



2020/21  
Annual Report

[www.erwat.co.za](http://www.erwat.co.za)



## V I S I O N

To be a global leader in water care and resource recovery

# CONTENTS

<b>TERMS AND ABBREVIATIONS</b>	<b>6</b>
<b>CHAPTER 1 – CHAIRPERSON’S FOREWORD AND EXECUTIVE SUMMARY</b>	<b>7</b>
Component A: Chairperson’s Foreword	8
Component B: Executive Summary by Managing Director	13
1.1. Managing Director’s Overview	13
1.2. Company’s Functions, Population and Environmental Overview	15
1.3. Service Delivery Overview	15
1.4. Financial Health Overview	15
1.5. Organisational Development Overview	19
1.6. Auditor-General Report	19
1.7. Statutory Annual Report Process	19
<b>CHAPTER 2 – GOVERNANCE</b>	<b>21</b>
Component A: Political and Administrative Governance	23
2.1 Political Governance	23
2.2 Administrative Governance	28
Component B: Intergovernmental Relations	30
2.3 Intergovernmental Relations	30
Component C: Public Accountability and Participation	32
2.4 Public Meetings	32
2.5 Business Plan Participation and Alignment	32
Component D: Corporate Governance	33
2.6 Risk Management	33
2.7 Anti-Corruption and Fraud	38
2.8 Supply Chain Management	40
2.9 By-Laws	40
2.10 Websites	40
2.11 Public Satisfaction on Company Services	41
<b>CHAPTER 3 – SERVICE DELIVERY PERFORMANCE</b>	<b>43</b>
(Performance Report Part I)	44
Component A: Basic Services	45
3.1 Wastewater (Sanitation) Provision	45
Component B: Corporate and Other Services	55
3.2 Board Of Directors	55
3.3 Financial Services	55
3.4 Human Resource Services	57

## CONTENTS | Continued

3.5 Information and Communication Technology (ICT) Services	57
3.6 Legal; Risk Management and Procurement Services	59
<b>Component C: Organisational Performance Scorecard</b>	<b>60</b>
<b>CHAPTER 4 – ORGANISATIONAL DEVELOPMENT PERFORMANCE</b>	<b>69</b>
<b>(Performance Report Part II)</b>	<b>70</b>
<b>Component A: Introduction to the Company's Personnel</b>	<b>71</b>
4.1 Employee Totals, Turnover and Vacancies	71
<b>Component B: Managing the Company's Workforce</b>	<b>74</b>
4.2 Policies	74
4.3 Injuries, Sickness and Suspensions	75
4.4 Performance Rewards	78
<b>Component C: Capacitating the Company's Workforce</b>	<b>79</b>
4.5 Skills Development and Training	79
<b>Component D: Managing the Workforce Expenditure</b>	<b>81</b>
4.6 Employee Expenditure	81
<b>Component E: Introduction to the Company's Personnel</b>	<b>83</b>
<b>CHAPTER 5 – FINANCIAL PERFORMANCE</b>	<b>85</b>
<b>Component A: Statements of Financial Performance</b>	<b>86</b>
5.2 Grants	89
5.3 Asset Management	90
5.4 Financial Ratios Based on Key Performance Indicators	95
<b>Component B: Spending against Capital Budget</b>	<b>99</b>
5.5 Capital Expenditure	99
5.6 Sources of Finance	99
5.7 Capital Spending on five largest projects	100
5.8 Basic Service and Infrastructure Backlogs – Overview	102
<b>Component C: Cash Flow Management and Investments</b>	<b>104</b>
5.9 Cash Flow	105
5.10 Borrowing and Investments	106
5.11 Public Private Partnerships	107
<b>Component D: Other Financial Matters</b>	<b>108</b>
5.12 Supply Chain Management	108
5.13 GRAP Compliance	108
<b>CHAPTER 6 – AUDITOR-GENERAL AUDIT FINDINGS</b>	<b>109</b>
<b>Component A: AG Opinion of Financial Statements 2019/2020</b>	<b>111</b>

## CONTENTS | Continued

6.1 Auditor-General Reports 2019/2020 Financial Year	111
<b>Component B: Auditor-General Opinion Year (2020/2021 )</b>	<b>112</b>
6.2 Auditor-General Report 2020/2021 Financial Year	112
<b>GLOSSARY</b>	<b>113</b>
<b>APPENDICES</b>	<b>115</b>
Appendix A – Councillors; Committee Allocation and Council Attendance	115
Appendix B – Committees and Committee Purpose	115
Appendix C – Third Tier Administrative Structure	115
Appendix D: Functions of Municipality/Entity	115
Appendix E: Ward Reporting	116
Appendix F: Ward Information	116
Appendix G: Recommendations of The Municipal Committee	116
Appendix H: Long-Term Contracts and Public Private Partnership	116
Appendix I: Municipal Entity/Service Provider Performance Schedule	116
Appendix J: Disclosure Of Financial Interest	117
Appendix K: Revenue Collection Performance	117
Appendix K (I): Revenue Collection Performance by Vote	117
Appendix K (II): Revenue Collection Performance by Source	118
Appendix L: Conditional Grants Received: Excluding MIG	118
Appendix M: Capital Expenditure – New & Upgrade/ Renewal Programmes: Including MIG	119
Appendix M(I): Capital Expenditure – New Assets Programme	119
Appendix M(II): Capital Expenditure – Upgrade/Renewal Programme	120
Appendix N: Capital Programme by Project Current Year	121
Appendix O: Capital programme by project by ward current year	125
Appendix P: Service Connection backlogs at schools and clinics	125
Appendix Q: Service backlogs experienced by the community where another sphere of government is responsible for service provision	125
Appendix R: Declaration of loans and grants made by the Municipality	126
Appendix S: Declaration of returns not made in due time under MFMA S71	126
Appendix T: National and provincial outcome for local government	126
Volume II: Annual Financial Statements 2020/2021	127
Volume III: Audit Report 2019/2020	130

## TERMS AND ABBREVIATIONS

TERM / ABBREVIATION	DESCRIPTION
AG	Auditor-General
B-BBEE	Broad-Based Black Economic Empowerment
BNR	Bio-Nutrient Removal
CSR	Corporate Social Responsibility
CoE	City of Ekurhuleni
CSIR	Council for Scientific and Industrial Research
DHSWS	Department of Human Settlements, Water and Sanitation
ERP	Enterprise Resource Planning
ERWAT	Ekurhuleni Water Care Company (Non-Profit Company)
EWSETA	Energy and Water Sector Training Authority
GCRO	Gauteng City Region Observatory
HOD	Head of Department
HR	Human Resources
IDP	Integrated Development Plan
IoDSA	Institute of Directors (South Africa)
IWA	International Water Association
LIMS	Laboratory Information Management Systems
LNW	Lepelle Northern Water
KING IV	King Code of Corporate Governance (2009)
KING IV	King Code of Corporate Governance (2016)
MFMA	Municipal Finance Management Act (Act 56 of 2003)
MI	Megalitres
mSCOA	Municipal Standard Chart of Accounts
MTREF	Medium Term Revenue and Expenditure Framework
NDPW	National Department of Public Works
NPC	Non-Profit Company
OPCA	Operation Clean Audit
SCM	Supply Chain Management
SDBIP	Service Delivery Budget Implementation Plan
WCW	Water Care Works
WRC	Water Research Commission
WISA	Water Institute of South Africa
WSA	Water Services Act (Act 108 of 1997)



CHAPTER ONE

# Chairperson's Foreword and Executive Summary

## COMPONENT A

# CHAIRPERSON'S FOREWORD



**Dr NC Scheepers**  
Chairperson of the Board

### VISION

ERWAT was established in 1992 as a Section 21 company. Its members are the City of Ekurhuleni (CoE) (majority member), Johannesburg Metropolitan Municipality and Lesedi Local Municipality. ERWAT operates 19 Water Care Works and each works is issued with a water use license and/or exemption by the Department of Human Settlements, Water and Sanitation (DHSWS). Each water use license and/or exemption contains the final effluent water quality standards the works must comply with.

ERWAT's vision is to be a global leader in water care and resource recovery. Its mission is to provide sustainable, affordable, quality water care and resource recovery services through partnerships and collaborative initiatives with external role players, utilising smart organisational practices. ERWAT is taking the strategic direction of our major member, the CoE, into consideration. ERWAT

redefined its Facilities Development Plan, 2028 model, in alignment with the CoE's planning for the future of the region. It is pivotal for the entity to achieve water quality compliance for all the Water Care Works.

ERWAT has seven strategic objectives spanning across six strategic pillars, namely profitability, people, environmental sustainability, operational excellence, technology and partnerships/commercialisation. These define the markers of success and effectively how ERWAT will know when the entity has achieved its goals. Each of these strategic pillars are defined below;

1. Profitability: ERWAT wants to ensure that it is financially sustainable and limit its dependence on City of Ekurhuleni's contributions (excluding service charges). In order to do this, the entity will need to have alternative revenue streams.
2. People: Human capital is critical to the entity's functioning, and essential for achieving

## CHAIRPERSON'S FOREWORD | Continued

strategic objectives. Therefore, the right talent needs to be developed, attracted and retained.

3. **Environmental sustainability:** As a responsible corporate citizen, ERWAT needs to ensure not just financial sustainability but also environmental sustainability.
4. **Operational Excellence:** Refers to the entity's mindset, its practice of adopting principles and tools that result in operational sustainability, and improvements
5. **Technology:** This is at the core of ERWAT's operations, and any operational improvements can only be addressed by using technology.
6. **Partnerships/Commercialisation:** Partnerships and collaborations with external entities are essential to the entity's vision of being a "globally recognised water resource recovery company" and commercialisation of its service offerings and products.

ERWAT's strategic objectives outline what must be achieved to ensure its strategy becomes a success. The strategic objectives linked to each of the pillars are as follows:

### 1. PROFITABILITY

- 1.1. To expand external business to generate more revenue and entry to new markets through strategic partnerships and collaborative initiatives.

### 2. PEOPLE

- 2.1. Ensure human capital is aligned to smart organisational strategies.

### 3. ENVIRONMENTAL SUSTAINABILITY

- 3.1. Build a competitive advantage through global environmental best practice.

### 4. OPERATIONAL EXCELLENCE

- 4.1. Optimise existing infrastructure to improve reliability and operational efficiency.

### 5. TECHNOLOGY

- 5.1. Utilise cutting edge technology to increase efficiency, effectiveness and capacity.

### 6. PARTNERSHIPS/ COMMERCIALISATION

- 6.1. To establish strategic R&D partnerships to build ERWAT's brand and commercialise new business opportunities.
- 6.2. To build on ERWAT's social capital through the development of its people and community collaboration.

As an entity of the CoE, ERWAT needs to ensure that it aligns to the overarching vision of the city, which is summarised in its long-term strategy, the Growth and Development Strategy 2055 (GDS 2055). GDS 2055 identifies five strategic initiatives and ERWAT's strategic objectives are aligned to these in its efforts to support Ekurhuleni in its endeavours to take the lead as a powerhouse in the Gauteng economy.

As part of ERWAT's strategic plan, six strategic initiatives linked to six strategic pillars have been identified. ERWAT intends to pursue these pillars in support of its strategy, and these initiatives are:

1. Sludge beneficiation and resource recovery;
2. Energy neutrality;
3. Water reclamation;
4. Medium-term commercial business growth opportunities targeting specific industries with niche products and services;
5. A financial model strategy that looks at reassessing ERWAT's current financial models and financial market approach; and

## CHAIRPERSON'S FOREWORD | Continued

### 6. ERWAT Plants & Conveyancing Regionalisation and 50 Year Master Plan.

During the reporting period, the impact of COVID-19 pandemic was felt by all business and entities including ERWAT. In spite of the impact of the pandemic, ERWAT strived towards ensuring the safety of all employees daily, while working towards achieving set targets. No major changes are foreseen in the next reporting period.

#### KEY POLICY DEVELOPMENTS

The legislative framework within which water supply and sanitation services take place is mainly provided by the Water Services Act (Act 108 of 1997) (WSA). The WSA derives its mandate from Section 27 of the Bill of Rights in the Constitution. This section of the constitution provides, among other rights, that everyone has the right to have access to sufficient food and water. One of the main objectives of the WSA is thus, to provide for the right of access to basic water supply and basic sanitation.

ERWAT strives to keep abreast of the latest in wastewater research management through regular liaison and contact with institutions, such as the Water Research Commission (WRC), water institutions, academia, as well as government departments including the DHSWS. ERWAT is a member of the International Water Association (IWA) and a patron member of the Water Institute of South Africa (WISA). ERWAT has also entered into an agreement with the University of Stellenbosch, where ERWAT will support a Chair in Wastewater studies.

The policy developments are aligned with the provincial growth and development strategy as well as the Ekurhuleni Growth and Development Strategy 2025.

#### KEY SERVICE DELIVERY IMPROVEMENTS

ERWAT achieved four (4) out of the five (5) reportable key performance indicators. ERWAT was able to exceed its targets on external revenue, audit opinion, percentage capital expenditure on planned projects, percentage procurement spend allocated to SMMEs as well as number of repeat audit findings. The annual target was exceeded due to ERWAT's undertaking project interventions which yielded positive results. The target for capital expenditure was exceeded due to the early delivery of goods prior to the planned date as well as downward adjustment of the budget, as result of challenges experienced during the financial year. Revenue generated from external businesses was R58 958 911 and this was boosted by the revenue generated from the City of Tshwane's Intervention Project.

The overall water quality compliance target of 85% was not achieved. However, ERWAT has developed strategies to mitigate the challenges that were encountered to improve performance of the various Water Care Works. Long-term capital expenditure and the funding thereof, is very important for the long-term success of ERWAT. The ability to finance and execute capital projects is of paramount importance to the entity. One of ERWAT's biggest challenges remains the financing of new extensions of Water Care Works. The success of future projects, as with those of the past, will continue to depend on the availability of funding. The role that our parent municipality, the CoE, will play in securing future funding will remain crucial.

#### PUBLIC PARTICIPATION

ERWAT shares the CoE's department of water and sanitation's public participation process. All the comments and views of the community received during this process are channelled through to the entity. ERWAT has been appointed

## CHAIRPERSON'S FOREWORD | Continued

by the City of Tshwane as an implementing agent for the upgrading of the Rooiwal Wastewater Treatment Works. The Board is envisaging that this programme bodes well with the new strategy that has been developed. This intervention is further seen as a boosting revenue generation mechanism.

### FUTURE ACTIONS

The Board developed a new strategy for the entity through which there is a shift towards water resource recovery. The focus will mainly be on embarking into programmes that are earmarked for revenue generation, other research initiatives as well as water reclamation and energy renewal programmes through sludge beneficiation and energy neutrality.

In the spirit of good governance, the Board and Senior Management has adopted King IV Report of Good Corporate Governance, to strengthen the governance processes and improve reporting.

### AGREEMENTS, RESEARCH, DEVELOPMENT AND PARTNERSHIPS

Despite the COVID-19 pandemic and the impact of the subsequent lockdown regulations on universities and research institutions, ERWAT remained actively involved in research collaborations and partnerships. The ERWAT Chair in Water Research, hosted by the Stellenbosch University Water Institute, focused its efforts mainly on Wastewater-based Epidemiology (WBE) research and using it as a tool to monitor COVID-19 in local communities. ERWAT actively participates in the South African Collaborative COVID-19 Environmental Surveillance System (SACCESS). This national collaboration looks at testing wastewater for remnants of the SARS CoV-2 virus causing, COVID-19. In this manner, an entire community served by a wastewater treatment

works can be screened and this data can serve as an early warning system when the number of COVID-19 cases rises. ERWAT also participates in an international collaboration doing research within the same theme.

With the support and collaboration by ERWAT, several students were able to enrol for a post-graduate qualification at various institutions. These included:

1. 1 x BTech candidate
2. 1 x MSc candidate
3. 2 x PhD candidates

Research outputs by ERWAT and from collaborations have been published in peer reviewed articles or presented (online) at local and international conferences.

Further research partnerships formed include:

1. WITS University and DANEDA – treatment of highly polluted and concentrated wastewater: the treatment of landfill site leachate is notoriously challenging. This project will look at advanced membrane and crystallisation based method development for leachate treatment.
2. NICD – antimicrobial resistance in wastewater research: the rise of antimicrobial resistance (AMR) among micro-organisms is of increasing concern worldwide. This project will look at the role wastewater and water care works play in AMR.
3. Membrane filtration aeration mechanism – ERWAT registered a patent with respect to a micro membrane filter with a unique aeration mechanism. This work was also supported by the WRC, and pilot studies are continuing.
4. WRC – Hennops River rehabilitation project: this WRC funded project in collaboration with WITS University will look at the pollution

## CHAIRPERSON'S FOREWORD | Continued

challenges that the Kaalspruit and Hennops River are facing.

5. City of Ekurhuleni – Resilience Forum: In response to climate change, the CoE has formed a forum to assist in identifying key focus areas for improvement, formulate policies and initiate projects. As a member and as wastewater entity, ERWAT's role in this forum is of key importance.

Other local platforms on which ERWAT members serve include various reference groups in support of WRC funded projects and the Scientific Services Forum by SALGA.

### CONCLUSION

ERWAT's success is a result of dedication, focus and concerted efforts of many role-players. Therefore, I would like to express my sincere appreciation to my colleagues on the Board of Directors as well as the Managing Director, Senior Management and Staff. The strategic direction and unwavering support of the CoE made it possible for ERWAT to achieve its strategic and operational objectives.

Signed by:

*NC Skeepers*

Dr NC Skeepers

Chairperson of the Board

Date: 8 April 2022

## COMPONENT B

**EXECUTIVE SUMMARY** by Managing Director

Mr Kennedy Chihota  
Managing Director



## 1.1. MANAGING DIRECTOR'S OVERVIEW

### BACKGROUND

During the period under review, the entity has been able to strengthen its position with key stakeholder, being the CoE, and various other stakeholders in the industry. ERWAT's ability to meet the expectations of a broad and multicultural customer base often required innovative and continuous inventive approaches when interacting and executing activities.

The entity always factored its mandate and the aspirations of the members into the strategic plans. Operations were very effective in implementing key deliverables defined in the strategic plan and compliance of the works to the licence conditions, albeit a challenge in capacity and community

unrest resulted in certain works not meeting all licence conditions. The momentum set in the previous financial year was carried over during this period under review, amidst the current COVID-19 pandemic, which impacted the entity's ability to deliver on programmes that served as the mayoral priorities.

The favourable financial position we achieved when it comes to the prudent management of finances on the operational expenditure side will further strengthen the entity's position going forward. Despite the portfolio growth and disproportionate funding in relation to the portfolio of services, we have been able to cement our position through increased productivity and efficiencies. All departments comprising Operations, Scientific Services, Maintenance, Infrastructure Planning and

## EXECUTIVE SUMMARY | Continued

Projects, Commercial Business, Financial Services, Human Resources and Company Secretariat continued to perform at high standards.

With constant guidance and vigilance, the Board of Directors, representing the CoE, dedicated itself to ensuring that substantially, all issues that were raised by the Auditor-General in the previous financial year's audit, were addressed. Processes were put in place to ensure that the entity's internal controls became more effective.

The annual financial statements were prepared on the basis of accounting policies applicable to a going concern. On 30 June 2021, ERWAT had an accumulated surplus from the inception of ERWAT to date of R1 935 158 232. The total assets exceeded liabilities by the same amount.

ERWAT's existence is dependent on the continued support from the CoE by way of service charges for treatment of wastewater and the provision of related engineering services paid each year in terms of a Service Delivery Agreement, grants and various other agreements, entered into between ERWAT and the CoE.

The entity has embarked on an aggressive drive to increase its share in the market, with regards to assessing, designing, constructing and operating Water Care Works on behalf of industrial, municipal and other clients. With potable water fast becoming a scarce commodity, the management and recycling of wastewater is also a necessity for humanity's sustained survival.

ERWAT will continue to focus on research as well as the training and development of its staff. To this effect, ERWAT has developed a six-year Training Master Plan, which will look at the training and development of each individual.

The entity is looking at ultimately upgrading all Water Care Works to become energy neutral in the future. This will be achieved through the investigation of harvesting methane gas for energy generation, incinerating and pulverising sludge for energy generation, as well as installing in-line turbines at sewer outfalls and effluent discharge points in order to harness the energy generated.

ERWAT no longer sees itself only as the wastewater treatment company of choice, but also as a strategic partner of choice in the water industry that can collaborate with other players in both the private and public sector in order to take Ekurhuleni, Gauteng, South Africa and the African continent forward.



---

**Mr Kennedy Chihota**  
Managing Director

## EXECUTIVE SUMMARY | Continued

### 1.2 COMPANY'S FUNCTIONS, POPULATION AND ENVIRONMENTAL OVERVIEW

#### INTRODUCTION TO BACKGROUND DATA

ERWAT contributes towards satisfying the basic requirements for sanitation by providing a proficient wastewater treatment service to approximately 8 000 industries and more than 3.5 million people who have access to sanitation. The entity is currently the custodian of 19 Water Care Works, treating a combined capacity of approximately 832.13 megaliters (ML) of wastewater, both domestic and industrial, per day. The smallest works treat approximately 1.4 ML per day, while the largest works treat up to 170 ML of wastewater per day. ERWAT also operates and manages industrial effluent treatment works on behalf of industries on their premises, including the provision of scientific services. Most of ERWAT's operations are located in the eastern parts of Gauteng.

The number of households with flush toilets are increasing by approximately 30 000 per year. This puts pressure on ERWAT to keep up with the capacity demands for wastewater treatment.

#### COMMENT ON BACKGROUND DATA

Key challenges arising from the demographics of the area are access to sanitation. The CoE is implementing plans to increase access to basic services. This will place a burden on ERWAT to increase capacity to ensure additional households have access to sanitation.

### 1.3 SERVICE DELIVERY OVERVIEW

#### SERVICE DELIVERY INTRODUCTION

ERWAT provides bulk wastewater treatment services to the CoE, servicing over 3.5 million

people and some 8 000 industries.

The entity's 19 Water Care Works treat on average approximately 832.13 ML wastewater per day during the dry season, and up to 1 000 ML during the wet season.

The maintenance department has put together strategies to improve equipment availability and reliability. In response to the needs, ERWAT has developed a 5-year capital expenditure plan aimed at reducing the backlog and creating redundancy at the Water Care Works. Furthermore, ERWAT is in the process of implementing a regionalisation and 50-year master plan for wastewater conveyancing and treatment works. Emergency/stand-by generators have been procured and are in a process of being installed at the works to mitigate the challenge of power interruptions, especially unplanned power interruptions.

#### COMMENT ON ACCESS TO BASIC SERVICES

Increase in developments within the CoE has placed a burden on ERWAT to cope with the additional wastewater flow to its Water Care Works. Currently the majority of ERWAT's Water Care Works are operating at over capacity, which impacts water quality compliance. It is therefore imperative for the CoE to increase capital budget allocation to ERWAT in line with the capacity upgrade plans in order to achieve access to basic service's needs.

### 1.4 FINANCIAL HEALTH OVERVIEW

#### INTRODUCTION TO FINANCIAL HEALTH

The entity's financial review is premised on the approved 2020/2021 business plan and budget. ERWAT faced some challenges with its cash-flow during the period, primarily due to delays in payment from the CoE. Total operating revenue

## EXECUTIVE SUMMARY | Continued

decreased from R1,120 billion to R1,054 billion (6%) which includes service charges of R929,6 million in 2020/2021 (2019/2020: R878,8 million).

The entity ended the year with a net surplus of R134 million in 2020/2021, (2019/2020: R194,6 million). The decrease in the net surplus is mainly attributable to a decrease in service charges revenue (as a result of a budget adjustment from the CoE), ERWAT's contract with the CoE for the maintenance of the pump stations was cancelled in the second quarter of the year 2020/2021. Also, no revenue was generated from Development Contributions as ERWAT did not have sufficient capacity during the financial year.

Operating expenditure for the year was recorded at R919 million against a budgeted expenditure of R1,014 billion.

### FINANCIAL ANALYSIS AND RATIO COMPARISON

The strength of the statement of financial position of ERWAT remains pivotal to the continued financial

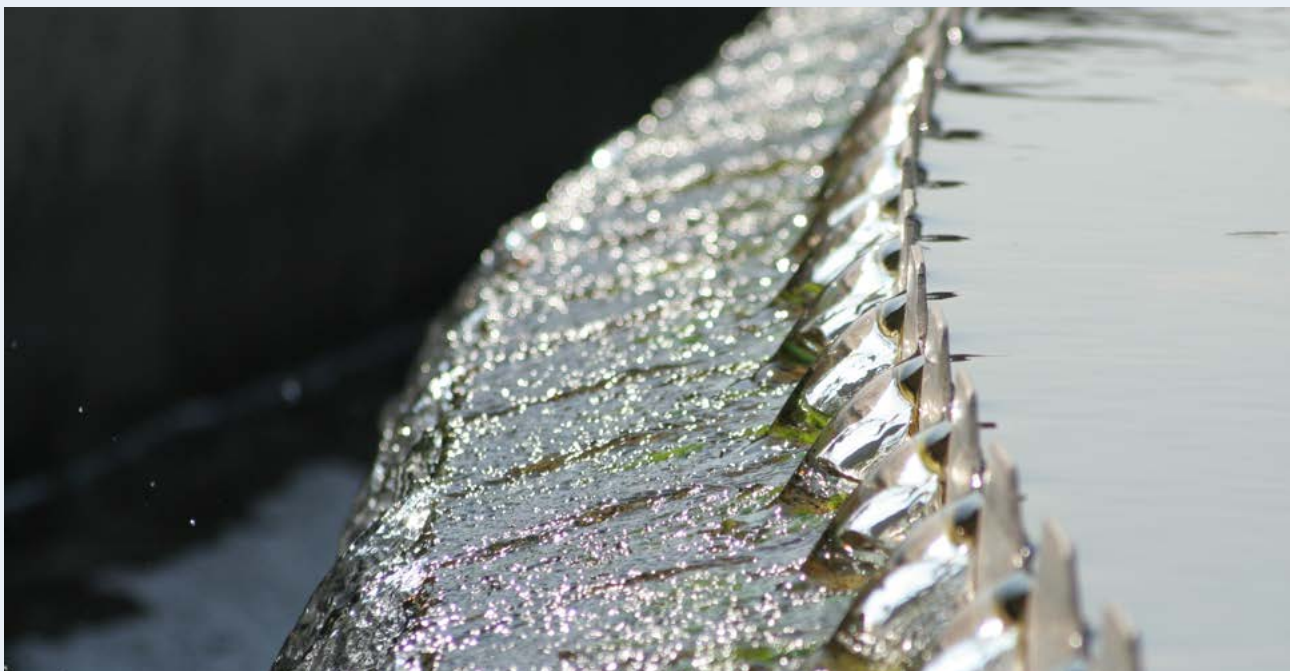
sustainability of the entity. It is reported that the entity is a going concern with accumulated surplus of R1,935 billion with total assets exceeding total liability by the same amount.

### SOLVENCY

The decrease in long-term liabilities impacted positively on ERWAT's solvency ratio. However, due to the delayed payment of Service Charges from the CoE, ERWAT was unable to pay suppliers before the reporting date as intended and this had a direct impact on the said Ratio. It decreased from 0.41 in 2019/2020 to 0.29 in 2020/2021. The solvency ratio might come under pressure in future if alternative funding sources, other than loan funding, cannot be accessed. ERWAT shows a continued improvement in decreases in the ratio

### LIQUIDITY

ERWAT's current ratio increased from 1.12:1 in 2019/2020 to 1.67:1 in 2020/2021.



## EXECUTIVE SUMMARY | Continued

**TABLE 1.1: FINANCIAL OVERVIEW: 2020/2021**

DETAILS	ACTUAL 2019/2020 R'000	ORIGINAL BUDGET 2020/2021 R'000	ADJUSTMENT BUDGET R'000	ACTUAL 2020/2021 R'000
<b>INCOME</b>				
Grants	144 044	200 000	49 830	49 830
Development Contribution	58 454	0	0	0
User Charges (Service)	878 783	975 734	927 734	929 381
Other	241 207	128 386	86 950	65 946
<b>Sub Total</b>	<b>1 322 488</b>	<b>1 304 120</b>	<b>1 064 514</b>	<b>1 045 159</b>
Expenses	(1 125 750)	(1 104 000)	(1 015)	(949 319)
<b>Operating Surplus</b>	<b>196 738</b>	<b>(200 000)</b>	<b>(49 830)</b>	<b>95 838</b>
Loss on disposal of assets	(477)	0	0	-454
Fair value adjustments - Investment	(1 784)	0	0	1 560
Actuarial gains (losses)	128	0	0	(2 404)
<b>Surplus (Excluding Grants)</b>	<b>194 604</b>	<b>0</b>	<b>0</b>	<b>94 540</b>

**TABLE 1.2 OPERATING RATIOS 2020/2021**

DETAILS	%
Employee costs	41%
Repairs and maintenance	8.4%
Finance Charges	0.3%

### COMMENT ON OPERATING RATIOS

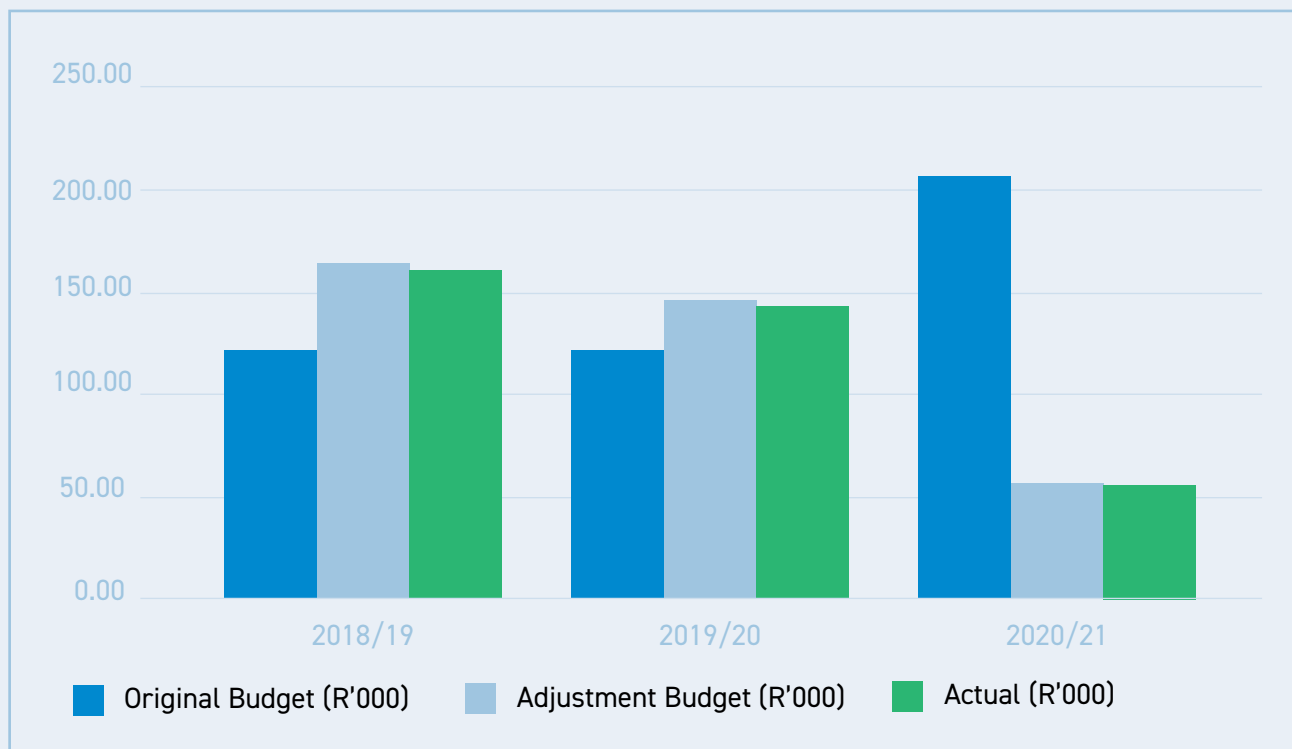
The main cost driver is the employee costs that are reported at 41%. The ratio is higher than normal due to the slight underspend on the OPEX budget, while employee costs remained fixed throughout the year.

