



ANNUAL REPORT 2022 - 2023





ABOUT US

1 VISION

Changing lives through the provision of sustainable bulk water services.

2 MISSION

Provision of quality water services at sustainable level to the needs of our customers.

3 VALUES

Lepelle Northern Water (LNW) upholds the values underpinned by the eight Batho Pele principles in the management of its operations and the way it conducts its business.

The values guiding our business are:

VALUE	DEFINITION
Excellence	Performing responsibilities above expectations as set out in Corporate Plans
Integrity	Acting and conducting ourselves with honesty
Accountability	Willingness to accept responsibility for our own actions
Agility	Our response to changes or operational challenges will be acted upon promptly
Innovation	Looking at new ways to provide services

CONTENTS

1. VISION	I
2. MISSION	I
3. VALUES	I
ACRONYMS	III
ABOUT THIS REPORT	IV
FOREWORD BY THE MINISTER	VI
CHAIRPERSON'S OVERVIEW	VIII
CHIEF EXECUTIVE'S REPORT	XI
4. ORGANISATIONAL PROFILE	1
5. CORPORATE GOVERNANCE	5
6. ACCOUNTING AUTHORITY'S RESPONSIBILITIES AND APPROVAL	17
7. STAKEHOLDER RELATIONS	21
8. PERFORMANCE REVIEW	26
9. INFORMATION AND COMMUNICATIONS TECHNOLOGY (ICT)	41
10. OPERATION ENVIRONMENT	44
11. PEOPLE EMPOWERMENT	69
12. FINANCIAL SUSTAINABILITY	75
13. ENTERPRISE RISK MANAGEMENT	85
14. INTERNAL AUDIT	90
15. REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON LEPELLE	
NORTHERN WATER	93
16. AUDIT AND RISK COMMITTEE REPORT	104
17. FINANCIAL STATEMENTS	107
EXPENDITURE TRENDS (HISTORICAL INFORMATION)	182



ACRONYMS

ACRONYM	DEFINITION
ABC	Amanzi Bargaining Council
AGSA	Auditor-General South Africa
BBBEE	Broad-Based Black Economic Empowerment
CIDB	Construction Industry Development Board
COS	Centre of Specialisation
CSI	Corporate Social Investment
DoRA	Division of Revenue Act
DWS	Department of Water and Sanitation
EEP	Employment Equity Plan
ERM	Enterprise Risk Management
GRAP	Generally Recognised Accounting Practice
ICT	Information and Communications Technology
IDP	Integrated Development Plan
IESBA	International Ethics Standards Board for Accountants
ISA	International Standards on Auditing
LGWS	Luvuvhu River Government Water Scheme
LNW	Lepelle Northern Water
NEMA	National Environmental Management Act
NSF	National Skills Fund
OPEX	Operating Expenditure
PAA	Public Audit Act of South Africa
PFMA	Public Finance Management Act
PPI	Producer Price Index
SANAS	South African National Accreditation System
SANS 241	South African National Standards for Drinking Water
SCM	Supply Chain Management
WSAs	Water Services Authorities
WSA	Water Services Act
WTW	Water Treatment Works



ABOUT THIS REPORT

OUR AUDIENCE

Our primary audience is comprised of key stakeholders such as statutory bodies, municipalities, investors as well as the public at large.

REPORTING FRAMEWORKS

The Generally Recognised Accounting Practice (GRAP), the report on Corporate Governance for South Africa and the King IV Report on Corporate Governance for South Africa are among the frameworks that the entity has used to prepare the annual financial statements.

REPORT SCOPE AND BOUNDARY

Since its establishment LNW has prepared annual reports on a yearly basis as required by the Public Finance Management Act (PFMA).

This specific report covers the period from 1 July 2022 to 30 June 2023. It reflects on progress made with the predetermined strategic objectives and key performance indicators as per LNW's approved Corporate Plan, which has undergone the Auditor-General's (AG) audit process for the year under review.


The entity's financial statements are prepared in accordance with GRAP, unless otherwise stated.

DISCLOSURE

LNW endeavours to achieve the highest standard of disclosure by providing meaningful, accurate and balanced information to all its stakeholders.

ASSURANCE

The financial information in this report has been prepared according to GRAP and, together with material non-financial indicators, is independently assured by our external auditors. As a public entity LNW has been audited by the AG on both the financial and performance information.



LNW has developed processes for identifying, collecting, collating, validating and storing information used in its performance management system, however, these will require continuous improvement based on the AG's audit outcome and/or recommendations.

The scope covered by the external auditors has been provided in the Corporate Governance section of the annual report. The report has been designed to provide appropriate information about LNW's performance and ongoing progress to a myriad of stakeholders.

FOREWORD BY THE MINISTER




It gives me great pleasure to present the 2022/23 Annual Report for Lepelle Northern Water. Lepelle Northern Water has been instrumental in the implementation of some of the strategic projects in Limpopo Province, such as the Nandoni/Nsami, Giyani Water Services and Olifantspoort/Ebenezer projects.

During the period under review, I frequently visited the Limpopo Province, particularly the Nandoni/Nsami and Giyani Water Services projects to ensure that I unlock the long outstanding issues that contributed to the delayed completion. I am pleased to report that the Nandoni/Nsami project has been completed and that water is flowing from Nandoni Dam into the Canal that supplies water to the Nsami Dam that is unstable during the dry seasons. It is pleasant to know that the people of Giyani within Mopani District Municipality will have sufficient water resources, further that Nsami Dam, will now have additional water from Nandoni Dam.

I have made the budget available for the Giyani Water Services project that will ensure that the water from the Nandoni/Nsami project is received and purified to a potable water level and supplied to the communities of Giyani. I am confident to say that most of the internal bulk lines have been completed and some of the villages where the reservoirs exist have been connected and are receiving potable drinking water. I have also made budget available to Mopani District Municipality to rollout the internal reticulation system to households so that the Nandoni/Nsami project can do what it was commissioned for, which is to provide people of Giyani with water.

I occasionally visited the Mopani District Municipality to oversee the effectiveness of the multi-stakeholder's forum that has been established to manage the interests of the people of Giyani. Furthermore, to assess the levels of mushrooming business forums which previously hampered the progress of both Nandoni/Nsami and Giyani Water Services Projects.

I am also pleased to indicate that after the funding for the Olifantspoort and Ebenezer upgrade has been secured, some of the administrative hurdles have been resolved and the project is going ahead. Tenders for two work packages have been advertised as a way of commencing with the project. The project is overall going to cost R18 billion to ensure that the people of Capricorn District Municipality, Polokwane Local Municipality and Sekhukhune District Municipality are given much needed access to water. The Department of Water and Sanitation has already transferred R422 million to Lepelle Northern Water to ensure that the project proceeds. I have also ensured Lepelle Northern Water has support in all the areas identified.



I have reconfigured Lepelle Northern Water to expand its area of operation to cover the entire Limpopo province so that there is one entity accountable for water provision in the province. Lepelle Northern Water is currently conducting a due diligence to assess the impact of providing water to the entire Province.

The financial viability and sustainability of Lepelle Northern Water, among other water boards, is threatened by the persistent non-payment for water services by municipalities. We are continuously engaging the relevant ministries to come up with an amicable solution to resolve it as this situation impedes the effective delivery of services to communities.

Our people's needs take priority and water is a basic human right that needs to be protected. We made a commitment to our people that their lives will be better, and we must live up to the promises we made. The people of Limpopo have been denied this basic human right for a long period and we need to all come together and join hands to unlock bureaucratic issues to create greener pastures for our people. It is also important to always remember our slogan "Water Is Life" which essentially means Water is a source of life.

My appreciation to Lepelle Northern Water's Board, executive management and staff members for their effort and I urge them to continue with excellence and good governance. I would also like to thank Parliament's Portfolio Committee on Water and Sanitation for their oversight, guidance and support in ensuring that we deliver on our mandate.



SENZO MCHUNU, MP
MINISTER OF WATER AND SANITATION

CHAIRPERSON'S OVERVIEW




It gives me great pleasure to present on behalf of the board Lepelle Northern Water's (LNW) 2022/23 annual report to the shareholder and all our stakeholders, believing that it will provide the relevant and useful information for the purpose of understanding LNW's performance during the said period. The report recounts the various programmes implemented during the 2022/23 financial year. The water sector is currently faced with numerous challenges with load shedding being the core of the challenges as it affects the continuous water supply to communities.

