)	65 798	(349 075)	(323 234)	25 841	-7%
Employee related costs	39.7	(131 927)	-	(131 927)	(157 415)	(25 488)	19%
Remuneration of board members	39.8	(6 398)	-	(6 398)	(5 628)	770	-12%
Depreciation and amortisation		(8 750)	-	(8 750)	(8 829)	(79)	1%
Impairment assets	39.9	(3 546)	-	(3 546)	(4 919)	(23 252)	100%
Finance costs	39.10	(3 546)	-	(3 546)	(4 919)	(1 373)	39%
Lease rentals on operating lease	39.11	(487)	-	(487)	(2 470)	(1 983)	407%
Repairs and maintenance	39.12	(70 636)	65 798	(4 838)	(4 044)	794	-16%
Electricity and water	39.13	(2 849)	-	(2 849)	(2 340)	509	-18%
Operating Expenses	39.14	(190 280)	-	(190 280)	(114 338)	75 942	-40%
Operating surplus		113 175	-	113 175	177 087	63 912	56%
Profit on disposal of assets		-	-	-	(2 175)	(2 175)	100%
Surplus for the year		113 175	-	113 175	174 912	61 737	55%

Budget is on accrual basis

*Repairs and maintenance attributable to direct cost of production were reclassified to cost of sales.

22. Accounting Policies

1. Presentation of Financial Statements

The Financial Statements have been prepared in compliance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 91(1) of the Public Finance Management Act (Act 1 of 1999).

These Financial Statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement. Assets, liabilities, revenues, and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Presentation currency

These Financial Statements are presented in South African Rand, which is the functional currency of the entity. All information presented has been rounded to the nearest thousand rand.

1.2 Going concern assumption

The Financial Statements have been prepared based on the going concern basis. This basis assumes that the operations of the entity will continue in the foreseeable future. The Financial Statements have been prepared based on the going concern basis. This basis assumes that the operations of the entity will continue in the foreseeable future. This basis remains appropriate as Mhlathuze Water operations will continue albeit in a modified form wherein its functions (staff, assets and liabilities) have been gazetted to transfer to uMngeni-uThukela Water on the 1st of July 2023. The new entity will continue to meet its statutory obligations for the foreseeable future..

Refer to Note 37 for details on application of the assumption.

1.3 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions which may be material to the financial statements. Use of available information and the application of judgment is inherent in the formation of estimates. Actual results in the future could differ from these estimates in the annual financial statements. Judgements include the following:

Useful life property plant and equipment and intangibles

Management will increase the depreciation charge where useful lives are less than previously estimated. Mhlathuze Water re-assesses the useful lives and residual values of property, plant and equipment on an annual basis. In re-assessing the useful lives and residual values of property, plant

and equipment management considers the condition and use of individual assets, to determine the remaining period over which the assets can and will be used.

Impairment

Management had to make the following judgement in applying criteria to designate assets as non-cash generating assets or cash generating assets. Cash generating assets are used with the objective of generating a commercial return. If the recoverable service amount of a non-cash generating assets is less than its carrying amount, the amount of the assets shall be reduced to its recoverable service amount. That reduction is an impairment loss. An impairment loss shall be recognised immediately in the statement of Financial Performance. The entity reviews and tests the carrying amount of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment may have occurred, estimates are prepared in cashflows for each group of assets.

Trade receivables

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

The impairment for trade receivables is assessed on significant debtors first, then on portfolio basis, for all trade receivables that are not already impaired as part of the significant trade receivable impairment assessment.

The entity considers evidence of impairment for receivable at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics. In assessing collective impairment the entity uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

Exchange receivables Impairment

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

The impairment for receivable is calculated on an individual basis based on historical loss ratios, adjusted for conditions.

Payables from exchange transactions

Payables from exchange transactions are stated at their nominal value. The carrying amount of these payables approximates fair value due to the short maturity period of these instruments.

Provisions

Provisions are estimates raised by management using the information available to management. Additional disclosures of these estimates of provisions are included in note 11 and 13.

Provision for Staff Bonus

The provision for bonus is raised to recognise the performance of employees, and is payable at the Board's discretion in line with the Performance Management Policy.

Provision for Staff Leave

The provision for leave pay is based on the number of days leave due to employees at the financial year end and their cost to company per day.

1.4 Property, plant, and equipment

Property, plant and equipment are initially measured at cost.

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

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

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

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequent to acquisition, improvement and refurbishment. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and refurbished equipment are recognised when they meet the definition of property, plant and equipment.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

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

Item	Average useful life
Building/Civils work	20-45 years
Plant and machinery	2-20 years
Furniture and fixtures	5-10 years
Motor vehicles	5-10 years
Equipment	5-10 years
Library	5 years
Industrial Electronics	5-10 years
Electrical supply	10-20 years
Pipelines	5-40 years
Tools and loose gear	2-5 years
Land	Not depreciated

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset. The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Capital work in progress

Capital work in progress is non-current assets under construction and is stated at cost less accumulated impairment losses. Depreciation is not provided on capital work in progress. Capital commitments are not recognised in the statement of financial position as a liability but are included in the disclosure notes.

A contractual amount for each class of capital expenditure committed is disclosed in the financial statements for the acquisition of property, plant and equipment less expenditure recognised in the statement of financial position and financial performance.

1.5 Intangible assets

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses. The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

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

Item	Useful Life
Computer software	5-10 years
Internally developed software	5-10 years

Internally generated intangible assets

Internally generated and developed software and the direct costs associated with the development and installation thereof are capitalised and recognised as intangible assets. 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.

Capital commitments

Capital commitments are not recognised in the statement of financial position as a liability but are included in the disclosure notes.

A contractual amount for each class of capital expenditure committed is disclosed in the financial statements for the acquisition of intangible assets less expenditure recognised in the statement of financial position and financial performance.

1.6 Financial instruments

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus in the case of a financial asset or a financial liability not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition at amortised cost, which includes receivables from exchange transactions, long term liabilities and payables from exchange transactions. All financial assets measured at amortised cost, or cost, are subject to an impairment review.

De-recognition of financial instruments

The entity derecognises a financial asset when the contractual rights to the cash flows from the asset expire.

The entity derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto

Financial Instrument	Measurement
Trade and other receivables	Amortised cost
Cash and cash equivalents	Fair value
Accounts payable and other	Amortised cost
Finance lease liability	Amortised cost
Interest bearing borrowings	Amortised cost

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the entity currently has a legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Section 30 of Water Services Act (Section 30) financial assets and liabilities

All financial assets and liabilities relating to section 30 activities which are secondary activities are measured in accordance with the relevant financial instrument account policies listed above. Additional detail on Section 30 activities are set out in note for Segment Reporting.

1.7 Leases

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

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term and for lease of pipeline a systematic basis is used as it is more representative of the time pattern of the user's benefit.

Finance leases - lessee

Finance leases are capitalised as property, plant and equipment at the present value of the minimum lease payments at the inception of the lease with an equivalent amount being stated as a finance lease liability. The capitalised amount is depreciated over the asset's useful life. Lease payments are allocated between capital repayments and finance expenses using the effective interest rate method.

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

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

1.8 Inventory

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

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

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

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

Inventories held by the entity comprise of strategic stock, rotatable stock, water, maintenance spares, consumables and chemicals.

1.9 Impairment

Financial assets: Trade receivables

Losses are recognised in the statement of financial performance and reflected in an provision account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial asset: Cash and cash equivalents

Cash and cash equivalents comprise cash balances, short term cash investments and call deposits.

Non-financial assets: property, plant, & equipment and intangible assets

The carrying amounts of the entity's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the assets' recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in the statement of financial performance.

Mhlathuze Water assets are used to generate commercial return and positive cash flows are expected to be significantly higher than the cost of the asset therefore they are cash-generating assets

The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs to sell. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation if no impairment loss been recognised.

1.10 Payables from exchange transactions

Payables from exchange transactions are not interest bearing and are stated at their nominal value.

1.11 Employee benefits

Short-term employee benefits

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

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

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

1.12 Provisions

Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Mhlathuze Water provision for rehabilitation of land that was damaged by a spillage, a liability has been accepted and an estimate is based on procurement processes started and cost analysis.

Mhlathuze Water's provision for bonus is raised to recognise the performance of employees, and is payable at the Board's discretion in line with the Performance Management Policy.

Mhlathuze Water' provision for leave pay is based on the number of days leave due to employees at the financial year end and their cost to company per day.

1.13 Finance Costs

Finance costs are recognised in the statement of financial performance as an expense.

Finance cost comprises interest on borrowings, interest on finance lease liability and interest on creditors.

1.14 Revenue from exchange transactions

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

Measurement

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

Sale of goods and services

Revenue from the sale of goods and services is recognised when all the conditions have been satisfied.

Sale of bulk water

In respect of the sale of water, recognition is when water is consumed by the end user.

For practical purposes revenue is recognised upon billing as there is no significant delay between consumption and billing. Revenue comprises primarily the net invoiced value of water sales, exclusive of VAT, at declared tariffs arising from normal trading activities.

Interest income

Revenue arising from the use by others of entity assets yielding interest is recognised when all conditions have been met. Interest is recognised, in the statement of financial performance, using the effective interest rate method unless stated otherwise.

Management services

Management services is recognised in the period in which the services are rendered in terms of the agreements with external water services entities.

Laboratory services

Laboratory services are recognised in the period in which the services are rendered in terms of the agreements signed with external stakeholders.

Implementing agency revenue

Implementing agency revenue is recognised by reference to the stage of completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total service to be provided.

Operation and maintenance services (O & M)

Operation and maintenance services are recognised in the period in which the services are rendered. O & M revenue relates to bulk water and bulk waste water services operated on behalf of Water Service Authorities.

1.15 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 as defined in Section 30 of the Water Services Act (Act 108 of 1997), are disclosed as cost of sales.

Bulk purchases

This is part of cost of sales, and it represents the cost of raw water purchased from the Thukela/Goedertrouw/Mhlathuze River System scheme. This is based on water abstraction license that Mhlathuze Water has with Department of Water and Sanitation.

1.16 Reserves

In striving for financial viability as required in Section 34 of the Water Services Act; which amongst other things states that a water board is financially viable if it is able to make reasonable provision for future capital requirement and expansion, repay and service its debts and recover its capital operational and maintenance cost. The accounting authority approved the following reserves where excess surpluses

not needed for immediate use by the entity may be applied as a mechanism for provision of future funds to finance the identified key arrears.

Capital Replacement Reserve

The purpose of the reserve is to build and accumulate adequate cash resources to fund unbudgeted capital projects expenditure necessary for the efficient operation of the organization. The reserve is utilized for the upgrades and refurbishment, replacing of aging infrastructure, plant modernization and projects to address operational continuity and efficiency.

The reserved is maintained at 9% of PPE Contributions to fund the minimum balance is transferred from accumulated surplus at year end. Interest received on investments of the reserve are reinvested back into the reserve.

Business Development Reserve

The purpose of the reserve is to enable the creation of proactive business relationships with municipalities and other stakeholders in order to position MW as a preferred water service provider. A minimum balance of R5 million is maintained in the reserve. At year end the reserve is adjusted to be within 1% of net surplus. Contributions to fund the minimum balance are transferred from accumulated surplus at the end of the year. Interest received on investments of the reserve are reinvested back into the reserve.

Self-Insurance Reserve

The purpose of the reserve is to mitigate the effect of volatile insurance premiums and excess cover that is more than budgeted for. It is used to cover insurance claims that are rejected by insurer and to cover volatile insurance premiums.

The reserves is maintained at a minimum equal to the latest annual insurance premium at year end. Contributions to fund the minimum balance is transferred from accumulated surplus at year end. Interest received on investments of the reserve are reinvested back into the reserve.

Maintenance Reserve

The purpose of this Maintenance reserve id to stabilize the tariff in the long term on each of the schemes in such a manner that extra ordinary or high maintenance will not cause severe fluctuation to the tariff and loan obligation. The reserve is maintained at a minimum of 4% of the 5 year projected average annual expenditure on Repairs and Maintenance.

The reserve is funded from accumulated surpluses. Interest received on investments of the reserve are reinvested and retained in the reserve.

Environmental Rehabilitation Reserve

The purpose of the reserve is to ensure that where environmental damage that is related to non-compliance with quality standard by contributors that are discharging effluent to the system may be caused by factors relating to Mhlathuze Water business, it has sufficient resources to rehabilitate the areas concerned and used for the same.

The reserves is funded from revenue collected from penalties imposed on customers who discharge waste water and effluent through the Mhlathuze Water infrastructure to accumulate cash resources to rehabilitate areas that have been environmentally damaged by factors relating to MW's business. Interest received on investments of the reserve are reinvested and retained in the reserve.

Loan Obligation Reserve

The purpose of the LOR is to mitigate the effects of significant changes in loan repayment due to breach of loan covenants that are not within MW control. The reserve is maintained at a minimum balance equivalent to 10% of latest audited loan balances. The reserve is funded from transfers from accumulated surpluses. Interest received on investments of the reserve are reinvested and retained in the reserve.

1.17 Fruitless and wasteful expenditure

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

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

1.18 Segment Reporting

Segment information is presented in respect of the entity's business segments. The business segments are determined based on the entity's management and internal reporting structure.

Segment results that are reported to the entity's Chief Executive (the chief operating decision-maker) include assets and liabilities and items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment.

Identification of Segments

Information reported about the segments is used by management as a basis for evaluating the segments' performances and for making decisions about the allocation of resources. The disclosure for information about these segments is also considered appropriate for external reporting purposes. Mhlathuze Water has two reportable segments:

The primary activities segment as defined by section 29 of the Water Services Act No. 108 of 1997 which are made up of:

(a) Bulk Water

This activity covers the bulk supply of raw, clarified and treated water to domestic and industrial customers in the Richards Bay area.

Revenue generated based on volumes sold/supplied has been reflected under this segment.

(b) Waste Water

(i) This activity covers buoyant and dense effluent disposal under contract to industries and the Municipality in the Richards Bay area from plants owned by Mhlathuze Water.

Secondary activities

The segment 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 water quality monitoring, environmental management, laboratory services, operating and maintenance and where Mhlathuze Water acts as an implementing agent for projects related to water service delivery in principal-agent arrangements.

- (i) TG Scheme operating and maintenance scheme relates to an agreement whereby Mhlathuze Water is operating a water scheme on the behalf of Department of Water & Sanitation
- (ii) Other activities relates to implementing agency fees, laboratory services, management fees for customer contracts that Mhlathuze Water has with departments, municipalities and companies.

1.19 Related parties

The entity operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the entity, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions. All departments and departmental entities under the national sphere are our related parties, although only the controlling entity and entities under its ministry are disclosed as related parties.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the entity.

1.20 Events after the reporting date

Only events that provide further evidence about conditions that existed at the end of the reporting period are adjusted for in the annual financial statements. Non-adjusting events are disclosed in the annual financial statements accordingly.

