

2019/20

**EKURHULENI WATER CARE COMPANY (ERWAT)
NPC**



Annual report

Volume I

October 2020

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TERMS AND ABBREVIATIONS

TERM / ABBREVIATION	DESCRIPTION
AG	Auditor-General
B-BBEE	Broad-Based Black Economic Empowerment
BNR	Bio-Nutrient Removal
CSR	Corporate Social Responsibility
CoE	City of Ekurhuleni
CSIR	Council for Scientific and Industrial Research
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
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	Megaliters
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
WRC	Water Research Commission
WISA	Water Institute of South Africa
WSA	Water Services Act (Act 108 of 1997)

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CHAPTER 1 – CHAIRPERSON’S FOREWORD AND EXECUTIVE SUMMARY

COMPONENT A: CHAIRPERSON’S FOREWORD

CHAIRPERSON’S FOREWORD

a. Vision:

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

ERWAT’s vision is to be a global leader in water care and resource recovery. Its mission is to provide sustainable, affordable, quality water care and resource recovery services through partnerships and collaborative initiatives with external role players, utilising smart organisational practices.

ERWAT is taking the strategic direction of our major member, the CoE, into consideration. ERWAT redefined its Facilities Development Plan, 2028 model, in alignment with the CoE’s planning for the future of the region. It is pivotal for the entity to achieve green drop status for all the Water Care Works.

ERWAT identified two main strategic objectives:

- Achieve green drop status for all our wastewater treatment plants;
- Increase external business to a turnover of R160 million per annum by 2020;

These objectives will enable ERWAT to keep increases in wastewater purification costs to acceptable levels.

No major changes were experienced in the past reporting period, nor are any foreseen in the next reporting period.

b. Key Policy Developments:

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

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institutions, academia, as well as government departments such as the DWS. ERWAT is a member of the International Water Association (IWA) and a patron member of the Water Institute of South Africa (WISA). ERWAT has also entered into an agreement with the University of Stellenbosch where ERWAT will support a Chair in Wastewater studies.

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

c. Key Service Delivery Improvements:

It is worth highlighting that the overall water quality compliance achieved was 89%. Even though the annual target of 89% was achieved, this represents a decrease of 2% in performance compared to the previous financial year.

Revenue generated from external businesses was R235 million and this was boosted by the revenue generated from the Vaal River Intervention Project. Long-term capital expenditure and the funding thereof is very important for the long-term success of ERWAT. Our ability to finance and execute capital projects is paramount.

One of ERWAT's biggest challenges remains the financing of new extensions of Water Care Works. The success of future projects, as with those of the past, will continue to depend on the availability of funding. The role that our parent municipality, the CoE, will play in securing future funding will remain crucial.

d. Public Participation:

ERWAT shares the CoE's department of water and sanitation's public participation process. All the comments and views of the community received during this process are channelled through to ERWAT. ERWAT has been appointed by the Department of Water and Sanitation to be an implementing agent on the Vaal Intervention Programme. The Board is envisaging that this programme bodes well with the new strategy that has been developed by the Board. This intervention is further seen as a boosting revenue generation mechanism.

e. Future Actions:

The Board developed a new strategy for the entity whereby there was a paradigm shift into water resource recovery company. The focus will be mainly on embarking into programmes that earmarked for revenue generation and other research initiatives. The focus will energy renewal programmes through sludge beneficiation, energy neutrality and water reclamation.

In the spirit of good governance, the Board and Executive Management is in the process of adopting King IV. This will strengthen the governance processes and improve reporting.

f. Agreements / Partnerships:

The following partnerships were initiated and signed off during the year:

- National Department of Public Works (NDPW)

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- Energy and water sector education and training authority (EWSETA)
- Lepelle Northern Water (LNW)

The entity has strengthened its collaboration through the ERWAT Chair in Water Research hosted by the Stellenbosch University Water Institute and as industrial partner, ERWAT currently collaborates on the following projects through the research chair:

- SafeWater Africa
- ReNEW
- Blesbokspruit Wetlands Research and
- WADER

g. Conclusion:

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

Signed by:

CJ CORNISH
Chairperson of the Board

Date

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COMPONENT B: EXECUTIVE SUMMARY BY MANAGING DIRECTOR

1.1. MANAGING DIRECTOR'S OVERVIEW

BACKGROUND

During the period under review, the entity has been able to strengthen its position with the key stakeholder being the CoE and various other stakeholders in the industry. Our ability to meet the expectations of a broad and multicultural customer base often required innovative and continuous inventive approaches when interacting and executing our activities. We cemented our performance by ensuring that all the objectives in our corporate scorecard were met and exceeded expectations.

The entity always factored its mandate and the aspirations of the members into the strategic plans. Operations were very effective in implementing the key deliverables defined in the strategic plan and compliance of the works to the licence conditions, albeit a challenge in capacity which ensures that certain works will not meet all licence conditions one hundred percent. The momentum set in the previous financial year increased during this period and resulted in the entity, once again, delivering on those programmes that served as the mayoral priorities, such as the commissioning of the 50 megaliters per day expansion at the Welgedacht works.

The favourable financial position we have achieved when it comes to increased capital expenditure and prudent management of finances on the operational expenditure side will strengthen our position going forward. Despite the portfolio growth and disproportionate funding in relation to the portfolio of services, we have been able to cement our position through increased productivity and efficiencies. All departments comprising Operations, Scientific Services, Maintenance, Infrastructure Planning and Projects, Commercial Business, Finance, Human Resources and Secretariat continued to perform at a high standard collectively.

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

The annual financial statements were prepared on the basis of accounting policies applicable to a going concern. At 30 June 2020, ERWAT had an accumulated surplus from the inception of ERWAT to date of R1 828 140 552. The total assets exceeded its liabilities by the same amount.

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

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

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ERWAT has embarked on an ambitious program of setting up a training centre, which will be linked to universities in order to provide practical training for students, as well as to provide further training for staff.

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

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

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

Mr Tumelo Gopane
Managing Director

1.2. COMPANY'S FUNCTIONS, POPULATION AND ENVIRONMENTAL OVERVIEW

INTRODUCTION TO BACKGROUND DATA

ERWAT contributes to satisfy the basic requirements for sanitation by providing a proficient wastewater treatment service to approximately 8 000 industries and more than 3.5 million people who have access to sanitation. It is currently the custodian of 19 Water Care Works, treating a combined capacity of approximately 671.3 megaliters (Mℓ) of wastewater, both domestic and industrial, per day. The smallest works treat approximately 1 Mℓ per day, while the largest works treat up to 170 Mℓ of wastewater per day. ERWAT also operates and manages industrial effluent treatment works on behalf of industries on their premises, including the provision of scientific services. Most of ERWAT's operations are located in the eastern parts of Gauteng.

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

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TABLE 1.1: SANITATION

Number of households by type of toilet			
Type of toilet	2017/2018	2018/ 2019	2019/ 2020
Flush toilet	934 959	971 046	
Ventilation improved pit (VIP)	7 849	8 605	
Pit toilet	63 682	63 136	
Bucket system	11 583	13 588	
No toilet	32 752	27 989	
TOTAL	1 050 825	1 084 363	

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.

1.3. SERVICE DELIVERY OVERVIEW

SERVICE DELIVERY INTRODUCTION

ERWAT provides bulk wastewater treatment services to the CoE, servicing over 3.5 million people and some 8 000 industries.

ERWAT's 19 Water Care Works treat on average approximately 715 Mℓ wastewater per day during the dry season and up to 1 000 Mℓ during the wet season.

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

COMMENT ON ACCESS TO BASIC SERVICES

Approximately 10% of households in the municipal area do not have access to basic sanitation services as 6% of households have pit toilets, 1% use the bucket system and 3% do not have toilets.

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1.4. FINANCIAL HEALTH OVERVIEW

The entity's financial review is premised on the approved 2019/2020 business plan and budget. ERWAT faced some challenges with its cash-flow during the period, primarily due to delays in payment from the CoE. Total operating revenue increased from R905.6 million to R1,120 billion (23,67%) which includes service charges of R878.8 million in 2019/2020 (2018/19: R791,9 million).

The entity ended the year with a net surplus of R194,6 million in 2019/2020 (2018/2019: R26,3 million). The increase in the net surplus is mainly attributable to a significant decrease in General Expenses as a result of the implementation of cost containment measures as well as improved cash flow management. General Expense items such as Conferences and seminars, Refreshments and Travel are among those items which contributed to the reduced operating expenses. In addition a significant saving came from a reduction in Repairs and Maintenance Costs while other income received from commercial business reduced slightly which had an opposite effect to the Net Surplus.

Operating expenditure for the year was recorded at R1,126 billion against a budgeted expenditure of R999.7 million. The over expenditure is mainly due to the write off of development contribution not received due to two projects that were stopped by the City.

FINANCIAL ANALYSIS AND RATIO COMPARISON

The strength of the statement of financial position of ERWAT remains pivotal to the continued financial sustainability of the entity. It is reported that the entity is a going concern with accumulated surplus of R1,828 billion with total assets exceeding total liability by the same amount.

SOLVENCY

The decrease in long-term liabilities impacted positively on ERWAT's solvency ratio. However, due to the delayed payment of Service Charges from the CoE ERWAT was unable to pay Suppliers before reporting date as intended and this had a direct impact on the said Ratio. It decreased from 0.42 in 2018/2019 to 0.41 in 2019/2020. The solvency ratio might come under pressure in future if alternative funding sources, other than loan funding cannot be accessed.

LIQUIDITY

ERWAT's current ratio declined from 0.65:1 in 2018/2019 to 1.12:1 in 2019/2020

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TABLE 1.2: FINANCIAL OVERVIEW: 2019/2020				
DETAILS	ACTUAL 2018/2019 R'000	ORIGINAL BUDGET 2019/2020 R'000	ADJUSTMENT BUDGET R'000	ACTUAL 2019/2020 R'000
INCOME				
Grants	68 164	121 400	145 636	144 044
Development Contribution	36 446	0	0	58 454
User Charges (Service)	791 929	879 040	879 040	878 783
Other	113 637	120 649	120 649	241 207
Sub Total	1 010 176	1 121 089	1 145 325	1 322 488
Expenses	(978 106)	(999 689)	(999 689)	(1 125 750)
Operating Surplus	32 070	0	0	196 738
Loss on disposal of assets	(2 407)	0	0	(477)
Fair value adjustments – Investment	(206)	0	0	(1 784)
Actuarial gains (losses)	(3 183)	0	0	128
Surplus (Excluding Grants)	26 275	0	0	194 604
CAPITAL EXPENDITURE	164 609	121 400	145 636	143 643

T1.4.2

TABLE 1.3 OPERATING RATIOS 2019/20	
DETAIL	%
Employee costs	32,30%
Repairs and maintenance	23.73%
Finance Charges	4.28%

T1.4.3

COMMENT ON OPERATING RATIOS:

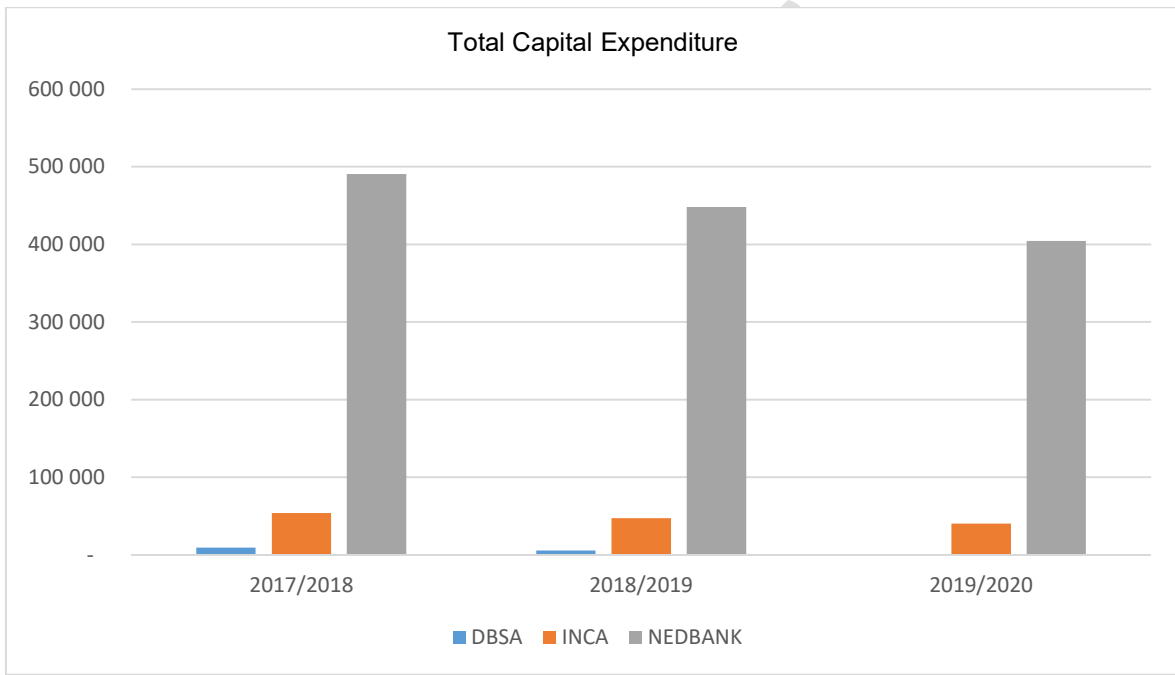
The main cost driver is the employee costs that are reported at 32.30%. Repairs and maintenance are recorded at 23.73 % with finance charges recorded at 4.28%. Apart from employee costs and repairs and maintenance, these are within the expected norms of 30% for employee costs, 20% for repairs and maintenance and 10% for finance charges and impairment.

T 1.4.3

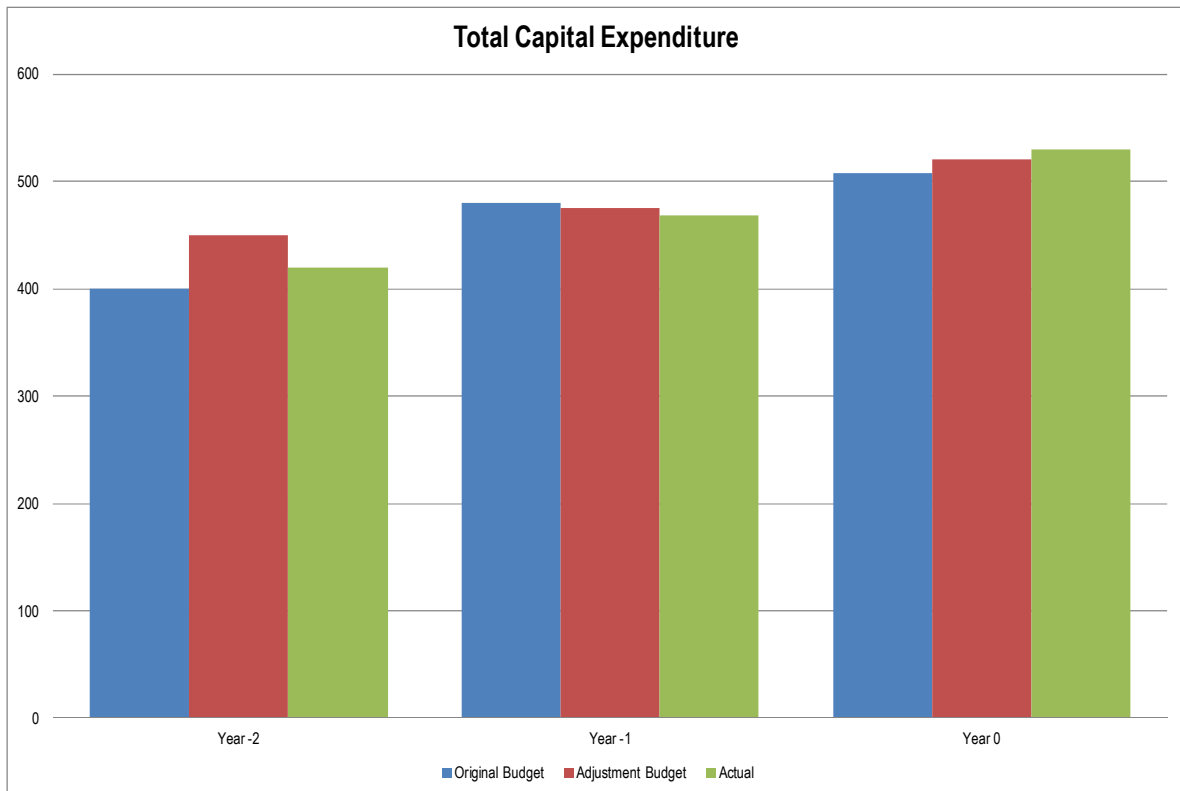
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TABLE 1.4: TOTAL CAPITAL EXPENDITURE

Years 2017/2018 to 2019/2020	Year 2017/2018 R'000	Year 2018/2019 R'000	Year 2019/2020 R'000
DETAIL			
Original Budget	R 309 259	R 121 805	R 121 400
Adjustment Budget	R 309 259	R 164 205	R 145 636
Actual	R 219 914	R 160 072	R 143 643



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T 1.4.5

COMMENT ON CAPITAL EXPENDITURE:

The approved ERWAT capital expenditure amount was adjusted from R121 400 000 for the 2019/20 financial year has been adjusted to R 145 635 521.

The approved Capex Budget of R145 Million for the 2019/2020 financial year (FY) is allocated to support economic development and service delivery.

T 1.4.5.1

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1.5. ORGANISATIONAL DEVELOPMENT OVERVIEW

ORGANISATIONAL DEVELOPMENT PERFORMANCE

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

These talents are specifically in the audit and risk as well as operations department. The human resources department ensures that the entity delivers on what it is known for with sufficient talent and without unnecessary work stoppages.

1.6. AUDITOR-GENERAL REPORT

AUDITOR-GENERAL REPORT: 2018/2019

The Auditor-General (AG) issued an unqualified audit opinion for 2018/2019 with emphasis of matter issues. The findings contained in both the audit report and final management report were addressed by way of an operation clean audit (OPCA) plan. This was developed to address these findings in order to improve the entities systems and prevent the recurrence going forward. The majority of findings were dealt with successfully and progress has been made in addressing the rest.

The emphasis of matter issue relates to the restatement of the corresponding figures for June 2018. These figures were restated as a result of errors discovered in the comparative figures (2017/2018) during the preparation phase of the 2018/2019 financial statements.

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1.7. STATUTORY ANNUAL REPORT PROCESS

TABLE 1.5: STATUTORY ANNUAL REPORT PROCESS		
No.	Activity	Timeframe
1	Consideration of next financial year's budget and strategic process plan. Except for the legislative content, the process plan should confirm in-year reporting formats to ensure that reporting and monitoring feeds seamlessly into the annual report process at the end of the budget/strategic plan implementation period	July
2	Implementation and monitoring of approved budget and strategic plan commences (In-year financial reporting).	
3	Finalise the 4th quarter report for previous financial year	
4	Submit draft 2018/19 annual report to 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 draft annual report including consolidated annual financial statements and performance report to AG	
10	Annual performance report as submitted to 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 receive and start 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	December
16	Board adopts oversight report	
17	Oversight report is made public	
18	Oversight report is submitted to relevant provincial councils	January
19	Commencement of draft budget/ strategic plan finalisation for next financial year. Annual report and oversight reports to be used as input	

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COMMENT ON THE ANNUAL REPORT PROCESS

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

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

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

DRAFT

Chapter 2

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.

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

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

COMPONENT A: POLITICAL AND ADMINISTRATIVE GOVERNANCE

INTRODUCTION TO POLITICAL AND ADMINISTRATIVE GOVERNANCE

The mandate of the company finds expression in the principles championed by the National DWS as well as in the operational and development objectives of the CoE as detailed in the Service Delivery Agreement and ERWAT's business plan. The business plan relates directly to the CoE's integrated development plan (IDP), service delivery budget implementation plan (SDBIP), medium term revenue and expenditure framework (MTREF) and adjustment budgets.

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

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

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

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

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

2.1 POLITICAL GOVERNANCE

INTRODUCTION TO POLITICAL GOVERNANCE

BOARD OF DIRECTORS

The Board of Directors thus consists of one executive and 5 Non-Executive Directors. The Board meets regularly, at least quarterly and retains full control over ERWAT. The Board remains accountable to the CoE, the majority member with a 97% stake in ERWAT and its stakeholders. The 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, characterized 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:

- (a) Setting strategic direction and goals of ERWAT and monitoring management's implementation of that strategy;
- (b) Appointing such committees of ERWAT as may be appropriate to assist in the discharge of its responsibilities and to determine their responsibilities;
- (c) Ensuring that procedures and practices are in place that protects ERWAT's assets and reputation;
- (d) Monitoring financial outcomes and the integrity of reporting, in particular approving annual budgets and longer-term strategic and business plans;
- (e) Ensuring that effective audit, and compliance systems are in place to protect the ERWAT's assets and to minimise the possibility of ERWAT operating beyond legal requirements or beyond acceptable risk parameters;
- (f) Monitoring compliance with regulatory requirements and ethical standards.

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




TABLE 2.1: ERWAT BOARD OF DIRECTORS

Board Member Capacity:	Executive / Non-Executive Director	Race	Gender	Designation
Mr CJ Cornish	Non-Executive	Coloured	Male	Chairperson: Board of Directors
Dr KC Wall	Non-Executive	White	Male	Chairperson: Operations Committee Member: Research, Development & Commercial Business
Dr N Skeepers	Non-Executive	Coloured	Female	Chairperson: Research, Development & Commercial Business Member: Operations
Mr D Coovadia	Non-Executive	Indian	Male	Chairperson: Governance Risk & Compliance Member : Remuneration & Ethics
Mrs G Mahlangu	Non-Executive	Black	Female	Chairperson: Remuneration & Ethics Member : Governance Risk & Compliance
Mr T Gopane	Executive	Black	Male	Managing Director



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

Appendix A sets out committees and committee purposes.