Section 44 of Water Services Act (WSA), 1997 (Act No 108 of 1997) read together with sections 40 and 55 of the Public Finance Management Act, 1999 (Act No 1 of 1999) (the PFMA), as amended, requires all water boards to prepare, within four months after the end of each financial year, a comprehensive annual report detailing the activities conducted during a financial year.

I am pleased to indicate that as a board we have complied with the above-mentioned legislative requirements. LNW has made significant progress regarding projects and governance during the reporting period. When the board was appointed back in 2021, the focus was to strengthen the governance structure of the entity, capacity building, service delivery and performance improvement. I am proud to indicate that in terms of capacity building, the board appointed the Chief Executive Officer who commenced duty during the 2022/23 financial year, the Chief Financial Officer and the General Manager Engineering Services. These appointments contributed immensely to the improved organisational performance. Supply chain management processes have been re-engineered and as a result no irregular expenditure was incurred during the reporting period. The financial management has also improved in that the entity managed to reduce the fruitless and wasteful expenditure by approximately 99%.

However, there is still room for improvement in operations and maintenance, infrastructure management and, to some extent, project management. In a bid to improve efficiency in implementation and management of infrastructure projects, the board has established the Engineering Department and a number of positions have been created to ensure that the organisation is well capacitated and close all the identified operational gaps. On the operational efficiencies from the Operations Department, the major contributing factors, such as water losses, have been identified and the board has engaged at a political level to resolve the issues of illegal connections. In terms of illegal connections, an agreement was reached with some Water Service Authorities that where communities are benefiting, billing meters must be installed so that the entity does not continue to incur high water losses that are not because of poor performance but man-made.



We have strengthened our debt collection efforts and are continuously engaging Water Services Authorities (WSAs) on outstanding debts. The operational costs of the organisation are extremely high and service delivery to our community is dealt a severe blow when WSAs bills are not paid on time. Consistent engagement and collaboration with our clients yielded results more than anticipated.

The biggest milestone is the practical completion of the Nandoni-Nsami Pipeline Project which enabled water from Nandoni Dam to reach Nsami Dam in April 2023. The 40km pipeline construction is complete and what remained was river crossings, the installation of fittings at the pump station and tie-in with the main line.


The Giyani Water Services Intervention Project is at an overall progress of 61%, Twenty-three reservoirs have thus far been connected and reticulation has already commenced. A multi-stakeholder task forum is in place to continuously monitor the progress of the project and address issues raised by various stakeholders within the Giyani Local Municipality. The development has brought some hope to the people of Giyani Local Municipality.

In as far as projects are concerned, the R143 million Moutse Drought Relief Intervention Project in Sekhukhune is 100% complete, a relief considering that this project was marred by consistent vandalism by the communities.

We have also signed a Memorandum of Agreement with the Infrastructure Fund, a unit of the Development Bank of Southern Africa, towards funding, financing and implementation of the first phase of the Olifantspoort/Ebenezer Upgrade Project to the tune of R4,5 billion. The overall cost of the project is estimated at R18 billion. Phase 1, which entails refurbishment and upgrade works, including optimisation of the treatment plants at both Olifantspoort and Ebenezer Schemes, has commenced. It is planned for completion by August 2026. This project will address the water challenges of the Capricorn District Municipality and Polokwane Local Municipality.

We are engaged in the reconfiguration process that is expected to see LNW taking over part of the functions of Magalies Water in Limpopo. This expands the footprint of LNW to provide bulk water services to the entire Limpopo. Due diligence project is underway to determine the impact of taking over the assets that supplies water to the three municipalities that are within Limpopo and some small clients.

The board continuously implements water demand and conservation management to address a situation where the available resources are exceeded by water consumption. This is not sufficient, especially when the end users do not apply water conservation and demand management principles. We have, among other measures, augmented our existing water resources with boreholes, although this is not sustainable. We continue to instil a culture of maximising the little water that we have through awareness campaigns on various media platforms and municipal imbizos. We also note and



appreciate the efforts being made to maximise the utilisation of the Olifants River Water Resources Development Programme (known as De Hoop Dam) and Nandoni Dam in the province in reaching out to larger consumers.

The board as the accounting authority has submitted quarterly reports to DWS on its performance towards the accomplishment of the objectives as stated in the Corporate Plan and the shareholder compact. Section 51 (1)(a) of the PFMA prescribes that the accounting authority of the water board must ensure that the entity has and maintains effective, efficient, and transparent systems of financial and risk management and internal control. We support the highest standards of corporate governance and to this end the board subscribes to the King IV report on Corporate Governance. The board has established governance committees which are functioning well, and we are pleased with the work done by the chairpersons of these committees in their respective leadership and oversight roles.

Although the board intended to obtain a clean audit, I am pleased to report that we achieved an unqualified audit again with a surplus of R1,2 billion. We are mindful of the few matters identified and raised by the external auditors for our attention and have since developed a clean audit programme to be monitored on a quarterly basis to ensure that LNW obtains a clean audit in the 2023/24 financial year.

Special thanks to all the employees and the management team for their commitment and working tirelessly to accomplish the entity's mandate. We thank all our stakeholders and customers for their endurance under the difficult circumstances they encountered as and when there were major breakdowns that interrupted their water supply.

The board also thanks the Minister of Water and Sanitation, Honourable Senzo Mchunu, in his relentless efforts to ensure that the people of Limpopo have drinking water and by unlocking all the impediments that needed his support and attention.

The board remains committed to LNW's core business values, which are reliability, accountability and collaboration. These are the guiding principles in the day-to-day operations and in ensuring that our mandate of delivering bulk water services to our customers is achieved.



DR NF MPHEPHU
CHAIRPERSON OF THE BOARD

CHIEF EXECUTIVE'S REPORT



DR C RUITERS
CHIEF EXECUTIVE OFFICER

Lepelle Northern Water's (LNW) mandate is to provide bulk water services to other water management institutions and users, namely municipalities, mines and industries in the gazetted areas of supply. To this end, we have ensured that we have a balanced and experienced staff component with key competencies to service the requirements of bulk water services.


The professional technical expertise of the organisation is mainly found in the Operations and Maintenance Department, which involves managing the raw water abstraction, alien vegetation control, dam management, treatment and the distribution of potable bulk water, the collection and treatment of wastewater, potable water and wastewater quality monitoring, asset management, water demand and conservation management, infrastructure master planning and project and contract management expertise.

The support functions of Finance, Information and Communication Technology (ICT) and Corporate Services lay a solid foundation that enables the organisation to respond to the rapidly changing environment in all spheres of government, for LNW to continue to play a pivotal role in solving the water services-related problems and challenges in Limpopo. The training programmes, development programmes, internal promotions, appointments, competitive remuneration and succession planning measures have ensured that we retain the best skills and contain a staff turnover rate at a low level of 1,08% during the reporting period.

Organisational resilience

The test of the organisational resilience is measured by what it stands for in times of challenge. It is not what an organisation does when it is comfortable that matters. During difficult times, organisations require effective leadership that will be able to paint an optimistic vision of achieving the organisational objectives amid challenges.

LNW leadership required a level-headed approach, perseverance and determination to execute the mandate of the entity as per the Water Services Act, i.e., provide uninterrupted bulk water supply to municipalities and industries. Despite all the distractions, LNW continued to optimise the utilisation of the existing infrastructure and equipment to sustainably provide bulk water supply even though most of the infrastructure has reached its operating limits. This, coupled with the drought period and Covid-19 made the year an especially difficult one as expansion projects meant to increase water services coverage came to a halt.



As part of this leadership and continuous improvement of the organisation, a review of the corporate business plan was undertaken during the period under review, during which strategic objectives of the organisation were agreed to with clear priorities to be achieved over the five-year period as highlighted below:

- Infrastructure development and provision of equitable and sustainable water services;
- Financial viability and sustainability;
- Effective human capital management and development; and
- Effective corporate governance.