## EXECUTIVE SUMMARY | Continued

**TABLE 1.3: TOTAL CAPITAL EXPENDITURE**

YEARS 2018/2019 TO 2020/2021	YEAR 2018/2019 R'000	YEAR 2019/2020 R'000	YEAR 2020/2021 R'000
<b>Details</b>			
Original Budget	121 805	121 400	206 000
Adjustment Budget	164 205	145 636	55 830
Actual	160 072	143 643	55 976
% Capital Spent based on Original Budget	131,42%	118,32%	27,17%
% Capital Spent based on Adjustment Budget	97,48%	98,63%	100,26%

### TOTAL CAPITAL EXPENDITURE



### COMMENT ON CAPITAL EXPENDITURE

The approved ERWAT capital expenditure budget was adjusted from R206 000 000 for the 2020/2021 financial year to R55 830 000.

The approved Capex Budget of R55 830 000 for the 2020/2021 financial year is allocated to support economic development and service delivery.

Detailed capital expenditure outlined on **Appendix N**.

## EXECUTIVE SUMMARY | Continued

### 1.5. ORGANISATIONAL DEVELOPMENT OVERVIEW

#### ORGANISATIONAL DEVELOPMENT PERFORMANCE

The business context of the entity offers challenges to which the organisation is on course to respond to. Organisational development issues are to attract competent and driven talent that will respond to the business challenges, without necessarily being confined to their hierarchies.

These talents are specifically in the audit and risk as well as operations departments. The human resources department ensures that the entity delivers on its mandate with adequate talent and without unnecessary work stoppages.

### 1.6. AUDITOR-GENERAL REPORT

#### AUDITOR-GENERAL REPORT: 2019/2020

The Auditor-General (AG) issued an unqualified audit opinion for 2019/2020 with material findings. The findings contained in both the audit report and final management report were addressed by way of an Operation Clean Audit (OPCA) plan. This was developed to address these findings in order to improve the entity's systems and prevent the recurrence going forward. The majority of findings were dealt with successfully and progress has been achieved in addressing the rest.

### 1.7. STATUTORY ANNUAL REPORT PROCESS

**TABLE 1.4: STATUTORY ANNUAL REPORT PROCESS**

NO.	ACTIVITY	TIMEFRAME
1	Consideration of next financial year's budget and strategic process plan, except for the legislative content, the process plan should confirm in-year reporting formats to ensure that reporting and monitoring feeds seamlessly into the annual report process at the end of the budget/strategic plan implementation period.	July
2	Implementation and monitoring of approved budget and strategic plan commences (In-year financial reporting).	
3	Finalise the 4th quarter report for previous financial year,	
4	Submit draft 2020/2021 annual report to internal audit and the AG.	
5	ERWAT submits draft annual reports to the CoE.	
6	Audit committee of the CoE committee considers draft annual report of the company.	August
7	Chairperson tables the unaudited annual report.	
8	Company submits draft annual report including consolidated annual financial statements and performance report to the AG.	
9	Annual performance report as submitted to the AG to be provided as input to the strategic plan analysis phase.	
10	Annual performance report as submitted to the AG to be provided as input to the strategic plan analysis phase.	

## EXECUTIVE SUMMARY | Continued

11	AG audits annual report including consolidated annual financial statements and performance data.	September - October
12	Company receives and starts to address the AG's comments.	November
13	Chairperson tables annual report and audited financial statements to members complete with the AG's Report.	
14	Audited annual report is made public and representation is invited.	
15	Oversight committee assesses the annual report.	December
16	Board adopts oversight report.	
17	Oversight report is made public.	
18	Oversight report is submitted to relevant provincial councils.	
19	Commencement of draft budget/ strategic plan finalisation for next financial year. Annual report and oversight reports to be used as input.	January

### COMMENT ON THE ANNUAL REPORT PROCESS

The company has improved on compliance with MFMA Circular No 63 on an incremental basis. The annual report will therefore be tabled to the relevant CoE department with opposite authority to review the report on whether it succinctly follows the broad guidelines of the template provided by National Treasury, whilst properly taking into account the unique nature of the entity, and whether the quality of information provided herein, provides a clear picture of the affairs of the entity.

The time lines for releasing the annual report also provide the next budget process with a wide range of data.

The alignment between the strategic plan, budget and performance management system is important to provide consistent performance information on objectives.



CHAPTER TWO

# Governance



## INTRODUCTION TO GOVERNANCE

The Board provides effective leadership based on a principled foundation, and the entity subscribes to high ethical standards. Responsible leadership, characterised by the values of responsibility, accountability, fairness and transparency, have been defining characteristics of the entity since the company's establishment in 1992.

The company is a municipal entity. Political and administrative governance forms the foundation for the mandate of the entity. Intergovernmental relationships are needed to fulfil the mandate. As a municipal entity, the company takes the needs of the public into account through the public participation process of the CoE.

The fundamental objective of corporate governance has always been to do business ethically while building a sustainable company that recognises the short and long-term impact of its activities on the economy, society, and the environment. In its deliberations, decisions and actions, the Board is sensitive to the legitimate interests and expectations of the company's stakeholders.

## COMPONENT A

**POLITICAL AND ADMINISTRATIVE GOVERNANCE****INTRODUCTION TO POLITICAL AND ADMINISTRATIVE GOVERNANCE**

The mandate of the company finds expression in the principles championed by the National DHSWS as well as in the operational and development objectives of the CoE, as detailed in the Service Delivery Agreement and ERWAT's business plan. The business plan relates directly to the CoE's integrated development plan (IDP), Service Delivery Budget Implementation Plan (SDBIP), Medium Term Revenue and Expenditure Framework (MTREF) and adjustment budgets.

The fundamental objective has always been to do business ethically while building a sustainable company that recognises the short- and long-term impact of its activities on the economy, society and the environment. In its deliberations, decisions and actions, the Board is sensitive to the legitimate interests and expectations of the company's stakeholders.

The entity applies the governance principles contained in the King Report for Corporate Governance for South Africa 2016 (King IV), and continues to further entrench and strengthen recommended practices in our governance structures, systems, processes and procedures. The Board of Directors and Senior Management recognise and are committed to the principles of openness, integrity and accountability as advocated by the King IV. Through this process, members and other stakeholders may derive assurance that the entity is being ethically managed according to prudently determined risk parameters in compliance with generally accepted corporate practices. Monitoring the entity's compliance with King IV forms part of the mandate of the audit

committee. The entity has complied with the code in all respect during the year under review.

The Board of directors have incorporated the CoE's corporate governance protocol in its Board charter, which inter alia, regulates its relationship with the CoE as its sole member and parent municipality in the interest of good corporate governance and good ethics.

The protocol is premised on the principles enunciated in the King IV. The company steadfastly consolidated its position in respect of adherence to the King IV. The entity practices are, in most material instances, in line with the principles set out in the King IV Report. Ongoing steps are however taken to align practices with King IV's recommendations and the Board continually reviews our progress to ensure that we improve our corporate governance.

During the year under review, the company entrenched its risk management reviews and reporting and compliance assessments were conducted in terms of the Companies Act and the Municipal Finance Management Act (MFMA). An annual report for the previous year was effectively completed in accordance with the terms of section 121 of the MFMA.

**2.1 POLITICAL GOVERNANCE****INTRODUCTION TO POLITICAL GOVERNANCE****Board of Directors**

The Board of Directors thus consists of one executive and five non-executive directors. The Board meets regularly, at least quarterly and retains full control over ERWAT. The Board remains accountable to the CoE, the majority member with a 97% stake in ERWAT and its stakeholders. The

## POLITICAL AND ADMINISTRATIVE GOVERNANCE

directors have a collective responsibility to provide effective corporate governance that involves a set of relationships between the CoE, ERWAT and other relevant stakeholders.

The Board provides effective leadership based on a principled foundation and the entity subscribes to high ethical standards. Responsible leadership, characterised by the values of responsibility, accountability, fairness and transparency, has been a defining characteristic of the entity since its establishment in 1992.

Responsibilities include:

1. Setting strategic direction and goals of ERWAT and monitoring management's implementation of its strategy;
2. Appointing such committees of ERWAT as may be appropriate to assist in the discharge of its responsibilities and to determine their responsibilities;
3. Ensuring that procedures and practices are in place to protect ERWAT's assets and reputation;
4. Monitoring financial outcomes and the integrity of reporting, in particular approving annual

budgets and longer-term strategic and business plans;

5. Ensuring that effective audit and compliance systems are in place to protect ERWAT's assets and to minimise the possibility of ERWAT operating beyond legal requirements or beyond acceptable risk parameters;
6. Monitoring compliance with regulatory requirements and ethical standards.

The Board holds sufficient scheduled meetings to discharge all its duties, subject to a minimum of four meetings per year.

Key committees are functional for Governance, Risk and Compliance (GRC), Operations, Remuneration and Ethics, Research Development & Commercial Business. The company does not have an audit committee as the oversight function is incorporated under the Governance, Risk and Compliance Committee. The CoE Audit Committee performs the role of the audit function for municipal entities.

**Appendix B** sets out committees and committee purposes.

**TABLE 2.1: ERWAT BOARD OF DIRECTORS**

BOARD MEMBER CAPACITY:	EXECUTIVE/ NON- EXECUTIVE DIRECTOR	RACE	GENDER	DESIGNATION
Mr CJ Cornish	Non-Executive	Coloured	Male	Chairperson: Board of Directors
Dr KC Wall	Non-Executive	White	Male	Chairperson: Operations Committee Member: Research, Development & Commercial Business
Dr N Skeepers	Non-Executive	Coloured	Female	Chairperson: Research, Development & Commercial Business Member: Operations
Mr D Coovadia	Non-Executive	Indian	Male	Chairperson: Governance, Risk & Compliance Member: Remuneration & Ethics
Mrs G Mahlangu	Non-Executive	Black	Female	Chairperson: Remuneration & Ethics Member: Governance, Risk & Compliance
Mr T Gopane	Executive	Black	Male	Managing Director

## BOARD MEMBERS



### **Mr Craig Cornish (Non-Executive Director)**

Mr Craig Cornish has the following qualifications: National Diploma in Accounting, Post Graduate Certificate: Senior Management Development, Post Graduate Certificate: Forensic & Investigative Auditing.

He has vast experience in auditing and financial accounting including forensic audits.

He has served on a number of Boards in the public and private sectors.



### **Dr Kevin Wall (Non-Executive Director)**

Dr Kevin Wall has the following qualifications: BSc (Eng), M Urban and Regional Planning, MSc (Eng), PhD (Eng).

Dr Wall is a registered engineer and a registered town and regional planner.

Dr Wall has extensive experience in engineering, including water and sanitation engineering. He also has the following professional registrations: PrEng, TRP (SA), Eng, and CPRP.

Not only is he a senior member of the professional bodies; he has been a senior office bearer in these bodies. He has served on a number of Boards in the public and private sector.



### **Mr Dawood Coovadia (Non-Executive Director) Justice of the Peace (JHB)**

Mr Dawood Coovadia has the following qualifications: BCompt Accounting Science, Hons BCompt Accounting Science.

He has vast experience in Auditing, Finance, Risk and Corporative Governance and has served on a number of Boards within the public sector.

He is a qualified Chartered Accountant and a member of the following professional institutions:

FSAIM, FIAC, FCIS, CMC, FIMC, MIBA, PIA(SA), FIIASA, CAT(UK) and IOD (SA).

## BOARD MEMBERS | Continued



### **Ms Grace Mahlangu (Non-Executive Director)**

Ms Grace Mahlangu holds a BCompt Degree and training in project management. She has many years of experience in finance and has previously served as a Board member in the private sector.



### **Dr Natalie Skeepers (Non-Executive Director)**

Dr Natalie Skeepers has the following qualifications: Doctorate in Engineering Management (PhD), MPhil in HIV/AIDS Management in the workplace, Masters of Health and Safety, BTech Degree in Environmental Health and National Diploma in Public Health.

She has vast background in health, safety and has held responsibility of the overall management of health and safety implementation as well as environmental management for a number of different sectors.

She serves on a number of different Boards within public sector and is a member of the following professional institutions: CILT, ASSE, IOSH-UK.



### **Ms Zimasa Socikwa (Company Secretary)**

Ms Zimasa Socikwa is a Chartered Secretary and holds a degree in Bachelor of Commerce from the University of Transkei, Credit Diploma from the Institute of Bankers (IOB), and Management Programme in Municipal Finance Management from Wits. She is currently busy with her LLB studies through the University of South Africa.

Ms Socikwa has vast experience in municipal entity governance oversight, and compliance. She has worked for the City of Johannesburg and City of Tshwane overseeing municipal entity governance and as a shareholder representative. Prior to joining local government Ms Socikwa worked at National Treasury as well as the Absa Group.

## BOARD MEMBERS | Continued



### Mr Tumelo Gopane

Mr Tumelo Gopane holds a National Diploma in Electrical Engineering, a Bachelor of Technology in Electrical Engineering, both from the Vaal University of Technology, and a Bachelor of Science Honours in Electrical Engineering from the University of Pretoria. He is a member and candidate engineer with the Institution of Technology, a member of the Chartered Institute for Purchasing and Supply, and a member of the South African Institute of Electrical Engineers.

His previous employers are Eskom (SOE) Ltd, Rio Tinto Plc, Anglo Platinum (Pty) Ltd and Anglo American Plc, where he held various roles in production, engineering and strategic sourcing.

His immediate past role was that of Deputy Municipal Manager: Infrastructure & Technical Services in the City of uMhlathuze, KwaZulu-Natal, reporting to the Municipal Manager. He oversaw Water & Sanitation Services; Transport, Roads, Storm water and Coastal Management Services, Electricity Supply, Process Control and Telecommunications Services as well as Engineering Support Services.

**TABLE 2.2: BOARD AND BOARD COMMITTEE MEETING ATTENDANCE**

NAME	BOARD MEETING	GOVERNANCE RISK & COMPLIANCE COMMITTEE	REMUNERATION & ETHICS COMMITTEE	OPERATIONS COMMITTEE	RESEARCH, DEVELOPMENT AND COMMERCIAL BUSINESS	BOARD LEKGOTLA	TOTAL
Mr Craig Cornish	6	-	-	-	-	3	3
Mr Dawood Coovadia	6	4	4	-	-	3	3
Dr Kevin Wall	6	-	-	4	4	3	3
Dr Natalie Skeepers	5	-	-	4	4	3	3
Mrs Grace Mahlangu	6	4	4	-	-	3	3
Mr Tumelo Gopane	6	4	4	4	4	-	3

## POLITICAL AND ADMINISTRATIVE GOVERNANCE

### BOARD SUB-COMMITTEES

The sub committees of the Board have been established with each committee comprising of at least three members.

### DECISION-TAKING

Decisions are taken at Board level. The CoE representative acts as an observer to the Board meetings and decisions taken. It is the responsibility of Senior Management to implement the decisions.

## 2.2 ADMINISTRATIVE GOVERNANCE

### INTRODUCTION TO ADMINISTRATIVE GOVERNANCE

The Board of Directors provides effective leadership to the entity on principled foundation, and the entity subscribes to the governance principles of King IV as well as other applicable laws and regulations. It further entrenches and strengthens recommended practices in its governance structures, systems, processes and procedures. The Board charter sets out the Board's role and responsibilities as well as the requirements for its composition and meeting procedures. The Board and Senior Management recognise and are committed to the principles of openness, integrity, and accountability as recommended by King IV. Through this process, the members and other stakeholders derive assurance that the entity is ethically managed.

### DIRECTORS' RESPONSIBILITY IN RELATION TO INTERNAL CONTROLS AND FINANCIAL CONTROLS

The Board charter clearly sets out the Board's role and responsibilities as well as the requirements for its composition and meeting procedures and

remains accountable to the members. The Board acknowledges that it is ultimately responsible for the system of internal and financial controls established by the company, and places considerable importance on maintaining strong control environment. To enable the Board to meet these responsibilities, it set out standards for internal controls aimed at reducing the risk of error or loss in a cost-effective manner.

These controls are monitored throughout in the form of quarterly financial report, operations report, human resources report and other reports submitted by management to the Board, to be reviewed every quarter.

The Board consists mainly of non-executive directors who contribute an independent view to the entity matters. Given the Board's oversight, it has an unlimited access to all company information including compliance with company rules and regulations, and best governance.

The Managing Director is responsible for the day-to-day management and administration and the entire staff, assisted by the Senior Management. The Managing Director reports to the Board and is responsible for the implementation of company policy, the organisational strategy as directed by the Board.

The Board has an opinion regarding the annual financial statements that is based on the information and explanations given by management.

**TABLE 2.2: BOARD AND BOARD COMMITTEE MEETING ATTENDANCE**

<b>NAME</b>	<b>DESIGNATION AND FUNCTION</b>
<b>FIRST TIER</b>	
Tumelo Gopane	Managing Director
<b>SECOND TIER</b>	
Zimasa Socikwa	Company Secretary
Wim Louw	Head of Department: Financial Services (01/07/2020 to 21/10/2020)
Johan Engelbrecht	Interim Head of Department: Finance and SCM (22/10/2020 to 26/03/2021)
Dzunani Makgopa	Interim Head of Department: Finance and SCM (29/04/2021 to 30/06/2021)
Rodney Barnes	Head of Department: Human Resources
Alison Chapman	Head of Department: Scientific Services
Fortune Mabunda	Head of Department: Operations
Mikgane Tsotetsi	Head of Department: Commercial Business (01/07/2020 to 22/09/2020)
Lelentle Motaung	Interim Head of Department: Commercial Business (23/09/2020 to 30/06/2021)
Leonard Chueu	Interim Head of Department: Maintenance (01/07/2020 to 30/04/2021)
Ella Mutyaba	Interim Head of Department: Maintenance (01/05/2021 to 30/06/2021)
Emmanuel Khomela	Interim Head of Department: Infrastructure, Planning and Projects (01/07/2020 to 06/02/2021)
Karabo Nthethe	Interim Head of Department: Infrastructure, Planning and Projects (07/02/2021 to 30/06/2021)
<b>THIRD TIER</b>	
Johan Engelbrecht	Senior Finance Manager (01/12/2020 to 26/03/2021)
Chantel Kearns	Interim Supply Chain Manager

## COMPONENT B INTERGOVERNMENTAL RELATIONS

### INTRODUCTION TO CO-OPERATIVE GOVERNANCE AND INTERGOVERNMENTAL RELATIONS

Intergovernmental relations are mainly carried out by the CoE at municipal level particularly through the Finance Department and Department of Human Settlements, Water and Sanitation (DHSWS), which liaises directly with the entity as deemed appropriate.

At provincial level, a relationship is fostered with the Department of Human Settlement Water and Sanitation (DHSWS) and other water entities and various stakeholders in the water and sanitation industry. Other relations include Rand Water and other structures.

### 2.3 INTERGOVERNMENTAL RELATIONS

#### NATIONAL INTERGOVERNMENTAL STRUCTURES

ERWAT strives to keep abreast of the latest in wastewater research management through regular liaison and contact with other institutions, such as the Water Research Commission (WRC), water institutions, academia and CSIR, as well as government departments such as the DHSWS. ERWAT is a member of the International Water Association (IWA) and a patron member of the Water Institute of South Africa (WISA). ERWAT has also entered into an agreement with the University of Stellenbosch where ERWAT will support a Chair in Wastewater Studies. ERWAT has a relationship with EWSETA for funding of learnerships for learners to be trained in wastewater treatment and management.

#### PROVINCIAL INTERGOVERNMENTAL STRUCTURE

ERWAT participates in meetings with neighbouring municipalities to address matters relating to service delivery. These meetings highlight areas for improvement.

### RELATIONSHIPS WITH MUNICIPAL ENTITIES

The CoE is the majority member and executive authority of the company. As such, the CoE's primary responsibility is oversight of the entity and to ensure accountability to the state and the communities. ERWAT performs municipal services on behalf of the CoE and forms part of the city's institutional arrangements. The CoE remains legislatively obliged to ensure that municipal services are delivered in accordance with its objectives and legislative mandate.

As a municipal entity, ERWAT is thus subject to the CoE's overall strategic and policy direction, while allowing for the Company Board and Management to exercise relative autonomy in the execution of their fiduciary duties and operational responsibilities. The CoE's current municipal entities include - Ekurhuleni Housing Company SOC Ltd, Brakpan Bus Company SOC Ltd; Ekurhuleni Water Care Company. Both members and the Board play a critical role in the governance of the company. The Board of the entity remains accountable to the members and are expected to provide quarterly reports to the parent municipality.

The relationship between the CoE and its entities are governed by the regulatory framework and the corporate governance framework for municipal entities. The relationship between the municipality and the municipal entity is formalised through a service delivery agreement. Developing and implementing detailed service delivery plans are within the framework of the municipality's integrated development plan. Service delivery agreements were revised and updated for each entity. All members of the Boards of entities received Board induction and were trained on the corporate governance framework.

## INTERGOVERNMENTAL RELATIONS | Continued

The CoE has formally allocated municipal representative/s to facilitate communications between the council and the Board of Directors. The municipal representative or representatives attend meetings of the Board of Directors as a non-participating observer or observers on behalf of the municipality. The municipal representative or representatives exercise the parent municipality's rights and responsibilities at member's meetings.

The Independent regulatory office is responsible for regulating, managing and monitoring the entities for maximum member returns, financial performance, and legislative and policy compliance. The office is charged with the following specific responsibilities with regards to municipal entities:

1. Monitoring enterprise governance, investment performance and business sustainability;
2. Monitoring corporate policies and practices of the municipal entities;
3. Playing a regulatory role;
4. Monitoring compliance with legislation and the municipality's reporting requirements;
5. Monitoring service delivery and strategic alignment; and
6. Monitoring relationships and communication between the municipality and municipal entities.

For this financial year the municipality has focused on strengthening Board governance structure, Board induction, and review of entity's service delivery agreements and governance maturity. The key focus areas of service delivery agreement include:

1. Establishment of effective municipal entities oversight/monitoring mechanisms
2. Mandate and key performance areas/indicators
3. Clear definition of roles and responsibilities
4. Reporting channels
5. Business plans
6. Establishment of clear communication lines and effective stakeholder management processes

### DISTRICT INTERGOVERNMENTAL STRUCTURES

ERWAT's strategic objectives are aligned with those of the district and the CoE. This provides structure in terms of priorities.

## COMPONENT C

**PUBLIC ACCOUNTABILITY AND PARTICIPATION****OVERVIEW OF PUBLIC ACCOUNTABILITY AND PARTICIPATION**

During the business planning process ERWAT participates through the CoE's Department of Water and Sanitation. The input from the communities are integrated into the CoE's Department of Water and Sanitation's IDP. This is then cascaded into ERWAT's strategic 5-year plan and annual business plan.

**2.4 PUBLIC MEETINGS****OVERVIEW OF PUBLIC ACCOUNTABILITY AND PARTICIPATION**

During the business planning process ERWAT participates through the CoE's Department of Water and Sanitation. The input from the communities are integrated into the CoE's Department of Water

and Sanitation's IDP. This is then cascaded into ERWAT's strategic 5-year plan and annual business plan.

**COMMUNICATION, PARTICIPATION AND FORUMS**

ERWAT relies on the public participation of the CoE. Information on the outcomes of the public participation process is provided to ERWAT. The focus is not on specific wards, but the municipal area as a whole.

**COMMENT ON THE EFFECTIVENESS OF THE PUBLIC MEETINGS HELD**

Key benefits for the CoE, ERWAT and the public from public participation meetings are the identification of priorities, sharing information and update on performance.

**2.5 BUSINESS PLAN PARTICIPATION AND ALIGNMENT****TABLE 2.4: BUSINESS PLAN PARTICIPATION AND ALIGNMENT**

<b>BUSINESS PLAN PARTICIPATION AND ALIGNMENT CRITERIA</b>	<b>YES/NO</b>
Does the company have impact, outcome, input, output indicators?	Yes
Does the business plan have priorities, objectives, KPIs, development strategies?	Yes
Does the business plan have multi-year targets?	Yes
Are the above aligned and can they calculate into a score?	Yes
Does the budget align directly to the KPIs in the strategic plan?	No
Do the business plan KPIs align to those of the Heads of Department?	Yes
Do the business plan KPIs lead to functional area KPIs as per the SDBIP?	Yes
Do the strategic plan KPIs align with the provincial KPIs on the 12 Outcomes?	Yes
Were the indicators communicated to the public?	Yes
Were the four quarter aligned reports submitted within stipulated time frames?	Yes

## COMPONENT D

# CORPORATE GOVERNANCE

### OVERVIEW OF CORPORATE GOVERNANCE

The governance structure of ERWAT is committed to global principles and guidelines on corporate governance. The entity relies primarily on the legislative framework set out in the new Companies Act 71 of 2008 (as amended) ("the Companies Act") and the King IV and the service delivery agreement with the CoE. These instruments have therefore become the cornerstone of corporate governance principles in ERWAT, and have been elaborated on in the strategy document developed in a Board strategic session held.

Through the preparation of quarterly performance assessment reports as well as the annual report, the entity acts in compliance with the MFMA and the Municipal Systems Act. It also promotes accountability to stakeholders for decisions taken by its governance structures and matters relating to administrative structures, throughout the financial year.

The entity applies the governance principles contained in King IV and continues to further entrench and strengthen recommended practices in our governance structures, systems, processes and procedures.

The Board of Directors and Senior Management recognise and are committed to the principles of openness, integrity and accountability advocated by the King IV. Monitoring the entity's compliance forms part of the members' mandate through internal audit and the audit committee.

### ETHICAL LEADERSHIP

ERWAT's management observes high standards of business and personal ethics in the conduct of its duties and responsibilities. The company

acknowledges that through socially and environmentally responsible business along the whole value chain, the situation of the natural environment, communities and employees can be improved and thereby the sustainability of the business ensured.

### CORPORATE CITIZENSHIP

ERWAT is guided by its social and ethics strategy in the performance of its duties which relate to matters of social and economic development, good corporate citizenship, environment, and health and public safety as well as consumer relationships. As the entity, we value responsible business behaviour and Corporate Social Responsibility (CSR) in that we understand as a company; we have a role to play in furthering the society's developmental process.

### COMPLIANCE WITH LAWS, RULES, CODES AND STANDARDS

The Board is responsible for ensuring that the entity complies with applicable laws and considers adhering to non-binding rules, codes and standards.

## 2.6 RISK MANAGEMENT

### LEGISLATION ON RISK MANAGEMENT

Section 95 of the Municipal Finance Management Act states that "the accounting officer of a municipal entity is responsible for managing the financial administration of the entity, and must for this purpose take all reasonable steps to ensure:

- (a) That the resources of the entity are used effectively, efficiently, economically and transparently;
- (b) That full and proper records of the financial affairs of the entity are kept;
- (c) That the entity has and maintains effective, efficient and transparent systems-

## CORPORATE GOVERNANCE | Continued

- (i) Of financial and risk management and internal control; and
- (ii) Of internal audit complying with and operating in accordance with prescribed norms and standards;
- (d) That irregular, fruitless and wasteful expenditure and other losses are prevented;
- (e) That expenditure is in accordance with the operational policies of the entity; and
- (f) That disciplinary or criminal proceedings, are instituted against any official of the entity who has allegedly committed an act of financial misconduct or an offence in terms of Chapter 15.

### ERWAT RISK STRATEGY

Enterprise Risk Management is critical to the ERWAT in pursuit of achieving the set strategic objective. The Board of Directors subscribe to the principles of good corporate governance and play an important oversight governance role on risk management in its entirety. The entity ensures full compliance with section 95 of the Municipal Finance Management Act of 2003, and there is an understanding that strategy, risk and performance are intertwined. ERWAT considers risk management at strategy setting by aligning risk to strategic objectives. ERWAT applies an integrated approach to risk and strives to embed risk throughout the organisation

by further identifying risk at departmental level, where the strategy is executed. The quarterly reviews are carried out and emerging risks are taken into consideration throughout the year.

The cost benefit of implementing risk action plans is determined, and costs are estimated to implement plans and incorporated into the budget plan. The risk action plans are monitored on a quarterly basis and challenges are highlighted to the governance committees. The culture of risk management is entrenched in the organisation with the assistance of departmental risk champions.

It is also important to have a business recovery plans in place that considers any potential disruptions to operations. Business continuity management plays a key role to help ERWAT maintain resiliency, and to respond quicker in the event that there is business disruption/interruption. We believe that to have a strong business continuity in place it saves money, time and company reputation

### ERWAT KEY STRATEGIC RISK

The key risks highlighted are inherently high risks. The entity needs intensive capital to fully address some of the risks.

