

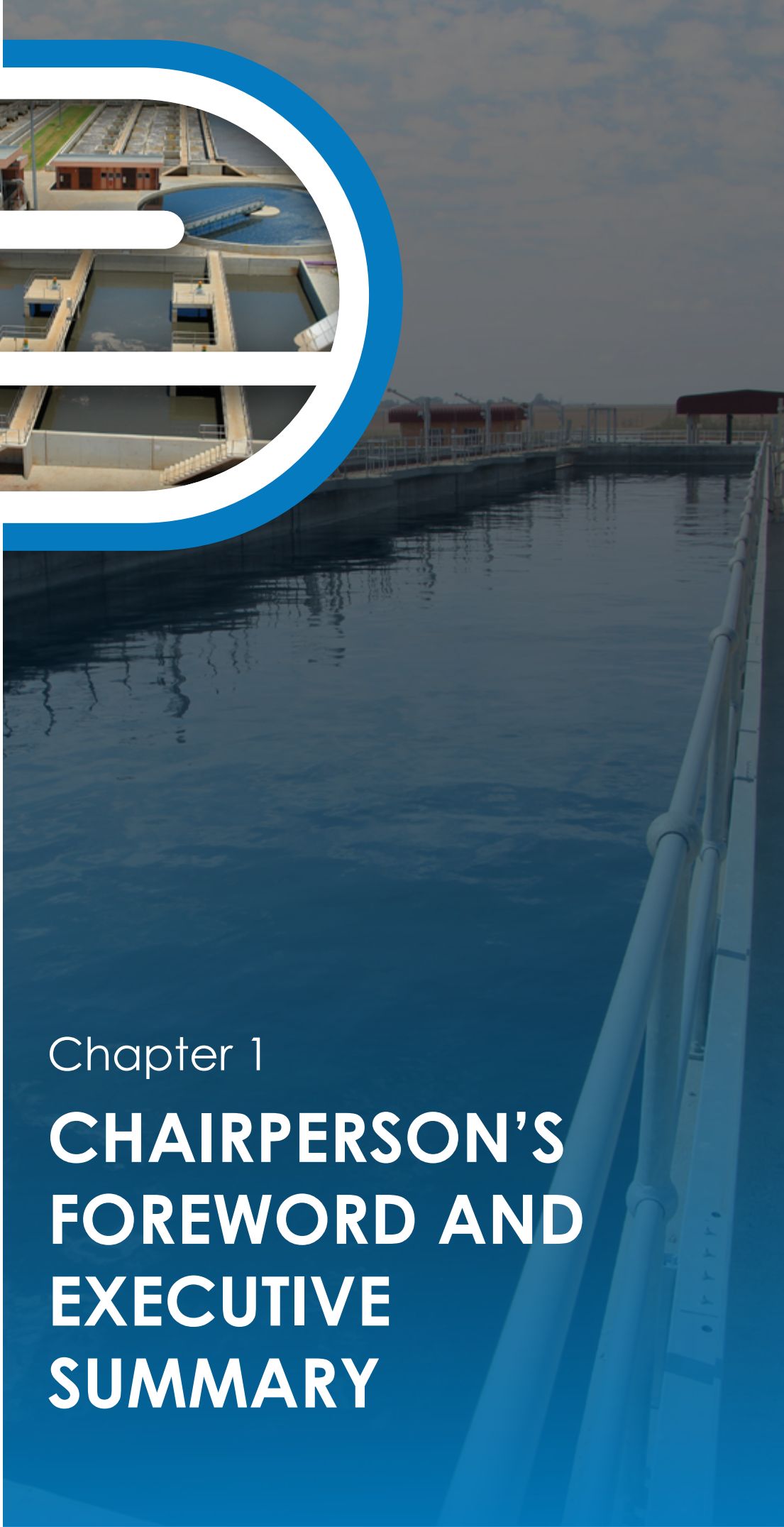


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Terms and ABBREVIATIONS

AGSA	Auditor-General of South Africa
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
DWS	Department of 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)
Mℓ	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 1

CHAIRPERSON'S FOREWORD AND EXECUTIVE SUMMARY

COMPONENT A

Chairperson's Foreword

ERWAT's strategic direction is aimed at ensuring the sustainable delivery of sanitation services with current resources and seeking to address the backlogs in providing sanitation to the wider CoE area. In alignment with, and central to, the CoE and ultimately the country's development goals, ERWAT has focused on the investment into the entity's infrastructure and the protection of the environment through improved quality of its effluent discharges.

ERWAT'S VISION STATEMENT

To be a global leader in water care and resource recovery.

ERWAT'S MISSION STATEMENT

To provide sustainable, affordable, quality water care and resource recovery services through partnerships and collaborative initiatives with external role players, utilising smart organisational practices.

To deliver on the agreed vision and mission statement, ERWAT has identified seven strategic objectives spanning six strategic pillars, namely profitability, people, environmental sustainability, operational excellence, technology and partnerships/commercialisation. These define the markers of success and how ERWAT will know when the body has achieved its goals. ERWAT's strategic objectives for success are outlined below:

- **Profitability:** ERWAT wants to ensure that the body is financially sustainable and to limit ERWAT's dependence on City of Ekurhuleni's contributions (excluding service charges). To do this, ERWAT needs to have alternative revenue streams.
- **People:** Human capital is critical to ERWAT's functioning and essential for the body to achieve its strategic objectives. Therefore, the right talent needs to be developed, attracted and retained.
- **Environmental sustainability:** As a responsible corporate citizen, ERWAT needs to ensure not merely financial sustainability but also environmental sustainability.



- **Operational excellence:** Refers to ERWAT's mindset and the practice of adopting principles and tools that result in operational sustainability and improvements.
- **Technology:** This is at the core of ERWAT's operations. Any operational improvements can only be addressed using technology.
- **Partnerships/commercialisation:** Partnerships and collaborations with external entities are noted as being essential to ERWAT's vision of being a "globally recognised water resource recovery company" and commercialisation of ERWAT's service offerings and products.

As an entity of the CoE, ERWAT needs to ensure that it aligns with 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 are linked to the six strategic pillars that ERWAT intends to pursue in support of its strategy. These, are:

- Sludge beneficiation and resource recovery.
- Energy neutrality.
- Water reclamation.
- Short- and medium-term commercial business growth opportunities targeting specific industries with niche products and services.

- Financial model strategy that looks at re-assessing ERWAT's current financial models and financial market approach.
- ERWAT's Plants & Conveyancing Regionalisation and the 50 Year Masterplan.

KEY POLICY DEVELOPMENTS

The legislative framework within which water supply and sanitation services operate is governed by the Water Services Act (WSA) No. 108 of 1997. The WSA derives its mandate from Section 27 of the Bill of Rights in the Constitution. This section of the Constitution provides, among others, 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 sanitation.

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) academia, as well as government departments such as the Department of Water and Sanitation (DWS). ERWAT is a member of the International Water Association (IWA) and a patron member of the Water Institute of South Africa (WISA).

The policy developments are aligned with the provincial growth and development strategy as well as the Ekurhuleni Growth and Development Strategy 2055.

KEY SERVICE DELIVERY IMPROVEMENTS

As part of the annual Service Delivery Budget Implementation Plan (SDBIP), ERWAT's performance improved steadily and achieved 79% of its targets in the current 2023/2024 financial year. This is compared to the 67% achievement in 2022/2023. ERWAT focused on prioritisation and integration approaches to improve the performance of the various water-care works and hence service delivery. It is important to note that the entity achieved its overall water quality compliance target and the 90% requirement for Green Drop based on internal assessment, which is the core mandate of the entity. The entity, with the support from the CoE, is working systematically towards improving the infrastructure so that spare capacity is created over time, so ensuring that the growing demand for sanitation services is met. The execution of long-term capital projects is of paramount

importance, however, the ability to finance these projects remains one of the biggest challenges for ERWAT. The parent municipality, the CoE, plays a crucial role in securing adequate funding for services and upgrading of wastewater infrastructure.

PUBLIC PARTICIPATION

ERWAT contributes to the City's public participation processes and ensures that the bulk sanitation needs of communities, which are serviced by ERWAT, are incorporated in the strategic-planning and priorities of the entity.

FUTURE ACTIONS

The priority for the Board extends beyond environmental stewardship. We recognise that financial sustainability is essential for fulfilling our mission. Our strategic plan outlines a path towards commercialisation, leveraging our expertise and resources to generate additional revenue streams. By finding value in waste products and offering specialised services, we are contributing to a circular economy and reducing our reliance on government funding. The Board and senior management shall continue to apply principles to strengthen governance processes and improve reporting.

AGREEMENTS, RESEARCH, DEVELOPMENT AND PARTNERSHIPS

Maintaining the efforts in research pertaining to water and sanitation, remains a commitment for ERWAT. The entity continues its collaboration with various universities and other research institutes such as the Water Research Commission (WRC) and the Council for Scientific and Industrial Research (CSIR). The focus is on topics of not only national but also of international interest and importance. Wastewater-based epidemiology (WBE) is a rapidly growing field of science and has gained much attention globally. The use of raw wastewater to monitor diseases and disease-causing organisms in local communities is a powerful tool for early warning systems and public health protection. Being a wastewater entity, ERWAT is partnering with other stakeholders such as the National Health Laboratories Services (NHLS) and National Institute for Communicable Diseases (NICD) on research relating to WBE.

Training, skills development and the dissemination of knowledge to the broader scientific and sanitation sector remain a high priority for ERWAT. Staff members continue to serve on various local forums such as the National Water Services Scientific Forum (NWSSF) that is coordinated by SALGA and technical steering groups such as WRC Reference Groups. Current research objectives are aligned to the overall strategic direction of ERWAT and will focus on improving treatment works performance, resource recovery including on-site energy generation, the direct reuse of treated effluent in industries and the beneficiation of sludge.

In addition to applied projects, ERWAT will continue to collaborate with academia on research of a more scientific nature with the aim of generating new and important knowledge. Here the emphasis will be on the role the wastewater environment plays in antimicrobial resistance (AMR) among important human pathogens as well as the further development - and improvement of - WBE strategies combining it with GIS data and performing modelling.

CONCLUSION

I am proud of the progress we have made during this year and am equally excited about the possibilities that lie ahead. None of this would have been possible without the resilience, dedication and focused efforts of all the role-players. I would like to express my sincere appreciation to my colleagues on the Board of Directors, including the Managing Director, Senior Management and Staff. The strategic direction and unwavering support of the CoE made it possible for ERWAT to achieve these results.

NC Skeepers

Dr Natalie Skeepers

Chairperson of the Board



COMPONENT B

Managing Director's Overview



FOREWORD TO THE ANNUAL REPORT

It is with pleasure that I, once again, present the ERWAT Annual Report for the reporting period 2023/2024. The report demonstrates our commitment to delivering on our mandate in terms of our shareholders and legislation prescriptions.

Significant progress was made in terms of organisational performance, especially in the last quarter of the year. Prioritising, and working in, an integrated manner by departments in ERWAT has contributed considerably to the performance improvements for this year. Regarding the Annual SDBIP performance, ERWAT originally had 16 SDBIP indicators until Quarter 2. The City of Ekurhuleni, during budget adjustments as required by the MFMA Circular 88, discontinued two indicators bringing the total number of indicators to 14. The entity achieved 11 out of 14 SDBIP indicators. This translates into 79% performance, which was a good improvement as compared to the previous year's 67%. Importantly, though, is the fact that the entity achieved its targets for water-quality compliance and the internal assessment for Green Drop Status, which represents the core mandate of the entity.

These positive achievements were not without challenges. ERWAT's cash reserves decreased from R504.6 million in 2022/2023 to R111.7 million in 2023/2024. This demonstrates the necessity of timeous payment of service charges by the CoE to ERWAT for the entity to maintain a positive cashflow. In terms of governance, the entity had some challenges with having a full complement of Board and Board Committee members throughout the year. One board member resigned and the shareholder, the City of Ekurhuleni, attending to replacement initiatives. Despite these challenges, the Board ensured that ERWAT met its obligations, setting the strategic direction to achieve the purpose and overseeing the financial performance of the organisation.

For the period under review, ERWAT had a budget of R1.555 billion (including R80 million in grants). ERWAT achieved a revenue of R1.624 million which is 4.44% higher than the set target. The approved ERWAT capital expenditure budget was adjusted to R135 616 091 for the 2023/2024 financial year. ERWAT managed to spend R133 026 086 or 98.09%. All the financial ratios were relatively good with the debt equity ratio of 0.16 against an industry norm of 0.40. The current ratio is 6.35:1 against an industry norm of 2:1 and lastly a cash ratio of 0.66 against an industry norm of 1.0. An overall improvement in the solvency of the entity is noted. The liquidity has become unfavourable. Although the current ratio is significantly higher than the norm, this is mainly owing to current liabilities being minimal. The cash ratio clearly reflects the adverse position as this ratio has moved significantly below the norm. The cash and cash equivalents balance, as at 30 June 2024, was R111.7 million.

The self-assessment done in terms of the mSCOA highlights that ERWAT continues to face challenges with budgeting, asset management, Human Resources Management, billing and payments. Some of the prioritisation and integration initiatives, implemented by the entity during the year, focused on overcoming these challenges to some extent. There is continued commitment to enhance organisational efficiency as well as efforts towards the City of Ekurhuleni becoming a delivering and capable city, including enhancing cyber-resilience.

During the 2022/2023 financial year audit cycle, the AGSA raised 39 findings. The entity made significant

progress by finalising 38 findings and is making progress to ensure that they do not recur in the future. Addressing the internal audit findings and the action plan for the strategic and fraud risks is important measures for the entity. However, for some action items there is a dependency on financial injection.

ERWAT, through the CoE Water and Sanitation Department, has continued its efforts towards addressing over-capacity challenges at seven of our water-care works (WCW). Five WCW have engineering consultants assigned to address the capacity issues and two projects have moved to the detailed design stages. The next phase is the actual construction, which is dependent on obtaining adequate funding. This remains to be the bottleneck not only for upgrading plan capacities but also the implementation of strategic projects such as the water reclamation and solar projects that were previously approved by the Board.

ERWAT continues to establish strategic partnerships in research and development – as well as external partners - to build the brand for the commercialisation of new business opportunities. Finally, I would like to express a deep appreciation for the immense efforts by the Board, Senior Management and the rest of the staff at ERWAT, for ensuring continuous improvement in the services that we render and that we remain true to our mandate and purpose. Our services and support for our stakeholders and the broader community have depended on these commitments and engagement over the past year.

COMPANY'S FUNCTIONS, POPULATION AND ENVIRONMENTAL OVERVIEW

INTRODUCTION TO BACKGROUND DATA

ERWAT contributes to satisfying the basic requirements for sanitation by providing a proficient wastewater treatment service to thousands of industries and more than 4.1 million people who have access to sanitation. It is currently the custodian of 19 water-care works, treating a combined capacity of approximately 856 megalitres (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 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 cope with the additional households with access to sanitation.

SERVICE DELIVERY OVERVIEW

SERVICE DELIVERY INTRODUCTION

ERWAT provides bulk wastewater treatment services to the CoE, which services over 4.1 million people and some 8 000 industries.

ERWAT's 19 water-care works treat, on average, approximately 856 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 requirements, ERWAT has developed a five-year capital expenditure plan aimed at reducing the backlog and creating a slight redundancy at the water care works. Furthermore, ERWAT is in the process of implementing regionalisation and 50-year masterplan for wastewater conveyancing and treatment works. Emergency/stand-by generators have been procured and are in the process of being installed at the works to mitigate the challenge of power interruptions, especially unplanned power interruptions.

COMMENT ON ACCESS TO BASIC SERVICES

Increases 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 to achieve the access to basic service's needs.

FINANCIAL HEALTH OVERVIEW

INTRODUCTION FINANCIAL HEALTH

The entity's financial review is premised on the approved 2023/2024 business plan and budget. Total operating revenue (including grants of R80 million and development contributions of R25.6 million) increased from R1.477 billion to R1.624 billion which includes service charges of R1.411 billion in 2023/2024 (2022/2023: R1.337 billion).

The entity ended the year with a net surplus of R227 million in 2023/2024 (2022/2023: R247 million). The decrease in the net surplus is mainly attributable to an increase of 14% in operating expenditure from R1.126 billion (2022/2023) to R1.388 billion (2023/2024), while the operating income increased with only 7% year on year.

Although ERWAT experienced an underspent-on employee costs, bulk purchases and general expenditure, there was a significant increase in debt impairment from R2.2 million (2022/2023 restated) to R38.7 million in the 2023/2024. Provision for the impairment of assets also increased to R96.3 million (2022/2023: R48.3 million) against the budget of R11.9 million.

FINANCIAL ANALYSIS AND RATIO COMPARISON

The strength of ERWAT's statement of financial position remains pivotal to the continued financial sustainability of the entity. It is reported that the entity is a going concern with accumulated surplus of R2.697 billion with total assets exceeding total liability by the same amount.

SOLVENCY

The decrease in long-term liabilities and payables from exchange transactions impacted positively on ERWAT's solvency ratio. It decreased from 0.20 in 2022/2023 to 0.16 in 2023/2024. The solvency ratio might come under pressure in the future if alternative funding sources, including loan funding need to be accessed. ERWAT has shown a continuous improvement with a decrease in the ratio annually.

LIQUIDITY

ERWAT's current ratio increased from 4.03:1 in 2022/2023 to 6.35:1 in 2023/2024. However, this is owing to the significant increase in trade receivables from exchange transactions of R531 million. The cash ratio clearly reflects an adverse position as this ratio has moved significantly below the norm. The cash and cash equivalents balance as at 30 June 2024 was R 111.7 million as compared to R504.7 million at 30 June 2023.

Table 1.1: Financial Overview: 2023/2024

Details	Actual 2022/2023 R'000	Original Budget 2023/2024 R'000	Adjustment Budget 2023/2024 R'000	Actual 2023/2024 R'000
INCOME				
Grants	70 000	80 000	80 000	80 000
Development Contribution	-	-	-	25 961
User Charges (service)	1 336 988	1 359 430	1 410 773	1 410 773
Other	69 871	42 200	64 594	107 743
Sub Total (Including grants)	1 476 859	1 481 630	1 555 367	1 624 477
Expenses	(1 216 380)	(1 401 630)	(1 475 367)	(1 388 989)
Operating Surplus	260 478	80 000	80 000	235 488
(Loss)/gain on disposal of assets	(721)	-	-	(5 599)
Fair Value Adjustments – Investment	686	-	-	893
Actuarial Gains/(Losses)	(12 961)	-	-	(3 660)
Assets written off	(0)			(0)
Surplus (including grants)	247 482	80 000	80 000	227 122

COMMENT ON OPERATING RATIOS

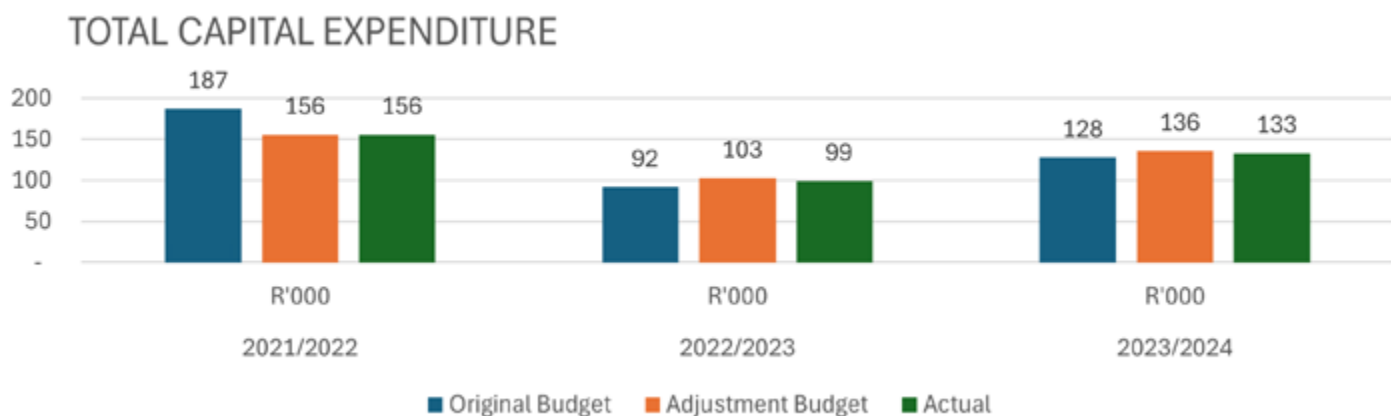
The main cost driver is the employee costs that is reported at 31.36%. The ratio is higher than usual owing to the minimal underspend on the OPEX budget, while employee costs remained relatively consistent throughout the year.

Table 1.2: Operating Ratios 2023/2024

Details	%
Employee Costs	31.36%
Repairs and Maintenance	12.50%
Finance Charges	2.78%

Table 1.3: Total Capital Expenditure

Details	Year 2021/2022 R'000	Year 2022/2023 R'000	Year 2023/2024 R'000
Original Budget	187 100	91 559	127 646
Adjustment Budget	155 656	102 670	135 616
Actual	155 016	98 086	133 026
% Capital Spent based on Original Budget	82.85%	107.13%	104.21%
% Capital Spent based on Adjustment Budget	99.59%	95.54%	98.09%



COMMENT ON CAPITAL EXPENDITURE

The approved ERWAT capital expenditure budget amount was adjusted from R127 646 091 for the 2023/2024 financial year to R135 616 091.

The approved capex budget of R135 616 091 for the 2023/2024 financial year is allocated to support economic development and service delivery.

Detailed capital expenditure is outlined in **Appendix N**.

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, department. The Human Resources department ensures that the entity delivers on what it is known for with sufficient talent and without unnecessary work stoppages.

AUDITOR-GENERAL REPORT

AUDITOR-GENERAL REPORT: 2022/2023

The AGSA issued an Unqualified Audit Opinion for 2022/2023 material findings. The findings contained in the audit report and final management report were addressed through an operation clean audit (OPCA) plan. This was developed to address these findings to improve the entities systems and prevent recurrence going forward. Most findings were dealt with successfully and progress has been made in addressing the rest.

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 fourth quarter report for previous financial year.	
4	Submit draft 2023/2024 annual report to the internal audit and 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
8	Chairperson tables the unaudited annual report.	
9	Company submits the draft annual report including consolidated annual financial statements and performance report to the AG.	
10	Annual performance report as submitted to the AG to be provided as input to the strategic plan analysis phase.	
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 annual report.	
16	Board adopts oversight report.	December
17	Oversight report is made public.	
18	Oversight report is submitted to relevant provincial councils.	
19	Commencement of draft budget/strategic plan the 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 as an incremental basis. The annual report will therefore be tabled to the relevant CoE department with appropriate authority to review the report on whether it succinctly follows the broad guidelines of the template provided by National Treasury while properly considering the unique nature of the entity and whether the quality of information provided gives a clear picture of the affairs of the entity.

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

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



Mr Kennedy Chihota

Managing Director





Chapter 2

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.

ERWAT is a municipal-owned entity currently registered as a non-profit company. 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 considers 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 conduct 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 company mandate 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 as well as expenditure framework (MTREF) and adjustment budgets.

The fundamental objective has always been to conduct 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 entrench and strengthen further 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 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 has incorporated the CoE's corporate governance protocol in its Board charter, which regulates its relationship with the CoE as its majority

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 adhering to the King IV. The entity practises 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.

2.1 POLITICAL GOVERNANCE

INTRODUCTION TO POLITICAL GOVERNANCE

The Board of Directors thus consists of one executive and three 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 97% voting rights in ERWAT and its stakeholders. The 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 - as characterised by the values of responsibility, accountability, fairness and transparency - has been a defining characteristic of the entity since the company's establishment in 1992.

Responsibilities include:

1. Setting ERWAT's strategic direction and goals and monitoring management's implementation of that strategy.
2. Appointing such ERWAT committees 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 that 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 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, which is subject to a minimum of four meetings per year.

The Board has established key functional committees for Governance and Compliance, Operations, Remuneration and Ethics, Risk and ICT as well as the Nominations Committee on an ad-hoc basis. The company does not have an audit committee as the oversight function is incorporated under the Governance and Compliance Committee. The CoE Audit Committee performs the role of the audit function for all CoE municipal entities.

Crucial for the functioning of the Board is a balanced composition to ensure that the entity adapts to the changing demands and business environment. There is strong relationship between a balanced board composition, characterised by having adequate number of directors, and fulfilling its role in driving sustainable corporate performance. The ERWAT Memorandum of Incorporation (MoI) allows for the nomination of a minimum

of five directors and a maximum of eight. However, the Board currently consists of three members, which is below the required number. It was a challenge to have a full complement in the Board of Directors for the period under review. This was exacerbated by the resignation of one of the members half-way through the year. The absence of board members created a void, so causing certain committees to be unable to reach a quorum. However, despite this challenge, the Board ensured that the obligations, mandate and purpose of ERWAT were met, while the initiatives to replace members are undertaken by CoE. The shareholders should enhance the Board's capacity by appointing three more non-executive directors with expertise and experience in asset management and engineering disciplines, including civil, mechanical, electrical, and structural engineering.

Appendix B sets out committees and committee purposes.

Table 2.1: ERWAT Board of Directors

Board Member	Executive / Non-executive Director	Race	Gender	Designation
Dr N Skeepers	Non-Executive	Coloured	Female	Chairperson: Board of Directors Chairperson: Nominations Committee
Ms U Exner	Non-Executive	White	Female	Chairperson: Risk & ICT Governance Member: Governance & Compliance
Ms R Kikine*	Non-Executive	Black	Female	Chairperson: Operations Committee Member: Remuneration & Ethics Committee
Mr N Ngwenya	Non-Executive	Black	Male	Chairperson: Remuneration & Ethics Committee Member: Operations Committee
Mr K Chihota	Executive	Black	Male	Managing Director

* Ms Rethabile Kikine resigned on 30 January 2024.

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; Master of Health, and Safety; BTech Degree in Environmental Health and National Diploma in Public Health.

She has a vast background in health, safety and has been responsible for the overall management of health and safety implementation as well as environmental management for several different sectors.

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



MS ULANDI EXNER (NON-EXECUTIVE DIRECTOR)

Ms Ulandi Exner has the following qualifications:

BCom Informatics and is currently finalising a qualification in MPhil IT Governance.

She is a certified Director with the following certifications through ISACA: CISA, CGEIT, CRISA & CDPSE.

She has held various management roles in ICT and served on several boards within both the public and private sectors.

She is professionally affiliated with ICS, ISACA, IITPSA and the IoDSA.



MS RETHABILE KIKINE (NON-EXECUTIVE DIRECTOR)

Ms Rethabile Kikine has the following qualifications:

Bachelor of Laws (LLB) and a BProc. She is a Certified Ethics Officer and has certificates in Advanced Law Studies.

Ms Kikine has extensive experience in the risk and ethics sphere within both the public and private sectors. Admitted as an Advocate (non-practising) of the North Gauteng High Court, she is a member of the Directors Association (SA), Ethics Practitioners Association (SA) as well as the Compliance Institute of South Africa.



MR NKULULEKO NGWENYA (NON-EXECUTIVE DIRECTOR)

Mr Nkululeko Ngwenya has the following qualifications:

Mr Nkululeko Ngwenya is an experienced Occupational Health, Safety, Regulatory, Environmental and Waste Management/Services with 15 years of demonstrated history of working in an Occupational Health, Waste Management Services, Regulatory, Risk and Project Management, Exposure. He is experienced in the implementation of OHS, Regulatory and Waste Management within the public sector.

Master of Public Health, Partnership Master's Programme – Master of Sciences in Occupational, Safety Health and Environmental Management, BCom Degree in Operational Risk Management as well as international certification in Environmental and Waste Management and ICG.

He is registered as a professional member of SACPCMP and is a graduate member of SAIOSH.



MR KENNEDY CHIHOTA (MANAGING DIRECTOR)

Mr Kennedy Chihota has the following qualifications:

Honours Degree In Civil Engineering, a Masters in Water Resources Engineering and Management, a Masters in Business Administration, a Masters in Engineering as well as Master's Degree in Property Development which is still in progress.

He is registered with the Engineering Council of South Africa (ECSA) as a candidate engineer and with the Institute of Civil Engineers as a graduate engineer.



MS ZIMASA SOCIKWA (COMPANY SECRETARY)

Ms Zimasa Socikwa has the following qualifications:

Chartered Secretary and holds a CCSA Qualification from the Chartered Governance Institute of South Africa, a degree in Bachelor of Commerce from the University of Transkei, a Credit Diploma from the Institute of Bankers (IOB), and attended a Management Programme in Municipal Finance Management from Wits Business School. She is currently finalizing 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 the National Treasury as well as the Absa Group.



Table 2.2: Board and Board Committee Meeting Attendance

Name	Board Meeting	Special Board Meeting	Governance & Compliance Committee	Risk & ICT Governance Committee	Remuneration & Ethics Committee	Operations Committee	Nominations Committee	Board Lekgotla	General/ Shareholder Meetings	Total
Dr Natalie Skeepers	3	2	1	3	1	1	-	1	1	13
Ms Ulandi Exner	3	2	1	3	-	-	-	1	1	11
Ms Rethabile Kikine	1	2	-	-	3	2	-	1	1	10
Mr Nkululeko Ngwenya	3	2	-	-	3	2	-	1	1	12
Mr Kennedy Chihota	3	2	1	3	3	2	-	1	1	16

BOARD COMMITTEES

The Board committees have been established with each consisting of at least three members, the majority of whom are Independent Non-Executive Directors. The role and responsibilities of the board committees are detailed in the terms of reference for each committee.

The Board committees were reconstituted to balance the workload that was carried out by the committee members. It is critical to note that board committees represent an essential part of the corporate governance process and have clear reporting procedures and scope.

DECISION-TAKING

Decisions are taken at the board level. The shareholder representative acts as an observer at the Board meetings where the decisions are taken. It is the responsibility of Executive Management to implement the decisions and the strategic objectives of the entity.

2.2 ADMINISTRATIVE GOVERNANCE

INTRODUCTION TO ADMINISTRATIVE GOVERNANCE

The Board of Directors provides effective leadership to the entity on a principled foundation. 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 its 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 are commended 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 its 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 control aimed at reducing the risk of error or loss in a cost-effective manner.

These controls are monitored through a quarterly financial report, operations report, human resources report and other reports submitted by management to the Board

every quarter to be reviewed. 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 (MD) is responsible for the day-to-day management and administration and the entire staff, assisted by the Senior Management. The MD reports to the Board and is responsible for the implementation of company policy, the organizational strategy as directed by the Board.

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

Table 2.3: Administrative Structure

Name	Designation & Function
First Tier	
Mr Kennedy Chihota	Managing Director
Second Tier	
Ms Zimasa Socikwa	Company Secretary
Ms Gratitude Ramphaka	Chief Financial Officer
Mr Rodney Barnes	Executive Manager: Human Resources
Ms Alison Chapman	Executive Manager: Scientific Services
Mr Ashton Bodrick	Executive Manager: Commercial Business
Ms Shuntelle Gow	Executive Manager: Strategy Monitoring and Evaluation
Mr Bernard Petlane	Executive Manager: Maintenance
Mr Mpho Makgatha	Executive Manager: Operations
Mr Emmanuel Khomela	Executive Manager: Infrastructure Planning and Projects
Third Tier	
Mr Victor Chuene	Supply Chain Manager

COMPONENT B

Intergovernmental Relations

INTRODUCTION TO COOPERATIVE GOVERNANCE AND INTERGOVERNMENTAL RELATIONS

Intergovernmental relations are mainly carried out by the CoE at the 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 the provincial level, a relationship is fostered with the Department of Human Settlement Water and Sanitation (DHSWS) as well as 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 a relationship with Energy and Water Sectoral Education and Training Authority (EWSETA) for funding 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 ensuring accountability to the state and the communities. ERWAT performs municipal services on behalf of the CoE and form 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 municipal entities current entities include the Ekurhuleni Housing Company SOC Ltd and the Ekurhuleni Water Care Company. Both the members and the Board play a critical role in the governance of the company. The Board of the entity remain accountable to the members and are expected to provide quarterly reports to the parent municipality.

The relationship between the CoE and its entities is 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 training and were trained on the corporate governance framework.

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 members' 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 regarding 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.
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 the review of entity's service delivery agreements and governance maturity. The key focus areas of the 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 is integrated into the CoE's Department of Water and Sanitation's IDP. This is then cascaded into ERWAT's strategic five-year plan and annual business plan.

2.4 PUBLIC MEETINGS

COMMUNICATION, PARTICIPATION AND FORUMS

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

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

Business Plan Participation and Alignment Criteria	Yes/No
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 with the KPIs in the strategic plan?	No
Do the business plan KPIs align with 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 fourth quarter aligned with reports submitted within stipulated timeframes?	Yes

COMPONENT D

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 entrench further 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 entire value chain, the situation of the natural environment, communities and employees can be improved and thereby the sustainability of the business is 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, health and public safety as well as consumer relationships. As an 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 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

2.6.1 GOVERNANCE STRUCTURE AND PRINCIPLES

At ERWAT, the governance structure and principles underscore a commitment to robust corporate governance that is guided by key legislative frameworks and best practice such as the King Code that the Board of Directors subscribes to. The entity has a functional risk management system in place as highlighted below.

The entity:

- Operates under the Companies Act 71 of 2008 (as amended) sets out requirements and standards for corporate governance in South Africa. Adherence to this Act ensures that ERWAT complies with legal obligations related to governance.
- Subscribes to the King IV Code on Corporate Governance provides comprehensive guidelines and principles for effective governance. These principles emphasise ethical leadership, sustainability, stakeholder inclusivity, and transparency, aligning ERWAT’s practices with international best standards.

- Has a Service Delivery Agreement with the City of Ekurhuleni (CoE), its parent municipality. This agreement strengthens governance practices by outlining clear expectations for service delivery and governance standards. It ensures alignment of ERWAT's operations with municipal objectives and enhances accountability to the municipality and its residents.
- Places significant emphasis on risk management as a critical component to driving strategy. A structured risk management framework is in place to identify, assess, and mitigate risks effectively. This proactive approach helps ERWAT in achieving its strategic objectives while safeguarding the interests of its stakeholders.
- Is committed to maintaining high standards of transparency, accountability, and integrity across its operations. These principles are fundamental in building trust among stakeholders and ensuring responsible resource management.

These elements collectively support ERWAT in delivering on its mandate effectively while upholding the highest standards of governance and service delivery.

2.6.2 RISK MANAGEMENT COMPLIANCE AND ACCOUNTABILITY

To ensure compliance with Section 95 of the Municipal Finance Management Act (MFMA) states that entity must maintain an efficient and transparent system of financial, risk management and financial controls. ERWAT recognises the importance of aligning risk management with the entity's overall strategic objectives.

Integrating risk management into strategic-planning processes gives the assurance that risks are considered and addressed in a proactive and strategic manner. This alignment allows Management and the Board to make informed decisions, enhance resilience, and optimise opportunities for success. The Board reports demonstrate the adherence and commitment to risk management and further promotes accountability to the shareholder.

The table below reflects 10 high priority acts that earmarked for Compliance Risk Management Plan/or other registers to improve the controls.

No	LEGISLATION	IR	Comment
1	Companies Act No 71 of 2008	High	As a municipal entity, it may not be directly subject to all provisions of this Act, but certain aspects still apply, especially concerning governance and accountability.
2	Disaster Management Act NO. 57 of 2002	High	Pandemics such as Covid-19 and the effects thereof on the workforce.
3	Municipal Finance Management Act	High	It guides ERWAT on its financial management practices, ensuring compliance with regulatory requirements, as well as promoting transparency and accountability in its operations.
4	Municipal Systems Act	High	It defines the structures, functions, and powers of the entity to ensure effective governance and service delivery.
5	Prevention and Combating of Corruption Activities Act 12 of 2004	High	It is an important piece of legislation aimed at preventing and combating corruption within both the public and private sectors.

No	LEGISLATION	IR	Comment
6	National Water Act No. 36 of 1998	High	Sets standards and regulations to protect and improve the quality of water resources so preventing pollution and degradation. This is encapsulated in the Water Use Licence conditions.
7	National Environmental Management Act	High	To conduct EIAs for its projects, especially those that could have significant environmental impacts. It is also expected to discharge into the rivers water that meets the Water Use Licence Standards.
8	Occupational Health & Safety Act No. 85 of 1993	High	The entity aims create an environment a healthy and safe environment for all employees in the workplace.
9	Protection of Personal Information Act No. 4 of 2013	High	Data protection laws aims to protect the personal information of individuals and to ensure that their privacy rights are respected.
10	National Energy Act 34 of 2008	High	By obtaining an EPC, ERWAT can not only enhance its operational efficiencies but also contribute to the sustainability goals of the government by demonstrating responsible energy management practices.

2.6.3 ERWAT RISK STRATEGY

ERWAT's Risk Management Framework provides a structured approach for identifying, assessing, mitigating, and monitoring risks. It provides guidelines to be followed to manage risks and support decision-making processes effectively. The process entails risk identification, assessing the risk, developing strategies and implementing action plans to minimise the impact of risk and continuous monitoring and review.