These objectives continued to serve as a base from which performance agreements were entered into between the Chief Executive and senior executive management and cascaded down to all staff members of the organisation.

Natural environment

LNW is implementing the ISO 14001 to ensure due preservation of the natural environment. The efforts have paid off in that not only has the environment kept to its state but for the past five years LNW has also received the ISO 14001 certificates. The general legal requirement in water use licenses for any discharge into natural ecosystems remained a firm guide for LNW to continuously ensure that its activities protect the natural ecosystem within its area of operation.

Infrastructure refurbishment

LNW has undertaken several major capital and refurbishment projects. Apart from upgrading and extending its own infrastructure, some of the work is done in its capacity as a project implementing agent of the Department of Water and Sanitation (DWS) and Water Services Authorities (WSAs). While project milestones and completion targets were naturally set, unfortunate incidents of delays were encountered on several projects. These delays were a result of, among others, cash flow challenges and availability of capital budgets experienced during the project implementation stages, which resulted in revised milestone timelines and consequently completion dates on almost all the projects that were under execution. In fact, some projects have stopped after the design phases. These challenges led to extension of time and standing time costs, contract price adjustments, interest on non-payment of claims and community unrest and protests.

Optimisation of production-related infrastructure

Production-related infrastructural deterioration has seen water losses slightly decreasing to 6,61% when compared to 6,78% in the 2021/22 financial year against a target of 5%. The entity has since revised its water loss formula to subtract the water stock as it was counted as part of the water loss. Optimal maintenance of infrastructure throughout its entire life cycle is critical to optimising return on production assets. Plant availability remained unchanged at 96% compared to the previous financial year against a target of 95%.

SANAS-accredited Water Services Laboratory

LNW recognises the significance of drinking water quality and has therefore established a SANAS-accredited laboratory at its Ebenezer Water Treatment Works (WTW) to conduct independent tests, performed by its Scientific Water Services Unit. We conduct internal tests to establish if the final water quality produced by our water treatment works adhere to SANS 241 requirements. LNW has set stringent internal control systems and targets for both potable and effluent discharge quality. The services from the LNW laboratory are available to external clients on a commercial basis.

People empowerment

LNW's human capital management and development agenda of human resources capacity remained a top priority. The entity has a total of 66 employees who are advancing their qualifications and represents 17% of the learning workforce. Fifty-nine 59 employees who were studying since 2018 submitted their completed qualifications. The entity continued to develop and train twenty-seven (27) trainees to contribute to the water sector specialised mechanical skills. Out of the twenty-seven (27) trainees, twenty-one (21) obtained their trade test certificates.


Financial performance

The sustainability of LNW is important as the entity is a key role player in the water sector to ensure that households receive clean drinkable water and industrial supply for economic development. High debtors' days remains a concern. However, we have seen an improvement within the reporting period after implementing strict credit control management processes. The water board recorded a surplus of R1,2 billion, a remarkable achievement when comparing with R93,7 million of the previous financial year (2021/22). The significant increase was as a result of grant received from DWS and capitalisation of Nandoni Plant with an additional purification capacity in the organisation, which will bring much needed revenue in future. Revenue increased to R1,9 billion, when compared to R689,7 million of 2021/22 financial year.

Supply chain management

The continuous streamlining of the Supply Chain Management (SCM) system and the performance management system has steadily entrenched a culture of accountability and responsibility among all staff of the organisation. These resulted in significant reduction in wasteful and irregular expenditure the past years.

The SCM systems, the entity has been able to improve the acquisition of goods and services to uphold fair, equitable, transparent, competitive and cost-effective principles, although still dealing with legacy contracts from the past. LNW always strives to procure goods and services locally and from Broad-based Black Economic Empowerment (BBBEE) service providers. The entity spent 94% (R93 million worth of projects) on BBBEE procurement, had at least thirteen (13) new entrants (R1 million worth of projects) and utilised most of the locally based companies.



I wish to further extend appreciation to the executive management, staff, all LNW customers, service providers and suppliers through ensuring that the task of bulk water service delivery is progressively achieved. Lastly, our utmost gratitude also goes to our board for the oversight and guidance.



DRC RUITERS
CHIEF EXECUTIVE OFFICER

4 ORGANISATIONAL PROFILE

4.1 LEGISLATIVE MANDATE

LNW is a public water entity, wholly owned by the state and established in terms of the Water Services Act, Act No. 108 of 1997. Its mandate is to provide bulk water services (i.e., water and sanitation services) to other water institutions. It is regulated by, among others, the Water Services Act, Act No 108 of 1997, the PFMA No 1 of 1999 and to some extent the Municipal Finance Management Act No 56 of 2003. LNW reports directly to the Department of Water and Sanitation through the Accounting Authority and the Chief Executive. The Executive Authority of the water board is the Minister of Water and Sanitation.

4.2 KEY ACTIVITIES

Section 29 of the WSA stipulates that the primary activity of a water board is to provide bulk water services (i.e., water and sanitation) to other water services institutions within its service area.

Furthermore, Section 30 of the WSA enables a water board to perform an activity other than its primary activity only if it is not likely to limit the water board's capacity to perform its primary activity, it is not likely to be to the financial prejudice of itself, any water services institution, existing consumers and other users serviced by it within its service area; it is in accordance with the board's policy statement; and it is provided for in a business plan. Such activities may include:

- providing management services, training and other support services to water services institutions, to promote cooperation in the provision of water services,
- supplying untreated or non-potable water to end users who do not use the water for household purposes,
- providing catchment management services to or on behalf of the responsible authorities,
- with the approval of the water services authority having jurisdiction in the area
 - o supplying water directly for industrial use.
 - o accepting industrial effluent; and
 - o acting as a water services provider to consumers,
- providing water services in a joint venture with water services authorities; and
- performing water conservation functions.