## CORPORATE GOVERNANCE | Continued

TABLE 2.5: KEY STRATEGIC RISKS

No	RISK	DESCRIPTION	ACTION PLAN	IMPLEMENTATION
1.	Inadequate infrastructure to treat wastewater	Increase in the number of WCW operating above capacity	2021 Capital Expenditure Plan Project 1 – Olifantsfontein Intervention	<p>Olifantsfontein Intervention</p> <ol style="list-style-type: none"> <li>Professional Service Provider (PSP) for the upgrade / refurbishment of bio-filter module (3) Olifantsfontein WCW - The project overall physical progress is 65%, and 60% has been claimed to date.</li> <li>Refurbishment of trickling filter and replacement of various auxiliaries at Olifantsfontein WCW (Phase 1A) - The project overall physical progress is 96% complete. Construction of main pipeline to discharge a flow into the biofilter module is 95% complete.</li> <li>The supply and delivery of trickling filter packaging media to Olifantsfontein WCW (Phase 1B). The project overall physical progress is 99% and 97% has been claimed to date. The projects awaits the completion of Phase 1A in-order to commence with testing and commissioning of the plastic media.</li> <li>Upgrade / Refurbishment of biofilter module (3) at Olifantsfontein WCW (Phase 1C) - Phase 1C is in development stage</li> <li>The appointment of a Professional service provider (PSP) phase 2 for the upgrade and refurbishment of Olifantsfontein Water Care Works (WCW) - Phase 2 will commence in the 2021/2022 financial year.</li> </ol>

## CORPORATE GOVERNANCE | Continued

**TABLE 2.5: KEY STRATEGIC RISKS CONTINUED**

No	RISK	DESCRIPTION	ACTION PLAN	IMPLEMENTATION
1.	Inadequate infrastructure to treat wastewater	Increase in the number of WCW operating above capacity	Project 2 Vlakplaats: Modification to Flow Diversion	Vlakplaats WCW Modification to flow diversion, final effluent collection and Maturation and Retention Ponds. Construction is on-going and to date, the project is 75% complete.
			Project 3: Waterval WCW New Aeration Blowers Upgrade	Waterval WCW New Aeration Blowers upgrade project is completed, commissioned and handed over to Operations Department.
			Project 4: Replacement of vertical mixers at various ERWAT water care works	Replacement of vertical mixers at various ERWAT wastewater care works project is completed, commissioned and handed over to Operations and Maintenance Departments.
			Project 5 : Installation and Commissioning of Biological Filters at Rondebult Water Care Works	Rondebult Biological Filters project is completed, commissioned and handed over to Operations and Maintenance Departments.
			Project 6: Ancor WCW: Tertiary Filtration Effluent Pipeline/ Pumpstation	Ancor WCW: Tertiary Filtration Effluent Pipeline/ Pump station. The project is in its development stage.
2.	Inadequate preparedness in the event of an incident	The engineering design of infrastructure built in the olden days	Business Continuity Program (Recovery Plans)	Risk assessments conducted for the nineteen Water Care Works. Business Impact Analysis reviewed and Business Recovery Plans updated. The Capital Expenditure Plan was updated.
3.	Significant supply chain disruption impacting on the sourcing of critical goods and services	Long lead time of sourcing critical spares due to the pandemic and backlog at ports	Supply Chain Business Continuity Planning	Review of Supply Chain Management value chain to improve and identify bottlenecks in the system.

## CORPORATE GOVERNANCE | Continued

TABLE 2.5: KEY STRATEGIC RISKS CONTINUED

No	RISK	DESCRIPTION	ACTION PLAN	IMPLEMENTATION
4.	Potential loss of the 17025 accreditation	Aging /obsolete laboratory equipment with limited budget for replacement	Partial replacement of specialised equipment <b>Project 1</b> Replacement of the FIA (Flow Injection Analyser)	The installation of the Flow Injection Analyser completed as planned.
			<b>Project 2</b> Replacement of the FIA valves & flow cells	The replacement of the Flow Injection Analyser valves and flow cells completed as planned.
			<b>Project 3</b> Replacement of pH and conductivity meters	The replacement of pH and conductivity meters completed.
			<b>Project 4</b> Replacement of objectives lenses for microscopes	The replacement of objectives lenses for microscopes completed.
5.	Potential loss of unauthorised access to sensitive information	POPIA (Protection of Personal Information Act) compliance requirements may not be met	Document Management System	Action plan in progress - The draft Document Management Policy has been developed in line with the Document Management Systems functionality. A new system has been deployed by the City of Ekurhuleni to address previous system shortcomings and the project is at user acceptance testing phase.

## WASTEWATER RISK ABATEMENT PLANNING

ERWAT identifies risk in the value chain of wastewater treatment to comply with the Water Use Licenses and the Green-drop programme that the entity subscribes to. The targeted risk action plans are incorporated into the Capital Expenditure Plan.

## CORPORATE GOVERNANCE | Continued

### BUSINESS CONTINUITY MANAGEMENT

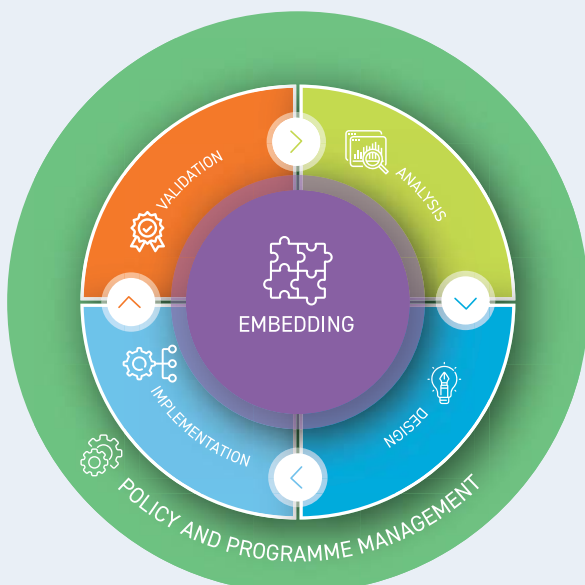
#### Business Resilience

Business interruptions in the form of disasters or pandemics may hit ERWAT when it is least expected, such as the COVID-19 pandemic or damage to infrastructure as a result of dolomitic environment. Business Continuity Management is critical to ERWAT to ensure that the business is resilient during the unforeseen events. ERWAT has Business Recovery Plans in place that are reviewed annually in order to remain current and relevant. The plans to deal with the pandemic were developed and will be revised in future, in order to deal with possible future pandemics, maintain resiliency, whilst responding quickly to an interruption. Strong business continuity saves money, time and company reputation.

#### ERWAT BCM Strategy

The ERWAT BCM strategy is informed by the outputs of the Business Impact Analysis (BIA) and Risk Assessment (RA) of each department and updated annually. It is imperative that critical equipment is operational at all times.

#### Business Recovery Principles



#### Pandemics

ERWAT put systems in place to deal with the uncertainty brought about by the pandemic. Risk assessments were identified and related mitigation were developed. The lessons learned from the pandemic will assist the entity to be better prepared in the future and to improve the Business Continuity Plans.

## 2.7 ANTI-CORRUPTION AND FRAUD

### FRAUD AND ANTI-CORRUPTION STRATEGY

#### EFFECTIVENESS OF RISK MANAGEMENT SYSTEM AND REPORTING

An effective fraud risk management framework will enable ERWAT to have controls that first prevent fraud from occurring, detect as soon as a fraud happens and respond effectively to fraud incidents when they occur. The Board plays an oversight role over the Fraud Risk Management process, it forms part of the broader risk management system.

## CORPORATE GOVERNANCE | Continued

### FRAUD RISK MANAGEMENT AND REPORTING

**TABLE 2.6: FRAUD RISK COMMITMENT AND POLICIES**

ERWAT COMMITMENT	POLICIES
ERWAT, in its quest to implement a robust Fraud Risk Management Programme, embarked on several anti-fraud activities in order to strengthen the control environment. Fraud risks are identified and associated risk mitigation plans implemented. Ethics management also forms part of this in contrast, focus on issues pertaining to fraud, misconduct, non-compliance, and malpractice across all.	<p>The anti-corruption polices and strategies are in place. These are reviewed every 3 years</p> <ol style="list-style-type: none"> <li>1. Fraud Prevention Policy</li> <li>2. Fraud Prevention Strategy</li> </ol> <p>The entity has other policies that relate to the Ethics Programme to compliment the Fraud Risk Management Programme.</p>

### KEY FRAUD RISK PROFILE

**TABLE 2.7: FRAUD RISK MANAGEMENT COMMITMENT AND MITIGATIONS**

NO	KEY FRAUD RISKS	KEY FRAUD RISK MITIGATIONS	IMPLEMENTATION PROGRESS
1.	Potential abuse of Supply Chain Management which is inherent in this function	<ol style="list-style-type: none"> <li>1. Annual declaration of interest by Supply Chain Management personnel</li> <li>2. Declaration of Gifts</li> </ol>	<ol style="list-style-type: none"> <li>1. Annual declaration of interest by Supply Chain Management personnel</li> <li>2. Quarterly declaration of gifts by all ERWAT staff</li> </ol>
2.	Potential use of payroll to commit fraud	<ol style="list-style-type: none"> <li>1. Annual payroll audits</li> </ol>	<ol style="list-style-type: none"> <li>1. Payroll audit by the Auditor General and Internal Audit</li> </ol>
3.	Possible abuse of ERWAT fleet	<ol style="list-style-type: none"> <li>1. Disciplinary process for the offenders</li> </ol>	<ol style="list-style-type: none"> <li>1. No disciplinary process for abuse of fleet as no abuse was reported.</li> </ol>
4.	Possible leaking of sensitive information for personal gain	<ol style="list-style-type: none"> <li>1. Implement a Document Management System</li> </ol>	<ol style="list-style-type: none"> <li>1. Action plan in progress - Document Management Systems functionality, a new system has been deployed by the CoE to address previous system shortcomings and a UAT (User Acceptance Testing) session was planned to be held on the 14th June 2021, however, the session was cancelled due to rise in COVID-19 infections.</li> </ol>

## CORPORATE GOVERNANCE | Continued

### 2.8 SUPPLY CHAIN MANAGEMENT

#### OVERVIEW SUPPLY CHAIN MANAGEMENT

The entity has adopted SCM systems in compliance with the provisions of the MFMA and the National Treasury and Municipal Supply Chain Management Regulations, 2017.

In terms of SCM and Broad-Based Black Economic Empowerment (B-BBEE) guidelines, the following is worth reporting:

1. The evaluation of bids is based firstly on functionality, then price and B-BBEE compliance in accordance with National Treasury circulars.
2. The adjudication process is applied as per the MFMA and the SCM Policy.
3. Declaration of interest certificates are required for all parties submitting an offer and for bidders loaded on the solar database once an award is made. The information is verified against the CSD reports.
4. B-BBEE is calculated and based on information received from the suppliers, and verified by certificates confirming their B-BBEE status and CSD reports where possible.
5. The latest internal and external audit reports have identified areas for improvement which are being addressed. All procurement committee members are duly appointed by the accounting officer (Managing Director) as required by the SCM Policy.
6. These procurement committees are bid specification, bid evaluation and bid adjudication committees.

A SCM unit was established to monitor the implementation of the SCM policies and Standard Operating Procedures (SOP) in line with the

regulations which seek to modernise financial governance, and improve accountability and transparency in the entity's processes. These SOP's and policies also provide for the exclusion of awards to persons in the service of the state subject to the exemptions and regulations issued by National Treasury from time to time.

The Board oversees that the procurement policy and embraces the objectives of B-BBEE, and the Managing Director, as the accounting officer of the company, was tasked as the custodian for effective implementation.

### 2.9 BY-LAWS

#### COMMENT ON BY-LAWS

No new by-laws were introduced in the period under review.

### 2.10 WEBSITES

#### COMMENT ON COMPANY WEBSITE CONTENT AND ACCESS:

ERWAT strives to publish all annual and adjustments budgets and all budget-related documents on the website. This also includes quarterly and annual reports, however, it should be noted that all reports consolidated with the parent municipality are displayed on the CoE's website. Supply Chain Management Request For Quotations, Formal Price Quotations and tenders are displayed on the website.

The website contains relevant information regarding ERWAT, its services and Water Care Works, as well as Research and Development papers and news. It is also linked to websites of associated organisations, such as CoE, the DHSWS, the Water Research Commission, WISA and the IWA.

## CORPORATE GOVERNANCE | Continued

**TABLE 2.8: COMPANY WEBSITE CONTENT AND CURRENCY OF MATERIAL**

DOCUMENTS PUBLISHED ON THE COMPANY'S WEBSITE	YES/NO	PUBLISHING DATE
Current annual and adjustment and all budget-related documents	No	N/A
All current budget-related policies	No	N/A
The previous annual report (2019/2020)	Yes	February 2021
The annual report (2019/2020) published	Yes	February 2021
All current performance agreements required in terms of section 57 (1)(b) of the Municipal Systems Act (2016/17) and resulting scorecards	No	N/A
All service delivery agreements (2020/2021)	No	N/A
All long-term borrowing contracts (2020/2021)	No	N/A
All SCM contracts above are prescribed values (give value) for 2020/2021	Yes	Various dates
An information statement containing a list of assets over a prescribed value that have been disposed of in terms of section 14 (2) or (4) during year 1	No	N/A
Contracts agreed in 2020/2021 to which subsection (1) of section 33 apply, subject to subsection (3) of that section	No	N/A
Public-private partnership agreements referred to in section 120 made in 2020/2021	No	N/A
All quarterly reports tabled in the council in terms of section 52 (d) during 2020/2021	No	N/A

### 2.11 PUBLIC SATISFACTION ON COMPANY SERVICES

#### PUBLIC SATISFACTION LEVELS

According to the 2015 Gauteng City Region Observatory's (GCRO) Quality of Life Survey, released in November 2016, the city recorded high satisfaction levels by its residents. The survey revealed that more than 70% of residents have recorded satisfaction with sanitation services. The results for the 2020/2021 survey are anticipated to be available by end July 2021.

ERWAT conducts customer satisfaction surveys to ascertain the level of customer satisfaction. By retaining existing customers, it provides for revenue growth by continuous improvement projects and price increases.

## CORPORATE GOVERNANCE | Continued

The outcome of our latest customer satisfaction survey in comparison to the industry average is illustrated in the Table below.

Table 2.9. indicates the average scorecard that was received during the survey of ERWAT's two quarters for Financial Year (FY) 2020/2021.

**TABLE 2.9: AVERAGE SURVEY SCORE**

PERIOD	QUARTER 2	QUARTER 1
<b>Department</b>		
Industrial Wastewater plants	-	6.75
Commercial Business	8.00	7.67
Laboratory Services	7.80	8.04
<b>Average</b>	<b>7.90</b>	<b>7.49</b>

On a scale of 1 to 10 where 1 means that a client was extremely dissatisfied and 10 means that a client was satisfied, ERWAT's average outcome of the survey reflects that a passively satisfying rating was maintained.

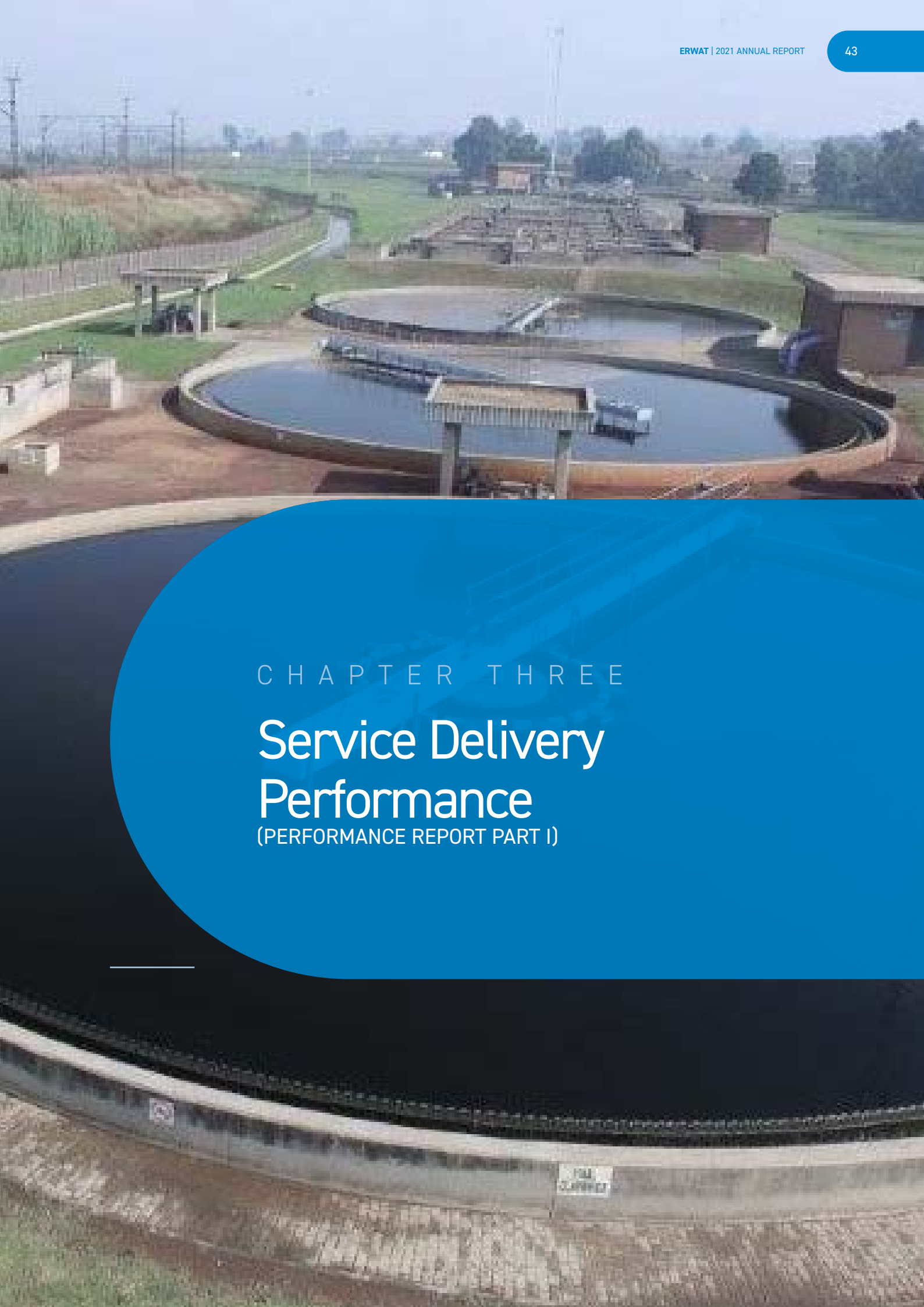
### COMMENT ON SATISFACTION LEVELS

ERWAT strives to improve satisfaction levels through its service delivery and strategic direction. ERWAT eagerly awaits the publication of the 2020/2021 Quality of Life survey.

The company strives to improve customer satisfaction levels from the current rating to extremely satisfactory.

CHAPTER THREE

Service Delivery  
Performance  
(PERFORMANCE REPORT PART I)



## INTRODUCTION TO SERVICE DELIVERY



ERWAT's mandate is to provide bulk wastewater conveyance and treatment in terms of the approved service delivery agreement between ERWAT and the CoE.

### ERWAT'S CORE BUSINESS

#### PRE-DETERMINED CITY-WIDE OBJECTIVES

The core business of the company is the purification of wastewater. ERWAT operates 19 Water Care Works and each works is issued with a water use license and/or exemption by the DHSWS. Each water use license and/or exemption contains the final effluent water quality standards the works must comply with.

To this end the main objective is to comply with the water use license and/or exemption effluent water quality standards at a pre-determined metro-wide objective per quarter and annually.

The company's core function is the provision of bulk wastewater treatment services.

Operations and maintenance staff are critical to service delivery. The project management office is critical for ensuring that capital projects are implemented.

## COMPONENT A BASIC SERVICES

This component includes bulk wastewater (sanitation) only as this is the only service provided by ERWAT.

### INTRODUCTION TO BASIC SERVICES

ERWAT provides bulk wastewater treatment services on behalf of the CoE, whilst the CoE provides access to sanitation to communities. The pressing need in terms of basic services is to provide sanitation services to people who are relying on pit toilets, the bucket system or, those who do not have access to toilet facilities.

### 3.1 WASTEWATER (SANITATION) PROVISION

#### INTRODUCTION TO SANITATION PROVISION

ERWAT provides bulk wastewater treatment services on behalf of the CoE. ERWAT's mandate is to ensure that the existing wastewater conveyance infrastructure and the wastewater treatment infrastructure can effectively accommodate the current and future demand.

The WCWs were originally designed to treat a total of 729.35 ML/d and can now only treat 656.35 ML/d due to some WCWs being downgraded. The re-grading studies were conducted in 2016 to assess the hydraulic and organic load capacities of WCWs based on current conditions. The main contributing factors for the downgrading of the WCWs are the increase in strength of sewage as compared to the original design, the condition of the infrastructure as well as the technologies that are not suitable for treating high strength sewage to the required stringent effluent limits as per Water Use License (WUL) issued by Department of Water and Sanitation. The WCWs are now operating at 827.32 ML/d, which is above the re-graded capacity.

Therefore, it is a priority to increase the wastewater treatment capacity to cope with the increase in demand.

**TABLE 3.1: EMPLOYEES: OPERATIONS**

JOB LEVEL	2019/2020		2020/2021		
	Employees	Approved Posts	Employees (fulltime equivalents)	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
A2	163	149	116	33	22%
B1	51	1	1	0	0%
B2	74	108	104	4	3.7%
B3	3	3	3	0	0%
B4	0	62	59	3	5%
B5	0	16	0	16	100%
C1	39	2	0	2	100%
C2	32	76	71	5	7%
C3	0	0	0	0	0%

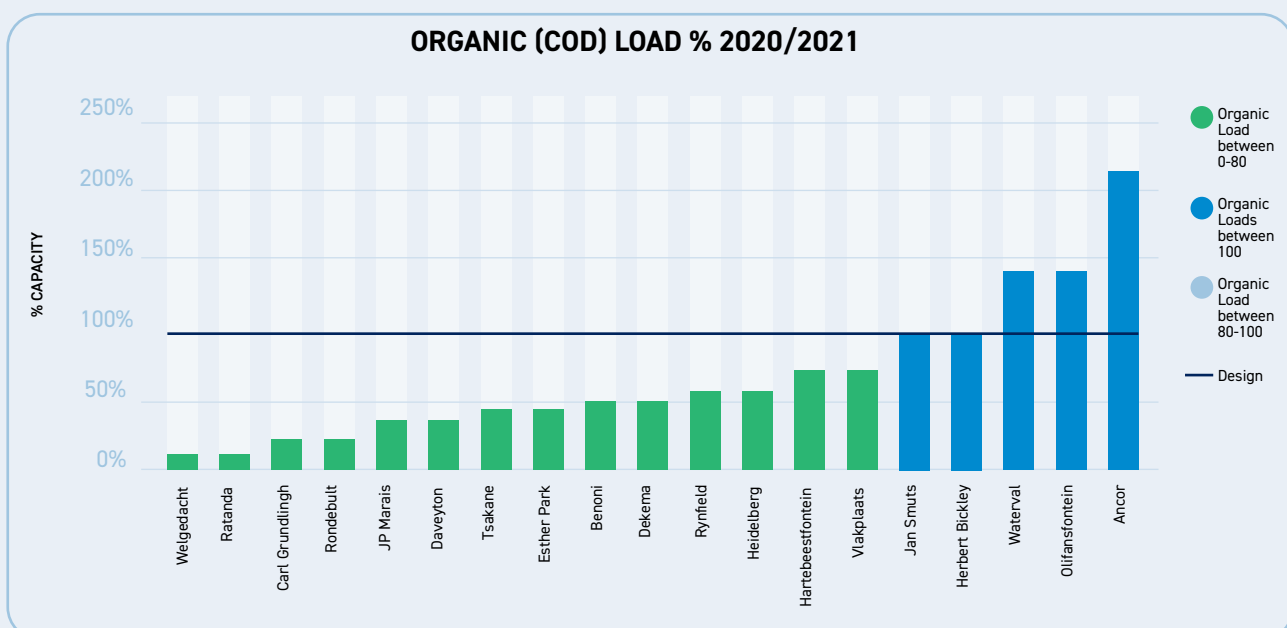
## BASIC SERVICES | Continued

**TABLE 3.1: EMPLOYEES: OPERATIONS CONTINUED**

JOB LEVEL	2019/2020	2020/2021			
	Employees	Approved Posts	Employees (full-time equivalents)	Vacancies (full-time equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
C4	20	23	19	4	17%
C5	0	0	0	0	0%
D1	0	0	0	0	0%
D2	22	21	20	1	5%
D3	0	0	0	0	0%
D4	2	4	4	0	0%
E1	1	1	1	0	0%
<b>Total</b>	<b>407</b>	<b>466</b>	<b>398</b>	<b>68</b>	<b>15%</b>

The core business of the company is the purification of wastewater. ERWAT operates 19 Water Care Works and each works is issued with a Water Use License (WUL) by the Department of Human Settlements, Water and Sanitation (DHSWS). Each WUL contains the final effluent water quality standards the works must comply with.

To this end, the main objective is to comply with the WUL, effluent water quality standards at a pre-determined objective per quarter and annually.



## BASIC SERVICES | Continued

### COD LOADS (ORGANIC CAPACITY)

As can be seen in figure 1 on page 46, during the 2020/2021 financial year, five out of the nineteen Water Care Works (WCW) received organic loads more than 100% of the design capacity, and fourteen received below the 80% mark.

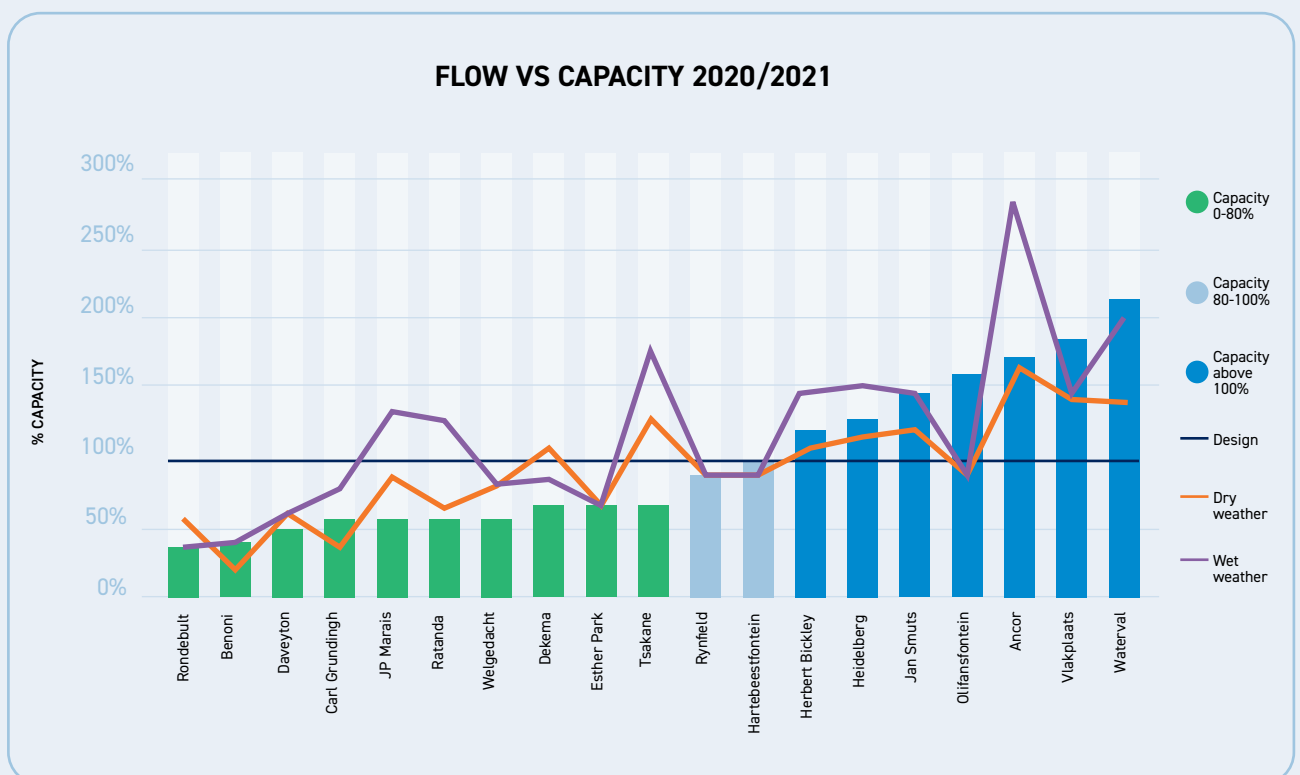
### INDUSTRIAL EFFLUENT POLLUTION

TABLE 3.2: INDUSTRIAL POLLUTION INCIDENTS

2020/2021	NUMBER OF INDUSTRIAL POLLUTION INCIDENTS
Q1	260
Q2	27
Q3	23
Q4	88
Average	99
Total	398

### HYDRAULIC CAPACITY

Figure 2 below depicts a very gloomy picture of the ERWAT Water Care Works with regards to treatment capacity. Seven out of the nineteen plants are operating above their design capacity, two are operating between 80% and 100% (this is a trigger point for upgrade), with ten operating below the 80% mark, which is the acceptable level.



## BASIC SERVICES | Continued

**TABLE 3.3: DESIGN CAPACITY VS ACTUAL FLOW**

PLANT	HYDRAULIC DESIGN CAPACITY 2020/2021 (ML)	ACTUAL FLOW (ML)	RAINFALL (MM)
Ancor	15.00	27.33	565.00
Benoni	7.50	3.41	432.50
Carl Grundlingh	5.20	3.21	601.00
Daveyton	19.00	10.02	652.24
Dekema	31.00	23.12	627.85
Esther Park	1.40	0.75	799.00
Hartebeestfontein	63.00	62.85	870.60
Heidelberg	5.40	7.09	565.20
Herbert Bickley	15.10	18.85	731.00
Jan Smuts	6.00	8.37	626.58
JP Marais	15.00	9.65	845.50
Olifantsfontein	65.00	103.33	736.70
Ratanda	4.70	3.13	680.50
Rondebult	20.00	7.91	468.70
Rynfield	10.00	8.68	774.00
Tsakane	20.00	15.51	513.30
Vlakplaats	55.00	103.62	585.30
Waterval	170.00	350.17	553.00
Welgedacht	95.00	65.85	763.00

	>100%
	80 – 100%
	0 – 80%

Operating WCWs above their design hydraulic capacity has the following risks:

- a) Backflows in the outfall sewers, which will lead to blockages and spillages in the City;
- b) Delayed growth and development in the City of Ekurhuleni due to slow approval of applications for development. This also means delays in potential job creation opportunities in the City;
- c) Delayed implementation of the 10 Point Plan, including Aerotropolis;
- d) Water reclamation strategy being costly to implement;
- e) Directives being issued by the Department of Human Settlements, Water and Sanitation for issues of non-compliance;
- f) Delayed achievement of Green Drop Certification.

## BASIC SERVICES | Continued

### POWER DISRUPTIONS

A total of 534 hours of outages occurred during 2019/2020 across all 19 WCWs.

**TABLE 3.4: POWER OUTAGES**

2019/2020	POWER OUTAGE	TOTAL DURATION	ESKOM # OF OUTAGES	ESKOM TOTAL DURATION	COE # OF OUTAGES	COE TOTAL DURATION	LESEDI # OF OUTAGES	LESEDI TOTAL DURATION
Q1	63	754	10	25	32	670	21	58
Q2	145	1153	65	882	63	225	17	46
Q3	255	431	130	93	93	258	32	80
Q4	71	38	38	242	32	137	1	2
<b>Average</b>	<b>134</b>	<b>594</b>	<b>61</b>	<b>311</b>	<b>55</b>	<b>323</b>	<b>18</b>	<b>46</b>
<b>Total</b>	<b>534</b>	<b>2375</b>	<b>243</b>	<b>1242</b>	<b>220</b>	<b>1291</b>	<b>71</b>	<b>186</b>

The operational financial performance of the operations and maintenance departments are included in Chapter 5.

### CRITICAL EQUIPMENT FAILURES

**TABLE 3.5: EQUIPMENT FAILURES**

2020/2021	NUMBER OF CRITICAL EQUIPMENT FAILURES
Q1	269
Q2	239
Q3	40
Q4	224
<b>Average</b>	<b>193</b>
<b>Total</b>	<b>772</b>

### CAPITAL PROJECTS

In terms of approved capital expenditure for the 2020/2021 financial year, ERWAT has planned to implement the following projects which are aligned to the strategic objective of the CoE and DHSWS.