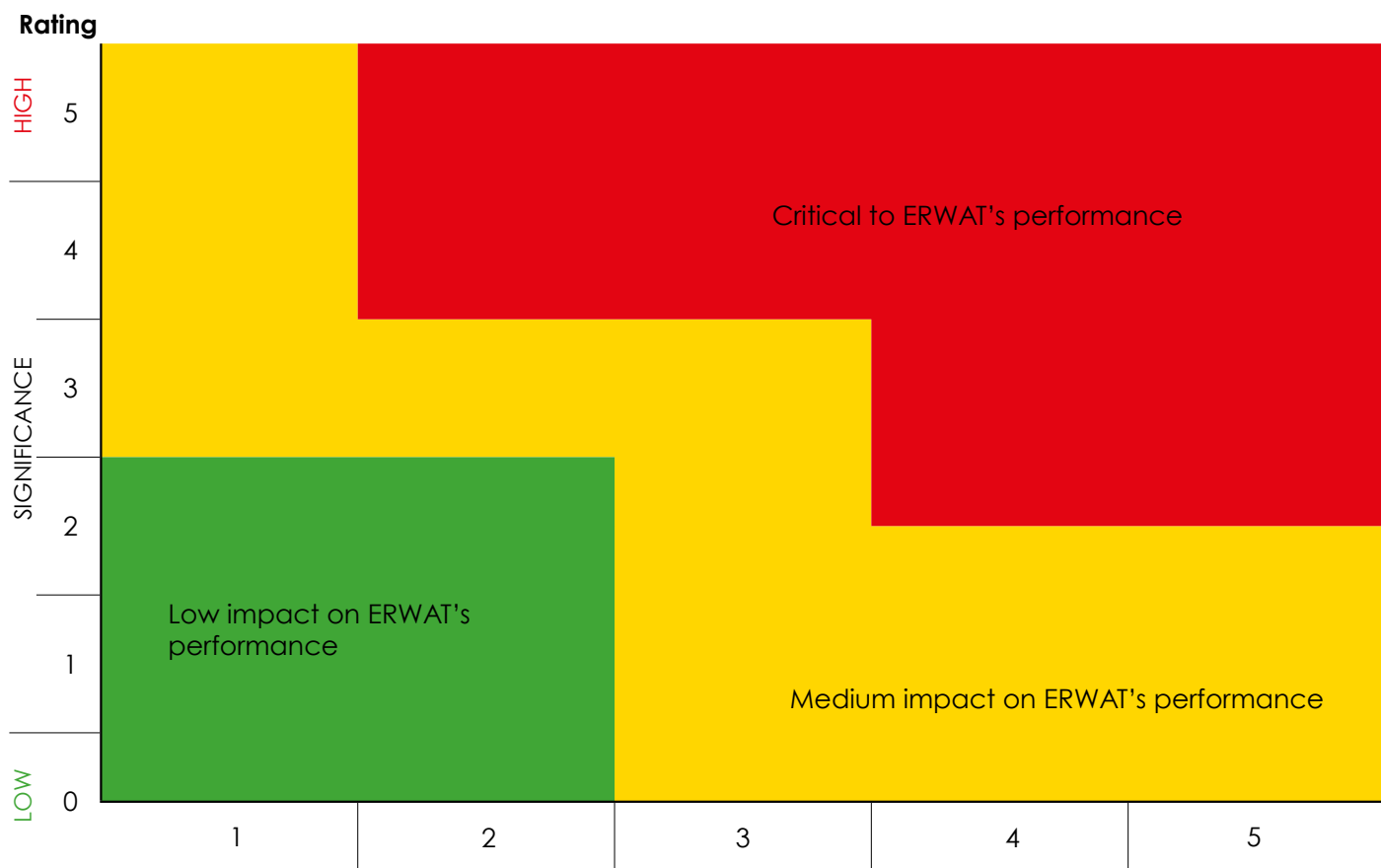
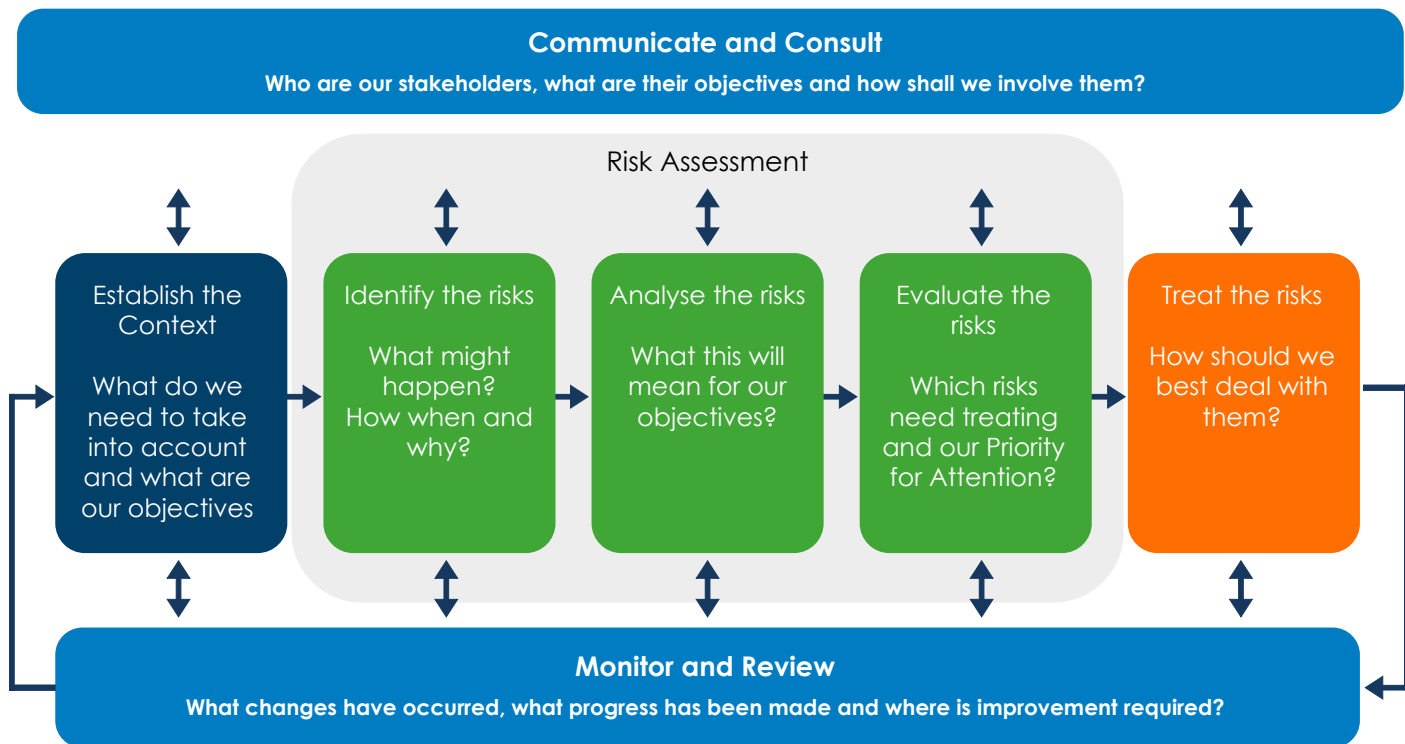
Risk-reporting and communication:

- Communicating risk-related information to stakeholders, including senior management, the Board of Directors, and relevant departments. Reporting should include the identification and assessment of risks, the status of risk mitigation measures as well as any emerging risks that require attention.

- Fostering a risk-aware culture within ERWAT where all employees understand their roles and responsibilities in managing risks. This includes providing awareness programs, encouraging open communication about risks, and promoting accountability at all levels.
- Integrating risk management into decision-making processes is improving, including strategic planning, project management, and operational activities. This ensures that risks are considered and addressed when making important decisions in a fast-paced changing world.

2.6.4 THE THRESHOLDS TO DETERMINE THE IMPACT THAT AN OBJECTIVE HAS ON PERFORMANCE AT THE APPLICABLE LEVELS ARE DEPICTED IN THE MATRIX

Risk Methodology



2.6.5 STRATEGIC RISK PROFILE

The enterprise-wide risk profile has 11 Strategic Risks, and these are grouped into various categories: Infrastructure, Financial, People and Process.

No.	Strategic Pillar	Context	Risk 2022/2023	RR	Key Risk Action Plans
1.	Operational Excellence	A city where there is population growth, urbanisation, and industrial activities place increasing demands on wastewater treatment facilities. If the existing infrastructure is unable to handle this increased demand, it can hinder urban development, discourage businesses, and deter investment.	Inadequate Infrastructure to treat wastewater.	High	<ol style="list-style-type: none"> 1. Implement the 2023 - 2024 Capital Expenditure Budget to improve operational efficiencies. 2. To improve operational efficiency by implementing the 2022 – 2023, Maintenance Budget for planned and reactive maintenance activities. 3. Embark on a Plant Optimisation Modelling project to enhance to determine the overall efficiency, effectiveness, and sustainability of water-care operations. 4. Key objectives and benefits of plant optimisation: Five turkey projects to increase capacity: <ol style="list-style-type: none"> 1. Waterval 2. Olifantsfontein 3. Vlakplaats 4. Anchor 5. Welgedacht 5. Create a centralised spares store to reduce down-time and increase efficiency.
2.	Environmental Sustainability	South Africa is prone to various natural disasters such as floods, droughts, storms, and wildfires. These events can disrupt operations, damage infrastructure, and affect water supply and wastewater treatment facilities.	Inadequate preparedness in the event of an emergency/ natural disaster.	High	<ol style="list-style-type: none"> 1. Conduct geotechnical studies to understand the physical properties of the soil and rock at the Water Care Works sites. 2. Develop an ERWAT Disaster Management Framework as part of the business continuity management plan. 3. Review of business recovery plans for the Core Business.

No.	Strategic Pillar	Context	Risk 2022/2023	RR	Key Risk Action Plans
3.	Operational Excellence	The ISO 17025 laboratory accreditation demonstrates the entity's technical competency and produce valid and reliable results, which is crucial for maintaining credibility, meeting regulatory requirements, as well as ensuring customer confidence.	Potential loss of the ISO 17025 accreditation	High	1. The procurement of laboratory instruments such as the Flow Injection Analysers and GC-MS Equipment to improve processes.
4.	Operational Excellence	Vulnerabilities in the electricity grid such as ageing infrastructure, inadequate maintenance, vandalism, susceptibility to natural disasters or cyber-attacks, increase the risk of grid collapse and extended blackouts.	Inadequate preparedness in the event of total grid collapse resulting in extended blackouts.	High	1. Apply for Capital Funding from the Development Bank for works expansion and the installation of solar panels. 2. Procurement of an additional 12 generators to request additional Capex funding to implement capacity-related projects.
5.	Operational Excellence	The entity depends on the city for budgetary allocations. If the city faces budget cuts or re-allocates funds to other priorities, the entity may experience reduced financial support, which leads to inadequate cash flows to sustain its operations and deliver services.	Inability to spend in accordance with the allocated budget.	Medium	1. Do a feasibility study on alternative energy such as hydropower and solar. 2. Repair all non-operational gensets. 3. Procurement and installation of additional gensets to increase the fleet.
6.	Commercialisation	Grey water may not be in high demand as a commodity itself. Its value lies in its potential for water conservation, resource efficiency, and sustainable practices. By offering services and solutions that utilise grey water effectively, the entity promotes environmental stewardship and addressing water-related challenges.	Inadequate revenue generation to supplement the approved budget.	Medium	1. Develop a market penetration strategy to increase the entity's market share, revenue, and overall competitiveness within the existing target market.

No.	Strategic Pillar	Context	Risk 2022/2023	RR	Key Risk Action Plans
7.	Operational Excellence	Delayed approvals and permits, employee strikes, protests, demonstrations, or negotiations can lead to delays in implementing a project.	Possible failure to achieve Capital Expenditure set target.	Low	<ol style="list-style-type: none"> 1. Improve relationships with the communities residing in vicinities where the entity operates through the Corporate Social Responsibility programme. 2. Review the Business Continuity Management Policy to stay relevant according to the changing business environment. 3. Reduce unprotected strikes by disciplinary hearings for unprotected strikes.
8.	People	When key employees with specialised skills and knowledge exit the system, there is a risk of losing critical institutional knowledge and expertise.	Potential loss of key skills.	Medium	<ol style="list-style-type: none"> 1. Implement the 2022 - 2023 recruitment plan prioritising the filling of key positions in the E level Band. 2. Review Human Resources policies.
9.	Operational Excellence	Global supply chains are vulnerable to various risks, such as natural disasters, political instability, trade disputes, pandemics, or transportation disruptions. The entity procures some of its equipment, laboratory instruments / spares internationally.	Potential delivery in the supply and delivery of critical goods and services.	High	<ol style="list-style-type: none"> 1. Review of contracts and Critical Supplies Register as part of the BCM programme. 2. Update the Procurement Plan for 2023/2024 in line with business requirements and the allocated budget. 3. Review SCM Delegation of Authority.

No.	Strategic Pillar	Context	Risk 2022/2023	RR	Key Risk Action Plans
9.	Operational Excellence	Ageing infrastructure includes outdated scientific equipment, tools, and technology. This can result in reduced efficiency, limited capabilities, and the decreased reliability of scientific services. It may also hinder the organisation's ability to keep up with advancements in research methods and technology, so potentially impacting the quality and competitiveness of its services.	Potential loss of the ISO 17025 Accreditation.	High	1. Replacement of the H Vac System in the Scientific Services to improve cooling and extraction of fumes
10.	Operational Excellence	This can result in the exposure of personal data, trade secrets, intellectual property, or sensitive financial and customer information.	Potential Loss of and Unauthorised Access Critical Information.	High	1. Upgrade the server ICT infrastructure. 2. Upgrade the operating systems in line with the upgraded infrastructure.
11.	People	Workplace accidents may occur owing to various factors, such as slips, trips, falls, machinery malfunctions, electrocutions, or exposure to hazardous substances. These accidents can result in injuries ranging from minor cuts and bruises to severe injuries, disabilities, or even fatalities.	Potential injuries to personnel, visitors and contractors.	High	1. Review of safety-related Standard Operating Procedures and Work Methods to improve the safety environment.

2.6.6 Implementation of Risk Action Plans

The risk action plans could not all be implemented as identified during the workshops. These will carry on in the new financial year. The detailed progress on all the action plans can be found in the SDBIP Report. The status is shown below.

2.7 ANTI-CORRUPTION AND FRAUD

2.7.1 EFFECTIVENESS OF RISK MANAGEMENT SYSTEM AND REPORTING

Management and the Board are committed to implementing a comprehensive fraud prevention programme. This has the potential to minimise the risk of fraud, protect the entity's assets and reputation, ensure compliance with regulations, and maintain public trust.

Regular reviews, monitoring, and continuous improvement of fraud prevention measures demonstrate the zero-tolerance stance and the endeavour to manage fraud risks proactively. Fraud is an issue that all organisations may face regardless of size, industry or country. The entity reviews the fraud risk profile annually as part of the broader risk management programme. The monitoring of the Fraud Risk Action Plan takes place every quarter.

2.7.2 FRAUD RISK MANAGEMENT

The entity's fraud risk management strategy is guided by the Board of Directors, implemented by the Executive Committee and supported by the Risk Management Department. The key focus is to ensure that there is robust oversight and continuous improvement in our efforts to prevent, detect, and respond to fraud.

Fraud Risk Management forms part to the entity’s broader risk management system. By prioritising fraud risk assessments, the entity can significantly strengthen the control environment, so making it more challenging for fraudulent activities to occur and more likely that any such activities will be detected early, and action taken.

environment, so allowing the implementation of targeted action plans as identified and assessing the current controls for their effectiveness.

Key areas of focus include:

FRAUD RISK ASSESSMENT

ERWAT conducts regular fraud risk assessments to identify and evaluate potential vulnerabilities within our operations. These assessments are integral to our risk management process to strengthen the control



REF	Risk Title		Risk Action Plan
FR1	Possible abuse of leave days	Medium	<ol style="list-style-type: none"> Review of the Conditions of Employment Booklet to incorporate changes made in Human Resources Policies and go out on an HR awareness drive throughout the entity. Implementation of the Overtime Rate as awarded by the Arbitration Council.
FR2	Abuse of ERWAT Fleet		<ol style="list-style-type: none"> Safeguard the entity’s fleet by installing a new vehicle monitoring system and recovery unit for all vehicles in line with the parent municipality’s plan. Implement the 2022 - 2023 Driver Training Programme.
FR3	Potential abuse of Supply Chain Management Processes	High	<ol style="list-style-type: none"> Improve procurement by updating the Procurement Plan 2023 - 2024. The development of a whistleblowing policy to strengthen the ethics controls. Promotion of the Ethics Line through awareness to encourage reporting of unethical behaviour and the review of the Gift, Entertainment and Hospitality Policy.
FR4	Potential use of payroll business processes to commit fraud	Medium	<ol style="list-style-type: none"> Integration of HR system into the payroll as part of Enterprise Resource-Planning in line with the shareholder’s vision.
FR5	Fraudulent expense disbursement		<ol style="list-style-type: none"> Review the Travel Policy. Conduct Ethics Risk Assessment to improve ethics controls.
FR6	Potential leaking of sensitive company/client information (e.g. Intellectual Property, Laboratory Results, etc.)	High	<ol style="list-style-type: none"> Improve on the records of the entity to comply with POPI Act by developing the relevant policies and standard operating procedure for document and records management. Implementation of a document management system as part of shareholder’s Enterprise Resource-Planning.

2.7.3 WHISTLEBLOWING

WHISTLEBLOWER PROTECTION

Establishing mechanisms to protect whistleblowers who report suspected fraud is crucial. ERWAT has a confidential ethics in line reporting system that allows employees, contractors, and stakeholders to report fraud anonymously without fear of retaliation. Timely investigation of reported cases and appropriate actions against perpetrators are key to demonstrating the entity's commitment to addressing fraud.

2.8 SUPPLY CHAIN MANAGEMENT

OVERVIEW OF SUPPLY CHAIN MANAGEMENT

The entity has adopted Supply Chain Management (SCM) systems in compliance with the provisions of the Municipal Finance Management Act (MFMA) and National Treasury and Municipal Supply Chain Management Regulations and the Preferential Procurement Policy Framework Act and Regulations of 2022.

In terms of MFMA, SCM and other legislated guidelines, the following is worth reporting:

- 1 The amended Municipal Finance Management Act Regulations 1, 12, 16, 18 19 and 35 - as promulgated in the Government Gazette - was issued by National Treasury on 14 December 2023. ERWAT implemented the amendments as from 1 April 2024 with the following processes:
 - 1.1 The thresholds for a competitive process (tender) have been increased from R200 000 to R750 000.
 - 1.2 All procurement from R2 000 below R750 000, with a contract term of less than 12 months, will follow the seven-day advertising process (Formal Price Quotation process).
 - 1.3 Long-term (above one year) procurement below R750 000 will follow a competitive process (tender).
 - 1.4 The revised ERWAT Delegation of Authority (DoA) were approved.
 - 1.5 Key controls in the procurement process were noted.
- 2 There is a significant decrease in the yearly irregular expenditure of more than 25% in the current year irregular and expenditure since 2021.

- 3 The evaluation of bids is based on phases:
 - Phase 1 relates to compliance on administrative matters,.
 - Phase 2 relates to mandatory requirements and or functionality criteria (where applicable).
 - Phase 3 relates to final scoring on price and the PPPFA regulations (including B-BBEE criteria) to determine the highest scoring bidders as provided for in National Treasury circulars.
- 4 The adjudication process is applied as per the MFMA, SCM Regulations, the PPPFA Act and Regulations of 2022 and as per the SCM Policy.
- 5 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.
- 6 The points are calculated and based on information received from the suppliers and verified by certificates confirming the PPPFA criteria under MBD 6.1 against the B-BBEE, CSD reports and or other documents where possible.
- 7 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.
- 8 These procurement committees are Bid Specification, Bid Evaluation, and Bid Adjudication Committees.
- 9 ERWAT has appointed an internal Probity Committee as an additional measure to overlook and advise the Accounting Officer on SCM processes followed on open tender processes. The function will be outsourced to an independent service provider for full audit process and comfort.

A SCM unit was established that monitors the implementation of the SCM policies and standard operating procedures (SOP) in line with the regulations which seek to modernise financial governance, improve accountability and transparency in the entity's processes. These SOPs 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 the National Treasury from time to time.

The Board oversees that the procurement policy embraces the objectives of the applicable legislation, including the PPPFA and B-BBEEE. 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 COMPANY WEBSITE CONTENT AND ACCESS

ERWAT's website is utilised as a communications tool where information on ERWAT is shared, such as its

services, water-care works, as well as news, vacancies together with research and development papers and presentations. ERWAT aims to publish 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 requests for quotations, written formal price quotations and tenders are displayed on the website. The MFMA legislation has been amended that only allows for formal price quotation process up to a threshold of R750 000 (all applicable taxes included).

The website is also linked to websites of associated organisations, such as the CoE, the DWS, the Water Research Commission, WISA and the IWA.

Table 2.8: Company Website Content and Currency of Material

Documents Published on the Company's Website	Yes/No	Publishing Date
All service delivery agreements (2023/2024)	No	N/A
All long-term borrowing contracts (2023/2024)	No	N/A
All SCM contracts above are prescribed values for 2023/2024	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 2023/2024 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 2023/2024	No	N/A
All quarterly reports tabled in the council in terms of section 52 (d) during 2023/2024	No	N/A
All service delivery agreements (2023/2024)	No	N/A
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 2023/2024 to which subsection (1) of section 33 applies, subject to subsection (3) of that section	No	N/A
Public-private partnership agreements referred to in section 120 made in 2023/2024	No	N/A
All quarterly reports tabled in the council in terms of section 52 (d) during 2023/2024	No	N/A

2.11 PUBLIC SATISFACTION ON COMPANY SERVICES

PUBLIC SATISFACTION LEVELS

According to the Gauteng City-Region Observatory's (GCRO) Quality of Life Survey 6 (2020/21), data collection for this survey took place from October 2020 to May 2021 in the context of a province and City hard hit by the COVID-19 pandemic and lockdown. The city

recorded high satisfaction levels by its residents. The survey revealed that more than 70% of residents have recorded satisfaction with sanitation services.

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.



Chapter 3

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 CORE BUSINESS

PRE-DETERMINED CITY-WIDE OBJECTIVES

The core business of the company is the purification of wastewater. ERWAT operates 19 water-care works. Each works is issued with a water-use licence and/or exemption by the DWS. Each licence 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 licence 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, while the City provides people access to sanitation. 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 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 and Lesedi Local Municipality. Its mandate is to ensure that the existing 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 623 Mℓ/d owing to 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 standards as per the water-use licence (WUL) issued by DWS. The WCWs are now operating at 856 Mℓ/d, which is above the re-graded capacity.

Therefore, it is a priority to increase the wastewater treatment capacity to eradicate the backlog and increase the capacity to match the current and future demand.

HYDRAULIC CAPACITY

The figure depicts a very gloomy picture of the ERWAT water care works with regards to treatment capacity. On average, eight out of the 19 WCWs are operating above their design capacity, one operating between 80% and 100% (this is a trigger point for upgrade), with 10 operating below the 80% of their available treatment capacity.

HYDRAULIC CAPACITY 2023/2024

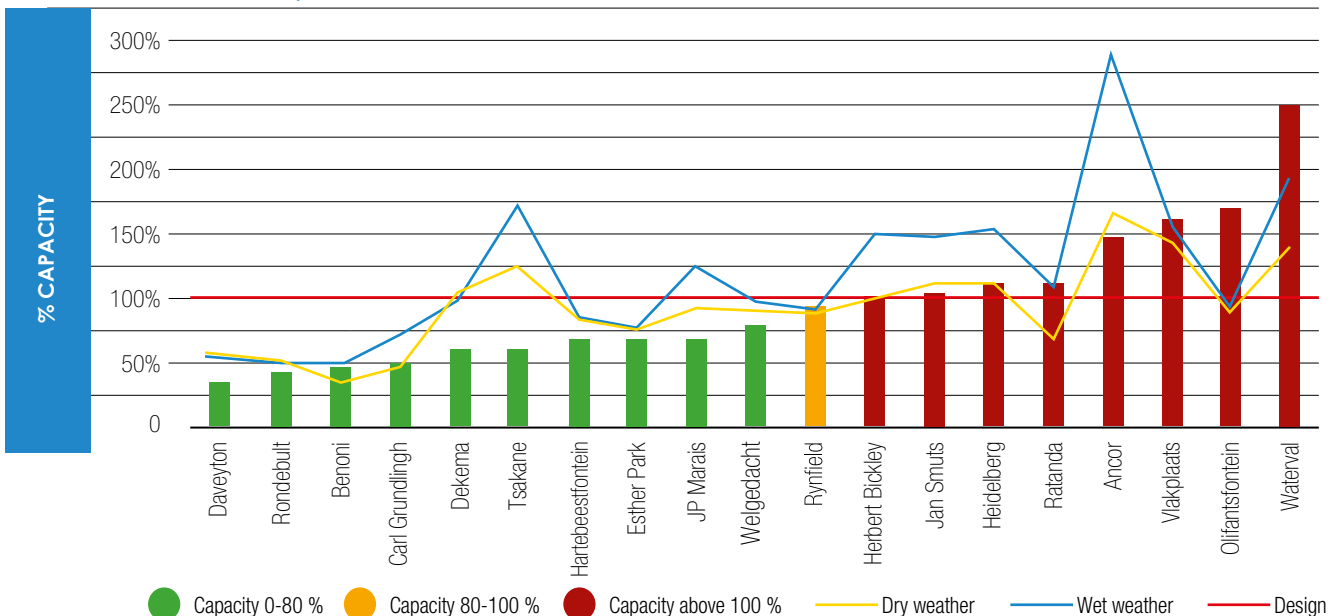


Table 3.3: Design Capacity vs Average Flow for the Financial Year 2023 - 2024

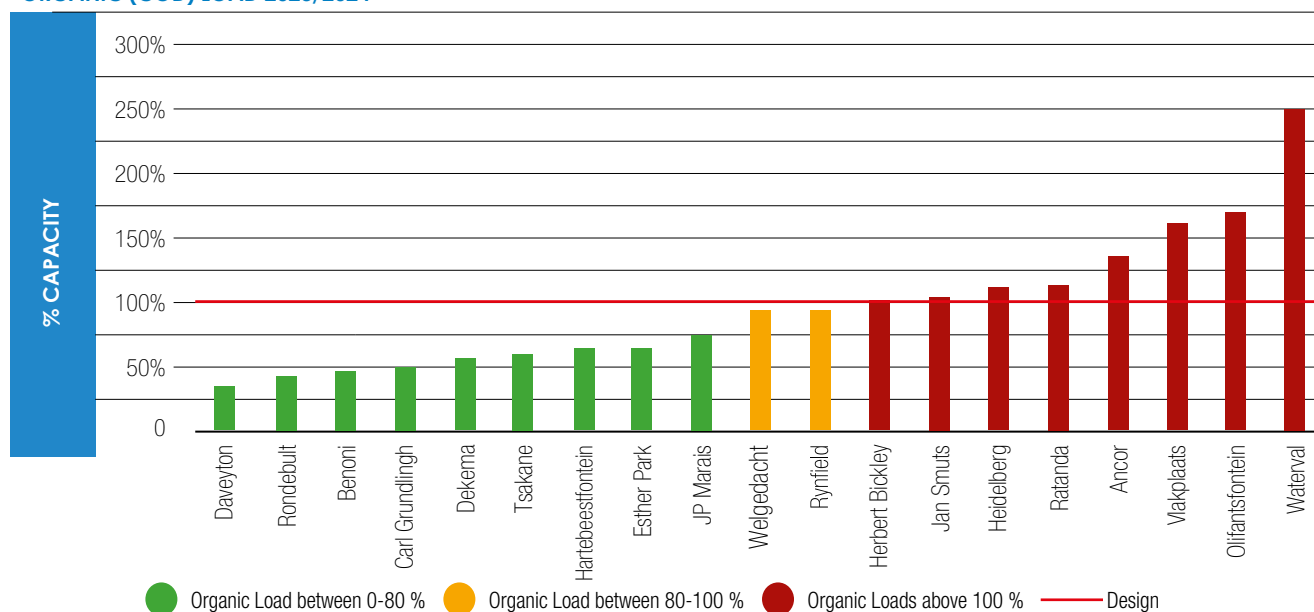
Plant	Hydraulic Design Capacity 2023 -2024 (Mℓ/d)	Average flow (Ml/d)	Rainfall (mm)
Ancor	15.00	21.48	564
Benoni	7.50	3.22	411
Carl Grundlingh	5.20	2.50	766
Daveyton	19.00	6.46	524
Dekema	31.00	16.99	526
Esther Park	1.40	0.91	646
Hartebeestfontein	63.00	40.76	717
Heidelberg	5.40	6.42	505
Herbert Bickley	15.10	15.16	593
Jan Smuts	6.00	6.32	633
JP Marais	15.00	9.93	664
Olifantsfontein	65.00	112.08	593
Ratanda	4.70	5.65	643
Rondebult	20.00	7.47	384
Rynfield	9.80	8.70	566
Tsakane	20.00	11.14	655
Vlakplaats	55.00	88.64	646
Waterval	170.00	420.60	323
Welgedacht	95.00	72.03	397
Total	623.15	856.46	10 756

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

- Backflows in the outfall sewers, which will lead to blockages and spillages into the environment.
- Delayed growth and development in the City of Ekurhuleni, owing to the slow approval of applications for development. This also means delays in potential job creation opportunities in the City.
- Delayed implementation of the 10 Point Plan, including Aerotropolis.
- Water reclamation strategy being costly to implement.
- Directives being issued by the Department of Water and Sanitation for issues of non-compliance.
- Non-achievement of Green Drop Certification.
- Potential pollution incidents.

The graph below shows the organic loading for each of the WCWs.

ORGANIC (COD) LOAD 2023/2024



As can be seen above, during the 2023/2024 financial year, eight out of the 19 water-care works (WCW) received organic loads of more than 100%. Two received between 80% and 100% of the design capacity, and nine received below the 80% mark.

CAPITAL PROJECTS

In terms of approved capital expenditure for the 2023/2024 financial year, ERWAT has planned to implement the following projects which are aligned to the strategic objective of the CoE and DWS.

Capital Programme by Project: 2023/24

Item No.	Vote Number	Capital Project	Original Budget	Adjustment Budget	Actual	Variance (Act – Adj.) %	Variance (Act - OB) %
1	73626449420TCXBHZZER	BENONI	R 1 191 980	R 798 286	R798 286	0%	-33%
2	73636449420TCXBHZZER	CARL GRUNDLINGH	R 2 265 000	R -	R -	0%	0%
3	73816449420TCXBHZZER	DEKEMA	R 16 257 392	R 14 619 494	R 14 618 567	0%	-10%
4	73546449420TCXBHZZER	HARTEBEESTFONTEIN	R 34 365 477	R 38 109 390	R 38 086 488	0%	11%
5	73646449420TCXBHZZE R	HEIDELBERG	R 3 501 500	R 1 000	R -	0%	0%
6	73146460020TCXBAZZE R	ICT	R -	R 12 265 549	R 12 265 549	0%	100%
7	73536449420TCXBHZZE R	OLIFANTSFONTEIN	R 42 063 651	R 44 464 092	R 42 765 313	-4%	2%
8	73696449420TCXBHZZE R	RYNFIELD	R 5 160 000	R 5 146 965	R 5 146 964	0%	0%
9	73436456020TCXBCZZE R	SCIENTIFIC SERVICES	R -	R 2 560 877	R 2 199 344	-14%	100%
10	73716456020TCXBCZZE R	TSAKANE	R 400 000	R 399 242	R 399 178	0%	0%
11	73836449420TCXBHZZE R	VLAKPLAATS	R 13 141 091	R 5 039 460	R 5 039 459	0%	-62%
12	73846449420TCXBHZZE R	WATERVAL	R 8 400 000	R 4 192 112	R 3 693 314	-12%	-56%
13	73726449420TCXBHZZE R	WELGEDACHT	R 900 000	R 8 019 624	R 8 013 624	0%	890%
Total Capital Requirement			R127 646 091	R135 616 091	R133 026 086	-2%	4%

SUMMARY OF CAPITAL EXPENDITURE OF THE THREE LARGEST PROJECTS*

Asset 1	
Name	Supply, Deliver & Various Pumps and associated equipment on as and when required basis in all ERWAT water care works
Description	Capacity-enhancement and plant optimisation
Asset type	Fixed Infrastructure
Key staff involved	IPAP, Maintenance, Operations, SCM and Finance
Staff responsibilities	Project manager ensures that quality work is performed
Year	2023/2024
Asset value	R84 341 206.58
Capital implications	None
Future purpose of asset	Asset built to meet plant capacity needs
Describe key issues	Replacing pumps that are inefficient or pumps that are operating outside the expected service life. The objective of the project is to enhance plant performance, efficiency and reliability to ensure compliance of wastewater works effluent to the requirements as per the water use license granted by the Regulator.
Policies in place to manage asset	Asset management policy

Asset 2	
Name	Supply, Deliver & Install Generators on as and when required basis in all ERWAT water care works
Description	Capacity enhancement and plant optimisation
Asset type	Fixed Infrastructure
Key staff involved	IPAP, Maintenance, Operations, SCM and Finance
Staff responsibilities	Project manager ensures that quality work is performed
Year	2023/2024
Asset value	R30 789 680.17
Capital implications	None
Future purpose of asset	Asset built to meet plant the required compliance levels
Describe key issues	A reliable source of power is required to ensure that operations continue even in the event of a power outages. Back-up generators supply power to critical equipment in water treatment facilities
Policies in place to manage asset	Asset management policy

Asset 3

Name	The upgrading and replacement of Infrastructure
Description	Supply, Delivery and Deployment of a Hyper Converged Infrastructure Solution for ERWAT
Asset type	Fixed Infrastructure
Key staff involved	ICT, IPAP, Maintenance, Operations, SCM and Finance
Staff responsibilities	Project manager ensures that quality work is performed
Year	2023/2024
Asset value	R12 632 174.34
Capital implications	None
Future purpose of asset	To upgrade the current legacy server infrastructure with the Hyper converged technology for both ERWAT's Production and Disaster Recovery Environment.
Describe key issues	Cyber-related concerns may arise owing to obsolete infrastructure, hence upgrade is required for business continuity
Policies in place to manage asset	Asset management policy

COMMENT ON ERWAT BULK WASTEWATER TREATMENT SERVICES OVERALL PERFORMANCE

ERWAT meets the water quality performance target, however strategies to improve the performance of the various water care works will be implemented. ERWAT assists CoE in identifying industrial pollutants received at the WCW and CoE manages industries and enforce the water and sanitation by-laws.

The maintenance department has developed strategies to improve equipment availability and reliability. In response ERWAT has developed a five-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 and 50-year masterplan. Emergency/stand-by generators have been procured and are in a process of being installed at the WCWs to mitigate the challenge of power interruptions, especially unplanned power interruptions.

Owing to the population growth and increase in demand to supply 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 striving and 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 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 that are developed and reviewed as and when the need arises. The Secretariat is also responsible for ensuring that the policies are updated with changes in legislation and needs.

Corporate and other services are structured into the following departments:

1. Finance (including information and communication technology (ICT)).
2. Human Resources.
3. Governance: Legal and Compliance.
4. Strategy, Monitoring and Evaluation.

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 among others 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 detailed 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 strove 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, as well as budgeting and payroll services.

Focus for the year was on the implementation of 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 community. This amounted to R1.411 billion of a total income of R1.624 billion. The percentage debt collection for the financial year 2023/2024 was 62% (2022/2023: 95%) by taking the total value of the year's revenue collected against the bills raised in the year. The reason for this significant decrease in revenue collected is the non-payment of service charges by the CoE.

Table 3.7: Revenue Per Source

Revenue Source	2022/2023 R'000	2023/2024 R'000
Service charges	1 336 988	1 410 773
Intervention income	60	0
Other income	40 845	35 965
Interest received – investment	28 852	71 690
Dividends received	112	88
Government grants and subsidies & Development contributions	70 000	105 961
Total	1 476 859	1 624 477

Table 3.8: Financial Performance 2023/2024

Details	2022/2023	2023/2024			
	Actual R'000	Original budget R'000	Adjustment budget R'000	Actual R'000	Variance to budget %
Total operating revenue (excluding non-exchange Revenue)	1 406 859	1 401 630	1 475 367	1 518 516	102.92%
EXPENDITURE					
Employee costs	407 018	488 794	489 560	435 253	88.91%
Repairs and maintenance	166 578	155 999	174 904	173 586	99.25%
Other	642 785	760 829	810 903	780 150	96.10%
Total operating expenditure	1 216 381	1 401 630	1 475 367	1 388 989	94.09%
Net operating surplus/ (deficit) excluding Non- exchange Revenue)	190 478	-	-	129 527	

COMMENT ON THE OVERALL PERFORMANCE OF FINANCIAL SERVICES

The entity ended the year with a net surplus of R227 million in 2023/2024 (2022/2023: R247 million). This is mainly attributable to an increase of 14% in operating expenditure from R1.216 billion (2022/2023) to R1.388 billion (2023/2024), while the operating income increased with only 7% year on year.

Although ERWAT experienced an underspent on employee costs, bulk purchases and general expenditure, there was a significant increase in debt impairment from R2.2 million (2022/2023 restated) to R38.7 million in 2023/2024. Provision for impairment of assets also increased to R96.3 million (2022/2023: R48.4 million) against the budget of R11.9 million.

The entity reported a 6% under-expenditure on its total OPEX budget primarily owing to not achieving its targeted spend for repairs and maintenance, bulk purchases, employee costs and general expenditure which are significant cost drivers.

An overall improvement in the solvency of the entity is noted. Liquidity has become unfavourable. Although the current ratio is significantly higher than the norm, this is mainly owing to current liabilities being low. The cash ratio clearly reflects the adverse position as this ratio has moved significantly below the norm. The cash and cash equivalents balance as at 30 June 2024 was R111.7 million.

3.4 HUMAN RESOURCE SERVICES

INTRODUCTION TO HUMAN RESOURCE SERVICES

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

The HR Department consists of the following sections, which include:

1. Employee Relations.
2. HR Administration.
3. Training and Development.
4. Organisational Development.
5. Occupational Health and Wellness (was moved to newly established Strategy, Monitoring and Evaluation Department).

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 assists with the alignment of the organisational needs to the structure to achieve its objectives.

3.5 INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) SERVICES

INTRODUCTION TO INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) SERVICES

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

1. Improved governance through the implementation of DPSC's corporate governance of ICT policy framework.
2. Increased cyber-security awareness initiatives.
3. Procurement of new server infrastructure to improve reliability and security posture.

SERVICE STATISTICS FOR ICT SERVICES

The ICT department consists of five permanent employees. ICT supports Head Office, Scientific Services and 19 water care works.

Table 3.9: Employees ICT Services

Job level	2022/2023	2023/2024			
	Employees No.	Approved Posts No.	Employees No.	Vacancies (fulltime equivalents) No.	Vacancies (as a % of total posts) %
D2	1	1	1	D2	0%
C5	0	0	0	C5	0%
C4	0	1	1	C4	50%
C3	1	2	2	C3	50%
C2	3	3	3	C2	0%
C1	0	0	0	C1	0%

The financial performance of the ICT department for the 2023/2024 financial year is included with the finance department.

Table 3.10: Capital Expenditure: ICT Services in rands

Projects	2023/2024				
	Budget R'000	Adjustment Budget R'000	Actual Expenditure R'000	Variations from original budget	Total project value R'000
Server Project	R12 265 548,67		R12 265 548,67	0.00%	R12 265 548,67

COMMENT ON THE OVERALL PERFORMANCE OF ICT SERVICES:

ICT Governance within the entity is showing improvement with the implementation of the DPSA's corporate governance policy framework. There is a significant drive to improve the organisations security posture as well as the reliability of ICT infrastructure which will ultimately lead ICT being an enabler for the achievement of the organisation's goals.

COMPONENT C

Organisational Performance Scorecard

INTRODUCTION TO ORGANISATIONAL SCORECARD

The below section reflects the Annual Performance Scorecard Report for 2023/2024. 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 SDBIP¹

KPI 1 – CITY-WIDE

PERCENTAGE OF WASTEWATER TREATMENT CAPACITY UNUSED

METHOD OF MEASUREMENT - The percentage of wastewater treatment capacity unused. 'Sewer treatment capacity' refers to the maximum amount of sewage that a facility is allowed to treat or to direct to a particular reuse or effluent disposal system. This refers to the collective available design capacity of all facilities servicing the municipal area. 'Available design capacity' refers to the overall design capacity that is available on a daily basis. If part of the treatment facility requires refurbishment or is not in operation, this should be excluded from 'available design capacity'.