4.3 AREA OF SUPPLY

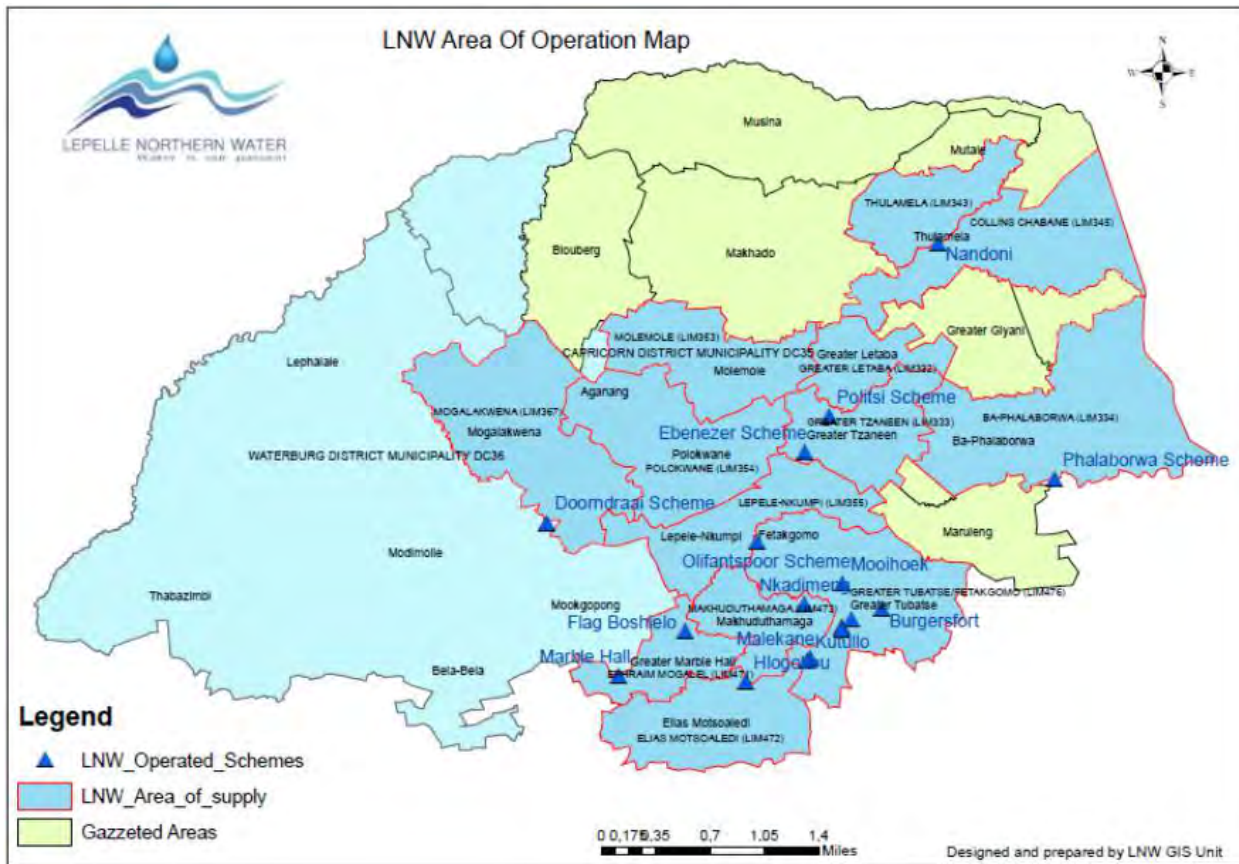


Figure 4- 1: LNW coverage

LNW’s area of supply covers approximately 80 000 square kilometres within the 125 754 square kilometres of Limpopo’s surface area of 64%. LNW is currently providing bulk water in 42% of its mandated 80 000 square kilometres, which is equivalent to an estimated 56% of the size of the province.

Municipal customers serviced by LNW are:

- Polokwane Local Municipality (PLM)
- Capricorn District Municipality (CDM)
- Sekhukhune District Municipality (SDM)
- Waterberg District Municipality (WDM), partially
- Mopani District Municipality (MDM); and
- Vhembe District Municipality.

LNW regional representation within its service area

While the head office of the organisation is in Polokwane, regional management is maintained within various district municipal areas to ensure strategic oversight and maintenance of close interaction with respective municipal technical teams.



Mr Jabulani Chauke
Acting Regional Manager – Sekhukhune



Ms Nthabiseng Mohobela
Regional Manager – Mopani



Mr Tshiamo Kwati
Acting Regional Manager – Capricorn

4.4 INFRASTRUCTURAL CAPACITY

LNW operates 20 bulk water schemes ranging in capacity from 1,0 to 175 Ml/day, some of which are conventional, package and borehole systems. Of these bulk water schemes, five are owned by LNW and the remainder are operated on behalf of municipalities. LNW's assets are currently valued at an estimated R5,07 billion.

4.5 EXECUTIVE MANAGEMENT STRUCTURE



Figure 4: Management structure

LNW remains ready for operational expansion due to institutional realignment, leading to the entity becoming a regional water utility for the entire province of Limpopo. This initiative by the Minister of Water and Sanitation necessitated a revision of the composition of the executive management.

The organisation introduced the position of General Manager: Engineering Services, whereafter an incumbent. This position is vital for the organisation to have a dedicated department for projects implementation instead of the current situation where the General Manager: Operations and Maintenance has been responsible for both production and implementation of capital projects.

CORPORATE GOVERNANCE



5 CORPORATE GOVERNANCE

5.1 THE BOARD

The board is comprised of nine non-executive members and the Chief Executive as ex-officio member in terms of Schedule 1 of the WSA No 108 of 1997, until termination by the Minister. The board has been appointed for a period of four years that started on 1 August 2021 and ending one July 2025.

5.2 DETAILS OF THE BOARD MEMBERS AND EXECUTIVE MANAGEMENT

5.2.1 Board Members



Dr NF Mphephu (Chairperson)

Dr Mphephu brings to the board technical and business experience in environmental, social and governance (ESG), SHERQ management system, research & development, stakeholder management, strategy, and business management. He is a registered member of the South African Council for Natural Scientific Professions (SACNASP). He holds the qualifications of Doctor of Philosophy (PhD) in Environmental Science and Master of Business Administration (MBA) degree and has obtained Certificates in Advanced Labour Law; SAMTRAC and Environmental Law. He has served extensively in the capacity as executive member of various institutions.



Mr MM Magoele, CA(SA)

Mr Magoele is a member of the South African Institute of Chartered Accountants (Saica) and an expert in financial management specialising in technical IFRS, Annual Financial Statements, cash flow and audit coordination at group level. He has also completed technical programmes in Enterprise Risk Management with National Treasury and Outcome-Based Monitoring and Evaluation with the University of Pretoria. He is currently serving in non-executive roles at South-West Gauteng TVET College as a Council Member, Audit and Risk Committee Member and like at LNW serves as the Chairperson of the Finance Committee. He is also a member of the Institute of Directors South Africa.



Dr MSM Soni

Dr Soni's experience by and large is in the construction sector where he has occupied various senior positions in both the private and the public sector for more than 22 years.

Dr Soni has worked for organisations of the likes of Group Five, Total Facilities Management Company, Murray & Roberts, the National Department of Public Works, the Gauteng Department of Infrastructure Development, the City of Johannesburg Metropolitan Municipality and the Johannesburg Development Agency in construction management, construction project management, project management, facilities management, infrastructure development and management, property development and management, business administration and management, corporate governance and general management-related positions.

Dr Soni holds a PhD in Construction Management, an MSc in the Built Environment specialising in Project Management, a MBA, a BSc (Hons) in Construction Management, a BTech in Construction Management, a National Diploma in Building, a certificate in the Municipal Financial Management as well as a Public Service Senior Management Service Pre-Entry Programme certificate. Dr Soni is registered as a Professional Construction Manager (Pr CM), a Professional Construction Project Manager (Pr CPM), a Chartered Construction Manager (FCIOB), a Chartered Project Management Surveyor (FRICS), a Project Management Professional (PMP) and as a Certified Director (Cert.Dir).



Mr TJ Mathebula

Mr Mathebula brings to the board experience in business administration, development planning and management. He also serves as Executive Director of Vibrant Veterans Mineral Resources (Pty) Ltd.

He has experience in business, politics, mining, and property development. He has further served as President of The Black Management Forum Limpopo and the Polokwane Golf Club. He has held directorships in both the business and public sectors.

He has a Bachelor of Administration degree and Certificate in Marketing from UNISA and obtained a Post Graduate Diploma in Business Administration from the UNISA Graduate School of Business Leadership. He holds an Executive Development Program from Wits Business School.



Dr P Molokwane

Dr Molokwane is a registered nuclear physicist with SACNASP and a water and environmental engineering professional. She boasts over eighteen (18) years of expertise and experience in groundwater remediation, research in nuclear process and solid waste strategies, solutions and technologies, petroleum, and energy industry. She has worked in both the public and private sectors. She has an extensive corporate governance experience. She serves on the advisory body to the President of South Africa, the National Planning Commission (NPC) as a Commissioner and Chair of Active Citizenry Capable State and Leadership Workstream.

She is the commissioner responsible for Science and Technology and Chairperson of the Water Task Team. She served/s on the boards of South African Forestry Company SOC Limited (SAFCOL), the Inkomati-Usuthu Catchment Management Agency (IUCMA), Sedibeng Water Board, the Nuclear Energy Corporation of South Africa (NECSA) and ESKOM SOC Limited, South African National Biodiversity Institute (SANBI), National Forestry Advisory Council (NAFC) as Deputy-Chairperson, Public Investment Corporation (PIC), Nominee Director to Siyanda Resources, Sublime Technologies and steering committees and panels within the Science and Innovation and Water departments.

She has authored over thirty-eight (38) scientific/engineering peer reviewed papers and four (4) chapters. She holds a Ph.D. Degree in Chemical Technology (Chemical Engineering), an M.Sc. Applied Radiation Sciences and Technology (ARST) Degree, a Postgraduate Diploma in ARST and a B.Sc. (Physics and Chemistry).



Dr FR Munyai

Dr Munyai is a seasoned professional researcher and strategist in business operations in both the public and private sectors and has spent more than 30 years of her career contributing to several senior management roles in Government and worked for various institutions, including a public entity, a university, and a college. She serves as a Councillor of the SAVC and nominated to serve as the Chairperson of the Heritage and Transformation, and of the Professions Committee and Education Committee and member of the Food and Safety Committee as well as Standards Committee. She was appointed as an expert panel member by the North West Premier to advise the Province on the Provincial Growth Development Strategy.