## BASIC SERVICES | Continued

### TABLE 3.6: CAPITAL PROJECTS

NO.	SECTION	DESCRIPTION	ORIGINAL BUDGET	ADJUSTMENT BUDGET	ACTUAL	BUDGET VARIANCE (ACT - ADJ)	BUDGET VARIANCE (ACT - OB)	TOTAL PROJECT VALUE
1	Olifantsfontein	Olifantsfontein WCW upgrade project	R85 140 000	R23 424 171	R23 508 126	R83 956	-R61 631 874	<b>R117 779 128</b>
2	Vlakplaats	Flow and loads project	R22 915 000	R15 506 386	R15 471 521	-R34 865	-R7 443 479	<b>R67 690 545</b>
3	Ancor	Biofilter retrofit	R10 864 000	R2 366 739	R2 366 739	R0	-R8 497 261	<b>R2 366 739</b>
4	Ancor, Dekema, Carl Grundlingh, Heidelberg, Jan Smuts, Ratanda and Welgedacht	Replacement of self-priming and horizontal end suction pumps at various ERWAT Water Care Works: manufacture, supply, delivery, install and commission	R6 353 000	R0	R0	R0	-R6 353 000	<b>R0</b>
5	Head Office	Disaster recovery (DR) site	R6 000 000	R109 766	R109 766	R0	-R5 890 234	<b>R109 766</b>
6	Waterval	The supply, delivery, installation and commissioning of new aeration blowers auxiliary systems at Waterval Water Care Works	R5 595 000	R3 079 579	R3 079 579	R0	-R2 515 421	<b>R5 595 000</b>
7	Various Plants	Supply, delivery, installation and commissioning of various online and portable meters for ERWAT Water Care Works	R5 515 000	R0	R0	R0	-R5 515 000	<b>R0</b>
8	Hartebeestfontein and Ancor	Mobile office containers	R4 814 932	R1 794 440	R1 794 440	R0	-R3 020 492	<b>R2 365 528</b>
9	Carl Grundlingh	Replacement of 5x aerators	R4 626 330	R0	R0	R0	-R4 626 330	<b>R0</b>
10	Hartebeestfontein	Old lab refurbishment	R4 000 000	R0	R0	R0	-R4 000 000	<b>R0</b>
11	Welgedacht and Rynfield	Aerators and Motors	R3 400 000	R0	R0	R0	-R3 400 000	<b>R0</b>
12	Herbert Bickley, Welgedacht, Jan Smuts, Tsakane, Welgedacht, Heidelberg, Ancor, Carl Grundlingh	Submersible pumps including sump pumps	R3 200 000	R1 770 624	R1 770 624	R0	-R1 429 376	<b>R3 441 420</b>
13	Ancor	Ancor biofilter tower upgrade phase 2 of 2: biofilter tower augmentation, upgrade and refurbishment of mod 3 (civil works) tower.	R3 000 000	R0	R0	R0	-R3 000 000	<b>R0</b>
14	Waterval	Upgrade of old chlorine room (PSP)	R2 500 000	R0	R0	R0	-R2 500 000	<b>R0</b>
15	Rondebult	8x trickling biological filters (mechanical components) at Rondebult WCW	R2 236 473	R2 236 473	R2 236 473	R0	R0	<b>R8 945 890</b>
16	Ratanda	Refurbish leaking drying beds (Ratanda) (1st phase PSP)	R2 046 390	R0	R0	R0	-R2 046 390	<b>R0</b>
17	Hartebeestfontein	Scientific services (HVAC)	R2 000 000	R0	R0	R0	-R2 000 000	<b>R0</b>
18	Waterval	Construct new DAF unit at module 1 (including mcc panel, cabling, piping, compressors, air saturator and reservoir, instrumentation)	R2 000 000	R0	R0	R0	-R2 000 000	<b>R0</b>
19	Rondebult	1100 kva generator	R1 970 000	R0	R0	R0	-R1 970 000	<b>R0</b>
20	Scientific Services	New nutrient analysis (fia or ic) and valves	R1 600 000	R0	R0	R0	-R1 600 000	<b>R0</b>
21	Waterval	Refurbishment of PST and clarifier tanks	R1 322 000	R0	R0	R0	-R1 322 000	<b>R0</b>

## BASIC SERVICES | Continued

**TABLE 3.6: CAPITAL PROJECTS CONTINUED**

NO.	SECTION	DESCRIPTION	ORIGINAL BUDGET	ADJUSTMENT BUDGET	ACTUAL	BUDGET VARIANCE (ACT - ADJ)	BUDGET VARIANCE (ACT - OB)	TOTAL PROJECT VALUE
22	Welgedacht and Waterval	Supply, delivery, installation and commissioning of PST waste sludge feed pumps (positive displacement pumps) for Welgedacht and Waterval WCW	R1 218 000	R0	R0	R0	-R1 218 000	<b>R0</b>
23	Welgedacht/Various Plants	Supply, delivery, installation and commissioning of FBP fine screen and compactor	R1 000 000	R418 701	R0	R0	-R581 299	<b>R4 088 937</b>
24	Hartebeestfontein	Effluent pipe replacement	R1 000 000	R0	R0	R0	-R1 000 000	<b>R0</b>
25	Herbert Bickley	Design, supply, delivery, installation and commissioning of washwater system for Herbert Bickley WCW	R1 000 000	R0	R0	R0	-R1 000 000	<b>R0</b>
26	Welgedacht	Chlorine system( 20 kg) upgrade at module 1 including lever hoist	R1 000 000	R0	R0	R0	-R1 000 000	<b>R0</b>
27	Heidelberg, Ancor, Welgedacht, Carl Grundlingh	CCTV camera system	R1 000 000	R0	R0	R0	-R1 000 000	<b>R0</b>
28	Daveyton and Waterval	Supply, delivery, installation and commissioning of 7 x vsd for aerators to solve the overheating problem at Daveyton and digester 11/14 at Waterval WCW	R900 000	R0	R0	R0	-R900 000	<b>R0</b>
29	Daveyton, Herbert Bickley, Jan Smuts, Dekema	Upgrade of the ferric dosing system	R825 000	R0	R0	R0	-R825 000	<b>R0</b>
30	Vlakplaats	MCC panels (roll over project)	R800 000	R2 698 867	R0	R0	R1 898 867	<b>R29 643 881</b>
31	Vlakplaats and Dekema	Replacement of digester valves	R800 000	R0	R0	R0	-R800 000	<b>R0</b>
32	Tsakane	P-degritter system upgrade (replace pump 1&2)	R800 000	R0	R0	R0	-R800 000	<b>R0</b>
33	Vlakplaats	Refurbishment of PST and clarifier tanks (weir, scum)	R750 000	R0	R0	R0	-R750 000	<b>R0</b>
34	Herbert Bickley	Mod 1 and 2 outlets flow meters (including civil works)	R700 000	R0	R0	R0	-R700 000	<b>R0</b>
35	Ancor	Ancor biofilter tower upgrade phase 1 of 2: structural assessment of the biofilter towers and the development of remedial action (specification)	R700 000	R0	R0	R0	-R700 000	<b>R0</b>
36	Heidelberg	P-mobile diesel pump (Ratanda)	R650 000	R0	R0	R0	-R650 000	<b>R0</b>
37	Ancor, Herbert Bickley, Tsakane	Hoist for chlorination	R650 000	R0	R0	R0	-R650 000	<b>R0</b>
38	Heidelberg, Tsakane and Welgedacht	Land monitoring boreholes x8	R621 000	R0	R0	R0	-R621 000	<b>R0</b>
39	Ancor	Degritter system x 2 (3 and 4)	R600 000	R0	R0	R0	-R600 000	<b>R0</b>
40	Various Plants	Chlorine emergency kit	R575 000	R0	R0	R0	-R575 000	<b>R0</b>
41	All Plants and Head Office	Visitor management scanners	R570 000	R0	R0	R0	-R570 000	<b>R0</b>
42	Tsakane	HYBACS project	R569 626	R569 626	R569 626	R0	R0	<b>R7 418 263</b>
43	Scientific Services	Laboratory equipment	R538 304	R285 240	R285 240	R0	-R253 064	<b>R285 240</b>
44	Vlakplaats	Steam pipes module A, B and C	R535 000	R0	R0	R0	-R535 000	<b>R0</b>

## BASIC SERVICES | Continued

### TABLE 3.6: CAPITAL PROJECTS CONTINUED

NO.	SECTION	DESCRIPTION	ORIGINAL BUDGET	ADJUSTMENT BUDGET	ACTUAL	BUDGET VARIANCE (ACT - ADJ)	BUDGET VARIANCE (ACT - OB)	TOTAL PROJECT VALUE
45	Waterval	Replacement of module 2 feed pipeline (1 200mm) to bnr	R530 000	R0	R0	R0	-R530 000	R0
46	Carl Grundlingh, Heidelberg, Tsakane, Jan Smuts	New diesel tank (2000l)	R520 000	R0	R0	R0	-R520 000	R0
47	Esther Park	Reactor modification	R500 000	R0	R0	R0	-R500 000	R0
48	Ratanda	P-sub standard effluent pump*2	R500 000	R0	R0	R0	-R500 000	R0
49	Herbert Bickley	Paving around process units	R500 000	R0	R0	R0	-R500 000	R0
50	Carl Grundlingh	P-irrigation pumps	R400 000	R0	R0	R0	-R400 000	R0
51	Benoni	Mechanical fine screen	R385 000	R0	R0	R0	-R385 000	R0
52	Waterval	Various auxiliaries for the newly installed blowers at Waterval WCW (phase iii)	R335 080	R57 098	R57 098	R0	-R277 982	R3 536 529
53	Welgedacht	Dewatering self-cleaning filtration filter	R300 000	R0	R0	R0	-R300 000	R0
54	Welgedacht & Ancor	Moisture balance	R292 000	R95 236	R95 236	R0	-R196 764	R95 236
55	Heidelberg, Herbert Bickley, Tsakane, Carl Grundlingh	Handrails (maturation ponds, BNR & clarifier)	R279 280	R0	R0	R0	-R279 280	R0
56	Minor Capex	Small office equipment	R277 500	R109 030	R109 030	R0	-R168 470	R277 500
57	Dekema and Hartebeestfontein	Supply, delivery, installation and commissioning of 6 x auto samplers	R270 000	R173 880	R173 880	R0	-R96 120	R173 880
58	Jan Smuts	Upgrade ( repair of cracks) civil structure of digesters and pipelines (1st phase PSP)	R250 000	R0	R0	R0	-R250 000	R0
59	Ancor	Professional engineering services for the capacity upgrade of the inlet channel, emergency bypass and emergency dams to handle extraneous stormwater flows at Ancor	R213 585	R375 381	R387 190	R11 809	R173 605	R4 088 937
60	Ancor and Welgedacht	Supply and delivery of 2x spectrometer pharo 100 spectroquant for Ancor and Welgedacht WCW	R200 000	R128 602	R128 602	R0	-R71 398	R128 602
61	Various Plants	Emergency safety shower	R200 000	R112 511	R112 511	R0	-R87 489	R112 511
62	Various Plants	Water purification system (Ratanda)	R200 000	R107 349	R107 349	R0	-R92 651	R200 000
63	Waterval	Extractor fan	R200 000	R0	R0	R0	-R200 000	R0
64	Various Plants	Ba set	R200 000	R0	R0	R0	-R200 000	R0
65	Welgedaght, Ratanda And Heidelberg	Air conditioner x 6 ( for office, board room, module 2 blower room and mcc)	R172 500	R193 000	R193 300	R300	R20 800	R193 000
66	Heidelberg and Welgedacht	Portable gas detector x3	R115 000	R0	R0	R0	-R115 000	R0
67	Dekema	Supply, delivery, installation and commissioning of portable chlorometer	R100 000	R28 802	R102 800	R73 998	R2 800	R28 802
68	Vlakplaats	Upgrade booster fans	R100 000	R0	R0	R0	-R100 000	R100 000
69	Jan Smuts	Compactor gear box	R60 000	R0	R0	R0	-R60 000	R60 000
70	Ancor	Chlorinator 20 kg/h	R60 000	R0	R0	R0	-R60 000	R60 000

## BASIC SERVICES | Continued

**TABLE 3.6: CAPITAL PROJECTS CONTINUED**

NO.	SECTION	DESCRIPTION	ORIGINAL BUDGET	ADJUSTMENT BUDGET	ACTUAL	BUDGET VARIANCE (ACT - ADJ)	BUDGET VARIANCE (ACT - OB)	TOTAL PROJECT VALUE
71	Tsakane	Installation of valve by division box	R50 000	R0	R0	R0	-R50 000	<b>R50 000</b>
72	Jan Smuts	Carports x 8	R40 000	R134 600	R134 600	R0	R94 600	<b>R134 600</b>
73	Various Plants	Breathing apparatus set	R30 000	R54 000	R65 600	R35 600	R35 600	<b>R65 600</b>

### UPGRADE/REFURBISHMENT OF BIOFILTER MODULE (3) AT OLIFANTSFONTEIN WATER CARE WORKS (WCW)

The objective of the projects is to resuscitate the biological filtration module at the Olifantsfontein Water Care Works in order to help mitigate the overcapacity that considerably contributes to the non-compliance of the plant.

The scope of work among others, entails the replacement of the rock filter media with a lighter filtration synthetic media, with the incorporation of a recycle pump station to assist with the enhancement of a biological treatment capacity and the diversion of the incoming flow from the Head of Works by constructing a main inlet feed pipeline to convey the flow towards the biological filtration module.

This project aims to fully restore the functionality of the plant and ensure that Olifantsfontein WCW improves effluent quality, and complies with the Water Use License after failure to take reasonable measures to prevent pollution from occurring at the plant.

### MODIFICATION TO FLOW DIVERSION, FINAL EFFLUENT COLLECTION AND MATURATION PONDS AT VLAKPLAATS WCW

Vlakplaats WCW has been hydraulically and

organically overloaded and this was further worsened by the storm water ingress into the sewer during wet weather, causing hydraulic peaks rates beyond the capacity of the four modules. The objective is to augment and add peak flow, balancing capacity through building retention ponds, which will lead to increased storage and enhance the capacity to handle the incoming hydraulic and organic loads, Also, conversion of some of the existing maturation ponds in a form of construction and lining of the emergency ponds.

### MCC PANELS AT VLAKPLAATS WCW

Currently our motor control centres at our plants, are outdated and not compatible with the current technology, and there is no SCADA system installed to enable equipment automation, data acquisition and remote monitoring of the plant equipment. These shortfalls are further illuminated below.

1. Motor control centers have reached their end of life resulting in excessive corrosion of the panels, in some instances live parts are exposed presenting an unsafe environment for personnel to work in.
2. Most of the plants are operating manually and it becomes difficult to capture the plant data, and to determine which equipment fails more often.

## BASIC SERVICES | Continued

The objective is therefore to install new Motor Control Centres, Programmable Logic Controllers (PLC), Variable Speed Drives (VSD), fibre optic network, Supervisory Control and Data Acquisition (SCADA) system to enable automatic control, remote monitoring, and data acquisition. The new Motor Control Centres will also assist in minimising the risk of working under unsafe conditions.

### COMMENT ON ERWAT BULK WASTEWATER TREATMENT SERVICES OVERALL PERFORMANCE

ERWAT did not meet the water quality performance target, the company developed strategies to mitigate the challenges that were encountered to improve performance of the various Water Care Works. ERWAT assists CoE in identifying industrial pollutants received at the WCW, and CoE manages industries and enforces the Water and Sanitation by-laws.

The maintenance department has put together strategies to improve equipment availability and reliability. In response, ERWAT has developed a 5-year capital expenditure plan aimed at reducing

the backlog and creating a bit of redundancy at the Water Care Works. Furthermore, ERWAT is in the process of implementing a regionalisation 50-year masterplan and, emergency/stand-by generators have been procured and are in the process of being installed at the plants, to mitigate the challenge of power interruptions, especially those that are unplanned.

Due to population growth and increased demand of services to the community of Ekurhuleni and surroundings, ERWAT has prioritised four large construction projects that will increase the capacity of the Water Care Works.

ERWAT is working hard towards addressing all Mega Catalytic projects to accommodate all new developments within the City of Ekurhuleni. The planned capacity upgrade of the Water Care Works needs to be upgraded urgently to cater for the current backlog in capacity, and to make provision for future housing growth and industrial developments. ERWAT does not have enough Capex funds to implement the upgrade of the Water Care Works.

## COMPONENT B

# CORPORATE AND OTHER SERVICES

This component includes: corporate policy offices, financial services, human resource services, ICT services, and property services.

### INTRODUCTION TO CORPORATE AND OTHER SERVICES

The company secretariat is the custodian of corporate policies. Policies are developed and reviewed as and when the need arises. The secretariat is also responsible to ensure that the policies are updated with changes in legislation and needs.

Corporate and other services are structured in the following departments:

1. Finance (including information and communication technology (ICT))
2. Human Resources; and
3. Governance Legal and Compliance

Corporate and other services are provided to:

1. Operations
2. Maintenance
3. Commercial Business
4. Scientific Services
5. Infrastructure, Projects and Planning

## 3.2 BOARD OF DIRECTORS

### INTRODUCTION TO BOARD OF DIRECTORS

The Board of Directors has incorporated the CoE's corporate governance protocol in its Board charter, which inter alia regulates its relationship with the CoE as its main member and parent municipality in the interest of good corporate governance and good ethics. The protocol is premised on the principles enunciated in King IV. The entity steadfastly consolidated its position in respect of adherence to King IV, and its practices are in most material instances in line with the principles set out in the

report. Ongoing steps are however taken to align practices with the report's recommendations and the Board continually reviews progress to ensure that management improves in upholding corporate governance.

During the year under review ERWAT entrenched its risk management reviews and reporting and compliance assessments were conducted in terms of the Companies Act, the Municipal Systems Act and the MFMA. The company strived to comply in all respects during the year under review.

### COMMENT ON THE PERFORMANCE OF THE BOARD

The Board is governed through the Board charter. Meetings are convened as per the agreed annual calendar. The Board has delegated some of the functions to the established Board Committees and Senior Management. Some of the strategic responsibilities are reserved for the Board. Meetings are regularly attended.

The performance assessment of the effectiveness of the Board is conducted on an annual basis by the members.

## 3.3 FINANCIAL SERVICES

### INTRODUCTION TO FINANCIAL SERVICES

The Financial Department of the entity is tasked with the provision of financial service in an accountable, effective and transparent manner. It provides statutory financial accounting and payroll functions to the company covering income, expenditure, financial control, and budgeting and payroll services.

Focus for the year was on the implementation of

## CORPORATE AND OTHER SERVICES | Continued

the municipal standard chart of accounts and restructuring of the SCM unit to ensure compliance with MFMA and SCM regulations.

### TOTAL REVENUE

ERWAT's revenue for the period under review consists mainly of rendering wastewater treatment services to the members of the company. This

amounted to R929,6m of a total income of R1 045m.

The percentage debt collection for the financial year 2020/2021 was 92% by taking the total value of the year's revenue collected against the bills raised in the year.

**TABLE 3.7: REVENUE PER SOURCE**

REVENUE SOURCE	2019/ 2020	2020/2021
	R'000	R'000
Service charges	879 040	929 381
Intervention Income	10 337	3 956
Other income	102 234	57 978
Interest received – investment	2 861	3 952
Dividends received	97	60
Government grants and subsidies	143 658	49 830
<b>TOTAL</b>	<b>1 176 095</b>	<b>1 045 157</b>

**TABLE 3.8: FINANCIAL PERFORMANCE 2020/2021**

DETAILS	2019/2020	2020/2021			
	ACTUAL	ORIGINAL BUDGET	ADJUSTMENT BUDGET	ACTUAL	VARIANCE TO BUDGET
	R'000	R'000	R'000	R'000	PERCENTAGE
Total operating revenue (Excluding Non-exchange Revenue)	994 569	1 104 120	1 014 684	995 327	-1.9%
<b>EXPENDITURE</b>					
- Employee costs	356 850	394 020	396 839	391 598	-1.3%
- Repairs and maintenance	140 747	140 347	90 088	79 451	-6.5%
- Other	495 331	569 752	527 703	479 754	-8.00%
<b>Total operating expenditure</b>	<b>1 125 750</b>	<b>1 104 120</b>	<b>1 014 684</b>	<b>949 505</b>	<b>-10.3%</b>
<b>Net operating surplus/ (deficit) Excluding Non-exchange Revenue)</b>	<b>(5 720)</b>	<b>0</b>	<b>0</b>	<b>(44)</b>	

## CORPORATE AND OTHER SERVICES | Continued

### COMMENT ON THE PERFORMANCE OF FINANCIAL SERVICES OVERALL

The entity had a slight underspend on its total OPEX budget as a result of various factors, including the effects of COVID-19 on general expenditure and repairs and maintenance. The revenue from external business declined due to the loss of the pumpstation contract during November 2020, as well as the cancellation of the Emfuleni Local Municipality intervention, where ERWAT was the implementing agent during the 2020 financial year,

### 3.4 HUMAN RESOURCE SERVICES

#### INTRODUCTION TO HUMAN RESOURCE SERVICES

The department provides quality driven Human Capital strategies and support for ERWAT. The entity has a stable Human Resources (HR) department that consists of various components of the HR requirement and continues to provide support to the entity on all HR related matters.

The Human Resource Department consists of the following sections:

1. Employee Relations
2. HR Administration
3. Training and Development
4. Organisational Development
5. Occupational Health and Wellness

#### COMMENT ON THE OVERALL PERFORMANCE OF HUMAN RESOURCE SERVICES

The HR department serves as support to the various departments within ERWAT in terms of recruitment, selection and appointment of staff. The department also assist with the alignment of the organisational needs to the structure in order to achieve its objectives.

### 3.5 INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) SERVICES

#### INTRODUCTION TO INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) SERVICES

The ICT services department has been an integral part of supporting the organisations objectives during the COVID-19 pandemic by providing the necessary tools and training to all staff. The ICT services department-maintained ICT infrastructure for the decentralised workforce and ensured risks were appropriately managed.

To allow for effective services and support of ERWAT with a decentralised workforce, the following systems were implemented as priorities:

1. Virtualised Platforms such as Microsoft Teams and Zoom
2. Remote Support Tools such as Netop and Anydesk
3. Kaspersky for effective Remote Patch Management
4. Efficient Virtual Private Networks

During the year under review, ICT took the following measures to improve performance and the major efficiencies achieved:

1. Improved service availability through upgrade of the internet infrastructure
2. Improved collaboration / communication platform through the implementation of Zoom and Microsoft Teams
3. Improved information security through the implementation of CIS Standards.

## CORPORATE AND OTHER SERVICES | Continued

### SERVICE STATISTICS FOR ICT SERVICES

The ICT department comprises of three permanent and two non-permanent employees. ICT supports Head Office, Scientific Services and 19 Water Care Works, as well as services 35 servers and 448 laptops.

**TABLE 3.9: EMPLOYEES ICT SERVICES**

JOB LEVEL	2019/2020	2020/2021			
	EMPLOYEES	APPROVED POSTS	EMPLOYEES	VACANCIES (FULLTIME EQUIVALENTS)	VACANCIES (AS A % OF TOTAL POSTS)
	No.	No.	No.	No.	%
D2	0	1	0	1	100%
C5	0	0	0	0	0%
C4	1	1	1	0	0%
C3	1	2	2	0	0%
C2	1	1	1	0	0%
C1	0	0	0	0	0%

The financial performance of the ICT department for the 2020/2021 financial year is included with the finance department.

**TABLE 3.10: CAPITAL EXPENDITURE: ICT SERVICES IN RAND**

CAPITAL PROJECTS	2020/2021				
	BUDGET	ADJUSTMENT BUDGET	ACTUAL EXPENDITURE	VARIANCES FROM ORIGINAL BUDGET	TOTAL PROJECT VALUE
Total all projects	-		R347 000. 00	0.00%	R347 000. 00
Computers	-		R347 000. 00	0.00%	-
Software	-		-	0.00%	-
Server and firewall	-		-	0.00%	-
Projects: Solar related customisation	-		-	0.00%	-

## CORPORATE AND OTHER SERVICES | Continued

### COMMENT ON THE OVERALL PERFORMANCE OF ICT SERVICES:

The ICT Governance within the entity remained a challenge in 2020/2021 and one of the main issues was the insufficient funding for upgrading of ICT infrastructure and seamless integration into the CoE ERP system.

### 3.6 LEGAL, RISK MANAGEMENT AND PROCUREMENT SERVICES

This component includes: legal, risk management and procurement services.

#### INTRODUCTION TO LEGAL, RISK MANAGEMENT AND PROCUREMENT SERVICES

The governance, legal and compliance unit has a staff compliment of three. It is headed by the company secretary. Risk management is a division of Governance Legal and Compliance. The priorities

for the division is to ensure that ERWAT prioritises risk in its decision-making process and highlights any non-compliance matters that may have a negative impact on the organisation and the Board of Directors.

The main priorities in the 2020/2021 financial year are as follows:

1. The legal framework of contract management is adhered to in order to curb potential litigations
2. Conduct compliance risk assessments to strengthen the compliance environment within ERWAT
3. Developed policies for fraud and ethics
4. Developed risk framework, strategy and policy as well as compliance risk management

#### SERVICE STATISTICS FOR LEGAL, RISK MANAGEMENT AND PROCUREMENT SERVICES

TABLE 3.11: EMPLOYEES LEGAL AND RISK MANAGEMENT

JOB LEVEL	2019/2020		2020/2021		
	EMPLOYEES	APPROVED POSTS	EMPLOYEES	VACANCIES (FULLTIME EQUIVALENTS)	VACANCIES (AS A % OF TOTAL POSTS)
	No.	No.	No.	No.	%
C3	0	0	0	1	50%
D2	1	0	1	0	0

### COMMENT ON THE OVERALL PERFORMANCE OF LEGAL, RISK MANAGEMENT AND PROCUREMENT SERVICES

A panel of attorneys will be appointed to provide assistance with legal services. A compliance management system was implemented through LexisNexis system. This assisted in monitoring all the areas of risk including health and safety.

## COMPONENT C

**ORGANISATIONAL PERFORMANCE SCORECARD****INTRODUCTION TO ORGANISATIONAL SCORECARD**

The below section of the Annual Report reflects the Annual Performance Scorecard Report for 2020/2021. The reported progress is against the set of high-level commitments of ERWAT which were elevated to the annual performance scorecard of the organisation. The performance commitments in this component are meant to represent the strategic objectives as outlined in the SDBIP.

**3.7 CITY WIDE SDBIP****KPI 1 – CITY-WIDE**

Total revenue generated from external business

**METHOD OF MEASURE**

The indicator measures increased external revenue generated from commercial sources

**EVIDENCE**

Invoices coupled with general ledger with a balance that agrees to the amount reported

**ANNUAL TARGET**

R55 706 522.52

**ANNUAL ACTUAL**

R59 010 259.96

**COMMENT**

Annual target achieved and exceeded due to ERWAT's appointment at the City of Tshwane's Intervention project.

**KPI 2 – CITY-WIDE**

Audit Opinion

**METHOD OF MEASURE**

The Audit Opinion is defined by the Auditor General. It is given across a qualitative, ordinal scale including: Unqualified with no findings; Unqualified with findings; Qualified with findings; Adverse with findings; and Disclaimed with findings. For those who have not completed the process 'Outstanding audits' are recorded.

**EVIDENCE**

Dated and signed Audit report from AGSA

**ANNUAL TARGET**

Unqualified Audit Opinion

**ANNUAL ACTUAL**

Unqualified Audit Opinion

**COMMENT**

Annual target achieved

**KPI 3 – CITY-WIDE**

Percentage compliance with wastewater treatment works license conditions and/or exemptions standards

**METHOD OF MEASURE**

The indicator measures the compliance of wastewater works effluent to the requirements of biological and chemical indicators as per the water use license granted by the Regulator.

It is calculated by dividing the number of determinants complying with the Water Use Authorisation with the total number of determinants.

## ORGANISATIONAL PERFORMANCE SCORECARD | Continued

### EVIDENCE

Water quality data of each Water Care Works from the Lab Spreadsheets are used to calculate overall compliance. Applicable water use authorisation of each Water Care Works.

### ANNUAL TARGET

85%

### ANNUAL ACTUAL

84%

### COMMENT

The annual target of 85% was not achieved due to the following reasons:

1. During Q1 and Q2 infrastructure related challenges, including lack of hydraulic and organic capacity, prevented the WCWs from achieving the 90% target.
2. Q1 performance was further affected by a number of incidents of high strength wastewater from the industries discharging to the WCWs.
3. Q2 performance was further affected by an organised labour unrest, three day strike, which affected the operations of all nineteen WCWs. It took some of the WCWs more than a week to recover.
4. The Q3, Q4 and annual targets were adjusted down having taken the infrastructure related challenges into consideration. This resulted in the entity achieving the Q3 target.
5. Community unrest at Lesedi Local Municipality, which resulted in Heidelberg and Ratanda WCWs not operating for a period of 2 months in Q4 affected the Q4 Performance and subsequently the annual performance. Furthermore, in Q4 there was an increase in the number of critical equipment failures and industrial effluent pollution incidents.

## 3.8 DEPARTMENT SDBIP

### KPI - 1 DEPARTMENT SDBIP

Percentage capital expenditure on planned projects

### METHOD OF MEASURE

The indicator measures the total budget spent. The indicator target is measured cumulatively across the quarters.

The indicator formula is:

(1) Expenditure year to date / (2) Total approved CAPEX budget for the year

### EVIDENCE

Finance year to date expenditure report

### ANNUAL TARGET

95%

### ANNUAL ACTUAL

100.26%

### COMMENT

The annual target for capital expenditure was achieved and exceeded due to the early delivery of goods prior to planned date and adjustment of budget downwards, due to challenges experienced during the financial year.

### KPI - 2 DEPARTMENT SDBIP

Percentage of repairs and maintenance budget spent

Method of Measure

The indicator measures the total budget spent. The indicator target is measured cumulatively across the quarters.

## ORGANISATIONAL PERFORMANCE SCORECARD | Continued

The indicator formula is:

(1) Expenditure year to date / (2) total approved maintenance budget approved.

### EVIDENCE

Finance year to date expenditure report

### ANNUAL TARGET

90%

### ANNUAL ACTUAL

91%

### COMMENT

ERWAT has under spent on repairs and maintenance (planned and ad-hoc) for all quarters 1 - 3 of 2021 YTD. However, Quarter 4 target was achieved.

Action taken to address challenges:

1. The department has started scheduling and implementing planned maintenance beginning Q4 going forward
2. The department is also rolling out condition-based maintenance (CBM), by applying predictive maintenance techniques to address the increasing number of critical equipment failures
3. To have full maintenance staff compliment in the new financial year to execute preventative maintenance plans
4. Expedite the Renewal of service contracts for the repairs of critical Equipments

### KPI - 3 DEPARTMENT SDBIP

Percentage of procurement spend allocated to SMME's

### METHOD OF MEASURE

The indicator measures the percentage of procurement spend allocated to SMME's through ensuring appropriate application of the preferential

procurement practices. This support will be calculated as a percentage of the total value paid to Small, Medium and Micro Enterprises either directly or via the principal contractor in terms of a Preferential Procurement Regulation 4 or 9 contractual condition.