1- $\frac{[(1) \text{ Total volume of wastewater treated over the last year} / ((2) \text{ Daily wastewater treatment plant available design capacity} \times 365)]}{1}$

EVIDENCE - Dated and signed report indicates actual flows received and treated per WCW and totalised for the ERWAT system (19 WCW) drawn from LIMS (Laboratory Information Management System), in conjunction with the original or re-graded design hydraulic capacity (available capacity) per WCW for the ERWAT system (total of 19 WCW).

ANNUAL TARGET

-50%

ANNUAL ACTUAL

-40%

COMMENT - Annual target achieved owing realistic target setting given the prevailing inundation challenges.

REASONS FOR VARIANCE - Water care works received less overflows than the anticipated planned overflow figure.

CORRECTIVE MEASURE - Even though the target was achieved the intention is to eliminate completely the negative unused capacity and have at least 20% unused capacity. To this end more financial resources are required to eliminate any negative unused capacity and create some spare capacity.

¹ During mid-term adjustments, only one of the five city-wide indicators was retained (i.e. percentage of WWT capacity unused). Three were moved to departmental indicators (i.e. total revenue generated from external business, audit opinion and percentage compliance with the WWTW licence conditions); and one indicator (number of Green Drop-certified WWTW) was discontinued for 2023/2024.

3.8 DEPARTMENT SDBIP²

KPI 2 – DEPARTMENTAL SDBIP

TOTAL REVENUE GENERATED FROM EXTERNAL BUSINESS

METHOD OF MEASUREMENT - Increased commercial business revenue generated from commercial sources (absolute rand value per quarter). The indicator target is measured across the quarters. Revenue generated from external income.

EVIDENCE - Invoices - (The invoices to be coupled with general ledger with a balance that agree to the amount reported for SDBIP purposes).

ANNUAL TARGET

R31 200 000

ANNUAL ACTUAL

R33 309 414

COMMENT - Annual target was achieved and surpassed with a variance of R2 109 414.

REASONS FOR VARIANCE - A positive variance of R2 109 414 was achieved owing to realistic targeting, revenue generated from a new project and several revenue enhancement projects that were ongoing

CORRECTIVE MEASURE - The momentum of ongoing projects will be maintained to ensure that the target is maintained.

KPI 3 - DEPARTMENTAL SDBIP

AUDIT OPINION

METHOD OF MEASUREMENT - "Audit Opinion" is defined by the AGSA. 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. The audit outcome has remained unchanged with an unqualified opinion with findings on compliance with laws and regulations. The financial statements were submitted for audit within legislated deadline of the 31 August 2022. Management was commended for the preparation of financial statements that were free from material misstatements. Misstatements were identified on the financial statements submitted for audit, however, these misstatements were either not material or resulted from isolated incidents (i.e. were anomalous).

² Three indicators were moved from city-wide to departmental indicators, as detailed under the footnote 1 above. The indicator for percentage of repairs and maintenance budget spend was discontinued from the second half of 2023/2024. These changes were made during the mid-term adjustment process.

KPI 4 - DEPARTMENTAL SDBIP PERCENTAGE COMPLIANCE WITH WASTEWATER TREATMENT WORKS LICENCE CONDITIONS AND/OR EXEMPTIONS STANDARDS

METHOD OF MEASUREMENT - The indicator measures the compliance of wastewater works' effluent to the requirements of biological and chemical indicators as per the water-use licence granted by the Regulator.

It is calculated by dividing the number of determinants complying to the water-use authorisation with the total number of determinants.

EVIDENCE - Water quality data of each wastewater treatment works (from the laboratory). Spreadsheets were used to calculate the average compliance of each of the three compliance categories and then the average of the three categories gives the overall compliance per WCW and ERWAT system (19 WCW). Applicable water-use authorisation of each wastewater treatment works.

ANNUAL TARGET

75%

ANNUAL ACTUAL

84%

COMMENT - Although the annual target of 75% was achieved, ERWAT still experienced serious challenges namely ongoing power supply outages, pollution incidents, critical equipment breakdowns and continuous inundation of plants owing to increased water demand driven by socio-economic growth in the City of Ekurhuleni.

REASONS FOR VARIANCE - The annual target was achieved owing to the reduced loadshedding in Q2 & Q3, no loadshedding in Q4 together with improvement in critical equipment availability and treatment chemicals.

CORRECTIVE MEASURE - Although the target was achieved the entity will continue to address the challenges faced during the 2023/24 financial year. This will entail timely attendance to critical equipment failures, exploring alternative chemicals for dosing and application of the organic tariff to the respective water services authorities.

KPI 5 - DEPARTMENTAL SDBIP TOTAL CAPITAL EXPENDITURE AS A PERCENTAGE OF TOTAL CAPITAL BUDGET

METHOD OF MEASUREMENT - This indicator measures the extent to which budgeted capital expenditure has been spent during the financial year. Capital expenditure is all costs incurred by the municipality to acquire, upgrade, and renew physical assets such as property, plants, buildings, technology, or equipment.

Formula: $1) \text{ Actual Capital Expenditure} / (2) \text{ Budgeted Capital Expenditure}$

EVIDENCE - Dated and signed finance year-to-date expenditure report.

ANNUAL TARGET

95%

ANNUAL ACTUAL

98.09%³

COMMENT - Annual target for capital expenditure was achieved and exceeded owing to improved planning and the acceleration of delayed projects.

REASONS FOR VARIANCE - A positive variance of 3.09 % was achieved owing to improved planning and the acceleration of delayed projects.

CORRECTIVE MEASURE - Improved planning and acceleration of delayed projects momentum will be maintained during the 2024/25 financial year.

KPI 6 - DEPARTMENT SDBIP PERCENTAGE OF PROCUREMENT SPEND ALLOCATED TO SMMES

METHOD OF MEASUREMENT - The indicator measures the percentage of procurement spend allocated to SMMEs 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 - Award and payment listing report of SMME expenditure amount (including invoices).

ANNUAL TARGET

60%

ANNUAL ACTUAL

94%

COMMENT - Target Achieved

REASONS FOR VARIANCE - ERWAT has measures in place at specification stage to prioritise SMMEs.

CORRECTIVE MEASURE - The momentum of ensuring that SMMEs' respond to tenders will be maintained.

³Quarter 4 performance report indicated actual capex spent as 98.10% and a positive variance of 3.10%, which was subsequently revised with the finalisation of the Annual Financial Statements to 98.09% and a positive variance of 3.09%. However, the outcome of target achieved remains unchanged.

KPI – 7 DEPARTMENT SDBIP NUMBER REPEAT AUDIT FINDINGS

METHOD OF MEASUREMENT - 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.

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 - Dated and signed Audit report from AGSA.

ANNUAL TARGET

0

ANNUAL ACTUAL

4

COMMENT - Annual Target not achieved because the 2022/2023 Audit outcome yielded four repeat findings.

REASONS FOR VARIANCE - The repeat findings are as follows:

- a) General Expenditure - expenditure incurred incorrectly classified as professional fees.
- b) Reasonable steps not taken to prevent irregular expenditure.
- c) Procurements not recorded in SCM tender register.
- d) Concerns and issues noted during site visits at Ancor WWTW's and Waterval licence – PA 03.

CORRECTIVE MEASURE - Management has developed and implemented a detailed action plan for the audit findings raised. Management, the Audit and Risk Committee, Board and its Sub-Committees will monitor the developed plan quarterly.

KPI – 8 DEPARTMENT SDBIP NUMBER OF GREEN DROP (90%) WASTEWATER TREATMENT WORKS (INTERNAL ASSESSMENT)

METHOD OF MEASUREMENT - The indicator measures the number of wastewater treatment works that achieved the Green Drop standard bi quarterly (90%). Internal assessment is conducted by ERWAT Compliance Office (internal assessment). A further determination will be made on the impact or deviation of the treatment capacity caused by loadshedding incidences in the following manner:

- Calculate and totalise the energy consumption and impacted treatment capacity for the process units at each of the water-care works under ERWAT. The deviation is determined by expressing the impacted treatment capacity as a percentage of the total capacity.
- Extrapolate the deviation (i.e. impacted treatment capacity) to the standard Green Drop Score of 90% by multiplying the deviation with the 90% standard score requirement for Green Drop Status.

EVIDENCE - The Green Drop scorecard as released by the internal ERWAT Compliance office (in house) (assessment).

ANNUAL TARGET

6 (90%)

ANNUAL ACTUAL

6 (90%)

COMMENT - Target achieved

REASONS FOR VARIANCE - Target was met with no variance.

CORRECTIVE MEASURE - Even though the targets were achieved, the ongoing focus areas to ensure continuous improvement includes the following:

- Prioritise the capex budget to address the required WCW upgrades, replacement of aged equipment and refurbishments in line with the W2 RAP.
- Review, update and approve all the outdated documents namely, process audits for all WCW and ERWAT W2RAP.
- Establish a joint task team with the Water Services Authorities (COE and LLM) to address Green Drop requirements.
- Improve the participation of Green Drop Champions in user departments within ERWAT.

**KPI 9 – DEPARTMENT SDBIP
PERCENTAGE OF TOTAL MUNICIPAL OPERATING EXPENDITURE SPENT ON CONTRACTED SERVICES
PHYSICALLY RESIDING WITHIN THE MUNICIPAL AREA**

METHOD OF MEASUREMENT - This indicator measures the value of municipal operating expenditure that has been spent on payments to contracted organisations with a physical address within the municipal area as a percentage of the total operating expenditure on payments to all contracted organisations. Contracted services are inclusive of consultancy services and refer to services rendered by any entity outside of the municipality secured through a public procurement process.

Indicator Formula: (1) R-value of operating expenditure on contracted services within the municipal area/(2) Total municipal operating expenditure on contracted services.

The indicator is reported quarterly.

EVIDENCE - Signed expenditure report on municipal operating expenditure spent on contracted services.

ANNUAL TARGET

8%

ANNUAL ACTUAL

66%⁴

COMMENT - Target achieved.

REASONS FOR VARIANCE - A total operating expenditure value of R459 072 258.40 was paid on contracted services (all active contracts that were awarded through the public procurement process) whereof R300 840 392.95 were paid to contracted.

CORRECTIVE MEASURE - None

⁴ The total operating expenditure spent on contracted services in municipal area was revised from 65%, as reported in Q4, to 66% after the completion of the year-end reconciliation. However, the outcome of achievement remains unchanged.

KPI 10 – DEPARTMENT SDBIP

TOTAL OPERATING EXPENDITURE AS A PERCENTAGE OF TOTAL OPERATING EXPENDITURE BUDGET

METHOD OF MEASUREMENT - The indicator measures the extent to which operating expenditure has been spent during the financial year. Operating Expenditure (non-capital spending) is made up of costs which the municipality incurs through its normal operations.

Indicator Formula: (1) Actual Operating Expenditure/(2) Budgeted Operating Expenditure. This indicator results will be reported quarterly.

EVIDENCE - Signed Excel spreadsheet as extracted from Budget statements for the period

ANNUAL TARGET

95%

ANNUAL ACTUAL

94.1%⁵

COMMENT - Target not achieved

REASONS FOR VARIANCE - A total operating expenditure value of R1 388 989 was achieved compared the total operating budget of R1 475 367.

CORRECTIVE MEASURE - ERWAT has put measures in place to address the following:

Employee costs:

Ensure that all vacancies are filled within the year in which it is budgeted for going forward.

Budget for Directors be aligned to the number of incumbents which are included in planned appointments in future.

Bulk purchases:

Acceleration of the supply chain management processes to put relevant contracts in place for alternative chemicals (e.g. Aluminium Sulphate) to reduce delays in the procurement of essential chemicals.

General expenses:

Acceleration of the supply chain management processes to resolve delays experienced in the procurement process.

⁵ Actual achievement for operating expenditure compared to the budget at the end of 2023/2024 is much higher than reported in Q4 because of the inclusion of the provisions and accruals for employee, maintenance and bulk purchases costs. In addition, the subsequent annual financials include the debt impairment provisions for interest raised and the impairment losses that were quantified. The subsequent changes resulted in the outcome change from 82% reported in Q4 to 94.1% after the audit process but the outcome of target not achieved remain unchanged.

KPI 11 – DEPARTMENT SDBIP IRREGULAR, FRUITLESS AND WASTEFUL, UNAUTHORISED EXPENDITURE AS A PERCENTAGE OF TOTAL OPERATING EXPENDITURE

METHOD OF MEASUREMENT - The indicator measures the extent to which the municipality has incurred irregular, fruitless and wasteful and unauthorised expenditure, which is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Irregular expenditure is incurred by the municipality in contravention of a requirement of the law. Unauthorised expenditure includes overspending of the total amount appropriated in the approved budget.

Indicator Formula: (1) Irregular + (2) Fruitless and Wasteful + (3) Unauthorised Expenditure) / (4) Total Operating Expenditure

The Audited Annual Financial Statements for the previous financial year are finalised in January of the following financial period for the previous financial period, therefore this indicator will be reported annually in the Q3 of the following financial year for the previous financial year-end

EVIDENCE - The Audited Annual Financial Statements for the previous financial year as finalised in January of the following financial period for the previous financial period.

ANNUAL TARGET

0%

ANNUAL ACTUAL

67%

COMMENT - Target not achieved

REASONS FOR VARIANCE - The AG identified transactions that were deemed as splitting the procurement processes and not evaluated in line with the PPPFA Regulations of 2022. Other expenditure incurred is because of the prior year's findings raised by the AG on non-compliance matters.

CORRECTIVE MEASURE - Implemented a UIFW reduction plan to reduce irregular expenditure through the enhancement of internal controls, delegations and authorisations. The SCM DOA has been reviewed to provide for the provisions of the new MFMA SCM Regulations. The DoA was approved at EXCO on 9 April 2024 and board April 2024. The key control measure document has been workshopped with internal stakeholders in April 2024.

KPI 12 – DEPARTMENT SDBIP REPAIRS AND MAINTENANCE AS A PERCENTAGE OF PROPERTY, PLANT, EQUIPMENT AND INVESTMENT PROPERTY

METHOD OF MEASUREMENT - This indicator measures the extent to which the municipality spent on repairs and maintenance of infrastructure assets relative to its asset base. Repairs and maintenance are a group of accounts consisting of labour costs, material costs, secondary costs, etc.

EVIDENCE - The Audited Annual Financial Statements for the previous financial year as finalised in January of the following financial period for the previous financial period,

ANNUAL TARGET

4%

ANNUAL ACTUAL

11.42%⁶

COMMENT - Target not achieved

REASONS FOR VARIANCE - The positive variance of 7.42% is owing to the significant increase in repairs and maintenance costs in line with the approved mid-year adjustment budget.

CORRECTIVE MEASURE - None required.

KPI 13 – DEPARTMENT SDBIP PERCENTAGE OF TENDER CANCELLATIONS

METHOD OF MEASUREMENT - This indicator measures the percentage of tender cancellations in relation to the total number of tender business cases that was recorded, advertised and closed.

Indicator Formula: (1) Number of tenders cancelled / (2) Total number of tenders advertised and closed. The indicator is reported quarterly.

EVIDENCE - Signed and dated SCM report containing tender cancellations in relation to the total number of tender business cases that was recorded, advertised and closed.

ANNUAL TARGET

10%

ANNUAL ACTUAL

9% (rounded off)

COMMENT - Target achieved

REASONS FOR VARIANCE - Internal controls have been implemented which reduced the number of tender cancellations.

CORRECTIVE MEASURE - Management will continue to enhance its internal controls.

⁶ The repairs and maintenance as a % of PPE&IP was revised downward to 11.42% at the end of 2023/2024 as compared to the 11.88% that was reported in Q4. The change is because of the impairment and audit process that were finalised. However, the outcome of achievement remains unchanged.

KPI 14 – DEPARTMENT SDBIP NET SURPLUS/DEFICIT MARGIN FOR WASTEWATER

METHOD OF MEASUREMENT - Wastewater is measured separately to track the extent to which the municipality generates surplus or deficit. Total expenditure, in this context, refers to direct costs, overhead costs and capital financing costs incurred in providing wastewater and sanitation services. Direct costs include employee related costs, bulk purchases, repairs and maintenance, contracted services, debt impairment, depreciation and other costs not grouped under the above-mentioned categories. Overheard costs, also referred to as indirect costs, are costs that are not directly attributable to a service but are incurred in running a municipality as a whole, for example office space or computer software and all charges or recoveries. Capital financing costs are costs associated with financing infrastructure expansion or rehabilitation of existing assets, for example interest and redemption charges.

The Audited Annual Financial Statements for the previous financial year are finalised in January of the following financial period for the previous financial period. Therefore this indicator will be reported annually in the Q3 of the following financial year for the previous financial year-end.

EVIDENCE - The Audited Annual Financial Statements for the previous financial year as finalised in January of the following financial period for the previous financial period.

ANNUAL TARGET

5%

ANNUAL ACTUAL

14.96%⁷

COMMENT - Target achieved

REASONS FOR VARIANCE - The achievement of target with a variance of 9.96% is owing to the achievement of the total revenue generated from external business indicator, as well as the increase of the budget in the third quarter (which resulted in under-expenditure of the budget). Both contributed to the positive variance.

CORRECTIVE MEASURE - None as the target was achieved.

⁷ The net surplus/deficit margin for wastewater was revised from 12.05% reported in Q3, to 14.96% after the finalization of the Audited Annual Financial Statements. However, the outcome of achievement remains unchanged.

Entity	Ekurhuleni Water Care Company (ERWAT)	ERWAT
Outcome	Improved water quality (including wastewater)	Improved water quality (including wastewater)
Ref No.	WS4.31	ERW1.1
Performance Indicator (Output level only)	Percentage of wastewater treatment capacity unused	Total revenue generated from external business
Description of Portfolio of Evidence Verified	Dated and signed report indicating actual flow received and treated per WCW and totalised for the ERWAT system (19 WCW) drawn from LIMS (Laboratory Information Management System) in conjunction with the original or re-graded design hydraulic capacity (available capacity) per WCW for the ERWAT system (total of 19 WCW).	Invoices coupled with general ledger with a balance that agree to the amount reported
Baseline (Annual Performance of 2022/2023)	New indicator	R 39 837 380
Annual Target for 2023/2024	-50%	R 31 200 000
Annual Planned Output as per SDBIP	-50%	R 31 200 000
Q1 Planned Target	-50%	R 7 000 000
Q1 Actual Performance	-45%	R 7 527 215.56
Q2 Planned Target	-50%	R 9 000 000
Q2 Actual Performance	-47%	R 8 083 484.75
Q3 Planned Target	-50%	R 7 500 000
Q3 Actual Performance	-55%	R 8 144 119 ⁸
Q4 Planned Target	-50%	R 7 700 000
Q4 Actual Performance	-40%	R 9 554 595 ⁹
Annual Actual Performance	-40%	R 33 309 414
Variance	10%	R 2 109 414
Overall Performance Rating	-40%	Achieved
Progress on Targets	Achieved	Achieved
Reason(s) for Variance	Water-care works received less overflows than the anticipated planned overflow figure.	A positive variance of R2 109 414 was achieved owing to realistic targeting, revenue generated from new project and several revenue enhancement projects that were ongoing
Remedial Action	Even though the target was achieved the intention is to eliminate the negative unused capacity completely and have at least 20% unused capacity. To this end more financial resources are required to eliminate any negative unused capacity and create some spare capacity.	The momentum of ongoing projects will be maintained to ensure that the target is maintained.
Annual Planned Budget	CAPEX	OPEX

⁸ Output for external revenue reported for Q3 performance was R7 992 680.92. The sales volume was subsequently revised upward to R8 144 119 as indicated in the annual report. The revision was necessitated by the new vote that was created, which did not appear in the sales report at the time of reporting. However, the outcome of target not achieved is unchanged for this quarter.

⁹ Output for external revenue reported for Q4 performance was R 9 608 532.84. Subsequently to the submission of the performance report, the sales volume was revised downward to R 9 554 595, mainly to take into account the financial corrections made for Q3. However, the outcome of target achieved, is unchanged for this quarter.

Entity	ERWAT	ERWAT
Outcome	To build a clean, capable and modernised local state	Improved water quality (including wastewater)
Ref No.	ERW1.2	ERW1.3
Performance Indicator (Output level only)	Audit Opinion	Percentage compliance with wastewater treatment works licence conditions and/or exemptions standards
Description of Portfolio of Evidence Verified	Dated and signed audit report from AGSA	Water quality analyses results of each wastewater treatment works (from the LIMS) is downloaded. Spreadsheet is used to calculate the average compliance of each of the three compliance categories and then the average of the three categories gives the overall compliance per WCW and then per ERWAT system (19 WCW). Applicable water-use authorization limits of each wastewater treatment works.
Baseline (Annual Performance of 2022/2023)	Unqualified	80%
Annual Target for 2023/2024	Unqualified Audit Opinion	75%
Annual Planned Output as per SDBIP	Unqualified Audit Opinio	75%
Q1 Planned Target	N/A	75%
Q1 Actual Performance	N/A	78%
Q2 Planned Target	Unqualified	75%
Q2 Actual Performance	Unqualified	83%
Q3 Planned Target	N/A	75%
Q3 Actual Performance	N/A	85%
Q4 Planned Target	N/A	75%
Q4 Actual Performance	N/A	88%
Annual Actual Performance	Unqualified audit opinion	84%
Variance	None	9%
Overall Performance Rating	Achieved	Achieved
Progress on Targets	Achieved	Target Achieved
Reason(s) for Variance	None	The annual target was achieved owing to the reduced loadshedding in Q2 & Q3. No loadshedding in Q4 together with improvement in critical equipment availability and treatment chemicals.
Remedial Action	Even though the target was achieved, management will continue to ensure that adequate controls are implemented and that there is effective monitoring of compliance and adherence to the applicable laws and regulations to avoid repeat audit findings	Although the target was achieved the entity will continue to address the challenges faced during the 2023/24 financial year. This will entail timely attendance to critical equipment failures so exploring alternative chemicals for dosing and the application of the organic tariff to the respective water services authorities.
Annual Planned Budget	Unqualified Audit Opinion	OPEX

Entity	ERWAT	ERWAT
Outcome	Improved water quality (including wastewater)	Improved water quality (including wastewater)
Ref No.	FM1.11	3.M
Performance Indicator (Output level only)	Total Capital Expenditure as a percentage of total capital budget.	Percentage of procurement spend allocated to SMMEs
Description of Portfolio of Evidence Verified	Dated and signed finance year-to-date expenditure report	Dated and signed letter of appointment or subcontract with support (contract) amount award AND listing (register) of SMME supported with support amount
Baseline (Annual Performance of 2022/2023)	100.26%	93%
Annual Target for 2023/2024	95%	60%
Annual Planned Output as per SDBIP	95%	60%
Q1 Planned Target	35%	60%
Q1 Actual Performance	14.76%	87%
Q2 Planned Target	60%	60%
Q2 Actual Performance	40.08%	96%
Q3 Planned Target	80%	60%
Q3 Actual Performance	56.13%	95%
Q4 Planned Target	95%	60%
Q4 Actual Performance	98.09% ¹⁰	95%
Annual Actual Performance	98.09%	94%
Variance	3.09%	34%
Overall Performance Rating	Achieved	Achieved
Progress on Targets	Achieved	Achieved
Reason(s) for Variance	A positive variance of 3.09% was achieved owing to improved project-planning	Measures put in place at specification stage to prioritise SMMEs
Remedial Action	Improved planning and acceleration of delayed projects momentum will be maintained during the 2024/.2025	The momentum of ensuring that SMMEs respond to tenders will be maintained.
Annual Planned Budget	R 135 616 091	OPEX/ CAPEX

¹⁰ With the finalisation of the Annual Financial Statements in August 2024, the actual performance on % capex spent in Q4 was revised and reduced slightly from 98.10% to 98.09%. This revision, however, did not change the outcome of the achievement of the target.

Entity	ERWAT
Outcome	Improved water quality (including wastewater)
Ref No.	4.M
Performance Indicator (Output level only)	Number of repeat audit findings
Description of Portfolio of Evidence Verified	AGSA signed management letter
Baseline (Annual Performance of 2022/2023)	8
Annual Target for 2023/2024	0
Annual Planned Output as per SDBIP	0
Q1 Planned Target	0
Q1 Actual Performance	0
Q2 Planned Target	0
Q2 Actual Performance	0
Q3 Planned Target	0
Q3 Actual Performance	4
Q4 Planned Target	N/A
Q4 Actual Performance	N/A
Annual Actual Performance	4
Variance	4
Overall Performance Rating	Target not achieved
Progress on Targets	Target not achieved
Reason(s) for Variance	<p>Although management resolved some findings, five remained unresolved. The repeat findings are as follows:</p> <ul style="list-style-type: none"> a) General expenditure- expenditure incurred incorrectly classified as professional fees b) Reasonable steps not taken to prevent irregular expenditure. c) Procurements not recorded in SCM tender register d) Concerns and issues noted during site visits at Ancor WWTWs and Waterval licence –PA 03
Remedial Action	Management has developed and implemented a detailed action plan for the audit findings raised. Management, the Audit and Risk Committee, Board and its Sub-Committees will monitor the developed plan quarterly.
Annual Planned Budget	OPEX

Entity	ERWAT
Outcome	Improved water quality (including wastewater)
Ref No.	6.M
Performance Indicator (Output level only)	Number of Green Drop (90%) wastewater treatment works (biquarterly)
Description of Portfolio of Evidence Verified	The Green Drop scorecard as released by the internal ERWAT compliance office (in-house assessment)
Baseline (Annual Performance of 2022/2023)	New KPI
Annual Target for 2023/2024	6 (90%)
Annual Planned Output as per SDBIP	6 (90%)
Q1 Planned Target	N/A
Q1 Actual Performance	N/A
Q2 Planned Target	6 (90%)
Q2 Actual Performance	0
Q3 Planned Target	N/A
Q3 Actual Performance	N/A
Q4 Planned Target	6 (90%)
Q4 Actual Performance	6 (90%)
Annual Actual Performance	6 (90%)
Variance	0
Overall Performance Rating	Target Achieved
Progress on Targets	Target Achieved
Reason(s) for Variance	Target met with no variance
Remedial Action	<p>The following are focus areas for continuous improvement for Green Drop Status:</p> <ul style="list-style-type: none"> • Prioritise the CAPEX budget to address the required WCW upgrades, replacement of aged equipment and refurbishments in line with the W₂ RAP. • Review, update and approve all the outdated documents, namely process audits for all WCWs and ERWAT W₂ RAP • Establish a joint task team with the water services authorities (CoE and LLM) to address Green Drop requirements • Green Drop Champions, together with plant management, to source all the required PoEs from the internal support departments as per Green Drop requirements.
Annual Planned Budget	OPEX

Entity	ERWAT
Outcome	Financial Management
Ref No.	LED1.11
Performance Indicator (Output level only)	Percentage of total municipal operating expenditure spent on contracted services physically residing within the municipal area
Description of Portfolio of Evidence Verified	Signed expenditure report on municipal operating expenditure spent on contracted services
Baseline (Annual Performance of 2022/2023)	New KPI
Annual Target for 2023/2024	8%
Annual Planned Output as per SDBIP	8%
Q1 Planned Target	2%
Q1 Actual Performance	71% ¹¹
Q2 Planned Target	4%
Q2 Actual Performance	66% ¹²
Q3 Planned Target	6%
Q3 Actual Performance	67% ¹³
Q4 Planned Target	8%
Q4 Actual Performance	66% ¹⁴
Annual Actual Performance	66% ⁸
Variance	58%
Overall Performance Rating	Target achieved
Progress on Targets	Target achieved
Reason(s) for Variance	A total operating expenditure value of R459 072 258.40 was paid on contracted services (all active contracts that were awarded through the public procurement process) where R300 840 392.96 were paid to contracted services within the municipal area (CoE)
Remedial Action	None
Annual Planned Budget	OPEX

¹¹ Reported on 26% in Q1 in the SDBIP performance report but based on AG findings for the previous financial year, this was corrected in Q3 of 2023/2024. This correction was applied retrospectively to Q1 and resulted in a change to 71%. However, the outcome of target achieved, is unchanged for this quarter.

¹² Reported on 72% in Q2 in the SDBIP performance report but based on AG findings for the previous financial year. This was corrected in Q3 of 2023/2024, which was applied retrospectively to Q2 and resulted in a change to 66%. However, the outcome of target achieved is unchanged for this quarter.

¹³ Reported on 66% in Q3 in the SDBIP performance report but based on AG findings for the previous financial year. This was corrected in Q3 of 2023/2024, which was applied retrospectively to Q3 and resulted in a change to 68%. A further update was required for Q3 accumulative owing to final reports concluded at year-end which reflects a change to 67%. However, the outcome of target achieved, is unchanged for this quarter.

¹⁴ The amounts provided in the initial submissions of annual report was R416 288 127.85 that was paid on contracted services (i.e., all active contracts that were awarded through the public procurement process) where R269 259 602.32 was paid to contracted services within the municipal area (CoE). A further consolidation was done subsequently at the end of Period 13 which resulted in a slight increase in actual expenditure and performance. This resulted in a change from 65% in Q4 accumulative to 66%. However, the outcome of the annual target that was achieved and remains unchanged.

Entity	ERWAT
Outcome	Financial Management
Ref No.	FM1.12
Performance Indicator (Output level only)	Total Operating Expenditure as a percentage of Total Operating Expenditure Budget
Description of Portfolio of Evidence Verified	Signed Excel spreadsheet as extracted from budget statements for the period
Baseline (Annual Performance of 2022/2023)	New KPI
Annual Target for 2023/2024	95%
Annual Planned Output as per SDBIP	95%
Q1 Planned Target	20%
Q1 Actual Performance	16.76%
Q2 Planned Target	40.00%
Q2 Actual Performance	37.41%
Q3 Planned Target	70%
Q3 Actual Performance	55.92%
Q4 Planned Target	95% ¹⁵
Q4 Actual Performance	94.1%
Annual Actual Performance	94.1%
Variance	-0.9%
Overall Performance Rating	Target not achieved
Progress on Targets	Target not achieved
Reason(s) for Variance	Target not achieved with a variance of -0.9%
Remedial Action	<p>The improvement measures include the following:</p> <p>Employee costs:</p> <p>Ensure that all vacancies are filled within the year in which it is budgeted for going forward</p> <p>Budget for Directors be aligned to the number of incumbents which are included in planned appointments in future.</p> <p>Bulk purchases:</p> <p>Acceleration of the supply chain management processes to put relevant contracts in place for alternative chemicals (e.g. Aluminium Sulphate) to reduce delays in the procurement of essential chemicals.</p> <p>General expenses:</p> <p>Acceleration of the supply chain management processes to resolve delays experienced in the procurement process</p>
Annual Planned Budget	OPEX

¹⁵ Actual performance for total operating expenditure as a % of budget at the end of 2023/2024 was revised upward from 82% reported in Q4 to 94.1%. The change was necessitated by the inclusion of provisions and accruals for employee, maintenance, bulk purchases, debt impairment for interest raised and finalisation of impairment losses and the audit process. However, the outcome of target not achieved remained unchanged.

Entity	ERWAT	ERWAT
Outcome	Financial Management	Financial Management
Ref No.	FM4.11	FM5.31
Performance Indicator (Output level only)	Irregular, fruitless and wasteful, unauthorised expenditure as a percentage of Total Operating Expenditure	Repairs and maintenance as a percentage of property, plant, equipment and investment property
Description of Portfolio of Evidence Verified	The Audited Annual Financial Statements for the previous financial year as finalised in January of the following financial period for the previous financial period.	The Audited Annual Financial Statements for the previous financial year as finalised in January of the following financial period for the previous financial period,
Baseline (Annual Performance of 2022/2023)	New KPI	New KPI
Annual Target for 2023/2024	0%	4%
Annual Planned Output as per SDBIP	0%	4%
Q1 Planned Target	N/A	1%
Q1 Actual Performance	N/A	1.38%
Q2 Planned Target	N/A	2%
Q2 Actual Performance	N/A	3.2%
Q3 Planned Target	0%	N/A
Q3 Actual Performance	67%	N/A
Q4 Planned Target	N/A	4%
Q4 Actual Performance	N/A	11.42% ¹⁶
Annual Actual Performance	67%	11.42%
Variance	67%	7.42%
Overall Performance Rating	Target not achieved	Target achieved
Progress on Targets	Target not achieved	Target achieved
Reason(s) for Variance	AG identified transactions that were deemed as splitting the procurement processes and not evaluated in line with the PPPFA Regulations of 2022. Other expenditure incurred is because of the prior year's findings raised by the AG on non-compliance matters.	The positive variance of 7.42% is owing to the significant increase in repairs and maintenance costs in line with the approved mid-year adjustment budget.
Remedial Action	Implemented a UIFW-reduction plan to reduce irregular expenditure through the enhancement of internal controls, delegations and authorisations. The SCM DOA has been reviewed to provide for the provisions of the new MFMA SCM Regulations. The DoA was approved at EXCO on 9 April 2024 and board April 2024.	Not required
Annual Planned Budget	N/A	OPEX

¹⁶ The repairs and maintenance as a % of PPE&IP was revised downward to 11.42% at the end of 2023/2024 as compared to the 11.88% that was reported in Q4. The change is because the impairment and audit processes that were finalised. However, the outcome of achievement remains unchanged.

Two performance indicators were discontinued for 2023/2024 after the mid-term adjustment process. These, including the respective targets and outputs achieved, are shown below.

Entity	ERWAT	ERWAT
Outcome	Financial Management	Improved revenue and debtors management
Ref No.	FM6.13	FM7.33
Performance Indicator (Output level only)	Percentage of tender cancellations	Net Surplus /Deficit Margin for Wastewater
Description of Portfolio of Evidence Verified	Signed and dated SCM report containing tender cancellations in relation to the total number of tender business cases that were recorded, advertised and closed.	The Audited Annual Financial Statements for the previous financial year as finalised in January of the following financial period for the previous financial period
Baseline (Annual Performance of 2022/2023)	New KPI	New Indicator
Annual Target for 2023/2024	10%	5%
Annual Planned Output as per SDBIP	10%	5%
Q1 Planned Target	10%	N/A
Q1 Actual Performance	0%	N/A
Q2 Planned Target	10%	N/A
Q2 Actual Performance	44%	N/A
Q3 Planned Target	10%	5%
Q3 Actual Performance	0%	14.96% ¹⁷
Q4 Planned Target	10%	N/A
Q4 Actual Performance	0%	N/A
Annual Actual Performance	9%	14.96%
Variance	-1%	9.96%
Overall Performance Rating	Target achieved	Target achieved
Progress on Targets	Target achieved	Target achieved
Reason(s) for Variance	Internal controls have been implemented which reduced the number of tender cancellations	The achievement of the total revenue generated from external business indicator as well as the increase of the budget in the third quarter (which resulted in under-expenditure of the budget) both contributed to the positive variance.
Remedial Action	Management will continue to enhance its internal controls	None - target was achieved
Annual Planned Budget	OPEX/CAPEX	OPEX

¹⁷ The net surplus/deficit margin for wastewater increased from 12.05% to 14.96% owing to the decrease in revenue because of the R110 million credit note for the organic tariff and finalisation of the audit. However, the outcome of target achieved remain unchanged.

Two performance indicators were discontinued for 2023/2024 after the mid-term adjustment process. These, including the respective targets and outputs achieved, are shown below:

Entity	Ekurhuleni Water Care Company ERWAT	Ekurhuleni Water Care Company ERWAT
Outcome	Improved water quality (including wastewater)	Improved water quality (including wastewater)
Ref No.	ERWAT 1.5	2.M
Performance Indicator (Output level only)	Number of Green Drop certified wastewater treatment works	Percentage expenditure on Repairs and Maintenance Budget
Description of Portfolio of Evidence Verified	The Green Drop results as published by the National Department of Water and Sanitation	Expenditure report from finance and listings of R&M vote numbers and expenditure
Baseline (Annual Performance of 2022/2023)	New indicator	New indicator
Annual Target for 2023/2024	6	95%
Annual Planned Output as per SDBIP	6	95%
Q1 Planned Target	N/A	25%
Q1 Actual Performance	N/A	10%
Q2 Planned Target	N/A	50%
Q2 Actual Performance	N/A	25.17%
Q3 Planned Target	N/A	N/A
Q3 Actual Performance	N/A	N/A
Q4 Planned Target	N/A	N/A
Q4 Actual Performance	N/A	N/A
Annual Actual Performance	N/A	N/A
Variance	N/A	N/A
Overall Performance Rating	N/A	N/A
Progress on Targets	N/A	N/A
Reason(s) for Variance	Performance indicator discontinued after mid-term adjustment	Performance indicator discontinued after mid-term adjustment
Remedial Action	Performance indicator discontinued after mid-term adjustment	Performance indicator discontinued after mid-term adjustment
Annual Planned Budget		



Chapter 4

ORGANISATIONAL DEVELOPMENT PERFORMANCE

(PERFORMANCE REPORT PART II)

INTRODUCTION TO ORGANISATIONAL DEVELOPMENT PERFORMANCE

ERWAT employed a total of 692 employees as at 30 June 2024. During the 2023/2024 financial year, a total of 48 new employees were appointed, 10 permanent employees and 38 temporary employees. A total of 73 employees left the service of the company of which 25 employees resigned, 31 had contracts that ended, 9 retired, 7 employees were dismissed, and one employee 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 regarding 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 (Permanent and Performance-Based Contractors)

Job level	2022/2023	2023/2024			
	Employees	Approved Posts	Employees	Vacancies (full-time equivalents)	Vacancies (as a % of total posts)
Commercial Business	10	11	9	2	22%
Company Secretariat	1	2	0	2	100%
Top Structure	4	10	10	0	0%
Infrastructure-Planning and Projects	16	15	13	2	13%
Maintenance	96	114	91	23	20%
Scientific Services	59	59	57	2	3%
Financial Services	34	41	34	7	17%
Operations	402	444	397	47	11%
Office of the MD	8	8	7	1	13%
Human Resources	11	13	10	3	21%
Strategy, Monitoring and Evaluation	7	13	10	3	23%
Totals	648	730	638	92	13%

Employees and approved posts (budgeted vacancies) as at 30 June 2024, as per the approved organogram

Table 4.2: Turnover Rate

Details	Total no. of appointments as at the beginning of financial year	No. of terminations during the financial year	Turnover Rate*
2021/2022	111	46	6.1%
2022/2023	61	65	8.7%
2023/2024	58	52	7.7%

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

COMMENT ON VACANCIES AND TURNOVER

The 2023/2024 recruitment plan was in line with the structures as well as budget for the 2023/2024 financial year. Vacancy turnover rate for 2023/2024 has decreased in comparison with the previous financial year.