	<p>Mr Craig Cornish</p> <p>Mr Craig Cornish has the following qualifications: National Diploma in Accounting, Post Graduate Certificate: Senior Management Development, Post Graduate Certificate: Forensic & Investigative Auditing.</p> <p>He has vast experience in auditing and financial accounting including forensic audits.</p> <p>He has served on a number of Boards in the public and private sectors.</p>
	<p>Dr Kevin Wall (Non-Executive Director)</p> <p>Dr Kevin Wall has the following qualifications: BSc (Eng), M Urban and Regional Planning, MSc (Eng), PhD(Eng).</p> <p>Dr Wall is a professionally registered engineer and a registered town and regional planner.</p> <p>Dr Wall has extensive experience in engineering including water and sanitation engineering. He also has the following professional registrations: PrEng, TRP (SA), Eng, and CPRP.</p> <p>Not only is he a senior member of the professional bodies, he has been a senior office bearer in these bodies. He has served on a number of Boards in the public and private sector.</p>
	<p>Mr Dawood Coovadia (Non-Executive Director) Justice of the Peace (JHB)</p> <p>Mr Dawood Coovadia has the following qualifications: BCompt Accounting Science, Hons BCompt Accounting Science.</p> <p>He has vast experience in Auditing, Finance, Risk and Corporate Governance and has served on a number of Boards within the public sector sphere.</p> <p>He is a qualified Chartered Accountant and also a member of the following professional institutions:</p>

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	FSAIM, FIAC, FCIS, CMC, FIMC, MIBA, PIA(SA), FIIASA, CAT(UK) and IOD (SA).
	<p>Ms Grace Mahlangu holds a BCompt Degree and training in project management.</p> <p>She has many years of experience in finance and has previously served as a Board member in the private sector.</p>
	<p>Dr Natalie Skeepers (Non-Executive Director)</p> <p>Dr Natalie Skeepers has the following qualifications: Doctorate in Engineering Management (PhD), MPhil in HIV/AIDS Management in the workplace, Masters of Health and Safety, BTech Degree in Environmental Health and National Diploma in Public Health.</p> <p>She has vast background in health, safety and has held responsibility of the overall management of health and safety implementation as well as environmental management for a number of different sectors.</p> <p>She serves on a number of different Boards within public sector sphere and is also a member of the following professional institutions: CILT, ASSE, IOSH-UK.</p>

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Mr Tumelo Gopane (Managing Director)

Mr Tumelo Gopane holds a National Diploma in Electrical Engineering, a Bachelor of Technology in Electrical Engineering, both from the Vaal University of Technology, and a Bachelor of Science Honours in Electrical Engineering from the University of Pretoria.

He is a member and candidate engineer with the Institution of Technology, a member of the Chartered Institute for Purchasing and Supply, and a member of the South African Institute of Electrical Engineers.

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

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



Ms Zimasa Socikwa (Company Secretary)

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

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

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Name	Board Meeting	Governance Risk & Compliance Committee	Remuneration & Ethics Committee	Operations Committee	Research, Development and Commercial Business	Board Lekgotla	Annual General Meeting (AGM)	Total
*Mr Craig Cornish	3	-	-	-	-	0	1	4
Mr Dawood Coovadia	4	4	4	-	-	0	0	12
Dr Kevin Wall	4	-	-	4	4	0	1	13
Dr Natalie Skeepers	4	-	-	4	4	0	1	13
Mrs Grace Mahlangu	4	4	4	-	-	0	1	13
Mr Tumelo Gopane	3	3	3	2	2	0	1	14

Table: Board and Board Committee Meeting Attendance

BOARD SUB-COMMITTEES

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

DECISION-TAKING

Decisions are taken at board level. The member representative acts as an observer to the board meetings and decisions. It is the responsibility of executive management to implement the decisions.

2.2 ADMINISTRATIVE GOVERNANCE

INTRODUCTION TO ADMINISTRATIVE GOVERNANCE

The Board of Directors provides effective leadership to the entity on principled foundation, and the entity subscribes to the governance principles of King IV as well as other applicable laws and regulations. It further entrenches and strengthens recommended practices in its governance structures, systems, processes and procedures. The Board charter sets out the Board's role and responsibilities as well as the requirements for its composition and meeting procedures. The Board and executives recognize 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.

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Directors' responsibility in relation to internal controls and financial controls

The Board charter clearly sets out the Board's role and responsibilities as well as the requirements for its composition and meeting procedures and remains accountable to the members. The Board acknowledges that it is ultimately responsible for the system of internal and financial controls established by the company and places considerable importance on maintaining strong control environment. To enable the Board to meet these responsibilities, it set out standards for internal control aimed at reducing the risk of error or loss in a cost effective manner.

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

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

The managing director is responsible for the day to day management and administration and the entire staff, assisted by the Executive Management. The managing director reports to the Board and is responsible for the implementation of company policy, the organizational strategy as directed by the Board.

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

TABLE 2.4: ADMINISTRATIVE STRUCTURE

NAME	DESIGNATION AND FUNCTION
FIRST TIER	
Tumelo Gopane	Managing Director
SECOND TIER	
Zimasa Socikwa	Company Secretary
Wim Louw	Executive Manager: Financial Services
Rodney Barnes	Executive Manager: Human resources
Alison Chapman	Executive Manager: Scientific services
Fortune Mabunda	Executive Manager: Operations
Mikgane Tsotetsi	Executive Manager: Commercial business
Leonard Chueu	Interim Executive Manager: Maintenance
Emmanuel Khomela	Interim Executive Manager: Infrastructure, Planning and Projects
THIRD TIER	
Johan Engelbrecht	Interim Finance Manager
Chantel Kearns	Interim Supply chain manager

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COMPONENT B: INTERGOVERNMENTAL RELATIONS

INTRODUCTION TO CO-OPERATIVE GOVERNANCE AND INTERGOVERNMENTAL RELATIONS

Intergovernmental relations are mainly carried out by the CoE at municipal level particularly through the finance department and department of water and sanitation (DWS), which liaises directly with the entity as deemed appropriate.

At provincial level, a relationship is fostered with the DWS and other water entities and various stakeholders in the water and sanitation industry. Other relations include Rand Water and other structures.

2.3 INTERGOVERNMENTAL RELATIONS

NATIONAL INTERGOVERNMENTAL STRUCTURES

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

ERWAT has a relationship with EWSETA for funding of Learnerships for learners to be trained in wastewater treatment and management.

PROVINCIAL INTERGOVERNMENTAL STRUCTURE

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

RELATIONSHIPS WITH MUNICIPAL ENTITIES

The CoE is the majority member and executive authority of the company. As such, the CoE's primary responsibility is oversight of the entity and to ensure accountability to the state and the communities. ERWAT performs municipal services on behalf of the CoE and 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 - Ekurhuleni Housing Company SOC Ltd, Brakpan Bus Company SOC Ltd; Ekurhuleni Water

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Care Company. Both the members and the Board play a critical role in the governance of the company. The Board of the entity remains accountable to the members and are expected to provide quarterly reports to the parent municipality.

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

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

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

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

- Establishment of effective municipal entities oversight/monitoring mechanisms
- Mandate and key performance areas/indicators
- Clear definition of roles and responsibilities
- Reporting channels
- Business plans
- 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.

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COMPONENT C: PUBLIC ACCOUNTABILITY AND PARTICIPATION

OVERVIEW OF PUBLIC ACCOUNTABILITY AND PARTICIPATION

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

2.4 PUBLIC MEETINGS

COMMUNICATION, PARTICIPATION AND FORUMS

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

COMMENT ON THE EFFECTIVENESS OF THE PUBLIC MEETINGS HELD

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

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2.5 BUSINESS PLAN PARTICIPATION AND ALIGNMENT

TABLE 2.5: BUSINESS PLAN PARTICIPTION 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 to the KPIs in the strategic plan?	No
Do the business plan KPIs align to those of the Executive Managers?	Yes
Do the business plan KPIs lead to functional area KPIs as per the SDBIP?	Yes
Do the strategic plan KPIs align with the provincial KPIs on the 12 Outcomes?	Yes
Were the indicators communicated to the public?	Yes
Were the four quarter aligned reports submitted within stipulated time frames?	Yes

COMPONENT D: CORPORATE GOVERNANCE

OVERVIEW OF CORPORATE GOVERNANCE

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

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

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

The Board of Directors and executives recognize 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.

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Ethical Leadership

ERWAT's management observes high standards of business and personal ethics in the conduct of its duties and responsibilities. The company acknowledges that through socially and environmentally responsible business along the whole value chain, the situation of the natural environment, communities and employees can be improved and thereby the sustainability of the business ensured.

Corporate Citizenship

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

Compliance with laws, rules, codes and standards

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

2.6 RISK MANAGEMENT

RISK MANAGEMENT

2.6.1 ERWAT Risk Management Strategy

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

- (a) That the resources of the entity are used effectively, efficiently, economically and transparently;
- (b) That full and proper records of the financial affairs of the entity are kept;
- (c) That the entity has and maintains effective, efficient and transparent systems-
 - (i) Of financial and risk management and internal control; and
 - (ii) Of internal audit complying with and operating in accordance with any prescribed norms and standards;
- (d) That irregular and fruitless and wasteful expenditure and other losses are prevented;
- (e) That expenditure is in accordance with the operational policies of the entity; and
- (f) That disciplinary or, when appropriate, criminal proceedings, are instituted against any official of the entity who has allegedly committed an act of financial misconduct or an offence in terms of Chapter 15.

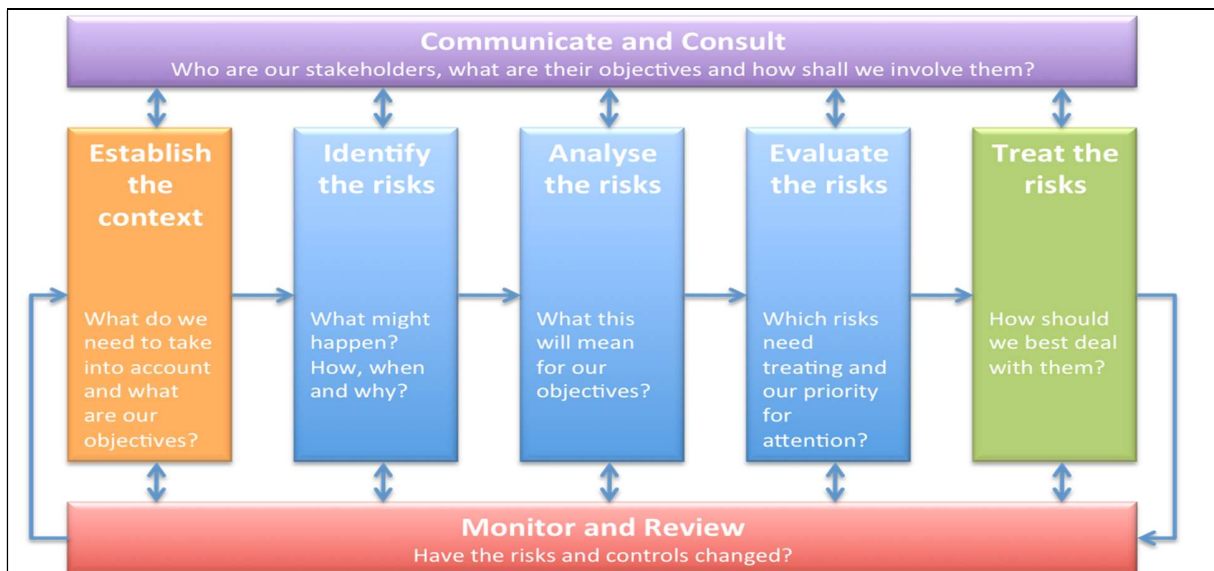
The directors subscribe to the principles of good corporate governance and risk management in order to ensure that the Entity fully complies with section 95 of the MFMA. ERWAT considers risk management as a key process that assists top management and the Board to achieve its strategic objectives.

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The Board charter commits the directors to appreciate that strategy, risk, performance and sustainability are inseparable and give effect to this by satisfying itself that all material risks that might impact strategy and the business plan have been duly considered and addressed by management. There is a continuous monitoring by the Board risk committee to ensure the entity maintains an effective, efficient and transparent system of financial, risk management and internal controls.

ERWAT has developed an enterprise risk management (ERM) policy and the risk management framework to formalize risk management within the entity. These documents are reviewed on regularly to ensure that current best practices are incorporated. Top management strive to create an enabling environment for the implementation of risk management. There is a common understanding that risk management should benefit the full value chain of the entity.

RISK MANAGEMENT PROCESS



2.6.2 ERWAT Corporate risk profile 2019/20

ERWAT has adopted the following best practices public sector risk management framework from National Treasury and ISO 31000 Standard. ERWAT is in the process of adopting the principles of King IV Report on Corporate Governance. These best practices are to ensure that risk management processes within the company is current and relevant.

A formal strategic risk assessment is conducted annually to ensure ERWAT achieves its strategic objectives as set by management and approved by the Board. This process strives to achieve the identification of the critical risks the entity may face to enable it to formulate appropriate risk treatment plans to address all material risks. Top management has the responsibility to ensure that risk management strategy and policy is implemented. They do this by taking active responsibility in the risk management process.

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The entity has made significant progress to implement the treatment plans that are identified by ensuring that the necessary resources are available.

2.6.3 CORPORATE RISK PROFILE

Reference	Risk Title	Strategic Objective
ERW1 Financial risk	Inability to spend capital budget.	<ul style="list-style-type: none"> ○ Undertake a project to review internal business process mapping to ensure a systematic and seamless running of processes. This will decrease the Supply Chain Management Lead time. ○ Formulated a strategy to reduce Supply Chain deviations by implementing Service Master Contracts for emergencies and critical services by extending the use of National Treasury existing Transversal Contracts ○ Streamlining of company-wide reporting to ensure all the relevant stakeholders reporting needs are met timeously and in the correct format
ERW2 Financial risk	Inability to raise capital for projects and urbanisation requirements.	<ul style="list-style-type: none"> ○ Embarked on an exercise to determine the following <ul style="list-style-type: none"> - Grant Ratio (ERWAT infrastructure asset register value vs CoE infrastructure asset register value) - dividing CoE's revenue between IDP requirements and background infrastructure (60/40% or 70/30%) - Establish the total income from sanitation vs ERWAT allocation ○ Establishment of a formal Internal/External Audit Steering Committee that convenes fortnightly to ensure all critical audit matters are address within a reasonable timeframe. The committee members comprise of the executive team and senior managers.
ERW3	Not realising full benefits from sludge beneficiation.	<ul style="list-style-type: none"> ○ Embark on various research projects, prioritise a project to conduct a feasibility study to determine the benefits of sludge beneficiation for internal use and possible generation of revenue. ○ Strengthening of existing relationships establishing, new ones within the Agricultural sector and formerly registered ERWAT with institutions like Agri-SA; South African Fertiliser Association in order to advance the interests of all parties involved. ○ Complete heating and mixing infrastructure project as part of the future Integrated Sludge Beneficiation Plant

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Reference	Risk Title	Strategic Objective
ERW4 Infrastructure risk	Inadequate infrastructure capacity to treat wastewater.	<ul style="list-style-type: none"> ○ Development of a Regionalisation Master Plan, to increase the infrastructure capacity in order to treat wastewater in a growing economy. ○ Monitoring of the implementation of the recommendations of civil structural audits to improve the integrity of the civil structures ○ Collaborations being formed on a continuous basis with organisations that are in the forefront of research and development to keep abreast with the latest technology, regular engagements with the ERWAT Research Chair and internal Continuous Improvement Program through employees. ○ Implementation of the HYBACS Technology at Tsakane Water Care Works ○ Construction work at Vlakplaats Waste Water Care Works for the modification to flow diversion, final effluent collection, maturation and retention pond
ERW5 People risk	Ability to attract and retain key skills	<ul style="list-style-type: none"> ○ Human Resources is critical to the achievement of ERWAT's strategy, with high competition in the water sector. The organisation is in the process of rolling out the career planning framework to all departments. Undertaken a benchmarking exercise of similar industries (water Boards and other Metros) and to review the Human Resources processes and align with current best practices.
ERW6 Compliance risk	Changes in legislation with regards to National Water Act and Occupational Health & Safety	<ul style="list-style-type: none"> ○ Review the Compliance Risk Management Plans and further increase the scope of compliance to ERWAT in the National Water Act and the Occupational Health and Safety Act in order to meet the Greendrop requirements and ensure the highest levels of employee safety.
Business process risk	Inadequate Business Continuity Management processes	<ul style="list-style-type: none"> ○ Implement a formal Business Continuity Management System in line with the recognised Business Continuity Management best practice.
Infrastructure Risk	Possible collapse of infrastructure	<ul style="list-style-type: none"> ○ Geotechnical Investigations studies were conducted on Olifantsfontein and Hartebeesfontein during Quarter 3. As a Primary Settling Tank (PST) is currently sinking due to dolomite, it was recommended that a new PST be constructed in a non-dolomitic land.

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Reference	Risk Title	Strategic Objective
Financial risk	Inadequate insurance coverage for ERWAT	<ul style="list-style-type: none">Regular Gap analysis audits conducted to ensure adequate coverage.

2.7 ANTI-CORRUPTION AND FRAUD

FRAUD AND ANTI-CORRUPTION STRATEGY

Fraud Risk Management is an aspect of the broader Enterprise Risk Management within ERWAT. There is an approved Fraud Prevention Policy and Fraud Prevention Strategy in place. The strategy seeks to articulate the commitment by management and the Board in implementing Fraud Risk Management as an integral part of the wider scope of Enterprise Risk Management. The policy further outlines the roles and responsibilities of all key role players in this process and ensure ERWAT has strong systems on internal control in place to mitigate the risks.

Outline sound fraud risk management principles that enable ERWAT to anticipate and respond to better any fraudulent activity committed against the organization. Rapid changes in our economy and lifestyle pressure may present an opportunity for fraud.

2.7.2 Anti-fraud strategies

Management ensures that effective anti-fraud strategies are in place to prevent, deter, reduce and respond appropriately once there are cases fraud detected. The list is not exhaustive.

- Fraud risk assessment is conducted with an understanding that fraud is a major risk that threatens any business.
- Fraud Risk Training and Awareness through induction programme
- Anti-Fraud Hotline
- Declaration of Interest
- Declaration of Gifts
- Internal Audit Reviews

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Fraud Risk Profile

Reference	Risk Title	Strategic Objective
FR1	Possible abuse of ERWAT fleet	<ul style="list-style-type: none"> ○ Defense Driving Plan and a continuous programme to assess individual drivers ○ Vehicles fitted with a Speed Limiter device and the monitoring of vehicle tracking device reports. ○ Develop a Fleet Safety Programme
FR2	Potential abuse of Supply Chain Management processes	<ul style="list-style-type: none"> ○ Consequence management for the violation of Supply Chain Management processes
FR3	Leaking sensitive company (ERWAT) / (ERWAT client) information for personal gain (Intellectual Property)	<ul style="list-style-type: none"> ○ Awareness on the Protection of Personal Information Act. ○ Management to review internal processes to identify gaps in the current systems; ○ A document management process identified as critical and to be rolled out in the future ○ Controlled access control to systems

EFFECTIVENESS OF RISK MANAGEMENT SYSTEM AND REPORTING

The Board of Directors regularly reports to the parent municipality Risk Committee on the performance and effectiveness of the Risk Management System. The Internal Audit function tests the effectiveness and adequacy of the general internal controls and financial controls. The reports further provide the Audit Committee an assurance that the control environment is strong and adequate. The system of risk management has improved significantly over the last three years. The parent municipality conducts Board evaluations of the system. The ERM function collaborated with risk champions to co-ordinate risk management activities.

2.8 SUPPLY CHAIN MANAGEMENT

OVERVIEW SUPPLY CHAIN MANAGEMENT

The entity has adopted SCM systems in compliance with the provisions of the MFMA and the National Treasury and Municipal Supply Chain Management Regulations, 2005.

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

- The evaluation of bids is based firstly on functionality, then price and B-BBEE in accordance with National Treasury circulars.
- The adjudication process is applied as per the MFMA and as per the SCM Policy.
- Declaration of interest certificates are required for all parties registering on the supplier database.

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- B-BBEE is calculated and based on information received from the suppliers, and verified by certificates confirming their B-BBEE status 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.

A SCM unit was established that monitors the implementation of the SCM policies in line with the regulations which seek to modernise financial governance and improve accountability and transparency in the entity's processes. These policies also provide for the exclusion of awards to persons in the service of the state subject to the exemptions and regulations issued by National Treasury from time to time.

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

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:

The company will strive to display all annual and adjustments budgets and all budget-related documents on the website. This will also include quarterly and annual reports on its website going forward, however, it should be noted that all reports consolidated with the parent municipality are displayed on the CoE's website. Supply management contracts are displayed on the website.

The website had been redesigned and all relevant information regarding ERWAT as well as access to tenders are available on the website. It is also linked to websites of associated organisation, e.g. CoE, the DWS, the Water Research Commission, WISA and IWA.

TABLE 2.8: COMPANY WEBSITE: CONTENT AND CURRENCY OF MATERIAL

Documents published on the company's website	Yes/No	Publishing date
Current annual and adjustment and all budget-related documents	NO	N/A
All current budget-related policies	NO	N/A

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TABLE 2.8: COMPANY WEBSITE: CONTENT AND CURRENCY OF MATERIAL		
Documents published on the / company's website	Yes/No	Publishing date
The previous annual report (2018/19)	YES	February 2019
The annual report (2018/19) published/to be published	YES	February 2019
All current performance agreements required in terms of section 57 (1)(b) of the Municipal Systems Act (2016/17) and resulting scorecards	NO	N/A
All service delivery agreements (2017/2018)	NO	N/A
All long-term borrowing contracts (2017/18)	NO	N/A
All SCM contracts above are prescribed values (give value) for 2017/18	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 2017/18 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 2017/18	NO	N/A
All quarterly reports tabled in the council in terms of section 52 (d) during 2017/18	NO	N/A

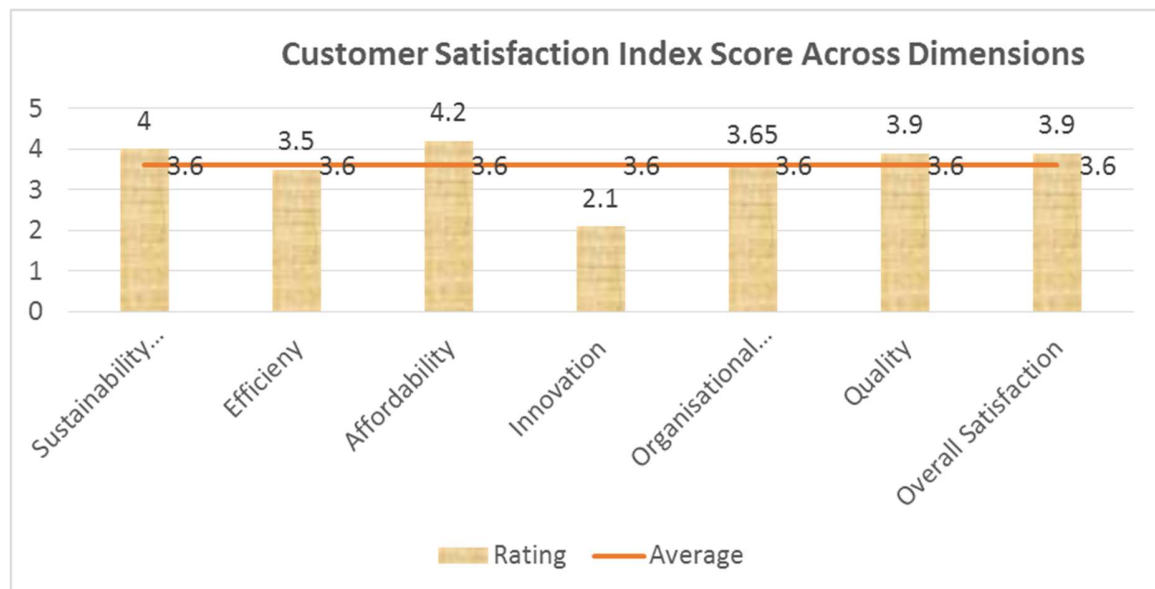
Chapter 2

2.11 PUBLIC SATISFACTION ON COMPANY SERVICES

PUBLIC SATISFACTION LEVELS

According to the 2015 Gauteng City Region Observatory's (GCRO) Quality of Life Survey released in November 2016, the city recorded high satisfaction levels by its residents. The survey revealed that more than 70% of residents have recorded satisfaction with sanitation services. The results of the 2018 survey have not been published yet.