The indicator formula is:

(1) rand value of procurement spend allocated to SMME's / (2) rand value of total procurement spend \*100

### EVIDENCE

Dated and signed Letter of Appointment or subcontract with support (contract) amount award and listing (register) of SMME supported with support amount.

### ANNUAL TARGET

33.33%

### ANNUAL ACTUAL

87%

### COMMENT

Annual target achieved.

### KPI - 4 DEPARTMENT SDBIP

Number repeat audit findings

### METHOD OF MEASURE

The indicator tracks the number of findings made on the same matter as of the last audit cycle. The "Repeat" findings refer to those findings that have persisted from one year of reporting to the next. These are identified as repeat findings by the Auditor-General on the following administrative areas including but not limited to: i) Annual financial statements and annual report.

## ORGANISATIONAL PERFORMANCE SCORECARD | Continued

The formula for the indicator is the (1) Simple count of the number of “repeat” findings itemised in the Auditor-General’s report of each municipality

### EVIDENCE

AGSA signed management letter

### ANNUAL TARGET

0

### ANNUAL ACTUAL

4

### COMMENT

Annual target not achieved, due to weakness identified in management control.



# ORGANISATIONAL PERFORMANCE SCORECARD | Continued

**TABLE 3.12: CITY-WIDE SDBIP**

Entity	Outcome	Ref No.	Performance Indicator (Output level only)	Description of Portfolio of Evidence Verified	Baseline (Annual Performance of 2019/2020)	Annual Target for 2020/2021	Annual Planned Output as per SDBIP	Q1 Planned Target	Q1 Actual Performance	Q2 Planned Target	Q2 Actual Performance	Q3 Planned Target	
National Prescribed Indicators													
N/A													
Provincial Indicators													
N/A													
City of Ekurhuleni Indicators													
IDP Strategic Objective 2: To build a clean, capable and modernised local state													
ERWAT	Improved Quality of water (including wastewater).	38	Total revenue generated from external business	Invoices coupled with general ledger with a balance that agree with the amount reported	R248 889 792	R55 706 522.52	R55 706 522.52	R20 000 000	R24 829 143,41	R30 000 000	R7 597 260	R2 852 384.77	
	To build a clean, capable and modernised local state	39	Audit Opinion	Dated and signed Audit report from AGSA	Unqualified Audit Opinion	Unqualified Audit Opinion	Unqualified Audit Opinion	0	Not reported in Q1	Unqualified Audit Opinion	Not reported in Q2	0	
IDP Strategic Objective 4: To protect the natural environment and promote resource sustainability													
ERWAT	Improved quality of water (including wastewater)	62	Percentage compliance with wastewater treatment works license conditions and/or exemptions standards	Water quality data of each Water Care Works (from the Lab) Spreadsheet used to calculate over all compliance. Applicable Water use authorisation of each Water Care Works	89%	85%	85%	90%	88%	90%	82%	80%	

## ORGANISATIONAL PERFORMANCE SCORECARD | Continued

	Q3 Actual Performance	Q4 Planned Target	Q4 Actual Performance	Annual Actual Performance	Variance	Overall Performance Rating	Progress on Targets	Reason(s) for Variance	Remedial Action	Annual Planned Budget	Annual Actual Expenditure
	R15 886 006.55	R2 854 137.75	R10 697 850.94.	R 59 010 259.96	R3 303 737	Achieved	The target was exceeded by R3.3 million	The target was exceeded due to ERWAT's appointment at the City of Tshwane's Intervention project.	No remedial action required since the target was exceeded	OPEX	OPEX
	Unqualified Audit Opinion	N/A	N/A	Unqualified Audit Opinion	None	Achieved	Target Achieved	N/A	No remedial action required	OPEX	R 0.00
	87%	80%	78%	84%	-1%	Not achieved	Target not achieved	<ol style="list-style-type: none"> <li>During Q1 and Q2 infrastructure related challenges prevented the WCWs from achieving the 90% target.</li> <li>During Q2 labour unrest in the form of a 3 day strike affected the operations of all 19 WCWs. It took some of the WCWs more than a week to recover.</li> <li>Community unrest at Lesedi Local Municipality, which resulted in Heidelberg and Ratanda WCW not operating for 2 months in Q4. This affected the Q4 Performance and subsequently the annual performance</li> </ol>	<ol style="list-style-type: none"> <li>The target was adjusted down for Q3, Q4 and annual targets having considered the infrastructure related challenges.</li> <li>The ERWAT Business Continuity Management Plans have been reviewed and updated to include strategies to manage future occurrences, especially when the strike is not a legal one (unprotected). The Community unrest issue has been resolved and strategies have been put in place to mitigate future occurrence</li> </ol>	R 447 495 690.00	R439 327 203

## ORGANISATIONAL PERFORMANCE SCORECARD | Continued

### TABLE 3.12: CITY-WIDE SDBIP CONTINUED

Entity	Outcome	Ref No.	Performance Indicator (Output level only)	Description of Portfolio of Evidence Verified	Baseline (Annual Performance of 2019/2020)	Annual Target for 2020/2021	Annual Planned Output as per SDBIP	Q1 Planned Target	Q1 Actual Performance	Q2 Planned Target	Q2 Actual Performance	Q3 Planned Target
IDP Strategic Objective 2: To build a clean, capable and modernised local state												
ERWAT	Improved quality of water including wastewater	1.M	Percentage of Capital Expenditure on planned projects	Finance year to date expenditure report	95%	95.00%	95%	20%	4.8%	40%	5.6%	70%
	Improved quality of water including wastewater	2.M	Percentage of repairs and maintenance budget Spent	Finance year to date expenditure report	84%	90.00%	90%	20%	8.1%	40%	13%	70%
	Improved quality of water including wastewater	3.M	Percentage of procurement spend allocated to SMME's	Dated and signed letter of appointment or subcontract with support (contract) amount Award and Listing (Register) of SMME supported with support amount	R14 184 369 (61%)	33.33%	33.33%	33.33%	94.39%	33.33%	74.51%	33.33%
	Improved quality of water including wastewater	4.M	Number repeat audit findings	AGSA signed management letter	4	0.00	0.00	-	Not reported in Q1	0	Not reported in quarter 2	0

## ORGANISATIONAL PERFORMANCE SCORECARD | Continued

	Q3 Actual Performance	Q4 Planned Target	Q4 Actual Performance	Annual Actual Performance	Variance	Overall Performance Rating	Progress on Targets	Reason(s) for Variance	Remedial Action	Annual Planned Budget	Annual Actual Expenditure
	7.2%	95%	12.07%	12.07%	82.93%	Achieved and exceeded	Target exceeded	The target for capital expenditure was achieved and exceeded due to the early delivery of goods prior to planned date and adjustment of budget downwards, due to challenges experienced during the financial year.	Improve planning and procurement processes.	R206 000 000 Further cut to R 55 830 000	R55 978 989.09
	53%	90%	91%	91%	1%	Achieved	Target achieved	Increase Planned activities	None	R66 889 069.78	R73 543 607.55
	59%	33.33%	84%	87%	54%	Achieved	Target achieved and exceeded	Invoices paid to bidders awarded goods and or services with an EME or QSE BEE accreditation.	No remedial action required	OPEX R65 211 252	R144 330 633
	4	N/A	N/A	4	-4	Not achieved	Not achieved	Weakness identified in Management control	Audit findings to be addressed part of the OPCA plan	-OPEX/CAPEX	–



CHAPTER FOUR

# Organisational Development Performance

(PERFORMANCE REPORT PART II)



## INTRODUCTION TO ORGANISATIONAL DEVELOPMENT PERFORMANCE

ERWAT employed a total of 746 employees as at 30 June 2021. During the financial 2020/2021 year, a total of sixteen new employees were appointed, three permanent employees and thirteen non-permanent employees.

A total of forty-seven employees left the service of the company of which sixteen employees resigned, twenty-one contracts ended, four retired and six employees passed away during the financial year.

### STRATEGIC OBJECTIVES OF THE HUMAN RESOURCES DEPARTMENT

To plan, recruit, develop, and retain a highly competent and diverse workforce, develop a positive corporate culture that promotes commitment to

excellence and to ensure that the organisation meets its social and legal responsibilities towards its employees, with particular regard to conditions of employment, quality of work life and create opportunities for all, in support of the organisational strategy.

The HR department is responsible for the following:

1. Recruitment
2. Performance management
3. Training
4. Movement/promotion of staff
5. Terminations (e.g., resignations, retirement, etc.).

## COMPONENT A

## INTRODUCTION TO THE COMPANY'S PERSONNEL

## 4.1 EMPLOYEE TOTALS, TURNOVER AND VACANCIES

TABLE 4.1: EMPLOYEES

DEPARTMENT	2019/2020	2020/2021			
	EMPLOYEES	APPROVED POSTS	EMPLOYEES	VACANCIES (FULLTIME EQUIVALENTS)	VACANCIES (AS A % OF TOTAL POSTS)
	No.	No.	No.	No.	%
Commercial Business	7	12	8	4	33%
Legal, Compliance and Risk	1	3	1	2	66%
Company Secretariat	1	1	1	0	0%
Top Structure	6	9	5	4	44%
Infrastructure Planning and Projects	17	21	16	5	24%
Maintenance	93	109	87	22	20%
Scientific Services	57	64	58	6	9%
Finance and SCM	14	31	12	19	61%
Operations	406	466	397	68	15%
Corporate Services	25	39	25	14	36%
<b>Totals</b>	<b>627</b>	<b>755</b>	<b>610</b>	<b>144</b>	<b>19%</b>

Employee and approved posts numbers are as at 30 June 2021, as per the approved organogram.

## INTRODUCTION TO THE COMPANY'S PERSONNEL | Continued

**TABLE 4.2: VACANCY RATE 2020/2021**

DEPARTMENT	POSITION	DATE VACANT	COMMENTS
Scientific Services	Manager Quality Assurance	01/01/2018	Vacant and on the 2021/2022 recruitment plan
IPAP	Head of Department: IPAP	30/04/2016	Mr Nthethe currently interim
	Senior Engineer Projects	06/02/2021	Vacant and on the 2021/2022 recruitment plan
Finance and SCM	Fixed Asset Accountant	22/01/2017	Currently filled by non-permanent employee
	Senior Manager Finance	26/03/2021	Vacant and recruitment process has commenced
	Creditors Clerk	30/09/2016	Currently filled by non-permanent employee
	Creditors Clerk	30/12/2016	Currently filled by non-permanent employee
	Trial Balance Officer	01/02/2021	Currently filled by non-permanent employee
	Specialist SCM	01/05/2020	Vacant and on the 2021/2022 recruitment plan
	Executive Secretary: Finance and SCM	01/11/2018	Currently filled by non-permanent employee
Operations	Executive Secretary	05/09/2020	Currently filled by non-permanent employee
	Specialist Quality	01/03/2020	Vacant and on the 2021/2022 recruitment plan
	Works Manager	01/05/2021	Ms Baloyi, currently acting
	Administration Officer	01/09/2017	Currently filled by non-permanent employee
Maintenance	Head of Department: Maintenance	01/07/2018	Ms Mutyaba, currently acting
	Executive Secretary: Maintenance	18/11/2016	Currently filled by temporary personnel
	Maintenance Manager	01/03/2021	Vacant and on the 2021/2022 recruitment plan
	Reliability Technician	01/02/2021	Currently filled by non-permanent employee
	Reliability Technician	01/12/2020	Currently filled by non-permanent employee

## INTRODUCTION TO THE COMPANY'S PERSONNEL | Continued

**TABLE 4.2: VACANCY RATE 2020/2021 CONTINUED**

DEPARTMENT	POSITION	DATE VACANT	COMMENTS
Commercial Business	Executive Secretary: Commercial Business	12/04/2021	Vacant and on the 2021/2022 recruitment plan
	Contracts Coordinator	01/02/2020	Vacant and on the 2021/2022 recruitment plan
Security	Security Coordinator	01/12/2020	Vacant and on the 2021/2022 recruitment plan

**TABLE 4.3: TURN-OVER RATE**

DETAILS	TOTAL NO OF APPOINTMENTS AS AT THE BEGINNING OF FINANCIAL YEAR	NO OF TERMINATIONS DURING THE FINANCIAL YEAR	TURN-OVER RATE*
	No.	No.	%
2018/2019	115	63	8%
2019/2020	106	79	10%
2020/2021	13	27	4.3%

\*Number of employees terminated divided by the number of positions occupied at the beginning of the year.

### COMMENT ON VACANCIES AND TURNOVER

A recruitment plan was noted by the Board, which is in line with the structures as well as budget for the 2020/2021 financial year. The recruitment process commenced in the 2020/2021 financial year.

## COMPONENT B MANAGING THE COMPANY'S WORKFORCE

### INTRODUCTION TO COMPANY'S WORKFORCE MANAGEMENT

The total number of employees as at 30 June 2021 is 746 (including permanent and non-permanent) which is a decrease compared to the previous year. The recruitment process to fill vacancies commenced in 2020/2021.

### 4.2 POLICIES

**TABLE 4.4: HR POLICIES AND PLANS**

NO.	NAME OF POLICY	COMPLETED %	REVIEWED %	LAST APPROVED DATE
HRM 001	Acting Policy	100%	100%	23/02/2021
HRM 002	Career and Succession Planning Policy	100%	100%	23/02/2021
HRM 003	Cellular Phone Allowance Policy	100%	100%	23/02/2021
HRM 004	Conflict of Interest Policy	100%	100%	23/02/2021
HRM 005	Employment Equity Policy	100%	100%	23/02/2021
HRM 006	Flexi Time Policy	100%	100%	12/02/2015
HRM 007	Funeral Claim Policy	100%	100%	23/02/2021
HRM 008	HIV/AIDS Policy	100%	100%	23/02/2021
HRM 009	Home Ownership Scheme Policy	100%	100%	12/02/2015
HRM 010	Induction Policy	100%	100%	23/02/2021
HRM 011	Job Evaluation Policy	100%	100%	23/02/2021
HRM 012	Leave Policy	100%	100%	01/08/2016
HRM 013	Long Service Award Policy	100%	100%	23/02/2021
HRM 014	Medical Aid Subsidy Policy	100%	100%	23/02/2021
HRM 015	Medical Surveillance Policy	100%	100%	23/02/2021
HRM 016	Overtime Policy	100%	100%	23/02/2021
HRM 017	Performance Management Policy	100%	100%	23/02/2021
HRM 018	Protection Of Personal Information	100%	100%	23/02/2021
HRM 019	Recruitment Policy	100%	100%	23/02/2021
HRM 020	Remuneration Policy	100%	100%	12/02/2015
HRM 021	Retrenchment Policy	100%	100%	23/02/2021
HRM 022	Sexual Harassment Policy	100%	100%	23/02/2021
HRM 023	Small Tool Scheme Policy	100%	100%	23/02/2021
HRM 024	Smoking Policy	100%	100%	23/02/2021
HRM 025	Stand-By Service Policy	100%	100%	23/02/2021
HRM 026	Substance Abuse Policy	100%	100%	23/02/2021
HRM 027	Social Media Policy	100%	100%	23/02/2021

## MANAGING THE COMPANY'S WORKFORCE | Continued

**TABLE 4.4: HR POLICIES AND PLANS CONTINUED**

NO.	NAME OF POLICY	COMPLETED %	REVIEWED %	LAST APPROVED DATE
HRM 028	Tool of Trade Vehicle Scheme and Travel Allowance Policy	100%	100%	12/02/2015
HRM 029	Training and Development Policy	100%	100%	23/02/2021
HRM 030	Travel and Subsistence Policy	100%	100%	11/05/2017
HRM 031	Uniform Allowance Policy	100%	100%	23/02/2021
HRM 032	Workplace Bullying	100%	100%	23/02/2021

### COMMENT ON WORKFORCE POLICY DEVELOPMENT

All policies are reviewed by Senior Management, the Employment Equity Committee as well as the ERWAT Board on an ad-hoc basis.

## 4.3 INJURIES, SICKNESS AND SUSPENSIONS

**TABLE 4.5: NUMBER AND COST OF INJURIES ON DUTY**

TYPE OF INJURY	INJURY LEAVE TAKEN	EMPLOYEES USING INJURY LEAVE	PROPORTION OF EMPLOYEES USING SICK LEAVE	AVERAGE INJURY LEAVE PER EMPLOYEE	ESTIMATED COST (BASIC)
	Days	No.	%	Days	R
Injury on duty	140	5	20%	46.67	175 002.41
Permanent disability	N/A	0	N/A	N/A	N/A
Temporary disability	N/A	0	N/A	N/A	N/A
<b>Totals</b>	<b>140</b>	<b>5</b>	<b>20%</b>	<b>46.67</b>	<b>175 002.41</b>

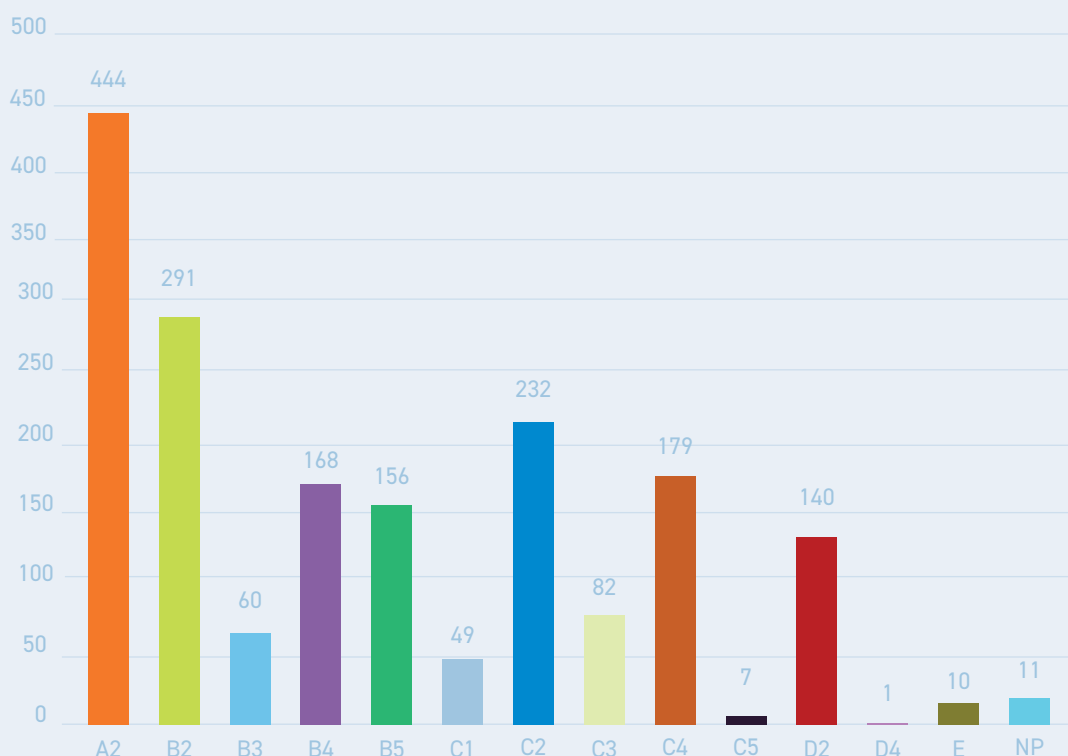
## MANAGING THE COMPANY'S WORKFORCE | Continued

**TABLE 4.6: NUMBER OF DAYS AND COST OF SICK LEAVE (EXCLUDING INJURIES ON DUTY)**

PATTERSON PROFILE LEVEL	TOTAL SICK LEAVE	EMPLOYEES USING SICK LEAVE	TOTAL EMPLOYEES IN POST	*AVERAGE SICK LEAVE PER EMPLOYEE	ESTIMATED COST (BASIC)
	Days	No.	No.	Days	R
Non-permanent	11	2	136	0.1	7 704.05
A	444	58	124	3.6	202 739.90
B	675	98	225	3	530 211.07
C	549	81	210	2.6	822 582.08
D	141	10	46	3.1	349 854.41
Executives	10	2	5	2	46 306.67
<b>Total</b>	<b>1830</b>	<b>251</b>	<b>746</b>	<b>2.5</b>	<b>1 959 398.19</b>

\*Average is calculated by taking sick leave in column 2 divided by total employees in column 4

**SICK LEAVE TAKEN  
(in Days)**



## MANAGING THE COMPANY'S WORKFORCE | Continued

### COMMENT ON INJURY AND SICK LEAVE

ERWAT's Human Resources Management (HRM) system enables the organisation to track all types of leave and report on such, on a quarterly basis.

**TABLE 4.7: DISCIPLINARY ACTION TAKEN ON CASES OF FINANCIAL MISCONDUCT**

POSITION	NATURE OF ALLEGED MISCONDUCT AND RAND VALUE ON ANY LOSS	DISCIPLINARY ACTION TAKEN	DATE FINALISED
HOD: Operations	Irregular expenditure	Employee to appear at the disciplinary hearing	Not confirmed
HOD: Human Resources	Irregular expenditure	Employee to appear at the disciplinary hearing	Not confirmed
4x Buyers	Irregular expenditure	Employee to appear at the disciplinary hearing	Not confirmed
SCM Specialist: Contract Management	Irregular expenditure	Employee to appear at the disciplinary hearing	Not confirmed
Acting Manager: SCM	Irregular expenditure	Employee to appear at the disciplinary hearing	Not confirmed
Interim HOD: Maintenance	Irregular expenditure	Employee to appear at the disciplinary hearing	Not confirmed
Research Scientist	Irregular expenditure	Employee to appear at the disciplinary hearing	Not confirmed
Senior Engineering Manager: Civil	Irregular expenditure	Employee to appear at the disciplinary hearing	Not confirmed
Engineering Manager	Irregular expenditure	Employee to appear at the disciplinary hearing	Not confirmed
District Manager	Irregular expenditure	Employee to appear at the disciplinary hearing	Not confirmed
Supply Chain Management Specialist	Irregular expenditure	Employee to appear at the disciplinary hearing	Not confirmed

**TABLE 4.8: DISCIPLINARY ACTION TAKEN ON CASES OF FINANCIAL MISCONDUCT**

POSITION	NATURE OF ALLEGED MISCONDUCT AND RAND VALUE ON ANY LOSS	DISCIPLINARY ACTION TAKEN	DATE FINALISED
N/A	N/A	N/A	N/A

## MANAGING THE COMPANY'S WORKFORCE | Continued

### COMMENT ON SUSPENSIONS AND CASES OF FINANCIAL MISCONDUCT

Head of Department: Finance and SCM was suspended in October 2020 on allegations of misconduct. Investigations are underway and the outcome of the investigations will determine the final decision.

### 4.4 PERFORMANCE REWARDS

#### COMMENT ON PERFORMANCE REWARDS

No performance rewards were awarded during the 2020/2021 financial year.



## COMPONENT C

## CAPACITATING THE COMPANY'S WORKFORCE

## INTRODUCTION TO WORKFORCE CAPACITY DEVELOPMENT

ERWAT has developed a six-year skills development plan, with information received from all departments, organisation and Personal Development Plans (PDP's) in order to ensure the advancement of skills development throughout the organisation. The training and development budget is linked to all the training needs received and are in line with the Workplace Skills Plan (2020/2021) submitted to the EWSETA.

## 4.5 SKILLS DEVELOPMENT AND TRAINING

TABLE 4.9: SKILLS MATRIX

MANAGEMENT LEVEL	GENDER	EMPLOYEES IN POST AS AT 30 JUNE 2021 NO.	NUMBER OF SKILLS EMPLOYEES REQUIRED AND ACTUAL AS AT 30 JUNE 2021											
			LEARNERSHIPS			SKILLS PROGRAMME AND OTHER SHORT COURSES			OTHER FORMS OF TRAINING			TOTAL		
			Actual: End of Year 19/20	Actual: End of Year 20/21	Year 20/21 Target	Actual: End of Year 19/20	Actual: End of Year 20/21	Year 20/21 Target	Actual: End of Year 19/20	Actual: End of Year 20/21	Year 20/21 Target	Actual: End of Year 19/20	Actual: End of Year 20/21	Year 20/21 Target
Senior Officials and Managers	Female	10	0	0	0	8	6	8	2	3	8	10	9	16
	Male	108	0	0	0	35	37	40	30	20	30	65	57	70
Technician and associate professional	Female	178	30	30	30	98	99	120	40	55	0	168	184	150
	Male	281	40	40	40	158	168	175	13	3	60	211	211	275
Professionals and unskilled	Female	52	0	0	0	20	26	50	4	6	10	24	32	60
	Male	117	0	0	0	78	84	40	1	5	14	79	89	54
Sub Total	Female	240	30	30	30	126	131	178	46	64	18	202	225	226
	Male	506	40	40	40	271	289	255	44	28	104	355	357	399
<b>Total</b>		<b>746</b>	<b>70</b>	<b>70</b>	<b>70</b>	<b>397</b>	<b>420</b>	<b>433</b>	<b>90</b>	<b>92</b>	<b>112</b>	<b>557</b>	<b>582</b>	<b>625</b>

TABLE 4.10: SKILLS DEVELOPMENT EXPENDITURE

GENDER	NO OF EMPLOYEES IN POST AS AT 30 JUNE 2021	ORIGINAL BUDGET AND ACTUAL EXPENDITURE ON SKILLS DEVELOPMENT					
		LEARNERSHIPS			SKILLS PROGRAMMES & OTHER SHORT COURSES		
		Actual: End 2019/2020	Actual: End of 2017/18	Actual: End 2019/2020	Actual: End of 2016/17	Actual: End 2019/2020	2017/18 Target
Female	240	R950 687	R850 000	R850 000	R545 896,50	R967 792	R967 792
Male	507	R1 359 587	R1 698 000	R1 698 000	R916 408,86	R1 564 000	R1 564 000
<b>Total</b>	<b>747</b>	<b>R2 310 274</b>	<b>R2 548 000</b>	<b>R2 548 000</b>	<b>R1 462 305.36</b>	<b>R2 535 792</b>	<b>R2 535 792</b>

## CAPACITATING THE COMPANY'S WORKFORCE | Continued

**TABLE 4.11: SKILLS DEVELOPMENT EXPENDITURE**

ORIGINAL BUDGET AND ACTUAL EXPENDITURE ON SKILLS DEVELOPMENT		
2020/2021	Original Budget	Actual
Totals	R5 082 792.79	R5 082 792.79

### COMMENT ON SKILLS DEVELOPMENT AND RELATED EXPENDITURE AND ON THE FINANCIAL COMPETENCY REGULATIONS

During the previous financial year, ERWAT progressed in implementing the six year rolling Training Plan in order to ensure that the enhancement of skills of all employees, and thus ensuring that there is a development process in the workplace. The 2020/2021 Workplace Skills Plan successfully submitted to Energy and Water Sectoral Education and Training Authority (EWSETA) and approved. Training is centred on Organisational, Departmental and lastly Personal Development Plans.

ERWAT has completed Wastewater Process Control & Operations Learnerships Programmes for seventy employees during Quarter 3 of the 2020-2021 Financial Year. The learnerships are aligned to the Training Plans and Personal Development Plans of the above-mentioned employees.

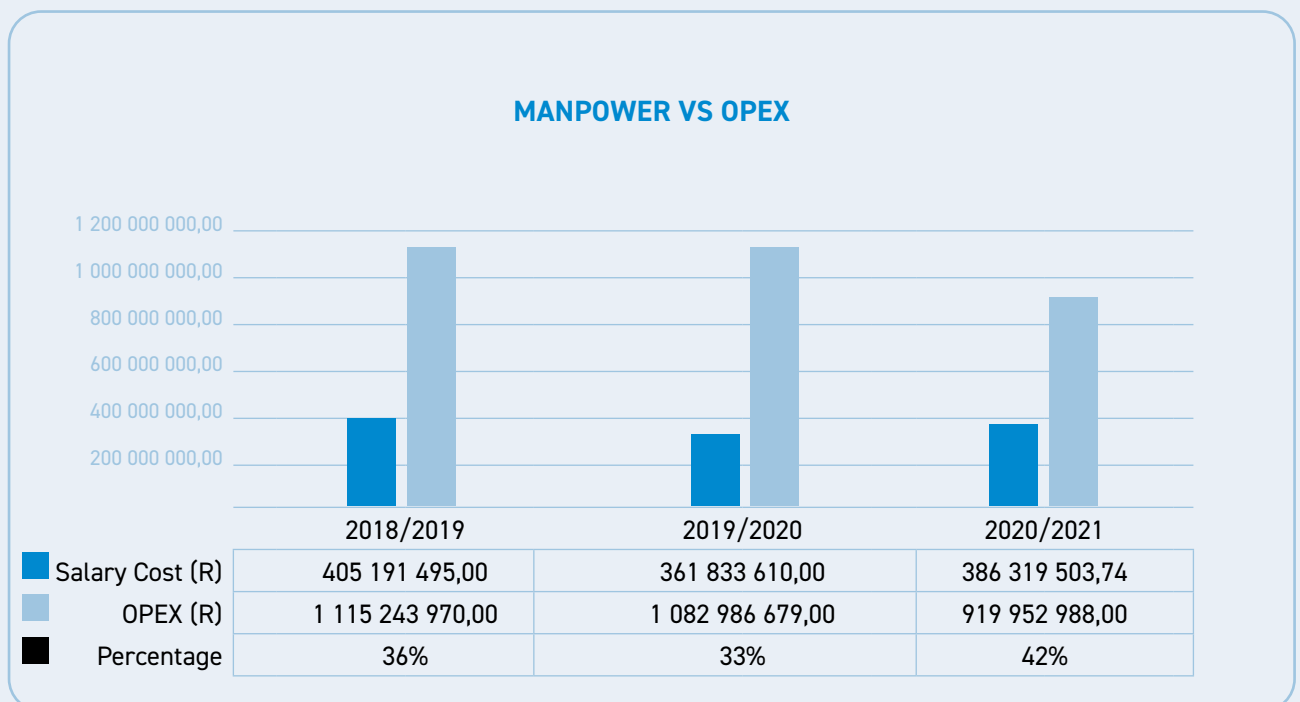
The impact of COVID-19 regulations delayed contact training specifically statutory (safety). In future, ERWAT is expected to increase training budget to one percent of the compensation budget as per legislation by the Skills Development Act 97 of 1998.

## COMPONENT D MANAGING THE WORKFORCE EXPENDITURE

### INTRODUCTION TO WORKFORCE EXPENDITURE

The effective management of workforce expenditure is critical to the success of the organisation. It enables the organisation to ensure the optimal utilisation of its current workforce and contribute in managing the overall manpower expenditure.

### EMPLOYEE EXPENDITURE



### COMMENT ON WORKFORCE EXPENDITURE

Increase in expenditure on manpower in ERWAT's revised employment structure has been approved and the process of filling vacancies has begun. Although most vacancies have not yet been filled, ERWAT has filled some of the D-band roles and is expecting to fill the other positions as planned before the end of the 2021/2022 financial year.