COMPONENT B

Managing the Company's Workforce

INTRODUCTION TO COMPANY'S WORKFORCE MANAGEMENT

The total number of employees as at 30 June 2024 is 692 (includes permanent and temporary).

4.2 POLICIES

Table 4.3: HR Policies and Plans

No.	Name of Policy	Completed %	Reviewed %	Last Approved Date
HRM 001	Acting Policy	100%	100%	07/06/2024
HRM 002	Career and Succession Planning Policy	100%	100%	07/06/2024
HRM 003	Cellular Phone Allowance Policy	100%	100%	07/06/2024
HRM 004	Conflict of Interest Policy	100%	100%	07/06/2024
HRM 005	Employment Equity Policy	100%	100%	07/06/2024

No.	Name of Policy	Completed %	Reviewed %	Last Approved Date
HRM 006	Flexi-Time Policy	100%	100%	07/06/2024
HRM 007	Funeral Claim Policy	100%	100%	07/06/2024
HRM 009	Home Ownership Scheme Policy	100%	100%	07/06/2024
HRM 010	Induction Policy	100%	100%	07/06/2024
HRM 011	Job Evaluation Policy	100%	100%	07/06/2024
HRM 012	Leave Policy	100%	100%	07/06/2024
HRM 013	Long Service Award Policy	100%	100%	07/06/2024
HRM 014	Medical Aid Subsidy Policy	100%	100%	07/06/2024
HRM 016	Overtime Policy	100%	100%	07/06/2024
HRM 017	Performance Management Policy	100%	100%	07/06/2024
HRM 019	Recruitment Policy	100%	100%	07/06/2024
HRM 020	Remuneration Policy	100%	100%	07/06/2024
HRM 021	Retrenchment Policy	100%	100%	07/06/2024
HRM 022	Sexual Harassment Policy	100%	100%	07/06/2024
HRM 023	Small Tool Scheme Policy	100%	100%	07/06/2024
HRM 025	Stand-By Service Policy	100%	100%	07/06/2024
HRM 026	Substance Abuse Policy	100%	100%	07/06/2024
HRM 028	Tool of Trade Vehicle Scheme and Travel Allowance Policy	100%	100%	05/12/2022
HRM 029	Training and Development Policy	100%	100%	07/06/2024
HRM 031	Uniform Allowance Policy	100%	100%	07/06/2024
HRM 032	Workplace Bullying	100%	100%	07/06/2024

COMMENT ON WORKFORCE POLICY DEVELOPMENT

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

4.3 INJURIES, SICKNESS AND SUSPENSIONS

Table 4.4: Number and Cost of Injuries on Duty

Type of injury	Injury Leave Days Taken	Employees using Injury Leave	Average Injury Leave Days per Employee	Estimated Cost (Basic) in rands
Injury on duty	47	18	2.6	49 477.13
Permanent disability	0	0	N/A	N/A
Temporary disability	24	1	24	18 003.22
Total	71	19	3.74	67 480.35

Table 4.5: Number of Days and Cost of Sick Leave (Excluding Injuries on Duty)

Patterson Profile Level	Total Sick Leave Days	Employees using sick leave	Average Injury Leave Days per Employee	Estimated Cost (Basic) in rands	* Average Sick Leave Days per Employee	Estimated Cost (Basic) In rands
Temporary	86	20	54		1.6	162 913.15
A	1142	104	119		9.6	897 949.79
B	1749	175	225		7.8	2 265 626.57
C	1567.5	191	238	75%	6.6	3 059 127.14
D	209	27	46		4.5	683 097.56
Executives	42	5	10		4.2	223 227.13
Total	4795,5	522	692		9.19	7 291 941.34

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

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 4.6: Disciplinary Action Taken on Cases of Financial Misconduct

Position	Nature of Alleged Misconduct and Rand Value of any Loss	Disciplinary Action Taken	Date Finalised
N/A	N/A	N/A	N/A

COMMENT ON SUSPENSIONS AND CASES OF FINANCIAL MISCONDUCT

There are currently no employees under suspension.

4.4 PERFORMANCE REWARDS

COMMENT ON PERFORMANCE REWARDS

No performance rewards were awarded during the 2023/2024 financial year.

COMPONENT C

Capacitating the Company's Workforce

INTRODUCTION TO WORKFORCE CAPACITY DEVELOPMENT

ERWAT's skills development plan is drafted with information received from all departments and personal development plans (PDPs) to ensure the advancement of skills development throughout the organisation. The training and development budget is linked to the training needs and Workplace Skills Plan (2023/2024) submitted to the Energy and Water Sectoral Education and Training Authority (EWSETA).

4.5 SKILLS DEVELOPMENT AND TRAINING

Table 4.9: Skills Matrix

Management Level	Gender	No. of employees in post as at 30 June 2024	Number of skills employees required and actual as at 30 June 2024					
			Learnerships			Skills Programme and other short courses		
			Actual: End of Year 22/23	Actual: End of Year 23/24	Year 23/23	Actual: End of Year 22/23	Actual: End of Year 23/24	Year 23/24 Target
Senior Officials and Managers	Female	6	6	15	15	3	2	2
	Male	7	37	30	30	20	8	8
Technician and Associate Professional	Female	19	99	110	110	55	0	0
	Male	44	168	125	132	3	30	37
Professionals and Un-skilled	Female	209	26	56	63	6	9	16
	Male	407	84	49	56	5	16	23
Sub-total	Female	234	131	181	188	65	11	18
	Male	458	289	204	218	28	54	68
Total		692	420	385	406	93	65	86

Management Level	Gender	No. of employees in post as at 30 June 2024	Number of skills employees required and actual as at 30 June 2024					
			Other forms of training			Total		
			Actual: End of Year 22/23	Actual: End of Year 23/24	Year 23/24	Actual: End of Year 22/23	Actual: End of Year 23/24	Year 23/24 Target
Senior Officials and Managers	Female	6	9	17	Target	18	34	34
	Male	7	57	38	17	114	76	76
Technician and Associate Professional	Female	19	184	125	38	338	235	235
	Male	44	211	140	125	383	295	316
Professionals and Un-skilled	Female	209	32	77	147	64	142	163
	Male	407	89	89	84	178	148	175
Sub-total	Female	234	255	219	96	420	411	432
	Male	458	357	267	226	675	519	567
Total		692	612	558	281	1095	930	999

Table 4.10: Skills Development Expenditure

Gender	No. of employees in post as at 30 June 2024	Number of skills employees required and actual as at 30 June 2024					
		Other forms of training			Total		
		Actual: End of Year 2022/2023	Actual: End of Year 2023/2024	Year 2023/2024	Actual: End of Year 2022/2023	Actual: End of Year 2023/2024	Year 2023/2024 Target
Female	234	131	181	188	320	230	244
Male	458	289	204	218	403	321	349
Total	692	420	385	406	723	551	593

Table 4.11: Skills Development Expenditure

Original budget and actual expenditure on skills development

2023/2024	Original budget	Actual
Totals	R 5 412 396.00	R 5 012 396,00

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

During the last financial year, ERWAT realigned its training plan to ensure that the enhancement of skills of all employees so ensuring that there is a development process in the workplace. The 2023/2024 Workplace Skills Plan was successfully submitted to Energy and Water Sectoral Education and Training Authority (EWSETA) and it was approved. Training is centred on organisational, departmental, and personal development

plans. ERWAT started the Wastewater Process Control & Operations Learnership Programs for 60 employees. The learnerships are aligned to training plans and personal development plans of the above-mentioned employees.

ERWAT conducted work capacity programme and skills audit analysis projects to determine the organisational and individual requirements required to create a learning organisation. The audit was completed and the recommendations will be implemented in a three-year plan. It commenced in the 2023/24 financial year and is on-going.

COMPONENT D

Managing the Company's 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 to managing the overall manpower expenditure.

4.6 EMPLOYEE EXPENDITURE

Table 4.12: Manpower versus OPEX Expenditure

	2021/2022	2022/2023	2023/2024
Salary Cost (R)	398 660 523.00	407 018 007.00	435 253 180.00
OPEX (R)	982 107 798.00	1 216 380 820.00	1 388 989 261.00
Percentage	41%	33%	31%

COMMENT ON WORKFORCE EXPENDITURE

Table 4.12: Number of Employees Whose Salaries Increased Owing to their Positions Being Upgraded

Paterson Profile Group	Gender	Total
A	Female	0
	Male	0
A	Female	0
	Male	0
C	Female	0
	Male	0
D	Female	0
	Male	0
E	Female	0
	Male	0
Total		0

Those with disabilities are shown in brackets '(x)' in the 'Number of beneficiaries' column as well as in the numbers at the right-hand side of the column.

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

During the period under review, there were no employees whose salaries were increased owing to their positions being upgraded.

COMPONENT E

Introduction to the Company's Personnel

DISCLOSURES OF FINANCIAL INTERESTS

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

Table 4.13: Disclosures of Financial Interest

Period 1 July 2023 to 30 June 2024		
Position	Name	Description of Financial Interests
Managing Director	Mr Kennedy Chihota	Tanesi Civils: 100% Dakalo Eng: 30%
Chief Financial Officer	Ms Gratitude Ramphaka	Director 100% Rams Consulting Services Director 100%: Mbambo CC
Company Secretary	Ms Zimasa Socikwa	Director 100%: Khensile Governance Services
Executive Manager: Scientific Services	M. Alison Chapman	Nil
Executive Manager: Operations	Mr Mpho Makgatha	Director 100%: Malemane Investments (Pty) Ltd Director 100%: Water Hub SA (Pty) Ltd Director 50%: Water Technologies (Pty) Ltd Masehlang: A - Moutse Agri-Tourism NPC Ga Mashung Matlala Community Property Association Kapei Truct Blue Falcon 122 Trading CC Masehlang-A: House NPC
Executive Manager: Human Resources	Mr Rodney Barnes	Nil
Executive Manager: Commercial Business	Mr Ashton Bodrick	The Learning Gap: 49% Bodrick Enterprise (Pty) Ltd: 100%
Executive Manager: Infrastructure-Planning and Projects	Mr Emmanuel Khomela	Marang Khomela Group (Pty) Ltd: 100% SMI Consulting Group (Pty) Ltd: 20% Troika Enterprise (Pty) Ltd – resigned as director HLonies Training and Projects (Spouse Company)
Executive Manager: Maintenance	Mr Bernard Petlane	Petcom Holdings (Pty) Ltd Telkom SA
Executive Manager: SME	Ms Shuntelle Gow	R and S Gow Projects and Constructions: 50% shareholding



Chapter 5

FINANCIAL PERFORMANCE

INTRODUCTION

Chapter 5 contains information regarding financial performance and highlights specific accomplishments. The chapter consists 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 entity and focuses on the financial health of the company.

ERWAT performed reasonably well in the year under review. Operating income increased from R1.476

billion in 2022/2023 to R1.624 billion in 2023/2024 year. Operating expenditure increased from R1.216 million in 2022/2023 to R1.388 billion in 2023/2024. This is mainly owing to the R48 million impairment loss in 2022/2023, while the impairment loss for 2023/2024 is R96 million as well as debt impairment of R38 million in 2023/2024 (2022/2023: R2 million).

Table 5.1: Financial Summary

Description	Ref	2021/2022	2022/2023	Current year 2023/2024			Year 2023/2024 Variance	
		Actual	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjustment Budget
		R'000	R'000					
REVENUE BY SOURCE								
Service charges - sanitation revenue		1 142 878	1 336 988	1 359 430	1 410 773	1 410 773	104%	100%
Interest income		10 573	28 852					
Dividends received	1	60	112	0	0	88	100%	100%
Other revenue		39 954	40 906	35 700	31 200	35 966	101%	115%
Total revenue (excluding capital transfers and contributions)		1 193 465	1 406 858	1 401 630	1 475 367	1 518 516	108%	103%
EXPENDITURE BY TYPE								
Employee-related costs		394 208	407 018	488 794	489 560	435 253	89%	90%
Debt impairment		2 177	2 155	1 856	1 856	38 727	2087%	2087%
Impairment loss		-	48 371	0	11 929	96 270	100%	807%
Depreciation and amortisation		105 468	117 593	103 879	129 018	111 132	106%	85%
Finance charges		29 694	35 321	27 930	36 531	38 523	138%	105%
Bulk purchases	2	251 872	283 500	400 254	361 113	319 079	80%	88%
Other expenditure		98 551	155 845	223 103	270 456	176 419	79%	49%

Description	Ref	2021/2022	2022/2023	Current year 2023/2024			Year 2023/2024 Variance	
		Actual R'000	Actual R'000	Original	Adjusted	Actual R'000	Original	Adjustment
				Budget R'000	Budget R'000		Budget %	Budget %
Repairs and Maintenance		106 974	166 578	155 814	174 904	173 586	113%	101%
Total Expenditure	3	988 944	1 216 381	1 401 630	1475 367	1388 989	99%	94%
Surplus/(Deficit)		204 521	190 477	-	-	129 527		
Surplus/(Deficit) – Including Grants and Contributions		155 016	260 477	80 000	80 000	235 488	295%	295%
Transfers recognised - capital		-0	-28 086	-	-	-53 026	100%	100%
Surplus/(Deficit) before Taxation		155 016	232 391	80 000	80 000	183 315	229%	229%
Taxation		0	0	0	0	0		
Surplus/(Deficit) for the year		155 016	232 391	80 000	80 000	183 315		
CAPITAL EXPENDITURE & FUNDS SOURCES	4,6							
CAPITAL EXPENDITURE								
Funded by:								
National Government		155 016	70 000	80 000	80 000	80 000	100%	100%
Transfers recognised - capital		0	28 086	47 646	55 616	53 026	111%	95%
TO BE DETERMINED								
Borrowing	1	-	-	-	-	-	-	-
Internally generated funds		0	28 086	47 646	55 616	53 026	111%	95%
Total capital funding		155 016	70 000	80 000	80 000	80 000	100%	100%
FINANCIAL POSITION								
Total current assets		553 888	849 847	1 080 919	1 080 919	1 080 919	100%	100%
Total non-current assets		2 200 669	2 125 082	2 050 209	2 049 356	2 049 356	100%	100%
Total current liabilities		194 210	210 500	170 116	170 116	170 116	100%	100%
Total non-current liabilities		332 599	294 986	263 595	263 595	263 595	100%	100%
Equity		2 227 748	2 469 442	2 697 417	2 696 564	2 696 564	100%	100%
CASH FLOW								
Net cash from (used) in operating		335 997	374 184	-205 325	-205 494	-205 494	100%	100%
Net cash from (used) in investing		-153 950	-96 885	-137 275	-137 275	-137 275	100%	100%
Net cash from (used) in financing		-52 727	-52 849	-50 378	-50 209	-50 209	100%	100%
Cash/cash equivalents at the year end		280 235	504 685	111 706	111 706	111 706	100%	100%

COMMENT ON FINANCIAL PERFORMANCE:

MATERIAL DIFFERENCES BETWEEN BUDGET AND ACTUAL AMOUNTS

Total operating expense - 94.09% achieved owing to the following reasons:

ERWAT has 6% under-expenditure on its total OPEX owing to the following reasons:

1. Employee costs under-expenditure owing to vacant positions still in the process of being filled. Recruitment of those vacancies, which was planned to occur up to this financial year-end (30 June 2024), did not fully materialise.
2. There was an under-expenditure on director's remuneration as the budget provided for eight directors, however only five directors were appointed

during the year. By the end of the third quarter only three directors remained owing to resignations.

3. Bulk purchases - reduced electricity spending owing to electricity billing issues with the CoE, power outages and reduced electricity consumption at the plants owing to less stormwater ingress. During the year, there were delays in the procurement of essential chemicals because of challenges faced by the manufacturers in the chemical manufacturing process and general procurement delays.
4. General expenses, under-expenditure of the protective clothing budget owing to challenges experienced with procuring the awarded contract. Fuel costs on generators were less owing to less load shedding during the end of the year. Since no consumables contract was in place, ERWAT spent less on consumables and on consultants.

5.2 GRANTS

Table 5.2: Grant Performance

Description	2022/2023	2023/2024	Adjustment budget R'000	Actual R'000	Original Budget %	Adjustment Budget %
	Actual R'000	Budget R'000				
Other grant providers – the CoE capital grant	70 000	80 000	80 000	80 000	100.00%	100.00%
TOTAL	70 000	80 000	80 000	80 000	100.00%	100.00%

COMMENT ON OPERATING TRANSFERS AND GRANTS

The parent municipality, CoE, allocates a portion of the USDG (Urban Settlements Development Grant) that they receive from the National Treasury towards bulk sanitation services. This amounted to R80 million in the 2023/2024 financial year. It is the only grant that ERWAT received from the CoE.

5.3 ASSET MANAGEMENT

INTRODUCTION TO ASSET MANAGEMENT

SUPPLY CHAIN MANAGEMENT

The South African Constitution requires municipalities (and thus also 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.

5. Encouraging the involvement of communities and community organisations in matters of local government.

The way 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 thus also municipal entities) to provide services in a manner that is sustainable. 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 Generally Recognised Accounting Practice (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.

The effective management of capital assets is central to the entity providing an acceptable standard of services. Capital assets impacts the quality of the living environment and opportunities to prosper. Not only is there a requirement to be effective, but the way the entity discharges its responsibilities as a municipal entity is also important. The entity must demonstrate good governance and customer care. 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 manner, which is achieved through the 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 on 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 detailed plans.
4. Funding each approved asset management plan appropriately through the budget including in the SDBIP into the measurable objectives and targets of each asset management plan.
5. 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 by the relevant assets.
3. Conduct a gap analysis of the required versus 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:

1. The proposed service delivery option.
2. Identified benefits and identified needs.
3. A full life-cycle-costs forecast.
4. Reliable revenue forecasts including other funding sources.
5. A risk assessment across the entire life cycle of each option.
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:

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 Resources issues with the Human Resources manager.
3. Review other issues with any other relevant managers, e.g., information technology, chief financial officer and HR.

Asset management plans should also include plans to ensure that appropriate funding is provided for in the budget to guarantee that existing assets continue to perform at the required levels and standards of service. ERWAT is in the process of developing an asset maintenance plan.

ASSET LIFE CYCLE

The asset life cycle is a key concept underpinning asset management. An asset life cycle covers all phases of an asset's life starting with planning through its acquisition, operation, maintenance and eventual disposal. The 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.
5. 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 and including any environmental rehabilitation at the end of its life.

This analysis will be based on 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) as well as 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:
 - 1.3.1. Operation - fuel or energy costs, operational labour, security costs, safety costs, training costs, performance monitoring costs, cleaning costs and consumables.
 - 1.3.2. Maintenance - spare parts and repair labour.
 - 1.3.3. Administration (asset specific) - insurance, rates and taxes, management fees, etc.
 - 1.3.4. Rehabilitation and renewal - upgrade costs, modification costs if this improves asset life etc. (capital), re-training costs (current), etc.
 - 1.3.5. 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.

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:

- What existing assets does the entity have and where are they? (asset registers)
- What are the existing assets worth? (valuation)
- What is their condition and their expected remaining useful life? (condition assessments)
- What is the expected or required level of service?
- How can that level of service be achieved? (asset management and operational plans)
- What additional assets does the entity require? (AAP analysis)
- How much will that level of service cost and when or how can it be funded? (multi-year capital and operating budgets)
- How can ERWAT ensure that its level of service is financially sustainable? (fiscal policy, short- to long-term financial plans)
- How will ERWAT manage and monitor the delivery of that level of service? (performance management system and performance agreements).
- 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 that are used to acquire
- 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 2023/2024

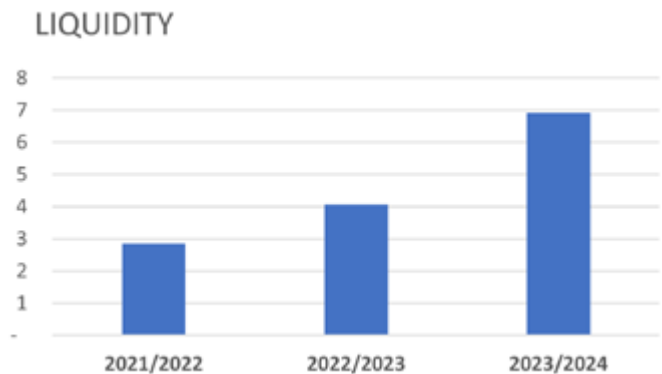
Asset 1	
Name	Supply, deliver and various pumps and associated equipment on as and when required basis in all ERWAT water-care works
Description	Capacity-enhancement and plant optimisation
Asset type	Fixed (infrastructure)
Key staff involved	IPAP, maintenance, operations, SCM and finance
Staff responsibilities	Project manager ensures that quality work is performed
Year	2023/2024
Asset value	R84 341 206,58
Capital implications	Budget constraints
Future purpose of asset	To maintain flow rates, pressures and mixing for effective treatment and disposal of sludge.
Describe key issues	Replacing pumps that are inefficient or pumps which are operating outside the expected service life. The objective of the project is to enhance plant performance, efficiency and reliability to ensure compliance of wastewater works effluent to the requirements as per the water-use licence granted by the Regulator.
Policies in place to manage asset	Asset management policy
Asset 2	
Name	Supply, deliver and install generators on an as-and-when required basis in all ERWAT water-care works.
Description	Capacity-enhancement and plant optimisation
Asset type	Fixed (infrastructure)
Key staff involved	IPAP, Maintenance, Operations, SCM and Finance
Staff responsibilities	Project manager ensures that quality work is performed
Year	2023/2024
Asset value	R30 789 680.17
Capital implications	Budget constraints
Future purpose of asset	To ensure a reliable and uninterrupted power supply, particularly in areas where grid electricity is unreliable or unavailable
Describe key issues	A reliable source of power is required to ensure that operations continue even in the event of a power outages. The diesel generators serve as back-up power sources during power outages or as primary power supply in off-grid locations.
Policies in place to manage asset	Asset management policy
Asset 3	
Name	The upgrade and replacement ICT infrastructure
Description	Supply, delivery and deployment of a hyper converged infrastructure solution for ERWAT
Asset type	Fixed (infrastructure)
Key staff involved	ICT, IPAP, Maintenance, Operations, SCM and Finance
Staff responsibilities	Project manager ensures that quality work is performed
Year	2023/2024
Asset value	R12 632 174,34
Capital implications	Budget constraints
Future purpose of asset	To upgrade the current legacy server infrastructure with the hyper converged technology for both ERWAT's production and disaster recovery environment.
Describe key issues	Cyber-related concerns may arise owing to obsolete infrastructure, hence an upgrade is required for business continuity
Policies in place to manage asset	Asset management policy

COMMENT ON ASSET MANAGEMENT

The status of all the assets - including assets at the WCWs – was ascertained during the year. The need was identified to formalise the asset policy, strategy and plans. 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.

IMPLEMENTATION OF THE ASSET MANAGEMENT POLICY AND PLAN

Table 5.4: Repairs and Maintenance Expenditure 2023/2024



Detail	Original budget	Adjustment budget (Including virements)	Actual	Budget variance
Repairs and maintenance expenditure	155 813 866	174 903 541	173 585 656	-0.75%

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 entity. Expenditure on maintenance, both planned and ad hoc maintenance, is extremely important as it not only improve, efficiencies on the WCWs but extends the useful lives of the infrastructure.

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

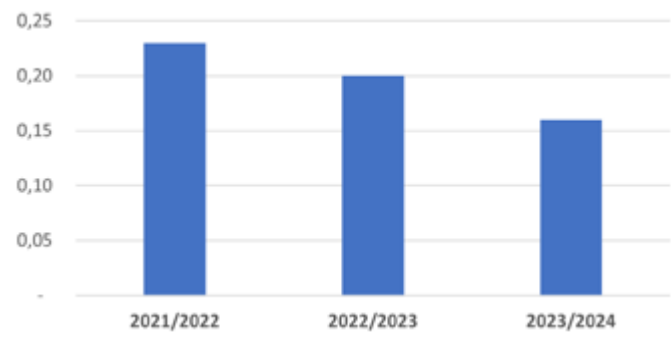
5.4 FINANCIAL RATIOS BASED ON KEY PERFORMANCE INDICATORS

LIQUIDITY

ERWAT's current ratio improved from 4.03:1 in 2022/23 to 6.35:1 in the 2023/24 financial year. This is owing to improved working capital management within the entity.

SOLVENCY

ERWAT's debt equity ratio improved from 0.20 in 2022/23 to 0.16 in 2023/24 financial year. This is owing to the reduction in borrowings because of repayments. The entity has de-emphasised the use of debt as a form of CAPEX funding.

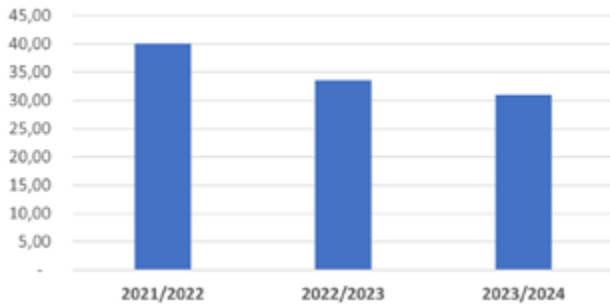


CAPITAL EXPENDITURE TO OPERATING EXPENDITURE RE RATIO

This ratio has decreased from 0.08:1 in 2022/23 to 0.07:1 in 2023/24.

EMPLOYEE COST RATIO

Employee cost as a percentage of operating expenditure has decreased slightly from 33% in 2022/23 to 31% in 2023/24.



COMMENT ON FINANCIAL RATIOS

An overall improvement in the solvency of the entity is noted. The liquidity has become unfavourable. Although the current ratio is significantly higher than the norm, this is mainly owing to current liabilities being low. The cash ratio clearly reflects the adverse position as this ratio has moved significantly below the norm. The cash and cash equivalents balance as at 30 June was R 111.7 million.

COMPONENT B

Spending Against Capital Budget

INTRODUCTION TO SPENDING AGAINST CAPITAL BUDGET

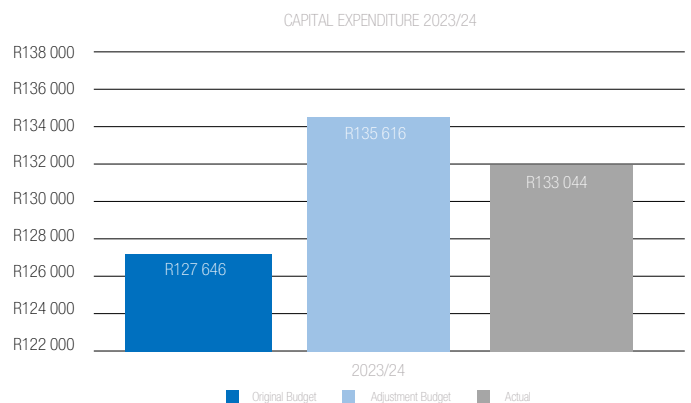
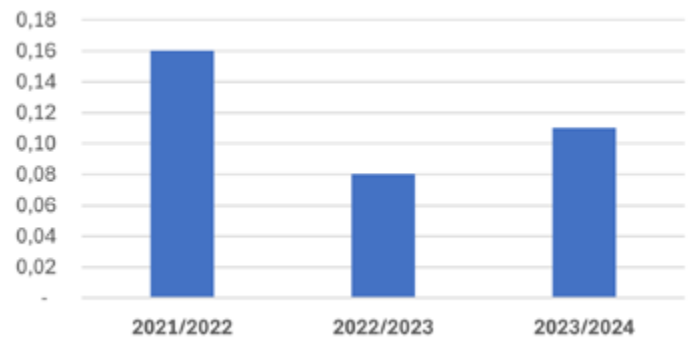
Capital expenditure for the year amounted to R133 026 million which is 104.2% of the original 2023/2024 capital budget of R127 646 million.

Capital expenditure for the year amounted to R133 026 million which is 98.09% of the adjusted 2023/2024 capital budget of R135 616 million.

Capital expenditure relates mainly to asset replacement and plant-optimising projects used in a business' operations. Capital expenditure is funded from grants and surpluses.

Component B deals with capital spending which indicates where the funding comes from and whether the company can 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 the construction of new water care works. The other sources of funding are own funds that are generated through savings as well as the USDG allocation from the CoE.

5.7 CAPITAL SPENDING ON FIVE LARGE PROJECTS

As stated previously, 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 that is generated through savings as well as the USDG allocation from the CoE.

Table 5.5: Source of Capital Funding

Source of finance	2022/2023	2023/2024			
	Actual R'000	Original budget R'000	Adjustment budget R'000	Actual R'000	Variance %
Grant	70 000	80 000	80 000	80 000	100%
Internally generated funding	28 086	47 646	55 616	53 026	92%
External loan	0	0	0	0	
TOTAL	98 086	127 646	135 616	133 026	98.09%
Grant	71%	63%	59%	60%	
Internally generated funding	29%	37%	41%	40%	
External loan	0%	0%	0%	0%	

Table 5.6: Capital Expenditure of the Five Largest Projects*

Capital Expenditure of 5 largest projects* R' 000					
Name of Project	Current: 2023/24			Variance: Current 2023/24	
	Original Budget	Adjustment Budget	Actual Expenditure	Original Variance (%)	Adjustment variance (%)
A - PUMPS	77 912 219	84 492 367	84 341 207	7.6%	-0.18%
B – GENERATORS	28 211 003	30 781 678	30 789 680	8.4%	0.03%
C - PLANT & EQUIPMENT	16 300 000	13 710 417	12 566 472	-22.90%	-8.34%
D - OTHER EQUIPMENT	3 222 869	4 468 661	3 426 880	5.95%	44.97%
E - GENERAL VEHICLES	2 000 000	2 162 968	1 901 847	5.16%	-13.73%

* Projects with the highest capital expenditure in 2023/224

Name of Project - A	Supply, delivery and installation of various pumps and associated equipment
Objective of Project	To maintain flow rates, pressures and mixing for effective treatment and disposal of sludge
Delays	None
Future Challenges	None anticipated
Anticipated citizen benefits	By protecting ecosystems, improving public health, enabling water-reuse and ensuring regulatory compliance, wastewater treatment contributes to the overall well-being of communities
Name of Project - B	Supply, delivery and installation of generators
Objective of Project	To ensure a reliable and uninterrupted power supply, particularly in areas where grid electricity is unreliable or unavailable. The diesel generators serve as back-up power sources during power, outages or as primary power supply in off-grid locations.
Delays	None
Future Challenges	None anticipated
Anticipated citizen benefits	A reliable source of power is required to ensure that operations continue even in the event of a power outages. This ensures the preservation of biodiversity and the overall health of the environment.
Name of Project - C	The upgrade and replacement ICT Infrastructure
Objective of Project	To upgrade the current legacy server infrastructure with the hyper-converged technology for both ERWAT's production and disaster recovery environment
Delays	None
Future Challenges	None anticipated
Anticipated citizen benefits	Better customer experience and improved cyber-security
Name of Project - D	Other equipment
Objective of Project	Supply and delivery of various tools, equipment, and instruments used in scientific laboratories to carry out experiments and research. These apparatuses play a vital role in the accuracy and reliability of scientific data.
Delays	None
Future Challenges	None anticipated
Anticipated citizen benefits	Improves the plant's performance and quality of water being discharged
Name of Project - E	General vehicles
Objective of Project	To improve operational efficiency and ensure timely breakdowns for WCWs
Delays	None
Future Challenges	None anticipated
Anticipated citizen benefits	Breakdowns attended on time, Better Customer experience.

* Projects with the highest capital expenditure in 2023/24

COMMENTS ON CAPITAL PROJECTS

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 CoE and ERWAT undertook a comprehensive wastewater conveyance and treatment systems regionalisation as well as a 50-year master plan to provide direction for wastewater treatment

infrastructure-planning, investment and implementation to 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 urgently 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 in the table below.

Table 5.7: Service Backlogs as at 30 June 2024

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 (Mℓ /d)	2075 Capacity Upgrade (Mℓ/d)
1	Jan Smuts	9	4,5	6,32	1,82	4,5		
2	Vlakplaats	83	55	88,64	33,64	28		
3	Waterval	663	170	420,6	250,6	250	119	180
4	Ancor	100	15	21,48	6,48	35	15	35
5	Herbert Bickley	124,1	15	15,16	0,16	25	45	40
6	Olifantsfontein	196	65	112,08	47,08	50	20	50
7	Welgedacht	274	87	72,03	-14,97	60	80	40
8	Ratanda	23,7	4,7	5,65	0,95	10	10	
9	Hartebeestfontein	287	63	40,76	-22,24	40	40	150
10	JP Marais	15	15	9,93	-5,07			
11	Rondebult	20	20	7,47	-12,53			

COMMENT ON BACKLOGS

ERWAT is currently experiencing capacity constraints at most of its water care works. This will affect the CoE 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 CoE owing to the rapid population growth 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 ERWAT's business. Cash is derived from sales and collections of accounts receivable. This flow enables the entity to meet all expenses and debt obligations. The goal of good cash flow management is to have sufficient cash on hand when you need it.

ERWAT manages cash flow conservatively. The entity does not have any significant long-term investments.

Available cash consists of own funds used primarily for operating expenditure. 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 monthly and variances are reported to the Board of Directors as well as the CoE monthly and quarterly.

5.9 CASH FLOW

CASH FLOW STATEMENT	NOTES	2023 R	2024 R
Service charges		1 200 404 434	855 930 235
Development contribution		(2 803 897)	(3 229 255)
Grants received		153 311 646	50 543 486
Interest income		28 852 388	71 689 712
Dividends received		111 753	87 869
Other income		4 268 327	(16 089 832)
		1 384 144 651	958 932 215
Payments			
Employee costs		(386 609 174)	(429 284 476)
Suppliers		(588 029 955)	(696 618 845)
Finance costs		(35 321 072)	(38 523 253)
		(1 009 960 201)	(1 164 426 574)
Net cash flows from/(used in) operating activities		374 184 450	(205 494 359)
Cash flows from investing activities			
Purchase of property, plant and equipment and other intangible assets*		(98 086 253)	(138 231 274)
Proceeds from insurance payout and other recoveries		1 200 884	955 904
Net cash flows used in investing activities		(96 885 369)	(137 275 370)
Cash flows from financing activities			
Repayment of long-term borrowings		(52 537 157)	(54 894 335)
Net finance lease payments		(312 315)	4 685 677
Net cash flows used in financing activities		(52 849 472)	(50 208 658)
Net increase/(decrease) in cash and cash equivalents		224 449 612	(392 978 387)
Cash and cash equivalents at the beginning of the year		280 234 987	504 684 600
Rounding difference		1	8
Cash and cash equivalents at the end of the year		504 684 600	111 706 211

COMMENT ON CASH FLOW OUTCOMES

ERWAT's cash reserves decreased from R504.6 million in 2022/2023 to R111.7 million in 2023/2024, which demonstrates the necessity of timeous payment of service charges by the CoE to ERWAT in order for the entity to maintain a positive cash flow.

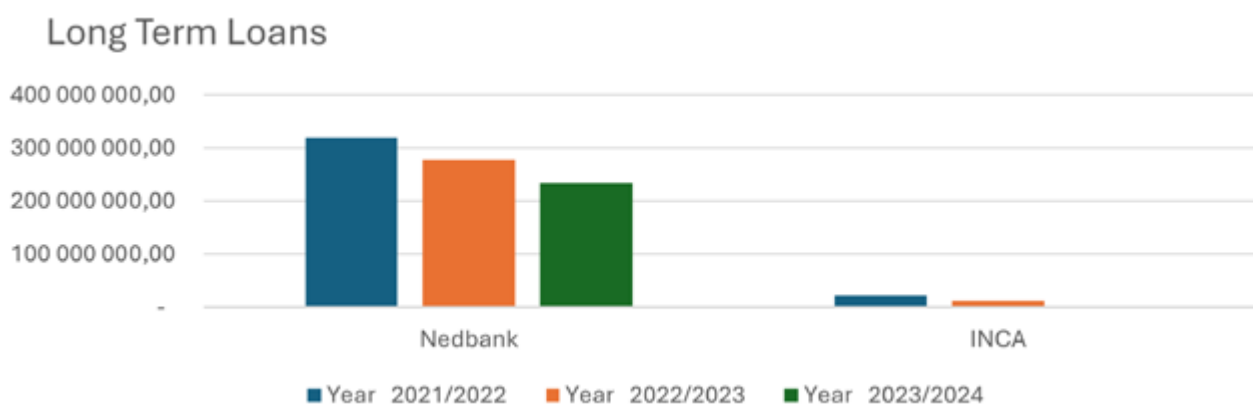
5.10 BORROWING AND INVESTMENTS

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 2022/2023 to 2023/2024

Outstanding balances as of 30 June 2024			
Loan provider	2021/2022	2022/2023	2023/2024
INCA	22 721 758	12 074 343	0
Nedbank	319 504 879	277 615 137	234 795 145
TOTAL LOANS	342 226 637	289 689 480	234 795 145



COMMENT ON BORROWING AND INVESTMENTS

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

5.11 PUBLIC PRIVATE PARTNERSHIPS

PUBLIC PRIVATE PARTNERSHIPS

There are three long-term contracts in place, namely the agreements with the members of ERWAT: the CoE, City of Johannesburg and Lesedi Local Municipality, which were 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 MFMA, SCM and other legislated guidelines, the following is worth reporting.

The amended Municipal Finance Management Act Regulations 1, 12, 16, 18 19 and 35 - as promulgated in the Government Gazette - was issued by National Treasury on 14 December 2023.

ERWAT implemented the amendments as from 1 April 2024 with the following processes:

- The thresholds for a competitive process (tender) have been increased from R200 000 to R750 000.
- All procurement from below R2 000 to R750 000, with a contract term less than 12 months, will follow the seven-day advertising process (formal price quotation process).
- Long-term (above one year) procurement below R750 000 will follow a competitive process (tender).
- The revised ERWAT Delegation of Authority (DoA) were approved.
- Key controls in the procurement process were noted.

There is a significant decrease in the yearly irregular expenditure. There has been a decrease of more than 25% in current year irregular expenditure since 2021.

The evaluation of bids is based on phases:

- Phase 1 relates to compliance on administrative matters.
- Phase 2 relates to mandatory requirements and or functionality criteria (where applicable).
- Phase 3 relates to final scoring on price and the PPPFA regulations (including B-BBEE criteria) to determine the highest scoring bidders as provided for in National Treasury circulars.

The adjudication process is applied as per the MFMA, SCM Regulations, the PPPFA Act and Regulations of 2022 and as per the SCM Policy. 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. The points are calculated and based on information received from the suppliers and verified by certificates confirming the PPPFA criteria under MBD 6.1 against the B-BBEE, CSD reports and or other documents where possible.

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.

These procurement committees are bid specification, bid evaluation, and bid adjudication committees. ERWAT has appointed an internal probity committee as an additional measure to overlook and advise the Accounting Officer on SCM processes followed on open tender processes. The function will be outsourced to an independent service provider for full audit process and comfort.