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



COMMENT ON SATISFACTION LEVELS

ERWAT strives to improve satisfaction levels through its service delivery and strategic direction. ERWAT eagerly awaits the publication of the 2019 Quality of Life survey.

The company strives to improve customer satisfaction levels above the current level of 3.6.

CHAPTER 3 – SERVICE DELIVERY PERFORMANCE (PERFORMANCE REPORT PART I)

INTRODUCTION

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



3.1 ERWAT Core Business

3.1.1 Pre-determined city-wide objectives

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

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



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

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

COMPONENT A: BASIC SERVICES

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

INTRODUCTION TO BASIC SERVICES

ERWAT provides bulk wastewater treatment services on behalf of the CoE, whilst the CoE provides access to sanitation to people. 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. The number of households with access to flush toilets is increasing. In the 2019/2020 financial year, 971 046 households had access to flush toilets. It is encouraging to note that the number of households without access to toilets have decreased from 37 180 in 2018/2019 to 27 989 in 2019/2020.

It is a priority to increase the wastewater treatment capacity to cope with the increase in demand.

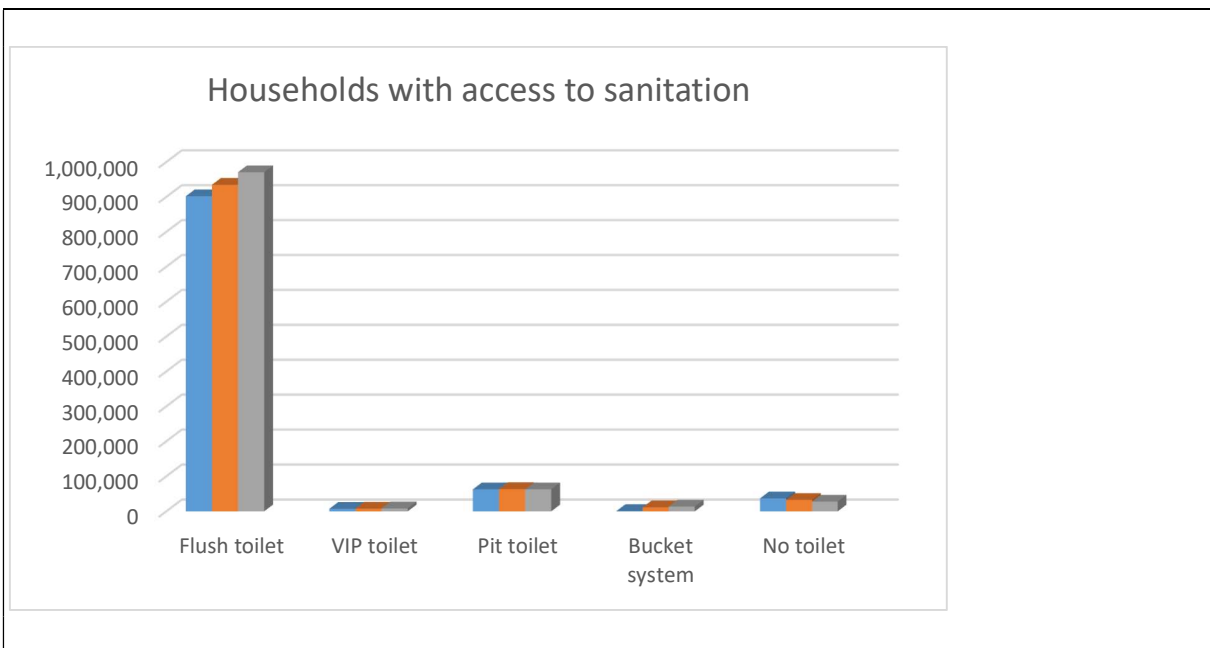


TABLE 3.1: EMPLOYEES: OPERATIONS					
Job Level	2018/2019	2019/2020			
	No of employees	No of posts	No of employees	No of vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
A2	171	141	163	-22	-16%
B1	61	96	51	45	47%
B2	83	84	74	10	12%
B3		3	3		0%
B4	41				
B5	1	16	0	16	100%
C1	38	42	39	3	7%
C2		36	32	4	11%
C3	25				
C4	0	21	20	1	5%
C5	16	0	0	0	
D1	7	1		1	100%
D2		20	22	-2	-10%
D3	3				
D4		4	2	2	50%
E1	1	1	1	0	0%
Total	447	465	407	58	12%

The core business of the company is the purification of wastewater. ERWAT operates 19 Water Care Works and each works is issued with a Water Use License (WUL) by the Department of Water & Sanitation (DWS). Each WUL contains the final effluent water quality standards the works must comply with. To this end the main objective is to comply with the WUL effluent water quality standards at a pre-determined objective per quarter and annually as depicted in Table 1 below.

Table 1: Pre-determined City-wide Objectives

Table 1: City-wide Indicators

Entity	Outcome	Ref No.	Performance Indicator (Output level only)	Description of Portfolio of Evidence Verified	Baseline (Annual Performance of 2018/2019 estimated)	Annual Target for 2019/2020	Annual Planned Output as per SDBIP	Annual Actual Output	Variation	Actual Output Rating	Progress on Targets	Reason(s) for Variation	Remedial Action	Annual Planned Budget	Annual Actual Expenditure
National Prescribed Indicators															
N/A															
Provincial Indicators															
N/A															
City of Ekurhuleni Indicators															
IDP Strategic Objective 2: To build a clean, capable and modernized local state															
ERWAT	Improved Quality of water (including wastewater)	WS4.2	Total revenue generated from external business	Invoices	R107 million	R160 000 000	R160 000 000	R 248 889 792	R88 889 792	Performance Achieved	The target was exceeded by R88 889 792	The target was exceeded due to ERWAT appointment as an Implementing Agent for the Vaal River and Rooiwal Intervention Projects	No remedial Action required since the target was exceeded	R 84 998 424,90	R 216 296 553
	To build a clean, Capable and Modernised Local State	GG3 37	Audit Opinion received from the external audit (AGSA)	Audit report from AGSA	Unqualified Audit Opinion	Unqualified Audit Opinion	Unqualified Audit Opinion	Unqualified Audit Opinion	None	Performance Achieved	Target Achieved	N/A	No Remedial Action Required	R0	R0
IDP Strategic Objective 4: To protect the natural environment and promote resource sustainability															
ERWAT	Improved Quality of water (including wastewater)		Percentage compliance with wastewater treatment works license conditions and/or exemptions standards	Water Quality Data of each Water care works (from the Lab) Spreadsheet used to calculate over all compliance. Applicable Water use authorization of each Water care works.	86%	89%	89%	89%	0%	Performance Achieved	Target Achieved	N/A	None required	R417 304 750	R406 713 507.03

Table 2: Entity's SDBIP

Entity	Outcome	Ref No.	Performance Indicator (Output level only)	Description of Portfolio of Evidence Verified	Baseline (Annual Performance of 2019/20 estimated)	Annual Target for 2019/2020	Annual Planned Output as per SDBIP	Annual Actual Output	Variation	Actual Output Rating	Progress on Targets	Reason(s) for Variation	Remedial Action	Annual Planned Budget	Annual Actual Expenditure
IDP Strategic Objective 2: To build a clean, capable and modernized local state															
ERWAT	Improved Quality of Water including Wastewater	1.M	Percentage Capital expenditure on planned projects	Project progress reports (weekly, quarterly and Annual reports) Payments certificates Invoices	97%	95%	95%	97%	+2%	Target Exceeded	Target Exceeded	The work done exceeded the target of 95%.	No remedial action required	R 138 353 745	R 143 643 082.90
	Improved Quality of Water including Wastewater	2.M	Percentage of planned maintenance scheduled	Job Cards received versus number of job cards completed. AND Finance expenditure reports.	45%	90%	90%	83.75%	6.25%	Not Achieved	Not Achieved	Lack of funds to fully implement newly developed maintenance plan and asset care plans	Department is the process of implementing asset management strategy, however due to lack of funds, remedial actions cannot be fully realized.	R 127 475 241	R 123 178 218
	Improved Quality of Water including Wastewater	3.M	Rand value-support of SMME's through ensuring appropriate application of preferential procurement practices	Procurement Plan and Invoices Paid.	New indicator	R64 390 000	R64 390 000	R105 810 545.36	R41 420 545.36	Target exceeded	Achieved	The inclusion of PPP Regulation 4 in formal tenders advertised for bidders with an EME/QSE B-BBEE resulted in the award of a significantly higher amount of tenders to SMME's than anticipated.	No remedial action required	R64 390 000	R105 810 545.36
	Improved Quality of Water including Wastewater	4.M	Number of repeat audit findings cleared	Number of audit findings cleared	29 audit findings cleared in full by the end of Q4 2018/2019	35 audit findings cleared in full by the end of Q4 2019/2020	35 audit findings cleared in full by the end of Q4 2019/2020	10 audit findings cleared in full by the end of Q4 2019/2020	25 audit findings uncleared	Not Achieved	10 Findings Cleared	ERWAT faced delays in the clearance of the findings in relation to false declarations of suppliers, prevention of fruitless and wasteful expenditure and non-compliance	ERWAT will ensure that audit findings are cleared timeously by strictly enforcing the deadlines indicated on audit findings for clearance.	-	-

Entity	Outcome	Ref No.	Performance Indicator (Output level only)	Description of Portfolio of Evidence Verified	Baseline (Annual Performance of 2019/20 estimated)	Annual Target for 2019/2020	Annual Planned Output as per SDBIP	Annual Actual Output	Variation	Actual Output Rating	Progress on Targets	Reason(s) for Variation	Remedial Action	Annual Planned Budget	Annual Actual Expenditure
												with SMART criteria for the target related to percentage of job cards cleared. ERWAT was unable to clear the finding in relation to payment of suppliers within 30 days from the date of receipt of statement due to cash-flow difficulties faced and delays in payment from the CoE.	In addition ERWAT will apply its 5 step budget model to the audit findings arising in the next financial period in order to ensure that there is clarity regarding which findings require budget allocation before they can be cleared and whether such budgeted funds are in fact available.		

Chapter 3

KPI 1 – City-wide

Percentage compliance with Water Care Works license conditions and/or exemptions standards

Method of Measure:

Water Quality analysis of all 19 Water Care Works calculated as a percentage of parameters complying against the set standards as per Water Use Licences/exemptions. The percentage is then averaged to get the overall percentage compliance.

Evidence

- Water Quality analysis reports per Wastewater Treatment Work and per month;
- Quarterly reports, showing the Water Use License standards and compliance calculations;

Annual Target

89%

Annual Actual

89%

Comment:

Achieved. Although ERWAT achieved the Annual target, the target for both Q1 and Q2 was not achieved. Due to the National Covid-19 Lockdown with many industries closed, there was a reduction in organic loading on the WCWs, as well as a reduced number of critical equipment failures, therefore there was an improved performance of the WCWs in Q3 and Q4 where the target was exceeded in both quarters.

Even though the overall target was achieved, eight (8) of the nineteen (19) plants did not achieve the required levels of compliance, for reasons stated herein below.

1. Water Quality Compliance

The overall Water Quality Compliance target of 89% was met for the 2019/2020 financial year

Eleven (11) out of nineteen plants achieved their targets, with eleven (11) plants achieving the regulatory target of 90%.

2. COD Loads (Organic Capacity)

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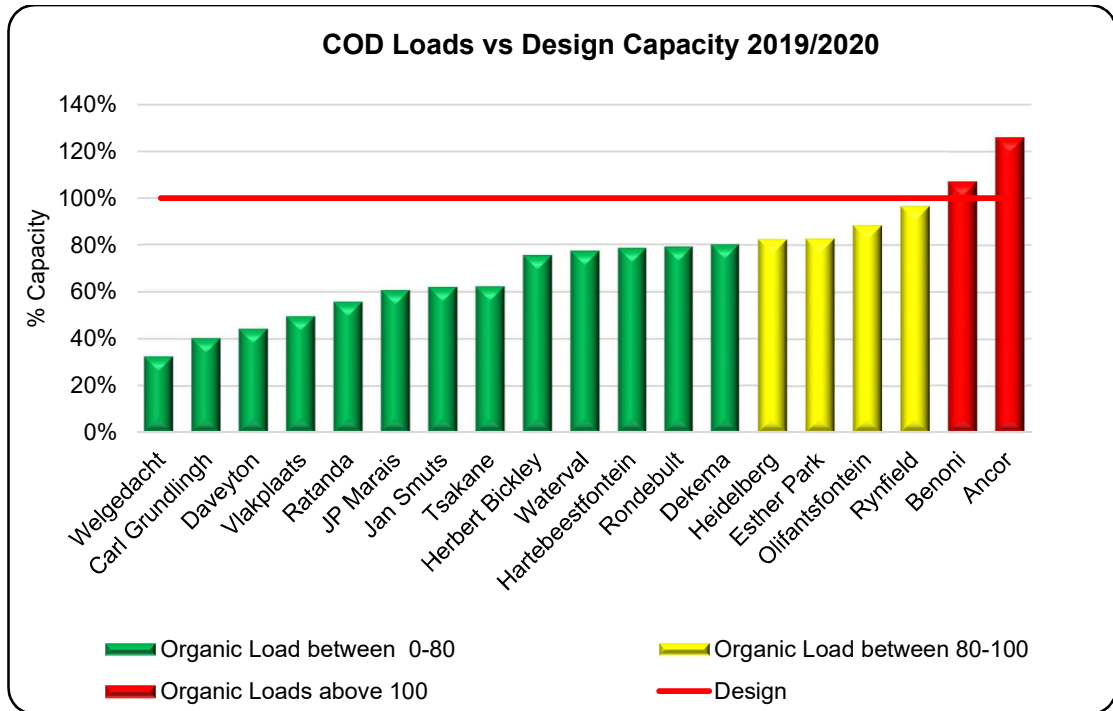


Figure 1

As can be seen in figure 1 above, during the 2019/2020 financial year only two (2) out of the nineteen (19) Water Care Works (WCW) received organic loads more than 100% of the design capacity, four (4) received organic loads between the 80% and 100%, and thirteen (13) received below the 80% mark.

The above graph gives a false impression that the WCWs have sufficient organic capacity, however the pseudo capacity is as a result of the industry recess in December/January and the subsequent shutdown of industry during the COVID-19 Lockdown.

Hydraulic capacity

Figure 2 below depicts a very gloomy picture of the ERWAT Water Care Works with regards to treatment capacity. 9 out of the 19 plants are operating above their design capacity, 5 are operating between 80% and 100% (this is a trigger point for upgrade), with only 5 operating below the 80% mark, which is the acceptable level.

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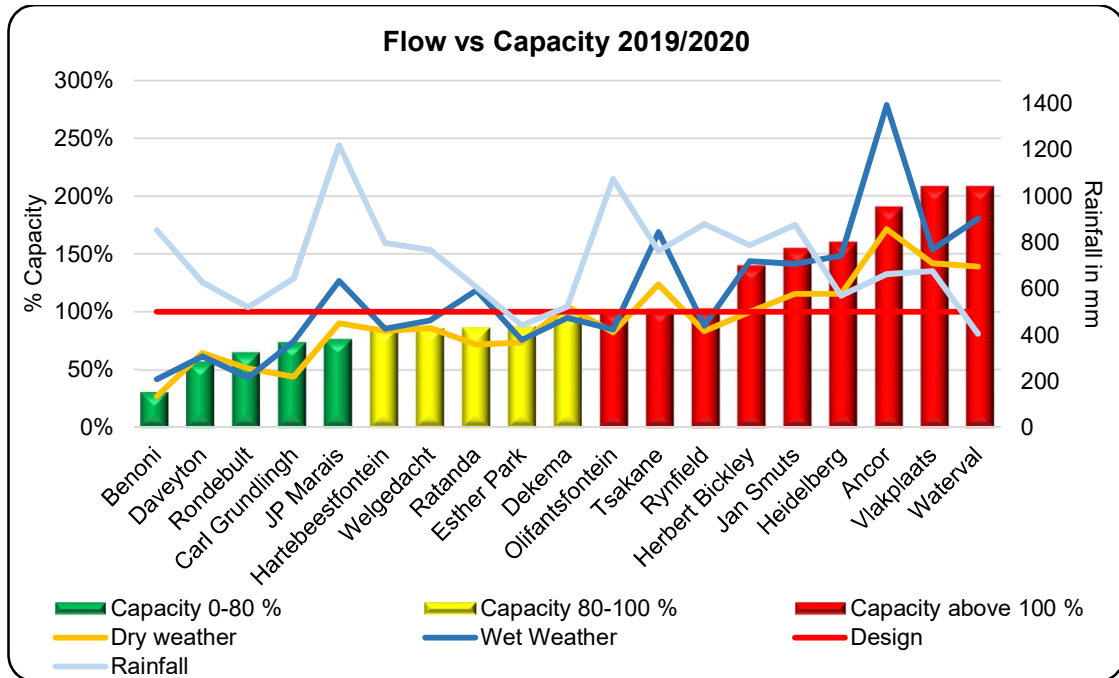


Figure 2: Flow vs Design

WCW	Hydraulic Design Capacity	Actual Flow	Rainfall
Ancor	15.00	28,54	662,90
Benoni	16.00	4,94	852,00
Carl Grundlingh	5.00	3,68	644,20
Daveyton	19.00	10,82	627,60
Dekema	32	29,84	520,29
Esther Park	1.00	0,87	441,50
Hartebeestfontein	63.00	53,52	797,00
Heidelberg	5.40	8,64	568,90
Herbert Bickley	15.10	21,12	787,50
Jan Smuts	6.10	9,43	876,02
JP Marais	15.00	11,46	1220,03
Olifantsfontein	105.00	106,64	1074,50
Ratanda	4.70	4,05	605,50
Rondebult	18.00	13,00	519,90
Rynfield	10.00	10,27	879,00
Tsakane	20.00	20,49	762,00
Vlakplaats	55.00	114,19	676,10
Waterval	170.00	353,20	405,00
Welgedacht	95.00	81,38	767,00

Table 4: Design Capacity vs Actual Flow

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

- Backflows in the outfall sewers, which will lead to blockages and spillages in the City;
- Delayed growth and development in the City of Ekurhuleni due to slow approval of applications for development. This also means delays in potential job creation opportunities in the City;
- Delayed implementation of the 10 Point Plan, including Aerotropolis;

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- Water reclamation strategy being costly to implement;
- Directives being issued by the Department of Human Settlements, Water and Sanitation for issues of non-compliance;
- Delayed achievement of Green Drops.

3. Inadequate infrastructure:

Ten (10) of the WCWs have challenges with collapsed civil structures as a result of dolomitic soil conditions and inadequate funding for maintenance. At WCWs such as Olifantsfontein WCW, Ancor WCW, and Jan Smuts WCW the collapsed infrastructure led to closure of certain parts of the treatment processes, resulting in reduced capacity.