1.21 Irregular Expenditure

Initial and Subsequent Recognition of Irregular Expenditure
Irregular expenditure is initially recognised when resulting transaction is recognized in the financial records of an entity in accordance with GRAP on accrual basis of accounting. Initially irregular expenditure is measured at cost.

Subsequently, irregular expenditure is measured at cost less amount condoned, or recovered or written off by relevant authority.

Where irregular expenditure was incurred in the previous financial years and is only condoned in the current financial year, the register and the disclosure note to the financial statements is updated with the amount condoned

1.22 Budget information

The budget is prepared on an accrual basis.

General purpose financial reporting by entity provides information on whether resources were obtained and used

in accordance with the legally adopted budget. The FY 2022/23 approved budget is prepared on an accrual basis and presented by nature.

The Annual Financial Statements and the budget are prepared on the same basis of accounting; therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of Comparison of Budget and Actual Amounts.

Material variances will be explained in the Statement of Comparison of Budget and Actual Amounts and movements of greater than 10% will be assumed material.

Notes to the Annual Financial Statements

2. Inventories**2.1 Stores**

Chemicals
Consumables and maintenance spares
Strategic stock
Rotable Spares

No inventory amount was written off in the current year (2022: R0).

2.2 Water Inventory

Water inventory

Total Inventories**3 Receivables from Exchange Transactions & Other**

Trade receivables
Trade receivables - secondary activities
Sundry receivables
Refundable Deposits
Staff receivables
Less: Allowance for credit losses

Total Receivables from Exchange Transactions**4 Prepayments**

Prepayments

5 Cash and Cash Equivalents

Cash and cash equivalents comprises of cash on hand and short-term investments that are held with registered banking institutions with maturities of less than twelve months that are subject to insignificant interest rate risk. The carrying amount of these assets approximates their fair values:

Cash on hand

Bank balances

Short-term deposits

Call account - Secondary activities

Total Cash and Cash Equivalents**Bank Accounts - Secondary Activities**

The Department of Water and Sanitation, Department of Education, Department of Environmental Affairs, Department of Basic Education and Department of Co-operative Governance and Traditional Affairs approves projects per annum. Mhlathuze Water is allowed to incur expenses for the externally funded projects as well as the working amounts to Mhlathuze Water and reimburse them as and when cash is utilised on these projects.

The unutilised advances are listed below:-

Advances received from the Department of Water and Sanitation

Two projects are currently being managed. Two other projects are completed.

Advances received from the Department of Education/Department of Basic Education

All projects are completed. Advances payable will be paid back once a directive from the Principal has been received and all retention funds are paid.

Advances received from the Department of Environmental Affairs

One project is managed by Mhlathuze Water.

Advances received from the Department of Co-operative Governance and Traditional Affairs

One project is currently being managed.

Advances received from Department of Labour

One project was managed by Mhlathuze Water and it has been terminated.

Advances received from City of uMhlathuze municipality

One project was managed by Mhlathuze Water and it has been terminated.

Cash is invested in separate investment accounts as per Government institution listed above.

These funds are restricted for use on the respective projects. Funds are included in cash balances of Mhlathuze Water and recognised as payables from exchange transactions.

Funds held increased due to interest accrued on call accounts.

30 Jun 2023	Restated 30 Jun 2022
R'000	R'000
10 240	7 338
8 269	7 539
11 852	9 441
4 987	1 627
35 348	25 945
313	311
35 661	26 256
116 720	115 907
46 877	3 620
4 362	1 780
447	451
423	89
(5 994)	(2 048)
162 835	119 798
3 008	2 135
3 008	2 135
10	5
54 622	2 192
503 299	664 065
76 124	48 216
634 055	714 478
68 913	3 642
411	594
977	3 316
3 373	3 160
1 005	941
1 445	36 563
76 124	48 216

Notes to the Annual Financial Statements (Continued)

6 Property, Plant and Equipment	30 Jun 2023			Restated 30 Jun 2022		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
	R'000	R'000	R'000	R'000	R'000	R'000
Land	1 780	-	1 780	1 780	-	1 780
Buildings/Civil works	724 521	(150 041)	574 480	609 295	(137 768)	471 527
Plant and Machinery	207 948	(104 467)	103 481	204 808	(91 405)	113 403
Furniture and fixtures	3 871	(3 193)	679	3 876	(2 776)	1 100
Motor vehicles	26 334	(14 014)	12 320	20 875	(12 079)	8 796
Equipment	57 039	(31 445)	25 595	53 610	(26 514)	27 096
Library	6	(5)	1	6	(5)	1
Electrical supply	101 480	(40 804)	60 676	102 439	(36 294)	66 145
Industrial Electronics	57 560	(30 655)	26 905	59 463	(27 108)	32 356
Pipelines	634 257	(221 043)	413 214	635 762	(205 196)	430 566
Tools and loose gear	1 281	(1 182)	99	1 281	(1 131)	149
Total	1 816 076	(596 849)	1 219 229	1 693 196	(540 277)	1 152 920

Reconciliation of property, plant and equipment 30 June 2023

	Opening balance	Additions	Disposal	Impairment loss/reversal	Cost Transfers	Depreciation*	Closing balance
	R'000	R'000	R'000	R'000		R'000	R'000
Land	1 780	-	-	-	-	-	1 780
Buildings/Civil works	471 529	121 096	(127)	(5 691)	-	(12 326)	574 480
Plant and Machinery	113 403	4 118	(237)	(399)	-	(13 403)	103 481
Furniture and fixtures	1 100	10	(4)	-	-	(427)	679
Motor vehicles	8 796	5 609	-	-	-	(2 085)	12 320
Equipment	27 094	3 658	(40)	(1)	149	(5 265)	25 595
Library	1	-	-	-	-	-	1
Electrical supply	66 145	-	(235)	(480)	-	(4 754)	60 676
Industrial Electronics	32 356	-	(613)	-	-	(4 837)	26 905
Pipelines	430 566	77	(996)	-	-	(16 434)	413 214
Tools and loose gear	149	-	-	-	-	(51)	99
	1 152 920	134 567	(2 252)	(6 572)	149	(59 582)	1 219 229

Reconciliation of property, plant and equipment 30 June 2022 (continued)

	Opening balance	Additions	Disposal	Impairment loss	Depreciation*	Closing balance
	R'000	R'000	R'000	R'000	R'000	R'000
Land	1 780	-	-	-	-	1 780
Buildings/Civil works	364 842	128 510	(451)	(8 901)	(12 471)	471 529
Plant and Machinery	121 644	10 753	(5 556)	-	(13 438)	113 403
Furniture and fixtures	1 508	48	(1)	-	(455)	1 100
Motor vehicles	3 845	6 354	(162)	-	(1 241)	8 796
Equipment	15 454	15 547	(59)	343	(4 191)	27 094
Library	2	-	-	-	(1)	1
Electrical Supply	65 036	5 878	-	-	(4 769)	66 145
Industrial Electronics	29 648	7 771	(513)	-	(4 550)	32 356
Pipelines	445 884	1 303	-	-	(16 622)	430 566
Tools and loose gear	206	-	(2)	-	(54)	149
	1 049 848	176 164	(6 745)	(8 558)	(57 793)	1 152 920

Main Event

The main event is the conditional assessment of assets done in every five years in terms of approved fixed assets policy.

Key Assumption

Mhlathuze Water assets consists of specialized assets in nature as a result to determine fair value was impractical since there is no market for the identified assets. Therefore, the recoverable amount (value in use) was determined as a proportion of the period in which Mhlathuze Water is expected to derive benefits from use of an asset.

6.1 2023 - Capital Work-In-Progress: Property, Plant and Equipment

Included in the figures for assets above in work in progress that has been reconciled in below.

Category	Opening balance	Additions	Cost Transfers	Impairment loss	Closing balance
Buildings/Civil works	155 450	121 014	(482)	(5 687)	270 295
Plant and Machinery	3 935	3 981	(6 783)	(206)	927
Motor vehicles	-	5 608	(5 608)	-	-
Equipment	7 487	4 559	(10 477)	-	1 569
Electrical Supply	8 042	-	-	(480)	7 562
Pipelines	-	77	(77)	-	-
	174 914	135 239	(23 427)	(6 373)	280 353

2022 - Capital Work-In-Progress: Property, Plant and Equipment

Category	Opening balance	Additions	Cost Transfers	Impairment loss	Closing balance
Buildings/Civil works	42 316	127 310	(6 073)	(8 103)	155 450
Plant and Machinery	806	3 192	(64)	-	3 934
Industrial Electronics	-	7 676	(7 676)	-	-
Motor vehicles	2 415	(2 415)	(2 415)	-	-
Furniture and fixtures	-	14	(14)	-	-
Equipment	2 253	6 062	(36)	(791)	7 488
Electrical Supply	2 210	5 832	-	-	8 042
	50 000	147 671	(16 278)	(8 894)	174 914

There was impairment identified for capital work in progress based on assessment that was done as at the end of 30 June 2023. Included in the figures for assets above are assets that were halted and taking significant longer time to complete.

Projects where construction or development has been halted.

Included in Electrical Supply is AC Mitigation with a carrying amount of R7,562 million as the asset were vandalised/stolen and the contractor abandoned site.

Included in Building/Civils work is Nsezi Bund Wall with a carrying amount of R2,832 million was halted due to poor performance by the contractor.

Included in Building/Civils work is Refurbishment of Nsezi Control Room/Laboratory with a carrying amount of R343 thousands was halted as the contract was terminated due to poor

Projects taking a significantly longer time to complete than expected.

Included in Building/Civils work is Nsezi Plant Augmentation with a carrying amount of R267,155 million taking longer to complete. This is a multi-year project under implementation, however it is taking longer to complete due to disruptions by local business forum, delays in procurement and on-going court case.

No items of PPE are pledged as security for liabilities.

Amount incurred to repair and maintain assets disclosed above is detailed note for repairs and maintenance note 21

* Portion of depreciation is recognised as Cost of Sales (refer to note 16 Cost of Sales)

		30 Jun 2023	Restated 30 Jun 2022
	Note	R'000	R'000
Depreciation*			
Depreciation	6	59 582	57 793
Amortisation	7	239	205
Total depreciation and amortisation		59 821	57 998
Cost of sales	10	50 991	51 041
Depreciation and amortisation IS		8 829	6 956
Total		59 821	57 997

Notes to the Annual Financial Statements (continued)

6.2 Capital commitments**Authorised Capital Expenditure**

Already contracted for but not provided for

- Buildings/civils works
- Plant and Machinery
- Industrial Electronics
- Pipelines
- Motor vehicles
- Electrical Supply
- Computer software

This committed expenditure relates to Capital Expenditure and will be financed by available bank facilities, retained surpluses and existing cash resources.

Total Capital Commitments

Authorised capital expenditure

6.3 Change in estimate: Assets

Decrease in depreciation and amortisation - current year

Increase in depreciation and amortisation - periods after current year

	30 Jun 2023 R'000	Restated 30 Jun 2022 R'000
	698	963
	134 076	199 256
	-	2 586
	2 078	2 078
	-	204
	-	507
	20 004	18 486
	156 856	224 080
	156 856	224 080
	156 856	224 080
	-	-
	(1 809)	(1 201)
	1 809	1 201

7 Intangibles Assets

	30 June 2023			30 June 2022		
	Cost R'000	Accumulated amortisation and accumulated impairment R'000	Carrying value R'000	Cost R'000	Accumulated amortisation and accumulated impairment R'000	Carrying value R'000
Computer software	16 180	(15 418)	762	15 703	(15 077)	625
Internally developed software	16 548	(16 548)	-	16 697	-	16 697
Total	32 728	(31 966)	762	32 400	(15 077)	17 322

Reconciliation of intangible assets 30 June 2023

	Opening balance R'000	Additions R'000	Cost Transfers R'000	Disposal R'000	Impairment R'000	Amortisation R'000	Closing balance R'000
Computer software	625	510	(149)	(1)	(133)	(239)	762
Internally Total developed	16 697	-	-	-	(16 548)	-	-
Total	17 322	510	(149)	(1)	(16 681)	(239)	762

Reconciliation of intangible assets 30 June 2022

	Opening balance R'000	Additions R'000	Disposal R'000	Impairment R'000	Amortisation R'000	Closing balance R'000
Computer software	830	-	-	-	(205)	625
Internally developed software	25 171	487	-	(8 961)	-	16 697
Total	26 001	487	-	(8 961)	(205)	17 322

Notes to the Annual Financial Statements (continued)

7.1 Intangible assets under development

Included in the figures for intangible assets above in work in progress that has been reconciled below.

Category	Opening balance	Additions	Movements	Impairment loss	Borrowing Cost	Closing balance
Internally developed software	16 697	-	(149)	(16 548)	-	-
	16 697	-	(149)	(16 548)	-	-

No items of Intangible Assets are pledged as security for liabilities.

ERP System was fully impaired in the current financial year because due to reconfiguration of Mhlathuze and uMngeni-uThukela Water, the system will no longer be used.

Impairment losses of assets

Main Event

The minister announced the process of disestablishment of Mhlathuze Water and transferring all the assets and liabilities to uMngeni Water and there is 1 year period of configuration of systems and processes in which MW will still be using the assets under consideration.

Key Assumption

Mhlathuze Water assets consists of specialized assets in nature as a result to determine fair value was impractical since there is no market for the identified assets. Therefore, the recoverable amount (value in use) was determined as a proportion of the period in which Mhlathuze Water is expected to derive benefits from use of an asset

Projects taking a significantly longer time to complete than expected.

Included in computer software is ERP System with a carrying amount of R1,569, the project was halted due to the court case between the service provider and MW

8 Interest-Bearing Borrowings

At amortised cost

Rand Merchant Bank

Total interest-bearing borrowings

Debt consists of unsecured interest-bearing liabilities held at amortised cost.

The fixed term loan from Rand Merchant Bank is repayable in bi-annual

capital repayments, with a fixed interest rate of 10.54%, that commenced on 30 November 2011 and matures on 28 November 2025.

Mhlathuze Water's interest-bearing borrowings are within the approved borrowing limits and compliant to the requirements.

Non-Current Liabilities

At amortised cost

Current Liabilities

At amortised cost

Total interest-bearing borrowings

9 Payables from Exchange Transactions & Other

Trade payables

Trade payables - secondary activities

Retention

Retention - secondary activities

Accruals

Accruals - secondary activities

SARS - PAYE, UIF and SDL

Sundry creditors

Accrued interest - secondary activities

10 VAT Payable

VAT Payable

	30 Jun 2023 R'000	Restated 30 Jun 2022 R'000
	26 087	36 521
	26 087	36 521
	15 518	25 863
	10 569	10 658
	26 087	36 521
	19 176	52 078
	13	840
	18 574	9 386
	9 102	6 428
	66 227	233 179
	43 927	9 822
	5	5 458
	631	2 498
	4 633	6 556
	162 289	326 244
	3 960	1 735
	3 960	1 735

Notes to the Annual Financial Statements (continued)

11 Employee Benefit Liability

	Opening balance	Movement	Utilised during the year	Closing balance
	R'000	R'000	R'000	R'000
Reconciliation of employee benefit - 30 June 2023				
Provision of staff incentive bonus	10 814	(6 155)	(1 880)	2 779
Provision of staff leave	10 738	5 284	(4 822)	11 200
	21 552	-871	(6 702)	13 979
Reconciliation of employee benefit - 30 June 2022				
Provision of staff bonuses	9 265	9 217	(7 668)	10 814
Provision of staff leave	8 699	5 324	(3 285)	10 738
	17 964	14 541	(10 953)	21 552

Provision for Staff Bonus

The provision for Bonus is raised to recognize the performance of employees, which is payable at the Board's discretion in line with the Performance Management Policy. The current year provision for bonus is limited to employees who are graded A and B due to current performance of the organisation against set targets.