A SCM unit was established that monitors the implementation of the SCM policies and standard operating procedures (SOP), in line with the regulations which seek to modernize 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 embraces the objectives of the applicable legislation, including the PPPFA and B-BBEEE 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 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 complies 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 6

AUDITOR-GENERAL FINDINGS

INTRODUCTION

The Constitution S188 (1) (b) states that the function of the AGSA 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 AGSA.

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 an unqualified opinion with material findings on compliance with laws and regulations. Component A covers the AGSA's opinion for 2022/2023; Component B covers the same for 2023/2024.

COMPONENT A

AG Opinion of the Financial Statements 2022/23

6.1 AUDITOR-GENERAL REPORTS 2022/2023 FINANCIAL YEAR

Table 6.1: Auditor-General Report on Financial Performance 2022/2023

AUDIT REPORT STATUS	Unqualified audit opinion
Non-compliance issues	Remedial Action Taken
1. Procurement and contract management - Bid awarded to a bidder that is not tax compliant	<ul style="list-style-type: none"> a) Checklist to be implemented to ensure all tick boxes are completed that will ensure that all legislation has been adhered to. b) A final SARS check will be conducted at the time of the AO sign off on the award.
2. The reported achievement was overstated owing to a calculation error	<ul style="list-style-type: none"> a) Management will assess and correct the population used to calculate the reported achievement and adjust the annual performance report to reflect the correct percentage achieved for the percentage of wastewater treatment capacity unused indicator. b) The reviewed calculations and supporting schedules will be reviewed by the Engineering Manager and Executive Manager: IPAP.
3. Incorrect reasons for the variance reported in the annual performance report	<ul style="list-style-type: none"> a) Findings were resolved after the Auditors reviewed management's response. No further action is required.
4. Information supporting reported performance information has calculation errors	<ul style="list-style-type: none"> a) Excel sheets are used to record the actual flow readings taken by shift leaders, with built-in formulas to calculate the daily flow totals automatically to prevent human calculation errors. b) The Plant Manager and District Manager review will be conducted regularly to identify human errors.
5. Splitting of quotation to avoid competitive bidding	<ul style="list-style-type: none"> a) Recurring commodities to follow the correct SCM process. b) The Contract Register must be enhanced to include all procurement of the recurring commodities. c) All procurement below R200 000 to be signed off by the SCM manager. d) FPQs between the value of R200 000 and R750 000 to be signed off by the CFO and/or AO pending the finalisation of the review of the SCM DOA.
6. Contractual terms are not complete	<ul style="list-style-type: none"> a) All service level agreements to be concluded and signed off by the delegated official as per the approved DOA. b) The contract register to be reviewed to identify contracts concluded that require SLAs to be completed and signed including the regulation 32 and 36 contracts and the section 110 contracts.

AUDIT REPORT STATUS	Unqualified audit opinion
Non-compliance issues	Remedial Action Taken
7. Non-compliance with performance-monitoring requirements	<ul style="list-style-type: none"> a) The contract register to include the monitoring of performance evaluations of awarded contracts including regulations 32 and 36 as well as section 110 awards on monthly basis and non-compliance reported to EXCO. b) Performance evaluations to be submitted to SCM on a monthly basis indicating the appointed service providers performance or no services rendered in those particular months. c) The SA template to be amended to include measures to monitor performance and delivery by the supplier in the form of an annexure.
8. Deviations not timely reported to the board of directors	<ul style="list-style-type: none"> a) The deviations register be updated as and when deviations are approved. b) Deviations to be reported to the next council through the Implementation for the SCM policy. c) Any corrections to the respective quarters must be reported to Council as soon as it becomes known.
9. Formal price evaluation report not authorised by delegated officials	<ul style="list-style-type: none"> a) All FPQ processes to include a checklist and proper record of the process including sign-off of the capturer, the reviewer and or approver as per the SCM DOA.
10. Contracted service provider that does not reside within municipal area is incorrectly included in the reported performance information	<ul style="list-style-type: none"> a) The annual report figures to be updated and KPI be corrected as per the definition of contracted services utilising the CSD report and award register applicable for the year.
11. Capital expenditure that does not relate to the planned projects is incorrectly included in the schedule supporting the reported achievement	<ul style="list-style-type: none"> a) Completed. No further action required.
12. Internal controls deficiencies identified in the procurement process	<ul style="list-style-type: none"> a) All FPQ processes to include a checklist as well as a proper record of the process including the sign-off of the capturer, the reviewer and or approver as per the SCM DOA.
13. Consequence management - Instances of irregular expenditure NOT investigated to determine if someone is responsible for irregular expenditure incurred	<ul style="list-style-type: none"> a) Correct the AFS by reversing the non-compliant irregular expenditure written off as per the AGSA.
14. Irregular expenditure written off presented as condoned	<ul style="list-style-type: none"> a) Amend the annual financial statements with the disclosure recommended by the AGSA.
15. Assets recorded in the fixed asset register that could not be verified	<ul style="list-style-type: none"> a) Verification of assets.
16. Assets that are damaged and not in operation	<ul style="list-style-type: none"> a) Test assets for impairment at year-end.

AUDIT REPORT STATUS	Unqualified audit opinion
Non-compliance issues	Remedial Action Taken
17. Assets with R(nil) value on the asset register	<ul style="list-style-type: none"> a) Asset register report writer to be configured by BCX to exclude R(nil) value assets. b) Remaining useful life adjustment to be made for assets that have a R(nil) value but still have a remaining useful life.
18. Assets without tags and assets tagged but not recorded in the fixed asset register	<ul style="list-style-type: none"> a) Verification of assets
19. Non-compliances in the pre-qualification assessment	<ul style="list-style-type: none"> a) Update the irregular expenditure register and notes to the AFS. b) Implement an FPQ checklist for sign-off to ensure full compliance, internal controls and the verification of information.
20. Procurements not recorded in SCM tender register	<ul style="list-style-type: none"> a) Update the contract register to include non-awarded and cancelled bids.
21. Reported performance information is overstated owing to a calculation error	<ul style="list-style-type: none"> a) The annual report figures to be updated and KPIs be corrected as per the definition of contracted services utilising the CSD report and award register applicable for the year. b) Review information submitted for 2023/2024.
22. Target set as a negative and is not consistent with the purpose of the indicator	<ul style="list-style-type: none"> a) N/A
23. Pre-determined target was set below the industry norm	<ul style="list-style-type: none"> a) The task identified was to increase the target in 2023/2024 to be in line with industry norm of 8%.
24. Reported performance information is overstated owing to suppliers not qualifying as EME/QSE included in the numerator	<ul style="list-style-type: none"> a) The annual report figures to be updated and KPI be corrected as per the definition of contracted services utilising the CSD report and award register applicable for the year.
25. Suppliers qualifying as EME/QSE not included in the numerator	<ul style="list-style-type: none"> a) The annual report figures to be updated and KPIs to be corrected as per the definition of contracted services utilising the CSD report and award register applicable for the year.
26. Reasonable steps not taken to prevent irregular expenditure	<ul style="list-style-type: none"> a) Ensure internal controls are effective by developing procedures to ensure that all SCM compliance requirements are met before transactions are approved and enforce adherence to all SCM prescripts. b) Implement controls to ensure effective contract management in place to avoid incurring irregular expenditure.
27. Local content awards not reported to DTI	<ul style="list-style-type: none"> a) Report local content awards made during the period of July 2022 until 31 December 2023 to the required regulatory body.
28. Internal controls deficiencies identified relating to the quotation process	<ul style="list-style-type: none"> a) ERWAT to do a screenshot of the CSD listing under the commodity when the search is conducted on the CSD portal.

AUDIT REPORT STATUS	Unqualified audit opinion
Non-compliance issues	Remedial Action Taken
<p>29. Concerns and issues noted during site visits at Olifantsfontein and Waterval WCW's</p>	<ul style="list-style-type: none"> a) Olifantsfontein resource needs (funding for operation, capital budget, equipment and workforce) are developed on an annual basis and submitted to the City of Ekurhuleni for approval. b) However, the approved funds are not enough to implement the required infrastructure upgrades thus ensuring proper service delivery. c) The design for the upgrading of Olifantsfontein WCWs has commenced. d) The inception stage is 100% complete. The preliminary design stage is 80% complete. The preliminary design stage was at 80% complete with the original appointed consultant at the end of their contract with CoE. e) There is no report received from the newly appointed consultant yet despite the meetings held with them. f) The entity is unable to fill all approved vacancies on the organogram owing to limited funding. Only funded positions are filled and this results in under-staffing. g) All measures to treat, process and dispose of waste, wastewater and other pollutants are in place, e.g. the usage of SOPs, plant manuals to operate/treat the processes to comply with WUL, the usage of IMPS as a guide to report any incidents to all stakeholders and the usage of sludge guidelines for the disposal of waste sludge. h) The plant and infrastructure are managed, maintained, operated, monitored and safeguarded to treat wastewater effectively by ensuring that there are personnel at the plants 24/7 through 2 x 12 hours shifts per day and samples are taken to monitor compliance with the relevant legislation daily. i) The actions are then taken for the non-compliance parameters depending on the root cause of the non-compliance and they are also reported to management accordingly. The maintenance team is available for infrastructure maintenance. j) Contingency plans (generators) are in place to limit the impacts of load shedding and other issues that may cause improper treatment like high hydraulic and organic loads need Capex funding to refurbish and upgrade the plants. k) Management continually identifies address and monitor all general and control weaknesses relating to environmental activities which may impact the environment by ensuring that plant inspections and risk assessments are carried out with capturing of findings and action plans for mitigation purpose are reported and tracked.
<p>30. General expenditure - expenditure incurred incorrectly classified as professional fees.</p>	<ul style="list-style-type: none"> a) Monitor and review
<p>31. Assets recorded as WIP but have been completed</p>	<ul style="list-style-type: none"> a) Verification of all WIP assets to confirm that assets are not yet in use and should remain as a WIP
<p>32. Misstatements identified relating to the prior period error note</p>	<ul style="list-style-type: none"> a) Management evaluated and adjusted the financial statements as per the AG recommendations
<p>33. Differences noted in the related parties note</p>	<ul style="list-style-type: none"> a) Completed. No further action required.

AUDIT REPORT STATUS	Unqualified audit opinion
Non-compliance issues	Remedial Action Taken
34. Overtime paid without evidence of work done	a) An SOP has been developed.
35. Human Resources Management – No performance agreements concluded for the 2022/23 financial year	a) 2022/2023 Performance agreements have been completed.
36. Achievement reported does not agree to the supporting schedule	a) Completed. No further action required.
37. Tenders/quotations (below R30 000) that were invited on or after 16 January 2023 were not awarded in accordance with the PPPFA and PPR of 2022	a) Review SCM policy to provide for procurement process for purchase below R30 000.
38. Limitation of scope on procurement and contract management	a) Amend the tender checklist to include a tracking tool for documents from initiation to close out including the safe storage and movement of documents to ensure all information is properly maintained and easily retrievable when required.
	OPERATIONS COMMENTS
	ANCOR WCW
39. Concerns and issues noted during site visits at Ancor's WCW and Waterval licence – PA 03	<ul style="list-style-type: none"> a) Ancor sludge lands are monitored twice daily to ensure any smoke is detected early and any fire is extinguished as soon as possible. b) Fencing of the sludge area and lining of the sludge paddies form part of the Capex five-year plan. Awaiting funding. c) Groundwater quality is monitored monthly to track possible pollution trends, however, the pollution will continue until Capex is available to construct a dewatering facility or line the sludge paddies for the WCW. d) Enforcement of the bylaws is the responsibility of the CoE and ERWAT reports all industrial pollution of the relevant CoE officials for their investigation and action.
	WATERVAL WCW
	<ul style="list-style-type: none"> a) Waterval sludge lands are monitored during the day by the security and staff to prevent any veld fires and the un-authorized entry signs are erected. b) Fencing of the sludge area and lining of ponds part of five-year CAPEX plan. c) Groundwater quality is monitored monthly to track possible pollution trends. d) Enforcement of the bylaws is the responsibility of the CoE. ERWAT reports that all industrial pollution to the relevant CoE officials for their investigation and action. e) Application of new licences for Waterval is in progress. Currently notice for public participation was published on 1 February 2024.

Table 6.2: Auditor-General Report on Service Delivery Performance 2022/2023

AUDIT REPORT STATUS	Unqualified audit opinion
Non-compliance issues	Remedial Action Taken
No material non-compliance affecting the audit report noted.	Not applicable

COMPONENT B

AG Opinion of the Financial Statements 2023/24

6.2 AUDITOR-GENERAL REPORT 2023/2024 FINANCIAL YEAR

The outcome of the 2023/2024 AGSA audit was an unqualified audit opinion with no findings (clean audit).

AGSA REPORT ON THE FINANCIAL STATEMENTS: YEAR 2023/2024

Table 6.3: AGSA Report on Financial Performance 2023/2024

AUDIT REPORT STATUS	Unqualified audit opinion
Non-compliance issues	Remedial Action Taken
Not applicable	Not applicable

Table 6.4: AGSA Report On Service Delivery Performance 2023/2024

AUDIT REPORT STATUS	Unqualified audit opinion
Non-compliance issues	Remedial Action Taken
Not applicable	Not applicable

COMMENTS ON AGSA'S OPINION 2023/2024

ERWAT obtained a clean audit opinion from the AGSA for the 2023/2024 financial year.

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 datasets have been returned according to the reporting requirements.



Ms Gratitude Ramphaka
Chief Financial Officer

REPORT OF THE AUDITOR-GENERAL TO THE CITY OF EKURHULENI METROPOLITAN MUNICIPALITY ON EKURHULENI WATER CARE COMPANY (ERWAT) NPC

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

1. I have audited the financial statements of the Ekurhuleni Water Care Company (ERWAT) set out on pages 82 to 185, which comprise the statement of financial position as at 30 June 2024, statement of financial performance, statement of changes in net assets, and cash flow statement and statement of comparison of budget information with actual information for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the ERWAT as at 30 June 2024 and its financial performance and cash flows for the year then ended in accordance with the South African Standard of Generally Recognised Accounting Practice ("SA Standard of GRAP") and the requirements of the Municipal Finance Management Act, 56 of 2003 ("MFMA") and Companies Act, 71 of 2008 ("Companies Act").

BASIS FOR OPINION

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

EMPHASIS OF MATTERS

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

RESTATEMENT OF COMPARATIVE FIGURES

7. As disclosed in note 34 to the financial statements, the corresponding figures for 2022-23 were restated as a result of errors in the financial statements of the municipal entity at, and for the year ended, 30 June 2024.

SIGNIFICANT UNCERTAINTIES

8. With reference to note 32 to the financial statements, the municipal entity is the defendant in various lawsuits against the suppliers. The ultimate outcome of the matters could not be determined and no provision for any liability that may result was made in the financial statements.

UNCERTAINTY RELATING TO GOING CONCERN

9. We draw attention to note 3 to the financial statements, which indicates a significant increase in entity's debtor's balances due to non-payment of ERWAT invoices by the City of Ekurhuleni. This condition, indicate that an uncertainty exists that may cast significant doubt on the municipal entity's ability to continue as a going concern.

OTHER MATTERS

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

UNAUDITED DISCLOSURE NOTES

11. In terms of section 125(2) (e) of the MFMA, the municipal entity is required to disclose particulars of non-compliance with the MFMA in the financial statements. This disclosure requirement did not form part of the audit of the financial statements and, accordingly, we do not express an opinion on it.

RESPONSIBILITIES OF THE ACCOUNTING OFFICER FOR THE FINANCIAL STATEMENTS

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

RESPONSIBILITIES OF THE AUDITOR-GENERAL FOR THE AUDIT OF THE FINANCIAL STATEMENTS

14. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and to issue an auditor's report that

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

15. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report. This description, which is located at page 8, forms part of our auditor's report.

REPORT ON THE AUDIT OF THE ANNUAL PERFORMANCE REPORT

16. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I must audit and report on the usefulness and reliability of the reported performance against predetermined objectives for the selected objectives presented in the annual performance report. The Accounting Officer is responsible for the preparation of the annual performance report.
17. I selected the following objectives presented in the annual performance report for the year ended 30 June 2024 for auditing. I selected objectives that measures the municipal entity's performance on its primary mandated functions and that are of significant national, community or public interest.
18. I evaluated the reported performance information for the selected objectives against the criteria developed from the performance management and reporting framework, as defined in the general notice. When an annual performance report is prepared using these criteria, it provides useful and reliable information and

Objectives	Page numbers	Purpose
Outcome 1: Improved quality of water (including wastewater)	[53-57 & 62]	To measure the compliance of wastewater works effluent to the requirement of biological and chemical indicators as per the water use license granted by the Department of Water and Sanitation.
Outcome 3: Financial Management.	[58-61]	To measure the extent to which the operating expenditure has been spent during the financial year.
Outcome 4: Improved Revenue and debtors management.	[61]	To measure sustainability of the wastewater treatment based on the wastewater revenue generated and the wastewater expenditure incurred in the current year.

insights to users on the municipal entity's planning and delivery on its mandate and objectives.

19. I performed procedures to test whether:
- the indicators used for planning and reporting on performance can be linked directly to the municipal entity's mandate and the achievement of its planned objectives
 - all the indicators relevant for measuring the municipal entity's performance against its primary mandated and prioritised functions and planned objectives are included.
 - the indicators are well defined to ensure that they are easy to understand and can be applied consistently, as well as verifiable so that I can confirm the methods and processes to be used for measuring achievements
 - the targets can be linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance as well as how performance will be evaluated
 - the indicators and targets reported on in the annual performance report are the same as those committed to in the approved initial or revised planning documents
 - the reported performance information is presented in the annual performance report in the prescribed manner and is comparable and understandable.
20. I performed the procedures for the purpose of reporting material findings only; and not to express an assurance opinion or conclusion.
21. I did not identify any material findings on the reported performance information for the selected objectives.

REPORT ON COMPLIANCE WITH LEGISLATION

22. In accordance with the PAA and the general notice issued in terms thereof, I must audit and report on compliance with applicable legislation relating to financial matters, financial management and other related matters. The Accounting Officer is responsible for the municipal entity's compliance with legislation.
23. I performed procedures to test compliance with selected requirements in key legislation in accordance with the findings engagement methodology of the Auditor-General of South Africa (AGSA). This engagement is not an assurance engagement. Accordingly, I do not express an assurance opinion or conclusion.

24. Through an established AGSA process, I selected requirements in key legislation for compliance testing that are relevant to the financial and performance management of the municipal entity, clear to allow consistent measurement and evaluation, while also sufficiently detailed and readily available to report in an understandable manner. The selected legislative requirements are included in the annexure to this auditor's report.
25. I did not identify any material findings on compliance with the selected legislative requirements.

OTHER INFORMATION IN THE ANNUAL REPORT

26. The Accounting Officer is responsible for the other information included in the annual report which includes the directors' report, the audit committee's report, and the company secretary's certificate, as required by the Companies Act of South Africa. The other information referred to does not include the financial statements, the auditor's report and those selected objectives presented in the annual performance report that have been specifically reported on in this auditor's report.
27. My opinion on the financial statements, the report on the audit of the annual performance report and the report on compliance with legislation do not cover the other information included in the annual report and I do not express an audit opinion or any form of assurance conclusion on it.
28. My responsibility is to read this other information and, in doing so, consider whether it is materially inconsistent with the financial statements and the selected objectives presented in the annual performance report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
29. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

INTERNAL CONTROL DEFICIENCIES

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

MATERIAL IRREGULARITIES

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

MATERIAL IRREGULARITY IDENTIFIED DURING THE AUDIT

34. The material irregularities identified are as follows:

POLLUTION OF WATER RESOURCES NOT PREVENTED AT ANCOR WASTEWATER TREATMENT WORKS (WWTW)

35. The municipal entity failed to take reasonable measures at the Ancor Wastewater Treatment Works (WWTW) to prevent pollution or degradation of the environment and water resources, as required by section 28(1) of the National Environmental Management Act and section 19(1) of the National Water Act.
36. The WWTW has faced operational challenges, including neglected maintenance, which has led to non-functional infrastructure. Blockages in the primary settling tanks and effluent pipes have resulted in non-compliant treated effluent being discharged into the Blesbokspruit tributary. High concentrations of pollutants such as E. coli, ammonia, suspended solids, chemical oxygen demand, and orthophosphate have been detected. Sewage leachate from unlined emergency ponds and sludge land poses a risk of groundwater pollution.
37. This has resulted in the pollution of the adjacent environment, including groundwater and nearby watercourses. The discharged wastewater causes significant pollution and environmental degradation,

posing hazards to livestock and businesses in the area. Nearby communities are likely to use the contaminated water for recreational activities, increasing health risks.

38. The accounting officer was notified of the material irregularity on 7 May 2024 and has taken the following actions:
- A new generator was installed to ensure power supply during load shedding and power outages.
 - Service providers for online and portable meters, as well as analytical instrumentation and associated equipment, were appointed.
 - Regular maintenance activities are being carried out.
 - The City of Ekurhuleni appointed engineering consultants to conduct a study on upgrades and refurbishments. The feasibility study was completed and approved in 2022/23, and the preliminary design stage was completed in June 2024.
 - The draft capital budget for the next three financial years includes provisions for the upgrading of the Ancor WWTW amounting to R23,5 million.
 - Submitted a request for funding to refurbish the WWTW to the National Department of Water and Sanitation in November 2024.
39. The accounting officer has committed to:
- Continuously monitor and maintain the infrastructure to prevent further pollution.
 - Implement necessary upgrades and refurbishments to ensure compliance with environmental regulations.
40. The implementation of these planned actions will be followed up during the next audit.

POLLUTION OF WATER RESOURCES NOT PREVENTED AT WATERVAL WASTEWATER TREATMENT WORKS (WWTW)

41. The municipal entity failed to take reasonable measures at the Waterval Wastewater Treatment Works (WWTW) to prevent pollution or degradation of the environment and water resources, as required by section 28(1) of the National Environmental Management Act and section 19(1) of the National Water Act.
42. The WWTW has faced operational challenges, including neglected maintenance, which has led to non-functional infrastructure. The plant is hydraulically overloaded, resulting in non-compliant treated effluent being discharged into the Klip River. High concentrations of pollutants such as E. coli, ammonia, suspended solids, and chemical oxygen demand have

been detected. The capacity exceedance remains one of the root causes of periodic non-compliances of the final effluent to the Water Use License (WUL) conditions.

43. This has resulted in the pollution of the adjacent environment, including groundwater and nearby watercourses. The discharged wastewater causes significant pollution and environmental degradation, posing hazards to livestock and businesses in the area. Nearby communities are likely to use the contaminated water for recreational activities, increasing health risks.

44. The accounting officer was notified of the material irregularity on 22 May 2024 and has taken the following actions:

- A new generator was installed to ensure power supply during load shedding and power outages.
- Service providers for online and portable meters, as well as analytical instrumentation and associated equipment, were appointed.
- Regular maintenance activities are being carried out.
- A feasibility study on the refurbishment, upgrading, and construction of a new 250 Mlid module for Waterval WWTW was completed in June 2024.
- Allocated R10.3 million in the draft capital budget for the refurbishment and upgrading of the WWTW for the period 2024-25 until 2026-27.
- Initiated a process to request additional funding to refurbish the WWTW from the National Department of Water and Sanitation in November 2024.

45. The accounting officer has committed to:

- Continuously monitor and maintain the infrastructure to prevent further pollution.
- Implement necessary upgrades and refurbishments to ensure compliance with environmental regulations.

46. The implementation of these planned actions will be followed up during the next audit.

POLLUTION OF WATER RESOURCES NOT PREVENTED AT OLIFANTSFONTEIN WASTEWATER TREATMENT WORKS (WWTW)

47. The municipal entity failed to take reasonable measures at the Olifantsfontein Wastewater Treatment Works (WWTW) to prevent pollution or degradation of the environment and water resources, as required by section 28(1) of the National Environmental Management Act and section 19(1) of the National Water Act.

48. The WWTW has faced operational challenges, including neglected maintenance, which has led to non-functional infrastructure. The plant is hydraulically overloaded, resulting in non-compliant treated effluent being discharged into the Kaalspruit River. High concentrations of pollutants such as E. coli, ammonia, suspended solids, and chemical oxygen demand have been detected. The capacity exceedance remains one of the root causes of periodic non-compliances of the final effluent to the Water Use License (WUL) conditions.

49. This has resulted in the pollution of the adjacent environment, including groundwater and nearby watercourses. The discharged wastewater causes significant pollution and environmental degradation, posing hazards to livestock and businesses in the area. Nearby communities are likely to use the contaminated water for recreational activities, increasing health risks.

50. The accounting officer was notified of the material irregularity on 22 May 2024 and has taken the following actions:

- A new generator was installed to ensure power supply during load shedding and power outages.
- Service providers for online and portable meters, as well as analytical instrumentation and associated equipment, were appointed.
- Regular maintenance activities are being carried out.
- A feasibility study on the refurbishment, upgrading, and construction of a new module for Olifantsfontein WWTW was completed in June 2024.
- Allocated R35.6 million in the draft capital budget for the refurbishment and upgrading of the WWTW for the period 2024-25 until 2026-27.
- Initiated a process to request additional funding to refurbish the WWTW from the National Department of Water and Sanitation in November 2024.

51. The accounting officer has committed to:

- Continuously monitor and maintain the infrastructure to prevent further pollution.
- Implement necessary upgrades and refurbishments to ensure compliance with environmental regulations.

52. The implementation of these planned actions will be followed up during the next audit.

Auditor-General

Johannesburg
30 November 2024



**AUDITOR - GENERAL
SOUTH AFRICA**

Auditing to build public confidence

ANNEXURE TO THE AUDITOR'S REPORT

The annexure includes the following:

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

Auditor-general's responsibility for the audit

PROFESSIONAL JUDGEMENT AND PROFESSIONAL SCEPTICISM

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

FINANCIAL STATEMENTS

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipal entity's internal control. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the use of the going concern basis of accounting in the preparation of financial statements. I also conclude, based on the

audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the municipal entity to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a municipal entity to cease operating as a going concern.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the use of the going concern basis of accounting in the preparation of financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the municipal entity to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a municipal entity to cease operating as a going concern.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision, and performance of the group audit. I remain solely responsible for my audit opinion.

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

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

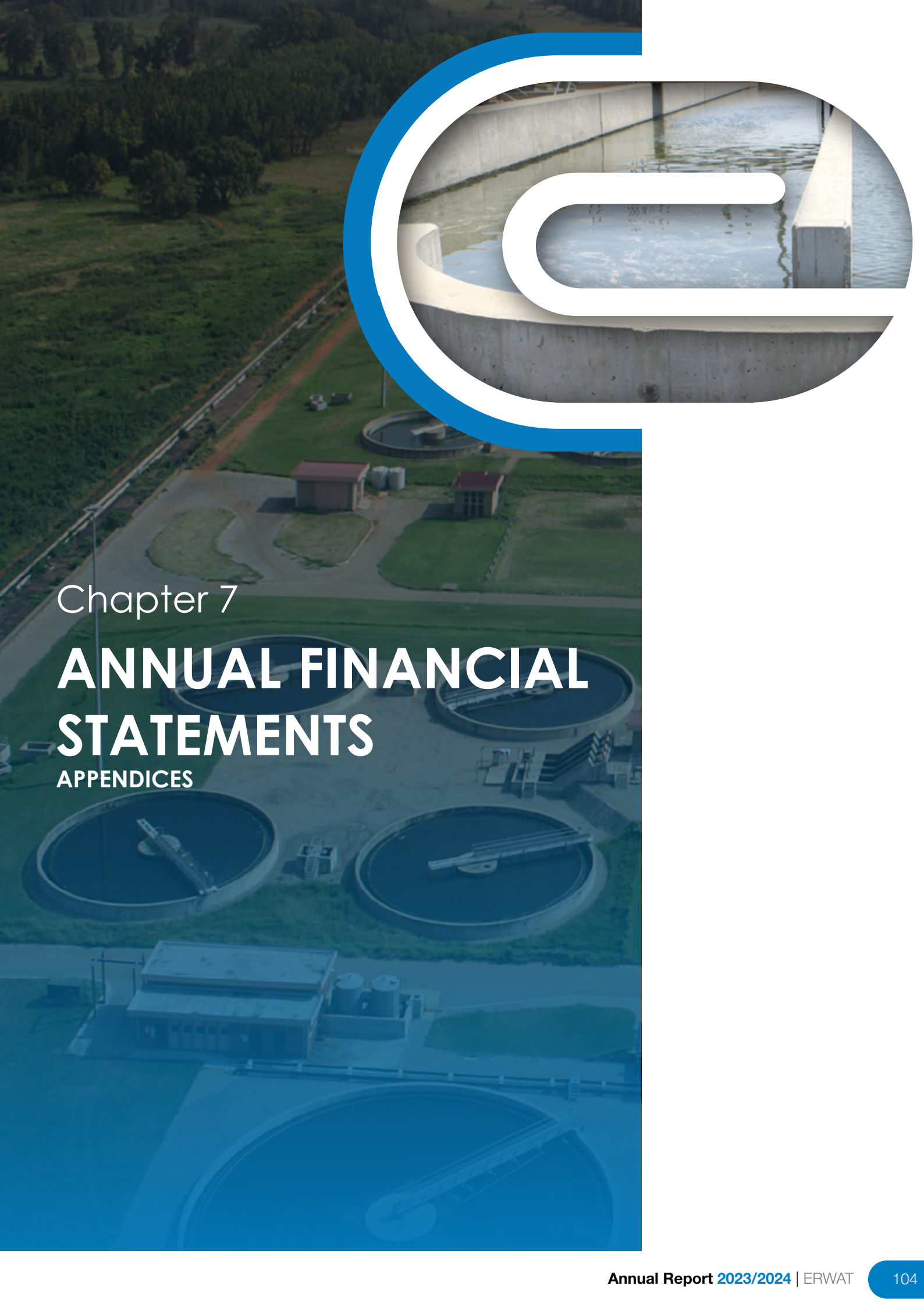
I also provide the Accounting Officer with a statement that I have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate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

From the matters communicated to those charged with governance, I determine those matters that were of most significance in the audit of the financial statements for the current period and are therefore key audit matters. I describe these matters in this auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in this auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest of such communication.

COMPLIANCE WITH LEGISLATION - SELECTED LEGISLATIVE REQUIREMENTS

The selected legislative requirements are as follows:

Legislation	Sections or regulations
Municipal Finance Management Act 56 of 2003	Section 1 - Paragraph (a), (b) & (d) of the definition: irregular expenditure, Sections 87(5)(b), 87(5)(d), 87(5)(d)(i), 87(5)(d)(iii), 87(6)(c), Sections 87(8), 88(1)(a), 90(1), 90(2)(a), 90(2)(b), 95(d), Sections 96(2)(a), 96(2)(b), 97(e), 97(f), 97(h), 97(i), 99(2)(a), Sections 99(2)(b), 99(2)(c), 99(2)(g), 102(1), 102(2)(a), 112(1)(j), Sections 116(2)(b), 116(2)(c)(ii), 122(1), 126(2)(b), 133(1)(a), Sections 133(1)(c)(i), 133(1)(c)(ii), 170, 172(3)(a), 172(3)(b)
MFMA: Municipal Budget and Reporting Regulations, 2009	Regulations 73(1), 73(2), 75(1), 75(2)
MFMA: Municipal Investment Regulations, 2005	Regulations 3(2), 3(3), 5(4), 6, 6(8)(b), 7, 10(1), 12(2), 12(3)
MFMA: Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings, 2014	Regulations 5(4), 6(8)(b), 10(1)
MFMA: Municipal Supply Chain Management Regulations, 2005	Regulations 5, 12(1)(c), 12(3), 13(b), 13(c), 13(c)(i), 16(a), Regulations 17(1)(a), 17(1)(b), 17(1)(c), 19(a), 21(b), 22(1)(b)(i), Regulations 22(2), 27(2)(a), 27(2)(e), 28(1)(a)(i), 28(1)(a)(ii), Regulations 29(1)(a), 29(1)(b), 29(5)(a)(ii), 29(5)(b)(ii), 32, Regulations 36(1), 36(1)(a), 38(1)(c), 38(1)(d)(ii), 38(1)(e), Regulations 38(1)(g)(i), 38(1)(g)(ii), 38(1)(g)(iii), 43, 44, Regulations 46(2)(e), 46(2)(f)
Municipal Systems Act 32 of 2000	Sections 93B(a), 93C(a)(iv), 93J(1)
Construction Industry Development Board Act 38 of 2000	Section 18(1)
Construction Industry Development Board Regulations, 2004	Regulations 17, 25(7 A)
Preferential Procurement Policy Framework Act 5 of 2000	Sections 2(1)(a), 2(1)(f)
Preferential Procurement Regulations, 2017	Regulations 4(1), 4(2), 5(1), 5(3), 5(6), 5(7), 6(1), 6(2), 6(3), 6(6), Regulations 6(8), 7(1), 7(2), 7(3), 7(6), 7(8), 8(2), 8(5), 9(1), Regulations 10(1), 10(2), 11(1), 11(2)
Preferential Procurement Regulations, 2022	Regulations 4(1), 4(2), 4(3), 4(4), 5(1), 5(2), 5(3), 5(4)
Prevention and Combating of Corrupt Activities Act 12 of 2004	Section 34(1)
Companies Act 71 of 2008	Sections 45(2), 45(3)(a)(ii), 45(3)(b)(i), 45(3)(b)(ii), 45(4) Sections 46(1)(a), 46(1)(b), 46(1)(c), 112(2)(a)



Chapter 7

ANNUAL FINANCIAL STATEMENTS

APPENDICES

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						
	2022/23	2023/24			Planned Capital expenditure		
	Actual	Original Budget	Adjustment Budget	Actual Expenditure	2024/25	2025/26	2026/27
Capital expenditure by Asset Class							
Infrastructure - Total	85 938	106123	115274	115131	95 000	121 000	142 500
Sewerage purification	85 938				95000	121 000	142 500
Other assets - Total	13 068	21523	20342	17895			
General vehicles		2000	2163	1901			
Plant & Equipment	9 863	16300	13710	12614			
Furniture and other equipment	668	3223	1886	1342			
Buildings	2 537		2583	2038			
Intangibles	0	0	0	0			
Computers - software and programming							
TOTAL	99 006	127 646	135 616	133 026	95 000	121 000	142 500

Appendix M (2)

Capital Expenditure - Upgrade/ Renewal Programme							
Description	R '000						
	2022/23	2023/24			Planned Capital expenditure		
	Actual	Original Budget	Adjustment Budget	Actual Expenditure	2024/25	2025/26	2026/27
Capital expenditure by Asset Class							
Infrastructure - Total	0	0	0	0	0	0	0
Sewerage purification							
Other assets - Total							
General vehicles							
Plant & Equipment							
Furniture and other equipment							
Buildings							
Intangibles							
Computers - software and programming							
TOTAL	0	0	0	0	0	0	0

APPENDIX N: CAPITAL PROGRAMME BY PROJECT CURRENT YEAR

Capital Programme by Project: 2023/24							
Item No	Vote Number	Capital Project	Original Budget	Adjustment Budget	Actual	Variance (Act - Adj) %	Variance (Act - OB) %
1	73626449420TCXBHZZE R	BENONI	R1 191 980	R798 286	R798 286	0%	-33%
2	73636449420TCXBHZZE R	CARL GRUNDLINGH	R2 265 000	R -	R -	0%	0%
3	73816449420TCXBHZZE R	DEKEMA	R16 257 392	R14 619 494	R14 618 567	0%	-10%
4	73546449420TCXBHZZE R	HARTEBEESTFONTEIN	R34 365 477	R38 109 390	R38 086 488	0%	11%
5	73646449420TCXBHZZE R	HEIDELBERG	R3 501 500	R1 000	R -	0%	0%
6	73146460020TCXBAZZE R	ICT	R -	R12 265 549	R12 265 549	0%	100%
7	73536449420TCXBHZZE R	OLIFANTSFONTEIN	R42 063 651	R44 464 092	R42 765 313	-4%	2%
8	73696449420TCXBHZZE R	RYNFIELD	R 5 160 000	R5 146 965	R5 146 964	0%	0%
9	73436456020TCXBCZZE R	SCIENTIFIC SERVICES	R -	R2 560 877	R2 199 344	-14%	100%
10	73716456020TCXBCZZE R	TSAKANE	R400 000	R399 242	R399 178	0%	0%
11	73836449420TCXBHZZE R	VLAKPLAATS	R13 141 091	R5 039 460	R5 039 459	0%	-62%
12	73846449420TCXBHZZE R	WATERVAL	R8 400 000	R4 192 112	R3 693 314	-12%	-56%
13	73726449420TCXBHZZE R	WELGEDACHT	R900 000	R8 019 624	R8 013 624	0%	890%
Total Capital Requirement			R127 646 091	R135 616 091	R133 026 086	-2%	4%

General

INFORMATION

Country of incorporation and domicile	South Africa
Legislation governing the municipal entity's operations	Municipal Finance Management Act (Act 56 of 2003). Municipal Systems Act, Structure Act, National Water Act and the Companies Act (Act No. 71 of 2008). The annual financial statements have been audited in compliance with the Companies Act and Municipal Finance Management Act.
Accounting Officer	K. Chihota
Head of Department Financial Services	G. Ramphaka CA (SA)
Directors	NC Skeepers (Chairperson of the Board of Directors) N Ngwenya (Non executive) U Exner (Non executive)
Registered office	Hartebeestfontein Office Park R25 (Bapsfontein/Bronkhorstspuit) Kempton Park 1619
Business address	Hartebeestfontein Office Park R25 (Bapsfontein/Bronkhorstspuit) Kempton Park Johannesburg 1619
Postal address	P O Box 13106 Norkem Park 1631
Controlling entity	City of Ekurhuleni Metropolitan Municipality incorporated in South Africa
Bankers	ABSA Bank
Auditors	Auditor-General South Africa 39 Scott Street Houghton
Company secretary	Z Socikwa
Company registration number	1992/005753/08
Preparer	The annual financial statements were prepared under the supervision of G Ramphaka CA (SA) Head of Department - Financial Services
Legal form of entity	Municipal entity
Nature of business and principal activities	Bulk Waste-Water Treatment

CONTENTS

The following supplementary information does not form part of the annual financial statements and is unaudited:

Board's Responsibilities and Approval	119
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The reports and statements set out below comprise the annual financial statements presented to the AGSA for audit:

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Terms and ABBREVIATIONS

AGSA	Auditor General of South Africa
CEO	Chief Executive Officer
CoE	City of Ekurhuleni Metropolitan Municipality
CRR	Capital Replacement Reserve
DWS	Department of Water and Sanitation
ERWAT	Ekurhuleni Water Care Company
GRAP	Generally Recognised Accounting Practice
HOD	Head of Department
INCA	Infrastructure Finance Corporate Limited
JIBAR	Johannesburg Interbank Average Rate
MD	Managing Director
MFMA	Municipal Finance Management Act No 56 of 2023
mSCOA	Municipal Standard Chart of Accounts
NPC	Non-Profit Company
PPE	Property, Plant and Equipment

Board's Responsibilities and Approval

The directors are required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the directors to ensure that the annual financial statements fairly present the state-of-affairs of the entity as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

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

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

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

be fully eliminated, the entity endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

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

The directors have reviewed the entity's cash flow forecast for the year to 30 June 2025 and, in the light of this review and the current financial position, they are satisfied that the entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

The entity is wholly dependent on the City of Ekurhuleni Metropolitan Municipality for continued funding of operations. The annual financial statements are prepared on the basis that the entity is a going concern and that the City of Ekurhuleni Metropolitan Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the entity.