4. Power Disruptions

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

2019/2020	Power Outage	Total Duration	Eskom # of outages	Eskom total duration	CoE # of outages	CoE total duration	Lesedi # of outages	Lesedi total duration
Q1	63	754	10	25	32	670	21	58
Q2	145	1153	65	882	63	225	17	46
Q3	255	431	130	93	93	258	32	80
Q4	71	38	38	242	32	137	1	2
Average	134	594	61	311	55	323	18	46
Total	534	2375	243	1242	220	1291	71	186

Table 5: Power Outages

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

TABLE 3.4: CAPITAL EXPENDITURE YEAR 2019/2020					
Capital projects	Budget	Adjustment budget	Actual expenditure	Original budget variance	Total project value
	R'000	R'000	R'000	Percentage	R'000
TOTAL ALL	R121400	R24000	R141,3371	17%	R145635
PERIMETER FENCE (PHASE 2) AT VARIOUS WWCW	R12,121,822.48	N/A			
VLAKPLAATS FLOW DISTRIBUTION	R12,000,000.00	N/A			
TSAKANE CAPACITY UPGRADE	R3,000,000.00	N/A			
WATERVAL HEATING AND MIXING	R2,000,000.00	N/A			
UPGRADE/ REFURBISHMENT OF BIOFILTER MODULE (3) AT OLIFANTSFONTEIN WWCW (PROFESSIONAL SERVICES)	R8,925,879.93	N/A			

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PLASTIC MEDIA OLIFANTSFONTEIN WWCW	R8,176,442.80	N/A			
PROFESSIONAL SERVICES: OLIFANSFONTEIN INTERVENTION	R8,034,076.23	N/A			
REFURBISHMENT OF BIOLOGICAL TRICKLING FILTERS AT OLIFANTSFONTEIN WWCW	R75,000,000.00	N/A			
WATERVAL WWCW POWER SUPPLY, CONTROL SYSTEM FOR NEW AERATION BLOWERS PROJECT	R16,447,675.49	N/A			
RETENTION ON REPLACEMENT OF MCC PANEL AT VLAKPLATS	R500,000.00	N/A			
REPLACEMENT OF VERTICAL MIXERS AT VARIOUS ERWAT WWCW	R3,424,739.97	N/A			
BIOLOGICAL FILTERS AT VARIOUS ERWAT WWCW	R3,456,888.00	N/A			
PROFESSIONAL SERVICES: REPLACEMENT OF AERATION BLOWERS	R1,473,233.22	N/A			
MAINTENANCE OF TWO (02 NO.) COMBINATION TRUCKS	R1,196,250.00	N/A			
RETENTION MOTOR CONTROL CENTRES AT VLAKPLAATS WWCW	R445,738.98	N/A			
RETENTION FOR MCC JP N DAVEYTON WWCW	R346,408.00	N/A			
SUPPLY AND INSTALLATION OF CHLORINE ANALYZERS	R858,490.70	N/A			
RETENTION FOR 10 RAS PUMPS AT OLIFANSFONTEIN WWCW	R243,443.15	N/A			
FRONT RAKE SCREENS, SCREW COMPACTORS, SCREW CONVEYORS AND GRIT CLASSIFIERS AT DEDICATED ERWAT WWCW	R3,680,043.09	N/A			
RETENTION FOR MCC PANELS JP AND DAVEYTON	R485,958.00	N/A			

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RETENTION FOR DEGRITTER CONTROL SYSTEM AT HARTEBBESFONTEIN WWCW	R224,523.25	N/A			
RAS PUMPS OLIFANSFONTEIN WWCW - RETENTION	R98,442.40	N/A			
SUBMERSIBLE PUMPS-BENONI WEB TENDER	R12,200.00	N/A			
RETENTION FOR ANAEROBIC DIGESTER CONTROL SYSTEM AT HARTEBEEFONTEIN WWCW	R275,850.36	N/A			
NEREDA CAPACITY IMPROVEMENT TECHNOLOGY AT HARTEBEEFONTEIN	R378,266.30	N/A			
FERRIC DOSING SYSTEM AT OLIFANSFONTEIN	R150,625.00	N/A			
SUPPLY AND DELIVERY OF AERATOR AND PST GEARBOXES	R198,399.36	N/A			
MOBILE OFFICES, CHANGEROOMS AND ABLUTION UNITS AT VARIOUS ERWAT WWCW	R421,244.99	N/A			
MOTOR CONTROL CENTRES AT VLAKPLAATS WWCW	R2,501,501.01	N/A			
SUPPLY, DELIVERY AND INSTALLATION OF EIGHT (08 NO.) WASH WATER PUMPS AT DEKEMA	R59,017.62	N/A			
SUPPLY, DELIVERY AND INSTALLATION OF FOUR (04 NO.) HUMUS RECYCLE PUMPS AT VLAKPLAATS	R87,108.05	N/A			
SUPPLY, DELIVERY AND INSTALLATION OF EIGHTEEN (18 NO.) VERTICAL MIXERS AT WATERVAL	R109,129.50	N/A			
OTHER DEPARTMENT	R668,182.81	N/A			

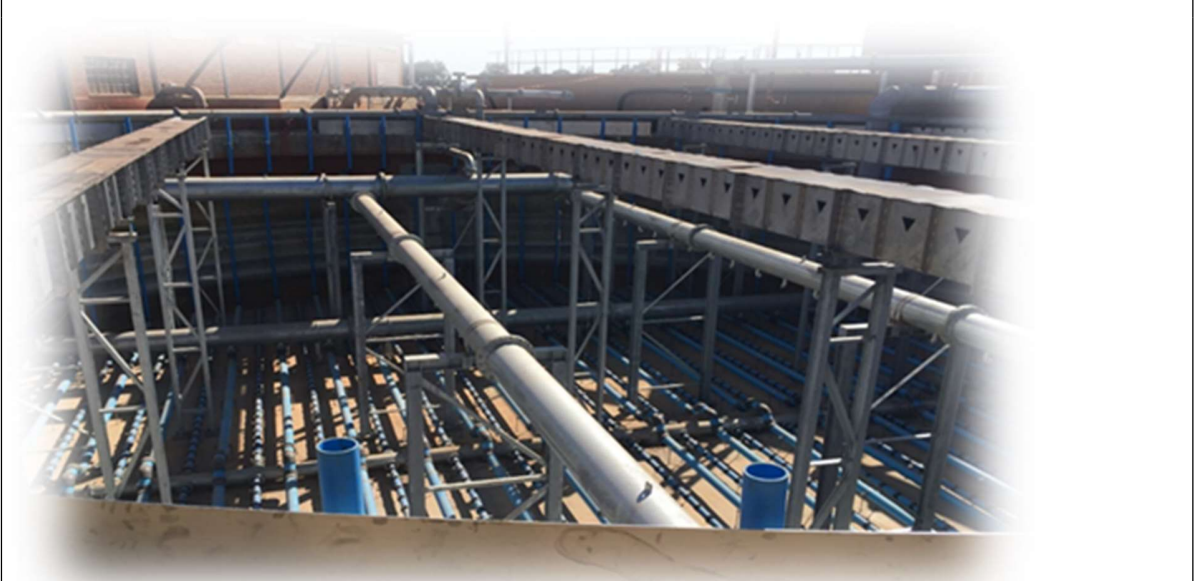
Chapter 3

CAPITAL PROJECTS

In terms of approved capital expenditure for the 2019/20 financial year, ERWAT has planned to implement the following projects which are aligned to the strategic objective of the CoE and DWS.

Hartebeesfontein Capacity Upgrade (5 Ml/day)

The project entails increasing the capacity of Hartebeesfontein Water Care Works by 5 Ml/day through the use of existing infrastructure and retrofitting new technology called Nerada®. The project is at the commissioning stage.



The Nerada Plant in Hartebeesfontein Water Care Works

Resuscitation of Olifantsfontein WWCW

The objective of the project is to resuscitate the biological filtration module at the Olifantsfontein Water Care Works in order to help mitigate the overcapacity that considerably contributes to the non-compliance of the plant. It includes replacement of the rock filter media with a lighter filtration synthetic media with the provision of a system to recycle the liquid leaving the trickling filters back through into the trickling filters.

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Aeration Blowers at Waterval WWCW

The five aeration blowers for Module 2 and 3 at Waterval Wastewater Care Works had reached the end of the service life span, as a result the plant under performs and fail to achieve the desired compliance. Thus, it has become high imperative to replacement the five aeration blowers and its auxiliaries including the renovations of the building. The successful completion of this project will lead capacity enhancement, plant optimization and technology advancement. These aeration blowers will provide better and sufficient dissolved oxygen in the biological reactor leading to clean water or effluent being discharged to the encatchment streams.

COMMENT ON ERWAT BULK WASTEWATER TREATMENT SERVICES OVERALL PERFORMANCE

Although ERWAT had improved in water quality performance target, the company had developed strategies to mitigate the challenges that were encountered to improve performance of the various Water Care Works. ERWAT and the CoE water quality section are working closely together to minimize the risk at source by identifying the polluters, enforcing the by-laws or even assisting in the management of their wastewater treatment facilities via the ERWAT commercial department.

The maintenance department has put together strategies to improve equipment availability and reliability. In response ERWAT has developed a 5-year capital expenditure plan aimed at reducing the backlog and creating a bit of redundancy at the Water Care Works. Furthermore, ERWAT is in the process of implementing a regionalization and 50-year masterplan; emergency/stand-by generators have been procured and are in a process of being installed at the plants to mitigate the challenge of power interruptions, especially unplanned power interruptions.

Due 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.

The continuous monitoring of the green drop compliance has resulted in 13 plants achieving green drop excellent status (internal green drop assessment was performance using the green drop scorecards, with external monitoring from DWS during Q4 / Annual assessment).

The plants achieving a score of 90% or more are Benoni, Heidelberg, Jan Smuts, Daveyton, JP Marais, Hartebeesfontein, Olifantsfontein, Dekema, Ratanda, Rondebult, Rynfield, Vlakplaats and Waterval. The company received an overall performance average of 92.7% for the year.

Chapter 3

COMPONENT B: CORPORATE AND OTHER SERVICES

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

INTRODUCTION TO CORPORATE AND OTHER SERVICES

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

Corporate and other services are structured in the following departments:

- Finance (including information and communication technology (ICT)),
- Human Resources
- Governance legal and Compliance

Corporate and other services are provided to:

- Operations,
- Maintenance
- Commercial business
- Scientific services
- Infrastructure, Projects and Planning

3.2 BOARD OF DIRECTORS

INTRODUCTION TO BOARD OF DIRECTORS

The Board of Directors has incorporated the CoE's corporate governance protocol in its Board charter, which inter alia regulates its relationship with the CoE as its main member and parent municipality in the interest of good corporate governance and good ethics. The protocol is premised on the principles enunciated in King IV. The entity steadfastly consolidated its position in respect of adherence to King IV, and its practices are in most material instances in line with the principles set out in the report. Ongoing steps are however taken to align practices with the report's recommendations and the Board continually reviews progress to ensure that management improves in upholding corporate governance.

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

Chapter 3

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 Executive 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.

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3.3 FINANCIAL SERVICES

INTRODUCTION FINANCIAL SERVICES

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

Focus for the year was on the implementation of the municipal standard chart of accounts and restructuring of the SCM unit to ensure compliance with MFMA and SCM regulations.

Total Revenue

ERWAT's revenue for the period under review consists mainly of rendering wastewater treatment services to the members of the company. This amounted to R791.9m of a total income of R1 011.4m.

TABLE 3.5: REVENUE PER SOURCE

Revenue source	2018/ 2019	2019/2020
	R'000	R'000
Service charges	791 929	878 783
Development contribution	36 446	58 454
Intervention Income	0	135 747
Other income	110 571	102 255
Interest received – investment	2 884	3 147
Dividends received	182	97
Government grants and subsidies	68 164	144 004
TOTAL	1 010 177	1 322 488

The percentage debt collection for the financial year 2019/2020 was 78% by taking the total value of the year's revenue collected against the bills raised in the year.

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TABLE 3.7: FINANCIAL PERFORMANCE 2019/2020

Details	2018/2019	2019/2020			
	Actual	Original budget	Adjustment budget	Actual	Variance to budget
	R'000	R'000	R'000	R'000	Percentage
Total operating revenue (Excluding Non-exchange Revenue)	905 566	999 689	999 689	1 120 030	12.04%
Expenditure					
- Employee costs	333 802	382 468	382 468	363 566	-4.94%
- Repairs and maintenance	158 839	126 469	126 469	140 747	11,29%
- Repairs and maintenance (Intervention Expense)	0	0	0	126 364	100,00%
- Other	485 465	490 752	490 752	495 073	0.88%
Total operating expenditure	978 106	999 689	999 689	1 125 750	12.61%
Net operating surplus/(deficit) Excluding Non-exchange Revenue)	(72 540)	0	0	(5 720)	

COMMENT ON THE PERFORMANCE OF FINANCIAL SERVICES OVERALL

Overall financial services have shown an improvement, especially in monitoring the spending on capital projects. The number of matters raised by the Auditor-General have, however, increased.

The company embarked on mSCOA implementation. This project is challenging as the financial system must be customised to meet the functionality needs of the company. The integration with other systems needs additional attention. The SCM unit has been restructured to meet compliance requirements with SCM regulations.

Chapter 3

3.4 HUMAN RESOURCE SERVICES

INTRODUCTION TO HUMAN RESOURCE SERVICES

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

The Human Resource Department consists of the following sections, which include:

- Employee Relations;
- HR Administration;
- Training and Development;
- Organisational Development; and
- Occupational Health and Wellness

COMMENT ON THE OVERALL PERFORMANCE OF HUMAN RESOURCE SERVICES

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

3.5 INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) SERVICES

INTRODUCTION TO INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) SERVICES

The ICT Services were able to support the ERWAT in implementing a new financial system (Solar) that is compliant with the municipal standard chart of accounts (mSCOA) issued by National Treasury. This fully integrated system will streamline the company and eliminate manual entering of values improving the accuracy and the availability of information.

To allow for the company's mSCOA requirements, the following systems were implemented as priorities:

- Solar
- Resource link
- Success factors employee central
- Performance management

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

- Improved service availability through upgrade of the internet infrastructure
- Improved collaboration / communication platform through the implementation of Outlook Anywhere, enabling the company to access e-mail anywhere in the world
- Improved information security through implementation of a state of the art firewall

Chapter 3

SERVICE STATISTICS FOR ICT SERVICES

The ICT department comprises of four employees. The ERWAT ICT supports head office, laboratory services, 19 Water Care Works and is currently servicing 35 servers and 456 laptops.

ERWAT currently has a number of systems in place such as PABX, financial system, payroll, HR, helpdesk, preventative maintenance system and laboratory information system.

TABLE 3.8: EMPLOYEES: ERWAT ICT SERVICES

Job level	2018/2019	2019/2020			
	No of employees	No of posts	No of Employees	No of Vacancies (fulltime equivalent)	Vacancies as a % of total posts) %
D2	0	1	0	1	20%
C5	1	0	0	0	0%
C4	1	1	1	0	0%
C3	1	2	1	1	20%
C2	1	1	1	0	0%
C1	1	0	0	0	0%

The financial performance of the ICT department for the 2019/2020 financial year is included with the finance department.

TABLE 3.9: CAPITAL EXPENDITURE: ICT SERVICES IN RAND

Capital Projects	2019/2020				
	Budget	Adjustment Budget	Actual Expenditure	Variances from original budget	Total project value
Total all projects	-		-	0.00%	-
Computers	-		-	0.00%	-
Software	-		-	0.00%	-
Server and firewall	-		-	0.00%	-
Projects: Solar related customisation	-		-	0.00%	-

COMMENT ON THE OVERALL PERFORMANCE OF ICT SERVICES:

The ICT Governance within the entity remained a challenge in 2019/20 and one of the main issues was the insufficient funding for upgrading of ICT infrastructure and seamless integration into CoE ERP system.

Chapter 3

3.6 LEGAL; RISK MANAGEMENT AND PROCUREMENT SERVICES

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

INTRODUCTION TO LEGAL; RISK MANAGEMENT AND PROCUREMENT SERVICES

The governance legal and compliance unit has a staff compliment of three. It is headed by the company secretary. Risk management is a division of Governance Legal and Compliance. The priorities for the division is to ensure that ERWAT prioritises risk in its decision making process and highlight any non-compliance matters that may have a negative impact to the organisation to the Board of directors.

The main priorities in the 2019/2020 financial year are as follows:

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

SERVICE STATISTICS FOR LEGAL; RISK MANAGEMENT AND PROCUREMENT SERVICES

TABLE 3.10: EMPLOYEES: LEGAL AND RISK MANAGEMENT

Job Level	2018/2019		2019/2020		
	Employee No	Posts No	Employee No	Vacancies (fulltime equivalent)	Vacancies %
C3	0	0	0	1	50%
D2	1	0	1	0	0

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

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

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COMPONENT C: ORGANISATIONAL PERFORMANCE SCORECARD

Table 3: City-wide Indicators

Entity	Outcome	Performance Indicator (Output level only)	Annual Target for 2019/2020	Annual Planned Output as per SDBIP	Annual Actual Output	Reason(s) for Variation
National Prescribed Indicators						
N/A						
Provincial Indicators						
N/A						
City of Ekurhuleni Indicators						
IDP Strategic Objective 2: To build a clean, capable and modernized local state						
ERWAT	Improved Quality of water (including wastewater).	Total revenue generated from external business	R160 000 000	R160 000 000	R 248 889 792	The target was exceeded due to ERWAT appointment as an Implementing Agent for the Vaal River and Rooiwal Intervention Projects
	To build a clean, Capable and Modernised Local State	Audit Opinion received from the external audit (AGSA)	Unqualified Audit Opinion	Unqualified Audit Opinion	Unqualified Audit Opinion	Target Achieved no remedy required.
IDP Strategic Objective 4: To protect the natural environment and promote resource sustainability						
ERWAT	Improved Quality of water (including wastewater)	Percentage compliance with wastewater treatment works license conditions and/or exemptions standards	89%	89%	89%	Target. Achieved no remedy required.

Table 4: Entity's SDBIP

Entity	Outcome	Performance Indicator (Output level only)	Annual Target for 2019/2020	Annual Planned Output as per SDBIP	Annual Actual Output	Reason(s) for Variation
IDP Strategic Objective 2: To build a clean, capable and modernized local state						
ERWAT	Improved Quality of Water including Wastewater	Percentage Capital expenditure on planned projects	95%	95%	98.63%	The work done exceeded the target of 95%.
	Improved Quality of Water including Wastewater	Percentage of planned maintenance scheduled	90%	83.75%	6.25%	Lack of funds to fully implement newly developed maintenance plan and asset care plans.
	Improved Quality of Water including Wastewater	Rand value- support of SMME's through ensuring appropriate application of preferential procurement practices	R64 390 000	R64 390 000	R105 810 545.36	Maintenance and support services higher due to season (pump stations)
	Improved Quality of Water including Wastewater	Number of repeat audit findings cleared	35 findings cleared in full by the end of Q4 2020	35 findings cleared in full by the end of Q4 2020	10 findings cleared in full by the end of Q4	ERWAT faced delays in the clearance of the findings in relation to false declarations of suppliers, prevention of fruitless and wasteful expenditure and non-compliance with

Chapter 3

						SMART criteria for the target related to percentage of job cards cleared. ERWAT was unable to clear the finding in relation to payment of suppliers within 30 days from the date of receipt of statement due to cash-flow difficulties faced and delays in payment from the CoE.
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Chapter 5

CHAPTER 4 – ORGANISATIONAL DEVELOPMENT PERFORMANCE (PERFORMANCE REPORT PART II)

INTRODUCTION TO ORGANISATIONAL DEVELOPMENT PERFORMANCE

ERWAT employed a total of 778 employees as at 30 June 2020. During the financial year 2019/2020 a total of 27 (twenty-seven) new employees were appointed, 3 (three) permanent employees and 24 (twenty-four) Non-Permanent employees.

A total of 79 (seventy-nine) employees left the service of the company of which 19 (nineteen) employees resigned, 45 (forty-five) contracts ended, 8 (eight) retired, 5 (five) employees passed away and 2 (two) employees absconded 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 organization meets its social and legal responsibilities towards its employees with particular regard to conditions of employment, quality of work life and create opportunities for all, in support of the organizational strategy.

The HR department is responsible for the following:

- Recruitment
- Performance management
- Training
- Movement/promotion of staff
- Terminations (e.g. resignations, retirement, etc.)

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COMPONENT A: INTRODUCTION TO THE COMPANY'S PERSONNEL

4.1 EMPLOYEE TOTALS, TURNOVER AND VACANCIES

EMPLOYEE TOTALS, TURNOVER AND VACANCIES

TABLE 4.1: EMPLOYEES					
Department	2018/2019 Year	2019/2020 Year			
	No of Employees	No of Approved Posts	No of Employees	No of Vacancies	Vacancies %
Commercial Business	11	13	7	6	46%
Office of MD	1	1	1	0	0%
Company Secretariat	1	2	1	1	50%
Top Structure	6	9	6	3	33%
Infrastructure Planning and Projects	18	22	17	5	22%
Maintenance	99	139	93	46	33%
Scientific Services	58	66	57	9	14%
Finance and Admin	17	37	15	22	59%
Operation	388	424	406	18	4%
Corporate Services	27	31	24	7	23%
Totals	626	744	627	117	16%

Employee and approved posts numbers are as at 30 June 2019, as per the approved organogram.

TABLE 4.1.2: VACANCY RATE 2019/2020			
Department	Position	Date Vacant	Comments
Scientific Services	Executive Secretary: Scientific Services	30/04/2014	Currently vacant
IPAP	Executive Manager: IPAP	30/04/2016	Mr Khomela currently acting
Admin & Finance	Fixed Asset Accountant	22/01/2017	Currently filled by temporary personnel
	Fixed Asset Manager	04/11/2016	Still vacant – currently being advertised
	Creditors Clerk	30/09/2016	Currently filled by temporary personnel

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	Creditors Clerk	30/12/2016	Currently filled by temporary personnel
Operations	Regional Works Manager	30/03/2019	Livhuwani Mathomu currently acting
	Works Manager	31/01/2017	New employee started 01/08/2017
	Works Manager	31/03/2017	Recruitment process in progress
Maintenance	Executive Manager: Maintenance	01/07/2018	Leonard Chueu currently acting
	Executive Secretary: Maintenance	18/11/2016	Currently filled by temporary personnel
	Maintenance Manager	01/04/2019	Nelisiwe Mutloane
	Maintenance Manager	01/04/2019	Sandile Masango
Commercial Business	Project Manager: New Business	01/02/2019	Currently vacant
Positions are vacant or have temporary personnel, due to the recruitment process that commenced in 2020/2021 financial year.			

TABLE 4.3: TURN-OVER RATE

Details	Total no of appointments as at the beginning of financial year	No of terminations during the financial Year	Turn-over Rate %
2016/2017	91	59	9.85%
2017/2018	107	23	3.72%
2018/2019	115	63	8%
2019/2020	106	79	10%

COMMENT ON VACANCIES AND TURNOVER

A recruitment plan was noted by Board, that is in line with the structures as well as budget for the 2020/2021 financial year, at the end of the 2019/2020 financial year. The recruitment process commenced in the 2020/2021 financial year.

ERWAT commenced with the preparation of a succession module during Quarter 4 of the 2019/2020 financial year.

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COMPONENT B: MANAGING THE COMPANY'S WORKFORCE

INTRODUCTION TO COMPANY'S WORKFORCE MANAGEMENT

The total number of employees for the year is 778 (includes permanent and non-permanent) which is an increase compared to the previous year. The organisation has undergone a complete restructuring of the organisational structure and manpower requirements, to ensure that it can perform in accordance with its political, social and environmental mandate.