## MANAGING THE WORKFORCE EXPENDITURE | Continued

**TABLE 4.12: NUMBER OF EMPLOYEES WHOSE SALARIES WERE INCREASED DUE TO THEIR POSITIONS BEING UPGRADED**

PATERSON PROFILE GROUP	GENDER	TOTAL
A	Female	0
	Male	0
B	Female	23
	Male	137
C	Female	15
	Male	33
D	Female	0
	Male	0
E	Female	0
	Male	0
<b>TOTAL</b>		<b>208</b>

### COMMENT ON UPGRADED POSTS AND THOSE THAT ARE AT VARIANCE WITH NORMAL PRACTICE

During the period under review, the operations structure was reviewed and certain positions were upgraded and employees within the positions were promoted. In addition to the promotions, after the organisational restructuring in 2019, a dispute committee was formed to look into appeals from various departments. Six appeals were escalated to the Office of the MD for consideration and were approved.

## COMPONENT E

## INTRODUCTION TO THE COMPANY'S PERSONNEL

## DISCLOSURES OF FINANCIAL INTERESTS

Below is the declaration of interest from the Heads of Departments provided as required by the PM Regulations 805 of 2006.

TABLE 4.13: DISCLOSURES OF FINANCIAL INTEREST

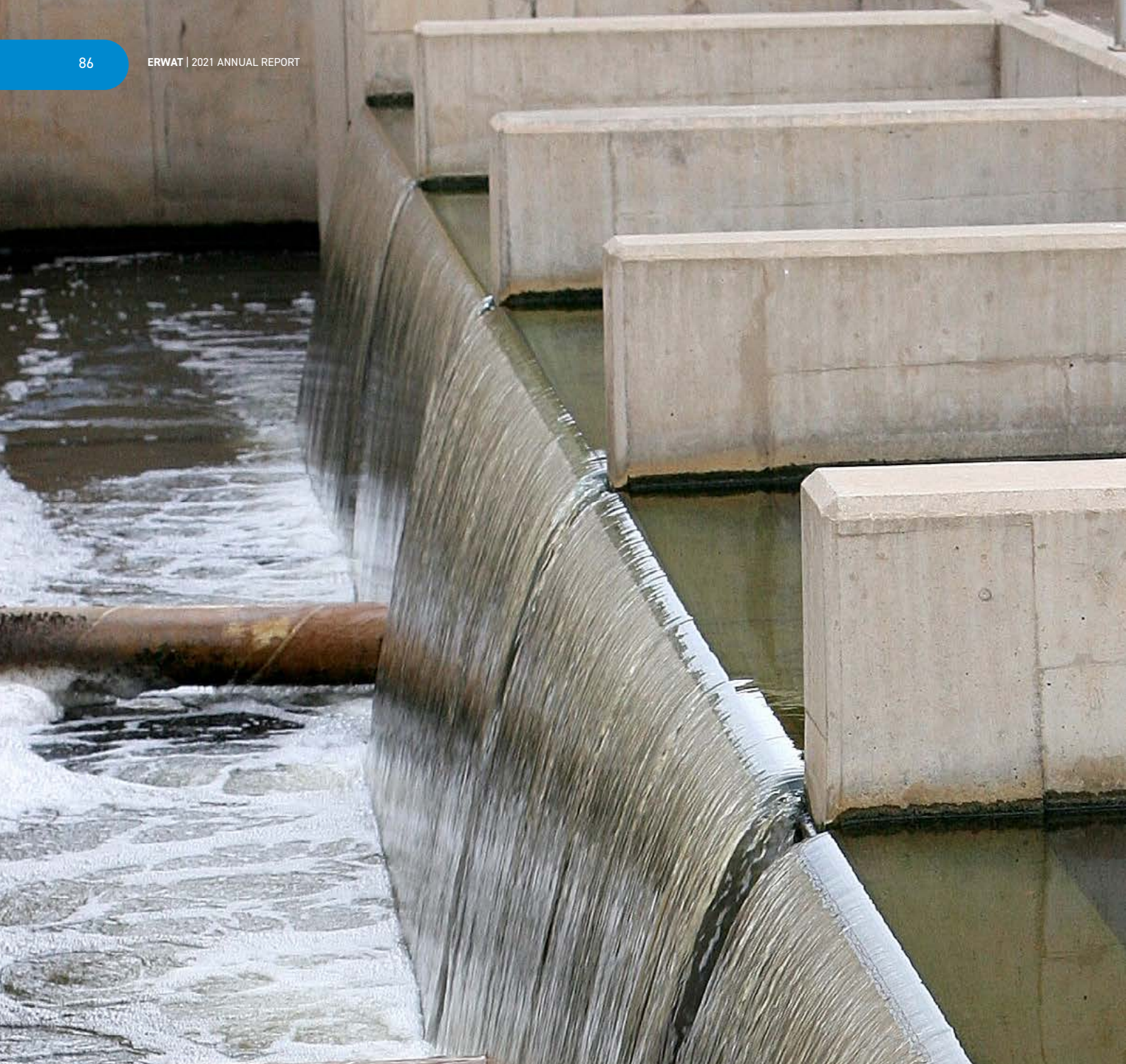
PERIOD 1 JULY 2020 TO 30 JUNE 2021		
POSITION	NAME	DESCRIPTION OF FINANCIAL INTERESTS (NIL / OR DETAILS)
Managing Director	Tumelo Gopane	Partnership : Farming Business
Head of Department: Finance & SCM	Wim Louw	Nil
Company Secretary	Zimasa Socikwa	Nil
Head of Department: Scientific Services	Alison Chapman	Nil
Head of Department: Operations	Fortune Mabunda	Nil
Head of Department: Human Resources	Rodney Barnes	Nil
Interim Head of Department: Commercial Business	Lelentle Motaung	Nil
Interim Head of Department: Infrastructure Planning and Projects	Karabo Nthethe	Nil
Interim Head of Department: Maintenance	Nganamakabane Mutyaba	Nil
Acting Head of Department: Finance and SCM	Dzunani Makgopa	Director: Mansah Consulting Director: Dzunare Trading



CHAPTER FIVE

# Financial Performance





## INTRODUCTION

Chapter 5 contains information regarding financial performance and highlights specific accomplishments. The chapter comprises of three components:

1. Component A: Statement of Financial Performance
2. Component B: Spending Against Capital Budget
3. Component C: Other Financial Matters

## COMPONENT A

# STATEMENTS OF FINANCIAL PERFORMANCE

### INTRODUCTION TO FINANCIAL STATEMENTS

This component provides an overview of the financial performance of the company and focuses on the financial health of the company.

ERWAT performed reasonably well in the year under review. Operating income decreased from R1,120 billion in 2019/2020 to R1,054 billion in 2020/2021 financial year. Operating expenditure also decreased from R1,125 billion in 2019/2020 to R919,5 million in 2020/2021 financial year.

**TABLE 5.1: FINANCIAL SUMMARY**

DESCRIPTION	REF	2018/2019	2019/2020	CURRENT YEAR 2020/2021			YEAR 2020/2021 VARIANCE	
		ACTUAL	ACTUAL	ORIGINAL BUDGET	ADJUSTED BUDGET	ACTUAL	ORIGINAL BUDGET	ADJUSTMENT BUDGET
		R'000	R'000	R'000	R'000	R'000	%	%
<b>Revenue by source</b>	<b>1</b>							
Service charges - sanitation revenue		791 929	879 041	975'734	927 734	929 381	95.2%	100.8%
Interest earned - external investments		2 884	2 861	3 722	3 722	3 951	106.2%	106.2%
Dividends received		182	97	0	0	60	0%	0.00%
Other revenue		110 571	112 570	124'664	83'228	61 933	49.7%	74.4%
<b>Total Revenue (excluding capital transfers and contributions)</b>		<b>905 566</b>	<b>994 569</b>	<b>1'104'120</b>	<b>1'014'684</b>	<b>995 327</b>	<b>90.1%</b>	<b>98.1%</b>
<b>Expenditure by type</b>								
Employee related costs		331 511	356 850	394 020	396 893	391 598	99.4%	98.7%
Debt impairment		696	-146	1'626	1 621	2 470	151.9%	152.4%
Depreciation & asset impairment		82 017	92 891	105'500	105 500	101 580	96.3%	96.3%
Finance charges		55 074	48 444	48'399	47 899	30 780	63.6%	64.3%
Bulk purchases	2	234 049	236 381	222'166	213 826	249 139	112.1%	116.5%
Other expenditure		272 468	117 760	123 498	131 727	95 784	77.6%	72.71%
Repairs and Maintenance			140 747	140 347	90 088	79 451	56.6%	88.2%
<b>Total Expenditure</b>	<b>3</b>	<b>978 106</b>	<b>992 928</b>	<b>1'104'120</b>	<b>1 014 684</b>	<b>950 803</b>	<b>86.1%</b>	<b>93.7%</b>
Surplus/(Deficit)		(72 540)	(1 641)	-	-	44 524		
Surplus/(Deficit) - Including Grants and Contributions		32 070	183 167	200 000	<b>49 830</b>	<b>49 830</b>	24.9%	100%

## STATEMENTS OF FINANCIAL PERFORMANCE | Continued

### TABLE 5.1: FINANCIAL SUMMARY CONTINUED

DESCRIPTION	REF	2018/2019	2019/2020	CURRENT YEAR 2020/2021			YEAR 2020/2021 VARIANCE	
		ACTUAL	ACTUAL	ORIGINAL BUDGET	ADJUSTED BUDGET	ACTUAL	ORIGINAL BUDGET	ADJUSTMENT BUDGET
		R'000	R'000	R'000	R'000	R'000	%	%
Transfers recognised - capital		(68 164)	(143 658)	(200 000)	(49 830)	49 830	24.9%	100%
Surplus/(Deficit) before taxation		(36 094)	39 482	-	-	0		
Taxation								
Surplus/(Deficit) for the year		(36 094)	39 482	-	-	0		
Capital Expenditure & funds sources	4, 6							
Capital Expenditure								
Funded by:		160 072	143 658	206'000	56'000	55'976	27.17%	99.96%
National Government		68 164	143 658	200'000	49 830	49'830	24.92%	99.66%
Transfers recognised - capital		68 164	143 643	200 000	50 000	49 830	24.92%	99.66%
To be determined								
Borrowing	1	-	-					
Internally generated funds		91 908	-	6 170	6 170	6 146	102.43%	102.43%
Total Capital Funding		160 072	143 658	206'000	56'000	55'976	27.17%	99.96%
Financial Position								
Total current assets		133 041	349 535	289 640	289 640	289 640	100%	100%
Total non-current assets		2 185 512	2 238 846	2 193 071	2 193 071	2 193 071	100%	100%
Total current liabilities		204 582	319 919	202 765	202 765	202 765	100%	100%
Total non-current liabilities		480 436	431 564	384 191	384 191	384 191	100%	100%
Equity		1 633 536	1 828 141	1 935 158	1 935 158	1 935 158	100%	100%
Cash flows								
Net cash from (used) operating		183 348	147 453	258 801	258 801	258 674	100%	100%
Net cash from (used) investing		(162 965)	(146 482)	(56 354)	(56 354)	(56 354)	100%	100%
Net cash from (used) financing		(52 842)	(53 388)	(53 600)	(53 600)	(53 473)	100%	100%
Cash/cash equivalents at the year end		54 485	2 067	150 914	150 914	150 914	100%	100%

## STATEMENTS OF FINANCIAL PERFORMANCE | Continued

### COMMENT ON FINANCIAL PERFORMANCE:

#### MATERIAL DIFFERENCES BETWEEN BUDGET AND ACTUAL AMOUNTS

Total Revenue - 99% achieved due to the following reasons:

1. Decline in revenue from commercial business due to loss of pump station contract during the financial year.

**Total operating expense - 90% achieved due to the following reasons:**

#### Depreciation

The expenditure for the year to date is below the YTD budget. The under-expenditure is due to delays in finalising and capitalisation of projects, some of which were halted due to late payment of contractors as ERWAT has been having challenges in collecting USDG funds timeously from the CoE.

**Interest expense was 38% lower than the YTD budget.**

The reduction of interest rates has resulted in a significant reduction in the interest incurred during the 2020/2021 financial period.

#### Other expenditure

Health and Safety – Planned laundry tender was put on hold due to the budget cut that happened.

Consulting fees – Halted feasibility studies in an effort to priorities core expenditure.

Training – Limited contact training sessions due to adherence to COVID-19 protocols.

Printing and Stationery – Due to the vast number of staff being based at home.

#### Employee related cost – Salaries and Wages

The expenditure for the year to date is 2% below the YTD budget.

ERWAT's revised employment structure has been approved and the process of filling vacancies has begun. Although most vacancies have not yet been filled, ERWAT has filled some of the D-band roles and is expecting to fill the other positions as planned before the end of the financial year.

## 5.2 GRANTS

**TABLE 5.2: GRANT PERFORMANCE**

DESCRIPTION	2019/2020		2020/2021			
	ACTUAL R'000	BUDGET R'000	ADJUSTMENT BUDGET R'000	ACTUAL R'000	ORIGINAL BUDGET %	ADJUSTMENT BUDGET %
Other grant providers – the CoE capital grant	143 658	200 000	49 830	49 830	25%	100%
<b>TOTAL</b>	<b>143 658</b>	<b>200 000</b>	<b>49 830</b>	<b>49 830</b>	<b>25%</b>	<b>100%</b>

## STATEMENTS OF FINANCIAL PERFORMANCE | Continued

### COMMENT ON OPERATING TRANSFERS AND GRANTS

The parent municipality, CoE, allocates a portion of the infrastructure grants toward bulk sanitation services. This amounted to R206m in the 2020/2021 financial year. This is the only grant that ERWAT received from the CoE.

Due to delays in the implementation of CAPEX projects, ERWAT had to surrender R150m of its CAPEX grant to the CoE during the year, leaving the entity with a grant amount of R50m.

ERWAT has experienced major challenges with collecting outstanding invoices for both USDG as well as service charged from the CoE in the 2020/2021 financial year.

This has resulted in non-compliance with the MFMA in terms of payment to suppliers within 30 days, and in some instances, contractors abandoning site and delaying infrastructure projects.

### 5.3 ASSET MANAGEMENT

#### INTRODUCTION TO ASSET MANAGEMENT

The South African Constitution requires municipalities (and municipal entities) to strive, within their financial and administrative capacity, to achieve the following objectives:

1. Providing democratic and accountable government for local communities;
2. Ensuring the provision of services to communities in a sustainable manner;
3. Promoting social and economic development;
4. Promoting a safe and healthy environment; and
5. Encouraging the involvement of communities

and community organisations in matters of local government.

The manner in which the company manages its capital assets is central to meeting the above requirements. Accordingly, the Municipal Systems Act specifically highlights the duty of municipalities (and municipal entities) to provide services in a manner that is sustainable. Also, the MFMA requires municipalities and municipal entities to utilise and maintain their assets in an effective, efficient, economical and transparent manner. The MFMA specifically places responsibility for the management of capital assets with the accounting officer.

The company is also required to comply with GRAP. ERWAT converted to GRAP on 1 July 2009.

The Occupational Health and Safety Act requires entities to provide and maintain a safe and healthy working environment, and in particular, to keep its immovable capital assets safe.

Effective management of capital assets is central to the entity providing an acceptable standard of services. Capital assets impacts on the quality of the living environment and opportunities to prosper. Not only is there a requirement to be effective, but the manner in which the entity discharges its responsibilities as a municipal entity is also important. The entity must demonstrate good governance and customer care, and the processes adopted must be efficient and sustainable. Officials are custodians of the capital assets.

The goal of asset management is to achieve the required level of service in the most cost-effective

## STATEMENTS OF FINANCIAL PERFORMANCE | Continued

manner, which is achieved through management of the asset's life cycle.

Key elements of the asset management policy include the asset strategy and asset management plans.

### ASSET STRATEGY

The entity adopts an integrated approach to asset management:

1. Taking the entity's strategy, converting that into an asset management strategy and producing plans based upon an analysis of service delivery options;
2. Formulating an asset management strategy consisting of detailed plans for acquisitions and replacements, operation and maintenance as well as disposals in terms of the entity's policies;
3. Informing the annual budget, using the detailed plans;
4. Funding each approved asset management plan appropriately through the budget;
5. Including in the SDBIP the measurable objectives and targets of each asset management plan;
6. Reporting on the performance of assets as measured in terms of service delivery

### ASSET MANAGEMENT PLANS

The development of asset management plans is an interactive process that starts with the identification of service delivery needs and ends with an approved "multi-year" budget based on the most cost-effective method of delivering that service.

During that process the asset manager should:

1. Consider the service-level requirements;
2. Review the current levels of service provided

from the relevant assets;

3. Conduct a gap analysis of the required vs. current service levels;
4. Identify a range of options to resolve that service-level gap;
5. Conduct a preliminary assessment of the feasibility of various options;
6. Develop a business case for the most feasible option or options. This business case should include:
  - 6.1 The proposed service delivery option;
  - 6.2 Identified benefits and identified needs;
  - 6.3 A full life-cycle-costs forecast;
  - 6.4 Reliable revenue forecasts including other funding sources;
  - 6.5 A risk assessment across the whole life cycle of each option, and
  - 6.6 Performance measures that can be used to assess the success of the options and implementation progress.

The asset manager will consult with other divisions in the development of the entity's asset management plans. For example, they should:

1. Review any legislative issues with the entity's legal department;
2. Review any human resource issues with the human resource manager; and
3. Review other issues with any other relevant managers, e.g., information technology, chief financial officer and HR.

An asset's life-cycle is determined by its useful life to the entity. This useful life might be shorter than its economic life.

### ASSET LIFECYCLE

The asset life-cycle is a key concept underpinning asset management. An asset life-cycle covers all

## STATEMENTS OF FINANCIAL PERFORMANCE | Continued

phases of an asset's life starting with planning, through its acquisition, operation, maintenance and eventual disposal. Management of these phases should be aligned to the entity's planning, budgeting, monitoring and reporting processes. In summary the phases are as follows:

1. The planning phase deals with the planning for service delivery that drives the need for assets. This phase will include input into the budget and asset management plans. Various acquisition options should be considered during this phase.
2. The acquisition phase deals with the purchase, construction or manufacture of new assets.
3. The operation and maintenance phase deals with the operation of the assets, maintenance/refurbishment, enhancement/rehabilitation, depreciation and impairment. This phase includes activities of a capital and current nature.
4. The disposal phase deals with the timing of and disposal of the assets including the disposal costs and specific requirements for the assets, e.g. dismantling costs, etc.

An asset's life-cycle is determined by its useful life to the entity. This useful life might be shorter than its economic life.

### 1. Asset life-cycle costs

A clear understanding of asset life-cycle costs is crucial for the development of cost-effective asset management plans and options. The analysis of life-cycle costs should cover the four broad phases, thus covering the entire life of the asset, including any environmental rehabilitation at the end of its life.

This analysis will be based upon estimates and include all cash flows such as operation, maintenance, administration, capital, and financing costs. The budget should differentiate between capital and operational costs including depreciation.

These are typical asset life-cycle costs:

- 1.1 Planning-phase costs – concept design costs, scientific studies, environmental impact studies and feasibility studies. These costs are usually incurred when weighing up the different options, before deciding on the best option.
- 1.2 Acquisition-phase costs and revenues – special levies, purchase price/construction costs (labour, materials, and components), detailed design costs (not feasibility analysis), transportation costs, installation and commissioning cost, use of own assets in construction (limited to depreciation over duration of use), freight, legal fees, warehousing costs, initial consumables (e.g. initial set of tyres for a vehicle) and all other costs required to bring that asset to its proper working condition and location for intended use (excluding training on use of the new asset, should this be required).
- 1.3 Operation and maintenance-phase costs:
  - Operation - fuel or energy costs, operational labour, security costs, safety costs, training costs, performance monitoring costs, cleaning costs and consumables.
    - 1.3.1. Maintenance - spare parts and repair labour.
    - 1.3.2 Administration (asset specific) - insurance, rates and taxes, management fees, etc.
    - 1.3.3. Rehabilitation and renewal - upgrade costs, modification costs if this improves asset life etc. (capital), re-training costs (current), etc.
    - 1.3.4. Asset-related receipts – tariffs, etc.
- 1.4. Disposal-phase costs - disposal costs (like auctioneer fees, etc.), storage costs, environmental rehabilitation costs, decommissioning costs, demolition costs, etc.

## STATEMENTS OF FINANCIAL PERFORMANCE | Continued

### 2. Planning, budgeting phase and funding

The entity needs to plan for the level of services they need and how they will use the available funds to maintain and expand those services. This should include service delivery options and funding alternatives.

This phase requires clear answers to the following questions:

- 2.1. What existing assets does the entity have and where are they? (Asset registers)
- 2.2. What is the existing assets worth? (Valuation)
- 2.3. What are their condition and their expected remaining useful life? (Condition assessments)
- 2.4. What is the expected or required level of service?
- 2.5. How can that level of service be achieved? (Asset management and operational plans)
- 2.6. What additional assets does the entity require? (Gap analysis)
- 2.7. How much will that level of service cost and when or how can we fund it? (Multi-year capital and operating budgets)
- 2.8. How can we ensure that level of service is “financially sustainable”? (Fiscal policy, short to long-term financial plans)
- 2.9. How will we manage and monitor the delivery of that level of service? (Performance management system and performance agreements).
- 2.10. The funding strategies should optimise the entity's ability to achieve its strategic objectives. Loans to acquire assets should not be longer than the life of the assets they are used to acquire
- 2.11. The funding strategy should consider available sources of finance such as operating surpluses, cash-backed reserves, loans, grants, and cash donations. This should be part of a long-term cash flow forecast

**TABLE 5.3: TREATMENT OF THE THREE LARGEST ASSETS ACQUIRED IN 2020/2021**

ASSET 1	
Name	Vlakplaats – Flow Distribution & Motor Control Centers and Scada System
Description	Capacity enhancement and plant optimisation
Asset type	Fixed (Infrastructure)
Key staff involved	Development, Supply Chain and Finance
Staff responsibilities	Project manager ensures that quality work is performed
Year	2020/2021
Asset value	18 170 208
Capital implications	
Future purpose of asset	Asset built to meet plant capacity needs
Describe key issues	
Policies in place to manage asset	Asset management policy

## STATEMENTS OF FINANCIAL PERFORMANCE | Continued

**TABLE 5.3: TREATMENT OF THE THREE LARGEST ASSETS ACQUIRED IN 2020/2021**

ASSET 2	
Name	Olifantsfontein – Biofilter Upgrade Project
Description	Capacity upgrade
Asset type	Fixed (Infrastructure)
Key staff involved	Development, Supply Chain and Finance
Staff responsibilities	Project manager ensures that quality work is performed
Year	2020/2021
Asset value	23 508 126
Capital implications	
Future purpose of asset	Asset built to meet plant capacity needs
Describe key issues	
Policies in place to manage asset	Asset management policy
ASSET 3	
Name	Waterval – Replacement of blowers
Description	Plant optimisation
Asset type	Fixed (Infrastructure)
Key staff involved	Development, Supply Chain and Finance
Staff responsibilities	Project manager ensures that quality work is performed
Year	2020/2021
Asset value	3 079 578
Capital implications	
Future purpose of asset	Asset built to meet plant capacity needs
Describe key issues	
Policies in place to manage asset	Asset management policy

### COMMENT ON ASSET MANAGEMENT:

The status of all the assets including assets at the plants were ascertained during the year. The need was identified to formalise the asset policy, strategy and plans. These issues will be addressed in the 2021/22 financial year.

On the positive side, a strong leadership is in place for asset management. A culture of open-mindedness towards improvement and intent to change exists which will support the implementation of the asset management policy and plans.

## STATEMENTS OF FINANCIAL PERFORMANCE | Continued

**TABLE 5.4: REPAIRS AND MAINTENANCE EXPENDITURE 2020/2021**

DETAIL	ORIGINAL BUDGET	ADJUSTMENT BUDGET	ACTUAL	BUDGET VARIANCE
Repairs and maintenance expenditure	140 347	90 088	79 451	88%

### COMMENT ON REPAIR AND MAINTENANCE EXPENDITURE

The Maintenance Department, led by an acting Head of Department is responsible for all repairs and maintenance work in the company. Expenditure on maintenance, both planned and ad hoc maintenance is extremely important as it not only improve efficiencies on the plants but extend the useful lives of the infrastructure.

ERWAT also has a facilities development plan that provide for long term infrastructure needs. This is executed by the development department in consultation with all other relevant departments.

## 5.4 FINANCIAL RATIOS BASED ON KEY PERFORMANCE INDICATORS

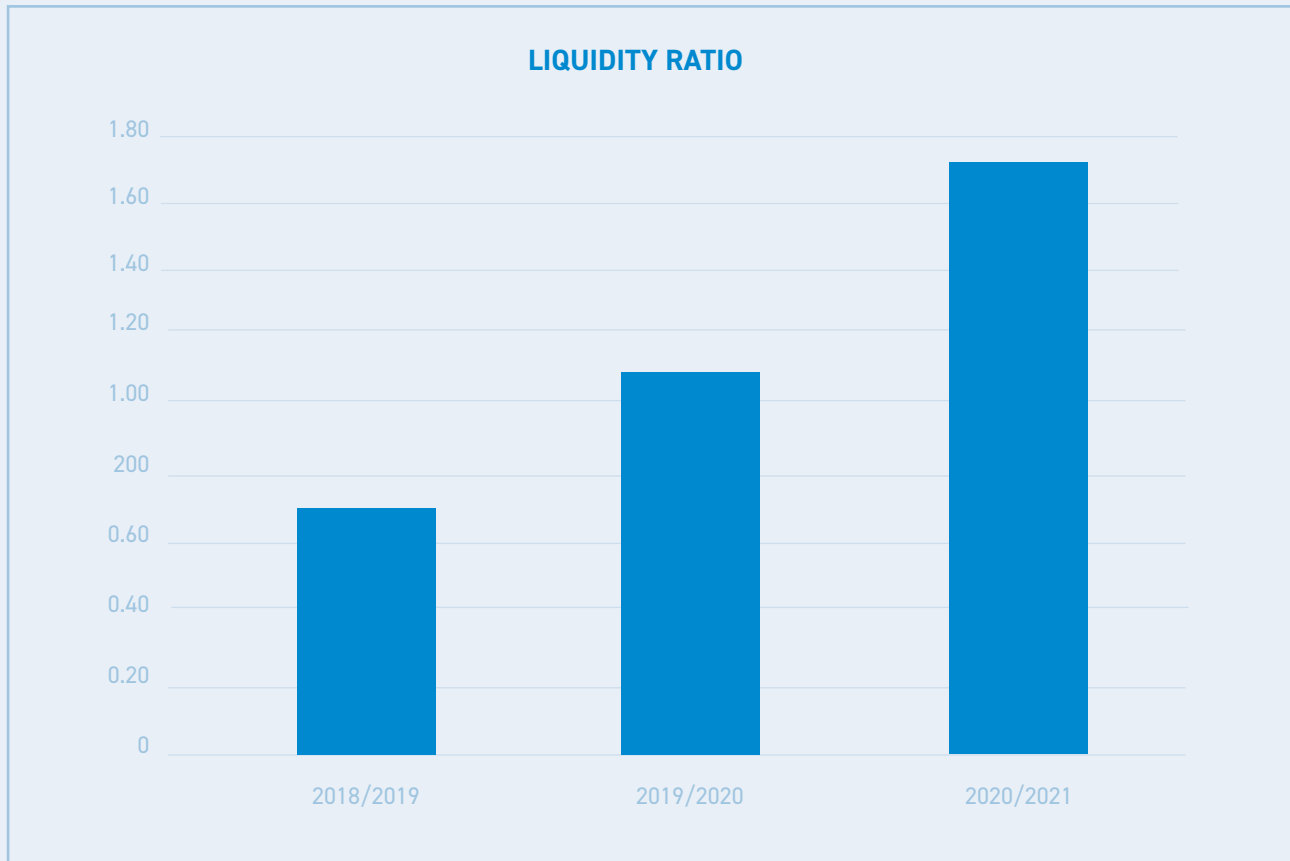
### LIQUIDITY

ERWAT's current ratio improved from 1.54:1 in 2019/20 to 1.67:1 in the 2020/21 year. This is mainly as a result of improved working capital management within the entity.

### SOLVENCY

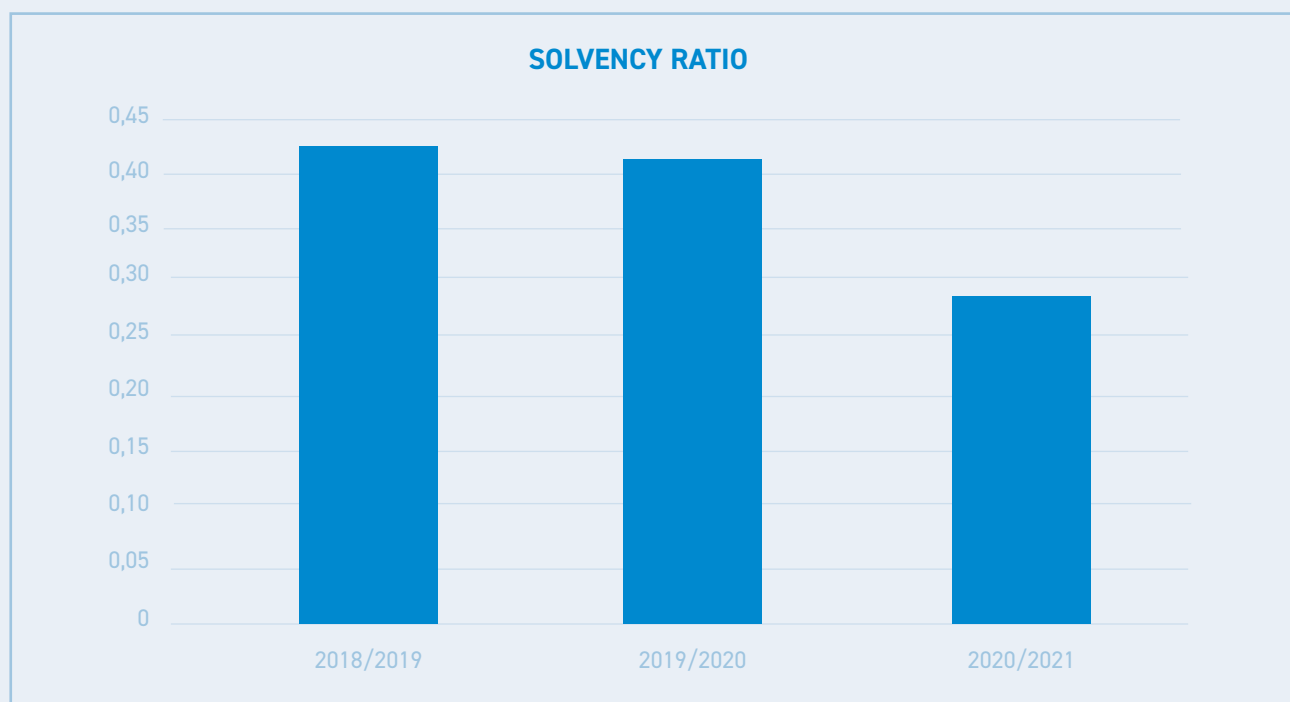
ERWAT's debt: equity ratio has improved from 0.36 to 0.29 from the 2019/2020 to 2020/2021 Financial year. This is due to the reduction in borrowings as a result of repayments. ERWAT has de-emphasised on the use of debt as a form of CAPEX funding.