She holds qualifications from various higher learning institutions within South Africa, being an MBA, PhD (Agriculture), MSc Agriculture, BSc Agriculture (Hons), BSc Agriculture; M. Inst.D postnominal and Corporate Governance from Institute of Directors South Africa as well as the following certificates: Course on Finance for Non-financial Managers in Public Sector offered by Business School at University of Pretoria; Advanced Management Development Programme offered by SAMDI and SMS Pre Entry offered by NSG.



Adv MM Makgopa-Madisa

Advocate Makgopa-Madisa has vast experience in drafting and interpretation of legislation, employment law, medical negligence disputes, litigation, contract law and contract management. She also has experience in ethics management and corporate governance in public entities.

She holds a Bachelor of Laws degree (LLB); a Master of Laws (LLM) in Corporate Law and Certificates in Public Finance for Non-Financial Managers, Legal Writing, Advanced Management Development, Drafting and Implementation of Commercial Contracts and Medical Negligence Mediation Training.

She is a qualified mediator and a member of Mediation in Motion (MiM) specialising in the areas of employment law, delictual claims, government and human rights, medical negligence, community disputes, consumer legislation and service delivery.



Adv RT Ramashia

Advocate Ramashia is an admitted attorney of the High Court of South Africa. He has vast experience in legal advisory services. Advocate Ramashia has worked in the municipal sphere of government for about five years and almost ten years of his career in the provincial sphere of government, where he respectively worked as a Legal Advisor and Researcher & Speech Writer.

He is currently the Deputy-Chairperson of the Limpopo Consumer Court and the Chairperson of the School Governing Body of Noordskool. Advocate Ramashia holds a Bachelor of Laws degree (LLB) and a Master of Laws (LLM) in Corporate Law.



Ms FJ Mudau

Ms Mudau holds a Master's Degree in Business Leadership, a Bachelor of Commerce Degree as well as Certificates in Fraud Risk Management, Risk Management: Principles and Practices, Government Finance, and Programme Management Development.

She is a registered member of the South African Institute of Public Accountants (SAIPA) and the Institute of Directors South Africa. She has more than 20 years of experience and a wealth of knowledge in public finance, auditing, risk management, public sector procurement, and compliance with various prescripts.

Mudau previously held positions as Chief Financial Officer at Local Government Institutions. She has also served in the Limpopo Government shared service cluster of the Departments of Treasury, Social Service, and Education as a member of the Audit Committee.

She is serving as a member of the Audit and Risk Committee of the Amatola Water Board and as Chairperson of the Shared Audit and Performance Committee of Nkangala District Municipality.



Ms S Chiloane-Nwabueze

Ms Salome Chiloane-Nwabueze's experience stems from various local and national government departments as well as Rand Water.

Her area of expertise is in water, sanitation, civil engineering, project management, monitoring and evaluation, research, corporate governance, as well as strategy formulation and implementation.

She holds a Master of Science in Civil and Environmental Engineering (MSc Eng.) degree obtained from the University of Witwatersrand and a Master of Business Administration (MBA) obtained from the University of North-West. Ms. Salome Chiloane-Nwabueze has over 10 years of experience within the water sector, and she also serves on various public and private sector boards.



Ms B Mahlutshana

Ms Mahlutshana has held CEO positions in the public transport space and has spent over 20 years in various leadership and executive positions, having been involved in development finance and public transport sectors. She gained critical experience in financial management and administration for municipalities from various institutions advisory role on debt restructuring and overall financial assessment and viability.

She gained critical skills in corporate finance, BBBEE financing and advisory as well as private equity investing during her years at the Development Bank of Southern Africa. She has sat on various boards and is currently a Non-Executive Director of the Cross Border Road Transport Agency, and a sub-committee member for the road passenger chamber of the Transport Education Training Authority.

She holds a Master's degree in Development Finance, Bachelor of Commerce Honours in Financial Management, Bachelor of Commerce in Business Management, and a post graduate Diploma in Municipal Governance.

5.3 EXECUTIVE MANAGEMENT

5.3.1 Executive Management



Dr C Ruiters (Chief Executive)

Dr Ruiters boasts extensive experience and expertise in the water sector through the application of his engineering and science knowledge. He has extensive experience in environment and water resources and supply services engineering and management. His vocational work experience includes water resources infrastructure, water supply management, water distribution infrastructure and operations and maintenance, water and wastewater treatment as well as solid waste management.

He is a registered Professional Civil Engineer and Natural Scientist. He belongs to several professional bodies in engineering and science. He holds degrees in Science, Engineering and Business Administration. He has completed PhD studies in Natural Sciences and Engineering.



Mr. MS Ramalatso CA (SA), RA, (M.Inst.D) (Chief Financial Officer)

He brings extensive experience and skills to the financial environment gained in both private and public sector as an auditor and Accountant. He holds multiple memberships of professional bodies i.e., the Independent Regulatory Board for Auditors (IRBA) as a registered auditor, South African Institute of Chartered Accountants (SAICA) as a qualified chartered accountant and is recognised by SARS as a tax practitioner.

He holds multiple qualifications in the accounting and auditing industry, i.e., a Bachelor of Commerce Degree Honours, a Bachelor of Commerce, and Postgraduate Diploma in Applied Accounting Sciences/CTA and Postgraduate Diploma in Risk Management.



Ms M Sebela (Committee Secretary)

Ms M Sebela boasts invaluable knowledge, skills and experience in board, board committees and executive management-related administration which entails, among others, ensuring proper compilation and timely circulation of relevant board, board committee and executive management meeting packs, monitoring and raising matters that may warrant the board's attention and assisting the board with their yearly evaluations (including its directors). She holds a National Diploma in Public Management and a BTech Degree in Public Management.



Mr ES Moeng (General Manager: Corporate Services)

He has extensive experience in human capital, gained in the National and Provincial Government and at parastatals. He is a member of the South African Board for People Practices (SABPP), the professional body for HR Practitioners in South Africa as well as the quality assurance body for HR learning provision.

He holds a Master's Degree in Public Management, a Bachelor of Law (LLB) and a B-Tech degree in Human Resources Management.



Mr Archibald Maluleke (General Manager: Engineering Services)

His project implementation and asset life cycle performance optimisation experience cover various industries, including petrochemical (Sasol Technology - Sastech), WorleyParsons-TWP Consulting's green/brown-field platinum mining projects for clients such as Anglo American, ARM and Lonmin, the Pebble Bed Modular Reactor (PBMR) Nuclear project and bulk raw water infrastructure projects (TCTA).

He is a member of the South African Institute of Mechanical Engineers. He holds a Magister In generiae degree in mechanical engineering (M.Sc. Eng), Sasol Leadership Development Programme and diplomas and certificates in project management and system acquisition.



Mr PA Moshwane (Acting General Manager: Operations and Maintenance)

Mr Moshwane brings experience in research and development has significantly contributed to the growth of the organisation. Being in the field for more than 20 years has afforded him immense experience in the optimisation, operation and maintenance of water treatment works, Acid Mine Drainage (AMD) and wastewater infrastructure, treatment processes units and distribution systems, water quality management, implementation and management, project planning and engineering management.

He is a member of the Water Institute of Southern Africa (WISA). He holds a National Diploma in Chemical Engineering, a BTECH in Chemical Engineering, MTECH in Chemical Engineering and a certificate in Water Governance and Operations.



Ms DG Manzini, CIA, CGAP (Chief Audit Executive)

She has extensive experience in internal auditing, financial management, risk management and corporate governance. She gained her experience in provincial and local governments, parastatals, tertiary institutions, and banking. She is a member of the Association of Certified Fraud Examiners and the Institute of Internal Auditors South Africa (IIASA) and has served on the Limpopo Committee as the Regional Governor and as Deputy-Regional Governor. She holds a BTech Degree in Internal Auditing and a Postgraduate Diploma in Internal Auditing. She is also qualified as a Certified Internal Auditor (CIA) and a Certified Government Audit Professional (CGAP).