4.2 POLICIES

HR POLICIES AND PLANS				
	Name of Policy	Completed %	Reviewed%	Last Reviewed
1	Acting Policy	100%	100%	22/08/2019
2	Affirmative Action Policy	100%	100%	12/02/2015
3	Career Planning and Succession Planning Policy	100%	100%	12/02/2015
4	Cellular Phone Allowance Policy	100%	100%	22/08/2019
5	Conflict of Interest Policy	100%	100%	09/04/2015
6	Employment Equity Policy	100%	100%	12/02/2015
7	Flexi Time Policy	100%	100%	12/02/2015
8	Gifts Policy	100%	100%	12/02/2015
9	HIV/AIDS Policy	100%	100%	12/02/2015
10	Induction Policy	100%	100%	12/02/2015
11	Job Evaluation Policy	100%	100%	12/02/2015
12	Leave Policy	100%	100%	01/08/2016
13	Long Service Awards Policy	100%	100%	12/02/2015
14	Long Service Leave Policy	100%	100%	12/02/2015
15	Medical Aid Subsidy Policy	100%	100%	12/02/2015
16	Performance Management Policy	100%	100%	22/08/2019
17	Personal Code of Conduct Policy	100%	100%	12/02/2015
18	Recruitment of Temporary Employees Policy	100%	100%	12/02/2015
19	Recruitment, Selection and Placement Policy	100%	100%	12/02/2015
20	Recruitment, Selection and Placement of Executives Policy	100%	100%	02/04/2015
21	Remuneration Policy	100%	100%	12/02/2015
22	Policy Guidelines on Retrenchment/Redundancy	100%	100%	12/02/2015
23	Sexual Harassment Policy	100%	100%	12/02/2015
24	Small Tools Scheme Policy	100%	100%	22/08/2019
25	Smoking Policy	100%	100%	12/02/2015
26	Stand By Service Policy	100%	100%	12/02/2015
27	Substance Abuse Policy	100%	100%	12/02/2015
28	Tool of Trade Vehicle Scheme and Travel Allowance Policy	100%	100%	12/02/2015

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29	Uniform Provision Policy	100%	100%	12/02/2015
30	Death and Funeral Claim Benefit Policy	100%	100%	09/04/2015
31	Home Ownership Scheme Policy	100%	100%	12/02/2015
32	Bursary Scheme Policy	100%	100%	12/02/2015
33	Capacity Building for Directors Policy	100%	100%	12/02/2015
34	In-Service Training Policy	100%	100%	12/02/2015
35	Study Scheme Policy	100%	100%	12/02/2015
36	Travel and Subsistence Policy	100%	100%	11/05/2017
37	Medical Surveillance Policy	100%	100%	08/02/2018

COMMENT ON WORKFORCE POLICY DEVELOPMENT

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

4.3 INJURIES, SICKNESS AND SUSPENSIONS

TABLE 4.5: NUMBER AND COST OF INJURIES ON DUTY

Type of injury	Injury leave taken days	No of employees using injury leave	Proportion of employees using injury on duty leave %	Average no of days injury leave per employee	Total Estimated Cost R'000
Injury on duty	12	3	0.38%	4	8 117.91
Permanent disability	N/A	0	N/A	N/A	0
Temporary disability	N/A	0	N/A	N/A	0
Total	12	3		4	8 117.91

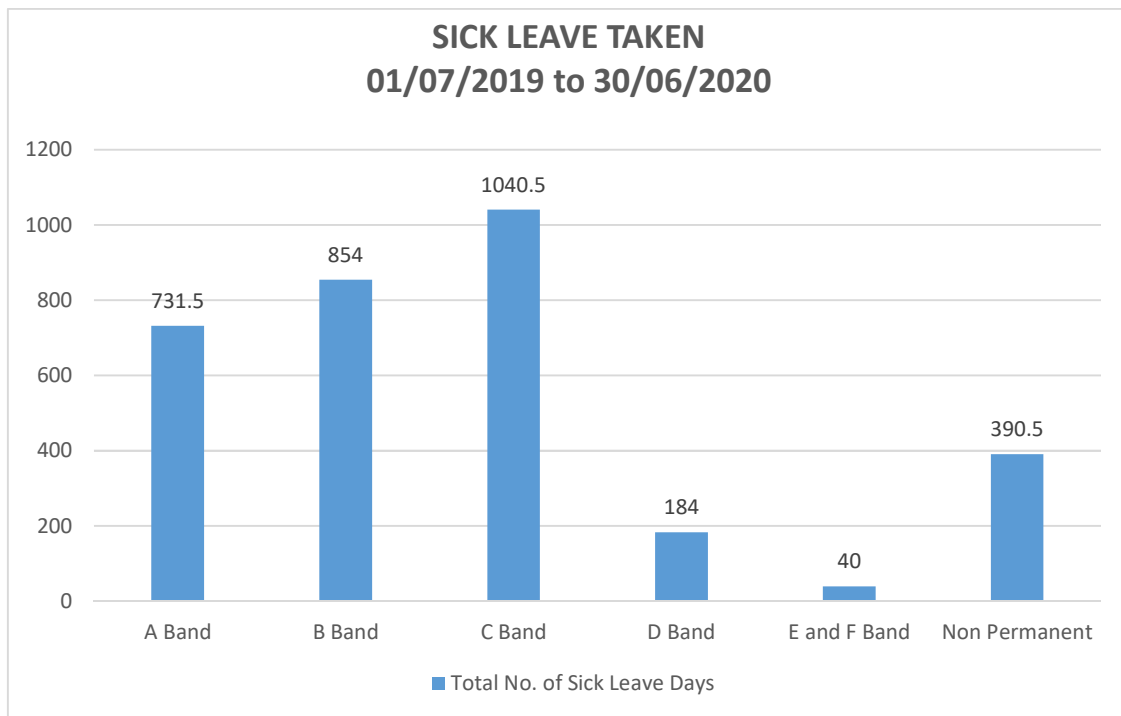
TABLE 4.6: NUMBER OF DAYS AND COST OF SICK LEAVE (excluding injuries on duty)

Patterson Profile Level	Total no of sick leave days	Total Number of Employees using Sick Leave No.	Total no of employees in post No.	Average no of sick leave days per employee	Estimated Cost R'000
Non-permanent	390.5	90	150	4.34	373 356.04
A	731.5	111	172	6.59	458 917.93
B	854	117	188	7.30	747 189.97
C	1040.5	145	218	7.17	1 614 106.29
D	184	26	43	7.08	461 991.46
E and F	40	4	7	10	171 727.06
Total	3 240.5	493	778	6.57	3 827 288.75

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COMMENT ON INJURY AND SICK LEAVE

ERWAT monitors all types of leave on a quarterly basis. Injury on duty leave is reported on a quarterly basis by each Department.



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TABLE 4.3.3 and 4.3.4: DISCIPLINARY ACTION TAKEN ON CASES OF FINANCIAL MISCONDUCT			
Position	Nature of alleged misconduct and Rand value of any loss to the municipality	Disciplinary action taken	Date finalised
Safety Officer	Attempting to bring, or causing the name of ERWAT to be brought into disrepute	Employee has appeared at the disciplinary hearing	15 April 2019
Operator	Assault	Employee has appeared at the disciplinary hearing	12 April 2019
Artisan	Misuse of ERWAT's property for private purposes	Employee has appeared at the disciplinary hearing	12 April 2019
General Worker	Intimidating co-workers	Employee has appeared at the disciplinary hearing	11 April 2019
General Worker	Unauthorised and uncommunicated absenteeism	Employee has appeared at the disciplinary hearing	15 February 2019
Project Manager	Adopting an insolent attitude towards your superior	Employee has appeared at the disciplinary hearing	31 August 2019
Manager: Commercial	Adopting an insolent attitude towards your superior	Employee has appeared at the disciplinary hearing	31 August 2019

TABLE 4.8: DISCIPLINARY ACTION TAKEN ON CASES OF FINANCIAL MISCONDUCT			
Position	Nature of alleged misconduct and Rand value of any loss to the municipality	Disciplinary action taken	Date finalised
N/A	N/A	N/A	N/A

COMMENT ON SUSPENSIONS AND CASES OF FINANCIAL MISCONDUCT

No financial misconduct where reported during the period under review.

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4.4 PERFORMANCE REWARDS

COMMENT ON PERFORMANCE REWARDS

No performance rewards were awarded during the 2019/2020 financial year.

COMPONENT C: CAPACITATING THE COMPANY'S WORKFORCE

INTRODUCTION TO WORKFORCE CAPACITY DEVELOPMENT

ERWAT has developed a five-year skills development plan, with information received from all departments, compiled from the individual personal development plans (PDP's), to ensure the advancement of skills and skills development throughout the organisation. The training and development budgets have been linked to all the training needs received and are in line with the workplace skills plan submitted to the EWSETA.

4.5 SKILLS DEVELOPMENT AND TRAINING

Skills Matrix														
Management Level	Gender	Employees in post as at 30 June Year 0	Number of skilled employees required and actual as at 30 June Year 0											
			Learnerships			Skills programmes & other short courses			Other forms of training			Total		
			No.	Actual: End of Year-1	Actual: End of Year-0	Year 0 Target	Actual: End of Year-1	Actual: End of Year-0	Year 0 Target	Actual: End of Year-1	Actual: End of Year-0	Year 0 Target	Actual: End of Year-1	Actual: End of Year-0
MM and s57	Female	0	0	0	0	0	0	0	0	0	0	0	0	0
	Male	0	0	0	0	0	0	0	0	0	0	0	0	0
Councillors, Senior Officials and Managers	Female	2	0	0	0	2	0	0	0	0	0	2	0	0
	Male	5	0	0	0	5	1	0	0	0	0	5	1	0
Techicians and associate professionals*	Female	14	0	0	0	63	36	0	0	0	0	63	36	0
	Male	26	0	0	0	162	72	0	0	0	0	162	72	0
Professionals	Female	53	0	0	0	19	20	0	0	0	0	19	20	0
	Male	100	0	0	0	53	25	0	0	0	0	53	25	0
Sub total	Female	69	0	0	0	84	56	0	0	0	0	84	56	0
	Male	131	0	0	0	220	98	0	0	0	0	220	98	0
Total		200	0	0	0	304	154	0	0	0	0	304	154	0

*Registered with professional Associate Body e.eg CA(SA)

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TABLE 4.9: SKILLS MATRIX							
Gender	No of employees in post as at 30 June 2020	Original Budget and Actual Expenditure on skills development					
		Learnerships			Skills programmes & other short courses		
		Actual: End 2016/17	Actual: End of 2017/18	2017/18 Target	Actual: End of 2016/17	Actual: End of 2017/18	2017/18 Target
Female	244	R398 869,37	R1 06 2000	R1 06 2000	R345 896,14	R467 000	R940 000
Male	534	R1 259 587	R398 000	R398 000	R716 408,86	R 1 132 000	R 2 275 000
Total	778	R 1 658 456,86	R1 460 000	R1 460 000	R1 062 305	R 1 599 000	R 3 215 000

TABLE 4.10: SKILLS DEVELOPMENT EXPENDITURE		
Original Budget and Actual Expenditure on skills development		
2017/18	Original Budget	Actual
Totals	R 4 675 281,00	R 3 059 646,92

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

During the last financial year, ERWAT has begun implementing the Five Year Rolling Training Plan to ensure that the enhancement of skills of all employees and thus ensuring that there is a development process in the workplace. All employees also have Personal Development Plans which aims to identify skills gaps and growth, where necessary of all employees individually.

ERWAT has completed Wastewater Learnership Programmes for a total of 77 Operations employees during the Quarter 3 of the 2018-2019 Financial Year. These Learnerships are aligned to the Training Plans and Personal Development Plans of the above-mentioned employees. The First month of Quarter 4 also saw the beginning of new Wastewater Learnerships as per the ERWAT 5 year Training Plan, where 70 employees were inducted into the new 12-month Learnerships that consists of both NQF3 and NQF4 Learnerships.

Variances between budgeted and actual expenditure could be due to the delay in procurement of service providers to conduct certain training programmes. In the near future ERWAT will be expected to increase their training budget to be ultimately aligned to the BBBEE Scorecard. No MFMA Training was conducted during the financial year in review, however training is planned for the 2019-2020 financial year.

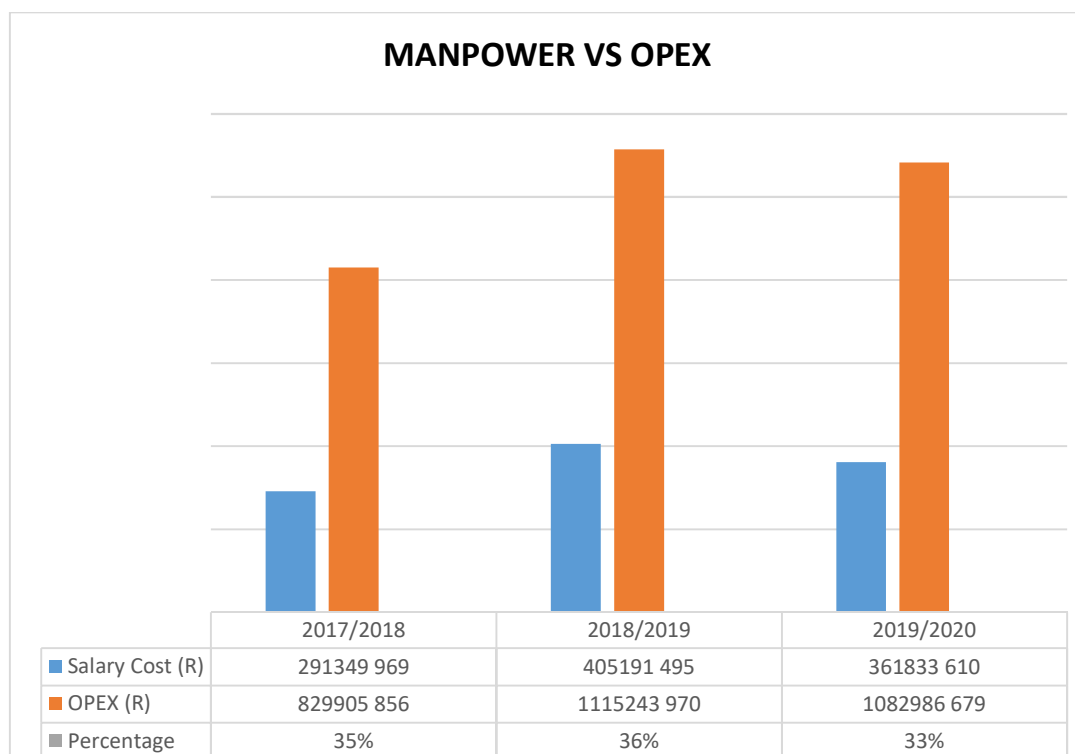
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COMPONENT D: MANAGING THE WORKFORCE EXPENDITURE

INTRODUCTION TO WORKFORCE EXPENDITURE

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

4.6 EMPLOYEE EXPENDITURE



COMMENT ON WORKFORCE EXPENDITURE

Decrease in expenditure on manpower is due to no permanent appointment.

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Number Of Employees Whose Salaries Were Increased Due To Their Positions Being Upgraded		
Beneficiaries	Gender	Total
Lower skilled (Levels 1-2)	Female	
	Male	
Skilled (Levels 3-5)	Female	
	Male	
Highly skilled production (Levels 6-8)	Female	
	Male	
Highly skilled supervision (Levels 9-12)	Female	
	Male	
Senior management (Levels 13-16)	Female	
	Male	
MM and S 57	Female	
	Male	
Total		0
<i>Those with disability 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 (as</i>		<i>T 4.6.2</i>

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

During the period under review no post where ungraded but ERWAT has embarked on a process to review its total Remuneration Strategy, which includes the following; reviewing the current remuneration structure and practices, job analysis, job evaluation and benchmarking of the current grades and remuneration of all positions. This will allow ERWAT to review the current Remuneration Policy and new Remuneration Strategy.

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COMPONENT A: INTRODUCTION TO THE COMPANY'S PERSONNEL

DISCLOSURES OF FINANCIAL INTERESTS

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

TABLE 4.11: DISCLOSURES OF FINANCIAL INTEREST		
Period 1 July to 30 June of 2019/20		
Position	Name	Description of Financial Interests (Nil / Or details)
Managing Director	Tumelo Gopane	Partnership : Farming Business
Executive Manager: Finance & SCM	Wim Louw	Nil
Company Secretary	Zimasa Socikwa	Nil
Executive Manager: Scientific Services	Alison Chapman	Nil
Executive Manager: Operations	Fortune Mabunda	16 % Shareholding in a private investment company.
Executive Manager: Human Resources	Rodney Barnes	Nil
Executive Manager: Commercial Business	Mikgane Tsotetsi	Nil
Interim Executive Manager: Infrastructure Planning and Projects	Emmanuel Khomela	Nil
Interim Executive Manager: Maintenance	Leonard Chueu	Nil

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CHAPTER 5 – FINANCIAL PERFORMANCE

INTRODUCTION

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

- Component A: Statement of Financial Performance
- Component B: Spending Against Capital Budget
- Component C: Other Financial Matters

COMPONENT A: STATEMENTS OF FINANCIAL PERFORMANCE

INTRODUCTION TO FINANCIAL STATEMENTS

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

ERWAT performed reasonably well in the year under review. Operating income increased from R905,6 million in 2018/19 to R1,120 billion in 2019/20 year. However, Operating expenditure increased from R978,1 million in 2018/19 to R1,125 billion in 2019/20.

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TABLE 5.1: FINANCIAL SUMMARY

Description	Ref	2017/18	2018/19	Current year 2019/20			Year 2019/20 Variance	
		Actual	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjusted Budget
		R'000	R'000	R'000	R'000	R'000	%	%
Revenue By Source	1							
Service charges - sanitation revenue		719 935	791 929	879 040	879 040	878 783	-0.03	-0.03
Interest earned - external investments		6 994	2 884	3 722	3 722	3 147	-15.00	-15.00
Dividends received		66	182	0	0	97	100.00	100.00
Other revenue		109 478	110 571	116 927	116 927	238 003	103.55	103.55
Total Revenue (excluding capital transfers and contributions)		836 473	905 566	999 689	999 689	1 120 030	12.04	12.04
Expenditure By Type	-							
Employee related costs		274 567	331 511	379 003	379 003	360 278	-0.05	-0.05
Remuneration of Directors		2 710	2 291	3 465	3 465	3 288	-0.05	-0.05
Debt impairment		348	696	1 626	1 626	(146)	108.98	-108.98
Depreciation & asset impairment		65 943	82 017	74 051	74 051	106 863	44.31	44.31
Finance charges		61 249	55 074	57 021	57 021	48 186	-15.49	-15.49
Bulk purchases	2	203 753	234 049	207 985	207 985	236 378	13.65	13.65
Other expenditure		224 435	272 468	276 538	276 538	370 901	34.12	34.12
Total Expenditure	3	833 006	978 106	999 689	999 689	1 125 750	12.61	12.61
Surplus/(Deficit)		3 467	(72 540)	0	0	(5 720)	-100.00	-100.00

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TABLE 5.1 FINANCIAL SUMMARY (CONTINUED)								
Description	Ref	2017/18	2018/19	Current year 2019/20			Year 2019/20 Variance	
		Actual	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjustment Budget
		R'000	R'000	R'000	R'000	R'000	%	%
Surplus/(Deficit) – Including Grants and Contributions		133 382	32 070	-	-	196 738	-100.00	-100.00
Transfers recognised - capital		(50 000)	(68 164)	-	-	(144 004)		
Surplus/(Deficit) before taxation		83 382	(36 094)	-	-	52 734		
Taxation								
Surplus/(Deficit) for the year		83 382	(36 094)	-	-	52 734		
Capital Expenditure & funds sources	4, 6							
Capital Expenditure		219 914	160 072	121 400	145 636	143 643	188.32	98.63
Funded by:								
National Government		50 000	68 164	121 400	145 636	143 643	188.32	98.63
Transfers recognised - capital		50 000	68 164	121 400	145 636	143 643	188.32	98.63
To be determined								
Borrowing	1	-	-	-	-	-		
Internally generated funds		169 914	91 908	-	-	-		-
Total Capital Funding		219 914	160 072	121 400	145 636	143 643	188.32	98.63
Financial Position								
Total current assets		235 344	133 041	357 668	357 668	357 668		
Total non-current assets		2 106 971	2 185 512	2 221 956	2 221 956	2 221 956		
Total current liabilities		206 598	204 582	319 919	319 919	319 919		
Total non-current liabilities		528 680	480 436	431 564	431 564	431 564		
Equity		1 607 037	1 633 536	1 828 141		1 828 141		
Cash flows								
Net cash from (used) operating		198 785	183 348	146 968	146 968	146 968		
		(218)						
Net cash from (used) investing		224	(162 965)	(143 783)	(143 783)	(143 783)		
Net cash from (used) financing		(51 398)	(52 842)	(55 602)	(55 602)	(55 602)		
Cash/cash equivalents at the year end		86 945	54 485	34 089	34 089	2 067	-93.94	-93.94

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COMMENT ON FINANCIAL PERFORMANCE:

Material differences between budget and actual amounts:

Total Revenue - 97% achieved due to the following reasons:

- Investment Revenue - 118% achieved
- Interest received - Due to under fluctuating bank balances, ERWAT was not able to accurately budget for Investment Revenue.
- Dividends received - ERWAT had received 100% higher than budgeted amount for dividends, as projected dividend income is subject to estimation uncertainty.

Other own revenue - 137% achieved

Development contribution - An amount of R 58 454 385 relating to development contribution was received to which ERWAT could not budget as there is no information to calculate a budget.

Total operating Expense - 95% achieved due to the following reasons:

Debt impairment – -9% incurred due to the small budget for impairment. At the stage of preparing the budget, with the change to a new accounting system, we incurred a few challenges and therefore our impairment provision has increased significantly.

Depreciation and amortisation - 144% achieved due to the unbundling of assets, which entailed a decrease of useful lives of assets. This resulted in depreciation increasing significantly.

Finance costs - 85% achieved due to the budgeted amount that was based on prime interest at the date of the preparation of the budget. Due to an increase in the interest rate the finance cost increase is higher budgeted for. In addition, the drawdown of the loan differed from the planned drawn down which also increased the finance cost.

Other expenditure - 89% achieved. ERWAT has reprioritised spending on other expenditure, which resulted in a saving on expenditure.

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5.1 GRANTS

TABLE 5.2: GRANT PERFORMANCE						
Description	2018/19	2019/20				
	Actual	Budget	Adjustment	Actual	Original	Adjustment
	R'000	R'000	budget R'000	R'000	budget %	budget %
Other grant providers – the CoE capital grant	160 072	121 400	145 636	143 643	118.32%	98.63%
TOTAL	160 072	121 400	145 636	143 643	118.32%	98.63%

COMMENT ON OPERATING TRANSFERS AND GRANTS

The parent municipality, CoE, allocates a portion of the infrastructure grants that they receive toward bulk sanitation services. This amounted to R144 m in the 2019/20 financial year. This is the only grant that ERWAT received from the CoE. Development contributions of R58.5 m were received in 2019/20 (R36.4 m in 2018/19). No other transfers were made by the CoE to ERWAT.

5.2 ASSET MANAGEMENT

INTRODUCTION TO ASSET 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:

- Providing democratic and accountable government for local communities;
- Ensuring the provision of services to communities in a sustainable manner;
- Promoting social and economic development;
- Promoting a safe and healthy environment; and
- Encouraging the involvement of communities and community organisations in matters of local government.

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

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

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

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

The goal of asset management is to achieve the required level of service in the most cost effective manner, which is achieved through management of the asset's life cycle.

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

ASSET STRATEGY

The entity adopts an integrated approach to asset management:

- Taking the entity's strategy, converting that into an asset management strategy and producing plans based upon an analysis of service delivery options;
- 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;
- Informing the annual budget, using the detailed plans;
- Funding each approved asset management plan appropriately through the budget;
- Including in the SDBIP the measurable objectives and targets of each asset management plan;
- 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:

- Consider the service-level requirements;
- Review the current levels of service provided from the relevant assets;
- Conduct a gap analysis of the required vs. current service levels;
- Identify a range of options to resolve that service-level gap;
- Conduct a preliminary assessment of the feasibility of various options;
- Develop a business case for the most feasible option or options. This business case should include:
 - The proposed service delivery option,
 - Identified benefits and identified needs,
 - A full life-cycle-costs forecast,
 - Reliable revenue forecasts including other funding sources;
 - A risk assessment across the whole life cycle of each option, and

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- 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:

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

Asset management plans should also include asset maintenance plans to ensure provision in the budget for appropriate funding 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 LIFECYCLE

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. Management of these phases should be aligned to the entity's planning, budgeting, monitoring and reporting processes. In summary the phases are as follows:

- a) 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.
- b) The acquisition phase deals with the purchase, construction or manufacture of new assets.
- c) 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.
- d) The disposal phase deals with the timing of and disposal of the assets including the disposal costs and specific requirements for the assets, e.g. dismantling costs, etc.