Provision for Staff Leave

The provision for leave pay is based on the number of days leave due to employees at financial year end and their cost to company per day.

12 Income Received in Advance

- Short-term portion of advances: B-Line
- Advances - Agency activities (Short term)
- Long-term portion of advances: B-Line

Total income received in advance

	30 Jun 2023	Restated 30 Jun 2022
	R'000	R'000
	4 674	5 120
	71 491	41 660
	33 867	38 541
	110 032	85 321

Income received in advance from a customer relates to the construction of the B-Line Diffuser Replacement Project, which was commissioned at the end of September 2008. The entity received the total amount upfront. The income is recognised over the period of the agreement based on the usage of the waste water disposal line by Foskor. This balance is measured and recognised in terms of the accounting policy relating to income received in advance.

Advances - agency activities relates to cash withheld on behalf principals for implementation of various projects.

13 Provision for land rehabilitation

- Provision for land rehabilitation

	30 Jun 2023	Restated 30 Jun 2022
	R'000	R'000
	4 704	-
	4 704	-

Mhlathuze Water wastewater spilled over and damaged the municipal land, a legal obligation in terms of National Environmental Management Act 107 of 1998 section 30 obliged Mhlathuze Water to rehabilitate the damaged land.

The best estimate was done internally using public bids obtained from service providers who are to rehabilitate the land. The best estimate is undiscounted.

Notes to the Annual Financial Statements (continued)

14 Finance lease liabilities

Current Liabilities

At amortised cost

Non-Current Liabilities

At amortised cost

Total

Finance leases summary

Laptops, desktops and IT equipment lease contract and Servers lease contract

Mhlathuze Water leases laptops, desktops, servers and other IT equipment. The lease for laptops, equipment and desktops is for 3 years (36 months) from 1 September 2021, while the lease for servers and related equipment is for 5 years (60 months) from 1 January 2022. Both lease agreements terminate at the end of each lease term. The effective interest rates are fixed for the duration of both lease terms.

Lease payments are payable on a monthly basis based on agreed lease payments which include capital repayment and interest costs. Lease payments are fixed and there are no renewal options.

Reconciliation of finance leases

30 June 2023

Not later than one year

Later than one year and not later than five years

Later than five years

30 June 2022

Not later than one year

Later than one year and not later than five years

Later than five years

30 Jun 2023	Restated 30 Jun 2022
R'000	R'000
2 184	1 956
5 143	7 318
7 327	9 274

Lease Payments	Finance Charges	Present Value of Lease Payments
R'000	R'000	R'000
3 280	(1 096)	2 184
6 361	(1 218)	5 143
-	-	-
9 641	(2 314)	7 327
3 480	(1 483)	1 997
9 641	(2 364)	7 277
13 121	(3 847)	9 274

15 Revenue - Sale of Goods and Services

Sale of Goods and Services

Bulk water sales

Waste water sales

Operations and Maintenance Agreements

Management fee

Laboratory services

Implementing Agency Fees

Total Revenue

16 Cost of Sales

Raw water purchases

Electricity and water

Chemicals

Employee related costs

Depreciation and amortisation

Repairs and maintenance

Total Cost of Sales

Note(s)	30 Jun 2023	Restated 30 Jun 2022
	R'000	R'000
	433 856	369 651
	242 353	218 673
	30 846	28 574
	26 628	18 796
	5 005	5 403
	10 681	1 993
	749 370	643 089
	75 215	56 631
	78 321	76 393
	33 015	20 119
18	32 685	23 563
6	50 991	51 041
21	34 082	26 267
	304 309	254 014

Notes to the Annual Financial Statements (continued)

	30 Jun 2023 R'000	Restated 30 Jun 2022 R'000
17 Other Income		
Included in other income:		
17.1 Sundry Income		
Reversal of obsolete stock	936	69
Impairment reversal: PPE	-	343
Reversal of bonus provision	6 155	-
Rent received	7	7
Proceeds on Insurance claim	12	121
External bursary funding	1 134	-
Impairment reversal: Debtors	-	1 013
General*	4 022	834
	12 266	2 387
*General sundry income consists of revenue from recoveries from staff and other (R3,4 million) and Federated Employers Mutual receipts (R92 thousand) and miscellaneous.		
17.2 Interest Income		
Bank accounts and investments	42 008	23 965
Interest charged on trade and other receivables	987	1 050
	42 995	25 016
	55 260	27 404
18 Employee Related Costs		
Basic	144 981	133 627
Bonus	2 672	10 012
Internship	1 193	1 094
Learnership	160	120
Shift allowance	716	812
Standby allowance	4 465	4 191
Responsibility allowance	2 286	1 366
Cell phone allowance	1 408	1 340
Relocation allowance	2	2
Transport allowance	43	75
Housing allowance	15 805	-
Danger allowance*	967	-
Tool allowance	214	202
Secondment allowance	-	46
Leave	5 284	5 324
Overtime	4 858	3 449
Overtime - normal shift	1 612	1 520
UIF - company contributions	526	471
WCA - company contributions	1 211	1 061
Statutory levies - SDL	1 689	1 530
Statutory levies - AMC	7	7
Total employee costs	190 100	166 248
Direct employee related costs (Included in COS)	32 685	23 563
Employee related costs (Indirect, included under expenditure)	157 415	142 685

* Housing allowance is a continuous payment as a result of court judgment in the implementation of Amanzi Bargaining Council resolution.

** Danger allowance is a once-off payment to compensate employees who worked during Covid-19.

Notes to the Annual Financial Statements (continued)

19 Board members emoluments and Executive managements' emoluments

19.1 Board members emoluments

The Board of Mhlathuze Water was appointed by the Minister of Water and Sanitation on the 5th of December 2018 and the term ended 5 December 2022. The minister re-appointed the Board until the process of Umngeni-uThukela and Mhlathuze Water reconfiguration is finalised, the second term ended 30 June 2023.

Board members of Mhlathuze Water	Appointment Date	Term ended	Re-appointment date	Term ended
TA Shange (Chairperson)	5 December 2018	4 December 2022	5 December 2022	30 June 2023
SZ Hlophe (Deputy Chairperson)	5 December 2018	4 December 2022	5 December 2022	30 June 2023
A Badul	5 December 2018	4 December 2022	5 December 2022	30 June 2023
GD Biyela	5 December 2018	4 December 2022	5 December 2022	30 June 2023
N Gevers	5 December 2018	4 December 2022	5 December 2022	30 June 2023
M Makgae	5 December 2018	4 December 2022	5 December 2022	30 June 2023
N Mkhize	5 December 2018	4 December 2022	5 December 2022	30 June 2023
B Mshengu	5 December 2018	4 December 2022	Term ended	
PS Reddy	5 December 2018	4 December 2022	5 December 2022	30 June 2023
MM Xulu	5 December 2018	4 December 2022	5 December 2022	30 June 2023
M Zikalala	5 December 2018	4 December 2022	5 December 2022	30 June 2023

Non-executive board members	Board fees	Travel and Subsistence Allowance	Data allowances	Total
	R'000	R'000	R'000	R'000
TA Shange (Chairperson)	1 046	49	20	1 115
S Hlophe (Deputy Chairperson)	478	39	12	529
A Badul	480	83	12	575
GD Biyela	292	11	12	315
N Gevers	470	67	12	548
M Makgae	476	24	12	512
N Mkhize	443	54	12	509
B Mshengu *	239	63	7	309
PS Reddy	427	39	12	478
MM Xulu	332	17	12	360
M Zikalala	330	34	12	377
Total Non executive board members	5 013	480	135	5 628

*BV Mshengu: Included in the accounts receivables, note 3 - an amount of R11 thousand is outstanding from BV Mshengu.

Executives' Emoluments

Executive staff members	Position	Salary package	Acting Allowance	Cell phone Allowance	Travel and Subsistence Allowance	Other Allowances/ Leave payout/ SDL/UIF	Total 2022
		R'000	R'000	R'000	R'000	R'000	R'000
Dr S Lushaba*	Interim Chief Executive	2 386	-	40	19	136	2 581
MP Duze ^	Chief Executive	747	-	30	-	459	1 236
P Magagula**	Interim Chief Financial Officer	1 050	-	10	5	20	1 085
H Manyatsa***	Interim Chief Financial Officer	619	-	6	-	56	681
B Mnyandu ^^	Chief Financial Officer	418	-	5	-	445	868
P Maisiri ^^	GM: Technical Services	1 986	-	20	-	-	2 006
BS Nthoro****	GM: Scientific Services	2 012	206	20	13	165	2 416
T Hlongwane*****	Interim Chief Financial Officer	387	-	4	-	131	522
P Maponya	GM: Operations and Maintenance	1 928	-	20	3	190	2 141
SBotha@@@	Acting GM: Technical Services	448	-	-	-	210	658
M Moleko®	GM: Corporate Services	1 911	-	20	6	124	2 061
N Soji®	Interim GM: Technical Services	1 474	-	14	5	28	1 521
Total executive staff members		15 366	206	189	51	1 964	17 776

Notes to the Annual Financial Statements (continued)

*Dr S Lushaba was appointed as Interim Chief Executive from 5 September 2022 until resigned on 30 April 2023.

^ MP Duze was on suspension and subsequently resigned on 31 October 2022.

** P Magagula was appointed as Interim Chief Financial Officer from 16 January 2023.

*** H Manyatsa Appointed as Interim Chief Financial Officer from 24 October 2022 until terminated on 31 January 2023.

^^ B Mnyandu was on suspension and subsequently resigned on 16 September 2022.

**** BS Ntlhoro acted as a Chief Executive from 6 December 2021 until 2 September 2022 and from 10 May 2023 until 30 June 2023.

***** T Hlongwane acted as an Interim Chief Financial Officer from 6 December 2021 until 23 October 2022.

© M Moleko was appointed as GM: Corporate Services from 4 July 2022.

©© N Soji was appointed as Interim GM: Technical Services from 17 October 2022.

©©© S Botha was appointed as Acting GM: Technical Services from June to 17 October 2022.

^^^ P Maisiri was on suspension and subsequently resigned on 18 June 2023.

19.2 Board members emoluments

The Board of Mhlathuze Water was appointed by the Minister of Water and Sanitation on the 5th of December 2018.

Board members of Mhlathuze Water	Appointment Date
TA Shange (Chairperson)	5th December 2018
SZ Hlophe (Deputy Chairperson)	5th December 2018
A Badul	5th December 2018
GD Biyela	5th December 2018
N Gevers	5th December 2018
M Makgae	5th December 2018
N Mkhize	5th December 2018
B Mshengu	5th December 2018
PS Reddy	5th December 2018
MM Xulu	5th December 2018
M Zikalala	5th December 2018

	Board fees	Travel and Subsistence Allowance	Data allowances	Total
Non-executive board members	R'000	R'000	R'000	R'000
TA Shange (Chairperson)	810	59	20	889
S Hlophe (Deputy Chairperson)	532	39	12	583
A Badul	421	97	12	530
GD Biyela	301	1	12	314
N Gevers	509	68	12	589
M Makgae	419	27	12	458
N Mkhize	432	45	12	489
B Mshengu *	444	99	12	555
PS Reddy	378	51	12	441
MM Xulu	402	17	12	431
M Zikalala	394	48	12	454
Total Non executive board members	5 042	551	140	5 733

Notes to the Annual Financial Statements (continued)

Executives' Emoluments

Executive staff members	Position	Salary package	Acting Allowance	Cell phone Allowance	Travel and Subsistence Allowance	Other Allowances/ Leave payout/ SDL/UIF	Total 2022
		R'000	R'000	R'000	R'000	R'000	R'000
MP Duze ****	Chief Executive	3 110	-	120	37	473	3 740
M Myeni*	GM: Corporate Services	877	-	20	2	329	1 228
B Mnyandu ****	Chief Financial Officer	2 131	-	20	-	41	2 192
P Maisiri ****	GM: Technical Services	2 214	-	20	33	44	2 311
BS Ntlhoro**	GM: Scientific Services	1 786	300	20	8	2	2 116
T Hlongwane***	Interim Chief Financial Officer	775	68	2	-	158	1 003
P Maponya	GM: Operations and Maintenance	1 943	-	20	1	38	2 002
Total executive staff members		12 836	368	222	81	1 085	14 592

*M Myeni retired on the 31st of December 2021

**BS Ntlhoro acted as a Chief Executive since December 2021

***T Hlongwane acted as Chief Financial Officer since December 2021.

**** Executive members on special leave/suspension

20 Finance Costs

Interest expense: Interest-bearing borrowings

Interest expense: Trade creditors

Interest expense: Finance lease

21 Repairs and Maintenance

- Building

- Plant and Machinery

- Electrical Supply

- Industrial Electronics

- Motor vehicles

- Equipment, Furniture and Fixtures

- Pipelines

- Tools and loose gear

Repairs and Maintenance (Included in COS)

Repairs and Maintenance (Indirect, included under expenditure)

30 Jun 2023	Restated 30 Jun 2022
R'000	R'000
3 456	4 547
22	-
1 441	900
4 919	5 447
30 Jun 2023	30 Jun 2022
R'000	R'000
2 920	1 178
17 803	16 482
3 507	3 230
3 049	3 119
1 382	1 440
1 761	1 305
7 246	2 490
459	29
38 126	29 272
16	34 082
4 044	3 004

Notes to the Annual Financial Statements (continued)

	30 Jun 2023	Restated 30 Jun 2022
	R'000	R'000
22 Operating Expenses		
Assessment rates & municipal charges	654	619
Auditors fees - external	3 232	2 481
Auditors fees - internal	1 314	1 667
Bank charges	195	157
Bio monitoring & environmental incidents	6 187	1 013
Board members - general expenses	1 157	789
Bursaries	1 782	1 439
Chemicals	2 117	1 361
Cleaning	7 515	5 419
Community development and training	8 711	417
Conferences and seminars	119	6
Consulting and professional fees	3 162	93
Consumables	1 207	876
Corporate social investment	965	576
Debt impairment	3 946	-
Donations	191	-
Fees - special investigation	4 148	1 383
Fines and penalties	93	79
Fuel and oil	4 271	3 254
General	3 908	3 322
Ground & garden work	3 622	3 466
Insurance	4 844	3 877
IT expenses	8 107	6 119
Learnership	1 208	159
Legal expenses	10 059	3 501
Municipal and strategic support events	715	423
Motor vehicle expenses	135	150
Pest control	108	5
Placement fees	1 157	486
Postage and courier	7	3
Printing and stationary	700	575
Protective clothing	1 002	732
Public relations	2 709	1 786
Regional bulk studies	2 585	2 861
Security	11 088	10 395
Staff assessments/grading	57	50
Staff Welfare	4 641	2 726
Subscriptions and membership fees	231	333
Telephone and fax	434	659
Training	3 141	1 182
Transport and freight	5	18
Travel - local	1 416	1 077
Uniforms	-	214
Vehicle Hire	1 399	2 289
Water analysis	93	108
	114 338	68 147