Mr N Nokeri (Manager: Strategy and Planning)

He has experience in business development management, development of policies, corporate plans, and strategies in the water sector. Rigorous engagements with various municipalities have vastly contributed to his understanding of the local government sphere. Being in the water sector for 32 years has afforded him experience in the operation and maintenance of water and wastewater systems, water quality monitoring, project monitoring and evaluation and management in general. He holds Master's Degrees in Sanitary Engineering, Water Care Technology and Business Administration (MBA).



Ms MS Satekge (Chief Risk Officer)

She has vast experience in risk management, auditing, corporate governance, and finance with over ten years' experience acquired in both the public and private sectors in bridging operational and strategic management functions.

She holds a B. Com Degree in Financial Management, Bachelor of Accounting Sciences and Postgraduate diploma in Risk Management. She also holds a Certificate in Strategic Leadership. She is designated as Associate General Accountant (SA) by SAICA.

5.3.2 Board Committees

Table 5-1: Board committee composition and responsibilities

HR, SOCIAL AND ETHICS COMMITTEE	INFRASTRUCTURE, OPERATIONS AND STAKEHOLDER COMMITTEE	AUDIT & RISK COMMITTEE	FINANCE COMMITTEE
<p>Mr TJ Mathebula Adv MM Makgopa-Madisa Dr F Munyai Chief Executive (Ex Officio)</p> <p>Invitees</p> <p>GM: Corporate Services Chief Financial Officer Chief Risk Officer</p>	<p>Dr M Soni Ms S Chiloane-Nwabueze Dr P Molokwane Chief Executive (Ex Officio)</p> <p>Invitees</p> <p>Chief Financial Officer GM: Operations & Maintenance Manager: Strategy & Planning</p>	<p>Mr I Vally (External Chairperson) Mr S Ngobeni (External Member) Ms FJ Mudau Adv RT Ramashia</p> <p>Invitees</p> <p>Chief Executive (Ex Officio) Chief Financial Officer Chief Risk Officer Chief Audit Executive Manager: Strategy & Planning</p>	<p>Mr M Magoele CA(SA) Ms B Mahlutshana Ms Y Pamla CA(SA) (External Member) Chief Executive (Ex Officio)</p> <p>Invitees</p> <p>Chief Financial Officer</p>
<p>Role</p> <p>To review and recommend for approval to the Board, amongst other matters relating to recruitment, remuneration, human resource policies, and employee benefits, labour-related issues and social and ethics-related issues in terms of the King III and IV reports.</p>	<p>Role</p> <p>To ensure execution of LNW's legislative mandate and the fulfilment of its mission. The Committee is also responsible for the development and maintenance of LNW's infrastructure.</p>	<p>Role</p> <p>To ensure adequacy and effectiveness of systems of internal control, accounting practices information systems and auditing processes applied in the day-to-day management of LNW and to monitor compliance with the relevant Acts, ICT, Risk Management, Legal, review annual report, financial statements and that financial information and practices are in compliance with GRAP.</p>	<p>Role</p> <p>To ensure, among others, effective and efficient financial management, a fair, equitable, transparent, competitive and cost-effective procurement and provisioning system, budgeting process, coordinate financial inputs into strategic plans and oversee the development of the Annual Financial Statements. Ensure compliance with the PFMA and Treasury regulations.</p>

Table 5-2: Board (August 2021)

	NUMBER OF SCHEDULED MEETINGS PER ANNUM	NUMBER OF MEETINGS ATTENDED (INCL. SPECIAL)
Dr N Mphephu	4	14
Mr M Magoele CA(SA)	4	14
Ms B Mahlutshana	4	13
Dr M Soni	4	12
Dr P Molokwane	4	12
Ms S Chiloane-Nwabueze	4	14
Mr TJ Mathebula	4	14
Adv. M Makgopa-Madisa	4	13
Dr R Munyai	4	14
Ms F Mudau	4	12
Adv. RT Ramashia	4	12
Mr I Vally (Independent Member)	4	13

Table 5-3: Audit and Risk Committee

	NUMBER OF SCHEDULED MEETINGS PER ANNUM	NUMBER OF MEETINGS ATTENDED (INCL. SPECIAL)
Mr I Vally CA(SA)	4	13
Mr S Ngobeni	4	13
Mr F Mudau	4	13
Adv. RT Ramashia	4	12

Table 5-4: Finance Committee

	NUMBER OF SCHEDULED MEETINGS PER ANNUM	NUMBER OF MEETINGS ATTENDED (INCL. SPECIAL)
Mr M Magoele CA(SA)	4	11
Ms B Mahlutshana	4	10
Ms Y Pamla CA(SA)	4	7

Table 5-5: Human Resources, Social and Ethics Committee

	NUMBER OF SCHEDULED MEETINGS PER ANNUM	NUMBER OF MEETINGS ATTENDED (INCL. SPECIAL)
Mr TJ Mathebula	4	8
Adv. MM Makgopa-Madisa	4	8
Dr R Munyai	4	8

Table 5-6: Infrastructure, Operations and Stakeholder Committee

	NUMBER OF SCHEDULED MEETINGS PER ANNUM	NUMBER OF MEETINGS ATTENDED (INCL. SPECIAL)
Dr M Soni	4	7
Dr P Molokwane	4	7
Ms S Chiloane-Nwabueze	4	7

6 ACCOUNTING AUTHORITY'S RESPONSIBILITIES AND APPROVAL


The Board is required by the Water Services Act (Act 108 of 1997) and Public Finance Management Act (Act 1 of 1999), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the Board to ensure that the annual financial statements fairly present the situation of the entity as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board, and the requirements of the Public Finance Management Act (Act 1 of 1999).

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

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

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



The Board has reviewed the entity's cash flow forecast for the year to 30 June 2024 and, in the light of this review and the current financial position, it is satisfied that the entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

The Board has reviewed the entity's cash flow forecast for the year to 30 June 2024 and, in the light of this review and the current financial position, it is satisfied that the entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements are prepared on the basis that the entity is a going concern, and that the entity has neither the intention nor the need to liquidate or curtail materially the scale of the entity.

The annual financial statements set out on pages 107 - 181, which have been prepared on the going concern basis, were approved by the Board on 31 October 2023 and were signed on its behalf by:



DR NF MPHEPHU
CHAIRPERSON OF THE BOARD

6.1 REMUNERATION OF THE BOARD MEMBERS AND SENIOR MANAGEMENT

Management class: Board Members

2023

Table 6-1: Remuneration of Board Members

NAME	STIPEND	BOARD MEMBERS' CLAIMS	SUBSISTENCE AND TRAVEL	TOTAL
Dr NF Mphephu	627	317	64	1 008
Mr TJ Mathebula	415	86	6	507
Adv. MM Makgopa-Madisa	415	82	6	503
Ms B Mahlutshana	415	60	-	475
Dr FR Munyai	415	64	1	480
Dr MSM Soni	415	127	13	555
Mr MM Magoele CA(SA)	415	115	18	548
Adv. RT Ramashia	208	20	5	233
Ms S Chiloane-Nwabuze	415	130	14	559
Ms FJ Mudau	415	90	8	513
Dr PE Molokwane	415	95	19	529
	4 570	1 186	154	5 910

Independent members

	MEMBERS' FEES	TOTAL
Mr IAS Vally CA(SA)	308	308
Mr SA Ngobeni	81	81
Ms Y Pamla CA(SA)	63	63
	452	452

2022

NAME	STIPEND	BOARD MEMBERS' CLAIMS	SUBSISTENCE AND TRAVEL	TOTAL
Dr NF Mphephu	609	399	74	1 082
Mr TJ Mathebula	433	68	11	512
Ms YD Mbane	39	13	-	52
Mr JL Matlala	34	8	-	42
Adv. MM Makgopa-Madisa	415	151	4	570
Mr MC Twalo	35	5	-	40
Ms M Mabi	35	11	-	46
Ms B Mahlutshana	381	99	5	485
Dr FR Munyai	381	123	10	514
Dr MSM Soni	381	132	19	532
Mr MM Magoele CA(SA)	381	154	23	558
Adv. RT Ramashia	-	-	5	5
Ms S Chiloane-Nwabuze	381	155	27	563
Ms FJ Mudau	381	127	4	512
Dr PE Molokwane	297	24	-	321
	4 183	1 469	182	5 834