Although the board are primarily responsible for the financial affairs of the entity, they are advised and supported by the entity's internal auditors.

The external auditors are responsible for independently reviewing and reporting on the entity's annual financial statements. The annual financial statements have been examined by the entity's external auditors and their report is presented in the Annual Report.

The annual financial statements set out on page 6 to 82, which have been prepared on the going concern basis, were approved by the board on 30 November 2024 and were signed on its behalf by:



K Chihota (Accounting Officer)
Managing Director



NC Skeepers (Chairperson of Board of Directors)
Non Executive Director

Board's Report

The directors submit their report for the year ended 30 June 2024.

1. REVIEW OF ACTIVITIES

Main business and operations

ERWAT is a municipal entity. The principal activity of the entity is conveyance and treatment of waste-water and the provision of related engineering services and products.

The operating results and state of affairs of the entity are set out in the attached annual financial statements and the annual report.

Net surplus of the entity was R227,122,026 (2023: surplus R247,481,473).

2. GOING CONCERN

We draw attention to the fact that at 30 June 2024, the entity had an accumulated surplus of R2,696,564,264 and that the entity's total assets exceed its liabilities by R2,696,564,264.

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

3. SUBSEQUENT EVENTS

The directors are not aware of any matter or circumstance arising since the end of the financial year.

4. SHARE CAPITAL / CONTRIBUTED CAPITAL

ERWAT does not have share capital since it was founded as Non Profit Company.

5. COMPANY SECRETARY

The company secretary of the entity is Z Socikwa of:

Business address:

Hartebeestfontein Office Park
R25 (Bapsfontein/Bronkhorstspruit)
Kempton Park
1619

Postal address:

PO Box 13106
Norkem Park
1631

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2024

	Note(s)	2024 R	2023 R
ASSETS			
CURRENT ASSETS			
Trade receivables from exchange transactions	3	826,799,675	295,753,385
Receivables from non exchange transactions	4	81,332,727	22,685,826
Other receivables from exchange transactions	5	23,966,289	17,599,624
VAT receivable	6	27,328,603	230,947
Other financial assets	7	9,785,662	8,892,781
Cash and cash equivalents	8	111,706,221	504,684,600
		1,080,919,177	849,847,163
NON-CURRENT ASSETS			
Property, plant and equipment*	9	2,044,749,431	2,119,624,537
Intangible assets	10	4,607,019	5,457,052
		2,049,356,450	2,125,081,589
Total Assets		3,130,275,627	2,974,928,752
LIABILITIES			
CURRENT LIABILITIES			
Payables from exchange transactions	11	95,042,540	122,577,743
Provisions	12	27,519,770	30,356,299
Long term borrowings	13	42,307,692	54,382,035
Finance lease obligation	14	1,786,254	-
Employee benefit obligation	15	3,460,051	3,184,000
		170,116,307	210,500,077
NON-CURRENT LIABILITIES			
Long term borrowings	13	192,487,453	235,307,445
Finance lease obligation	14	2,899,423	-
Employee benefit obligation	15	68,208,180	59,679,000
		263,595,056	294,986,445
Total Liabilities		433,711,363	505,486,522
Net Assets		2,696,564,264	2,469,442,230
Accumulated surplus		2,696,564,264	2,469,442,230

* See Note 49 & 34 & 35

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2024

2024
2023
RESTATED

Note(s)
R
R

REVENUE

REVENUE FROM EXCHANGE TRANSACTIONS

Service charges	17	1,410,773,157	1,336,988,476
Intervention income		-	60,461
Other income	18	35,965,127	40,845,440
Interest income	19	71,689,712	28,852,388
Dividends received	19	87,869	111,753
Total revenue from exchange transactions		1,518,515,865	1,406,858,518

REVENUE FROM NON EXCHANGE TRANSACTIONS

TRANSFER REVENUE

Government grants & subsidies	20	80,000,000	70,000,000
Development contribution	21	25,961,132	-
Total revenue from non exchange transactions		105,961,132	70,000,000
Total revenue		1,624,476,997	1,476,858,518

EXPENDITURE

Employee related costs	22	(435,253,180)	(407,018,007)
Depreciation and amortisation*	23	(111,131,913)	(117,592,615)
Finance costs	24	(38,523,254)	(35,321,072)
Debt Impairment	25	(38,727,313)	(2,154,788)
Impairment loss	48	(96,269,959)	(48,371,106)
Bulk purchases and materials	26	(319,079,249)	(283,499,993)
Repairs and maintenance - Contracted services	9	(173,585,656)	(166,578,174)
General Expenses	27	(176,418,737)	(155,845,065)
Total expenditure		(1,388,989,261)	(1,216,380,820)

* See Note 49 & 34 & 35

		2024	2023
			RESTATED
	Note(s)	R	R
OPERATING SURPLUS			
		235,487,736	260,477,698
Loss on derecognition of assets		(5,598,634)	(721,301)
Fair value adjustments - Investments		892,881	686,426
Actuarial gains/(losses)	15	(3,659,957)	(12,961,350)
		(8,365,710)	(12,996,225)
Surplus for the year		227,122,026	247,481,473

An amount of R80,000,000 (2023: R70,000,000) included in Total revenue (Note 16) is ring fenced for capital expenditure and has been utilised as such.

Loss on derecognition of assets includes assets derecognised of (R 6,554,538) (2023: (R1,922,185)) as well as the insurance payouts deemed to be proceeds from investment activities amounting to R 955,904 (2023: R1,200,884).

* See Note 49 & 34 & 35

STATEMENT OF CHANGES IN NET ASSETS

	Accumulated surplus	Total net assets
BALANCE AT 01 JULY 2022 AS RESTATED	2,221,960,761	2,221,960,761
Changes in net assets		
Surplus for the year previously reported	251,742,774	251,742,774
Prior year adjustments (Note 34 & 35)	(4,261,305)	(4,261,305)
RESTATED* BALANCE AT 01 JULY 2023	2,469,442,238	2,469,442,238
Changes in net assets		
Surplus for the year	227,122,026	227,122,026
Balance at 30 June 2024	2,696,564,264	2,696,564,264

* See Note 49 & 34 & 35

CASH FLOW STATEMENT

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts

Service charges	855,930,235	1,200,404,434
Development contribution	(3,229,255)	(2,803,897)
Interest income	(71,689,712)	28,852,388
Dividends received	87,869	111,753
Other income	(16,089,832)	4,268,327
Grants received	50,543,486	153,311,646
	958,932,215	1,384,144,651

		2024	2023
			RESTATED
	Note(s)	R	R
PAYMENTS			
REVENUE FROM EXCHANGE TRANSACTIONS			
Employee costs		(429,284,476)	(386,609,174)
Suppliers		(696,618,845)	(588,029,955)
Finance costs		(38,523,253)	(35,321,072)
		(1,164,426,574)	(1,009,960,201)
Net cash flows (used in)/generated from operating activities	28	(205,494,359)	374,184,450
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment*	9	(137,902,795)	(98,086,253)
Purchase of other intangible assets	10	(328,479)	-
Proceeds from insurance payout and other recoveries		955,904	1,200,884
Net cash flows (used in) investing activities		(137,275,370)	(96,885,369)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long term borrowings		(54,894,335)	(52,537,157)
Net finance lease payments		4,685,677	(312,315)
Net cash flows (used in) financing activities		(50,208,658)	(52,849,472)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(392,978,387)	224,449,609
Cash and cash equivalents at the beginning of the year		504,684,600	(312,315)
Rounding difference		8	4
Cash and cash equivalents at the end of the year	8	111,706,221	504,684,600

Appropriation Statement

	Original budget (Approved)	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget (Approved)	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget (Approved)	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
30 June 2024 Financial Performance											
Service charges	1,359,429,724	51,343,433	1,410,773,157	-	-	1,410,773,157	1,410,773,157	-	-	100%	104%
Interest income	6,500,000	26,893,602	33,393,602	-	-	33,393,602	71,689,712	-	38,296,110	215%	1,103%
Intervention income	-	-	-	-	-	-	-	-	-	- %	- %
Other own revenue	35,700,000	(4,500,000)	31,200,000	-	-	31,200,000	63,862,913	-	32,662,913	205%	179%
Total revenue (excluding capital transfers and contributions)	1,401,629,724	73,737,035	1,475,366,759	-	-	1,475,366,759	1,546,325,782	-	70,959,023	105%	110%
Employee costs	(488,794,290)	(766,160)	(489,560,450)	-	-	(489,560,450)	(435,253,180)	-	54,307,270	89%	89%
Repair and maintenance	(155,813,866)	(1,265,147)	(157,079,013)	(17,824,528)	-	(174,903,541)	(173,585,656)	-	1,317,885	99%	111%
Contracted services	(1,856,135)	-	(1,856,135)	-	-	(1,856,135)	(38,727,313)	-	(36,871,178)	2,086%	2,086%
Debt impairment	(103,878,876)	(25,139,491)	(129,018,367)	-	-	(129,018,367)	(111,131,913)	-	17,886,454	86%	107%
Depreciation and amortisation	(27,929,554)	(8,601,072)	(36,530,626)	-	-	(36,530,626)	(38,523,254)	-	(1,992,628)	105%	138%
Finance costs	(400,254,021)	21,316,355	(378,937,666)	17,824,528	-	(361,113,138)	(319,079,249)	-	42,033,889	88%	80%
Bulk purchases and materials	-	(11,928,908)	(11,928,908)	-	-	(11,928,908)	(96,268,959)	-	(84,340,051)	807%	100%
Impairment loss	(223,102,982)	(47,352,612)	(270,455,594)	-	-	(270,455,594)	(186,634,232)	-	83,821,362	69%	84%
Other expenditure											
Total expenditure	(1,401,629,724)	(73,737,035)	(1,475,366,759)	-	-	(1,475,366,759)	(1,399,203,756)	-	76,163,003	95%	100%
Surplus	-	-	-	-	-	-	147,122,026	-	147,122,026	100%	100%
USDG funding recognised	80,000,000	-	80,000,000	-	-	80,000,000	80,000,000	-	-	100%	100%
Surplus after USDG funding recognised	80,000,000	-	80,000,000	-	-	80,000,000	227,122,026	-	147,122,026	284%	284%
Surplus for the year	80,000,000	-	80,000,000	-	-	80,000,000	227,122,026	-	147,122,026	284%	284%
Capital expenditure and funds sources											
Total capital expenditure	127,646,091	7,970,000	135,616,091	-	-	135,616,091	133,026,086	-	(2,590,005)	98%	104%
Capitalised leased assets (budgeted under operating expenditure)	-	-	-	-	-	-	5,205,188	-	5,205,188	- %	- %
	127,646,091	7,970,000	135,616,091	-	-	135,616,091	138,231,274	-	2,615,183	102%	108%
Sources of capital funds											
USDG funded	80,000,000	-	80,000,000	-	-	80,000,000	80,000,000	-	-	100%	100%
Internally generated funds	47,646,091	7,970,000	55,616,091	-	-	55,616,091	53,026,086	-	(2,590,005)	95%	111%
Total sources of capital funds	127,646,091	7,970,000	135,616,091	-	-	135,616,091	133,026,086	-	(2,590,005)	98%	104%

	Original budget (Approved)	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget (Approved)	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget (Approved)	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Cash flows											
Net cash generated from operating activities	(205,324,807)	-	(205,324,807)	-	-	(205,324,807)	(205,324,807)	-	-	100%	100%
Net cash (used) in investing activities	(137,275,370)	-	(137,275,370)	-	-	(137,275,370)	(137,275,370)	-	-	100%	100%
Net cash (used) in financing activities	(50,378,210)	-	(50,378,210)	-	-	(50,378,210)	50,378,210	-	-	100%	100%
Net (decrease) in cash and cash equivalents	(392,978,387)	-	(392,978,387)	-	-	(392,978,387)	(392,978,387)	-	-	100%	100%
Cash and cash equivalents at the beginning of the year	504,684,600	-	504,684,600	-	-	504,684,600	504,684,600	-	-	100%	100%
Cash and cash equivalents at year end	111,706,213	-	111,706,213	-	-	111,706,213	111,706,213	-	-	100%	100%

The budget is approved on an accrual basis by nature of classification. The approved budget covers the period from 01 July 2023 to 30 June 2024.

The budget and accounting basis are the same: both are on the accrual basis. The financial statements are prepared using the classification on the nature of expenses in the statement of financial performance.

Refer to note 43 for detailed analysis and reasons for significant variances.

Differences between the Original approved budget and the Final approved budget is a consequence of reallocations within the budget and disclosed as adjustment budget in terms of section 28 and 31 of the MFMA.

Accounting Policies

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS

BASIS OF PREPARATION

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

The entity's financial statements comply with the Standards of GRAP.

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

The principal accounting policies, applied in preparation of these annual financial statements, are set out below. These accounting policies are consistent with those applied in the preparation of the prior year annual financial statements, unless specified otherwise.

1.1. SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the

application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. When any significant judgements and sources of estimation uncertainty are applicable, they have been disclosed in the relevant notes and policies.

In the process of applying its accounting policies, and in preparing the annual financial statements, management is required to make various judgements, including estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements.

FINANCIAL ASSETS CARRIED AT COST, AMORTISED COST, AND FAIR VALUE.

ERWAT assesses its financial assets carried at cost, amortised cost and fair value for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, management makes judgments as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

IMPAIRMENT OF RECEIVABLES.

The impairment for trade receivables, held to maturity investments, loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio.

The calculation in respect of the impairment of receivables is based on an assessment of the extent to which the recoverable amount of the asset has declined below the carrying amount. This was performed on an individual basis as well as per service identifiable categories across all debtor classes.

These calculations require the use of estimates and assumptions. It is reasonably possible that assumptions may change, which may then impact estimations and may then require material adjustments to the carrying value of receivables.

IMPAIRMENT OF OTHER FINANCIAL ASSETS.

ERWAT follows the guidance of GRAP 104 to determine when other financial assets are impaired. This determination requires significant judgment. In making this judgment, ERWAT evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health and near term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT.

The calculation in respect of impairment of plant, property and equipment is based on an assessment of the extent to which the recoverable amount of the asset has declined below the carrying amount. This was performed across all classes of plant, property and equipment.

Estimates and assumptions are applied in determining certain inputs to the impairment of property, plant and equipment, including the remaining useful economic life of assets by the entity.

IMPAIRMENT OF NON-FINANCIAL ASSETS.

The recoverable amounts of cash generating units and individual assets have been determined based on the higher of value in use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of tangible assets.

ERWAT reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows

for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time.

POST EMPLOYMENT BENEFITS.

The cost of defined benefit pension plans and other employment medical benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long term nature of these plans, such estimates are subjects to significant uncertainty.

PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS.

Management's judgment is required when recognising and measuring provisions, as well as when measuring contingent liabilities and contingent assets. Provisions are discounted where the effect of discounting is material, using cost of capital.

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

USEFUL LIVES OF PLANT, PROPERTY AND EQUIPMENT HELD AT COST.

The useful lives of assets are based on management's estimates. Management considers the impact of technology, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimated residual values of assets is also based on management's judgment on whether the assets will be sold or used to the end of their useful lives, and an assessment of their likely condition at that time.

FAIR VALUE ESTIMATION.

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

The fair value of financial instruments that are not traded in an active market (for example, over the counter derivatives) is determined by using valuation techniques. ERWAT uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to ERWAT for similar financial instruments.

Budget information.

A difference of 10% or more between budget and actual amounts is regarded as material. All material differences are explained in the notes to the annual financial statements

SEGMENT REPORTING (GRAP 18).

Management has assessed whether segment reporting is required and have concluded that management only operates one segment namely Waste-Water Management. GRAP 18 was considered and management determined that segment reporting is not required.

1.2. PRESENTATION AND FUNCTIONAL CURRENCY

These annual financial statements are presented in South African Rand, which is the functional currency of the entity.

1.3. PROPERTY, PLANT AND EQUIPMENT*

Property, plant and equipment are tangible non current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

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

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

Property, plant and equipment are initially measured at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost. Cost also includes initial estimate of the costs of dismantling and removing the asset and restoring the site on which it is located. Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Property, plant and equipment are subsequently measured at cost, less accumulated depreciation and accumulated impairment losses. Where property, plant and equipment are acquired through non exchange transactions, the cost is deemed to be the item's fair value on the date of acquisition. The cost of an item of property, plant and equipment acquired in exchange for a non monetary asset or monetary assets, or a combination of monetary and non monetary assets were measured at its fair value. If the acquired item could not be measured at its fair value,

its cost was measured at the carrying amount of the asset given up.

Subsequent cost is capitalised when the recognition and measurement criteria of an asset are met.

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

Costs of day to day servicing are recognised in the statement of financial performance as incurred. This primarily includes cost of labour and consumables and may include replacement of parts. The purpose of these expenditures is often described as “repairs and maintenance” of property, plant and equipment.

The entity maintains and acquires assets to provide a social service to the community. The useful lives and economic lives of these assets are equal and consequently no residual values are determined.

Depreciation recognised on property, plant and equipment is determined with reference to the useful lives and residual values of the underlined items. The useful lives and residual values of assets are based on management’s estimations of the asset’s condition, expected condition at the end of the period of use, and it’s current use, expected future use and the entity’s expectations about the availability of finance to replace the asset at the end of its useful life. In evaluating how the condition and use of the asset informs the useful life and residual value management considers the impact of technology and minimum service requirements of the assets.

The entity depreciates separately each part of an item of property, plant and equipment that has a cost that is significant in relation to the total cost of the item. Costs of replacing parts are capitalised and the existing parts being replaced are derecognised. Depreciation starts when the asset is available for use. Work in progress is not depreciated. Depreciation is calculated at cost, using the straight line method, over the estimated useful lives of the assets.

Work in progress represents capital expenditure incurred on projects/assets under construction, not yet completed or not yet available for use at period end.

The depreciation rates are based on the following estimated useful lives

AFS Class	Range in Years
Land	Indefinite
Leased assets	5-11
Furniture & Fixtures, office and computer equipment	5-32
Buildings	15-80
Motor vehicles	8-30
Plant and Machinery	5-45
Wastewater Infrastructure	4-100

The asset management policy contains the details of the components and their specific useful life estimates.

The residual value, the useful life and the depreciation method of PPE are reviewed at least at every reporting date.

At each reporting date all items of PPE are reviewed for any indication that it may be impaired. An impairment exists when an asset’s carrying amount is greater than its recoverable amount. The recoverable amount of an asset or cash generating unit is the higher of its fair value less costs to sell and its value in use. If there is an indication of impairment, the asset’s recoverable amount is calculated. An impairment loss is recognised in the Statement of Financial Performance and the depreciation charge relating to the asset is adjusted for future periods.

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.4. INTANGIBLE ASSETS

An intangible asset is an identifiable non monetary asset without physical substance.

An asset is identified as an intangible asset when it is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the entity or from other rights and obligations.

An intangible asset is recognised when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the entity; and the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost. An intangible asset acquired through a non exchange transaction, the cost shall be its fair value as at the date of acquisition. Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

Amortisation recognised on intangible assets is determined with reference to the useful lives and residual values of the underlined items. The useful lives and residual values of assets are based on management's estimations of the asset's condition, expected condition at the end of the period of use, and its current use, and expected future use and the entity's expectations about the availability of finance to replace the asset at the end of its useful life. In evaluating how the condition and use of the asset informs the useful life and residual value management considers the impact of technology and minimum service requirements of the assets

Intangible assets are subsequently measured at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment

annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight-line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Intangible assets are derecognised on disposal, or when no future economic benefits are expected from its use or disposal. Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

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

Item	Range in Years
Computer software	07-24

The gain or loss arising from the derecognition of an intangible asset is included in surplus or deficit when the asset is derecognised.

1.5. FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

A financial asset is, cash; a residual interest of another entity; or a contractual right to (i) received cash or another financial asset from another entity; (ii) exchange financial assets or financial liabilities with another entity that are potentially favourable to the entity.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another entity; or exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

a) Financial instruments at amortised cost are non derivative financial assets or non derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

1. the entity designates at fair value at initial recognition or
2. are held for trading.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or un-collectability.

b) Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

c) Financial instruments at fair value comprise financial assets or financial liabilities that are:

1. derivatives;
2. combined instruments that are designated at fair value;
3. instruments held for trading. A financial instrument is held for trading if:
 - 3.1. it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term; or
 - 3.2. on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit taking;
4. non derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
5. financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

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

Class	Category
Trade debtors from exchange and non exchange transactions	Financial asset measured at amortised cost
Receivables from exchange and non exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost
Other financial assets	Financial asset measured at fair value

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

Class	Category
Long term borrowings	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost

INITIAL RECOGNITION

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

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

SUBSEQUENT MEASUREMENT OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

FAIR VALUE MEASUREMENT CONSIDERATIONS

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique.

GAINS AND LOSSES

A gain or loss arising from a change in the fair value of a financial asset measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

IMPAIRMENT AND UN-COLLECTABILITY OF FINANCIAL ASSETS

The entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired.

a) Financial assets measured at amortised cost: If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the

asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

b) Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

DERECOGNITION

a) Financial assets

The entity derecognises financial assets (or part of a financial assets) when the contractual rights to the cash flows from the financial asset expire, are settled or waived or when the entity has transferred all of the significant risks and rewards of ownership using trade date accounting.

On derecognition of a financial asset (or part of a financial asset), the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

b) Financial liabilities

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

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

PRESENTATION

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability are recognised as revenue or expense in surplus or deficit.

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

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

1.6 IMPAIRMENT OF CASH GENERATING ASSETS

Cash generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

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

Useful life is either:

- the period of time over which an asset is expected to be used by the entity; or
- the number of production or similar units expected to be obtained from the asset by the entity.

Criteria developed by the entity to distinguish cash generating assets from non cash generating assets are as follow:

Despite the overall objective of ERWAT being service delivery to the residents of Ekurhuleni Metropolitan area, ERWAT does have a division whose sole mandate is the generation of cash through commercial business activities. All the assets that are directly attributed to Commercial Business activities are classified as cash generating assets/units.

IDENTIFICATION

When the carrying amount of a cash generating asset exceeds its recoverable amount, it is impaired.

The entity assesses at each reporting date whether there is any indication that a cash generating asset may be impaired. If any such indication exists, the entity estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also tests a cash generating intangible asset with an indefinite useful life or a cash generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

VALUE IN USE

Value in use of a cash generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the entity estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the entity applies the appropriate discount rate to those future cash flows.

RECOGNITION AND MEASUREMENT (INDIVIDUAL ASSET)

If the recoverable amount of a cash generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash generating asset to which it relates, the entity

recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash generating asset is adjusted in future periods to allocate the cash generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

REVERSAL OF IMPAIRMENT LOSS

The entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash generating asset is adjusted in future periods to allocate the cash generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

REDESIGNATION

The redesignation of assets from a cash generating asset to a non cash generating asset or from a non cash generating asset to a cash generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.7. IMPAIRMENT OF NON-CASH-GENERATING ASSETS

Cash generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit oriented entity. Non cash generating assets are assets other than cash generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

The entity classifies all assets held with the primary objective of generating a commercial return as cash generating assets. All other assets are classified as non-cash-generating assets.

Criteria developed by the entity to distinguish cash generating assets from non cash generating assets are as follow:

The overall objective of ERWAT's assets is the provision of bulk water care services to the residents of the Ekurhuleni Metropolitan Area. ERWAT does not bill consumers directly and only receives service charges from its parent municipality in order to defray costs incurred in the provision of services to the community along with a nominal management fee to cover other indirect costs.

IDENTIFICATION

When the carrying amount of a cash generating asset exceeds its recoverable amount or when the carrying amount of a non cash generating asset exceeds its recoverable service amount, it is impaired.

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

Factors that are taken into account in identifying whether an asset is impaired include external sources of information such a as the technological, legal or regulatory context in which the asset is used, as well as internal sources of information such as evidence of

physical damage of the asset, and significant long term changes with an adverse effect on the entity that have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used.

Irrespective of whether there is any indication of impairment, the entity also assess an intangible asset with an indefinite useful life or an intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable or recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

VALUE IN USE

Value in use of a cash generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life. Value in use of non cash generating assets is the present value of the non cash generating assets remaining service potential.

When estimating the value in use of a cash generating asset, the entity estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the entity applies the appropriate discount rate to those future cash flows. The present value of the remaining service potential of a non cash generating asset is determined using the most appropriate of the following approaches:

- Depreciated replacement cost approach;
- Restoration cost approach;
- Service units approach

RECOGNITION AND MEASUREMENT

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount or recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

When the amount estimated for an impairment loss is greater than the carrying amount of the asset to which it relates, the entity recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

REVERSAL OF IMPAIRMENT LOSS

The entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount or recoverable service amount of that asset.

An impairment loss recognised in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

REDESIGNATION

The redesignation of assets from a cash generating asset to a non cash generating asset or from a non cash generating asset to a cash generating asset only occurs when there is clear evidence that such a redesignation is appropriate.

1.8. EMPLOYEE BENEFITS

- Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.
- A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:
 - the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
 - the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.
- Termination benefits are employee benefits payable as a result of either:
 - an entity's decision to terminate an employee's employment before the normal retirement date; or
 - an employee's decision to accept voluntary redundancy in exchange for those benefits.
- Other long term employee benefits are employee benefits (other than post employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.
- Vested employee benefits are employee benefits that are not conditional on future employment.
- Composite social security programmes are established by legislation and operate as multi employer plans to provide post employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.
- A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

OTHER POST-RETIREMENT OBLIGATIONS

The entity provides post retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

The amount recognised as a liability for other long term employee benefits is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The entity shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

1.9. REVENUE FROM EXCHANGE TRANSACTIONS

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners. Revenue from exchange transactions refers to revenue that accrued to the entity directly in return for services rendered the value of which approximates

the consideration received or receivable

Revenue is the gross inflows of economic benefits or service potential during the reporting period when those inflows result in increases in net assets, other than increases relating to contributions from owners.

Revenue is recognised as follows:

Service charges are based on a fixed amount agreed between ERWAT and its parent municipality for the provision of water care services for the municipality and is accrued on a monthly basis.

Revenue is recognised when the risk is passed to the consumer.

All other revenue is recognised as it accrues. Revenue is measured at the fair value of the consideration received or receivable.

When the inflow of cash or cash equivalents is deferred and the fair value of the consideration is less than the nominal amount of cash received or receivable, the arrangement effectively constitutes a financing transaction. The fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating; or
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

Interest revenue is recognised on a time proportion basis.

Intervention revenue:

Intervention revenue relates to the appointment of ERWAT as an Implementation Agent for the phase 1 upgrade and urgent refurbishment at the Rooiwal waste water treatment works and related works project, in terms of section 110(2) of Local Government: Municipal Finance Management Act, for a three year period by City of Tswane (CoT) which commenced during the first quarter of the 2022 financial year. Intervention revenue is recognised as it accrues.

Revenue from the sale of goods is recognised when the following conditions have been satisfied:

- The entity has transferred to the buyer the significant risks and rewards of ownership of the goods.
- The entity retains neither continuing managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold.
- The amount of revenue can be reliably measured.
- The costs incurred or to be incurred in respect of the transaction can be reliably measured.

Revenue is the gross inflows of economic benefits or service potential during the reporting period when those inflows result in increases in net assets, other than increases relating to contributions from owners.

1.10 REVENUE FROM NON EXCHANGE TRANSACTIONS

Revenue is recognised as follows:

Grants received or receivable are recognised as assets when the resources that have been transferred to ERWAT meet the definition and criteria for recognition as assets

A corresponding liability is recognised to the extent that the grant and transfer recognised as an asset is subject to conditions that require that the Entity either consumes the future economic benefits or service potential of the asset as specified, or that in the event that the conditions are breached, the Entity returns such future economic benefits or service potential to the transferor. The liability is transferred to revenue when the conditions attached to the grants and transfers are met. Grants and transfers that are not subject to any conditions are recognised as revenue when the assets are initially recognised.

Development Contributions that are not subject to any conditions are recognised as revenue when the contribution is received. Where Development Contributions have conditions associated with it, the revenue is recognised when all conditions associated with the contribution have been met. Where development contributions have been received but the condition has not been met, a liability is recognised.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

All other revenue is recognised as it accrues.

Non exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

An inflow of resources from a non exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow. As the entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Revenue from a non exchange transaction is measured at the amount of the increase in net assets recognised by the entity. When, as a result of a non exchange transaction, the entity recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Transfers, including Grants and Receipts

The entity recognises an asset in respect of transfers when the transferred resources meets the definition of an asset and satisfies the criteria for recognition as an asset. Transferred assets are measured at their fair value as at the date of acquisition.

Gifts and donations, including goods in kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the entity and the fair value of the assets can be measured reliably.

Services in kind

Except for financial guarantee contracts, the entity recognise services in kind that are significant to its operations and/or service delivery objectives as assets and recognises the related revenue when it is probable that the future economic benefits or service potential will flow to the entity and the fair value of the assets can be measured reliably.

Where services in kind are not significant to the entity's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the entity discloses the nature and type of services in kind received during the reporting period.

1.11 BORROWING COSTS

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

All borrowing costs are recognised as an expense in the period in which they are incurred.

1.12 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, entity or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.13 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure

in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance

1.14 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy.

Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.15 BUDGET INFORMATION

The approved budget is prepared in accordance with legislative requirements on an accrual basis, and is consistent with accounting policies as adopted by the Council for the preparation of these financial statements, and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2023/07/01 to 2024/06/30. These figures are those approved by Council both at the beginning and during the year, following a period of consultation with the public as part of the Integrated Development Plan (IDP). The amounts are scheduled as a separate additional financial statement, called the statement of comparison of budget and actual amounts. Explanatory comments to material differences are provided in the notes to the annual financial statements.

Budget information is inherently uncertain due to its forward looking nature. Budgeted amounts are determined on the basis of past experience, as well as other specific information that might apply, including the existence of contracts that are already in effect. A comparison between the budget and actual outcomes is presented in the statement of comparison of budget and actual amounts. (Appropriation statement.).

1.16 RELATED PARTIES

The disclosure of related parties is carried out in accordance with GRAP 20 Related Party Disclosure, in terms of Directive 5 (“Determining the GRAP Reporting Framework”) issued by the Accounting Standards Boards.

A related party is a person or an entity with the ability to control or jointly control the other party or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Management are those persons responsible for planning, directing and controlling the activities of the entity, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions.

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

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the ventures).

Only transactions with related parties not at arm’s length or not in the ordinary course of business are disclosed, except for transactions with controlled entities, which are disclosed in full.

1.17 EVENTS AFTER REPORTING DATE

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and

- Those that are indicative of conditions that arose after the reporting date (non adjusting events after the reporting date).

Reporting date means the date of the last day of the reporting period to which the financial statements relate. The entity adjusts the amounts recognised in its financial statements to reflect adjusting events after the reporting date. The entity does not adjust the amounts recognised in its financial statements to reflect non adjusting events after the reporting date, the information is disclosed in the financial statements.

1.18 GOING CONCERN ASSUMPTION

These annual financial statements have been prepared based on the expectation that the entity will continue to operate as a going concern for at least the next 12 months.

1.19 PROVISIONS AND CONTINGENCIES

A provision is recognised when the entity has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The entity does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date. Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. The discount rate is a pre tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

A provision is used only for expenditures for which the provision was originally recognised.

Leave provision

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total accrued leave days at year end.

Long service awards

Liabilities for long service awards are recognised based on long service awards to be made for 12 months following reporting period.

1.20 LEASES

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

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

FINANCE LEASES - LESSEE

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

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

rate implicit in the lease. Any contingent rents are expensed in the period in which they are incurred.

1.21 INCOME TAX

TAX EXPENSES

The Entity is exempt from tax due to it being a Non Profit Company under Section 21 of the Companies Act.

The entity is exempt from Income Tax in terms of Section 10(1)(cA)(i) of the Income Tax Act, 1962 (the Act) provides an exemption from normal tax of –

receipts and accruals of any institution, board , or body (other than a company as defined in the Companies Act, any co operative, closed corporation, trust, water service provider);

established by or under any law and which, in the furtherance of its sole or principal object

conducts scientific, technical or industrial research;

provides necessary or useful commodities, amenities or services to the State (includes any provincial administration)

members of the general public; or

carries on activities (including the rendering of financial assistance by way of loans or otherwise) designated to promote commerce, industry or agriculture or any branch.

1.22 COMMITMENTS

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

The entity discloses commitments for each class of capital assets (PPE and Intangible assets) recognized in the financial statements as well as future minimum lease payments under non cancelable operating leases for each of the following periods:

- Not later than one year,
- Later than one year and not later than five years, and
- Later than five years.

1.23 COMPARATIVE FIGURES

When the presentation or classification of items in the annual financial statements is amended due to better presentation and/or better understandability and/or comparability and/or due to the implementation of a new or amended standard, prior period comparative amounts are reclassified. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.24 ACCOUNTING BY PRINCIPALS AND AGENTS

IDENTIFICATION

An agent is an entity that has been directed by another entity (a principal), through a binding arrangement, to undertake transactions with third parties on behalf of the principal and for the benefit of the principal.

A principal is an entity that directs another entity (an agent), through a binding arrangement, to undertake transactions with third parties on its behalf and for its own benefit.

A principal agent arrangement results from a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal).

IDENTIFYING WHETHER AN ENTITY IS A PRINCIPAL OR AN AGENT

When the entity is party to a principal agent arrangement, it assesses whether it is the principal or the agent in accounting for revenue, expenses, assets and/or liabilities that result from transactions with third parties undertaken in terms of the arrangement.

The assessment of whether an entity is a principal or an agent requires the entity to assess whether the transactions it undertakes with third parties are for the benefit of another entity or for its own benefit.

BINDING ARRANGEMENT

The entity assesses whether it is an agent or a principal by assessing the rights and obligations of the various parties established in the binding arrangement.

Where the terms of a binding arrangement are modified, the parties to the arrangement re assess whether they act as a principal or an agent.

ASSESSING WHICH ENTITY BENEFITS FROM THE TRANSACTIONS WITH THIRD PARTIES

When the entity in a principal agent arrangement concludes that it undertakes transactions with third parties for the benefit of another entity, then it is the agent. If the entity concludes that it is not the agent, then it is the principal in the transactions.

The entity is an agent when, in relation to transactions with third parties, all three of the following criteria are present:

- It does not have the power to determine the significant terms and conditions of the transaction.
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is not exposed to variability in the results of the transaction.

Where the entity has been granted specific powers in terms of legislation to direct the terms and conditions of particular transactions, it is not required to consider the criteria of whether it does not have the power to determine the significant terms and conditions of the transaction, to conclude that it is an agent. The entity applies judgement in determining whether such powers exist and whether they are relevant in assessing whether the entity is an agent.

RECOGNITION

The entity, as a principal, recognises revenue and expenses that arise from transactions with third parties in a principal agent arrangement in accordance with the requirements of the relevant Standards of GRAP.

The entity, as an agent, recognises only that portion of

the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal in accordance with the requirements of the relevant Standards of GRAP. The entity recognises assets and liabilities arising from principal agent arrangements in accordance with the requirements of the relevant Standards of GRAP.

1.25 STATUTORY RECEIVABLES

IDENTIFICATION

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset.

Carrying amount is the amount at which an asset is recognised in the statement of financial position.

The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised.

RECOGNITION

The entity recognises statutory receivables as follows:

- If the transaction is not within the scope of the policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the transaction amount can be measured reliably.

INITIAL MEASUREMENT

The entity initially measures statutory receivables at their transaction amount.

SUBSEQUENT MEASUREMENT

The entity measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

DERECOGNITION

The entity derecognises a statutory receivable, or a part thereof, when:

- the rights to the cash flows from the receivable are settled, expire or are waived;

1.26 CHANGE IN ACCOUNTING ESTIMATES

A change in accounting estimate is an adjustment of the carrying amount of an asset or a liability, or the amount of the periodic consumption of an asset, that results from the assessment of the present status of, and expected future benefits and obligations associated with, assets and liabilities. Changes in accounting estimates result from new information or new developments and, accordingly, are not corrections of errors.

The effect of a change in an accounting estimate, other than to the extent that a change in an accounting estimate gives rise to changes in assets and liabilities, or relates to an item of net assets, is recognised prospectively by including it in surplus or deficit in:

- (a) the period of the change, if the change affects that period only; or
- (b) the period of the change and future periods, if the change affects both.

To the extent that a change in an accounting estimate gives rise to changes in assets and liabilities, or relates to an item of net assets, it is recognised by adjusting the carrying amount of the related asset, liability or item of net assets in the period of the change. Prospective recognition of the effect of a change in an accounting estimate means that the change is applied to transactions, other events and conditions from the date of the change in estimate. A change in an accounting estimate may affect only the current period's surplus or deficit or the surplus or deficit of both the current period and future periods. However, a change in the estimated useful life of or the expected pattern of consumption of economic benefits or service potential embodied in a depreciable asset

affects the depreciation expense for the current period and for each future period during the asset's remaining useful life. In both cases, the effect of the change relating to the current period is recognised as revenue or expense in the current period. The effect, if any, on future periods is recognised as revenue or expense in those future periods.

1.27 PRIOR PERIOD ERROR

Prior period errors are omissions from, and misstatements in, the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that:

- (a) was available when financial statements for those periods were authorised for issue; and
- (b) could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

Retrospective restatement is correcting the recognition, measurement and disclosure of amounts of elements of financial statements as if a prior period error had never occurred.

The entity corrects material prior period errors retrospectively, except to the extent that it is impracticable to determine either the period specific effects or the cumulative effect of the error, in the first set of financial statements authorised for issue after their discovery by:

- (a) restating the comparative amounts for the prior period(s) presented in which the error occurred; or
- (b) if the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets for the earliest prior period presented.

When it is impracticable to determine the period specific effects of an error on comparative information for one or more prior periods presented, the entity restates the opening balances of assets, liabilities and net assets for the earliest period for which retrospective

restatement is practicable. When it is impracticable to determine the cumulative effect, at the beginning of the current period, of an error on all prior periods, the entity restates the comparative information to correct the error prospectively from the earliest date practicable.