Notes to the Annual Financial Statements (continued)

		30 Jun 2023	Restated 30 Jun 2022
		R'000	R'000
23 Net Surplus		174 912	155 698
Net surplus for the year is stated after accounting for the following:			
Operating Lease Expenses			
<u>Equipment</u>			
Contractual amounts		483	482
<i>Printers, copiers, faxes, IT equipment and computers</i>			
<u>Pipelines</u>			
Contractual amounts		1 987	1 818
<i>Lease for pipeline</i>			
Total Operating Lease expenses		2 470	2 300
Amortisation on intangible assets	7	239	205
Depreciation on property, plant and equipment	6	59 582	57 793
Employee costs and board remuneration	18, 19	195 727	171 981
24 Loss on Disposal of Assets			
Proceeds on sale of assets		36	715
Carrying value		(2 211)	(6 744)
Loss on sale of assets		(2 175)	(6 030)
25 Cash Generated from Operations			
Surplus		174 912	155 698
Adjusted for non-cash items:			
Depreciation	6	59 582	57 793
Amortisation	7	239	205
Loss on sale of assets	24	2 175	6 030
Net asset impairment	6	23 253	17 519
Net debt impairment movement	27	3 946	(1 013)
Bad debts written off	27	-	101
Movement in employee benefit liabilities	11	(7 574)	3 587
Movement in income received in advance	12	24 712	(6 824)
Movement in provisions	13	4 704	
Changes in Working Capital:			
(Increase)/Decrease in inventories		(9 404)	6 433
(Increase) in receivables from exchange transactions		(47 815)	(14 253)
Increase in payables from exchange transactions		(163 956)	137 151
Movements in VAT balance		2 225	18
		66 999	362 443

Notes to the Annual Financial Statements (continued)

	30 Jun 2023 R'000	Restated 30 Jun 2022 R'000
26 Reserves		
26.1 Capital Replacement Reserve		
Opening balance	260 179	254 356
Add: Interest received	12 014	5 823
Closing balance	272 193	260 179
No contribution to reserve, as the minimum of reserve of 9% of PPE R109.8 million, (2022: R103.8 million) is less than the Reserves balance.		
26.2 Business Development Reserve		
Opening balance	26 809	23 825
Add: Interest received	2 036	1 090
Add: Contribution to Reserve	1 662	1 894
Closing balance	30 507	26 809
Contribution to Reserve of R1.7 million; (R1.9 million; 2022) was transferred based on the 1% of net surplus for the year.		
26.3 Self-Insurance Reserve		
Opening balance	6 402	6 108
Add: Interest received reinvested	491	294
Closing balance	6 893	6 402
No contribution to Reserve as the minimum reserve should be equal to the latest annual insurance premium at year end. The Insurance Premium is R5.3 million; (R4.7 million; 2022), is more than Reserve balance.		
26.4 Maintenance Reserve		
Opening balance	11 891	11 347
Add: Interest received	912	544
Closing balance	12 803	11 891
No contribution to Reserve, as the minimum reserve is maintained at 4% of the 5 year projected average annual expenditure on repairs and maintenance. The 5 year projected average annual expenditure on repairs is R2.1 million as per the Business Plan Projections FY2023-2028, (R2.1 million; 2022) Business Plan Projections FY2022-2027.		
26.5 Environmental Rehabilitation Reserve		
Opening balance	3 395	2 503
Add: Interest received	252	98
Add: Contribution to Reserve	8 147	794
Closing balance	11 794	3 395
The contribution of R8.1 million (R794 thousand; 2022) was transferred is based on the revenue collected on penalties received.		
26.6 Loan Obligation Reserve		
Opening balance	8 612	8 217
Add: Interest received	660	395
Closing balance	9 272	8 612
No contribution to Reserve as minimum of reserve is maintained at 10% of latest audited loan balances. The Loan balance is R36.5 million (R47.0; 2022) is less than the total Loan Obligation Reserve balance.		

There were no expenditures funded from all the Reserves during the financial year ended 30 June 2023.

Notes to the Annual Financial Statements (continued)

27 Financial Risk Management

The Board has overall responsibility for the establishment and oversight of the entity's risk management framework. Risk management policies are established to identify and analyse the risks that are faced by Mhlathuze Water, to set appropriate risk limits and controls, and to monitor risks and adherence to these limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the entity's activities.

Presently all risks identified are attended to at departmental level and by a risk management committee. Reports are presented to the Finance Committee, Audit and Risk Committee, the Boards delegated structure tasked with the responsibility of reviewing the risk management process.

The Board reviews its enterprise-wide risk profile to ensure that critical risks are addressed adequately and to identify and capitalise on opportunities that may be created from these risks. This provides the Board with the opportunity to re-assess the entity's strengths and weaknesses to determine a strategic alignment to the objectives.

The entity has exposure to the following risks from its use of financial instruments:

- Liquidity risk
- Credit risk
- Market risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk.

This note presents information about Mhlathuze Water's exposure to each of the above risks, objectives, policies and processes for measuring and managing risk. The methods used to measure risk have been consistently applied in the years presented, unless otherwise stated.

Further quantitative disclosures are included throughout the Financial Statements.

Liquidity Risk

Liquidity risk is the risk that Mhlathuze Water will not be able to meet its financial obligations as they fall due. Mhlathuze Water is a self-funding entity and does not receive funding in the form of government subsidies. All funding of income generating and operational assets are obtained by way of loan agreements.

The entity's approach to managing liquidity is to ensure as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the reputation of Mhlathuze Water by managing the monthly cash flow throughout the year.

Mhlathuze Water operates a consolidated loan pool and utilises the positive inflows to redeem external borrowings.

Finance charges are recovered via tariffs levied against consumers. For the purpose of treasury management all long term loans relating to the core business activities are pooled and an average rate of interest calculated and applied to the schemes for tariff purposes. This achieves better control and ensures a fair and flexible recovery of finance charges, which assist in planning the cash flow requirements.

Bank Short-Term Funding

Mhlathuze Water's main credit facility is with First National Bank and includes the following:

Type of Facility

Credit Card facility

	Amount R'000
	100
	100

The overdraft facility is only in place for emergency.

Notes to the Annual Financial Statements (continued)

Exposure to Liquidity Risk

	Carrying amount	Contractual amount	< 1 year	2-5 years
	R'000	R'000	R'000	R'000
At 30 June 2023				
Interest bearing borrowings	(26 087)	(29 955)	(12 806)	(17 149)
Payables from exchange transactions	(162 289)	(162 289)	(162 289)	-
Finance Lease Liability	(7 327)	(9 641)	(3 280)	(6 361)
Total	(195 702)	(201 885)	(178 375)	(23 510)
At 30 June 2022				
Interest bearing borrowings	(36 522)	(43 845)	(13 890)	(29 955)
Payables from exchange transactions	(326 244)	(326 244)	(326 244)	-
Finance Lease Liability	(9 274)	(13 121)	(3 280)	(9 841)
Total	(372 041)	(383 211)	(343 415)	(39 796)

27 Financial Risk Management (continued)

The carrying values of financial assets and liabilities are presented by class in the tables below, and approximate fair values.

30 Jun 2023**Financial Assets**

Receivables from exchange transactions
Bank and cash - Agency activities
Bank and cash

3
5
5

**Financial instruments at
amortised cost**
R'000

162 835
76 124
557 931

Financial Liabilities

Interest-bearing borrowing
Payables from exchange transactions

8
9

(26 087)
(162 289)

608 515

30 June 2022**Financial Assets**

Receivables from exchange transactions
Bank and cash - Agency activities
Bank and cash

3
5
5

119 798
48 216
666 262

Financial Liabilities

Interest-bearing borrowing
Payables from exchange transactions

8
9

(36 522)
(326 244)

471 509

Credit Risk

Credit risk consists mainly of cash deposits, cash equivalents, and trade debtors. The entity only deposits cash with major banks with high quality credit standing approved through the Department of Water and Sanitation by National Treasury.

Receivables from Exchange Transactions

The entity's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Board has established a credit policy under which each new customer is analysed individually for creditworthiness before the entity's facilities are offered.

Consideration is given to the external credit ratings, tax clearance certificates and the latest Audited Annual Financial

Statements of entities not listed on the Johannesburg Stock Exchange. Credit limits are established for non-contractual customer and these limits are reviewed bi-annually.

The average credit period allowed is 30 days from invoice date. Interest is charged at prime rate +2.5% p.a. on overdue debt from primary activities.

Mhlathuze Water reviews outstanding balances on trade and other receivables on a monthly basis, via a debtors age analysis

An allowance for credit losses is raised for debtors outstanding more than 90 days accounts. The allowance raised are tabled together with the Annual Financial Statements to the board committee and the Accounting Authority

Partnership/Water schemes with external parties

External parties are required to submit guarantees to Mhlathuze Water for all expenses incurred on their behalf. Any amounts outstanding after a period of 30 days will attract interest at the current interest rate as announced by the Minister of Finance.

Exposure to credit risk

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

Notes to the Annual Financial Statements (continued)

		30 Jun 2023	Restated 30 Jun 2022
		R'000	R'000
Financial Instrument			
Receivables from exchange transactions	3	162 835	119 798
Cash and cash equivalents	5	634 055	714 478
The maximum exposure to credit risk for receivables from exchange transactions per business segment at reporting date was:			
Water supply		46 857	36 835
Waste water disposal		25 231	30 137
DWS: Thukela Transfer Scheme		5 201	9 380
Projects and secondary activities		85 546	43 446
		162 835	119 798

		Amount 30 Jun 2023	Impairment 30 Jun 2023	Amount 30 Jun 2022	Impairment 30 Jun 2022
		R'000	R'000	R'000	R'000
Accounts receivables by ageing					
Not past due		126 272	-	60 759	-
Past due 0-30 days		255	-	7 482	-
Past due 30-60 days		3 055	-	3 156	-
Past due 60-90 days		2 231	-	3 274	-
Past due >90 days		31 022	(5 994)	45 127	(2 048)
		162 835	(5 994)	119 798	(2 048)

The current debt for all categories on the age analysis comprises of balances of contracted billing which is recovered timeously as per contracts entered with consumers.

		30 Jun 2023	30 Jun 2022
		R'000	R'000
Allowance for credit losses			
Opening balance		(2 048)	(3 061)
Movement		(3 946)	1 013
Closing balance		(5 994)	(2 048)

In assessing the Allowance for credit losses, Mhlathuze Water considered the likelihood of receiving payments from its debtors irrespective of the length of time the debt was outstanding.

		30 Jun 2023	30 Jun 2022
		R'000	R'000
Bad debts written off			
Bad debts written off		-	101
Total		-	101

Notes to the Annual Financial Statements (continued)

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of the following risk: interest rate risk. The objective is to manage and control market risk within acceptable parameters, while optimising the return on risk.

Interest Rate Risk

Mhlathuze Water adopted a policy of limiting exposure to interest rate fluctuations by arranging borrowings on a fixed rate basis. Cash and short-term investments are invested at variable and fixed interest rates with registered banking institutions.

		30 Jun 2023	Restated 30 Jun 2022
		R'000	R'000
Rate Instruments			
Receivables from exchange transactions - variable interest rate	3	162 835	119 798
Bank and cash - variable interest rate	5	634 055	569 365
Bank and cash - fixed interest rate	5	-	145 113
		796 890	834 276
Financial Liabilities			
Interest bearing borrowing - fixed interest rate		(26 087)	(36 522)
		(26 087)	(36 522)

Notes to the Annual Financial Statements (continued)

28 Segment Information (continued)

Segment Surplus or Deficit, Assets and Liabilities

30 Jun 2023

Volumes ('000 m³)

Raw water

Clarified water

Purified water

Dense waste water

Buoyant waste water

The Segmental report is as follows

Revenue from exchange transactions

Sale of goods and services

Cost of Sales

Bulk purchases

Electricity and water

Chemicals

Employee related costs

Depreciation

Repairs and maintenance

Gross Profit

Other income

Expenditure

Employee related costs

Remuneration of board members

Depreciation and amortisation

Impairment of Assets

Finance costs

Lease rentals on operating lease

Debt impairment

Repairs and maintenance

Electricity and water

Chemicals

Operating expenses

Operating surplus

Profit or Loss on disposal of assets

Surplus for the year

Assets

Segment assets

Centralised services

Total assets as per statement of financial position

Liabilities

Segment liabilities

Centralised services

Total liabilities as per statement of financial position

Other information

Capital expenditure

Centralised services

	Primary Activities		Secondary Activities		TOTAL
	Bulk Water	Waste Water	TG Scheme O & M	Other Activities	
Volumes ('000 m³)	57 332	67 382			124 714
Raw water	10 578				10 578
Clarified water	3 190				3 190
Purified water	43 564				43 564
Dense waste water		10 950			10 950
Buoyant waste water		56 432			56 432
The Segmental report is as follows	R'000	R'000	R'000	R'000	R'000
Revenue from exchange transactions					
Sale of goods and services	433 856	242 353	30 846	42 315	749 370
Cost of Sales	(205 368)	(59 491)	(23 619)	(15 830)	(304 308)
Bulk purchases	(75 215)	-	-	-	(75 215)
Electricity and water	(38 742)	(26 626)	(12 953)	-	(78 321)
Chemicals	(32 432)	-	-	(583)	(33 015)
Employee related costs	(13 916)	(4 499)	(3 983)	(10 286)	(32 685)
Depreciation	(36 742)	(14 249)	-	-	(50 991)
Repairs and maintenance	(8 321)	(14 117)	(6 683)	(4 961)	(34 082)
Gross Profit	228 488	182 862	7 227	26 486	445 061
Other income	23 500	31 753	7	-	55 260
Expenditure	(187 101)	(120 926)	(7 234)	(7 974)	(323 233)
Employee related costs	(100 511)	(56 904)	-	-	(157 415)
Remuneration of board members	(3 544)	(2 084)	-	-	(5 628)
Depreciation and amortisation	(5 461)	(3 368)	-	-	(8 829)
Impairment of Assets	(14 230)	(9 022)	-	-	(23 252)
Finance costs	(3 049)	(1 870)	-	-	(4 919)
Lease rentals on operating lease	(311)	(2 159)	-	-	(2 470)
Debt impairment	-	-	-	-	-
Repairs and maintenance	(2 487)	(1 557)	-	-	(4 044)
Electricity and water	(1 478)	(862)	-	-	(2 340)
Chemicals	-	-	-	-	-
Operating expenses	(56 030)	(43 100)	(7 234)	(7 974)	(114 338)
Operating surplus	64 888	93 688	0	18 511	177 087
Profit or Loss on disposal of assets	(1 751)	(424)	-	-	(2 175)
Surplus for the year	63 136	93 264	0	18 511	174 912
Assets					
Segment assets	993 994	229 006	-	123 002	1 346 002
Centralised services					709 548
Total assets as per statement of financial position					2 055 550
Liabilities					
Segment liabilities	75 427	39 113	-	129 166	243 707
Centralised services					84 670
Total liabilities as per statement of financial position					328 377
Other information					
Capital expenditure	112 781	218	-	-	112 999
Centralised services					21 568
					134 567