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

i. Asset life-cycle costs

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

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

These are typical asset life-cycle costs:

- 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.

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

ii. 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 is the existing assets worth? (Valuation)
- What are 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? (Gap analysis)
- How much will that level of service cost and when or how can we fund it? (Multi-year capital and operating budgets)
- How can we ensure that level of service is “financially sustainable”? (Fiscal policy, short to long-term financial plans)
- How will we manage and monitor the delivery of that level of service? (Performance management system and performance agreements).
- The funding strategies should optimize the entity’s ability to achieve its strategic objectives. Loans to acquire assets should not be longer than the life of the assets they are used to acquire
- 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

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TABLE 5.3: TREATMENT OF THE THREE LARGEST ASSETS ACQUIRED IN 2019/2020

Asset 1				
Name	Hartebeesfontein – Capacity extension			
Description	Capacity upgrade FST			
Asset type	Fixed (Infrastructure)			
Key staff involved	Development, Supply Chain and Finance			
Staff responsibilities	Engineering manager manages the project and ensure that quality work is performed			
Year	2015/2016	2016/2017	2017/2018	2018 /2019
Asset value	28 055 890	5 524 071		
Capital implications				
Future purpose of asset	Asset built to meet plant capacity needs			
Describe key issues				
Policies in place to manage asset	Asset management policy			
Asset 2				
Name	Waterval Mechanical and Electrical			
Description	Capacity upgrade			
Asset type	Fixed (Infrastructure)			
Key staff involved	Development, Supply Chain and Finance			
Staff responsibilities	Engineering manager manages the project and ensure that quality work is performed			
Year	2015/2016	2016/2017	2017/2018	2018 /2019
Asset value	-	12 492 231	45 677 577	2 768
Capital implications				
Future purpose of asset	Asset built to meet plant capacity needs			
Describe key issues				
Policies in place to manage asset	Asset management policy			
Asset 3				
Name	Waterval Civil works			
Description	Capacity upgrade			
Asset type	Fixed (Infrastructure)			
Key staff involved	Development, Supply Chain and Finance			
Staff responsibilities	Engineering manager manages the project and ensure that quality work is performed			
Year	2015/2016	2016/2017	2017/2018	2018 /2019
Asset value	4 723 656	12 626 089	8 999 938	39 228 296
Capital implications				
Future purpose of asset	Asset built to meet plant capacity needs			
Describe key issues				
Policies in place to manage asset	Asset management policy			

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COMMENT ON ASSET MANAGEMENT:

The status of all the assets including assets at the plants were ascertained during the year. The need was identified to formalize the asset policy, strategy and plans. These issues will be addressed in the 2017/18 financial year.

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

TABLE 5.4: REPAIRS AND MAINTENANCE EXPENDITURE 2019/2020

Detail	Original budget	Adjustment budget	Actual	Budget variance
Repairs and maintenance expenditure	126 469	126 469	140 747	11.29%

COMMENT ON REPAIR AND MAINTENANCE EXPENDITURE

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

Repair and maintenance cost as a percentage of operating expenditure has increased from 14.99% in 2017/18 to 16.67% in 2018/19.

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

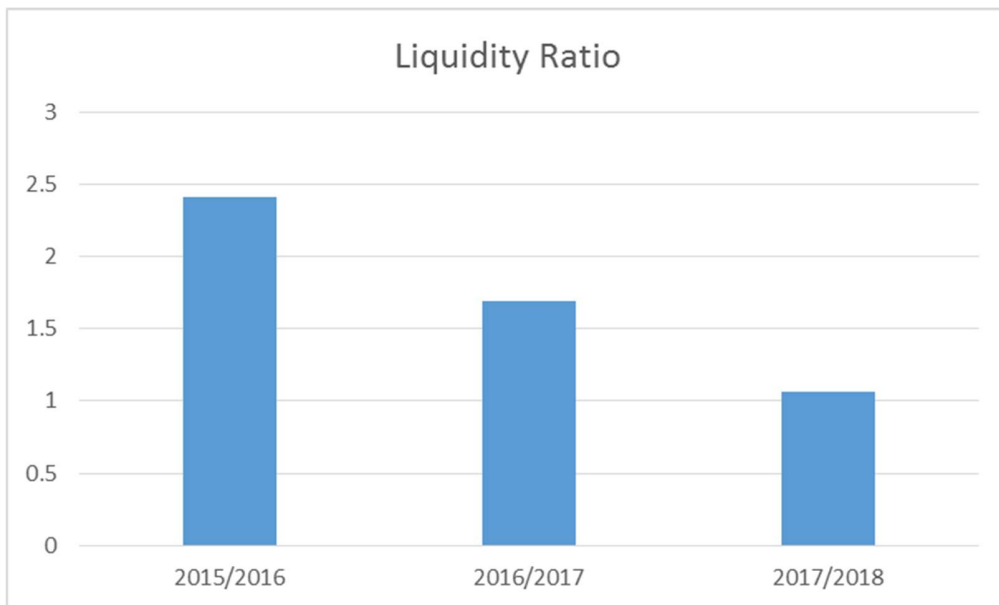
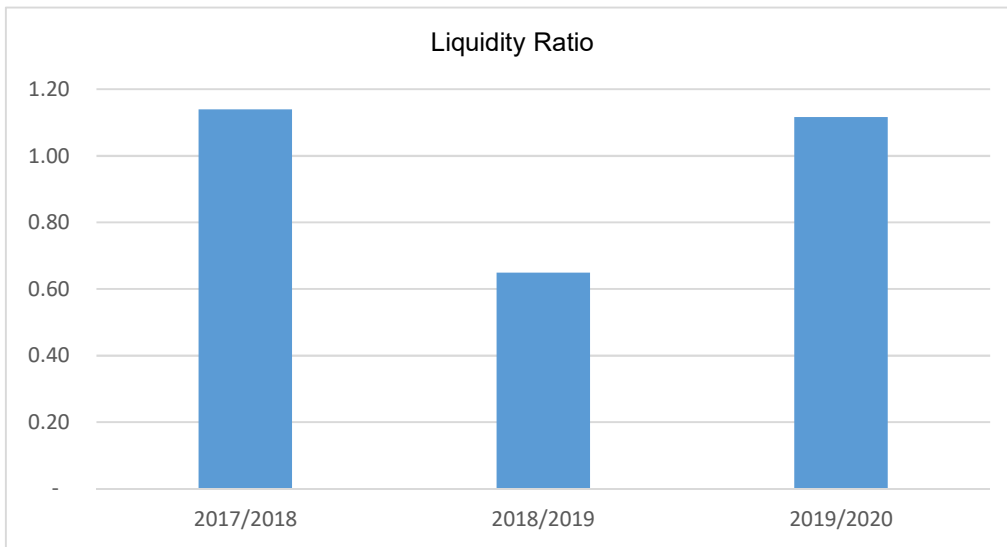
5.3 FINANCIAL RATIOS BASED ON KEY PERFORMANCE INDICATORS

Current ratio

ERWAT's current ratio improved from 0.65:1 in 2018/19 to 1.12:1 in the 2019/20 year. This was due to improved capital spending in 2019/20.

Liquidity ratio

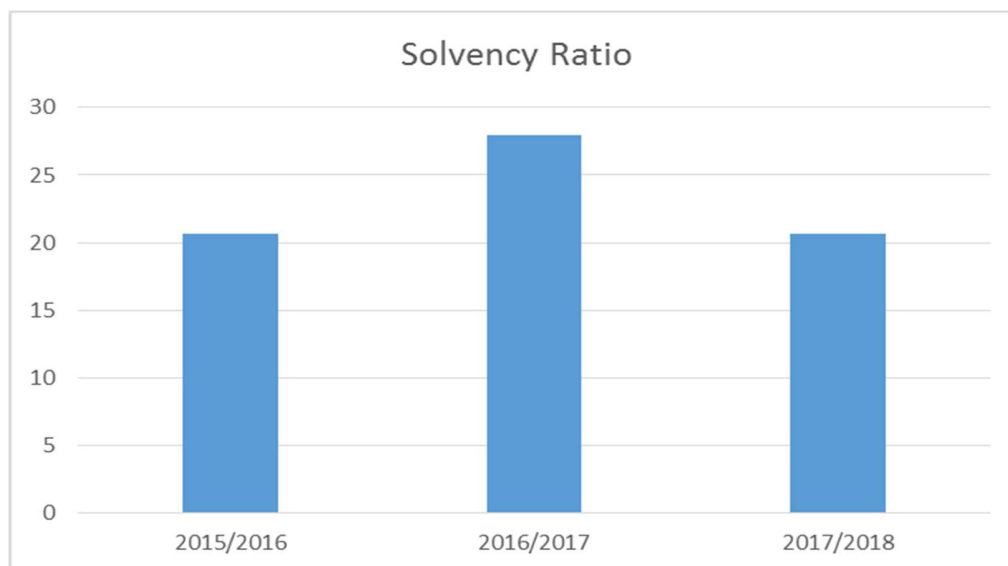
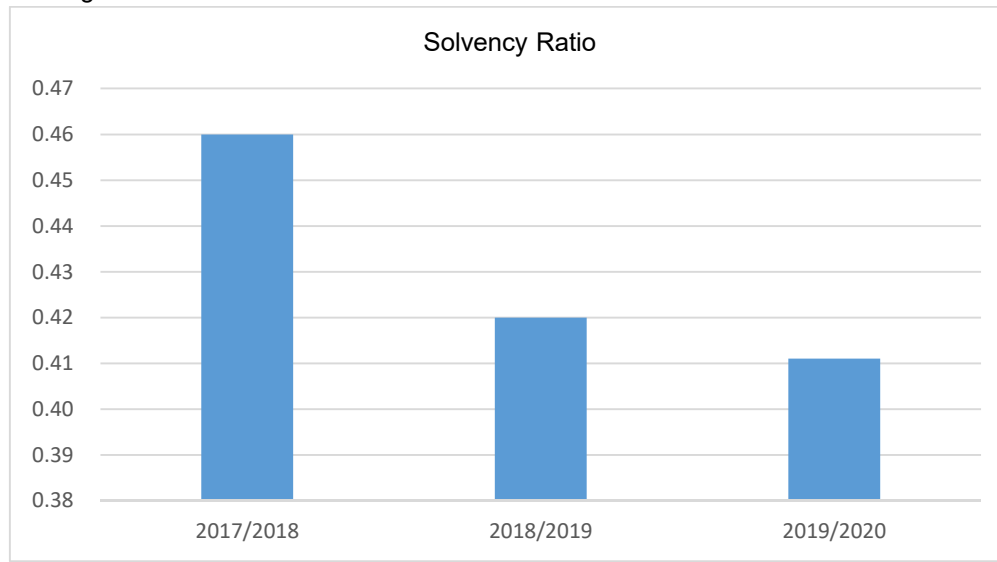
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Solvency ratio

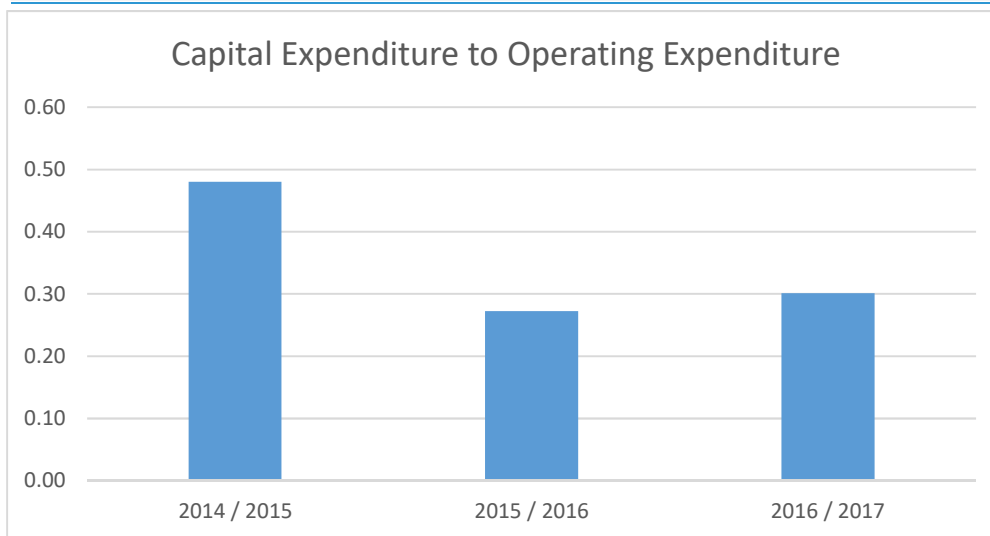
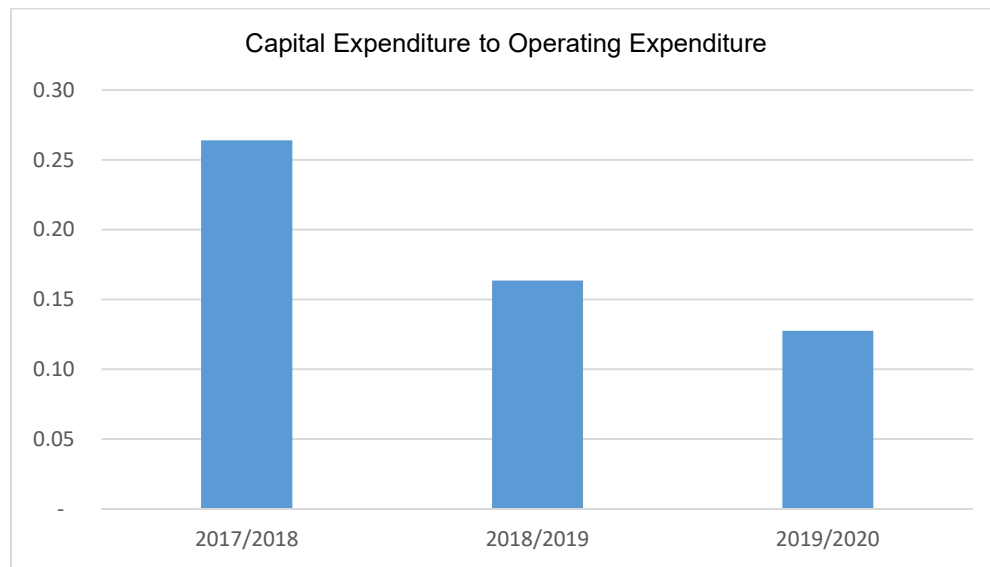
The company's solvency position improved from a solvency ratio of 0.42 in 2018/19 to 0.41 in 2019/20. The solvency of ERWAT will continue to be problematic unless alternative funding sources to loan funding can be accessed.



Capital expenditure to operating expenditure

This ratio has slightly deteriorated from 0.16:1 in 2018/19 to 0.13:1 in 2019/20. Significant steps have been taken by the Board of Directors and management to improve the situation and address the issues of capacity and project management skills as well as improved planning.

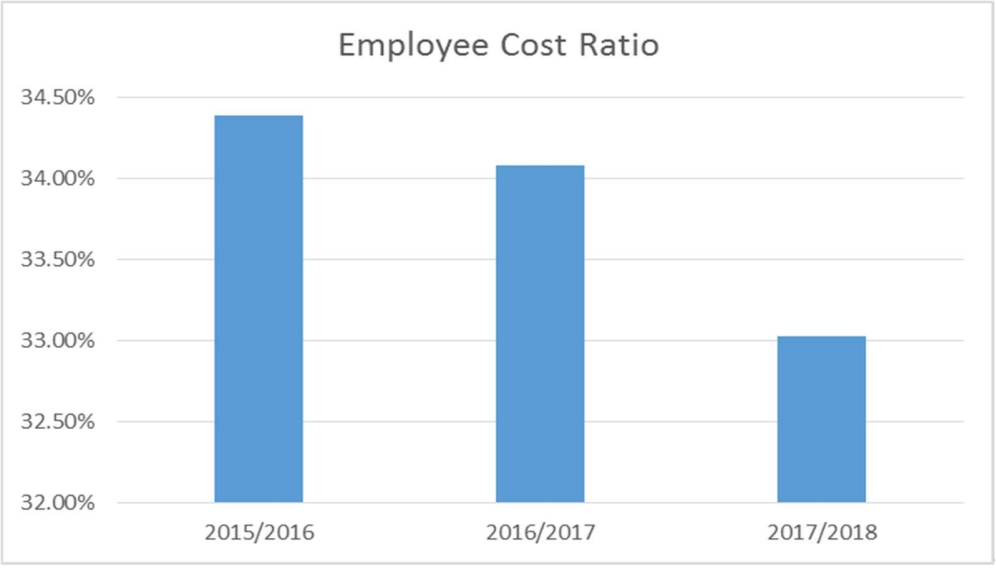
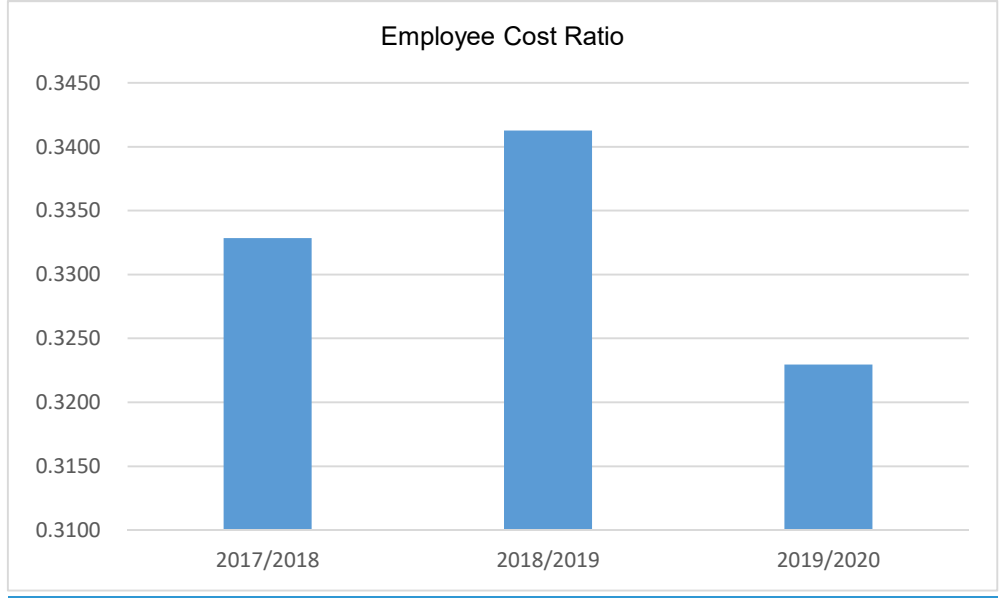
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Employee cost ratio

Employee cost as a percentage of operating expenditure has decreased significantly from 34.13% in 2018/19 to 32.30% in 2019/20.

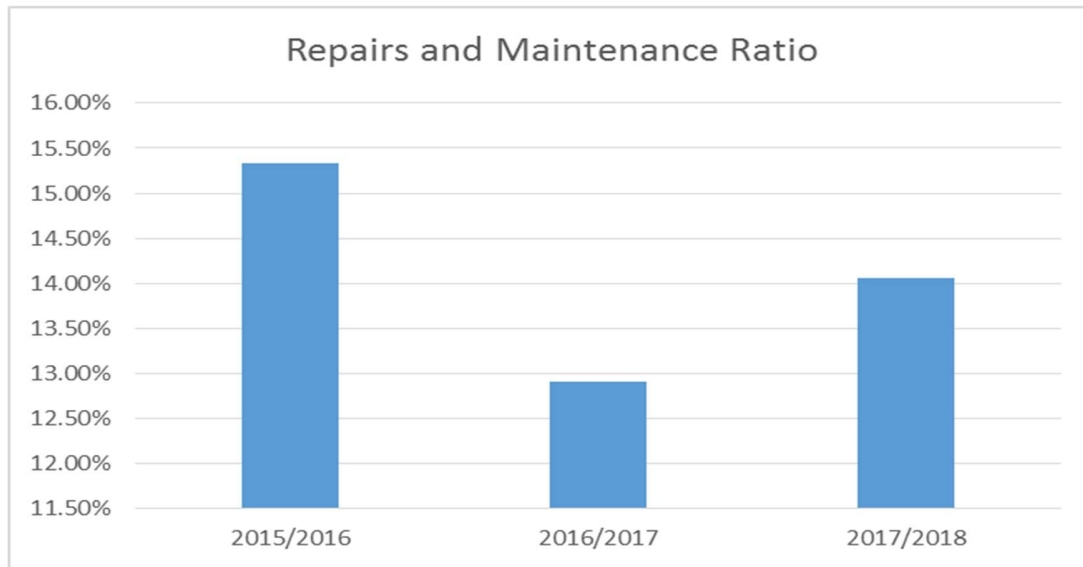
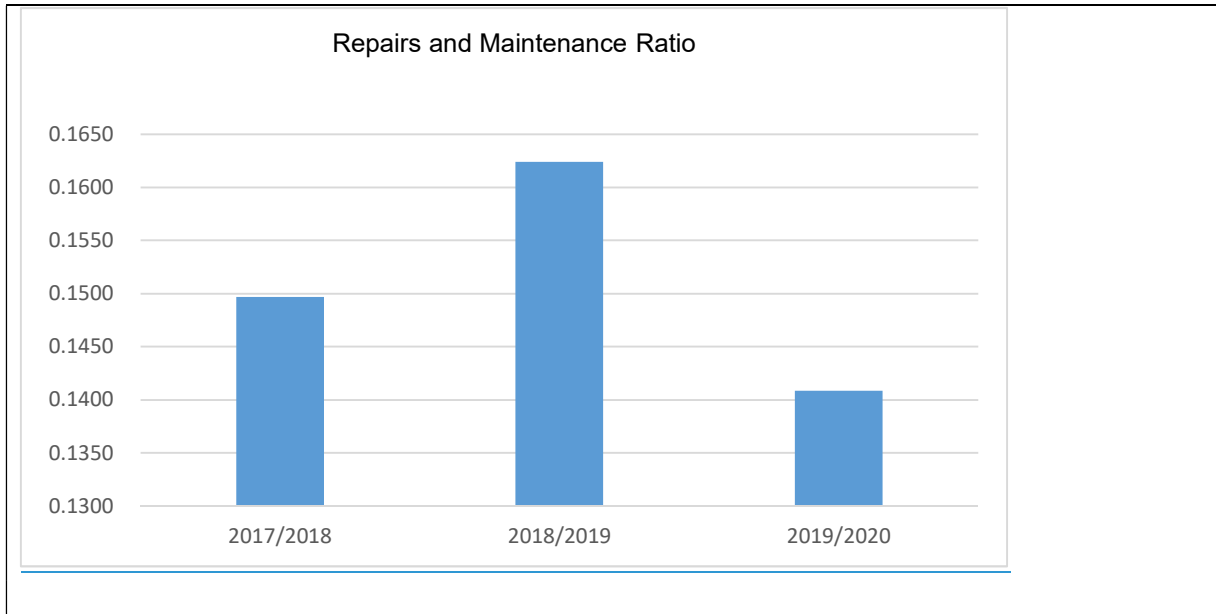
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Repair and maintenance ratio

Repair and maintenance cost as a percentage of operating expenditure has increased from 16.24% in 2018/19 to 14.08% in 2019/20. Expenditure on maintenance, both planned and ad hoc maintenance are extremely important as it not only improve efficiencies on the plants but extend the useful lives of the infrastructure.