Notes to the Annual Financial Statements

2. NEW STANDARDS AND INTERPRETATIONS

2.1 STANDARDS AND INTERPRETATIONS ISSUED, BUT NOT YET EFFECTIVE

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 01 July 2024 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
GRAP 1 (as revised): Presentation of Financial Statements		Impact is currently being assessed
GRAP 104 (as revised): Financial Instruments	01 April 2025	Impact is currently being assessed

3. TRADE RECEIVABLES FROM EXCHANGE TRANSACTION

2024

2023

GROSS BALANCES

Commercial business receivables	78,786,578	51,328,545
Related party debtors	790,068,423	253,545,213
	868,855,001	304,873,758

LESS: ALLOWANCE FOR IMPAIRMENT

Commercial business - Provision for bad debts	(10,288,106)	(7,966,159)
Related party - Provision for bad debts	(31,767,220)	(1,154,214)
	(42,055,326)	(9,120,373)

NET BALANCE

Commercial business receivables	68,498,472	43,362,386
Related party debtors	758,301,203	252,390,999
	826,799,675	295,753,385

AGEING OF COMMERCIAL BUSINESS RECEIVABLES - TRADE RECEIVABLES FROM EXCHANGE TRANSACTIONS

Current (0-30 days)	13,620,069	15,359,077
31-60 days	13,907,815	11,700,899
61-90 days	13,078,680	11,179,614
91-120+ days	38,180,014	13,088,955
Less: Allowance for impairment	(10,288,106)	(7,966,159)
	68,498,472	43,362,386

AGEING OF RELATED PARTY - TRADE RECEIVABLES FROM EXCHANGE TRANSACTIONS

Current (0-30 days)	126,158,611	121,115,601
31-60 days	125,133,152	119,174,275
61-90 days	129,200,107	785,024
91-120+ days	409,576,553	12,470,313
Less: Allowance for impairment	(31,767,220)	(1,154,214)
	758,301,203	252,390,999

TOTAL

Current (0-30 days)	139,778,680	136,474,678
31-60 days	139,040,967	130,875,174
61-90 days	142,278,787	11,964,638
91-120+ days	447,756,567	25,559,268
	868,855,001	304,873,758
Less: Allowance for impairment	(42,055,326)	(9,120,373)
	826,799,675	295,753,385

LESS: ALLOWANCE FOR IMPAIRMENT

Current (0-30 days)

(31,767,220) (1,154,214)

91-120+ days

(10,288,106) (7,966,159)

(42,055,326) (9,120,373)**RECONCILIATION OF ALLOWANCE FOR IMPAIRMENT****- EXCHANGE RECEIVABLES**

Balance at beginning of the year

(9,120,373) (9,769,482)

Contributions to allowance

(32,934,953) (1,154,214)

Reversal of allowance

- 1,803,323

(42,055,326) (9,120,373)**TRADE RECEIVABLES PAST DUE BUT NOT IMPAIRED**

Related party debtors which are past due are not considered for impaired. As of 30 June 2024,

R685,454,801 (30/06/2023: R160,756,498) were past due but not impaired. This amount excludes interest raised on long outstanding amounts. Management does not consider any trade receivables from transactions with the CoE, which is the controlling entity of ERWAT, for impairment other than interest which are proven to be irrecoverable. Past experience has shown that trade receivables from the controlling entity are recoverable except for the interest portion thereof.

The ageing of amounts past due but not impaired is as follows:

1 month past due	139,038,292	130,872,742
2 months past due	136,984,368	11,962,208
3 months + past due	409,432,141	17,921,508

RECEIVABLES FROM EXCHANGE TRANSACTIONS ENCUMBERED

Receivables with a carry value of R826,799,675 (30/06/2023: R259,753,385) are encumbered in respect of a long term borrowing, as disclosed in the long term borrowing note 13. ERWAT has agreed to cede to its controlling entity claims against its book debtors, in event of ERWAT defaulting on its obligation in terms of the loan. ERWAT thereby cedes, assigns and transfers unto and in favour of City of Ekurhuleni Metropolitan Municipality all of ERWAT's rights, title and interest in and to all book debts, present and future, due and to become due to ERWAT, in the event that ERWAT defaults on its obligation in terms of the loan of R550 million advanced by Nedbank Ltd. This cession shall endure for as long as ERWAT is indebted to Nedbank Ltd, and the guarantee provided by City of Ekurhuleni Metropolitan Municipality in favour of Nedbank Ltd and guarantee for the loan remains in effect.

4. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

2024

2023

Development contribution	59,887,448	28,862,812
Government grants and subsidies	26,083,425	(3,373,089)
Less: Allowance for impairment	(4,638,146)	(2,803,897)
	81,332,727	22,685,826

AGEING OF RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Current (0-30 days)	6,411,449	(569,192)
31-60 days	845,173	-
61-90 days	4,880,472	-
91-120+ days	73,833,779	23,255,018
Less: Allowance for impairment	(4,638,146)	-
	81,332,727	22,685,826

RECEIVABLES FROM NON EXCHANGE TRANSACTIONS ENCUMBERED

Receivables with a carry value of R81,332,727 (2023: R22,685,826) are encumbered in respect of a long term borrowing, as disclosed in the long term borrowing note 13. ERWAT has agreed to cede to its controlling entity claims against its book debtors, in event of ERWAT defaulting on its obligation in terms of the loan. ERWAT thereby cedes, assigns and transfers unto and in favour of City of Ekurhuleni Metropolitan Municipality all of ERWAT's rights, title and interest in and to all book debts, present and future, due and to become due to ERWAT, in the event that ERWAT defaults on its obligation in terms of the loan of R550 million advanced by Nedbank Ltd. This cession shall endure for as long as ERWAT is indebted to Nedbank Ltd, and the guarantee provided by City of Ekurhuleni Metropolitan Municipality in favour of Nedbank Ltd and guarantee for the loan remains in effect.

RECEIVABLES FROM NON EXCHANGE TRANSACTIONS PAST DUE BUT NOT IMPAIRED

Management does not consider any receivables from non exchange transactions, other than interest raised thereon, for impairment, regardless of their age, as they relate solely to transactions with CoE which is the controlling entity of ERWAT. In addition, past experience has shown that all receivables from the controlling entity are recoverable with exception of interest raised on these receivables which are proven to be irrecoverable.

Receivables from non exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2024, R74,921,279 (30/06/2023: R26,058,915) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:		
1 month past due	845,173	-
2 months past due	4,741,199	-
3 months + past due	69,334,907	26,058,915

5. OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS

2024

2023

Deposits	15,792,740	15,052,221
Medical aid	-	52,206
Prepaid expenses	7,586,664	2,495,197
Recoverable expenditure*	586,885	-
	23,966,289	17,599,624
Current assets	23,966,289	17,599,624

*RECOVERABLE EXPENDITURE RELATES TO THE FOLLOWING:

An award was made by the court in favour of ERWAT regarding the recovery of monies lost due to a fuel theft incident by a former employee in the prior years. An amount of R527 663 was recognised as a receivable.

Recovery of funds owed by a former non executive director. An amount of R59 222 was recognised as a receivable.

6. VAT RECEIVABLE

VAT	27,328,603	230,947
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7. OTHER FINANCIAL ASSETS

	Carrying amount June 2024	Carrying amount June 2023	Fair value June 2024	Fair value June 2023
Sanlam demutualisation shares	1,263,161	910,844	1,263,161	910,844
Old Mutual demutualisation shares	482,429	471,916	482,429	471,916
Old Mutual unit trust	8,040,071	7,510,021	8,040,071	7,510,021
	9,785,661	8,892,781	9,785,661	8,892,781

FAIR VALUE

The fair values of listed or quoted investments are determined at least annually and are based on the quoted market price. A quoted market price is a Level 1 input in terms of GRAP 104.120.

8. CASH AND CASH EQUIVALENTS

CASH AND CASH EQUIVALENTS CONSIST OF:

Bank balances	111,706,221	504,684,600
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THE ENTITY HAS THE FOLLOWING BANK ACCOUNTS

Account number / description	Bank statement balances		Cash book balances	
	30 June 2024	30 June 2023	30 June 2024	30 June 2023
ABSA BANK - Current account	71,026,492	410,930,844	71,026,492	410,930,844
ABSA BANK - Salary account	40,679,729	93,753,756	40,679,729	93,753,756
Total	111,706,221	504,684,600	111,706,221	504,684,600

There are no restrictions on the use of cash and cash equivalents.

9. PROPERTY, PLANT AND EQUIPMENT*

	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Land	13,017,283	-	13,017,283	13,017,283	-	13,017,283
Buildings	51,171,186	(13,152,210)	38,018,976	41,460,026	(11,366,225)	30,093,801
Plant and machinery	80,557,604	(43,730,425)	36,827,179	80,083,403	(40,589,943)	39,493,460
Furniture and fixtures, office and computer equipment	41,363,876	(23,404,944)	17,958,932	32,538,147	(18,281,374)	14,256,773
Motor vehicles	61,892,675	(36,813,939)	25,078,736	62,243,908	(33,543,306)	28,700,602
Furniture and fixtures, office and computer equipment	11,987,340	-	11,987,340	-	-	-
Assets under construction						
Buildings Assets under construction	534,852	(534,852)	-	9,943,680	-	9,943,680
Infrastructure, Waste water purification works Assets under construction	91,640,272	(83,457,208)	8,183,064	186,941,664	-	186,941,664
Infrastructure, Waste water purification works	2,861,448,402	(967,770,481)	1,893,677,921	2,656,697,911	(859,520,637)	1,797,177,274
Total	3,213,613,490	(1,168,864,059)	2,044,749,431	3,082,926,022	(963,301,485)	2,119,624,537

	Opening balance	Additions	Derecognition	Transfers	Depreciation	Impairment loss	Impairment reversal	Total
Land	13,017,283	-	-	-	-	-	-	13,017,283
Buildings	30,093,801	-	-	9,408,828	(1,024,511)	(459,142)	-	38,018,976
Plant and machinery	39,493,460	1,450,347	(343,477)	-	(3,544,399)	(228,752)	-	36,827,179
Furniture and fixtures, office and computer equipment	14,256,773	6,543,013	(18,037)	-	(2,793,521)	(29,296)	-	17,958,932
Motor vehicles	28,700,602	-	(64,441)	-	(3,528,349)	(29,076)	-	25,078,736
Furniture and fixtures, office and computer equipment	-	11,987,340	-	-	-	-	-	11,987,340
Assets under construction								
Buildings Assets under construction	9,943,680	-	-	(9,408,828)	-	(534,852)	-	-
Infrastructure, Waste water purification works Assets under construction	186,941,664	76,003,513	(5,906,583)	(165,398,322)	-	(83,457,208)	-	8,183,064
Infrastructure, Waste water purification works	1,797,177,274	41,918,582	(36,113)	165,398,322	(99,248,508)	(19,456,009)	7,924,373	1,893,677,921
Total	2,119,624,537	137,902,795	(6,368,651)	-	(110,139,288)	(104,194,335)	7,924,373	2,044,749,431

RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT - 30 JUNE 2023

	Opening balance	Additions	Derecognition	Transfers	Depreciation	Impairment loss	Total
Land	13,017,283	-	-	-	-	-	13,017,283
Buildings	32,023,250	-	(891,258)	-	(1,038,191)	-	30,093,801
Plant and machinery	26,290,885	525,934	(40,184)	16,224,738	(2,787,611)	(720,302)	39,493,460
Furniture and fixtures, office and computer equipment	17,584,185	727,896	(168,257)	-	(3,530,456)	(356,595)	14,256,773
Motor vehicles	33,522,854	-	(660,530)	-	(3,841,615)	(320,107)	28,700,602
Buildings Assets under construction	7,406,263	2,537,417	-	-	-	-	9,943,680
Infrastructure, Waste-water purification works - Assets under construction	245,121,610	84,867,989	-	(143,047,935)	-	-	186,941,664
Infrastructure, Waste-water purification works	1,806,497,567	154,080	(161,955)	143,047,935	(105,386,251)	(46,974,102)	1,797,177,274
Plant and machinery - Assets under construction	6,951,801	9,272,937	-	(16,224,738)	-	-	-
	2,188,415,698	98,086,253	(1,922,184)	-	(116,584,124)	(48,371,106)	2,119,624,537

The total opening balance reported in the 2022/2023 year for Property, plant and equipment was previously stated at R2 194 203 904 but has been restated to R2 188 415 698 due to prior year errors of R5 788 206 as detailed in note 34 & 35. As a result of the correction of the prior year errors the opening balance in the “Infrastructure, Waste water purification works” and “Infrastructure, Waste water purification works Assets under construction” asset classes are restated.

The total opening balance reported in the 2023/2024 year for Property, plant and equipment was previously stated at R2 125 715 124 but has been restated to R2 119 624 537 due to prior year errors of R6 090 587 as detailed in note 34 & 35. As a result of the correction of the prior year errors the opening balance in the “Infrastructure, Waste-water purification works” and “Infrastructure, Waste-water purification works Assets under construction” asset classes are restated.

There are no restrictions on title, or any property, plant and equipment that is pledged as securities for liabilities.

RECONCILIATION OF WORK IN PROGRESS - 30 JUNE 2024

	Included within Infrastructure	Included within Buildings	Included within Furniture and fixtures, office and computer equipment	Total
Opening balance	186,941,664	9,943,680	-	196,885,344
Additions/capital expenditure	76,003,513	-	11,987,340	87,990,853
Impairment loss	(83,457,208)	(534,852)	-	(83,992,060)
Derecognition	(5,906,583)	-	-	(5,906,583)
Transferred to completed items	(165,398,222)	(9,408,828)	-	(174,807,050)
	8,183,164	-	11,987,340	20,170,504

RECONCILIATION OF WORK IN PROGRESS - 30 JUNE 2023

	Included within Infrastructure	Included within Buildings	Included within Plant and machinery Assets under construction	Total
Opening balance	245,121,610	7,406,263	6,951,801	259,479,674
Additions/capital expenditure	84,867,989	2,537,417	9,272,937	96,678,343
Transferred to completed items	(143,047,935)	-	(16,224,738)	(159,272,673)
	186,941,664	9,943,680	-	196,885,344

LEASED ASSETS - 30 JUNE 2024:

	Cost	Accumulated Depreciation	Net book value
Furniture and fixtures, office and computer equipment	5,205,188	(722,943)	4,482,245
Infrastructure, Waste-water purification works*	2,870,377	(1,860,670)	1,009,707
	8,075,565	(2,583,613)	5,491,952

LEASED ASSETS - 30 JUNE 2023:

	Cost	Accumulated Depreciation	Net book value
Furniture and fixtures, office and computer equipment	4,393,229	(4,360,613)	32,616
Infrastructure, Waste-water purification works*	2,870,377	(1,739,153)	1,131,224
	7,263,606	(6,099,766)	1,163,840

*The Infrastructure, Waste-water purification works cost and accumulated depreciation balances for 30 June 2023 was restated from R3 348 631 to R2 870 377 and from R2 217 408 to R1 739 153 respectively as they incorrectly included assets with a nil carrying value.

EXPENDITURE INCURRED TO REPAIR AND MAINTAIN
PROPERTY, PLANT AND EQUIPMENT INCLUDED IN
STATEMENT OF FINANCIAL PERFORMANCE

Employee related costs	58,961,083	55,284,981
Contracted services	173,585,656	166,578,174
General expenses	937,708	30,596,760
	233,484,447	252,459,915

The total carrying value of property, plant and equipment, where the construction or development of the assets has been halted as at 30 June 2024 is R Nil after total impairment losses of R83 992 060 was recognised the these assets in the 2023/2024 financial year. Below is a list of the most significant projects relating to these assets:

1. Tertiary filtration system: The project is incomplete and was stopped due to the unavailability of funds, it will be resumed upon the appointment of panel of contractors. An impairment loss of R9 465 332 has been recognised for this project in the 2023/2024 financial year as construction will not be completed in the foreseeable future.
2. Vlakplaats emergency dam: The project was terminated due to not complying with section 33 and 116 of the MFMA. The termination of the project was based on the observation that the contracts have been active for more that 36 months, which is in contravention with the MFMA. An impairment loss of R43 750 626 has been recognised for this project in the 2023/2024 financial year as construction will not be completed in the foreseeable future.
3. Capacity improvement Nereda: The project was delayed due to the signing of end user and process agreements, which resulted in the project being halted. Additionally, several contractual delays and theft incident occurred during the pre-commissioning stage, which further contributed to the project not being commissioned as it stands. An impairment loss of R26 029 032 has been recognised for this project in the 2023/2024 financial year as construction will not be completed in the foreseeable future. An amount of R1 834 556 was derecognised from the project as a prior period correction due to theft of equipment at the Hartebeestfontein plant during the 2021/2022 financial period as detailed in note 34 & 35.
4. Vlakplaats Flow Distribution: The project completed stage 1-5 to date. The remaining works was the project site supervision, which could not be completed due to ERWAT's immediate contract termination due to non-compliance with section 33 and section 116 of the MFMA. An impairment loss of R4 212 218 has been recognised for this project in the 2023/2024 financial year as construction will not be completed in the foreseeable future.

10. INTANGIBLE ASSETS

	Cost	Accumulated amortisation and accumulated impairment	Carrying value	Cost	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	14,910,398	(10,303,379)	4,607,019	14,935,412	(9,478,360)	5,457,052

RECONCILIATION OF INTANGIBLE ASSETS - 30 JUNE 2024

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software	5,457,052	328,479	(185,887)	(992,625)	4,607,019

RECONCILIATION OF INTANGIBLE ASSETS - 30 JUNE 2023

	Opening balance	Amortisation	Total
Computer software	6,465,543	(1,008,491)	5,457,052

There are no restrictions on title, or any intangible assets that is pledged as securities for liabilities:

11. PAYABLES FROM EXCHANGE TRANSACTIONS

2024

2023

Trade payables	62,356,007	90,764,576
Deposits	11,780	11,780
Accrued overtime	3,001,076	3,112,580
Payroll creditors	6,777,252	7,136,554
Related party payables	8,349,589	6,920,551
Retention	1,878,366	1,944,069
Debtors with credit balances	1,533,186	1,165,112
Accrued shift standby & transport allowance	1,548,832	1,536,736
Accrued bonus	9,586,452	9,985,785
	95,042,540	122,577,743

12. PROVISIONS

RECONCILIATION OF INTANGIBLE ASSETS - 30 JUNE 2024

	Opening balance	Additions	Utilised during the year	Reversed during the year	Total
Long service awards provision	793,038	814,114	(793,038)	-	814,114
Leave pay provision	29,563,261	26,705,656	(14,386,623)	(15,176,638)	26,705,656
	30,356,299	27,519,770	(15,179,661)	(15,176,638)	27,519,770

RECONCILIATION OF PROVISIONS - 30 JUNE 2023

Long service awards provision	470,968	793,038	(420,812)	(50,156)	793,038
Leave pay provision	26,760,960	29,563,260	(13,116,300)	(13,644,659)	29,563,261
	27,231,928	30,356,298	(13,537,112)	(13,694,815)	30,356,299

LONG SERVICE AWARDS

The amount payable in relation to Long service awards in future years meets the definition of a provision.

ERWAT determines the value of the long service awards to be made for 12 months following reporting period.

The criteria used to calculate the long service award provision is as follows:

- a) All employees with 5 years of continued service will qualify an award of 10% of their basic monthly salary
- b) 10 years continued service: an award of 20% of the employee's basic monthly salary
- c) 15 years continued service: an award of 30% of the employee's basic monthly salary

- d) 20 years continued service: an award of 40% of the employee's basic monthly salary
- e) 25 years continued service: an award of 50% of the employee's basic monthly salary.
- f) 30 years continued service: an award of R15 000 once off as resolved by the Board.

LEAVE PAY PROVISION

The liability is based on the total accrued leave days at 30 June 2024. The payment of the leave and the amount are uncertain as employees take their leave at different stages during the year or may choose to encash the leave days accumulated.

13. LONG TERM BORROWINGS

2024

2023

AT AMORTISED COST

Bank loan - Nedbank (Secured)

Six monthly JIBAR plus 2.32% currently @ 30/06/2024: 10.995% (30/06/2023: 11.570%) Redeemable 30/11/2029.

The loan is repayable in bi-annual instalments, the last repayment amount for the 2023/2024 financial year was R35,147,272 (30/05/2024) and the next repayment amount due is R33,911,058 (30/11/2024).

Bank loan - INCA (Unsecured)

INCA @ 30/06/2024: 9.50% (30/06/2023: 9.50%) Redeemable 28/06/2024

The loan was repayable in bi-annual instalments, the last repayment amount for the 2023/2024 financial year was R6,531,901 (27/06/2024) and the loan has been settled in full.

	2024	2023
Bank loan - Nedbank (Secured)	234,795,145	277,615,137
Bank loan - INCA (Unsecured)	-	12,074,343
Total long-term borrowings	234,795,145	289,689,480

Total long-term borrowings

Refer to note 3 and 4 for information relating to debtors ceded against the Nedbank loan. Refer to note 39 for the utilisation of long term liabilities reconciliation.

2024**2023****NON-CURRENT LIABILITIES**

At amortised cost

192,487,453

235,307,445

CURRENT LIABILITIES

At amortised cost

42,307,692

54,382,035

14. FINANCE LEASE OBLIGATION**MINIMUM LEASE PAYMENTS DUE**

- within one year

1,786,254

-

PRESENT VALUE OF MINIMUM LEASE PAYMENTS DUE

- in second to fifth year inclusive

2,899,423

-

Non current liabilities

2,899,423

-

Current liabilities

1,786,254

-

4,685,677

-

FINANCE LEASES:

The finance lease relates to:

The renting of printing equipment - a lease agreement were entered into during the 2023/2024 financial year. The leases was classified as a Finance lease and the Net Present Value of the printing equipment was capitalised in terms of GRAP 13 and a finance lease obligation recognised.

As it was not possible to determine the interest rate implicit in the lease, the incremental borrowing rate was utilised. The incremental borrowing rate utilised is 11.75%. The lease is for a term of 36 months with an option to extend for an additional 24 months at zero rental cost to ERWAT, only the cost per copy (usage) will be charged inclusive of support and maintenance by the service provider during the extension period.

15. EMPLOYEE BENEFIT OBLIGATIONS

2024

2023

THE AMOUNTS RECOGNISED IN THE STATEMENT OF FINANCIAL POSITION ARE AS FOLLOWS:

CARRYING VALUE

	June 2024	June 2023
Opening balance	62,863,000	45,884,000
Benefit paid	(4,866,726)	(2,575,350)
Net expense recognised in the statement of financial performance	13,671,957	19,554,350
	71,668,231	62,863,000

The obligation is due to a post retirement medical aid benefit offered by ERWAT. In the event that a medical aid contributing employee retires, ERWAT will continue to pay 66,7% of the medical aid contribution provided that the requirements of the policy are met by the employee.

The entity does not have any specific assets set aside to prefund for this liability, therefore no asset value is included in the valuation.

CARRYING VALUE

Non current liabilities	(68,208,180)	(59,679,000)
Current liabilities	(3,460,051)	(3,184,000)
	(71,668,231)	(62,863,000)

NET EXPENSE RECOGNISED IN THE STATEMENT OF FINANCIAL PERFORMANCE

CARRYING VALUE

Current service cost	(1,970,000)	(1,266,000)
Interest cost	(8,042,000)	(5,327,000)
Actuarial gain/(losses)	(3,659,957)	(12,961,350)
	(13,671,957)	(19,554,350)

KEY ASSUMPTIONS USED

Actuarial valuations are performed annually as at 30 June each year.

The actuarial valuation for 30 June 2024 has been performed by 1 Pangaea Expertise and Solutions (Pty) Ltd.

The actuarial valuation for the previous 3 years were performed by ZAQ Consultants and Actuaries.

The key financial assumptions are as follows:

2024**2023**

	June 2024	June 2023
Discount rates used	12.69 %	12.91 %
Medical cost inflation rates	8.64 %	9.48 %
Proportion of retiring members who are married	60.00%	90.00%
Average retirement age	62years	63years

GRAP25 defines the determination of the investment return assumption to be used as the rate that can be determined by reference to market yields (at the balance sheet date) on government bonds. The currency and term of the government bonds should be consistent with the currency and estimated term of the obligation.

The methodology of setting the financial assumptions has been updated to be more duration specific. At the previous valuation date, 30 June 2023 the duration of liabilities was 12.33 years. At this duration, the discount rate determined by using the Bond Exchange Zero Coupon Yield Curve as at 30 June 2024 is 12.69% per annum, and the yield on the inflation linked bonds of a similar term was about 5.18% per annum, implying an underlying expectation of inflation of 7.14% per annum $[(1 + 12.69\%) / (1 + 5.18\%) - 1]$.

A healthcare cost inflation rate of 8.64% was assumed. This is 1.50% in excess of the expected inflation over the expected term of the liability, consistent with the previous actuary.

However, it is the relative levels of the discount rate and healthcare inflation to one another that are important, rather than the nominal values. We have thus assumed a net discount factor of 3.73% per annum $[(1 + 12.42\%) / (1 + 8.64\%) - 1]$.

OTHER ASSUMPTIONS

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one (1%) percentage point change in assumed healthcare cost trends rates would have the following effects:

Defined benefit obligation	62,863,000	62,863,000
(Deficit) surplus	(3,659,957)	(12,961,350)
Experience adjustments on plan liabilities	(3,659,957)	(6,526,350)

OTHER ASSUMPTIONS

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one (1%) percentage point change in assumed healthcare cost trends rates would have the following effects:

	Jun 2024	Jun 2023	Jun 2022	Jun 2021
Defined benefit obligation	62,863,000	62,863,000	45,884,000	44,173,000
Surplus/ (Deficit)	(3,659,957)	(12,961,350)	1,809,000	(2,403,661)
Experience adjustments on plan liabilities	(3,659,957)	(6,526,350)	1,222,000	(4,201,339)
	55,543,086	43,375,300	48,915,000	37,568,000

16. REVENUE

2024
2023

	June 2024	June 2023
Service charges	1,410,773,157	1,336,988,476
Intervention income	-	60,461
Other income	35,965,127	40,845,440
Interest income	71,689,712	28,852,388
Dividends received	87,869	111,753
Government grants & subsidies	80,000,000	70,000,000
Development contributions	25,961,132	-
	1,624,476,997	1,476,858,518

THE AMOUNT INCLUDED IN REVENUE ARISING FROM EXCHANGES OF GOODS OR SERVICES ARE AS FOLLOWS:

Service charges	1,410,773,157	1,336,988,476
Intervention income	-	60,461
Other income	35,965,127	40,845,440
Interest income	71,689,712	28,852,388
Dividends received	87,869	111,753
	1,518,515,865	1,406,858,518

THE AMOUNT INCLUDED IN REVENUE ARISING FROM NON-EXCHANGE TRANSACTIONS IS AS FOLLOWS:

Government grants & subsidies	80,000,000	70,000,000
Development contributions	25,961,132	-
	105,961,132	70,000,000

17. SERVICE CHARGES

Sewerage and sanitation charges	1,410,773,157	1,336,988,476
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Service charges includes a significant increase in the sewerage and sanitation charges for Johannesburg Water. This is due to a revision of the tariff increases for the current financial period.

18. OTHER INCOME

Learnership income	723,163	667,783
Discount received	1,932,551	400,739
Other income from commercial business	33,309,413	39,776,918
	35,965,127	40,845,440

Included in the income from commercial business is income received from rental of property, commercial business, laboratory, operations and technical work performed by ERWAT.

19. INTEREST INCOME & DIVIDENDS RECEIVED

2024**2023**

DIVIDEND RECEIVED

Unit trusts Local

87,869

111,753

INTEREST INCOME

Interest received: Bank

31,971,106

22,796,480

Interest received: Deposits / Exchange & Non exchange receivables

39,718,606

6,055,908

71,689,712**28,852,388****71,777,581****28,964,141**

20. GOVERNMENT GRANTS & SUBSIDIES

CAPITAL GRANTS

Government grants & subsidies

80,000,000

70,000,000

21. DEVELOPMENT CONTRIBUTION

Development contribution

25,961,132

-

22. EMPLOYEE RELATED COSTS

Basic

264,956,179

240,047,055

Bonus

18,909,782

19,213,163

Post retirement - medical loss

1,970,000

1,266,000

Workmen's compensation

2,299,319

2,177,968

Leave pay provision charge

11,514,527

15,918,601

Sanlam disability fund

831,210

753,189

Other short-term costs

402,669

365,637

Overtime payments

31,765,365

30,927,382

Long-service awards

1,443,427

742,882

Car allowance

10,846,021

11,008,865

Housing benefits and allowances

4,260,573

3,896,361

Cell phone and data card allowances

5,115,744

4,959,477

Bursary schemes

25,000

47,235

Company contributions

79,871,312

74,420,312

Remuneration of non-executive directors

1,042,052

1,273,880

435,253,180**407,018,007**

2024**2023**

REMUNERATION OF THE CHIEF EXECUTIVE OFFICER/ MANAGING DIRECTOR

Annual Remuneration	1,795,724	1,283,980
Contributions to Medical and Pension Funds	498,121	322,266
Cell phone and data card allowance	52,800	39,600
Travel Allowance	60,000	45,000
	2,406,645	1,690,846

The remuneration of the Chief Executive Officer is included in the employee related costs. Please refer to the note on Directors and executive emoluments for more detailed breakdown of the Chief Executive Officer.

Please refer to note 43 for the details of remuneration of the managers and directors.

REMUNERATION OF HEAD OF DEPARTMENT - FINANCIAL SERVICES

Annual Remuneration	1,321,365	1,296,341
Contributions to Medical and Pension Funds	97,716	101,743
Cell phone and data card allowance	30,600	27,200
	1,449,681	1,425,284

The remuneration of the Head of Department - Financial Services is included in the employee related costs. Please refer to the note on Directors and executive managers emoluments for a more detailed breakdown of the Head of Department - Financial Services.

The current remuneration of the Head of Department - Financial Services comprise of the remuneration paid to two (2) employees as disclosed in note 43 and the prior year, that of two (2) employees as well.

Please refer to note 43 for the details of remuneration of directors and executive managers.

REMUNERATION OF EXECUTIVE MANAGERS EXCLUDING HEAD OF DEPARTMENT - FINANCIAL SERVICES

Annual Remuneration	12,203,847	4,367,942
Travel Allowance	692,333	264,000
Contributions to Medical and Pension Funds	1,977,317	915,741
Cell phone and data card allowance	319,600	122,400
Bonus and performance related payments	552,599	315,347
	15,745,696	5,985,430

2024**2023****REMUNERATION OF NON-EXECUTIVE DIRECTORS**

Annual Remuneration	967,089	1,168,909
Travel Allowance/Claims	6,162	8,971
Cell phone and data card allowance	68,800	96,000
	1,042,051	1,273,880

IN-KIND BENEFITS

ERWAT directors have the option of the use of a company owned laptop. The directors salaries, allowances and benefits are within the upper limits of the framework envisaged in section 219 of the Constitution.

23. DEPRECIATION AND AMORTISATION

Property, plant and equipment*	110,139,288	116,584,124
Intangible assets	992,625	1,008,491
	111,131,913	117,592,615

Refer to note 9 and 10.

24. FINANCE COSTS

Interest on long term borrowings	30,317,863	29,989,969
Finance leases	169,552	6,853
Interest on overdue accounts (recovered)*	(6,161)	(2,750)
Unwinding of discount Employee benefit obligation	8,042,000	5,327,000
	38,523,254	35,321,072

*During the prior financial year and amount of R8,911 fruitless and wasteful expenditure was incurred of which R2,750 was recovered in the prior year. This amount of R6,161 relates to the remainder of the fruitless and wasteful expenditure which were recovered during the current financial period.

Refer to note 38 for details on Fruitless and wasteful expenditure.

25. DEBT IMPAIRMENT

Debt impairment	38,727,313	2,154,788
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Refer to note 3 and 4.

26. BULK PURCHASES AND MATERIALS

2024

2023

Electricity	174,655,535	155,456,188
Water	13,096,236	11,910,766
Sewer purification	131,327,478	116,133,039
	319,079,249	283,499,993

27. GENERAL EXPENSES

Advertising	374,485	487,669
Assessment rates & municipal charges	2,859,223	2,640,606
Auditors remuneration	3,062,454	2,882,502
Bank charges	290,337	278,972
Cleaning	215,234	302,409
Computer expenses	37,112	2,267,989
Consulting and professional fees	14,470,724	12,042,174
Donations	10,000	-
Refreshments	812,328	1,269,912
Flowers	-	700
Insurance	6,941,384	5,657,426
Conferences and seminars	986,530	327,343
Fuel and other fleet costs	12,517,008	15,596,415
Marketing and public relations	1,203,241	687,375
Staff recruitment fees	162,094	286,368
Printing and stationery	767,867	848,815
Research and development costs	199,200	99,600
Lease rental	29	36
Security	35,655,500	31,632,043
Subscriptions and membership fees	412,870	331,570
Telephone and fax	2,970,833	2,886,993
Transport and freight - sludge management	77,833,564	62,686,770
Training	4,235,022	4,567,352
Travel	1,421,258	345,123
Sewerage and waste disposal	60,551	49,213
Health, safety and protective clothing	3,045,215	2,321,020
Laboratory charges	5,812,856	5,204,831
Rental of equipment	61,818	143,839
	176,418,737	155,845,065

28. CASH (USED IN) GENERATED FROM OPERATIONS

Surplus	227,122,026	247,481,473
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2024**2023****ADJUSTMENTS FOR:**

Depreciation and amortisation	111,131,913	117,592,615
Loss on derecognition of assets	6,554,538	1,922,185
Insurance payout	(955,904)	(1,200,884)
Fair value adjustments	(892,881)	(686,426)
Finance costs Finance leases	169,552	6,853
Debt impairment	38,727,313	2,154,788
Bad debts written off	96,269,959	48,371,106
Movements in retirement benefit liability	8,805,231	16,979,000
Movements in provisions	(2,836,529)	3,124,371

CHANGES IN WORKING CAPITAL:

Other receivables from exchange transactions	(6,366,665)	2,869,617
Trade receivables from exchange transactions	(531,046,291)	(156,773,768)
Other receivables from non exchange transactions	(58,646,901)	83,311,646
Debt impairment	(38,727,313)	(2,154,788)
Payables from exchange transactions	(27,704,751)	18,191,885
VAT	(27,097,656)	(7,005,223)
	(205,494,359)	374,184,450

29. AUDITORS' REMUNERATION

Fees	3,062,454	2,882,502
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30. FINANCIAL INSTRUMENTS DISCLOSURE**CATEGORIES OF FINANCIAL INSTRUMENTS****30 JUNE 2024 - FINANCIAL ASSETS**

	At fair value	At amortised cost	Total
Other financial assets	9,785,662	-	9,785,662
Trade receivables from exchange transactions & receivables from non exchange transactions	-	908,132,384	908,132,384
Other receivables from exchange transactions*	-	16,379,625	16,379,625
Cash and cash equivalents	-	111,706,221	111,706,221
	9,785,662	1,036,218,230	1,046,003,892

2024**2023****FINANCIAL LIABILITIES**

	At amortised cost	Total
Payables from exchange transactions**	95,042,541	95,042,541
Long term borrowings - Current portion	42,307,692	42,307,692
Long term borrowings - Non current portion	192,487,453	192,487,453
	329,837,686	329,837,686

* excluding prepayments

** excluding payments received in advance

Refer to note 3 and 4 for disclosure in line with GRAP 104 requirements.

30 JUNE 2023**FINANCIAL ASSETS**

	At fair value	At amortised cost	Total
Other financial assets	8,892,781	-	8,892,781
Trade receivables from exchange transactions & receivables from non exchange transactions	-	318,439,211	318,439,211
Other receivables from exchange transactions*	-	15,104,427	15,104,427
Cash and cash equivalents	-	504,684,600	504,684,600
	8,892,781	838,228,238	847,121,019

FINANCIAL LIABILITIES

	At amortised cost	Total
Payables from exchange transactions**	122,577,736	122,577,736
Long term borrowings - Current portion	54,382,035	54,382,035
Long term borrowings - Non current portion	235,307,445	235,307,445
	412,267,216	412,267,216

* excluding prepayments.

** excluding payments received in advance.

Refer to note 3 and 4 for disclosure in line with GRAP 104 requirements.

FINANCIAL INSTRUMENTS IN STATEMENT OF FINANCIAL PERFORMANCE - 30 JUNE 2024

	At amortised cost	Total
Interest income (calculated using effective interest method) for financial instruments at amortised cost	71,689,712	71,689,712
Finance costs (calculated using effective interest method) for financial instruments at amortised cost*	(30,481,254)	(30,481,254)
Debt impairment	(42,685,424)	(42,685,424)
Fair value adjustments - Investments	892,881	892,881
	(584,085)	(584,085)

30 JUNE 2023

	At amortised cost	Total
Interest income (calculated using effective interest method) for financial instruments at amortised cost	28,852,388	28,852,388
Finance costs (calculated using effective interest method) for financial instruments at amortised cost*	(29,994,072)	(29,994,072)
Debt impairment	1,803,323	1,803,323
Fair value adjustments - Investments	686,426	686,426
	1,348,065	1,348,065

* Excludes Unwinding of discount - Employee benefit obligation.

31. COMMITMENTS

AUTHORISED CAPITAL EXPENDITURE

Already contracted for but not provided for

Buildings	1,738,049	1,738,049
Furniture and fixtures, office and computer equipment	4,172,207	-
Infrastructure, Waste water works	59,176,198	60,142,100
Plant and machinery	200,069	95,102
	65,286,523	61,975,251
Total capital commitments		
Approved and contracted	65,286,523	61,975,251

This committed expenditure relates to all classes of assets as mentioned above and will be financed by available bank facilities, retained surpluses, existing cash resources and funds internally generated, etc

32. CONTINGENCIES

Contingencies are broken down into the following categories:

Category A - Contingencies relating to ESKOM

Category B - Bank Guarantees

Category C - Guarantees

Category D - Legal matters

CATEGORY A - CONTINGENCIES RELATING TO ESKOM:

ESKOM contract that stipulate that if ESKOM over spends the quoted amount they will be entitled to recover the variance up to 15% of the initial quoted amount. ESKOM will refund ERWAT should the cost be less than the quoted value.