Notes to the Annual Financial Statements (continued)

30 June 2022

Volumes ('000 m³)

Raw water

Clarified water

Purified water

Dense waste water

Buoyant waste water

The Segmental report is as follows

Sale of goods and services

Cost of Sales

Bulk purchases

Electricity and water

Chemicals

Employee related costs

Depreciation

Repairs and maintenance

Gross Profit

Other income

Expenditure

Employee related costs

Remuneration of board members

Depreciation and amortisation

Impairment of Assets

Finance costs

Lease rentals on operating lease

Debt impairment

Repairs and maintenance

Electricity and water

Operating expenses

Operating surplus

Profit (loss) on disposal of assets

Surplus for the year**Assets**

Segment assets

Centralised services

Total Assets as per Statement of Financial Position

Liabilities

Segment liabilities

Centralised services

Total Liabilities as per Statement of Financial Position**Other Information**

Capital expenditure

Centralised services

	Primary Activities		Secondary Activities		TOTAL
	Bulk Water	Waste Water	TG Scheme O & M	Other Activities	
	43 887	67 661			111 548
Raw water	3 969				3 969
Clarified water	5 082				5 082
Purified water	34 836				34 836
Dense waste water		10 950			10 950
Buoyant waste water		56 711			56 711
The Segmental report is as follows	R'000	R'000	R'000	R'000	R'000
Sale of goods and services	369 651	218 673	28 574	26 191	643 089
Cost of Sales	(167 128)	(55 991)	(21 862)	(9 033)	(254 014)
Bulk purchases	(56 631)	-	-	-	(56 631)
Electricity and water	(37 479)	(25 745)	(13 169)	-	(76 393)
Chemicals	(19 471)	-	(0)	(649)	(20 119)
Employee related costs	(11 635)	(3 898)	(2 960)	(5 069)	(23 563)
Depreciation	(37 050)	(13 991)	-	-	(51 041)
Repairs and maintenance	(4 862)	(12 357)	(5 733)	(3 316)	(26 267)
Gross Profit	202 523	162 683	6 713	17 157	389 075
Other income	10 721	16 607	7	-	27 336
Expenditure	(149 985)	(91 273)	(6 719)	(6 774)	(254 750)
Employee related costs	(90 048)	(52 637)			(142 685)
Remuneration of board members	(3 617)	(2 116)	-	-	(5 733)
Depreciation and amortisation	(4 190)	(2 766)	-	-	(6 956)
Impairment of Assets	(11 246)	(6 618)	-	-	(17 864)
Finance costs	(3 354)	(2 093)	-	-	(5 447)
Lease rentals on operating lease	(307)	(1 993)	-	-	(2 300)
Debt impairment	(63)	(37)	-	-	(101)
Repairs and maintenance	(1 792)	(1 212)	-	-	(3 004)
Electricity and water	(1 583)	(929)	-	-	(2 512)
Operating expenses	(33 785)	(20 871)	(6 719)	(6 774)	(68 148)
Operating surplus	63 259	88 016	0	10 384	161 659
Profit (loss) on disposal of assets	(5 835)	(194)	-	-	(6 027)
Surplus for the year	57 423	87 822	0	10 384	155 632
Assets					
Segment assets	908 828	238 330	-	51 836	1 198 995
Centralised services					833 913
Total Assets as per Statement of Financial Position					2 032 908
Liabilities					
Segment liabilities	92 241	5 347	-	23 646	121 234
Centralised services					359 413
Total Liabilities as per Statement of Financial Position					480 647
Other Information					
Capital expenditure	133 051	5 639	-	-	138 690
Centralised services					39 242
					177 932

Notes to the Annual Financial Statements (continued)

	30 Jun 2023 R'000	Restated 30 Jun 2022 R'000
29.1 Irregular expenditure and fruitless expenditure		
Irregular Expenditure	285 472	95 262
Fruitless and Wasteful Expenditure	28 851	20 578
Note: Amounts disclosed are inclusive of VAT		
29.2 Amounts of material losses through criminal conduct		
Fruitless and wasteful expenditure identified during financial year relating to goods and services that were approved and paid for but there were no-value derived from some of these payments.	-	13 679
Official and Suppliers reported to SAPS for criminal and civil recovery	-	13 397
29.3 Criminal or disciplinary steps taken as a result of losses on irregular, fruitless and wasteful expenditure		
Incident description		
Number of official disciplined: resigned prior to concluding DC		4
Number of official disciplined: dismissed as result of DC		2
Number of official disciplined: not-guilty as result of DC		1
No of Criminal cases opened (324/07/2022)		1
No of Civil cases opened: (D5617/2022, D6385/22)		2
29.4 Impracticality Judgement		
Determination tests stated the value of service rendered	R'000	R'000
	3	-
	3	-
30 Adjustments from prior period errors		Restated 30 Jun 2022 R'000
30.1 Adjustment of bulk water sales levies claim: Accruals & Accumulated surplus		
Prior year adjustment of account payable from an over billing of one of Bulk Water customer relating to prior years. The prior period error affects Accumulated Surplus as it relates to overbilling for the periods between 2009 - 2016.		
Accruals		(47 707)
2021/22 Audited Financial Statement		185 472
2021/22 Restated Financial Statement		233 179
30.2 Interest expense on disputed account: Accruals & Finance costs		
Prior year adjustment for an accrued interest that was under dispute in the prior years. The interest expense was not recognised as the related supplier account was under dispute until this financial year. The interest was reversed by the supplier after the first part of the dispute was resolved. The account was removed from being on-hold and payment of services resumed. The interest recognised was also reversed in the current financial year, the net impact is R0 to Retained Earnings.		-
30.3 Incorrectly capitalised assets: Property, plant and equipment & operating expenses		
Prior year adjustment of PPE: WIP that was incorrectly capitalised instead of being expensed.		(1 282)
2021/22 Property, plant and equipment		176 195
2021/22 Restated Property, plant and equipment		174 913
30.4 Incorrect PAYE posting: Payables from exchange: Other Liabilities (PAYE) & Retained earnings		
Prior year adjustment of Payables from exchanged for PAYE that was incorrectly posted that has been corrected.		(846)
2021/22 Other Liabilities (PAYE)		4 612
2021/22 Restated Other Liabilities (PAYE)		5 458
30.5 Unrecorded inventory: rotatable spares not transferred to inventory		
Items that were disposed from PPE and identified as to be repaired were not transferred to inventory balance		

Notes to the Annual Financial Statements (continued)

	660
2021/22 Inventory: rotatable spares	967
2021/22 Restated inventory: rotatable spares	1 627
Adjustments to 2021/22 comparative income statement	(1 282)
Adjustments to 2021/22 retained earnings	(47 893)
30.6 Total Adjustments to prior period through accumulated surplus	(49 175)
30.7 Cash Flow Statement impact	
The impact of prior period errors/adjustments is summarised below and the details are as follows:	
Net impact on Cash flows from operating activities	(1 282)
Increase in liabilities	48 553
(Decrease) in expenses	(660)
(Decrease) in accumulated surplus:	(49 175)
Net impact on Cash flow from investing activities	1 282
Decrease in assets	1 282
Total Cash flow impact	-
30.8 Reclassification	
Statement of Financial Position	
Prepayments were previously disclosed as part of Receivables from exchange transactions (Note 3) and now have been reported separately.	-
Property, plant, and equipment: Work-in-progress was previously included and disclosed as a separate category within the note and now have been combined with asset categories it belongs to, for compliance with GRAP.	-
Advances - Agency activities that were previously disclosed under Payables from exchange transactions note have been reclassified and are now reported under Income-received in advance	-
Statement of Financial Performance	
Repairs and maintenance have now been split between cost attributable to production (cost of sales) and other operating expenses for an improved presentation of cost allocation.	-

Notes to the Annual Financial Statements (continued)

31 Contingent Assets**Provident Fund Claim**

Mhlathuze Water is involved in litigation against employees who are no longer in the employ of the organisation. An interdict against the release of the said employees provident fund was successfully granted by the High Court.

Mhlathuze Water/L.B Mjadu

Mhlathuze Water was involved in a case in which a ruling was against the Applicant who was ordered to pay legal cost in favour of Mhlathuze Water. An execution order relating to assets to be attached is underway, the matter has been referred to legal representative of MW for further action.

Stefanutti stocks

Mhlathuze Water claim against the defendants for payment of a sum R2,2 million as well as R1,9 million as result of monies defrauded from Mhlathuze Water. The last recorded activity is where Defendant is in a process of filing its plea to the Summons. The other Defendants have not entered the fray.

Various suppliers and certain officials

Mhlathuze Water has filed cases against various companies and/or certain officials in pursuit of recovery of irregular, fruitless and wasteful expenditure that has been investigated. Summons has issued by the Sheriff of the High Court.

Case 1: Mhlathuze Water vs. three former employees (R6,9 million, probability of 50% recovery)

Case 2: Mhlathuze Water vs. five former & one current employees and supplier (R11,3 million)

Case 3: Mhlathuze Water vs. supplier (R33,2 million, with a probability of 50% recovery)

Case 4: Mhlathuze Water vs. former employee (R2.5 million, amount withheld by Provident Fund as at 30 June 2023)

30 Jun 2023 R'000	Restated 30 Jun 2022 R'000
1 832	1 620
29	29
4 123	4 123
33 805	61 954
39 789	67 726

32 Related Party Transactions

Relationships: Controlling entity and related water boards under similar control

Controlling Entity - Department of Water and Sanitation

Water Boards - Umgeni Water

- Rand Water

Amounts included in Receivables from Exchange Transactions

Department of Water and Sanitation - Water Services (TG Scheme)

Department of Water and Sanitation - External and implementing

Department of Water and Sanitation - Refundable amounts

Total**Amounts included in Payables from Exchange Transactions**

Department of Water and Sanitation - Water Services (TG Scheme)

Department of Water and Sanitation - External/implementing/laboratory services

Umgeni Water - Water analysis

Rand Water - Water analysis

Total

30 Jun 2023 R'000	Restated 30 Jun 2022 R'000
5 201	9 380
41 915	5 567
3 232	-
50 348	14 947
5 201	9 380
6 583	173 562
2	1
5	-
11 791	182 943

No amount is included under allowance for credit losses for related parties and any advances held on their behalf is disclosed under Note 3 for Receivables from exchange.

Account receivables from related parties have been assessed for allowance for credit losses, refer to Note 27 for allowance for credit losses.

These balances are not secured and there are no guarantees given or received.

Related party at arm's length**Umgeni Water**

Mhlathuze Water sends samples for water analysis at Umgeni Water. Transactions with Umgeni Water are at arms length, with normal payment terms.

Rand Water

Mhlathuze Water sends samples for water analysis at Rand Water. Transactions with Rand Water are at arms length, with normal payment terms.

Department of Water and Sanitation

Transactions with Department of Water and Sanitation are not at arms length and payment terms are not normal in some of the transactions. Mhlathuze Water does not tender for work allocation from the department.

Notes to the Annual Financial Statements (continued)

	30 Jun 2023 R'000	Restated 30 Jun 2022 R'000
Sales of goods/services to related parties		
Department of Water and Sanitation - Operations and Maintenance (TG Scheme)	30 846	28 574
Department of Water and Sanitation - External and implementing	8 940	19
Total	39 786	28 593
Purchases from related parties		
Department of Water and Sanitation - Implementing/water/laboratory services	82 199	62 662
Department of Water and Sanitation - TG Scheme expenses	30 846	28 574
Umgeni Water - Water analysis	81	88
Rand Water - Water analysis	4	-
Total	113 130	91 324
Remuneration of Executive Management and Board Members		
Refer to Note 19 for "Board members and executives' emoluments"		
33 Reconciliation of operating leases		
33.1 Operating Lease - Income		
Arrangements with the customer that contained deemed leases and qualify as operating leases. The following indicates the future lease rentals receivables:		
Within 1 year	3 999	5 235
1 to 5 years	15 998	17 437
Beyond 5 years	18 543	20 989
Total Operating Lease Receivable in Future	38 541	43 661
Mhlathuze Water leases equipment and a pipeline to a customer for period of 20 years or more.		
The recognition of lease income is done monthly, the lease will only terminate once full amount of related income received in advance is fully amortised. The lease income is recognised systemically based on an approved tariff model. The lease income is part of tariff income: waste water sales.		
33.2 Operating Lease Expenditure		
As at 30 June 2023 Mhlathuze Water had outstanding commitments under non-cancellable operating leases, which fall due as follows:		
Within 1 year	1 972	2 572
1 to 5 years	2 300	4 527
Total Operating Lease Commitments	4 272	7 099
Mhlathuze Water leases a pipeline from various institutions for periods ranging from 1 to 20 years.		
These lease will conclude at the end of the contracted agreement signed with the relevant stakeholders.		
The lease payments are done monthly until the end of the term. The end date of the contract agreement is 31 August 2025.		

Notes to the Annual Financial Statements (continued)

34 Events After the Reporting Date

Non-adjusting event

CCMA case listed under contingent liabilities that was pending conclusion at the reporting date was concluded and settled in August 2023.

35 Taxation

Mhlathuze Water is exempt from taxation in terms of section 10(1)(t)(ix) read with the definition of Water Services Provider in Section 1 of the Income Tax Act, 1962 (Act No. 58 of 1962).

36 Going concern

This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The board has assessed and satisfied itself that the entity:

- ↳ Is in a healthy net asset position at year-end that is expected to continue for the foreseeable future
- ↳ Has sufficient cash resources and reserves honor all its commitments and payables that exist at the reporting date
- ↳ Forecasts that tariff revenue and reserves will be sufficient to cover operating and capital expenses in the foreseeable future

The annual financial statements have thus been prepared based on the expectation that the entity will continue to operate as a going concern for the foreseeable future and there are no significant circumstances that cast doubt on the going concern assumption

This basis remains appropriate as Mhlathuze Water operations will continue albeit in a modified form wherein its functions (staff, assets and liabilities) have been gazette to transfer to uMngeni-uThukela Water on the 1st of July 2023. The new entity will continue to meet its statutory obligations for the foreseeable future.