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COMMENT ON FINANCIAL RATIOS

The financial health of the company is improving.

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COMPONENT B: SPENDING AGAINST CAPITAL BUDGET

INTRODUCTION TO SPENDING AGAINST CAPITAL BUDGET

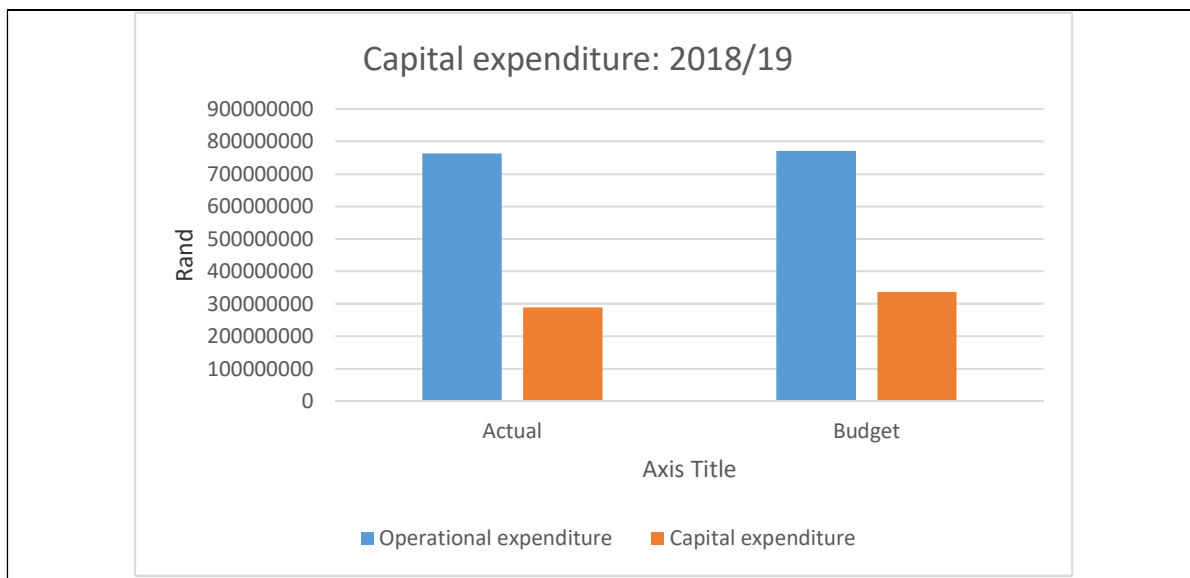
Capital expenditure for the year amounted to R143,6 million which is 98,63% of the budget of R145,6 million. This represents a significant decrease on the 2019/20 year.

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

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

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5.4 CAPITAL EXPENDITURE



5.5 SOURCES OF FINANCE

COMMENT ON SOURCES OF FUNDING:

ERWAT had long-term loans from DBSA, Infrastructure Finance Corporation Ltd (INCA) and Nedbank. The loans are used specifically to fund long-term infrastructure projects such as the extension of existing Water Care Works and construction of new Water Care Works. The other sources of funding are own funds, generated through savings and depreciation as well as R50m grant funding received from the parent municipality on an annual basis.

5.6 CAPITAL SPENDING ON 5 LARGEST PROJECTS

TABLE 5.5: SOURCE OF CAPITAL FUNDING

Source of finance	2018/19	2019/20			
	Actual	Original budget	Adjustment budget	Actual	Variance
	R'000	R'000	R'000	R'000	%
Grant	68 164	121 400	145 636	143 643	-1.37%
Internally generated funding	91 908	-	-	-	0.00%
External loan	-	-	-	-	0.00%
TOTAL	160 072	121 400	145 636	143 643	-1.37%
Percentage of finance	%	%	%	%	%
Grant	42.58%	100.00%	100.00%	100.00%	-0.00%
Internally generated funding	57.42%	0.00%	0.00%	0.00%	0.00%
External loan	0.00%	0.00%	0.00%	0.00%	0.00%

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Capital Expenditure of 5 largest projects*					
R' 000					
Name of Project	Current: Year 0			Variance: Current Year 0	
	Original Budget	Adjustment Budget	Actual Expenditure	Original Variance (%)	Adjustment variance (%)
A - BLOWERS AT WATERVAL	R 58,000,000.00	R 74,000,000.00	R 49,521,532.95	15%	-28%
B - OLIFANSFONTEIN PROGRAM	R 74,459,600.00	R -	R 18,164,478.86	76%	100%
C - BACKUP GENERATORS	R 17,134,081.68	R 19,902,228.68	R 19,902,229.00	-16%	-16%
D - VLAKPLAATS FLOW DIRVERSION	R 65,202,957.00	R -	R 25,275,772.66	61%	100%
E - COMBINATION TRUCKS	R 8,525,000.00	R -	R 8,525,000.00	0%	100%
* Projects with the highest capital expenditure in Year 0					
Name of Project - A	BLOWERS AT WATERVAL				
Objective of Project	The five aeration blowers for Module 2 and 3 at Waterval Wastewater Care Works had reached the end of the service life span, as a result the plant under performs and fail to achieve the desired compliance. Thus, it has become high imperative to replacement the five aeration blowers and its auxiliaries including the renovations of the building. The successful completion of this project will lead capacity enhancement, plant optimization and technology advancement.				
Delays	Community Unrests due to local business forum and community members embark on a strike requesting employment and 30% subcontracting to local SMME. The supplier ran into cashflow problems leading to not fulfilling commitments with subcontractors and suppliers, who in return delayed in delivery of equipment and paused installations.				
Future Challenges	Turnaround time for spares procurement and delivery, may take longer since these can only be sourced overseas whereby they can only start manufacturing once a certain deposit is paid, furthermore the full amount shall be paid before shipping can be effected.				
Anticipated citizen benefits	These aeration blowers will provide better and sufficient dissolved oxygen in the biological reactor leading to clean water or effluent being discharged to the encatchment streams.				
Name of Project - B	OLIFANSFONTEIN PROGRAM				
Objective of Project	To resuscitate the biological filtration module at the Olifantsfontein Water Care Woks in oder to help mitigate the overcapacity that considerably contributes to the non compliance of the plant.				
Delays	Unforeseen poor structural condition of the Biofilter tanks which has implications on the type of media that can be safely installed and contained by the walls throughout the remaining lifetime of the structure.				
Future Challenges	Unavailability of Asbuilt information ,emptying of BNR reactor and Digestors for structural assesment				
Anticipated citizen benefits	The additional treatment capacity will improve the quality of the effluent.				
Name of Project - C	BACKUP GENERATORS				
Objective of Project	ERWAT plants are designed to operate continuously (24 Hours/day). This makes the need for continuous power a necessity, hence the need to install back-up power in case of power failure.				
Delays	Due to the fact that all ERWAT plants are designed to operate continuously, it is extremely challenging to obtain plant shut downs in order to install the generators, as a result the plants could only authorise shut downs when the inflow to the plants was reasonably low				
Future Challenges	Failure to do conduct proper maintenance on Generators can result in equipment not operating at maximum.				
Anticipated citizen benefits	Due to the ongoing electricy constraints throughout the country the need for continous power availability will ensure continous cleaning of water				
Name of Project - D	VLAKPLAATS FLOW DIVERSION				
Objective of Project	Capacity Enhancement .				
Delays	Long process and time for Approval of The Water Use Licence Amendments (WULA) by Department of Water and Sanitation.				
Future Challenges	Turnaround time spares procurement and delivery since the is a possible of change of material specification.				
Anticipated citizen benefits	To improve the quality of effluent and increases the retention time of the biofilter effluent.				
Name of Project - E	COMBINATION TRUCKS				
Objective of Project	Provide the capability of jetting and sucking of waste in case of spillages or blockages in the treatment plant and pump stations				
Delays	Turnaround time for spares procurement and delivery, may take longer since these can only be sourced overseas whereby they can only start manufacturing once a certain deposit is paid, furthermore the full amount shall be paid before shipping can be effected.				
Future Challenges	Turnaround time for spares procurement and delivery, may take longer since these can only be sourced overseas whereby they can only start manufacturing once a certain deposit is paid, furthermore the full amount shall be paid before shipping can be effected.				
Anticipated citizen benefits	Blockages and spillages will be mitigated ensuring clean environment and continous clean effluent being discharged into the river				

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COMMENTS ON CAPITAL PROJECTS

The scope change after adopting to a lighter plastic media, the program was revised and align to include the designs phase for the plastic media and newly proposed recycle pump station and all auxiliary work required.

Awarded letter had to be re-issued due to Rate of Exchange (RoE) adjustment to cater for abnormal fluctuation as a result of the COVID-19 pandemic.

5.7 BASIC SERVICE AND INFRASTRUCTURE BACKLOGS – OVERVIEW

INTRODUCTION TO BASIC SERVICE AND INFRASTRUCTURE BACKLOGS

The number of households with access to sanitation increases by approximately 30 000 per year. This increase is creating pressure on the existing infrastructure to cope with the additional volumes of wastewater.

TABLE 5.7: SERVICE BACKLOGS AS AT 30 JUNE 2020*

Detail	Service level above minimum standard		Service level below minimum standard	
	No of households	% of households	No of households	% of households
Sanitation	979 651	90.34%	104 713	9.66%

* June 2019 data is not available at the time of compiling the annual report)

COMMENT ON BACKLOGS

ERWAT received a grant of R50 000 000 from the CoE for capital projects. The company does not access MIG grants.

COMPONENT C: CASH FLOW MANAGEMENT AND INVESTMENTS

INTRODUCTION TO CASH FLOW MANAGEMENT AND INVESTMENTS

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

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

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

5.8 CASH FLOW

TABLE 5.8: CASH FLOW OUTCOMES					
Description	2017/18	2018/19	Current year 2019/20		
	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Actual
	R'000	R'000	R'000	R'000	R'000
CASH FLOW FROM OPERATING ACTIVITIES					
Receipts					
Ratepayers and other	882 435	1 004 926	974 693	974 693	974 693
Government - capital	50 000	68 164	70 650	70 650	70 650
Interest	6 994	2884	3 147	3 147	3 147
Dividends	66	182	97	97	97
Payments					
Suppliers and employees	(679 460)	(837 735)	(856 803)	(856 803)	(856 803)
Finance charges	(61 249)	(55 074)	(44 816)	(44 816)	(44 816)
NET CASH FROM/(USED) OPERATING ACTIVITIES	198 786	183 347	146 968	146 968	146 968
CASH FLOWS FROM INVESTING ACTIVITIES					
Payments					
Capital assets	(218 224)	(162 965)	(143 783)	(143 783)	(143 783)
NET CASH FROM/(USED) INVESTING ACTIVITIES	(218 224)	(162 965)	(143 783)	(143 783)	(143 783)
CASH FLOWS FROM FINANCING ACTIVITIES					
Receipts					
Borrowing long term/refinancing	(51 398)	(52 842)	(55 602)	(55 602)	(55 602)
Payments					
Repayment of borrowing					
NET CASH FROM/(USED) FINANCING ACTIVITIES	(51 398)	(52 842)	(55 602)	(55 602)	(55 602)
NET INCREASE/ (DECREASE) IN CASH HELD	(70 837)	(32 460)	(52 417)	(52 417)	(52 417)
Cash/cash equivalents at the year begin:	157 782	86 945	54 485	54 485	54 485
Cash/cash equivalents at the year end:	86 945	54 485	2 067	2 067	2 067

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COMMENT ON CASH FLOW OUTCOMES

ERWAT's cash reserves declined from R54.5 million in 2018/19 to R2.1 million in 2019/20. This was mainly due to the delayed payment of Service Charges from the CoE which was not yet received as at 30 June 2020.

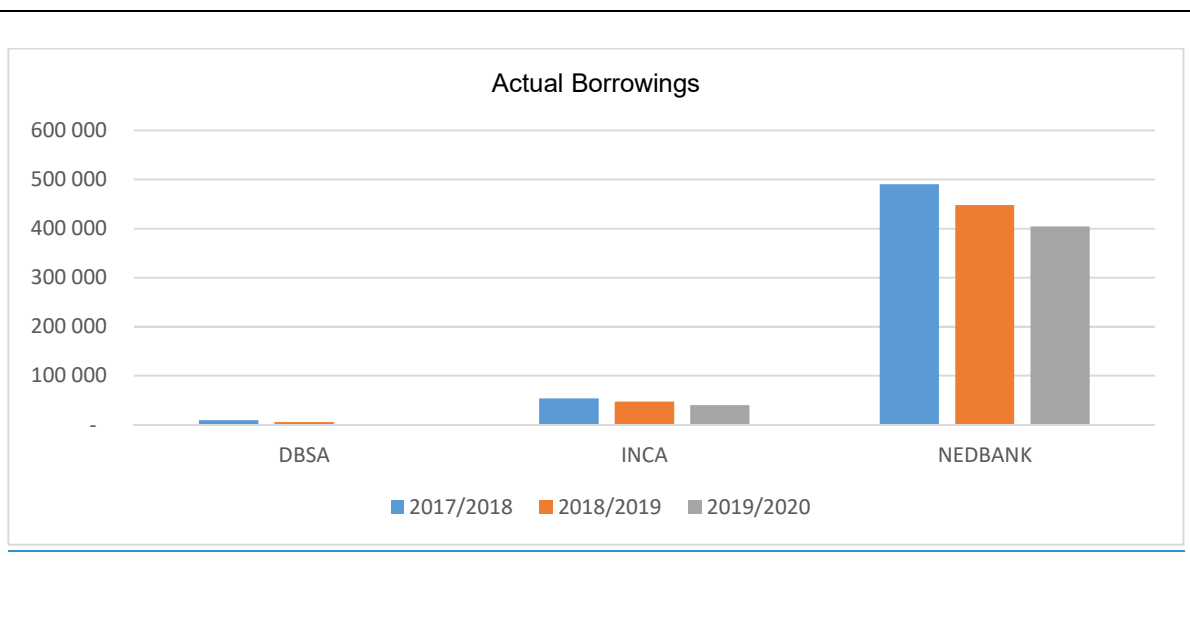
5.9 BORROWING AND INVESTMENTS

INTRODUCTION TO BORROWING AND INVESTMENTS

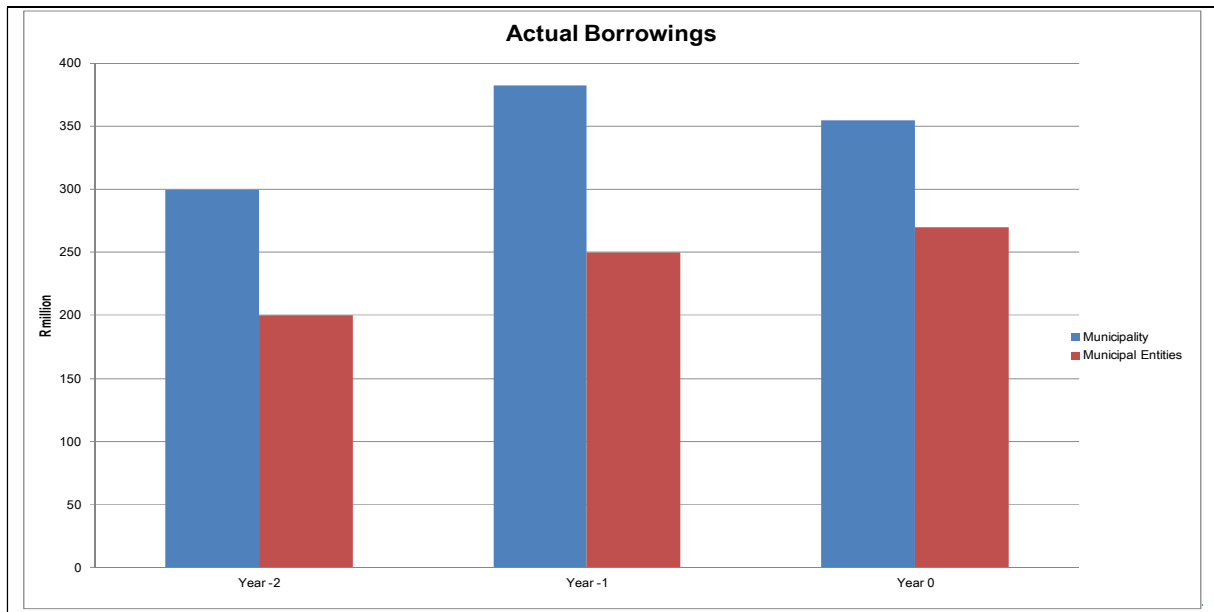
ERWAT has long-term loans from DBSA, INCA and Nedbank. The ABSA loan was repaid in the 2014/15 financial year. The loans are used specifically to fund long-term infrastructure projects such as the extension of existing plants and construction of new plants.

TABLE 5.9: LONG TERM LOANS FROM 2016/2017 to 2018/2019

Outstanding balances as at 30 June 2020			
Loan provider	2017/18	2018/2019	2019/2020
DBSA	9 306 219	5 700 202	1 152 011
INCA	54 103 962	47 668 814	40 385 638
NEDBANK	490 435 435	447 970 486	404 367 914
TOTAL LOANS	553 845 616	501 339 502	445 905 563



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COMMENT ON BORROWING AND INVESTMENTS

ERWAT has long-term loans from DBSA, INCA and Nedbank. The ABSA loan was repaid in the 2014/15 financial year. The loans are used specifically to fund long-term infrastructure projects such as the extension of existing plants and construction of new plants.

No loans were extended or grants made by ERWAT in 2019/2020.

5.10 PUBLIC PRIVATE PARTNERSHIPS

PUBLIC PRIVATE PARTNERSHIPS

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

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

Chapter 5

COMPONENT D: OTHER FINANCIAL MATTERS

5.11 SUPPLY CHAIN MANAGEMENT

SUPPLY CHAIN MANAGEMENT

ERWAT has an approved supply chain management policy which is derived from the supply chain regulations contained in the MFMA and is in line with the approved supply chain management policy of the parent municipality.

During the 2019/2020 financial period ERWAT made significant progress in developing and implementing policies in accordance with SCM Regulations 2005. In order to aid with implementation of the updated policies and procedures drafted, capacitation of the department was prioritised and as at the date of this report all positions in the SCM department have been filled. ERWAT has implemented National Treasury's central supplier database as its register of prospective suppliers.

Remedial action taken for AG findings

In order to resolve findings from the previous AG audit report the following actions were taken:

- Additional controls were implemented over Regulation 36(1)(v) deviations in order to provide an increased level of comfort that the deviations are valid
- A procedure manual for utilizing Regulation 36(1)(v) was adopted and implemented
- New municipal bid documentation which are aligned with the laws and regulations governing the SCM process was implemented
- The OPCA sheets were regularly updated and submitted to the CoE in order to track progress of the remedial action plan
- Regulation 36 deviations are disclosed during the year that they are approved and not when incurred. The Auditor-General is in agreement with this position.

Prescribed competency levels

As at 30 June 2019 two supply chain officials have reached the prescribed levels required for their positions and one is currently in the process of completing the recognition of prior learning programme. An additional manager has been appointed, starting on 1 September 2016. This individual has reached the prescribed level required for the position.

Chapter 5

5.12 GRAP COMPLIANCE

GRAP COMPLIANCE

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

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

Chapter 6

CHAPTER 6 – AUDITOR-GENERAL AUDIT FINDINGS

INTRODUCTION

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

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

The outcome of the audit was unqualified with matters of emphasis. Component A covers the AG's opinion for 2018/ 2019; Component B covers the same for 2019/2020

COMPONENT A: AG OPINION OF FINANCIAL STATEMENTS 2018/2019

6.1 AUDITOR-GENERAL REPORTS 2018/2019 FINANCIAL YEAR

TABLE 6.1: AUDITOR-GENERAL REPORT ON FINANCIAL PERFORMANCE 2018/2019

Audit Report Status:	<i>Unqualified with other matters specified</i>
Non-compliance issues	Remedial Action Taken
Inappropriate deviations- SCM Regulation 36	Corrections have been made to the Regulation 36 and Irregular expenditure disclosure notes. A procedure manual has been adopted for Regulation 36(1)(v) procurement which includes criteria for determining when the conditions for impracticality are met. Specific provisions were included for situations or condition where comments must be obtained from National or Provincial Treasury prior to the approval of a Regulation 36(1)(v) deviation.

AUDITOR-GENERAL REPORT ON SERVICE DELIVERY PERFORMANCE 2018/2019

Audit Report Status:	<i>Unqualified with other matters specified</i>
Non-compliance issues	Remedial Action Taken
No material non-compliance affecting the audit report noted.	Not applicable

Chapter 6

COMPONENT B: AUDITOR-GENERAL OPINION YEAR 0 (2019/2020)

6.2 AUDITOR-GENERAL REPORT 2019/2020 FINANCIAL YEAR

AG REPORT ON THE FINANCIAL STATEMENTS: YEAR 2019/2020

N/A

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

Audit Report Status:	
Non-compliance issues	Remedial Action Taken
N/A	

TABLE 6.3: AUDITOR-GENERAL REPORT ON SERVICE DELIVERY PERFORMANCE 2019/2020

Audit Report Status:	N/A
Non-compliance issues	Remedial Action Taken
N/a	

COMMENTS ON AUDITOR-GENERAL'S OPINION 2019/2020

N/A

COMMENTS ON MFMA SECTION 71 RESPONSIBILITIES

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

Signed (Chief Financial Officer) Dated

Glossary

GLOSSARY

TERM	DESCRIPTION
Accessibility indicators	Explore whether the intended beneficiaries are able to access services or outputs.
Accountability documents	Documents used by executive authorities to give “ <i>full and regular</i> ” reports on the matters under their control to Parliament and provincial legislatures as prescribed by the Constitution. This includes plans, budgets, in-year and annual reports.
Activities	The processes or actions that use a range of inputs to produce the desired outputs and ultimately outcomes. In essence, activities describe “ <i>what we do</i> ”.
Adequacy indicators	The quantity of input or output relative to the need or demand.
Annual Report	A report to be prepared and submitted annually based on the regulations set out in Section 121 of the MFMA. Such a report must include annual financial statements as submitted to and approved by the AG.
Approved Budget	The annual financial statements of a municipality as audited by the AG and approved by council or a provincial or national executive.
Baseline	Current level of performance that a municipality aims to improve when setting performance targets. The baseline relates to the level of performance recorded in a year prior to the planning period.
Basic municipal service	A municipal service that is necessary to ensure an acceptable and reasonable quality of life to citizens within that particular area. If not provided it may endanger the public health and safety or the environment.
Budget year	The financial year for which an annual budget is to be approved – means a year ending on 30 June.
Cost indicators	The overall cost or expenditure of producing a specified quantity of outputs.
Distribution indicators	The distribution of capacity to deliver services.
Financial Statements	Includes at least a statement of financial position, statement of financial performance, cash-flow statement, notes to these statements and any other statements that may be prescribed.
General Key performance indicators	After consultation with MECs for local government, the Minister may prescribe general key performance indicators that are appropriate and applicable to local government generally.
Impact	The results of achieving specific outcomes, such as reducing poverty and creating jobs.
Inputs	All the resources that contribute to the production and delivery of outputs. Inputs are “ <i>what we use to do the work</i> ”. They include finances, personnel, equipment and buildings.
Integrated Development Plan (IDP)	Set out municipal goals and development plans.