Independent members

	MEMBER FEES	TOTAL
Mr IAS Vally CA(SA)	294	294
Mr SA Ngobeni	99	99
Ms Y Pamla CA(SA)	73	73
	466	466

Management class: Executive management

2023

Figure 6-1: Remuneration of executive management

NAME	BASIC SALARY	OTHER SHORT-TERM EMPLOYEE BENEFITS	POST-EMPLOYMENT BENEFITS	TOTAL
Dr C Ruiters	1 059	890	201	2 150
Mr AE Netshidaulu	1 157	604	203	1 964
Mr N Nokeri	913	763	173	1 849
Mr ES Moeng	666	985	126	1 777
Ms GD Manzini	893	922	169	1 984
Mr MS Ramalatso CA(SA)	514	652	98	1 264
Mr AM Maluleke	561	459	107	1 127
Ms RM Sebela	483	637	93	1 213
Ms M Satekge	482	389	94	965
Ms LP Sebola	-	149	-	149
Mr PA Moshwane	-	208	-	208
	6 728	6 658	1 264	14 650

2022

NAME	BASIC SALARY	OTHER SHORT-TERM EMPLOYEE BENEFITS	POST-EMPLOYMENT BENEFITS	TOTAL
Mr AE Netshidaulu	1 157	682	203	2 042
Dr PE Molokwane	130	9	-	139
Ms SP Mathevula	1 029	890	180	2 099
Mr ES Moeng	666	989	126	1 781
Ms GD Manzini	893	757	169	1 819
Mr N Nokeri	913	610	173	1 696
Ms RM Sebela	476	526	90	1 092
Ms M Satekge	466	319	88	873
Mr M Mantsho	57	-	-	57
Mr MS Ramalatso*	216	-	-	216
Ms MPD Tolo	252	-	-	252
Ms ME Mphachoe	137	-	-	137
Ms LP Sebola	174	-	-	174
Mr MC Zenzile	11	-	-	11
	6 577	4 782	1 029	12 388

Remuneration of key management excludes any consideration provided solely as reimbursement for expenditure incurred by those persons for the benefit of the entity, such as the reimbursement of accommodation costs associated with work-related travel.

STAKEHOLDER RELATIONS



7 STAKEHOLDER RELATIONS

Due to the nature of LNW's operations it is granted that the organisation will have a myriad of stakeholders, all of whom are key. Below is a summarised representation of their composition.

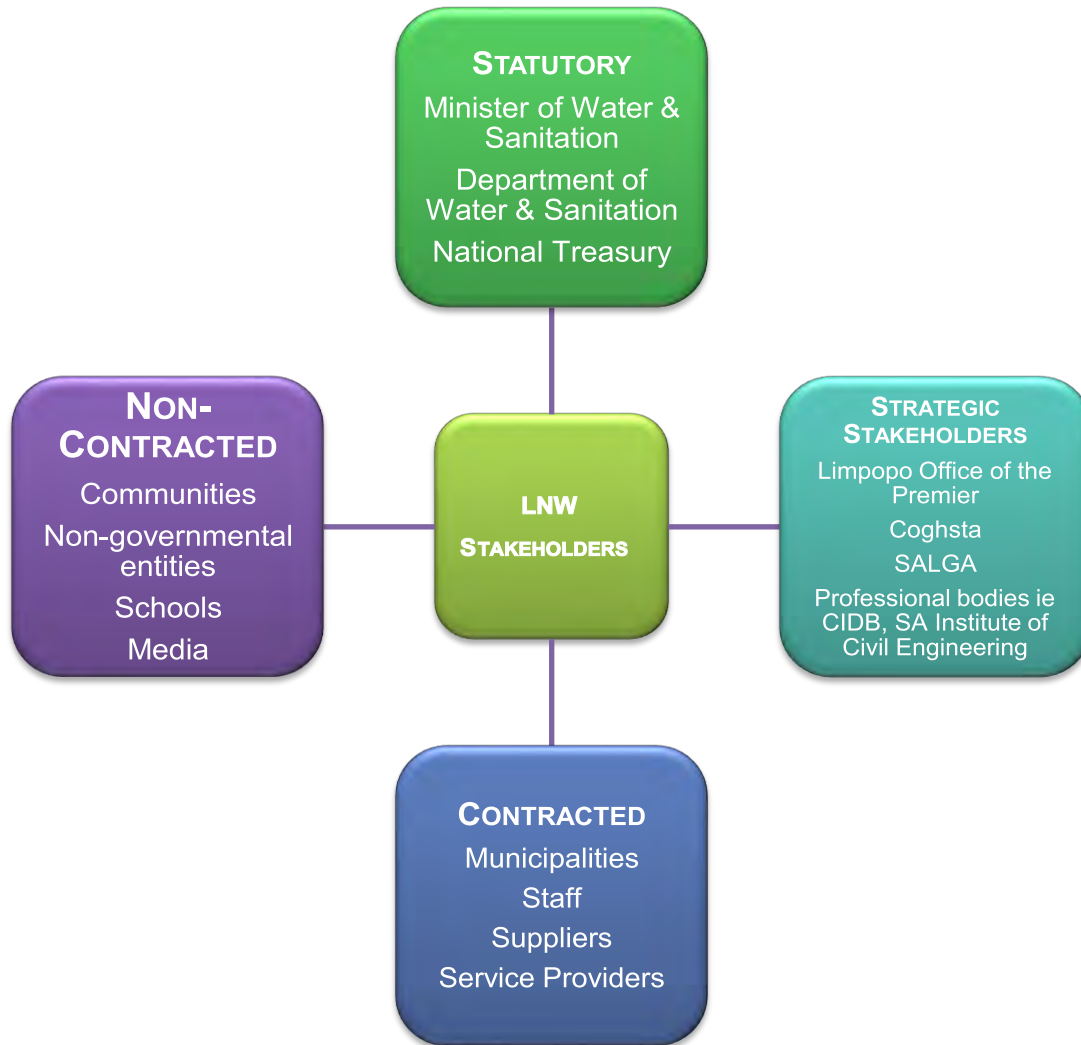


Figure 7-1: LNW Stakeholders

7.1 CUSTOMER SATISFACTION

The customer satisfaction questionnaire has been developed for the purpose of measuring the satisfactory state of service to LNW's customers. The questionnaire is therefore circulated to the main clients of LNW to complete quarterly. The response is subsequently captured on a five-point Likert scale. The average of all the questionnaires that were returned resulted in a score of 85% against the target of 85% as depicted in Figure 7-2 below:

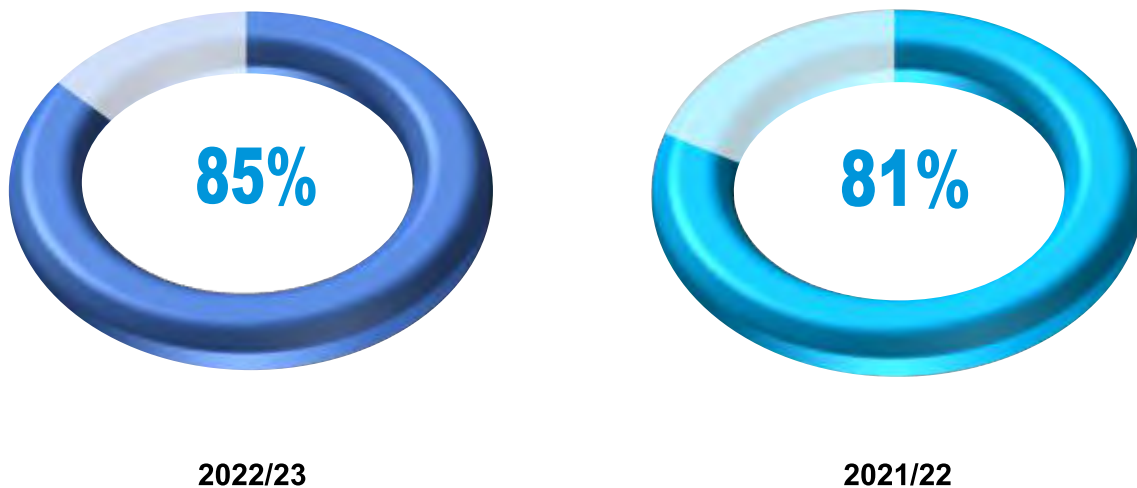


Figure 7-2: Comparison of overall customer satisfaction

Figure 7-2 depicts that customer satisfaction has improved to 85% in 2022/23 when compared to 81% of the previous year, 2021/22. LNW responds to the needs of its bulk customers through engagements on a quarterly basis or as required. Of these many vital engagements, few are highlighted below:

7.1.1 Meetings with WSAs

Quarterly and monthly technical performance review meetings were held with the WSAs in line with the bulk water services contracts during the period under review. The importance of such meetings, among others, to assess operational performance with the objective of timeously and most efficiently delivering water services and addressing identified gaps and concerns. At high level the accounting officers get information that assist them to take decisions that enhance service delivery.