## STATEMENTS OF FINANCIAL PERFORMANCE | Continued



### SOLVENCY RATIO

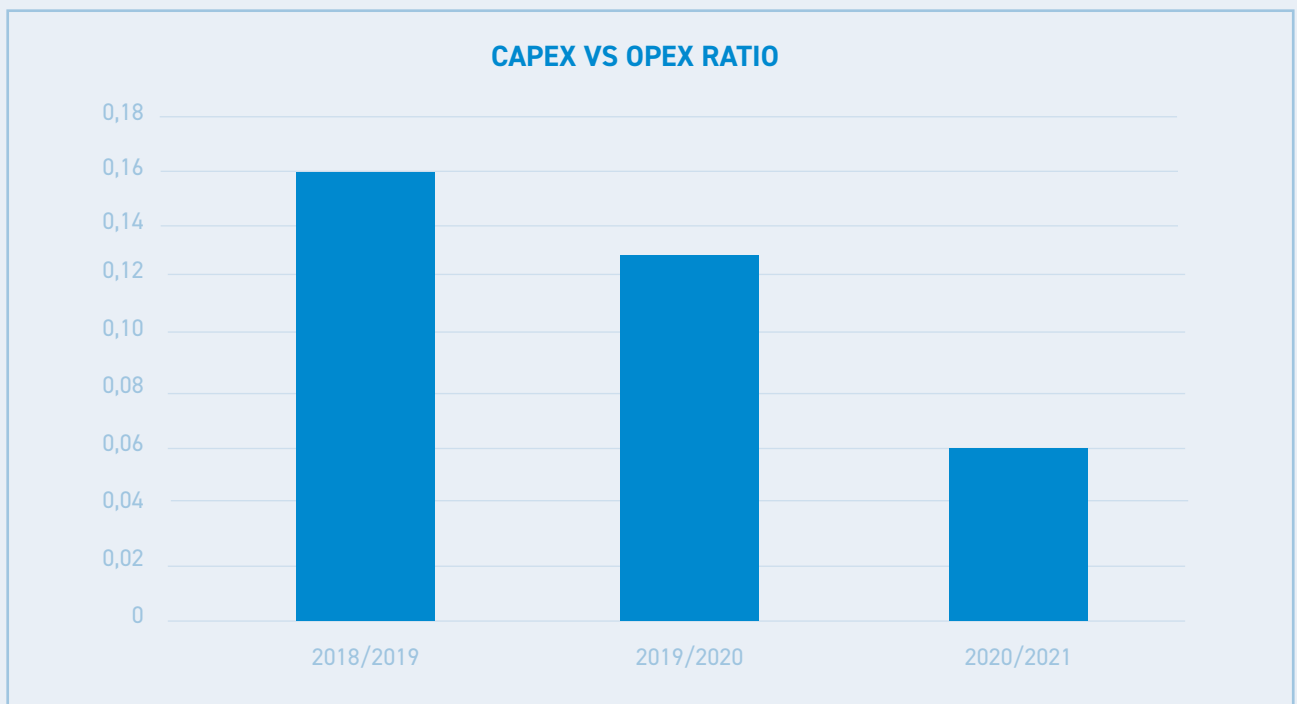
The company's solvency position improved from a solvency ratio of 0.41 in 2019/20 to 0.29 in 2020/21.



## STATEMENTS OF FINANCIAL PERFORMANCE | Continued

### CAPITAL EXPENDITURE TO OPERATING EXPENDITURE RATIO

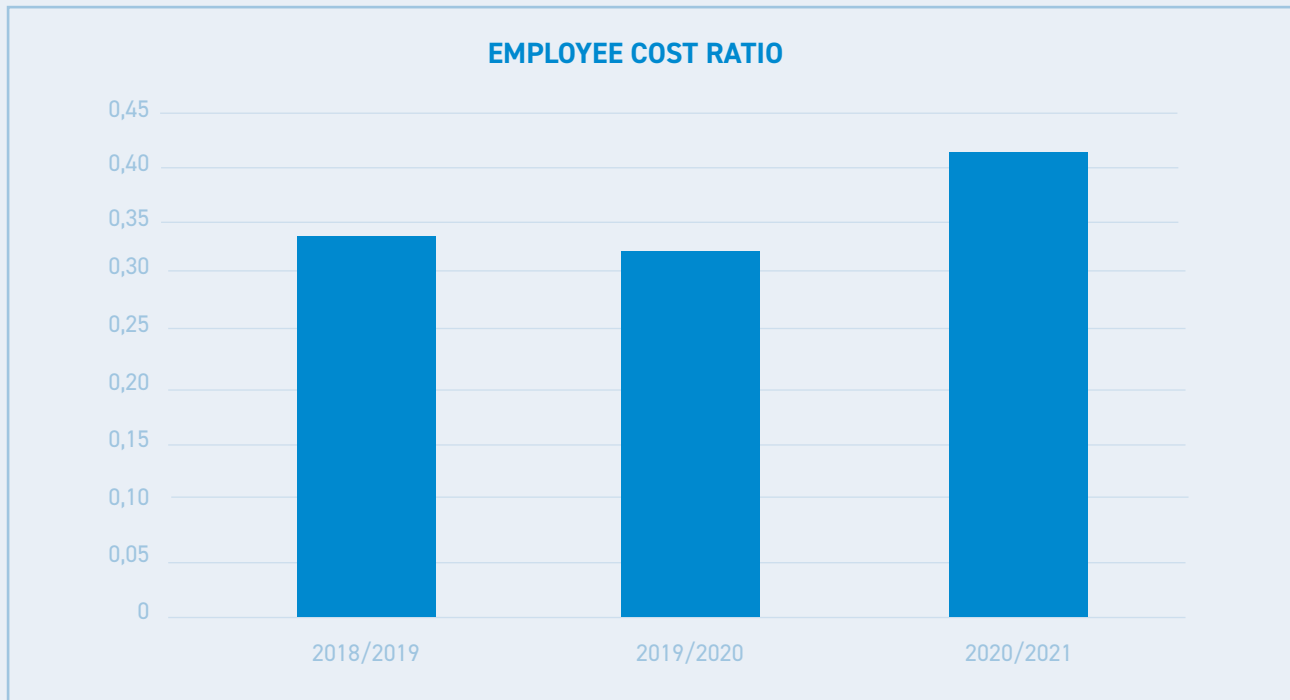
This ratio has slightly deteriorated from 0.13:1 in 2019/20 to 0.06:1 in 2020/21. Significant steps have been taken by the Board of Directors and management to improve the situation and address the issues of capacity and project management skills as well as improved planning.



## STATEMENTS OF FINANCIAL PERFORMANCE | Continued

### EMPLOYEE COST RATIO

Employee cost as a percentage of operating expenditure has increased significantly from 32.30% in 2019/20 to 42% in 2020/21.



### COMMENT ON FINANCIAL RATIOS

The financial health of ERWAT has shown improvement during the year, with both its solvency and liquidity positions having improved at 30 June 2021.

## COMPONENT B SPENDING AGAINST CAPITAL BUDGET

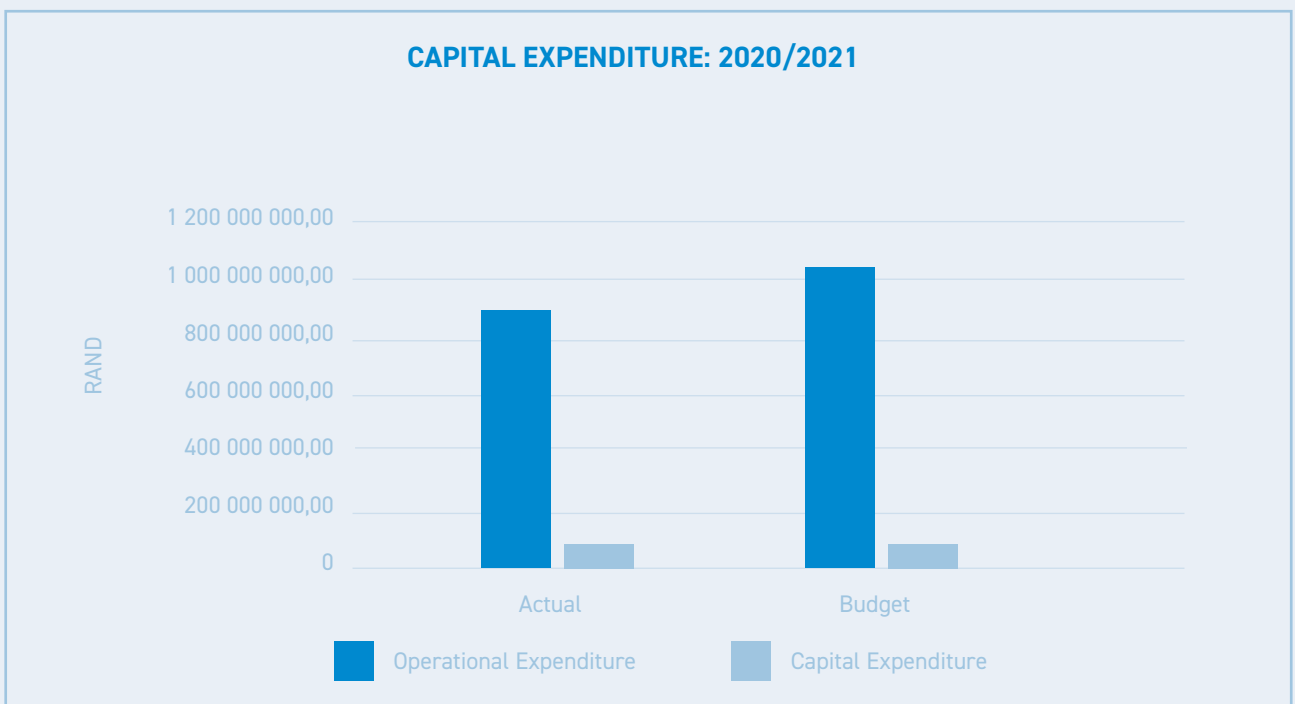
### INTRODUCTION TO SPENDING AGAINST CAPITAL BUDGET

Capital expenditure for the year amounted to R55,976 million, which is 100.26% of the budget of R55,830 million.

Capital expenditure relates mainly to construction projects that will have value lasting over many years. Capital expenditure is funded from grants, borrowings and operating expenditures and surpluses.

Component B, deals with capital spending indicating where the funding comes from and whether the company is able to spend the available funding as planned. The different sources of funding as well as how these funds are spent are indicated.

### 5.5 CAPITAL EXPENDITURE



### 5.6 SOURCES OF FINANCE

#### COMMENT ON SOURCES OF FUNDING:

ERWAT had long-term loans from Infrastructure Finance Corporation Ltd (INCA) and Nedbank. The loans are used specifically to fund long-term infrastructure projects such as the extension of existing Water Care Works and construction of new Water Care Works. The other sources of funding are own funds, generated through savings as well as the USDG allocation from the CoE.

## SPENDING AGAINST CAPITAL BUDGET | Continued

### 5.7 CAPITAL SPENDING ON 5 LARGEST PROJECTS

**TABLE 5.5: SOURCE OF CAPITAL FUNDING**

SOURCE OF FINANCE	2019/2020	2020/2021			
	ACTUAL	ORIGINAL BUDGET	ADJUSTMENT BUDGET	ACTUAL	VARIANCE
	R'000	R'000	R'000	R'000	%
Grant	143 643	200 000	49 830	49 830	0%
Internally generated funding		6 000	6 000	6 866	14%
External loan	-	-		-	0.00%
<b>TOTAL</b>	<b>143 643</b>	<b>206 000</b>	<b>55 830</b>	<b>56 696</b>	<b>1.6%</b>
<b>Percentage of finance</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
Grant	100.00%	97.09%	89.26%	100.00%	N/A
Internally generated funding	0.00%	2.91%	10.74%	0.00%	N/A
External loan	0.00%	0.00%	0.00%	0.00%	N/A

**TABLE 5.6: CAPITAL EXPENDITURE OF 5 LARGEST PROJECTS\***

NAME OF PROJECT	CURRENT: 2020/21			VARIANCE: CURRENT 2020/21	
	ORIGINAL BUDGET	ADJUSTMENT BUDGET	ACTUAL EXPENDITURE	ORIGINAL VARIANCE (%)	ADJUSTMENT VARIANCE (%)
A - Olifantsfontein up-grade/refurbishment of Biofilter Module (3)	R4,000,000	R4,000,000	R3,123,531	22%	0%
B - Vlakplaats Modification to flow Diversion	R22,915,000	R22,915,000	R15,471,341	32%	0%
C - Olifantsfontein up-grade/refurbishment of Biofilter Module (3)	R17,500,000	R17,054,783	R17,054,783	3%	3%
D - MCC Panels at Vlakplaats	R3,620,793	R3,620,793	R3,620,794	0%	0%
E - Biofilter Plastic Media at Olifantsfontein Water Care Works (WCW)	R 3,500,000	R 3,327,312	R 3,327,312	5%	5%

\* Projects with the highest capital expenditure in 2020/21

## SPENDING AGAINST CAPITAL BUDGET | Continued

**TABLE 5.6: CAPITAL EXPENDITURE OF 5 LARGEST PROJECTS\* CONTINUED**

<b>NAME OF PROJECT - A</b>	<b>OLIFANTSFONTEIN UPGRADE/REFURBISHMENT OF BIOFILTER MODULE (3)</b>
Objective of Project	<p>Main objectives is to appoint a professional service provider to implement the following:</p> <ol style="list-style-type: none"> <li>1. Rehabilitation of module 3 by rerouting flow to six old PSTs as the existing module 3 main PST is decommissioned due to the dolomitic conditions of the area</li> <li>2. Design for the lining of emergency ponds</li> <li>3. Design and construction of a new PST to replace the PST which was decommissioned.</li> </ol> <p>This project aims to fully restore the functionality and complete restoration of the plant and ensure that Olifantsfontein WCW improves effluent quality and complies with the Water Use License after failure to take reasonable measures to prevent pollution from occurring, continuing or recurring at Olifantsfontein WCW.</p>
Delays	The assessment on the lining of dams is delayed due to emptying of the emergency dams
Future Challenges	Due to the plant being overloaded, the plant is heavily dependent on the emergency dams to managed excess flow into the plant
Anticipated citizen benefits	To restore the plant capacity and ensure that Olifantsfontein WCW complies with the Water Use License.
<b>NAME OF PROJECT - B</b>	<b>VLAKPLAATS WCW MODIFICATION TO FLOW DIVERSION</b>
Objective of Project	The objective is to augment and add peak flow balancing capacity through building retention ponds which will lead to increased storage and to enhance the capacity to handle the incoming hydraulic and organic loads, and conversion of some of the existing maturation ponds in a form of construction and lining of the emergency ponds lining system.
Delays	Inclement weather as construction was further delayed as a result of the rainy season, i.e. experiencing heavy rainfall from December 2020 – April 2021
Future Challenges	The delays in payment of service provider affecting the procurement of ponds liner materials
Anticipated citizen benefits	To improve the quality of effluent and increase the retention time of the plant
<b>NAME OF PROJECT - C</b>	<b>OLIFANTSFONTEIN WCW UPGRADE/REFURBISHMENT OF BIOFILTER MODULE (3)</b>
Objective of Project	The objective of the projects is to resuscitate the biological filtration module at the Olifantsfontein Water Care Woks in order to help mitigate the overcapacity that considerably contributes to the non-compliance of the plant.
Delays	Late payments resulted in contractor decelerating on site and reducing resources and manpower due to contractors cash flow being affected.
Future Challenges	None
Anticipated citizen benefits	To restore the plant capacity and ensure that Olifantsfontein WCW complies with the Water Use License

## SPENDING AGAINST CAPITAL BUDGET | Continued

**TABLE 5.6: CAPITAL EXPENDITURE OF 5 LARGEST PROJECTS\* CONTINUED**

NAME OF PROJECT - D	MOTOR CONTROL CENTRE PANELS AT VLAKPLAATS WCW
Objective of Project	The objective is to enable plant automation, remote monitoring and data acquisition. The new Motor Control Centres (MCC) will also assist to eliminate the unsafe working conditions
Delays	Delays might be expected on the project deliverables because of travelling limitations caused by COVID-19 traveling restrictions
Future Challenges	Community unrest
Anticipated citizen benefits	High quality wastewater treatment system
NAME OF PROJECT - E	BIOFILTER PLASTIC MEDIA AT OLIFANTSFONTEIN WATER CARE WORKS (WCW)
Objective of Project	To rehabilitate the trickling filter plant by replacing the rock filter media with a lighter filtration synthetic media which will provide a system to recycle the liquid leaving the trickling filter back, into the trickling filters
Delays	COVID-19 negatively affected progress and delay of material delivery and workmanship delay due to lockdown.
Future challenges	None
Anticipated citizen benefits	To optimise and improve performance of the biological filtration module to comply with the Water Use License

### COMMENTS ON CAPITAL PROJECTS

The five largest Capital projects are Olifantsfontein WCW upgrade/refurbishment of biofilter module (3); Vlakplaats WCW modification to flow diversion; Olifantsfontein WCW upgrade/refurbishment of biofilter module (3); Motor Control Centre panels at Vlakplaats WCW and Biofilter plastic media at Olifantsfontein Water Care Works (WCW).

The costs and actual expenses on these projects are provided in the table above.

## 5.8 BASIC SERVICE AND INFRASTRUCTURE BACKLOGS – OVERVIEW

### INTRODUCTION TO BASIC SERVICE AND INFRASTRUCTURE BACKLOGS

The City of Ekurhuleni (CoE) and Ekurhuleni Water Care Company (ERWAT) undertook a comprehensive Wastewater Conveyance and Treatment Systems Regionalisation and 50-year Master Plan to provide direction for wastewater treatment infrastructure planning, investment and implementation to the year 2070. The study included a review of the City's current wastewater treatment infrastructure and an analysis of alternative solutions to accommodate future wastewater treatment needs.

The urgent required WCW capacity upgrades to accommodate the current legal commitments, including Human Settlements projects in line with the 50-year Master Plan and Regionalisation of WCW in a short to medium term, is illustrated on the next page.

## SPENDING AGAINST CAPITAL BUDGET | Continued

**TABLE 5.7: SERVICE BACKLOGS AS AT 30 JUNE 2021**

NO	WATER CARE WORKS (WCW)	ULTIMATE 50-YEAR CAPACITY (ML/D)	DESIGN/ REGRADED CAPACITY (ML/D)	OPERATING CAPACITY (ML/D)	BACKLOG UPGRADE CAPACITY (ML/D)	2025 CAPACITY UPGRADE (ML/D)	2035 CAPACITY UPGRADE	2075 CAPACITY UPGRADE (ML/D)
1	Jan Smuts	9	4,5	11,46	6,96	4,5		
2	Vlakplaats	83	55	114,19	59,19	28		
3	Waterval	663	170	353,2	183,2	250	119	180
4	Ancor	100	15	28,54	13,54	35	15	35
5	Herbert Bickley	124,1	15,1	21,12	6,02	25	45	40
6	Olifantsfontein	196	65	106,64	41,64	50	20	50
7	Welgedacht	274	87	81,38		60	80	40
8	Ratanda	23,7	4,7	4,05		10	10	
9	Hartebeestfontein	287	63	53,52		40	40	150
10	JP Marais	15	15	11,9				
11	Rondebult	20	20	13				

### COMMENT ON BACKLOGS

ERWAT is currently experiencing capacity constraints at most of the Water Care Works. This will affect the City of Ekurhuleni in meeting the Growth and Development Strategy (GDS2055), which will directly impact the development of the Aerotropolis, mega catalytic projects and economic growth. The demand for wastewater treatment services and its resources is increasing continuously within the City of Ekurhuleni (CoE) due to the rapid growth of population and urbanisation. ERWAT does not access MIG grants for capital projects.

## COMPONENT C

**CASH FLOW MANAGEMENT AND INVESTMENTS****INTRODUCTION TO CASH FLOW MANAGEMENT AND INVESTMENTS**

Cash flow is the lifeblood of our business. Cash comes from sales and collections of account receivables. Cash flows out to meet all expenses and debt obligations of the business. The goal of good cash flow management is to have enough cash on hand when you need it.

ERWAT manages cash flow conservatively. ERWAT does not have any significant long-term investments and available cash consists of own funds used primarily for operating expenditure, whereas grants and loans are used exclusively for the funding of larger capital projects. Minor capital is funded through savings in operating expenditure and depreciation.

ERWAT prepares the cash flow projection for the financial year and the cash flow budget is approved on/ or before the 30 May by the Board of Directors. The actual cash flow is monitored against the budget on a monthly basis and variances are reported to the Board of Directors as well as the CoE monthly and quarterly.

## CASH FLOW MANAGEMENT AND INVESTMENTS | Continued

### 5.9 CASH FLOW

EKURHULENI WATER CARE COMPANY (ERWAT) NPC

REGISTRATION NUMBER 1992/005753/08

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

#### CASH FLOW STATEMENT

	Note(s)	2021	2020 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Service charges		976 267 695	609 725 957
Development contribution		23 879 778	37 867 723
Grants received		116 397 095	143 657 673
Interest income		3 951 641	2 861 005
Dividends received		60 118	97 074
Other income		128 106 209	250 736 834
		1 248 662 536	1 044 946 266
<b>Payments</b>			
Employee costs		(382 300 799)	(358 836 996)
Suppliers		(579 448 152)	(490 517 345)
Finance costs		(30 779 632)	(48 444 129)
		(992 528 583)	(897 798 470)
<b>Net cash flows from operating activities</b>	<b>27</b>	<b>256 133 953</b>	<b>147 147 796</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	9	(56 354 392)	(146 482 170)
Proceeds from insurance payout		2 539 600	304 721
<b>Net cash flows used in investing activities</b>		<b>(53 814 792)</b>	<b>(146 177 449)</b>
<b>Cash flows from financing activities</b>			
Repayment of long-term borrowings		(52 212 550)	(55 433 939)
Net finance lease payments		(1 260 542)	(810 053)
Adjustment on recognition of finance leases		-	2 856 475
<b>Net cash flows used in financing activities</b>		<b>(53 473 092)</b>	<b>(53 387 517)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>148 846 069</b>	<b>(52 417 170)</b>
Cash and cash equivalents at the beginning of the year		2 067 866	54 485 033
<b>Cash and cash equivalents at the end of the year</b>	<b>8</b>	<b>150 913 935</b>	<b>2 067 863</b>

## CASH FLOW MANAGEMENT AND INVESTMENTS | Continued

### COMMENT ON CASH FLOW OUTCOMES

ERWAT's cash reserves increased from R2.1 million in 2019/2020 to R151 million in 2020/2021, demonstrating an improvement in the cash flow management of the entity.

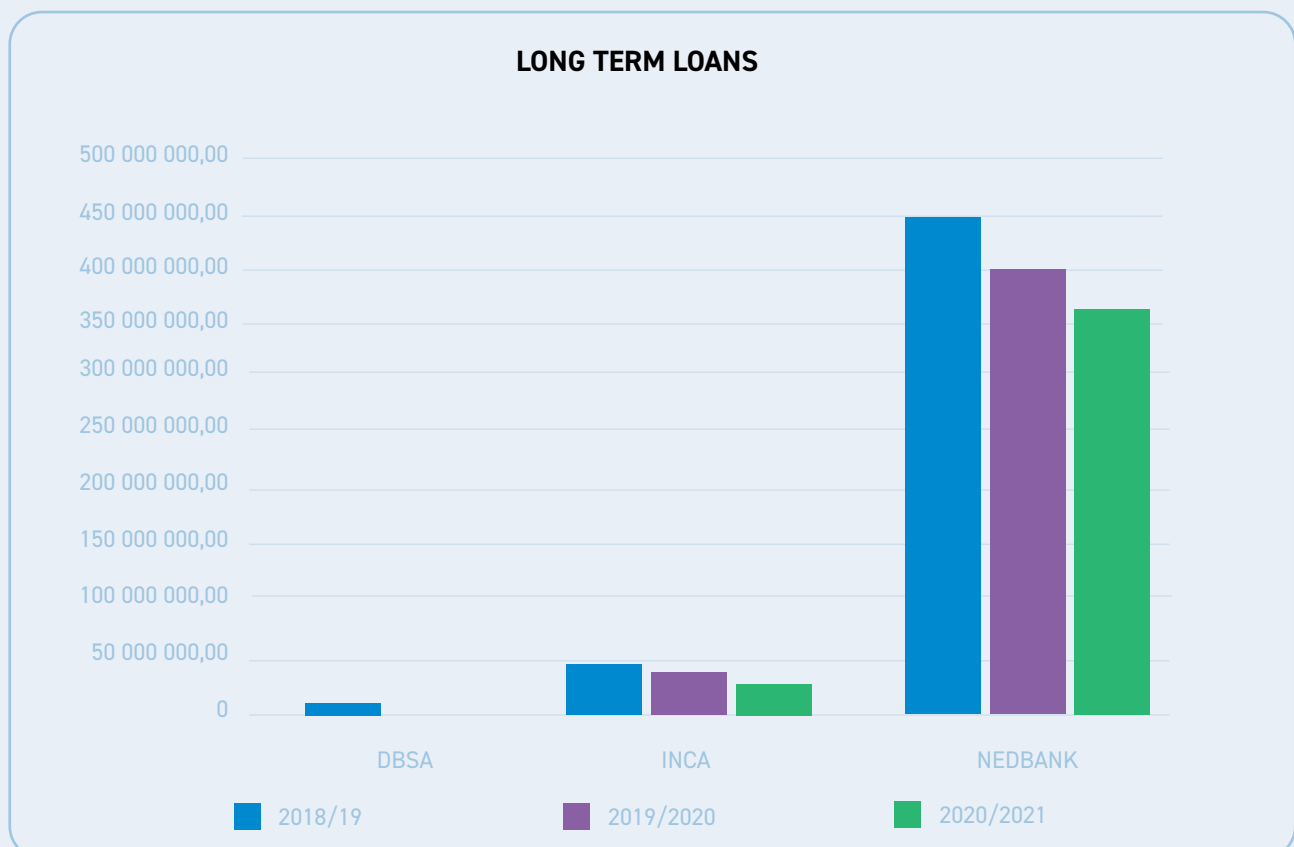
### 5.10 BORROWING AND INVESTMENTS

#### INTRODUCTION TO BORROWING AND INVESTMENTS

ERWAT has long-term loans from INCA and Nedbank. The loans were used specifically to fund long-term infrastructure projects such as the extension of existing plants and construction of new plants.

**TABLE 5.9: LONG-TERM LOANS FROM 2018/2019 TO 2020/2021**

OUTSTANDING BALANCES AS AT 30 JUNE 2021			
Loan provider	2018/2019	2019/2020	2020/2021
DBSA	5 700 202	1 152 011	-
INCA	47 668 814	40 385 638	32 109 153
NEDBANK	447 970 486	404 367 914	361 583 860
<b>TOTAL LOANS</b>	<b>501 339 502</b>	<b>445 905 363</b>	<b>393 693 013</b>



## CASH FLOW MANAGEMENT AND INVESTMENTS | Continued

### COMMENT ON BORROWING AND INVESTMENTS

ERWAT has de-emphasised on debt as a form of CAPEX funding and is planning on settling the loans on time. These loans mature in November 2024 and November 2029 respectively and were used to fund previous CAPEX requirements of the entity.

### 5.11 PUBLIC PRIVATE PARTNERSHIPS

#### PUBLIC PRIVATE PARTNERSHIPS

ERWAT did not undertake any contracts or projects during the year through public private partnerships.

There are three long-term contracts in place, namely the agreements with the members of ERWAT, i.e. the CoE, City of Johannesburg and Lesedi Local Municipality, which was entered into for the purification of wastewater received from said members.

## COMPONENT D

# OTHER FINANCIAL MATTERS

### 5.12 SUPPLY CHAIN MANAGEMENT

#### SUPPLY CHAIN MANAGEMENT

The entity has adopted SCM systems in compliance with the provisions of the MFMA and the National Treasury and Municipal Supply Chain Management Regulations, 2017.

In terms of SCM and Broad-Based Black Economic Empowerment (B-BBEE) guidelines, the following is worth reporting:

1. The evaluation of bids is based firstly on functionality, then price and B-BBEE in accordance with National Treasury circulars.
2. The adjudication process is applied as per the MFMA and as per the SCM Policy.
3. Declaration of interest certificates are required from all parties registering on the supplier database.
4. B-BBEE is calculated and based on information received from suppliers, and verified by certificates confirming their B-BBEE status where possible.
5. The latest internal and external audit reports have identified areas for improvement which are being addressed. All procurement committee members are duly appointed by the accounting officer (Managing Director) as required by the SCM Policy.
6. These procurement committees are bid specification, bid evaluation and bid adjudication committees.

A SCM unit was established that monitors the implementation of the SCM policies in line with the regulations which seek to modernise financial governance and improve accountability and transparency in the entity's processes. These

policies also provide for the exclusion of awards to persons in the service of the state, subject to the exemptions and regulations issued by National Treasury from time to time.

The Board oversees that the procurement policy embraces the objectives of B-BBEE and the Managing Director, as the accounting officer of the company, was tasked as the custodian for effective implementation.

### 5.13 GRAP COMPLIANCE

#### GRAP COMPLIANCE

GRAP is the acronym for Generally Recognised Accounting Practice and it provides the rules by which municipalities are required to maintain their financial accounts. Successful GRAP compliance will ensure that municipal accounts are comparable and more informative for the municipality. It will also ensure that the municipality is more accountable to its citizens and other stakeholders. Information on GRAP compliance is needed to enable National Treasury to assess the pace of progress and consider the implications.

ERWAT is in compliance with GRAP. The annual financial statements have been prepared in accordance with GRAP, including interpretations, guidelines and directives issued by the Accounting Standards Board in accordance with Section 122(3) of the MFMA.



CHAPTER SIX

# Auditor-General Audit Findings





## INTRODUCTION

The Constitution S188 (1) (b) states that the functions of the AG includes the auditing and reporting on the accounts, financial statements and financial management of all municipalities. MSA section 45 states that the results of performance measurement must be audited annually by the AG.

The annual financial statements set out in Volume II was audited within the regulated timeframe. The audit report is contained in Volume III.

The outcome of the audit was unqualified opinion with material misstatements. Component A covers the AG's opinion for 2019/2020; Component B covers the same for 2020/2021.