CATEGORY B - BANK GUARANTEES

Eskom Rand Limited	954,600	954,600
Eskom Rand Limited	950,000	950,000
Stadsraad van Springs	90,000	90,000
Stadsraad van Midrand	94,200	94,200
Stadsraad van Kempton Park	80,750	80,750
Eskom	61,400	61,400
Randwaterraad	15,750	15,750
Eskom	33,300	33,300
Eskom	46,500	46,500
Eskom	69,000	69,000
Town Council of Benoni	163,000	163,000
Stadsraad van Brakpan	22,000	22,000
Stadsraad van Heidelberg	87,100	87,100
Eskom	109,800	109,800
Stadsraad van Boksburg	145,000	145,000
	2,922,400	2,922,400

CATEGORY C - GUARANTEES

Standard Bank - 216324009 M.A. Sathekge	14,000	14,000
Nedperm C.P. Mokgolobotho	3,800	3,800
	17,800	17,800

CATEGORY D - LEGAL MATTERS

Namston General Construction CC*	7,480,319	4,923,359
Maziya General Services CC**	8,653,384	8,653,384
	16,133,703	13,576,743

Total Contingencies

	19,073,903	16,516,943
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* The contingency relates to an agreement between ERWAT and Namston regarding the maintenance of EMM pump stations. The initial contract was for 24 months with the possible extension of 12 months. ERWAT did not extend the contract and the service provider is claiming that they were reasonably expecting an extension and as a result planned accordingly which resulted in losses for which they are holding ERWAT accountable. Legal proceedings are under way.

** The contingent liability raised in respect of Maziya General Services CC resulted after a legal opinion was sought from the CoE Corporate legal services who advised that the contract was in contravention of MFMA Section 33 & 116 and that the contract should be cancelled accordingly. The Board rescinded the resolution to reinstate the contract as per the legal opinion from CoE which deduced that the extension of the contract was irregular. BAC did therefore not approve the extension of the contract.

Communication was sent to Maziya's attorneys regarding the rescindment of reinstatement of this contract by the Board. Maziya then referred the matter to the Engineering Council South Africa (ECSA). ERWAT received the outcome of the adjudication process which ruled in favour of Maziya. ERWAT was ordered to pay R3 068 260 (exclusive of VAT) for loss of profit and release the retention of R R4 456 421 (exclusive of VAT).

Management has initiated the legal process to challenge this order and the final outcome will be determined by the Court.

33. RELATED PARTIES

2024

2023

Relationships

Directors

Refer to the general information section as well as directors and executive managers emoluments note

Accounting Officer

Mr. K Chihota

Controlling entity

City of Ekurhuleni Metropolitan Municipality

Fellow entities controlled by CoE

City of Ekurhuleni Metropolitan Municipality

Brakpan Bus Company

Ekurhuleni Development Company

Germiston Phase 2 trading as Ekurhuleni Housing Company

Members of key management

Refer to the general information section as well as directors and executive managers emoluments note 43.

RELATED PARTY BALANCES

Amount included in payables from exchange transactions regarding related parties

City of Ekurhuleni Metropolitan Municipality

8,349,589	6,920,551
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Amounts included in trade receivables from exchange transactions

City of Ekurhuleni Metropolitan Municipality

758,301,204	252,390,999
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Amounts included in receivables from non exchange transactions

City of Ekurhuleni Metropolitan Municipality

81,332,727	22,685,826
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Amounts included in other receivables from exchange transactions

City of Ekurhuleni Metropolitan Municipality

2,700,932	2,700,932
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RELATED PARTY TRANSACTIONS

Purchases from related parties

City of Ekurhuleni Metropolitan Municipality

106,120,077	90,532,442
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Sales to related parties

City of Ekurhuleni Metropolitan Municipality

1,304,958,496	1,239,241,011
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Grants and development contributions

Grants City of Ekurhuleni Metropolitan Municipality

80,000,000	70,000,000
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Development contribution City of Ekurhuleni Metropolitan Municipality

25,961,132	-
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Guarantee and debtors ceded.

The controlling entity guaranteed the Nedbank loan to ERWAT, with a carry value of R234,795,145 (30/06/2023: R277,615,137) as disclosed in the long term borrowing note 13. The guarantee shall expire at 15h00, 10 calendar days after the full repayment or settlement of all amounts owed by ERWAT to Nedbank Ltd in terms of the contract. Refer to note 3 and 4.

Remuneration - Non Executive Directors and Executive Managers

The remuneration of the non executive directors, the executive directors and executive managers are included in note 43.

Leased Assets

The following works included under infrastructure, are leased assets from related parties (City of Ekurhuleni Metropolitan Municipality).

LEASED ASSETS	Cost	Accumulated depreciation	Net book value
Infrastructure, Waste-water purification works	2,870,377	(1,860,670)	1,009,707

34. PRIOR-YEAR ADJUSTMENTS

Presented below are those items contained in the statement of financial position and statement of financial performance that have been affected by prior year adjustments:

STATEMENT OF FINANCIAL POSITION - 30 JUNE 2023

	Note	As previously reported	Correction of error 2021/2022	Correction of error 2022/2023	Restated
Trade receivables from exchange transactions (Decrease)	3	296,907,599	-	(1,154,214)	295,753,385
Receivables from non exchange transactions (Decrease)	4	25,489,723	-	(2,803,897)	22,685,826
Property, plant and equipment (Decrease)	9	2,125,715,124	(1,834,556)	(4,256,031)	2,119,624,537
Accumulated surplus (Decrease)	10	(2,479,490,933)	1,834,556	8,214,142	(2,469,442,235)
		(31,378,487)	-	-	(31,378,487)

STATEMENT OF FINANCIAL PERFORMANCE - 30 JUNE 2023

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one (1%) percentage point change in assumed healthcare cost trends rates would have the following effects:

	Note	As previously reported	Correction of error 2022/2023	Restated
Depreciation and amortisation (Increase)	23	117,289,424	303,191	117,592,615
Debt Impairment - (Increase)	25	(1,803,323)	3,958,111	2,154,788
Surplus for the year		115,486,101	4,261,302	119,747,403

35. PRIOR PERIOD ERRORS

PROPERTY, PLANT AND EQUIPMENT

During the 2023/2024 financial period, the entity realised that there was a theft incident which occurred at the Hartbeestfontein plant in 2020/2021 financial year. Construction in progress assets to the value of R1 834 556 pertaining to the Nereda project were stolen. This resulted in a correction to the Property, plant and equipment opening balance of **R1 834 556 (decrease)**.

Professional fees to the value of R3 952 839 were capitalised in prior periods for construction projects that did not realise. The correction to expense the professional fees was made on 1 July 2022. This has an effect of reducing the Property, Plant and Equipment balance **by R3 952 839**.

Completed projects to the value of R4 352 271 were not transferred from assets under construction during the previous years. The correction was made on 1 July 2022. Some assets were also not depreciated in error during the 2022/2023 financial year. The depreciation effect of the assets for period 1 July 2022 to 30 June 2023 was **R303 191 (increase)**.

ACCUMULATED SURPLUS

The effects of the corrections made on Property, Plant and Equipment above has resulted in the adjustment of accumulated surplus of **R6 084 392.00 (Decrease)**.

The debt impairment of **R3 958 111** resulted in the accumulated surplus to **(decrease)** with this amount.

DEPRECIATION AND AMORTISATION

The depreciation effect of the completed projects to the value of R4 352 271 and assets not depreciated in error for the period 1 July 2022 to 30 June 2023 referred above was **R303 191 (increase)**.

TRADE AND OTHER RECEIVABLES

During the 2022/2023 financial year interest was raised on both trade receivables from exchange transactions and receivables from non exchange transactions (Related party). An assessment regarding the recoverability of the interest was performed and it was established that it will not be recovered. As a result, a provision for debt impairment was raised.

The effects of the corrections were as follows:

Trade receivables from exchange transactions **(decreased)** from R296 907 599 to R295 753 385 due to an amount of **R1 154 214** which was impaired.

Receivables from non exchange transactions **(decreased)** from R25 489 723 to R22 685 826 due the provision for debt impairment amounting to **R2 803 897**.

DEBT IMPAIRMENT

Debt impairment **(increased)** with an amount of R3 958 111 as a result of the movement in Trade and other receivables as per the above disclosures.

DISCLOSURE ERRORS IDENTIFIED

Irregular Expenditure

Irregular expenditure amounting to R144 380 163 written off by MPAC in 2022/23 financial year which was not disclosed in the previous year has been corrected.

The correction of the error(s) results in adjustments as follows:

STATEMENT OF FINANCIAL POSITION

Trade receivables from exchange transactions (Decrease) - Note 3	-	(1,154,214)
Receivables from non exchange transactions (Decrease) - Note 4	-	(2,803,897)
Property, plant and equipment (Decrease) - Note 9	-	(6,090,586)
Accumulated surplus - (Decrease) - Page 8	-	6,090,586

STATEMENT OF FINANCIAL PERFORMANCE

Debt Impairment - (Increase) - Note 25	-	3,958,111
Depreciation and amortisation (Increase) - Note 24	-	303,191

36. RISK MANAGEMENT

FINANCIAL RISK MANAGEMENT

The entity's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

LIQUIDITY RISK

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

At 30 June 2024	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	42,307,692	42,307,692	126,923,077	23,256,684
Trade and other payables	95,042,541	-	-	-
At 30 June 2023				
Borrowings	54,382,035	42,307,692	126,923,077	66,076,676
Trade and other payables	122,577,736	-	-	-

INTEREST RATE RISK

The entity's interest rate risk arises from long-term borrowings. ERWAT manages interest rate risk so that fluctuations in variable rates do not have a material impact on surplus/(deficit).

The entity manages liquidity risk through an ongoing review of future commitments and credit facilities. Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

At year end, financial instruments exposed to interest rate risk are indicated in note 13 ERWAT's income and operating cash are substantially independent of changes in market rates.

CAPITAL RISK MANAGEMENT

Credit Risk:

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

The entity is dependant on the City of Ekurhuleni Metropolitan Municipality as it's major customer that make up the majority of it's Trade receivables. The remaining portion of the Trade receivables comprises a vast number of other customers.

Price risk:

The entity is exposed to equity securities price risks because of investments held by the entity and classified on the statement of financial position as other financial assets.

The entity's objectives when managing capital are to safeguard the entity's ability to continue as a going concern in order to provide returns for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the entity consists of debt, which includes the borrowings (excluding derivative financial liabilities) disclosed in note 13 cash and cash equivalents disclosed in note 8.

Consistent with others in the industry, the entity monitors capital on basis of the gearing.

There are no externally imposed capital requirements.

There have been no changes to what the entity manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

Other Financial Assets:

Short term investments are not to be made with financial institutions with ratings lower than A1/F1 as defined in the National Rating Definitions. ERWAT's exposure to any one financial institution, for short term investments is limited as follows:

>A1+/F1+ Short Term Rating: 5% of institution's total equity as published from time to time in the banking sector Credit Ratings Report.

>A1/F1 Short Term Rating: 4% of institution's total equity as published from time to time in the banking sector Credit Ratings Report.

FINANCIAL ASSETS EXPOSED TO CREDIT RISK AT 30 JUNE 2024 (PRIOR: 30 JUNE 2023) WERE AS FOLLOWS:

Trade receivables from exchange and receivables from non exchange transactions	908,132,384	318,439,211
Deposits	15,792,740	15,052,221
Cash and cash equivalents	111,706,221	504,684,600
Listed shares	9,785,662	8,892,781
	1,045,417,007	847,068,813

TOTAL BORROWINGS

	30 June 2024	30 June 2023
Other financial liabilities	(234,795,146)	(289,689,480)
Less: Cash and cash equivalents	111,706,221	504,684,600
Net debt	(123,088,925)	214,995,120
Total Net assets	2,696,564,264	2,473,400,344
Total capital	2,573,475,339	2,688,395,464

MARKET RISK

Currency Risk

ERWAT only transacts in its functional currency (South African Rand) and its only involvement with foreign currencies relates to the situation where imported goods and services are procured. No material transactions denominated in foreign currencies occurred in the current financial year.

In order to manage ERWAT's exposure related to the procurement of goods or services denominated in a foreign currency, the Rand value will be determined at the time of procurement, or where this not possible the Rand value will be determined as close as possible to the time of procurement.

37. GOING CONCERN

We draw attention to the fact that at 30 June 2024, the entity had an accumulated surplus of R2,696,564,264 and that the entity's total assets exceed its liabilities by R2,696,564,264.

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

38. FRUITLESS AND WASTEFUL EXPENDITURE

2024

2023

Opening balance	1,355,497	1,364,408
Add: Fruitless and wasteful expenditure identified	6,792,881	-
Less: Amount recoverable	-	(8,911)
Closing balance	8,148,378	1,355,497

Fruitless and wasteful expenditure is presented inclusive of VAT.

CONSEQUENCE MANAGEMENT:

2023/2024: R6 792 881

Electrical equipment that was identified as missing during the 2023/2024 financial year.

The assets have been derecognised from Property, plant and equipment (Note 9) while the investigation report is being processed by management.

2021/2022: R8 911

Interest incurred on a Telkom account paid late R8 911.

The amount was deducted from the responsible employee's salary until fully recovered on 31 January 2024

2020/2021: R106 101

Penalties charged by SARS R28 265

These penalties were raised as a result of the two (2) suppliers who provided incorrect VAT numbers on their invoices which was subsequently rectified and re submitted and accepted by the South African Revenue Services (SARS) as valid tax invoices.

Salary payment made to fictitious account R77 836

Item currently under investigation, a docket has been opened with the SAPS and under way in collaboration with the affected bank. Investigation still in progress.

2019/2020: R45 939

Interest incurred on CoE account paid late R33 478

Interest incurred on ESKOM account paid late R12 462

2018/2019: R641 280

Fuel theft R527 663

Item was processed by MPAC. The matter was referred to SAPS for investigation. The implicated employee resigned from his employment at ERWAT before disciplinary proceedings were instituted. Court proceedings have been initiated and a court order was issued on 10 April 2024 that concluded that the Defendant undertakes to repay R400 000 and taxed costs into the account of the Plaintiff's Attorneys of record.

Interest charged by JHB Water R15 247

Item was processed by MPAC, disciplinary action against those implicated is pending.

In respect of abandoned infrastructure Diesel tank R72 100

Item was processed by MPAC, disciplinary action taken against those implicated and finalised. The service provider has since been located who has indicated that they will complete the project.

2015/2016: R562 178

SARS penalties and interest on late payment of PAYE, SDL and UIF R39 860 (Penalties) and R174 142 (Interest)

Due to a system error on ERWAT's payroll package, SDL and UIF was under paid to SARS, which resulted in penalties and interest due to late payment to SARS. PAYE was not paid over on two project contractors as they invoiced ERWAT and was not included on the payroll. The PAYE was claimed back from the contractors. However, one contractor's portion had to be written off as we cannot get hold of him. ERWAT has since rectified the payroll system and verified calculations to ensure this error is not repeated. All contractors are loaded on the payroll in order for ERWAT to pay PAYE on their salaries.

No disciplinary action needs to be taken.

Incentive bonus exceeds the approved payout R209 800

The Board approved a lump sum bonus pay out, however the employee list used to apportion the amount did not include all employees entitled to an incentive bonus which resulted in a higher pay out. ERWAT will ensure that the list submitted for bonus are correct. No disciplinary action needs to be taken.

Excess sick leave paid R138 376

ERWAT has implemented an income protection benefit which will assist employees on long term ill health to continue receiving an income. ERWAT would not be able to recover the excess sick leave pay from the employee's leave days as well as the income protection benefit as the employee deceased. Management has decided that no disciplinary action needs to be taken.

39. IRREGULAR EXPENDITURE

Opening balance as previously reported	664,691,730	686,327,680
Add: Irregular expenditure - relating to prior period	15,708,444	101,079,477
Add: Irregular expenditure - relating to current year	4,698,335	21,664,736
Less: Amount written off - prior period	-	(144,380,163)
Closing balance	685,098,509	664,691,730

ANALYSIS OF CLOSING BALANCE

Current year	20,406,779	122,744,213
Amount written off by Council	-	(144,380,163)
Prior years	664,691,730	686,327,680
Total	685,098,509	664,691,730

INCIDENTS CURRENTLY UNDER INVESTIGATION

Irregular expenditure identified in the 2021/2022 financial period. This irregular expenditure relates to the B-BBEE points allocated to bidders who did not submit a valid BEE certificate.

2,086,872

Irregular expenditure incurred in the 2021/2022 financial period. The irregular expenditure relates to the Tender awarded not in line with CIDB regulation 21(3).

2,622,112

Irregular expenditure identified in the 2021/2022 financial period. This irregular expenditure relates to the tender was advertised without the compulsory sub-contracting requirements as required by the PPPFA Reg 9 (1).

79,553,202

Irregular expenditure identified in the 2021/2022 financial period. This irregular expenditure relates to the winning bidder not disqualified for failing pre-qualifying condition: BOQ was amended and signature at the amendment differs from the authorised person on Form C.

7,131,227

Irregular expenditure incurred in the 2021/2022 financial period. The irregular expenditure relates to B-BBEE points allocated to a bidder who did not submit a valid certificate.

1,747,770

Irregular expenditure identified in the 2021/2022 financial period. This irregular expenditure relates to the winning bidder's municipal account being in arrears for more than 3 months.

7,938,295

Irregular expenditure identified in the 2022/2023 financial period. This irregular expenditure relates to the the RFQ (Request for Quotation) and FPQ (Formal Price Quotation) processes was assessed for splitting by identifying similar goods and services procured on the RFQ and FPQ register. Therefore splitting of quotations is not in line with Municipal SCM Regulation 12.

-

101,079,478

DETAILS OF IRREGULAR EXPENDITURE WRITTEN OFF

Council resolution dated 27 May 2021, resolved that the irregular expenditure to the value of R63 411 586, is certified to be irrecoverable and be written off as per section 32 of the MFMA of 2003 as set out below.

Council resolution dated 30 March 2023, resolved that the irregular expenditure to the value of R80 968 577, is certified to be irrecoverable and be written off as per section 32 of the MFMA of 2003 as set out below.

Irregular expenditure identified in the 2021/2022 financial period. The irregular expenditure relates to expenditure incurred in prior periods	Written off by Council - Council resolution dated 30 March 2023	-	21,303,946
Irregular expenditure identified in the 2021/2022 financial period. The irregular expenditure relates to expenditure incurred on an expired contract	Written off by Council - Council resolution dated 30 March 2023	-	8,338,128
Irregular expenditure incurred in the 2021/2022 financial period. The irregular expenditure relates to the bid awarded incorrectly due to an error in the scoring.	Written off by Council - Council resolution dated 30 March 2023	-	9,150,666
Irregular expenditure incurred in the 2021/2022 financial period. The irregular expenditure relates to the Tender awarded not in line with CIDB regulation 21(3)	Written off by Council - Council resolution dated 30 March 2023	-	4,407,129
Irregular expenditure incurred in the 2021/2022 financial period. The irregular expenditure relates to non compliance to Preferential Procurement	Written off by Council - Council resolution dated 30 March 2023	-	26,897,992
Irregular expenditure incurred in the 2021/2022 financial period. The irregular expenditure relates to non compliance to Preferential Procurement Regulation 4(2), states that a tender that fails to meet any pre-qualifying criteria stipulated in the tender documents is an unacceptable tender.	Written off by Council - Council resolution dated 30 March 2023	-	3,560,809
Irregular expenditure incurred in the 2021/2022 financial period. The irregular expenditure relates to B-BBEE points allocated to a bidder who did not submit a valid certificate.	Written off by Council - Council resolution dated 30 March 2023	-	1,817,729
Irregular expenditure arising from the 2017/2018 financial period, incurred in the 2021/2022 financial period. This irregular expenditure relates to expenditure incurred over the allowable 15/20% variance amount.	Written off by Council - Council resolution dated 30 March 2023	-	72,186
Irregular expenditure arising from the 2017/2018 financial period, incurred in the 2021/2022 financial period. The irregular expenditure relates to the incorrect use of SCM Regulation 36(1)(v).	Written off by Council - Council resolution dated 30 March 2023	-	5,419,992
Irregular expenditure arising from 2019/2020 financial period. Irregular expenditure relates to the incorrect use of the SCM Regulation 36(1)(v).	Written off by Council - Council resolution dated 27 May 2021	-	154,745
Irregular expenditure arising from 2019/2020 financial period. Irregular expenditure relates to contract awarded to contractor with incorrect CIDB rating.	Written off by Council - Council resolution dated 27 May 2021	-	32,492,762
Irregular expenditure arising from 2019/2020 financial period. Irregular expenditure relates to contract varied/extended above threshold.	Written off by Council - Council resolution dated 27 May 2021	-	30,764,079
		-	144,380,163

CONSEQUENCE MANAGEMENT:

Prior period:

Irregular expenditure identified in the 2021/2022 financial period. This irregular expenditure relates to the B BBEE points allocated to bidders who did not submit a valid BEE certificate:	Item under investigation.
Irregular expenditure identified in the 2021/2022 financial period. This irregular expenditure relates to the tender was advertised without the compulsory sub-contracting requirements as required by the PPPFA Reg 9 (1):	Item under investigation.
Irregular expenditure identified in the 2021/2022 financial period. This irregular expenditure relates to the winning bidder not disqualified for failing pre-qualifying condition: BOQ was amended and signature at the amendment differs from the authorised person on Form C:	Item under investigation.
Irregular expenditure identified in the 2021/2022 financial period. This irregular expenditure relates to the winning bidder's municipal account being in arrears for more than 3 months:	Item under investigation.

Irregular expenditure identified in the 2022/2023 financial period. This irregular expenditure relates to the the RFQ (Request for Quotation) and FPQ (Formal Price Quotation) processes was assessed for splitting by identifying similar goods and services procured on the RFQ and FPQ register. Therefore splitting of quotations is not in line with Municipal SCM Regulation 12:

Item under investigation.

Irregular expenditure identified in the 2022/2023 financial period. This irregular expenditure relates to RFQs not evaluated according to the PPPFA Regulations of 2022:

Item under investigation.

40. ADDITIONAL DISCLOSURE IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

AUDIT FEES

Current year subscription / fee	3,062,454	2,882,502
Amount paid - current year	(3,062,454)	(2,882,502)

PAYE AND UIF

Opening balance	5,857,719	5,637,330
Current year subscription / fee	84,596,861	72,682,001
Amount paid - current year	(83,677,327)	(72,461,612)
	6,777,253	5,857,719

PENSION AND MEDICAL AID DEDUCTIONS

Opening balance	(152,957)	37,414
Current year subscription / fee	113,376,474	101,222,042
Amount paid - current year	(113,225,858)	(101,412,413)
	(2,341)	(152,957)

41. UTILISATION OF LONG TERM LIABILITIES RECONCILIATION

Outstanding long-term liabilities at the beginning of the year	289,689,480	342,226,637
Redemption of loans	(54,382,035)	(52,955,108)
Net accrual of interest	(512,300)	417,951
	234,795,145	289,689,480
Used to finance property, plant and equipment	(232,692,308)	(287,074,343)
Interest Accrued	2,102,837	2,615,137

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date.

OUTSTANDING LONG TERM LIABILITIES

Opening balance	289,689,480	342,226,637
Redemption of loans	(54,382,035)	(52,955,108)
Net accrual of interest	(512,300)	417,951
	234,795,145	289,689,480

42. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the board and includes a note to the annual financial statements.

THE DETAILS OF THE DEVIATIONS APPROVED ARE AS FOLLOWS

	June 2024	June 2023
Sole suppliers	1,355,996	4,292,936

Deviations approved relate to the appointment of service providers to provide computer software licences, equipment repairs for specialised laboratory equipment and urgent legal cases.

43. DIRECTORS AND EXECUTIVE MANAGERS EMOLUMENTS

NON-EXECUTIVE MEMBERS - 30 JUNE 2024

	Salary or Fee	Travel allowance/ claims	Telephone and data allowance	Total
NC Skeepers (Chairperson of Board of Directors)	493,316	-	19,200	512,516
Y Haffejee (Resigned: 28 June 2023)*	-	-	1,600	1,600
N Gwenya*	-	6,162	19,200	25,362
RI Kikine (Resigned: January 2023)	118,443	-	9,600	128,043
U Exner	355,330	-	19,200	374,530
	967,089	6,162	68,800	1,042,051

NON-EXECUTIVE MEMBERS - 30 JUNE 2023

	Salary or Fee	Travel allowance/ claims	Telephone and data allowance	Total
NC Skeepers (Chairperson from 1 March 2022)	478,947	-	19,200	498,147
Y Haffejee (Appointed: 1 March 2022)*	-	2,624	19,200	21,824
N Gwenya (Appointed: 1 March 2022)*	-	6,347	19,200	25,547
RI Kikine (Appointed: 1 March 2022)	344,981	-	19,200	364,181
U Exner (Appointed: 1 March 2022)	344,981	-	19,200	364,181
	1,168,909	8,971	96,000	1,273,880

* These Directors are in the service of the state and thus will only be given cell phone and data allowances as well as be compensated for travelling.

CHIEF EXECUTIVE OFFICER - 30 JUNE 2024

	Salary or Fee	Medical Contributions	Travel allowance/claim	Telephone and data card	Retirement fund contribution	Total
K Chihota (Managing Director)	1,795,724	178,817	60,000	52,800	319,304	2,406,645

CHIEF EXECUTIVE OFFICER - 30 JUNE 2023

K Chihota (Managing Director from 01 October 2022)	1,283,980	91,149	45,000	39,600	231,116	1,690,845
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EXECUTIVE MEMBERS - 30 JUNE 2024

	Salary or Fee	Bonuses and performance related payments	Medical Contributions	Travel allowance/claims	Telephone and data card	Retirement fund contribution	Total
S Dinath - Interim Head of Department - Financial Services	18,488	-	-	-	-	-	18,488
GT Ramphaka - Head of Department - Financial Services (Appointed 1 October 2023)	1,302,877	-	-	-	30,600	97,716	1,431,193
RW Barnes - Head of Department Human Resources	1,599,298	118,050	123,504	78,000	40,800	311,653	2,271,305
A Chapman - Head of Department Laboratory	1,709,986	126,558	136,160	30,000	40,800	334,114	2,377,618
ZZ Socikwa - Company Secretary	1,429,268	112,550	56,372	156,000	40,800	101,295	1,896,285
L Chueu - Interim Head of Department - Maintenance	18,318	-	-	-	-	-	18,318
S Mateza - Interim Head of Department - Development	18,098	-	-	-	-	-	18,098
DM Hlabioa - Interim Head of Department - Commercial Business	17,291	-	-	-	-	-	17,291
LT Roode - Interim Head of Department - Operations	29,655	-	-	-	-	-	29,655
EM Khomela - Head of Department Development (Appointed 1 September 2023)	1,198,771	99,898	47,423	130,000	34,000	89,908	1,600,000
A Bodrick - Head of Department Commercial Business (Appointed 1 September 2023)	1,378,753	-	49,291	83,333	34,000	103,406	1,648,783
B Petlane - Head of Department Maintenance (Appointed 1 September 2023)	1,146,501	95,542	-	50,000	34,000	206,371	1,532,414
S Gow - Head of Department Strategy, Monitoring and Evaluation (Appointed 1 September 2023)	1,365,812	-	-	30,000	34,000	102,436	1,532,248
CM Makgatha - Head of Department - Operations (Appointed 1 October)	989,218	-	39,609	135,000	30,600	178,059	1,372,486
	12,222,334	552,598	452,359	692,333	319,600	1,524,958	15,764,182

EXECUTIVE MEMBERS - 30 JUNE 2023

	Salary or Fee	Bonuses and performance related payments	Medical Contributions	Travel allowance/claims	Telephone and data card	Retirement fund contribution	Total
S Dinath - Interim Head of Department - Financial Services	23,364	-	-	-	-	-	23,364
KS Mashaakgomo - Head of Department - Financial Services (Appointed 1 October 2022)	1,272,977	-	36,603	-	27,200	65,141	1,401,921
RW Barnes - Head of Department Human Resources	1,469,004	111,196	106,690	78,000	40,800	293,559	2,099,249
A Chapman - Head of Department Laboratory	1,137,667	94,806	117,624	30,000	40,800	250,288	1,671,185
ZZ Socikwa - Company Secretary	1,351,937	109,345	49,170	156,000	40,800	98,410	1,805,662
L Chueu - Interim Head of Department - Maintenance	104,090	-	-	-	-	-	104,090
S Mateza - Interim Head of Department - Development	95,638	-	-	-	-	-	95,638
NE Mutyaba - Head of Department Maintenance	7,810	-	-	-	-	-	7,810
DM Hlabioa - Interim Head of Department - Commercial Business	98,585	-	-	-	-	-	98,585
LT Roode - Interim Head of Department - Operations	103,210	-	-	-	-	-	103,210
NC Keepers	-	-	-	-	-	-	-
	5,664,282	315,347	310,087	264,000	149,600	707,398	7,410,714

44. BUDGET DIFFERENCES

MATERIAL DIFFERENCES BETWEEN BUDGET AND ACTUAL AMOUNTS

Total Revenue (Excluding capital transfers and contributions): 105% of annual budget achieved - Overachieved: 5%.

Interest income: 215% of annual budget achieved - Overachieved: 115%.

The difference on interest income is mainly due to the interest received on long outstanding CoE receivables.

Other own revenue: 205% of annual budget achieved - Overachieved: 105%. Development contributions to the value of R25 961 132 is included within Other own revenue and not budgeted for due to its unpredictable nature.

Employee costs: 89% of annual budget achieved - Underspent: 11%. Employee costs under expenditure due to vacant still in the process of being filled. Planned appointments did not fully materialise. There was an under expenditure on Director's remuneration as the budget provided for 8 Directors, however only 5 were appointed during the year and by the end of the third quarter only 3 Directors remained due to resignations.

Debt impairment: 2086% of the annual budget achieved - Overspent: 1986%. The movement on the debt impairment provision is made up primarily of the interest raised on the current year for long outstanding debtors relating to the CoE. At the time of budget preparation and adjustment budget, ERWAT did not anticipate that interest raised on related party debtors will be impaired.

Finance costs: 105% of annual budget achieved - Overspent: 5%.

Bulk purchases and materials: 88% of annual budget achieved - Underspent: 12%. Power outages and reduced electricity consumption due to less storm water ingress. During the year, there were delays in procurement of essential chemicals due to challenges faced by the manufacturers in the chemical manufacturing process and general procurement delays.

Other expenditure: 69% of annual budget achieved - Underspent: 31%. A major contributor to the underspent on other expenditure is the request for an increase on the sludge management budget allocated due to operational requirements on projects such as the desilting of existing maturation ponds to improve the overall effluent quality, recovery of secondary treatment capacity (biofiltration plant) and restore operation of existing inoperable PSTs and FSTs which did not all realise during the financial year as anticipated.

Impairment loss: 807% of the annual budget achieved - Overspent: 707% ERWAT did not initially budget for impairment loss. During the current financial year it became apparent that the certain assets identified would have to be impaired. The value of the required impairment could not be accurately estimated before the valuation process had not been finalised. An amount of R11 million was requested during the adjustment budget period.

Repairs and maintenance - Contracted services: 99% of annual budget achieved - Underspent: 1%.

Total operating Expenses: 95% of annual budget achieved - Underspent 5%.

45. TENDER AWARDED TO CLOSE FAMILY MEMBER IN SERVICE OF THE STATE

Description	Supplier name	Relationship to Director	Name	Position in organ of state	Paid amount
Supply And Delivery Of Various Laboratory Consumables	Bashumi Instruments And Construction Services	Husband of RE Senoamadi	C Senoamadi	Chief Director Finance Officer: Gauteng Department of Health	303,782
Supply And Delivery Of Various Laboratory Consumables	TECHNISTAR PTY (LTD)	Spouse of Mr. S Boikutso	Mrs. T Boikutso	Head Bulk Sanitation at Rand Water	113,864
	-	-	-	-	417,646

46. SERVICES IN KIND

CITY OF EKURHULENI

Internal Audit & Audit CommitteeThe City of Ekurhuleni shares internal audit and audit committee services with ERWAT. These are paid by the City of Ekurhuleni on behalf of all entities that make use of it. ERWAT has determined these services received for free are not significant to our operations and therefore ERWAT does not recognise these services.

The audit committee sits both quarterly to process routine items as well on an ad hoc basis to discuss the financial statements of ERWAT and the other entities of the City of Ekurhuleni Metropolitan Municipality.

The internal audit function is shared by ERWAT and the other entities with the City of Ekurhuleni Metropolitan Municipality. The areas covered by this shared internal audit includes quarterly and annual financial statement reviews, supply chain management, financial risk, maintenance, green drop compliance, fleet, adequacy of infrastructure, risk management and corporate governance and human resources.

PTPI AND BCX

The City of Ekurhuleni incurs costs on behalf of ERWAT for the implementation of mSCOA which includes: software licences, software development, technical support and provision of ERP implementation consultants. These services are provided by the City of Ekurhuleni to all of its entities in order to ensure uniformity in reporting and compliance with the mSCOA regulations.

47. INTERVENTION INCOME

ROOIWAL INTERVENTION

	June 2024	June 2023
Intervention income - 5% Management fee	-	60,461

Ekurhuleni water care company (ERWAT) was appointment as an Implementing Agent for the phase1 upgrade and urgent refurbishment at the Rooiwaal waste water treatment works and related works project, in terms of section 110(2) of Local Government: Municipal Finance Management Act; for a three year period by City of Tshwane (CoT) which commenced during the first quarter of the current financial year. This note presents the income earned in relation to this intervention project.

Description of arrangement

The project objectives of the City of Tshwane is to undertake upgrades and urgent refurbishment of Rooiwaal Waste-water Treatment Plant, which will mainly consist of limited and focused areas of work. The areas currently identified are as follows:

- Refurbishment of the Inlet Works
- Construction of one new Primary Settling Tank (PST)
- Restoration of the incoming sewage by-pass pipeline from North/West Works to East Works.
- Refurbishment of the Biological Nutrient Removal (BNR) Fine Bubble Diffusion Aeration System
- Refurbishment of a total of eight (8) Anaerobic Digesters
- Refurbishment of Sludge Dewatering Building and system.
- Improve the functioning of the flow balancing tanks

As per the Service Level Agreement between ERWAT and CoT, the following services must be provided

- Project planning activities
- Design activities
- Construction and Commissioning Activities
- Project close out and handover
- Asset capitalization
- Project documentation management and reporting

Assessment of whether a principal agent relationship exists and significant judgements made

Based on the substance over form arrangement, the three criteria per GRAP 109 are met i.e. (i) Signed agreement, (ii) existence of third parties and (iii) undertaking transactions on behalf of and for the benefit of the other entity) demonstrate that there is a binding arrangement between COT and ERWAT, hence in line with GRAP 109, Par 18, principal-agent arrangements do exists which confers enforceable rights and obligations on the parties to the arrangement.

In this arrangement COT is considered the Principal and ERWAT the Agent.

Significant terms and conditions of the arrangement

ERWAT shall ensure that:

1. Assisting the City in carrying out conceptualisation of phase 1 upgrade and urgent refurbishment at Rooiwal Waste Water Treatment Works and related works with respect to project management best practices and technical solutions to the identified problems.
2. Advice the City in the budgetary processes in respect of the project.
3. Assisting the City in with solicitation of requisite approvals from relevant authorities.

-
4. When required, undertake the procurement of Professional Service Providers (PSPs) on behalf of the City, ensuring that the procurement procedures are in line with all the legislative provisions, Municipal Finance Management Act (MFMA), Public Finance Management Act (PFMA) and Supply Chain Management (SCM) Regulations.
 5. Ensure that all necessary documentation (professional indemnity, etc.) are solicited from PSPs prior to concluding contracts with them.
 6. Review and approve the designs of the PSPs in consultation with the City and ensure that all necessary input to the designs has been sought from interested and effected parties.
 7. Manage the performance of the PSPs accordingly.
 8. Undertake the procurement of Contractors on behalf of the City, ensuring that the procurement procedures are in line with all the legislative provisions, Municipal Finance Management Act (MFMA), Public Finance Management Act (PFMA) and Supply Chain Management (SCM) Regulations, including contract price adjustment (CPA) and rate of exchange (RoE) provisions.
 9. Ensure that all necessary documentation (guarantees, sureties, etc.) are solicited from Contractors prior to concluding contracts with them.
 10. Manage the performance of the Occupational Health and Safety Agent as appointed by the City.
 11. Manage the performance of Contractors accordingly.
 12. Manage the commissioning process in such a manner that it ensures a seamless transition to the end user.
 13. Ensure preparation of Close-Out Report by the PSP (engineering consultants) and its approval by the City.
 14. Issuance of copies of Close-Out documents which include copy of as-built Layout Plans, Certificates of Completion, Operation Manuals and Maintenance Plans.
 15. Assist the City in the process of capitalisation of the Assets by providing required documentation and technical expertise, where necessary.
 16. Ensure that all the documentation confirming the paper trail on all processes followed is filed accordingly and availed to the City as and when requested.
 17. Provide reports to the City in the intervals and format requested as stated and agreed upon in the Implementation Plan.
 18. Establish administrative processes to ensure that all procedures and documentation relating to the contract are effectively managed.
 19. Ensure adequate variation management and variation procedures must be used for all changes to the contract of PSPs. Ensuring that all procurement activities are executed in accordance with ERWAT SCM Policies and MFMA.

The Implementation Agent shall undertake any other functions relating to the project scope of work to give effect to the objectives of this agreement.

Purpose, significant risks and benefits associated with the relationship. The purpose of the principal agent relationship is for ERWAT to act as implementing agent to the COT.

The benefit to ERWAT of this relationship is a 5% management fee earned on entering into transactions on behalf of the COT, while the COT gains the implementation services of ERWAT which includes expertise and knowledge that ERWAT has accumulated for nearly 30 years in the wastewater care works industry.

The risk of non-performance of sub contractors is mitigated through contract management procedures. Cash flow risk is in turn mitigated by COT making direct payments to the Contractors and Sub-Contractors.

48. IMPAIRMENT OF ASSETS

IMPAIRMENTS

Property, plant and equipment*	104,194,332	48,371,107
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REVERSAL OF IMPAIRMENTS

Property, plant and equipment*	(7,924,373)	-
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During asset verification, previously impaired assets were evaluated to determine if the impairment loss remained applicable. The evaluation revealed that some assets were repaired and restored to service, leading to an impairment reversal of R7 924 373.

Total impairment losses (recognised) reversed	96,269,959	48,371,107
Infrastructure: Waste-water purification works	11,531,633	46,974,101
Infrastructure: Waste-water purification works - Assets under construction	83,457,208	-
Buildings	459,142	-
Buildings - Assets under construction	534,852	-
Furniture and Fixtures	29,296	356,595
Plant and Machinery	228,752	720,303
Motor Vehicles	29,076	320,108
	96,269,959	48,371,107

Impairment of assets were as a result of assets no longer functioning in the manner as intended by management due to either their condition or performance, and construction projects that were halted and will not be completed in the foreseeable future.

49. CHANGES ESTIMATE

PROPERTY, PLANT AND EQUIPMENT

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

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

- Buildings - Decrease in depreciation for Buildings of R302 584
- Furniture and fittings - Decrease in depreciation of R120
- Infrastructure, Waste-water purification works - Decrease in depreciation of R592 052
- Plant and machinery - Decrease in depreciation of R650

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