37 Transfer of functions between entities under common control

By virtue of the powers vested in him in terms of Section 28 of the Water Services Act; the Minister of Water and Sanitation disestablished Mhlathuze Water on the 30th of June 2023. He extended the boundaries of uMngeni Water to include the entire jurisdictional area of Mhlathuze Water to form a single Water board for KwaZulu Natal. The Minister further changed the name of uMngeni Water to uMngeni-uThukela and gave notice for the transfer of staff, assets and liabilities of former Mhlathuze Water to uMngeni-uThukela Water effective 01 July 2023.

This effectively transferred the entire functions of Mhlathuze Water Board as previously mandated by the Water Services Act uMngeni-uThukela Water, an entity under the common control of the Department of Water and Sanitation. The balances of assets, liabilities, and disclosed commitments, contingent assets and liabilities contained in these annual financial statements as at 30 June 2023 are transferred at no consideration as the functions are reconfigured into a single water board with a single accounting authority.

The transfer date which is the date at which Mhlathuze Water loses control of the function and uMngeni-uThukela Water obtains control of the function has been determined to be the date gazette by the Minister of Water and Sanitation as 01 July 2023.

Notes to the Annual Financial Statements (continued)

38 Contingent Liabilities

38.1 ENDECON UBUNTU/THUTSE CIVILS JOINT VENTURE

Ref: MW/000232

On 5 February 2019 Mhlathuze Water was served with summons where Endecon Ubuntu is claiming the payment of R1.5 million together with interest calculated from 22 September 2015. This was as a result of an unpaid invoice for professional services on the Dukuduku resettlement project in terms of the agreement entered into on 18 November 2013. Mhlathuze Water appointed attorneys to defend this matter. The notice to defend was filed on 12 February 2019. The applicant filed the summary judgment application which was subsequently dismissed with costs. The notice of set down is still awaited. The matter has now been settled including the costs.

38.2 REMBU CONSTRUCTION CC (PAYMENT DISPUTE - OPERATIONS)

Pursuant to the investigation being undertaken on possible irregularities identified in the contract agreement between Rembu and MW. MW stopped paying current and due invoices pending the investigation. Rembu has served MW with the Notice of Intention to Institute legal proceedings. The notice (demand) was served on MW in terms of section 3 of the Institution Of Legal Proceedings Against Certain Organs Of State, Act 40 Of 2002. The summons have not been received and as a result the contingent liability has been removed.

38.3 CCG JV : CONTRACT PAYMENT DISPUTE

Pursuant to the investigation being undertaken on irregularities identified in the contract agreement between CCG JV and MW, CCG JV filed an urgent application in the Maritzburg High Court with the view to stop MW from procuring the services from another entity of circumventing the contract and to stop MW circumventing / undermining the performance of the contract. MW stopped paying current and due invoices pending the investigation. CCG further asked the Court to order that MW pays all the invoices that have not been paid to date. The Respondent's answering affidavit has been received and Counsels are preparing the MW Replying Affidavit. Replying affidavit has been filed. Matter set down for hearing on the opposed roll on 23 November 2023. In the meantime the claim for unpaid invoices was withdrawn pending the self-review.

38.4 MHLANGA INCORPORATED (MI) (LEGAL SERVICES)

MI has served MW with the Notice of Intention to Institute legal proceedings (demand) over claim of unpaid invoices. The notice was served on MW in terms of section 3 of the Institution Of Legal Proceedings Against Certain Organs Of State, Act 40 Of 2002. MI filed an Application for Summary Judgment against MW. Matter has been set down for 9 June 2023. MI's Application for Summary Judgment refused on 9 June 2023, Judge ordered that MI be reported to the LPC. Discovery notices have been prepared and will be served.

38.5 CCMA CASE

Former employee that was suspended had opened a CCMA case for claim of that the last salary pay upon resignation was not paid in full. The matter was raised in late June 2023 and as at the time of reporting, it is still pending.

38.6 HOUSING ALLOWANCE ARBITRATION

SAMWU lodged a dispute on the matter of Mhlathuze Water not implementing the housing allowance as per the ABC 2021/2022 salary settlement agreement. As at 30 June 2022, there was an on-going arbitration between Mhlathuze Water and SAMWU on the behalf of employees of Mhlathuze Water. Mhlathuze Water did not implement the payment of housing allowances based on its salary structure being all inclusive of company contributions and benefits. The matter went for arbitration which was to held on 14th September 2022. Mhlathuze Water settled the amount due to employees as per the arbitration ruling in November 2022.

	30 Jun 2023	Restated 30 Jun 2022
	R'000	R'000
	-	500
	-	4 224
	-	10 365
	2 270	2 270
	114	-
	-	2 434
	2 384	19 793

Notes to the Annual Financial Statements (continued)

Note of comparison of budget and actual on statement of financial performance for the year ended 30 June 2022 (continued)

Notes

- 39.1** Sale of goods and services The Sale of Goods reflects an unfavourable variance of R124.5 million. Primary activities is due to contracted customers abstracting less volume sold than projected.
On Secondary Activities sales, variance is due to Operations & Maintenance revenue recovered from TG Scheme being lower than budgeted for as the scheme operated at lower cost than planned. Other planned secondary activities projects were delayed and did not yield expected revenue.
- 39.2** Other income has a favourable variance of R43 million due to more interest income received from investments than budgeted as a result of planned project implementation delays, thus resulting in more cash available to invest
- 39.3** Electricity and water (COS) has an underspending variance of R69.4 million due to less pumping of water which resulted to less energy costs. The less pumping is emanating from less volumes sold than budgeted during the period.
- 39.4** Chemicals (COS) has an overspending variance of R4.1 million due to price volatility as the current purchases were based on quotations rather than fixed contracted prices for some of the chemicals.
- 39.5** Depreciation and amortisation (COS) has an underspending variance of R22.3 million, due to delays in acquisition and capitalisation of capital assets and projects that were budgeted for
- 39.6** Repairs and maintenance has an underspending variance of R31.7 million, due to maintenance work not executed in accordance with the maintenance plan and due to disruption caused by ERP system and by PR 2017 regulation changes that affected procurement processes during the financial year.
- 39.7** Employee related costs have an overspending variance of R25.5 million for indirect employees due to expenditure on danger allowance and housing allowance back pay which were both not budgeted for initially.
- 39.8** Remuneration of board reflects an underspending variance of R0.8 million due to most of the board members meetings be virtual and resulting to less hours claimed by board members for meetings.
- 39.9** Impairment of assets have a negative variance of R23.2 million, impairment of assets under work-in-progress as a result of the assessment conducted at year-end. Refer to Note 7 for more details.
- 39.10** Finance costs have an overspending variance of R1.4 million, due to more interest expense incurred under the finance lease for laptops and servers.
- 39.11** Lease rentals on operating leases has an overspending variance of R2 million which is due to lease payments that were budgeted for under utility fee data which is under general expenses but for presentation and reporting purposes are disclosed under lease rentals.
- 39.12** Repairs and maintenance has an underspending variance of R0.8 million, due to maintenance work not executed in accordance with the maintenance plan and due to disruption caused by ERP system and by PR 2017 regulation changes that affected procurement processes during the financial year.
- 39.13** Electricity and water has an underspending variance of R0.5 million due to electricity cost saved as a result of load shedding implemented at the head office.
- 39.14** Operating expenses has an underspending variance of R75.9 million due to an decrease in expenditure incurred in various line items such as:
- ↳ The ICT expenses incurred by Mhlathuze Water were less than expected due to projects that were put on hold and licenses that were not renewed;
 - ↳ Utility fee - Data Equipment: No operating lease were entered to this current year, as new leases for laptops and servers were classified as finance leases;
 - ↳ Consulting fees – General: There were less consulting done this current financial year; and
 - ↳ Research & Development: The Research & development were less than expected due to delays on planned projects.



D PFMA AND OTHER COMPLIANCE DISCLOSURES FOR ANNUAL REPORT

PFMA and other Compliance Disclosures for Annual Report

Irregular, fruitless and wasteful expenditure and material losses

1 Irregular Expenditure PFMA Disclosure (Continued)

The following table include disclosure of the total Irregular Expenditure balance, including the historic closing balances.

Reconciliation of irregular expenditure

Total Irregular Expenditure

Opening Balance

349 379 255 234 234 877

Less: condonations in prior years not removed

- - (5 047)

Less: condonations in prior years

- - (13 227)

Add: prior year error

- - 28 528

As restated

349 379 255 234 245 131

Add: Irregular Expenditure confirmed

a 285 472 95 262 50 199

Less: Irregular Expenditure condoned

c (41) (584) (6 306)

Less: Irregular expenditure not condoned and removed

- - (33 789)

Less Irregular expenditure recoverable

e - (534) -

Less: Irregular expenditure not recovered and written off

f - - -

Closing balance

634 810 349 379 255 234

Less: Correction to prior year error, condoned

Relates to 4 transactions condoned in 2018 and 2019, but not removed from AFS irregular closing balance

Add: prior year error:

Relates to one transaction removed in error from restating the 2018 AFS.

Less: Amounts Condoned from current and prior years:

49 transactions condoned by Board on 30/7/2023

↳ determination test concluded transaction is not irregular (9)

↳ determination test concluded no loss and value for money (40)

Less: Irregular expenditure not condoned and removed

Relates to 5 transactions where National Treasury did not condone or did not respond to condonation applications and the Board removed the transactions after being satisfied that all necessary processes were followed.

Less Irregular expenditure recoverable

Relates to the total value of acknowledged debt forms signed by internal staff in line with payment plans

a Reconciling notes to the annual financial statements disclosure

Irregular Expenditure that was under assessment in 2021/2022

- -

Irregular Expenditure that relates to 2021/2022 and identified in 2022/23

- 81 233

Irregular Expenditure for the current year

285 472 14 029

Total

285 472 95 262

Irregular expenditure confirmed: refer to Disclosure note in AFS

b Details of current year and previous year irregular expenditure under assessment, determination and investigation

Irregular Expenditure under assessment

39 191 2 890

Irregular Expenditure under determination

285 431 81 383

Irregular Expenditure under investigation

- 13 397

Total

324 622 97 670

PFMA and other Compliance Disclosures for Annual Report (continued)

1 Irregular Expenditure PFMA Disclosure (Continued)

Irregular expenditure under assessment: Potential irregularity to be confirmed. Relate to 14 transactions. The transactions relate to the following non compliance areas:

- ↳ not rotating appointments on pre-approved panels of service providers (3)
- ↳ deviations from SCM process not approved (10)
- ↳ non compliance with internal Delegations of Authority(1)

Irregular expenditure under determination: refer to Disclosure note in AFS

Irregular expenditure under investigation: Relate to 5 transactions. The transactions relate to the following non compliance areas:

- ↳ not rotating appointments on pre-approved panels of service providers (1)
- ↳ payments exceeding contract values (4)

c Details of current and previous year irregular expenditure condoned

Irregular Expenditure condoned by the Board

Total

IE Condoned: Six transactions condoned by Board on 30/7/2023 determination test concluded transaction is not irregular (3) determination test concluded no loss and value for money (2)

d Details of current and previous year irregular expenditure removed - not condoned

Irregular expenditure not condoned and removed

Total

e Details of current and previous year irregular expenditure recovered

Irregular Expenditure recovered from senior management salary overpayments

Total

IE recovered: total debt of R348 880.00 from the acknowledged R533 793.58 has been recovered from internal staff in line with payment plans

f Details of current and previous year irregular expenditure written off

Irregular Expenditure written off

Total

g Details of non-compliance cases where an institution is involved in an inter-institutional arrangement, where such institution is not responsible for the non-compliance

Preferential Procurement Regulations 2017 on subcontracting Preferential Procurement Regulations 2017 on local content thresholds Regulation 25(1) of the Regulations in terms of the Construction Industry Development Board Act No 38 of 2000

Total

Comprise of 4 transactions. The transactions relate to the following non compliance areas:

Implementing Agent for Department of Water and Sanitation:

- ↳ non compliance with PPPFAAct; not stipulating sub-contracting requirements (1)
- ↳ non compliance with PPPFAAct; not stipulating local content requirements (1)

Implementing Agent for the City of uMhlathuze Local Municipality and cession agreement with manufacturer

- ↳ non compliance with PPPFAAct; not stipulating sub-contracting requirements (2)
- ↳ non compliance with PPPFAAct; not stipulating local content requirements (2)

Implementing Agent for Industrial Customer

- ↳ non compliance with PPPFAAct; not stipulating sub-contracting requirements (1)
- ↳ non compliance with PPPFAAct; not stipulating local content requirements (1)

	30 Jun 2023	Restated 30 Jun 2022	Restated 30 Jun 2021
c			
	(41)	(584)	
Total	(41)	(584)	
d			
	-	-	
Total	-	-	
e			
	-	(534)	
Total	-	(534)	
f			
	-	-	
Total	-	-	
g			
	178 810	21 958	
Total	178 810	21 958	

PFMA and other Compliance Disclosures for Annual Report (continued)

1 Irregular Expenditure PFMA Disclosure (Continued)	30 Jun 2023	Restated 30 Jun 2022	Restated 30 Jun 2021
h Details of non-compliance cases where an institution is involved in an inter-institutional arrangement, where such institution is responsible for the non-compliance			
None	-	-	
Total	-	-	
i Details of current and previous year disciplinary or criminal steps taken as a result of irregular expenditure	-	13 397	
Official and Suppliers reported to SAPS for criminal and civil recovery	-	13 397	
Irregular expenditure under investigation: Relate to 5 transactions. The transactions relate to the following non compliance areas:			
↳ not rotating appointments on pre-approved panels of service providers (1)			
↳ payments exceeding contract values (4)			
↳ Refer to table 1.9 below for disciplinary and criminal/civil action taken			
1.9a Details of current and previous year disciplinary or criminal steps taken as a result of irregular expenditure			
Number of official disciplined: resigned prior to concluding DC	-	4	
Number of official disciplined: dismissed as result of DC	-	2	
Number of official disciplined: not-guilty as result of DC	-	1	
No of Criminal cases opened (324/07/2022)	-	1	
No of Civil cases opened: (D5617/2022, D6385/22)	-	2	
		10	

PFMA and other Compliance Disclosures for Annual Report (continued)

		30 Jun 2023	Restated 30 Jun 2022
		R'000	R'000
Reconciliation of fruitless and wasteful expenditure			
2	Fruitless and Wasteful Expenditure PFMA Disclosure		
	Opening amount	49 157	28 596
	Add: Fruitless and Wasteful expenditure - prior year identified in the current year	2(a) -	-
	Add: Fruitless and Wasteful expenditure - current year	2(b) 28 851	20 578
	Less: Losses written off	-	-
	Less: Losses recovered	(7)	(7)
	Closing balance	78 001	49 157
2(a)	Details of fruitless and wasteful expenditure incurred		
	Former employees were dismissed by MW. The matters were referred to Labour court and CCMA. Both matters were awarded in favour of the employees. The court dismissed the review application and ordered that the former employee be remunerated with full back pay while in the second case the CCMA concluded the matter with arbitration and settlement. Fruitless expenditure relates to an accrual for salary back pay.	-	6 899
	Fruitless and Wasteful expenditure identified during financial year relating to goods and services were incurred, approved for payment, and paid without being confirmed to be have been rendered or delivered. Further investigation has found that there was no-value derived from some of these payments. The amount is under investigation for further determination and conclusion and then recovery process.	-	13 679
	Interest charged on late payments of account that was under the dispute	31	-
	Contract Cancellation fees charged on a contract cancelled without reasonable grounds and formal process to avoid cancellation fees	237	-
	Mhlathuze Water refunded a customer that was billed a levy during 2009 to 2013. The customer launched a dispute for a refund, MW settled the refund to the customer with an intension to recover it from the Department of Water and Sanitation. As at 30 June 2023, the amount has not been recovered as yet from the Department. There is a pending dispute on-going that is to be resolved in the new financial year, and the amount paid will be received once the dispute is resolved. The total amount refunded to a customer is currently classified as fruitless and wasteful expenditure due to being of no-value as at 30 June 2023 for it.	28 583	-
		28 851	20 578
2(b)	Fruitless and Wasteful Expenditure recoveries		
	Fruitless and wasteful expenditure recovered relation to payment made to an incorrect party due to fraud.	(7)	17
2.1	Reconciling note		
	Fruitless and wasteful expenditure that was under assessment & determination	24 257	11 976
	Fruitless and wasteful expenditure that relates to 2021/22 and identified in 2022/23	-	-
	Fruitless and wasteful expenditure for the current year	28 851	20 578
	Fruitless and wasteful expenditure investigated and referred to criminal and civil cases	24 893	16 603
	TOTAL	78 001	49 157

PFMA and other Compliance Disclosures for Annual Report (continued)

3 Late and/non-payment of suppliers

Information on payment of supplier's invoices	Number of invoices	Value
		R'000
Valid invoices received	3 920	489 329
Invoices paid within 30 days or agreed period	3 722	426 452
Invoices paid after 30 days or agreed period *	46	52 083
Invoices older than 30 days or agreed period (unpaid and without dispute) - current invoices as at 30 June 2023	152	10 794
Invoices older than 30 days or agreed period (unpaid and in dispute)	-	-

* 41 invoices were paid late due to a dispute, and 5 were paid late due to investigation that was pending.