Glossary

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

APPENDICES

APPENDIX A – COMMITTEES AND COMMITTEE PURPOSES

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

APPENDIX B – ANNUAL PERFORMANCE REPORT

EKURHULENI WATER CARE COMPANY (ERWAT)

Table 1: Pre-determined City-wide Objectives

Table 5: City-wide Indicators

Entity	Outcome	Ref No.	Performance Indicator (Output level only)	Description of Portfolio of Evidence Verified	Baseline (Annual Performance of 2018/19 estimated)	Annual Target for 2019/2020	Annual Planned Output as per SDBIP	Annual Actual Output	Variation	Actual Output Rating	Progress on Targets	Reason(s) for Variation	Remedial Action	Annual Planned Budget	Annual Actual Expenditure
National Prescribed Indicators															
N/A															
Provincial Indicators															
N/A															
City of Ekurhuleni Indicators															
IDP Strategic Objective 2: To build a clean, capable and modernized local state															
ERWAT	Improved Quality of water (including wastewater)	WS4 36	Total revenue generated from external business	Invoices	R107 million	R160 000 000	R160 000 000	R 248 889 792	R88 889 792	Performance Achieved	The target was exceeded by R88 889 792	The target was exceeded due to ERWAT appointment as an Implementing Agent for the Vaal River and Rooiwal Intervention Projects	No remedial Action required since the target was exceeded	R 84 998 424,90	R 216 296 553
	To build a clean, Capable and Modernised Local State	GG3 37	Audit Opinion received from the external audit (AGSA)	Audit report from AGSA	Unqualified Audit Opinion	Unqualified Audit Opinion	Unqualified Audit Opinion	Unqualified Audit Opinion	None	Performance Achieved	Target Achieved	N/A	No Remedial Action Required	R0	R0
IDP Strategic Objective 4: To protect the natural environment and promote resource sustainability															
ERWAT	Improved Quality of water (including wastewater)	63	Percentage compliance with wastewater treatment works license conditions and/or exemptions standards	Water Quality Data of each Water care works (from the Lab) Spreadsheet used to calculate over all compliance. Applicable Water use authorization of each Water care works.	90%	89%	89%	89%	0	Performance Achieved	Target Achieved	N/A	None required	R417 304 750	R405 713 507,03

Table 6: Entity's SDBIP

Entity	Outcome	Ref No.	Performance Indicator (Output level only)	Description of Portfolio of Evidence Verified	Baseline (Annual Performance of 2018/19 estimated)	Annual Target for 2019/20	Annual Planned Output as per SDBIP	Annual Actual Output	Variation	Actual Output Rating	Progress on Targets	Reason(s) for Variation	Remedial Action	Annual Planned Budget	Annual Actual Expenditure
IDP Strategic Objective 2: To build a clean, capable and modernized local state															
ERWAT	Improved Quality of Water including Wastewater	5.M	Percentage Capital expenditure on planned projects	Project progress reports (weekly, quarterly and Annual reports) Payments certificates Invoices	97%	95%	95%	98.63%	+3.63%	Performance Achieved	Target Exceeded	The work done exceeded the target of 95%.	No remedial action required	R 138 353 745	R 143 643 082.90
	Improved Quality of Water including Wastewater	6.M	Percentage of planned maintenance scheduled	Number of Job Cards received versus number of job cards completed.	45%	90%	90%	83.75%	6.25%	Performance not Achieved	Target Not Achieved	Lack of funds to fully implement newly developed maintenance plan and asset care plans	Department is the process of implementing asset management strategy, however due to lack of funds, remedial actions cannot be fully realized.	R 127 475 241	R 123 178 218
	Improved Quality of Water including Wastewater	7.M	Rand value-support of SMME's through ensuring appropriate application of preferential procurement practices	Procurement Plan and Invoices Paid.	New indicator	R64 390 000	R64 390 000	R105 810 545.36	R41 420 545.36	Performance Achieved	Target Achieved	The inclusion of PPP Regulation 4 in formal tenders advertised for bidders with an EME/QSE B-BBEE resulted in the award of a significantly higher amount of tenders to SMME's than anticipated.	No remedial action required	R64 390 000	R105 810 545.36
	Improved Quality of Water including Wastewater	8.M	Number of repeat audit findings cleared	Number of audit findings cleared	29 audit findings cleared in full by the end of Q4 2018-2019	35 audit findings cleared in full by the end of Q4 2019/2020	35 audit findings cleared in full by the end of Q4 2019/2020	10 audit findings cleared in full by the end of Q4 2019/2020	25 audit findings uncleared	Performance not Achieved	10 Findings Cleared	ERWAT faced delays in the clearance of the findings in relation to false declarations of suppliers, prevention of fruitless and wasteful expenditure and non-compliance with SMART criteria for the target related	ERWAT will ensure that audit findings are cleared timeously by strictly enforcing the deadlines indicated on audit findings for clearance. In addition ERWAT will apply its 5 step budget model	-	-

Glossary

Entity	Outcome	Ref No.	Performance Indicator (Output level only)	Description of Portfolio of Evidence Verified	Baseline (Annual Performance of 2018/19 estimated)	Annual Target for 2019/20	Annual Planned Output as per SDBIP	Annual Actual Output	Variation	Actual Output Rating	Progress on Targets	Reason(s) for Variation	Remedial Action	Annual Planned Budget	Annual Actual Expenditure
												to percentage of job cards cleared. ERWAT was unable to clear the finding in relation to payment of suppliers within 30 days from the date of receipt of statement due to cash-flow difficulties faced and delays in payment from the CoE.	to the audit findings arising in the next financial period in order to ensure that there is clarity regarding which findings require budget allocation before they can be cleared and whether such budgeted funds are in fact available.		

APPENDIX C: THIRD TIER ADMINISTRATIVE STRUCTURE

Not Applicable

APPENDIX D: FUNCTIONS OF MUNICIPALITY/ENTITY

Ekurhuleni Metropolitan Municipality and ERWAT Service Delivery Agreement

The document has been embedded herein



2016_SDA_Ekurhulen
i_Metropolitan_Munic

Memorandum of Understanding

The document has been embedded herein



2019_September_MO
I_Reviewed Final.pdf

APPENDIX E: WARD REPORTING

Not Applicable

APPENDIX F: WARD INFORMATION

Not Applicable

APPENDIX G: RECOMMENDATIONS OF THE MUNICIPAL AUDIT COMMITTEE

Municipal Audit Committee Recommendations		
Date of Committee	Committee recommendations during 2019/20	Recommendations adopted (enter Yes) If not adopted (provide explanation)
26/08/2019	The Committee APPROVED the draft Annual Financial Statements for ERWAT for submission to the Auditor-General.	Yes
29/08/2019	The Committee APPROVED the draft Annual Performance Report for ERWAT for submission to the Auditor-General.	Yes
28/02/2020	The Audit Committee RECOMMENDED that the issue of the legal status of ERWAT be resolved as soon as possible.	Yes

APPENDIX H: LONG TERM CONTRACTS AND PUBLIC PRIVATE PARTNERSHIP

Not applicable as ERWAT does not have current long term contracts and Public Private Partnership

APPENDIX I: MUNICIPAL ENTITY/SERVICE PROVIDER PERFORMANCE SCHEDULE

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

APPENDIX J: DISCLOSURE OF FINANCIAL INTEREST

APPENDIX J: DISCLOSURE OF FINANCIAL INTEREST TABLE 4.11: DISCLOSURES OF FINANCIAL INTEREST		
Period 1 July to 30 June of 2019/20		
Position	Name	Description of Financial Interests (Nil / Or details)
Managing Director	Tumelo Gopane	Partnership : Farming Business
Executive Manager: Finance & SCM	Wim Louw	Nil
Company Secretary	Zimasa Socikwa	Nil
Executive Manager: Scientific Services	Alison Chapman	Nil
Executive Manager: Operations	Fortune Mabunda	16 % Shareholding in a private investment company.
Executive Manager: Human Resources	Rodney Barnes	Nil
Executive Manager: Commercial Business	Mikgane Tsotetsi	Nil
Interim Executive Manager: Infrastructure Planning and Projects	Emmanuel Khomela	Nil
Interim Executive Manager: Maintenance	Leonard Chueu	Nil

Glossary

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

Revenue Collection Performance by Vote						
Description	2018/19	Current year 2019/20			Year 2019/20 Variance	
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjustment Budget
	R'000	R'000	R'000	R'000		
Revenue By Vote						
73501420911FAZZZZER	766,560	-	-	850,881	100.00%	100.00%
73501423300FAZZZZER	25,369	879,040	879,040	27,902	-96.83%	-100.00%
73121341000FAZZZZER	2,505	3,722	3,722	1,141	-69.34%	-100.02%
73121341150FAZZZZER	379	-	-	2,006	100.00%	100.00%
73121342020FAZZZZER	182	-	-	97	100.00%	100.00%
73331423300FAZZZZER	63,391	35,427	35,427	66,434	87.52%	-100.00%
73481423300FAZZZZER	31,844	51,000	51,000	25,404	-50.19%	-100.00%
73411423300FAZZZZER	-	30,500	30,500	-	-100.00%	-100.00%
73481420911FAZZZZER	11,586	-	-	9,439	100.00%	100.00%
73251144190FAZZZZER	1,778	-	-	-	100.00%	100.00%
73531385240FAMRCZZER	550	-	-	-	100.00%	100.00%
73651385240FAMRCZZER	300	-	-	-	100.00%	100.00%
73721385240FAMRCZZER	239	-	-	-	100.00%	100.00%
73841385240FAMRCZZER	111	-	-	-	100.00%	100.00%
73351385240FAMRCZZER	44	-	-	-	100.00%	100.00%
73541385240FAMRCZZER	37	-	-	-	100.00%	100.00%
73141385240FAMRCZZER	21	-	-	-	100.00%	100.00%
73371385240FAMRCZZER	16	-	-	-	100.00%	100.00%
73501385240FAMRCZZER	12	-	-	-	100.00%	100.00%
73251144470FAZZZZER	524	-	-	457	100.00%	100.00%
73301425510FAZZZZER	92	-	-	172	100.00%	100.00%
73251385240FAZZZZER	-	-	-	152	100.00%	100.00%

Glossary

73531385240FAZZZZER	-	-	-	93	100.00%	100.00%
73721385240FAZZZZER	-	-	-	46	100.00%	100.00%
73122300501ZZMRCZZER	3	-	-	25	100.00%	100.00%
73121380900FAZZZZER	24	-	-	19	100.00%	100.00%
73141385240FAZZZZER	-	-	-	6	100.00%	100.00%
73401385240FAZZZZER	-	-	-	5	100.00%	100.00%
73431385240FAZZZZER	-	-	-	4	100.00%	100.00%
73841385240FAZZZZER	-	-	-	1	100.00%	100.00%
73541385240FAZZZZER	-	-	-	0	100.00%	100.00%
73311423300FAZZZZER	-	-	-	135,747	100.00%	100.00%
Total Revenue (excluding capital transfers and contributions)	905,566	999,689	999,689	1 120 030	12.04%	12.04%

APPENDIX K (II): REVENUE COLLECTION PERFORMANCE BY SOURCE

Revenue Collection Performance by Source						
Description	2018/19	Current year 2019/20			Year 2019/20 Variance	
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjustment Budget
	R'000	R'000	R'000	R'000		
<u>Revenue By Source</u>						
Service charges - sanitation revenue	791,929	879,040	879,040	878,783	-0.03%	-0.03%
Interest earned - external investments	2,884	3,722	3,722	3,147	-15.00%	-15.00%
Dividends received	182	-	-	97	100.00%	100.00%
Other revenue	110,571	116,927	116,927	238,003	103.55%	103.55%
Total Revenue (excluding capital transfers and contributions)	905,566	999,689	999,689	1 120 030	12.04%	12.04%

Glossary

APPENDIX L: CONDITIONAL GRANTS RECEIVED: EXCLUDING MIG

Details	Budget	Adjustment Budget	Actual	Variance		Major conditions applied by donor (continue below if necessary)
				Budget	Adjustment Budgets	
	R'000	R'000	R'000	%	%	
Capital expenditure grant from the CoE	121,400,000	145,635,521	143,783,344	18.44%	-1.27%	Grant to be used for funding of capital expenditure

Glossary

APPENDIX M: CAPITAL EXPENDITURE – NEW & UPGRADE/ RENEWAL PROGRAMMES: INCLUDING MIG APPENDIX M(I): CAPITAL EXPENDITURE – NEW ASSETS PROGRAMME

CAPITAL EXPENDITURE - NEW ASSETS PROGRAMME							R'000
Description	2018/19	Current year 2019/20		Planned Capital Expenditure			
	Actual	Original Budget	Adjusted Budget	Actual	2020/21	2021/22	2022/23
Capital expenditure by asset class							
<u>Infrastructure - Total</u>	-	17,814	22,429	10,346	49,546	51,951	61,071
Sewerage purification	-	17,814	22,429	10,346	49,546	51,951	61,071
<u>Other assets - Total</u>	7,475	-	-	521	14,703	12,522	14,721
General vehicles	3,327	-	-	-	-	-	-
Plant & Equipment	2,791	-	-	277	5,200	5,452	6,410
Computers - hardware/equipment	-	-	-	28	6,000	6,291	7,396
Furniture and other equipment	1,357	-	-	216	743	779	915
Buildings	-	-	-	-	2,760	2,894	3,402
<u>Intangibles</u>	4,812	-	-	-	-	-	-
Computers - software & programming	4,812	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)	12,287	17,814	22,429	10,867	64,249	64,473	75,792

Glossary

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

CAPITAL EXPENDITURE – UPGRADE/RENEWAL PROGRAMME							R'000
Description	2018/19	Current year 2019/20		Planned Capital Expenditure			
	Actual	Original Budget	Adjusted Budget	Actual	2020/21	2021/22	2022/23
Capital expenditure by asset class							
<u>Infrastructure - Total</u>	147,721	103,586	123,206	132,776	141,737	151,527	178,128
Sewerage purification	147,721	103,586	123,206	132,776	141,737	151,527	178,128
<u>Other assets - Total</u>	1,032	-	-	-	14,703	15	18
General vehicles	-	-	-	-	-	-	-
Plant & Equipment	-	-	-	-	5,200	5	6
Computers - hardware/equipment	-	-	-	-	6,000	6	7
Furniture and other equipment	-	-	-	-	743	1	1
Buildings	1032.439	-	-	-	2,760	3	3
Total Revenue (excluding capital transfers and contributions)	148,753	103,586	123,206	132,776	156,440	151,542	178,146

Glossary

APPENDIX N: CAPITAL PROGRAMME BY PROJECT CURRENT YEAR

VOTE NAME	2019/20 CAPEX PLAN	2019/20 CAPEX BUDGET	2019/20 CAPEX BUDGET ACTUAL EXPENDITURE
Ancor	R 31 401 340.00		
Benoni	R 8 926 000.00	R 502 499.00	
Carl Grundling	R 14 743 500.00		
Daveyton	R 4 163 000.00	R 1 817 967.00	R 226 613.85
Dekema	R 35 632 000.00	R 1 802 118.00	R 1 031 534.13
Esther Park	R 3 103 000.00		
Head Office	R 15 000 000.00		
Hartebeestfontein	R 48 278 000.00	R 940 000.00	R 475 152.26
Heidelberg	R 12 276 980.00		
Herbert Bickley	R 15 555 000.00		
Jan Smuts	R 8 812 971.66		
JP Marais	R 6 230 500.00	R 774 033.00	R 347 140.55
Olifantsfontein	R 69 810 000.00	R 77 066 519.00	R 93 723 607.77
Ratanda	R 7 493 500.00	R 4 507 875.00	R 2 776 676.45
Rondebult	R 11 771 000.00		R 6 709 417.80
Rynfield	R 18 106 000.00	R 1 572 267.00	R 433 256.18
Tsakane	R 35 636 000.00	R 4 736 832.00	R 3 335 416.26
Vlakplaats	R 40 026 000.00	R 22 429 452.00	R 10 346 164.59
Waterval	R 42 200 000.00	R 26 735 003.00	R 22 709 257.99
Welgedacht	R 36 042 875.00	R 2 750 956.00	R 1 251 997.51
Scientific Services	R		R 276 847.81
Fleet	R 10 126 000.00		
Safety	R 12 610 000.00		
Commercial	R 970 000.00		
SCM/Finance	R 570 000.00		
Security	R 107 148 000.00		
TOTAL	R 596 631 666.66	R 145 635 521.00	R 143 643 083.15

**2019/20 CAPEX
BUDGET ACTUAL
EXPENDITURE %**

98.63%

Glossary

APPENDIX O: CAPITAL PROGRAMME BY PROJECT BY WARD CURRENT YEAR

Not Applicable

APPENDIX P: SERVICE CONNECTION BACKLOGS AT SCHOOLS AND CLINICS

Not Applicable

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

Not Applicable

Glossary

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

Declaration of Loans and Grants made by the municipality: 2019/20				
All Organisation or Person in receipt of Loans */Grants* provided by the municipality	Nature of project	Conditions attached to funding	Value 2019/20 R' 000	Total Amount committed over previous and future years
Little Eden NPO	Discretionary grant: Nelson Mandela Day	N/A	10	0

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

Not applicable, all MFMA s71 returns were made in due time.

APPENDIX T: NATIONAL AND PROVINCIAL OUTCOME FOR LOCAL GOVERNMENT

Not Applicable

ANNEXURE A: QUARTERLY ACTUAL PERFORMANCE AND RATING

TABLE 7: CITY-WIDE INDICATORS

Performance Indicator (Output level only)	Description of Portfolio of Evidence Verified	Annual target for 2019/2020	Target for 2019 /2020 SDBIP per Quarter				Actual for 2019 /2020 SDBIP per Quarter				Actual Annual Achieved for 2019/2020	Variation	Reason(s) for Variation
			Q1 Planned Target	Q2 Planned Target	Q3 Planned Target	Q4 Planned Target	Q1 Actual Target	Q2 Actual Target	Q3 Actual Target	Q4 Actual Target			
Percentage Compliance with wastewater treatment works licence conditions and/or exemptions standards	Water Quality Data of each Water care works (from the Lab) Spreadsheet used to calculate over all compliance. Applicable Water use authorization of each Water care works.	89%	89%	89%	89%	89%	87%	87%	91%	92%	89%	N/A	N/A
Total revenue generated from external business	Invoices	R 160 000 000	R 30 000 000	R 30 000 000	R 40 000 000	R 60 000 000	R 24 073 675	R 26 924 923	R 63 671 794	R 134 219 400	R 248 889 792	R88 889 792	The target was exceeded due to ERWAT appointment as an Implementing Agent for the Vaal River and Rooiwal Intervention Projects
Audit Opinion received from the external audit (AGSA)	Audit report from AGSA	Unqualified Audit Opinion	Not reportable during this quarter	Unqualified Audit Opinion	Not reportable during this quarter.	Not reportable during this quarter.	Not Reportable during this quarter	Unqualified Audit Opinion	Not reportable during this quarter.	Not reportable during this quarter.	Unqualified Audit Opinion	N/A	

TABLE 8: ENTITY'S SDBIP

Performance Indicator (Output level only)	Description of Portfolio of Evidence Verified	Annual target for 2019/2020	Target for 2019 /2020 SDBIP per Quarter				Actual for 2019 /2020 SDBIP per Quarter				Actual Annual Achieved for 2019/2020	Variation	Reason(s) for Variation
			Q1 Planned Target	Q2 Planned Target	Q3 Planned Target	Q4 Planned Target	Q1 Actual Target	Q2 Actual Target	Q3 Actual Target	Q4 Actual Target			
Percentage of allocated Capex budget spent	Project progress reports (weekly, quarterly and Annual reports) Payments certificates Invoices	95%	20%	40%	70%	95%	22%	42%	57%	97%	97%	+2%	The work done exceeded the target of 95%.
Percentage of repairs and maintenance budget spent	Job Cards received versus number of job cards completed. AND Finance expenditure reports.	90%	90%	90%	90%	90%	56%	84%	91%	100%	82.75%	6.25%	Lack of funds to fully implement newly developed maintenance plan and asset care plans
Rand value of support SMME's through ensuring appropriate application of preferential procurement practices	Procurement Plan and Invoices Paid	R64 390 000	R12 212 500	R11 792 500	R23 642 500	R16 742 000	R20 193 715	R14 184 369.70	R24 116 374	R47 316 086.66	R105 810 545.36	R41 420 545.36	The inclusion of PPP Regulation 4 in formal tenders advertised for bidders with an EME/QSE B-BBEE resulted in the award of a significantly higher amount of tenders to SMME's than anticipated..
Number of repeat audit findings cleared	Number of audit findings cleared per quarter	35 audit findings cleared in full by the end of Q4 2019/2020	5 audit findings cleared in full by the end of Q1 2019/2020	35 audit findings cleared in full by the end of Q2 2019/2020	25 audit findings cleared in full by the end of Q3 2019/2020	35 audit findings cleared in full by the end of Q4 2019/2020	3 audit findings were cleared in full during Q1 2019/2020	33 audit findings cleared in full by the end of Q2 2019/2020 (N2)	7 audit findings cleared in full by the end of Q3 2019/2020	11 audit findings cleared in full by the end of Q4 2019/2020	10 audit findings cleared in full by the end of Q4 2019/2020 (N3)	25	ERWAT faced delays in the clearance of the findings in relation to false declarations of suppliers, prevention of fruitless and wasteful expenditure and non- compliance with SMART criteria for the target related to percentage of job cards cleared. ERWAT was unable to clear the finding in relation to payment of suppliers within 30 days from the date of receipt of statement due to cash-flow difficulties faced and delays in payment from the CoE.