## COMPONENT A

## AG OPINION OF FINANCIAL STATEMENTS 2019/2020

## 6.1 AUDITOR-GENERAL REPORTS 2019/2020 FINANCIAL YEAR

TABLE 6.1: AUDITOR-GENERAL REPORT ON FINANCIAL PERFORMANCE 2019/2020

AUDIT REPORT STATUS:	UNQUALIFIED AUDIT OPINION SECTION 122 (1)
Non-compliance issues	Remedial action taken
Inappropriate deviations- SCM Regulation 36	<p>Corrections have been made to the Regulation 36 and Irregular expenditure disclosure notes.</p> <p>A procedure manual has been adopted for Regulation 36(1)(v) procurement which includes criteria for determining when the conditions for impracticality are met. Specific provisions were included for situations or condition where comments must be obtained from National or Provincial Treasury prior to the approval of a Regulation 36(1)(v) deviation.</p>
Material misstatements of the irregular expenditure disclosure items identified by the auditors in the submitted financial statements were subsequently corrected resulting in the financial statements receiving an unqualified audit opinion	Management has made the correction on the AFS.
Bids not advertised for a minimum of 30 days for contracts over R10m	Management has introduced mechanisms in order to ensure that there is compliance with regulation 22.

TABLE 6.2: AUDITOR-GENERAL REPORT ON SERVICE DELIVERY PERFORMANCE 2019/2020

AUDIT REPORT STATUS:	UNQUALIFIED AUDIT OPINION (SECTION 122 (1))
Non-compliance issues	Remedial action taken
No material non-compliance affecting the audit report noted.	Not applicable

## COMPONENT B

**AUDITOR-GENERAL OPINION YEAR 0 (2020/2021)**

## 6.2 AUDITOR-GENERAL REPORT 2020/2021 FINANCIAL YEAR

**AG REPORT ON THE FINANCIAL STATEMENTS: YEAR 2020/2021**

N/A

**TABLE 6.3: AUDITOR-GENERAL REPORT ON FINANCIAL PERFORMANCE 2020/2021**

AUDIT REPORT STATUS:	
Non-compliance issues	Remedial action taken
N/A	Not applicable

**TABLE 6.4: AUDITOR-GENERAL REPORT ON SERVICE DELIVERY PERFORMANCE 2020/2021**

AUDIT REPORT STATUS:	
Non-compliance issues	Remedial action taken
N/A	Not applicable


**COMMENTS ON AUDITOR-GENERAL'S OPINION 2020/2021**

N/A

**COMMENTS ON MFMA SECTION 71 RESPONSIBILITIES**

Section 71 of the MFMA requires municipalities to return a series of financial performance data to the National Treasury at specified intervals throughout the year. The chief financial officer states that these data sets have been returned according to the reporting requirements.

Signed (Head of Department Financial Services)



Dated

30 November 2021

## GLOSSARY

TERM	DESCRIPTION
Accessibility indicators	Explore whether the intended beneficiaries are able to access services or outputs.
Accountability documents	Documents used by executive authorities to give “full and regular” reports on the matters under their control to Parliament and provincial legislatures as prescribed by the Constitution. This includes plans, budgets, in-year and annual reports.
Activities	The processes or actions that use a range of inputs to produce the desired outputs and ultimately outcomes. In essence, activities describe “what we do”.
Adequacy indicators	The quantity of input or output relative to the need or demand.
Annual Report	A report to be prepared and submitted annually based on the regulations set out in Section 121 of the MFMA. Such a report must include annual financial statements as submitted to and approved by the AG.
Approved Budget	The annual financial statements of a municipality as audited by the AG and approved by council or a provincial or national executive.
Baseline	Current level of performance that a municipality aims to improve when setting performance targets. The baseline relates to the level of performance recorded in a year prior to the planning period.
Basic municipal service	A municipal service that is necessary to ensure an acceptable and reasonable quality of life to citizens within that particular area. If not provided it may endanger the public's health and safety or the environment.
Budget year	The financial year for which an annual budget is to be approved – means a year ending on 30 June.
Cost indicators	The overall cost or expenditure of producing a specified quantity of outputs.
Distribution indicators	The distribution of capacity to deliver services.
Financial Statements	Includes at least a statement of financial position, statement of financial performance, cash-flow statement, notes to these statements and any other statements that may be prescribed.
General Key performance indicators	After consultation with MECs for local government, the Minister may prescribe general key performance indicators that are appropriate and applicable to local government generally.
Impact	The results of achieving specific outcomes, such as reducing poverty and creating jobs.
Inputs	All the resources that contribute to the production and delivery of outputs. Inputs are “what we use to do the work”. They include finances, personnel, equipment and buildings.
Integrated Development Plan (IDP)	Set out municipal goals and development plans.
National Key performance areas	<ol style="list-style-type: none"> <li>1. Service delivery and infrastructure</li> <li>2. Economic development</li> <li>3. Municipal transformation and institutional development</li> <li>4. Financial viability and management</li> <li>5. Good governance and community participation</li> </ol>
Outcomes	The medium-term results for specific beneficiaries that are the consequence of achieving specific outputs. Outcomes should relate clearly to an institution's strategic goals and objectives set out in its plans. Outcomes are “what we wish to achieve”.

## GLOSSARY | Continued

TERM	DESCRIPTION
Outputs	The final products, or goods and services produced for delivery. Outputs may be defined as “what we produce or deliver”. An output is a concrete achievement (i.e. a product such as a passport, an action such as a presentation or immunisation, or a service such as processing an application) that contributes to the achievement of a Key Result Area.
Performance Indicator	Indicators should be specified to measure performance in relation to input, activities, outputs, outcomes and impacts. An indicator is a type of information used to gauge the extent to which an output has been achieved (policy developed, presentation delivered, service rendered).
Performance Information	Generic term for non-financial information about municipal services and activities. Can also be used interchangeably with performance measure.
Performance Standards:	The minimum acceptable level of performance or the level of performance that is generally accepted. Standards are informed by legislative requirements and service-level agreements. Performance standards are mutually agreed criteria to describe how well work must be done in terms of quantity and/or quality and timeliness, to clarify the outputs and related activities of a job by describing what the required result should be. In this EPMS performance standards are divided into indicators and the time factor.
Performance Targets:	The level of performance that municipalities and its employees strive to achieve. Performance targets relate to current baselines and express a specific level of performance that a municipality aims to achieve within a given time period.
Service Delivery Budget Implementation Plan	Detailed plan approved by the mayor for implementing the municipality's delivery of services; including projections of the revenue collected and operational and capital expenditure by vote for each month. Service delivery targets and performance indicators must also be included.
Vote:	<p>One of the main segments into which a budget of a municipality is divided for appropriation of money for different departments or functional areas of the municipality. The vote specifies the total amount that is appropriated for the purpose of a specific department or functional area.</p> <p>Section 1 of the MFMA defines a “vote” as:</p> <ul style="list-style-type: none"> <li>a) one of the main segments into which a budget of a municipality is divided for the appropriation of money for the different departments or functional areas of the municipality; and</li> <li>b) which specifies the total amount that is appropriated for the purposes of the department or functional area concerned</li> </ul>

## APPENDICES

### APPENDIX A – COUNCILLORS; COMMITTEE ALLOCATION AND COUNCIL ATTENDANCE

Not applicable

### APPENDIX B – COMMITTEES AND COMMITTEE PURPOSE

#### COMMITTEES (OTHER THAN EXECUTIVE COMMITTEE) AND PURPOSES OF COMMITTEES

COMMITTEES	PURPOSE OF COMMITTEE
Governance Risk & Compliance	The Finance Committee supports the Board of Directors in discharging its finance and audit oversight.
Remuneration and Ethics	The Remuneration and Ethics committee has an independent role, operating as an overseer and a market of recommendations to the Board for its consideration and final approval on how the company remunerates directors and executives fairly and responsibly, and the disclosure of director remuneration is accurate, complete and transparent.
Operations	The Operations Committee supports the Board of Directors in overseeing operations of the entities.
Research Development & Commercial Business	The committee is responsible for identifying and optimisation of the research and development conducted at ERWAT that could be translated into revenue generation mechanism.

### APPENDIX C – THIRD-TIER ADMINISTRATIVE STRUCTURE

Not applicable

### APPENDIX D: FUNCTIONS OF MUNICIPALITY/ENTITY

#### ENTITY FUNCTIONS

ENTITY FUNCTIONS	FUNCTION APPLICABLE TO MUNICIPALITY (YES / NO)*	FUNCTION APPLICABLE TO ENTITY (YES / NO)
Constitution Schedule 4, Part B functions:		
Water and sanitation services limited to potable water supply systems and domestic wastewater and sewage disposal systems.	Yes	ERWAT

EMM - ERWAT SERVICE DELIVERY AGREEMENT

## APPENDICES | Continued

### APPENDIX E: WARD REPORTING

Not Applicable

### APPENDIX F: WARD INFORMATION

Not Applicable

### APPENDIX G: RECOMMENDATIONS OF THE MUNICIPAL COMMITTEE

#### MUNICIPAL AUDIT COMMITTEE RECOMMENDATIONS

DATE OF COMMITTEE	COMMITTEE RECOMMENDATIONS DURING 2020/2021	RECOMMENDATIONS ADOPTED (ENTER YES) IF NOT ADOPTED (PROVIDE EXPLANATION)
TBA	TBA	TBA

### APPENDIX H: LONG-TERM CONTRACTS AND PUBLIC PRIVATE PARTNERSHIP

ERWAT did not have Public Private Partnerships during the 2020/2021 financial year.

There are three long-term contracts in place, namely the agreements with the members of ERWAT, i.e. the CoE, City of Johannesburg and Lesedi Local Municipality, which was entered into for the purification of wastewater.

### APPENDIX I: MUNICIPAL ENTITY/SERVICE PROVIDER PERFORMANCE SCHEDULE

Not applicable as ERWAT does not have any municipal entities and does not outsource any municipal functions or services.

#### MUNICIPAL ENTITY/SERVICE PROVIDER PERFORMANCE SCHEDULE: CITY-WIDE INDICATORS

ENTITY	(A) SERVICE INDICATORS	2019/2020		2020/2021	
		Target	Actual	Target	Actual
ERWAT provides bulk wastewater conveyance and a highly technical and proficient wastewater treatment service to some industries and communities who have access to sanitation services within Ekurhuleni.	Total revenue generated from external business	R160 000 000	R248 889 792	R 55 706 522.52	59 010 259.96
	Audit Opinion	Unqualified Audit Opinion	Unqualified Audit Opinion	Unqualified Audit Opinion	Unqualified Audit Opinion
	Percentage compliance with wastewater treatment works license conditions and/or exemptions standards	89%	89%	85%	84%

## APPENDICES | Continued

## MUNICIPAL ENTITY/SERVICE PROVIDER PERFORMANCE SCHEDULE: ENTITY'S SDBIP

ENTITY	(A) SERVICE INDICATORS	2019/2020		2020/2021	
		Target	Actual	Target	Actual
Ekurhuleni Rand Water Care Company (ERWAT): ERWAT provides bulk wastewater conveyance and a highly technical and proficient wastewater treatment service to some industries and communities which have access to sanitation services within Ekurhuleni.	Percentage of Capital expenditure on planned projects	95%	98,63%	95.00%	100,26%
	Percentage of repairs and maintenance budget spent	90%	90%	90%	91%
	Percentage of procurement spend allocated to SMME's	R64 390 000	R64 390 000	33.33%	87%
	Number repeat audit findings	35 audit findings cleared in full by the end of Q4 2019/2020	35 audit findings cleared in full by the end of Q4 2019/2020	0.00	4

## APPENDIX J: DISCLOSURE OF FINANCIAL INTEREST

## DISCLOSURES OF FINANCIAL INTEREST

Period 1 July 2020 to 30 June 2021

POSITION	NAME	DESCRIPTION OF FINANCIAL INTERESTS (NIL / OR DETAILS)
Managing Director	Tumelo Gopane	Partnership : Farming Business
Head of Department: Finance & SCM (Suspended)	Wim Louw	Nil
Company Secretary	Zimasa Socikwa	Nil
Head of Department: Scientific Services	Alison Chapman	Nil
Head of Department: Operations	Fortune Mabunda	Nil
Head of Department: Human Resources	Rodney Barnes	Nil
Interim Head of Department: Commercial Business	Lelentle Motaung	Nil
Interim Head of Department: Infrastructure Planning and Projects	Karabo Nthethe	Nil
Interim Head of Department: Maintenance	Nganamakabane Mutyaba	Nil
Interim Head of Department: Finance and SCM	Dzunani Makgopa	Director: Mansah Consulting Director: Dzunare Trading

## APPENDICES | Continued

### APPENDIX K: REVENUE COLLECTION PERFORMANCE

#### APPENDIX K (I): REVENUE COLLECTION PERFORMANCE BY VOTE

##### REVENUE COLLECTION PERFORMANCE BY VOTE

VOTE DESCRIPTION	2019/20	CURRENT: 2020/21		CURRENT: 2020/21		
	ACTUAL	ORIGINAL BUDGET	ADJUSTED BUDGET	ACTUAL	ORIGINAL BUDGET	ADJUSTED BUDGET
73121341000FAZZZZER	2 861 000	3 722 160	3 722 160	8 706 690	233,91%	233,91%
73481423300FAZZZZER	34 843 068	56 099 997	56 099 997	35 087 823	62,55%	62,55%
73501423300FAZZZZER	878 783 000	975 734 489	927 734 489	929 638 778	95,08%	100,21%
73331423300FAZZZZER	76 862 795	68 563 449	27 127 615	23 871 087	39,57%	88,00%
73171420910FAZZZZER	37 867 722	-	-	-	0,00%	0,00%
73311423300FAZZZZER	147 612 742	-	-	-	0,00%	0,00%
73121252810FAZZZZER	143 657 673	200 000 000	50 000 000	56 696 138	25,00%	113,39%
<b>Total Revenue by Vote</b>	<b>1 322 488</b>	<b>1 304 120</b>	<b>1 064 684</b>	<b>1 054 001</b>	<b>80,82%</b>	<b>99,00%</b>

Variances are calculated by dividing the difference between actual and original/adjustments budget by the actual. This table is aligned to MBRR table A3

#### APPENDIX K (II): REVENUE COLLECTION PERFORMANCE BY SOURCE

##### REVENUE COLLECTION PERFORMANCE BY SOURCE

DESCRIPTION	2019/20	CURRENT: 2020/21		CURRENT: 2020/21		
	ACTUAL	ORIGINAL BUDGET	ADJUSTED BUDGET	ACTUAL	ORIGINAL BUDGET	ADJUSTED BUDGET
Service charges	878 783	975 734	927 734	929 638	95,28%	100,21%
Development contribution	58 454	-	-	-	0%	0%
Intervention income	135 747	-	-	-	0%	0%
Other income	102 255			63 713		
Interest received – investment	3 147	3,722	3,722	3 951	106%	106%
Dividends received	97,00	-	-	0	100%	100%
Government grants and subsidies	144 004	200	50	56 696	0,03%	113,39%
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>1 322 488</b>	<b>975 938</b>	<b>927 788</b>	<b>1 054 000</b>	<b>108,03%</b>	<b>113,60%</b>

Variances are calculated by dividing the difference between actual and original/adjustments budget by the actual. This table is aligned to MBRR table A4.

## APPENDICES | Continued

### APPENDIX L: CONDITIONAL GRANTS RECEIVED: EXCLUDING MIG

#### GRANT PERFORMANCE

DESCRIPTION	2019/20	2020/21		ACTUAL	ORIGINAL BUDGET	ADJUSTED BUDGET
	ACTUAL	BUDGET	ADJUSTMENT BUDGET			
Other grant providers – the CoE capital grant	143 643	200 000,00	49 830	49 830	28,35%	100%
<b>Total</b>	<b>143 643</b>	<b>200 000,00</b>	<b>50000</b>	<b>56696</b>	<b>28,35%</b>	<b>113,39%</b>

### APPENDIX M: CAPITAL EXPENDITURE – NEW & UPGRADE/RENEWAL PROGRAMMES: INCLUDING MIG

#### APPENDIX M(I): CAPITAL EXPENDITURE – NEW ASSETS PROGRAMME

#### CAPITAL EXPENDITURE - NEW ASSETS PROGRAMME

DESCRIPTION	R'000						
	2019/20	CURRENT: 2020/21			PLANNED CAPITAL EXPENDITURE		
	ACTUAL	ORIGINAL BUDGET	ADJUSTED BUDGET	ACTUAL EXPENDITURE	ACTUAL	ORIGINAL BUDGET	ADJUSTED BUDGET
<b>Capital expenditure by Asset Class</b>							
<b>Infrastructure - Total</b>	<b>10 346</b>	<b>570</b>		<b>570</b>	<b>29 936</b>	<b>35 392</b>	<b>40 627</b>
Sewerage purification	10 346	570	570	570	29 936	35 392	40 627
<b>Other assets - Total</b>	<b>521</b>	<b>6 397</b>	<b>2 795</b>	<b>2 905</b>	<b>7 484</b>	<b>8 848</b>	<b>10 157</b>
General vehicles	-						
Plant & Equipment	277	1 092	564	673	6 361	7 521	8 633
Computers - hardware/equipment	28				374	442	508
Furniture and other equipment	216	450	302	302	748	885	1 016
Buildings	-	4 855	1 929	1 929			
Intangibles	-	-	-	-	-	-	-
Computers - software & programming	-	-	-	-	-	-	-
<b>TOTAL</b>	<b>10 867</b>	<b>6 967</b>	<b>2 795</b>	<b>3 474</b>	<b>37 420</b>	<b>44 240</b>	<b>50 784</b>

#### APPENDIX M(II): CAPITAL EXPENDITURE – UPGRADE/RENEWAL PROGRAMME

## APPENDICES | Continued

### CAPITAL EXPENDITURE - UPGRADE/RENEWAL PROGRAMME

DESCRIPTION	2019/20	CURRENT: 2020/21			PLANNED CAPITAL EXPENDITURE		
	ACTUAL	ORIGINAL BUDGET	ADJUSTED BUDGET	ACTUAL EXPENDITURE	2021/22	2022/23	2023/24
<b>Capital expenditure by Asset Class</b>							
<b>Infrastructure - Total</b>	<b>132 776</b>	<b>128 299</b>	<b>47 465</b>	<b>47 525</b>	<b>119 744</b>	<b>141 568</b>	<b>162 509</b>
Sewerage purification	132 776	128 299	47 465	47 525	119 744	141 568	162 509
<b>Other assets - Total</b>	<b>-</b>	<b>17 091</b>	<b>4 977</b>	<b>4 977</b>	<b>29 936</b>	<b>35 392</b>	<b>40 627</b>
General vehicles	-	-	-	-	-	-	-
Plant & Equipment	-	11 091	4 867	4 867	25 446	30 083	34 533
Computers - hardware/equipment	-	6 000	110	110	1 497	1 770	2 031
Furniture and other equipment	-	-	-	-	2 994	3 539	4 063
Buildings	-	-	-	-	-	-	-
Intangibles	-	-	-	-	-	-	-
Computers - software & programming	-	-	-	-	-	-	-
<b>TOTAL</b>	<b>132 776</b>	<b>145 390</b>	<b>52 442</b>	<b>52 502</b>	<b>149 680</b>	<b>176 960</b>	<b>203 136</b>

### APPENDIX N: CAPITAL PROGRAMME BY PROJECT CURRENT YEAR

## APPENDICES | Continued

## CAPITAL PROGRAMME BY PROJECT: 2020/21

NO.	SECTION	DESCRIPTION	ORIGINAL BUDGET	ADJUSTMENT BUDGET	ACTUAL	VARIANCE (ACT - ADJ) %	VARIANCE (ACT - OB) %	TOTAL PROJECT VALUE
1	Olifantsfontein	Olifantsfontein WCW Upgrade Project	85 140	23 424	23 508	0%	-72%	117 779
2	Vlakplaats	Flow and Loads Project (roll over project)	22 915	15 506	15 472	0%	-32%	67 691
3	Ancor	Biofilter Retrofit	10 864	2 367	2 367	0%	-78%	2 367
4	Ancor, Dekema, Carl Grundlingh, Heidelberg, Jan Smuts, Ratanda & Welgedaght	Replacement of Self-Priming and Horizontal End Suction Pumps at Various ERWAT Water Care Works: Manufacture, Supply, Delivery, Install and Commission	6 353	-	-			-
5	Head Office	Disaster Recovery (DR) Site	6 000	110	110	0%	-98%	110
6	Waterval	The Supply, Delivery, Installation and Commission of New Aeration Blowers Auxiliary Systems Waterval Water Care Works	5 595	3 080	3 080	0%	-45%	5 595
7	Various Plants	Supply, Delivery, Installation and commissioning of Various online and Portable Meters for ERWAT Wastewater Treatment Works	5 515	-	-			-
8	Hartebeestfontein & Ancor	Mobile office containers	4 815	1 794	1 794	0%	-63%	2 366
9	Carl Grundlingh	Replacement of 5x Aerators	4 626	-	-			-
10	Hartebeestfontein	Old lab refurbishment	4 000	-	-			-
11	Welgedacht and Rynfield	Aerators and motors	3 400	-	-			-
12	Herbert Bickley, Welgedacht, Jan Smuts, Tsakane, Welgedacht, Heidelberg, Ancor, Carl Grundlingh	Submersible pumps including sump pumps	3 200	1 771	1 771	0%	-45%	3 441
13	Ancor	Ancor Biofilter Tower Upgrade Phase 2 of 2: Biofilter Tower Augmentation, upgrade and refurbishment of Mod 3 (Civil works) Tower.	3 000	-	-			-
14	Waterval	Upgrade of old chlorine room (PSP)	2 500	-	-			-
NO.	SECTION	DESCRIPTION	ORIGINAL BUDGET	ADJUSTMENT BUDGET	ACTUAL	VARIANCE (ACT - ADJ) %	VARIANCE (ACT - OB) %	TOTAL PROJECT VALUE

## APPENDICES | Continued

### APPENDIX N: CAPITAL PROGRAMME BY PROJECT CURRENT YEAR CONTINUED

#### CAPITAL PROGRAMME BY PROJECT: 2020/21 CONTINUED

15	Rondebult	8x Trickling Biological Filters (Mechanical Components) at Rondebult WCW	2 236	2 236	2 236	0%	0%	8 946
16	Ratanda	Refurbish leaking drying beds (Ratanda) (1st phase PSP)	2 046	-	-			-
17	Hartebeestfontein	Scientific Services (HVAC)	2 000	-	-			-
18	Waterval	Construct new DAF unit at module 1 (Including MCC panel, cabling, piping, compressors, air saturator and reservoir, instrumentation)	2 000	-	-			-
19	Rondebult	1100 KVA Generator	1 970	-	-			-
20	Scientific Services	New Nutrient analysis (FIA or IC) and valves	1 600	-	-			-
21	Waterval	Refurbishment of PST and Clarifier tanks	1 322	-	-			-
22	Welgedacht and Waterval	Supply, Delivery, Installation and Commissioning Of PST Waste Sludge Feed Pumps (Positive Displacement Pumps) For Welgedacht and Waterval WCW	1 218	-	-			-
23	Various Plants	Supply, Delivery, Installation and Commissioning of Fbp Fine Screen And Compactor	1 000	419	419	0%	-58%	4 089
24	Hartebeestfontein	Effluent Pipe Replacement	1 000	-	-			-
25	Herbert Bickley	Design, Supply, Delivery, Installation and Commissioning of Washwater system for Herbert Bickley WCW	1 000	-	-			-
26	Welgedacht	Chlorine system(20 kg) upgrade at Module 1 including Lever Hoist	1 000	-	-			-
27	Heidelberg, Ancor, Welgedacht, Carl Grundlingh	CCTV Camera System	1 000	-	-			-
28	Daveyton and Waterval	Supply, Delivery, installation and Commissioning of 7x Vsd for Aerators to solve the overheating problem at Daveyton and Digester 11/14 At Waterval WCW	900	-	-			-

## APPENDICES | Continued

## APPENDIX N: CAPITAL PROGRAMME BY PROJECT CURRENT YEAR CONTINUED

## CAPITAL PROGRAMME BY PROJECT: 2020/21 CONTINUED

NO.	SECTION	DESCRIPTION	ORIGINAL BUDGET	ADJUSTMENT BUDGET	ACTUAL	VARIANCE (ACT - ADJ) %	VARIANCE (ACT - OB) %	TOTAL PROJECT VALUE
29	Daveyton, Herbert Bickley, Jan Smuts, Dekema	Upgrade of the Ferric dosing system	825	-	-			-
30	Vlakplaats	MCC Panels (roll over project)	800	2 699	2 699	0%	237%	29 644
31	Vlakplaats and Dekema	Replacement of Digester valves	800	-	-			-
32	Tsakane	P- Degritter System upgrade (Replace Pump 1&2)	800	-	-			-
33	Vlakplaats	Refurbishment of PST and Clarifier tanks (Weir, Scum)	750	-	-			-
34	Herbert Bickley	Mod 1 and 2 outlets flow meters (including civil works)	700	-	-			-
35	Ancor	Ancor Biofilter Tower upgrade Phase 1 of 2: Structural assessment of the Biofilter Towers and the development of remedial action (Specification).	700	-	-			-
36	Heidelberg	P-Mobile Diesel Pump (Ratanda)	650	-	-			-
37	Ancor, Herbert Bickley, Tsakane	Hoist for Chlorination	650	-	-			-
38	Heidelberg, Tsakane and Welgedacht	Land Monitoring Boreholes x8	621	-	-			-
39	Ancor	Degritter Systemx 2 ( 3 and 4)	600	-	-			-
40	Various plants	Chlorine Emergency Kit	575	-	-			-
41	All Plants & Head Office	Visitor Management Scanners	570	-	-			-
42	Tsakane	HYBACS Project	570	570	570	0%	0%	7 418
43	Scientific Services	Laboratory equipment	538	285	285	0%	-47%	285
44	Vlakplaats	Steam pipes Module A, B and C	535	-	-			-
45	Waterval	Replacement of module 2 feed pipeline (1 200mm) to BNR	530	-	-			-
46	Carl Grundlingh, Heidelberg, Tsakane, Jan Smuts	New diesel tank (2000L)	520	-	-			-

## APPENDICES | Continued

### APPENDIX N: CAPITAL PROGRAMME BY PROJECT CURRENT YEAR CONTINUED

#### CAPITAL PROGRAMME BY PROJECT: 2020/21 CONTINUED

NO.	SECTION	DESCRIPTION	ORIGINAL BUDGET	ADJUSTMENT BUDGET	ACTUAL	VARIANCE (ACT - ADJ) %	VARIANCE (ACT - OB) %	TOTAL PROJECT VALUE
47	Esther Park	Reactor modification	500	-	-			-
48	Ratanda	P-Sub standard Effluent pump*2	500	-	-			-
49	Herbert Bickley	Paving around process units	500	-	-			-
50	Carl Grundlingh	P-Irrigation pumps	400	-	-			-
51	Benoni	Mechanical Fine Screen	385	-	-			-
52	Waterval	Various auxiliaries for the newly installed blowers at Waterval WCW (Phase III)	335	57	57	0%	-83%	3 537
53	Welgedacht	Dewatering self-cleaning Filtration filter	300	-	-			-
54	Welgedacht & Ancor	Moisture Balance	292	95	95	0%	-67%	95
55	Heidelberg, Herbert Bickley, Tsakane, Carl Grundlingh	Handrails (maturation ponds, BNR & Clarifier)	279	-	-			-
56	Minor Capex	Small Office Equipment	278	109	109	0%	-61%	278
57	Dekema and Hartebeestfontein	Supply, Delivery, Installation and commissioning of 6 x auto samplers	270	174	174	0%	-36%	174
58	Jan Smuts	Upgrade ( repair of cracks) civil structure of Digesters and pipelines (1st phase PSP)	250	-	-			-
59	Ancor	Professional engineering services for the capacity upgrade of the inlet channel, emergency bypass and emergency dams to handle extraneous stormwater flows at Ancor	214	375	387	3%	81%	4 089
60	Ancor And Welgedacht	Supply and delivery of 2x Spectrotometer Pharo 100 Spectroquant for Ancor and Welgedaght WCW	200	129	129	0%	-36%	129
61	Various plants	Emergency safety shower	200	113	113	0%	-44%	113
62	Various plants	Water Purification System (Ratanda)	200	107	107	0%	-46%	200
63	Waterval	Extractor Fan	200	-	-			-
64	Various plants	BA set	200	-	-			-

## APPENDICES | Continued

### APPENDIX N: CAPITAL PROGRAMME BY PROJECT CURRENT YEAR CONTINUED

#### CAPITAL PROGRAMME BY PROJECT: 2020/21 CONTINUED

NO.	SECTION	DESCRIPTION	ORIGINAL BUDGET	ADJUSTMENT BUDGET	ACTUAL	VARIANCE (ACT - ADJ) %	VARIANCE (ACT - OB) %	TOTAL PROJECT VALUE
65	Welgedacht, Ratanda and Heidelberg	Air conditioner x 6 (for office, Board room, Module 2 blower room and MCC)	173	193	193	0%	12%	193
66	Heidelberg and Welgedacht	Portable gas detector x3	115	-	-			-
67	Dekema	Supply, delivery, installation and commissioning of portable Chlorometer	100	29	103	257%	3%	29
68	Vlakplaats	Upgrade booster fans	100	-	-			100
69	Jan Smuts	Compactor Gearbox	60	-	-			60
70	Ancor	Chlorinator 20 kg/h	60	-	-			60
71	Tsakane	Installation of valve by division box	50	-	-			50
72	Jan Smuts	Carports x 8	40	135	135	0%	237%	135
73	Various Plants	Breathing apparatus set	30	54	66	119%	119%	66

### APPENDIX O: CAPITAL PROGRAMME BY PROJECT BY WARD CURRENT YEAR

Not Applicable

### APPENDIX P: SERVICE CONNECTION BACKLOGS AT SCHOOLS AND CLINICS

Not Applicable

### APPENDIX Q: SERVICE BACKLOGS EXPERIENCED BY THE COMMUNITY WHERE ANOTHER SPHERE OF GOVERNMENT IS RESPONSIBLE FOR SERVICE PROVISION

Not Applicable

## APPENDICES | Continued

### APPENDIX R: DECLARATION OF LOANS AND GRANTS MADE BY THE MUNICIPALITY

#### DECLARATION OF LOANS AND GRANTS MADE BY THE MUNICIPALITY: 2020/21

ALL ORGANISATION OR PERSON IN RECEIPT OF LOANS */GRANTS* PROVIDED BY THE MUNICIPALITY	NATURE OF PROJECT	CONDITIONS ATTACHED TO FUNDING	VALUE 2020/21 R' 000	TOTAL AMOUNT COMMITTED OVER PREVIOUS AND FUTURE YEAR
DBSA	Long-term infrastructure projects		-	-
INCA	Long-term infrastructure projects		32 109 152	10 819 981
NEDBANK	Long-term infrastructure projects		361 520 361	63 234 285

\* Loans/Grants - whether in cash or in kind

### APPENDIX S: DECLARATION OF RETURNS NOT MADE IN DUE TIME UNDER MFMA S71

Not applicable, all MFMA section 71 returns were made in due time.

### APPENDIX T: NATIONAL AND PROVINCIAL OUTCOME FOR LOCAL GOVERNMENT

Not applicable





#### **ERWAT HEAD OFFICE**

Hartebeestfontein Office Park  
R25 (Bronkhorstspruit/Bapsfontein Road)  
Kempton Park

P.O Box 13106  
Norkem Park  
1631

Tel: +27 11 929 7000  
Email: [mail@erwat.co.za](mailto:mail@erwat.co.za)  
Web: [www.erwat.co.za](http://www.erwat.co.za)