4 Supply Chain Management

Reporting Of Expansions And Variations Of Contracts

In compliance with the SCM Instruction Note 3 of 2021/2022 "Enhancing Compliance, Transparency and Accountability in SCM, the transaction below was a variation approved which exceeded the 15% of the original contract value

4.1

Contracts Variations and Expansions							
No	Project Description	Supplier Name	Contract/PO Number	Type	Original Contract Value Inc VAT	Value of Previous Extensions/VO	Value of Contract Extension Inc VAT
1	Disciplinary Matters	Mc Gregor Erasmus Attorneys	PO36432	Variation	7 380 000.00	-	8 254 493.79
2	Variation of scope for Officers preceding over the disciplinary enquiries	TL Mbili Attorneys	PO37563	Variation	310 000.00	-	282 654.80
3	Variation of scope for Officers preceding over the disciplinary enquiries	Jayshree Moodley	PO36849	Variation	238 012.00	-	187 396.00
4	Augmentation of Nsezi Water Treatment Works	MSW Consulting/ Naidu JV	MW/49/10/2019	Variation	22 399 337.25	-	13 800 000.00
5	Cleaning, inspection and sealing of penstocks at Waste Water Disposal System	Subtech	PO37471	Variation	51 577.50	-	14 950.00
6	GRAP 17, assessment of useful life of assets	IMQS Software Pty Ltd	MW/26/5/2021/2022	Variation	1 291 236.10	-	381 174.40
7	Provision of Garden Maintenance Service	BV Mpangazitha Business Projects	MW/25/12/2018	Expansion	6 189 789.25	-	751 781.91
8	Provision of Security Services at Jozini	Luyanda Security	MW/14/9/2019	Expansion	13 427 361.70	-	1 605 279.53
9	Provision of Integrated Security Services	Makadebona Security	MW/31/3/2019	Expansion	19 770 311.66	839 203	2 773 243.86
10	Variation of scope for Officers preceding over the disciplinary enquiries	Phaphama Mathe Attorneys	N/A	Variation	310 000.00	-	18 000.00
11	Short term insurance brokerage services	Maksure Risks Solutions	MW/6/10/2022/2023	Variation	5 677 752.05	-	204 995.40
12	Design and Construction of Wilmar Effluent Disposal	Zernnies Group	MW/46/8/2019	Variation (scope with no financial implications)	3 055 308.50	-	-
13	Supply, Installation And Maintenance Of Multifunctional Machines (Printers, Copier, Scanner And Fax)	Konica Minolta Zululand	MW/59/12/2019	Expansion	1 663 696.26	-	46 213.96
14	Variation of audit strategy scope 2021/22 aud	Auditor General	MW/59/12/2019	Expansion	2589838	0	350000

PFMA and other Compliance Disclosures for Annual Report (continued)

4.2 Procurement by other means

Procurement through urgent cases deviation

No.	Project Description	Name of Supplier	Contract Number	Value of Contract (inc VAT) R'000
1	supply and delivery of water tankers	Neobiotics	P037018	5 781
2	Water Tankers to supply water at Esikhaleni	Uthwalo Trading	P036518	885
3	Water Tankers to supply water at Esikhaleni	Umnotho Wamaluqa	P036517	874
4	Hire of 1X Urgent Water Tankers to Supply Water at Esikhawini	First Works	P036861	623
5	Hire of 3X Urgent Water Tankers to Supply Water at Esikhawini	Mkthothami Enterprise	P036673	550
6	Hire of 3X Urgent Water Tankers to Supply Water at Esikhawini	Umnotho Wamaluqa	P036646	494
7	Water Tankers to supply water at Esikhaleni	STM Corporation	P036516	453
8	Hire of 2X Urgent Water Tankers to Supply Water at Esikhawini	Dorine Group	P036647	364
9	Recruitment Services	Warrrior Talent Holdings	P037100	254
10	Hire of 2x Urgent Water Tankers to Supply Water at Esikhawini	Mahhushu Construction and Projects	P036649	244
11	Hire of X2 Urgent Water Tankers to Supply Water at Esikhawini	Zenxumalo Transport	P036763	214
12	Hire of X2 Urgent Water Tankers to Supply Water at Ward 29 and 30	STM Corporation	P037155	199
13	Hire of 1X Urgent Water Tankers to Supply Water at Esikhawini	STM Corporation	P036648	158
14	Water Tankers to supply water at Esikhaleni	Zungu Civils	P036515	158
15	Hire of X2 Urgent Water Tankers to Supply Water at Ward 27 and 28	Dorine Group	P037154	148
16	Hire of 2X Urgent Water Tankers to Supply Water at Esikhawini	Abasegudu	P036658	127
17	Hire of 2X Urgent Water Tankers to Supply Water at Esikhawini	Zungu Civils	P036657	123
18	Hire of 2X Urgent Water Tankers to Supply Water at Esikhawini	First Works	P036659	114
19	Payroll outsource Function	Payroll Professional (Pty) Ltd	P036225	94
20	Accomodation	Turners International Travel	P037108	46
21	Hire of X2 Urgent Water Tankers to Supply Water at Esikhawini	Zenxumalo Transport	P037062	31
	TOTAL			11 934

Procurement through sole supplier deviation

No.	Project Description	Name of Supplier	Contract Number	Value of Contract (inc VAT) R'000
1	Supply of goulds pump (strategic spares)	Turbofluid Engineering	P036592	7 123
2	Turbidity Standards	Universal water	P037440	2 110
3	Supply & delivery of Idexx consumables & chemicals	Idexx	P037218	544
4	Supply & delivery of Idexx consumables	Idexx	P036399	367
5	Mantec upgrade	Test-it	P037551	359
6	SMRAS Support	SOLVEM Consultingv(Pty) Ltd	P036254	217
7	Supply & delivery of Idexx chemicals	Idexx	P036398	161
8	Repair of ICP-MS NexION 350X PerkinElmer malfunctioning due to error message "Lens Power Supply"	Perkin Elmer	P036591	156
9	SAP Crystal Reports 2020 & Consulting	Labware Africa	P037205	89
10	ICP-OES Malfunctioning	Perkirn Elmer	P037476	84
11	Supply of Analytical & Guard Column for Ion Chromatograph System	Anatech Instruments	P036590	46
12	Agilent ICP-MS 7900 Malfunctioning	Chemetrix	P037442	14
13	Balancing and restoring of Goulds Pump Impeller	Turbofluid Engineering	P036155	12
14	Phenol reagents	Universal water	P037439	2
	TOTAL			11 285

PFMA and other Compliance Disclosures for Annual Report (continued)

4.5 Procurement through Accounting authority approved exemptions

No.	Project Description	Name of Supplier	Contract Number	Value of Contract (inc VAT) R'000
1	Supervisory Development Programme	University of Pretoria	P037257	874
2	Personal Protection (Chairperson of the Board)	SSG Security	P037601	807
3	Microsoft Dynamics License Renewal	Decision INC Immix	P037302	661
4	Provision of 30GB MTN Data	MTN	P037005	550
5	Managing Engineering & Construction Contract Course	Classic Seminars(Pty) Ltd	P037335	410
6	SSG Security	Personal Protection (Chairperson of the Board)	P037415	404
7	Personal Protection Services	SSG Security	P037229	378
8	Personal Protection Services for the Chairperson	Justicia Investigations	P036681	315
9	Supply of Grundfos multistage pump	Lechintec	P036541	292
10	Labware Lims Licence	Labware Africa	P036462	277
11	Personal Protection Services for Chairperson of the Board	Justicia Investigations	P036736	260
12	Personal Protection Services for the Chairperson	Justicia Investigations	P036923	260
13	Personal Protection Services for the Chairperson	Justicia Investigations	P037050	260
14	Personal Protection Services for Chairperson of the Board	Justicia Investigations	P036787	254
15	Maximo Licence Renewal	First Technology	P036491	233
16	Protection Services	Makadebona	P036293	231
17	SAMRAS Support	Solvem Consulting	P036254	217
18	ACL Robotics License Renewal	Surtech Solutions	P036901	209
19	30 second radio promo slots and 1 interview on DWS Ministerial Engagement	SABC	P037250	203
20	Dataviewer Support and Maintenance Licence	Nanoserve (Pty) Ltd	P036240	195
21	ArcGIS Desktop Advance Concurrent Licence	ESRI South Africa	P036241	184
22	SAMRAS Licence Renewal	Solvem Consulting	P036239	183
23	Computer Training	Info Avenue	P037520	143
24	Repair WEG VSD Module	Zest Electric Motors	P036111	141
25	ABB Variables Speed Drives ACS880 Course	ABB South Africa	P037190	125
26	Veeam Availability Suite Universal Licence	First Technology	P036529	116
27	Executive Development Programme	USB Executive Development (Pty) Ltd	P037349	114
28	Provision of 30GB Vodacom Data	Vodacom	P036983	111
29	Overhead Crane Refresher Training	Buziqadi Consulting	P037513	106
30	Manage Engine AD Manager License Renewal	EOH Mthombo	P036839	100
31	Supply, delivery of gland packings	AESSEAL	P037110	99
32	Carpentry and Tiling Course	Buziqadi Consulting	P037526	96
33	Sonicwall License Renewal	EOH Mthombo	P036690	96
34	AutoCAD License	Micrographics SA	P037158	89
35	Symphony Plus SCADA	ABB South Africa	P036176	85
36	Dv TDM Software License Renewal	Nanoserve (Pty) Ltd	P036838	84
37	Atlas XL Licence Renewal	First Technology	P036138	84
38	Plumbing Course	World Focus 382 t/a Richards Bay Technical Training	P037309	83
39	30 second radio promo slots and 1 interview on DWS Ministerial Engagement	1 KZN TV	P037222	81
40	POPIA Training	Masthead Pty Ltd	P037162	81
41	Qlickview Annual Licence Maintenance Renewal	Direct Insight Consulting	P036238	80
42	Risk Management Course	Risk GP (Pty) Ltd	P037422	76
43	NEBOSH International General(Safety) Course	NOSA (PTY) LTD	P037331	75
44	Asset Management (AMS) Software License Renewal	Sithabile Technology Services	P036899	72
45	Siemens TIA Portal Programming Part 1 Course	Siemens Limited	P036545	72
46	Board development training on IT governance	Institute of Directors of Southern Africa	P037099	71
47	10Mbps Fibre/Broadband DIA Link Renewal	Dimension Data	P036538	70
48	WISA Conference 2022	Water Institute SA	P036408	65
49	Personal Protection Services for the Chairperson (Accommodation)	Justicia Investigations	P036730	64
50	Studio 5000 Logix Designer Level 3 Project Development Course	Rockwell Automation	P036931	61

PFMA and other Compliance Disclosures for Annual Report (continued)

4.5 Procurement through Accounting authority approved exemptions

No.	Project Description	Name of Supplier	Contract Number	Value of Contract (inc VAT) R'000
51	Basic Computer Skills Course	Ubuntu Management & Training	PO37367	54
52	OP Manager Plus Annual Licence	EOH Mthombo	PO37120	53
53	Process Safety Course	Optimum Upgrade Business Systems	PO37216	52
54	Upholstery Training	Top Deck Interiors cc	PO37399	46
55	Personal Protection Services for the Chairperson (Accommodation	Justicia Investigations	PO36821	43
56	Personal Protection Services for the Chairperson (Accommodation	Justicia Investigations	PO36932	43
57	Nanoserve	Dataviewer Licence Renewal		42
58	Enlit Africa Summit	Spintelligent (Pty) Ltd	PO37430	40
59	EOH Mthombo	Acrobat Pro DC License	PO37451	40
60	NACE CPI-Cathodic Protection Tester Training	Corrosion Institute SA	PO36950	37
61	K4 Analytics Annual License Renewal	Direct Insight Consulting	PO37186	37
62	Driving Lessons	Jabulenhle Project t/a Banda's Driving School	PO37315	36
63	Webinar Attendance	WISA	PO36193	35
64	Cisco Certified Network Associate Course	Think360 KZN	PO37398	34
65	AZ-104 Microsoft AZURE Admin Course	Impactful specialist Solutions	PO37314	32
66	Shop stewards Annual Summit	Robert Edwin Conferences	PO37270	30
67	Basic Maintenance Course	Workplace Health Labour Consultants	PO37297	28
68	Maintenance Scheduling Course	Workplace Health Labour Consultants	PO37298	28
69	Learnership in Water and Wastewater NQF3	Makhokha Suppliers (Pty) Ltd	PO37310	27
70	Water Quality Management and Risk Assessment Training	Luthando Skills and Training (Pty) Ltd	PO37397	27
71	Labware African Customer Education Conference	Labware Africa	PO36478	25
72	Accommodation for Personal Security	Justicia Investigations	PO37184	22
73	Data Migration and Mapping	COR Concepts	PO37333	22
74	Factory Talk View ME & Panel Programming Training	Rockwell Automation	PO36984	20
75	PFMA Powerhouse Session	Chartered Institute of Govt Finance, Audit & Risk	PO37175	20
76	Acrobat Pro Dc Licence Renewal	EOH Mthombo	PO36469	19
77	Full Computer Course	Info Avenue	PO37348	18
78	Knowledge Management Course	Lexmark Training & Development	PO37281	18
79	ISO17025 New Standards & Internal Auditing SANAS Course	South African National Accreditation System	PO36725	17
80	Strategies for Internal Audit Training	Leadership Academy	PO37543	17
81	Security Risk Assessment	Justicia Investigations	PO37284	15
82	Security Risk Assessment	Justicia Investigations	PO37284	15
83	30 second radio promo slots and 1 interview on DWS Ministerial E	Maputaland Radio	PO37258	14
84	Advanced Excel for Engineers Course	NGW Kefilwe t/a Prospan Africa	PO37351	14
85	Compliance Management Course	University of Pretoria	PO37330	13
86	Shukela Training Centre	Artisan Training	PO37585	13
87	Supply, goulds Pump	Turbofluid	PO36155	12
88	Audiometry , Spirometry Refresher Course & Dispensing short Cou	Health Science Academy	PO37217	11
89	Monitoring and Evaluation Skills Development Program	University of North West	PO36356	11
90	Hiring of local artist to perform for Women's Day	Nzanzan	PO36386	11
91	2nd Annual Shop Steward Africa Summit 2023	Robert Edwin Conferences	PO37311	10
92	Fuel for vehicle for Personal Protection	Justicia Investigations	PO37042	8
93	Basics in Water Treatment Plants Course	XCEL Business Solutions	PO37387	7
94	Emerging Contaminants in Water Training	XCEL Business Solutions	PO37386	6
95	Leadership Academy	Six Sigma Root cause Analysis	PO37405	5
96	General Machinery Regulation GMR 1 Training	Limonite Solutions	PO37329	5
97	Developing and Aligning HR Policies Course	S A Board for Personnel Practice	PO37421	4
98	S A Board for Personnel Practice	Learning and Development Conference	PO37419	2
99	Forklift Refresher Course	Bhekwell Group	PO37400	2
	TOTAL			1 139

PFMA and other Compliance Disclosures for Annual Report (continued)

4.6

No.	Project Description	Name of Supplier	Contract Number	Value of Contract
1	Temporary AC mitigation works	Tech Works	PO36942	199
2	Laser alignment at Nkandla	The Pumpsmith Hire	PO00037587	29
3	Supply, bolts	Bolt Centre	PO00037595	6
	TOTAL			-

4.7 Procurement with Less than Three Quotations Procurement

No.	Project Description	Name of Supplier	Contract Number	Value of Contract (inc VAT) R'000
1	Event coordinator for the Ministerial visit at uMkhanyakude on 016	Qwalety group	P037271	982
2	Event coordinator for the Ministerial visit at Esiphambanweni on 0	LuluD Trading	P036884	867
3	Sampling plastic vessels with Sodium thiosulphate	Monitoring and Control Laboratorie	P036598	733
4	Vehicle hire of 7 MW employees for the period of 4 months	Avis Van Rental	P037147	540
5	Replace package plant filter valve	Yos Trading (Pty) Ltd	P036121	481
6	Repair TG Schem security lights	VCE Electrical and Instrumentation	P036118	464
7	Isinyithi	pipeline integrity inspection	P0000036602-1	414
8	Vehicle hire for 7 MW employees for the period of 3 months	Avis Van Rental	P036672	405
9	Prottokl Engineering	supply of VSD panel fans	P0000036539-1	368
10	Short term accounting consulting to review AFS & non-financial pe	Ngubane & Co	P036266	334
11	Learnship Training Services	Makhokha Suppliers	P036655	266
12	Provision of car wash services	Aboh Industrial Services	P037077	250
13	SKKM Trading	repair raw intellect actuator	P0000036560-3	249
14	Supply, delivery of sudfloc at Jozini	Ndulamiso Aqua Solutions	po36243	229
15	Independent validation services	Leadership Academy	P037113	218
16	IBM Maximo Support	First Technology	P036134	204
17	Supply, delivery of bottles	Opil General Sales	P037199	198
18	Storm water management plan for MW plants	Exigent Engineering	P036201	172
19	Garden maintenance services for Middledrift Pipeline	Shayimpi Security & Trading	P036524	166
20	Service provider to fascilitate Business Continuity Management an	PearlWays	P036626	162
21	Billy Blues Licence Maintenance & Renewal	Sithabile Technology Services	P036357	129
22	Issue based risk assessment	IRCA Global	P036930	119
23	Supply & delivery of lab gases	Air Products	P036936	117
24	Annual Fees	SACAS	P036377	115
25	HF Engineering	supply and install 50 x 200W lights	P0000036560-1	110
26	Billy Blues Licence Maintenance & Renewal	Sithabile Technology Services	P036210	109
27	Hosting and technical support include website update for the perio	Bull Services Group	P036383	102
28	Board functon to be held at Hluhluwe on 02/12/22	Turners International Travel	P036754	97
29	Macbook Pro	Audio Computer World	P036299	96
30	Supply, delivery of flygt mas kit	Natal Pumps Services	P036562	91
31	Venue booking of 120 delegates for the Ministerial visit at Tiger Lo	Travel With Flair	P036793	88
32	To supply and fit canopies to 3 Ford double cabs	ZLD Auto Repairs	P036536	80
33	Lab Gases	Air Products	P036600	70
34	Supply of IT Equipment	AVAKA (PTY) LTD	P037129	70
35	GCC Training	SAICE	P036178	69
36	Support & Maintenance of Databases	Sithabile Technology Services	P036691	69
37	Supply, install, and commission 36000BTU cassette aircon at Fina	Bizathina	P036112	63
38	SANAS Annual Fees	SANAS	P036678	60
39	Cutting & removing trees & branches near the steel bridge area	Abasegudu	P036126	59
40	Supply, delivery of electrical spares	Bay General Supplies	P036840	57
41	To render media monitoring for MW on all social media platforms	Newsclip Media Monitoring	P036554	56
42	Repairs 3 inch submersible pump	Nokenhle Trading Enterprise	P036735	52
43	NetApp and Veeam & Vmware Specialist	Sithabile Technology Services	P037185	49

PFMA and other Compliance Disclosures for Annual Report (continued)

No.	Project Description	Name of Supplier	Contract Number	Value of Contract (inc VAT) R'000
44	Car Wash Services	Slick Cleaning Services	P036534	47
45	Drivers Assessments at MW	Pro Driver	P036830	47
46	Supply, delivery, of mono pump	The pumpsmith Hire	P036965	42
47	Urgent vehicle hire for Mxolisi Mhlongo for 2 months	Avis Van Rental	P036697	41
48	Integrated Management Systems Overview of ISO 9001, 14001, 45	IRCA Global KZN	P036916	41
49	Advanced Smart IU Training	Advanced Worx	P036879	41
50	Health & Safety Signs	Amandla Signs	P036412	40
51	Supply of plate Count Agar PCA	Lasec	P036979	38
52	Hiring of VIP tent and toilet at Mambuka village, Mpangeni	Pk-lite Events	P036500	37
53	Supply, deliver, install and commission cold room unit at laborato	Bhebesi	P036608	33
54	Provision of debugging and sweeping of offices	Investigation and Security Hub	P036765	31
55	Supply and deliver stationery for ESD workshop	Brainwave Projects 1027	P036202	31
56	Hygiene and Cleaning Course	Decade Pulse Africa	P036393	30
57	Supply, delivery of lowara pump	The pumpsmith Hire	P036450	29
58	Onsite Calibration of laboratory autoclave, oven etc	Labfix	P037320	26
59	Supply & delivery of petroleum ether & methanol	Laboratory Supplies	P037010	25
60	Service Provider to carry out 2000 hourly service of GA15 atlas co	Qed Distributors T/A At-co Penumatics	P036520	23
61	Zest	supply and install parallelism boards	P0000036556-1	22
62	Evacuation Investigation, COIDA & Incident Investigation Courses	IRCA Global KZN	P036917	22
63	Combination Fluoride Electrode	Labotec	P036257	21
64	Honey Sucker Pump services	Ingulule Projects (Pty) Ltd	P036259	20
65	NOKENHLE TRADING	Supply and delivery of geysers	P0000036485	19
66	Supply and deliver of long term services for MW employees	Kit's Photo	P036824	18
67	Supply, payslip stationery	Lithotech Sales KwaZulu Natal	P036324	18
68	Supply and delivery of Lab chemicals	Merck Life Science	P036222	17
69	Sample cuvetted to be used on GalleryPlus discreet analyser	Anatech Instruments	P036379	17
70	Supply, delivery of electrical supplies	Voltex	P037207	17
71	Supply, delivery of impeller spares	Natal Pumps Services	P036925	17
72	Supply and deliver reverse osmosis membrane	Water Icon Purification	P036177	15
73	Strategic Sourcing & Category Management Training	Commerce Edge	P036915	15
74	Supply, delivery of electric motor	Phuthuma Enterprise	P037015	15
75	Supply and delivery of paints	Bay General Supplies Project and Maintenance	P036128	13
76	Supply, delivery of transformer oil	Global Transformers	P036389	13
77	Perform analysis on emerging water contaminations of raw and fin	Talbot & Taklbot	P037215	13
78	Supply and install signage	Brainwave Projects 1027	P036827	13
79	Total Cynade Analysis	Umgeni Water	P036345	12
80	Hach Reagents	Universal Water Solutions	P036819	11
	TOTAL			10556

Abbreviations

AC	-	Audit Committee
ACIP	-	Accelerated Community Infrastructure Programme
AGSA/AG	-	Auditor-General South Africa
AMCOW	-	African Minister Council on Water
ASB	-	Accounting Standards Board
AFWA	-	African Water Association
ASIDI	-	Accelerated Schools Infrastructure Development Initiative
BBBEE	-	Broad-Based Black Economic Empowerment
BCOM	-	Bachelor of Commerce
BDS	-	Blue Drop System
BSc	-	Bachelor of Science
CAPEX	-	Capital Expenditure
CEO	-	Chief Executive Officer
CFO	-	Chief Financial Officer
CMA	-	Catchment Management Agency
CMF	-	Catchment Management Forum
CMMS	-	Computerised Maintenance Management System
COVID-19	-	the coronal flu virus declared an international pandemic by the World Health Organisation
CoU	-	City of uMhlathuze Municipality
CSD	-	Central Supplier Database
CSI	-	Corporate Social Investment
DBSA	-	Development Bank of Southern Africa
DBE	-	Department of Basic Education
DM	-	District Municipality
DUT	-	Durban University of Technology
DWS	-	Department of Water and Sanitation
ECSA	-	Engineering Council of South Africa
EIA	-	Environmental Impact Assessment
EMS	-	Environmental Management System
EPC	-	Engineering Procurement and Construction
ESD	-	Enterprise and Supplier Development
EWSETA	-	Energy and Water Sector Education and Training Authority
EXCO	-	Executive Committee
FY	-	Financial Year
GDP	-	Gross Domestic Product
GIS	-	Geographic Information System
GRAP	-	Generally Recognised Accounting Practices
HoD	-	Head of Department
HR	-	Human Resources
IAS	-	International Accounting Standards

IDZ	-	Industrial Development Zone
IFRS	-	International Financial Reporting Standards
INCA	-	Infrastructure Finance Corporation Limited
ISA	-	International Standard on Auditing
ISO	-	International Organisation for Standardisation
KCDM	-	King Cetshwayo District Municipality
KZN	-	KwaZulu-Natal
LIMS	-	Laboratory Information Management System
LM	-	Local Municipality
m ³	-	Cubic Metres
m ³ /s	-	Cubic Metres per second
ML	-	Megalitre
ML/day	-	Megalitres per day
MANCO	-	Management Committee
MBA	-	Master of Business Administration
MBL	-	Master of Business Leadership
MFMA	-	Municipal Finance Management Act
MIG	-	Municipal Infrastructure Grant
MW	-	Mhlathuze Water
MWIG	-	Municipal Water Infrastructure Grant
NEMP	-	National Eutrophication Monitoring Programme
NMMP	-	National Microbial Monitoring Programme
NT	-	National Treasury
NQF	-	National Qualifications Framework
O&M	-	Operations & Maintenance
OHSAS	-	Occupational Health and Safety Assessment Series
OPEX	-	Operational Expenditure
PFMA	-	Public Finance Management Act
RBM	-	Richards Bay Minerals
RBIG	-	Regional Bulk Infrastructure Grant
SA GAAP	-	South African Statements of Generally Accepted Accounting Practices
SAICA	-	South African Institute of Chartered Accountants
SAICEE	-	South African Institute of Electrical Engineers
SANS	-	South African National Standards
SCADA	-	Supervisory Control and Data Acquisition
SHC	-	Shareholders Compact
SHEQ	-	Safety, Health, Environmental and Quality Management
SCM	-	Supply Chain Management
SLA	-	Service Level Agreement
SOE	-	State Owned Enterprise
SMME	-	Small Medium Micro Enterprise

TGS	-	Tugela-Goedertrouw Transfer Scheme
TR	-	Treasury Regulations
uPVC	-	Unplasticized Polyvinyl Chloride
UKDM	-	uMkhanyakude District Municipality
WfW	-	Work for Water
WISA	-	Water Institute of South Africa
WMA	-	Water Management Areas
WSA	-	Water Services Authority
WSIG	-	Water Services Infrastructure Grant
WRM	-	Water Resource Management
WUL	-	Water Use License
WTP	-	Water Treatment Plant
WTW	-	Water Treatment Works
WWDS	-	Waste Water Disposal Scheme
WWTP	-	Waste Water Treatment Plant
ZDM	-	Zululand District Municipality



Broad-Based Black Economic Empowerment Certificate

Issued to:

Mhlathuze Water Board t/a Mhlathuze Water

LEVEL 8 CONTRIBUTOR

Measured Entity:

Company Name Mhlathuze Water Board
Trade Name Mhlathuze Water
Address Cnr of South Central, Arterial & Battery Bank, Alton, Richards Bay, 3900
Registration Number
Vat Number 4230103352
Certificate Number 5 Star G 523 REV 0


Issued in accordance with the Codes of Good Practice issued in terms of section 9(1) of the Broad-Based Black Economic Empowerment Act, 2003 (Act 53 of 2003) on 08 May 2015 - 38766

Element	Actual Score	Target Score	BBBEE Status	
Ownership	N/A	N/A	Black Ownership	N/A
Management Control	18.15	20.00	Black Female Ownership	N/A
Skills Development	13.23	25.00	Empowering Supplier	Yes
Enterprise & Supplier development	33.47	50.00	Designated Group Supplier	N/A
Socio-Economic Development	0.12	05.00	Applicable Scorecard	Adjusted - Generic
			Procurement Recognition Level	50%
Total	64.97	100.00	Issued Date	12 May 2020
			Expiry Date	11 May 2021

Discounting Applicable	Yes
Modified Flow Through Applicable	No



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Technical Signatory
Linda Sewnarain

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