7.1.2 Communications and Marketing

Part of the role of LNW’s Communications and Marketing Department is to ensure that there is continued stakeholder relations management and positive profiling and marketing through proactive internal and external communication, media engagements as well as online and social media presence. The initiatives seek to advance the LNW brand to the extreme level of visibility and providing accessibility, engagement, and accountability to the public by communicating water-related messages via a variety of channels.

Effective communication is essential for internal and external stakeholder relations. LNW utilises multiple channels such as the website, intranet, email distribution, online and social media platforms and an electronic outdoor screen at its head office to convey corporate water-related and awareness messages. Additionally, electronic monthly newsletters are distributed to keep stakeholders informed about organisational affairs. By prioritising media engagements and utilising various communication channels, LNW consistently communicates planned or unplanned service disruptions in a timely manner in collaboration with the Operations and Maintenance Department and municipalities. This is preceded by prior correspondence to LNW clients.

Interaction with the community and LNW stakeholders through the official organisational online and social media platforms remains key. Communication and updates on several issues are continuously published on LNW official pages on Facebook, Twitter, Instagram and LinkedIn, including on the organisational website.

7.2 CORPORATE SOCIAL INVESTMENT (CSI)

LNW's area of operation is predominantly rural and from time to time, during execution of its mandate, the organisation encounters devastating living conditions which members of communities are subjected to. Through CSI initiatives LNW attempts to provide relief in such circumstances to complement the work of its various municipal customers or stakeholders.

Lebone Special School, Mashate Village, Maroteng area

Paint, painting equipment and hosepipes were donated to Lebone Special School in Maroteng area near Mahwelereng in Mogalakwena Local Municipality. The Board, Executive Committee members and employees from different plants, joined by representatives of the Department of Education and municipality engaged in painting facilities at the school. These included 5 classrooms and the administrative block.



Palabora Foundation, Phalaborwa

Two laptops and a digital projector were donated to Palabora Foundation, as learning aids during learnership programmes for Grade 8 to 12 learners, when attending sessions on weekends and during holidays.



Mathukhana Secondary School, Boyne area

Three laptops were donated to Mathukhana Secondary School in the Boyne area. The gesture was aimed at assisting in teaching learnership programmes for Grade 12.



Bana Ba Thari Special School, Solomondale area

LNW donated a garden-in-a-crate to the school. The concept was developed for sharing information about the value of water through sustainable food gardening. Furthermore, it is aimed at imparting knowledge through teaching learners to grow their own food gardens at home, as possible income generator for young entrepreneurs. The crate was stocked with garden tools, including hosepipes with fixtures, seed packs, fertiliser, shovels, garden forks and gloves.



The cover page features a light blue background with a pattern of small, faint circles. In the top-left and bottom-right corners, there are large, overlapping triangular shapes in shades of blue and dark blue. The title 'PERFORMANCE REVIEW' is centered in a bold, black, sans-serif font.

PERFORMANCE REVIEW

8 PERFORMANCE REVIEW

The organisation's performance reviewed against the Corporate Plan is depicted briefly in Figure 8.1 below, illustrating a performance score of 63% during the reporting period as compared to 77% achievement of the previous financial year.

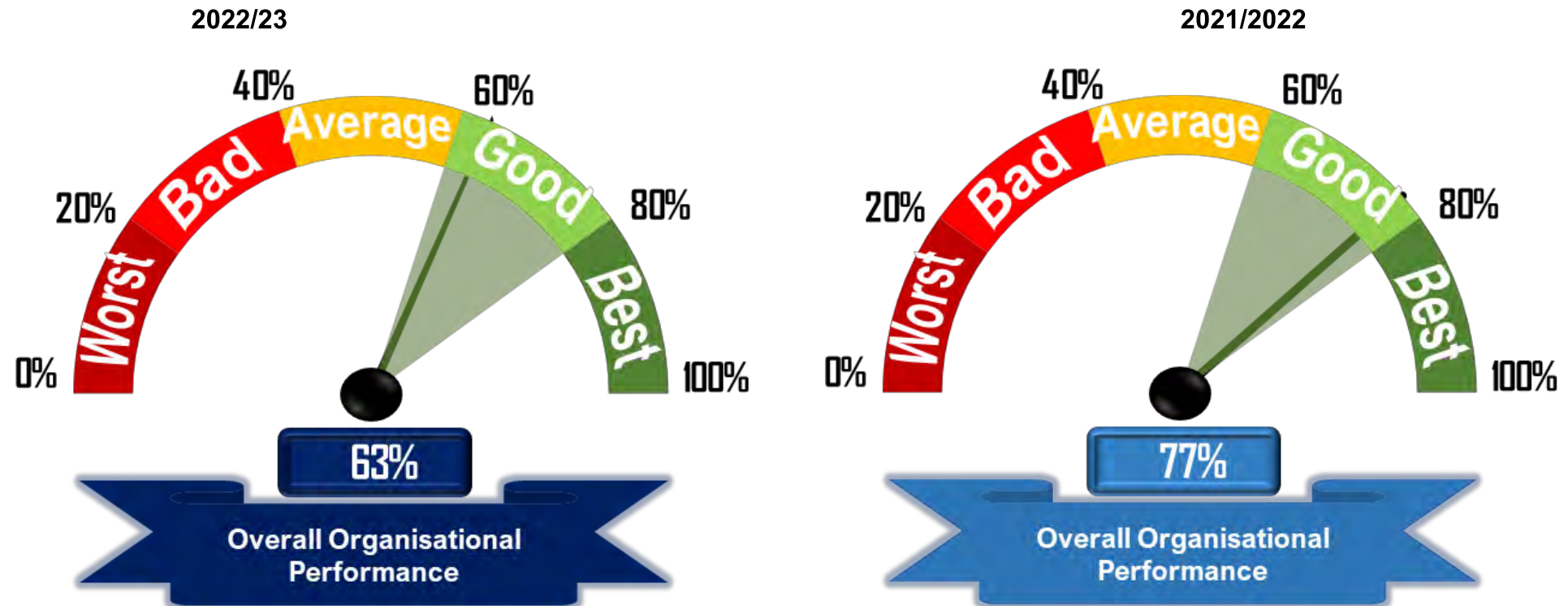






Figure 8-1: Performance comparison between 2021/22 and 2022/23 financial years

8.1 PERFORMANCE REVIEW AGAINST THE CORPORATE PLAN

1. PROVISION OF EQUITABLE AND SUSTAINABLE BULK WATER SERVICES.




Legend:	
Achieved	
Not Achieved	




STRATEGIC KEY FOCUS AREA	STRATEGIC GOALS	STRATEGIC OBJECTIVES	KEY PERFORMANCE INDICATOR	TARGET 2022/23	ACTUAL	ACHIEVED/ NOT ACHIEVED	REASONS FOR NON-ACHIEVEMENT	REMEDIAL ACTION
Operational excellence	Enhanced operational efficiency	1.1. Improve Infrastructure Efficiency and Effectiveness	1.1.1. Number of days' supply interrupted as a % of possible supply days, ¹	3	1,27%			
	Enhanced operational efficiency	1.2. Manage water losses within water distribution systems	1.2.1. Avoidable water lost as a percentage of water sold ²	5	6,61%		<p>Mopani Illegal connections on the Lulekani bulk line aggravate the high-water loss.</p> <p>Aging infrastructure which results on frequent pipe burst. 560mm line is currently decommissioned.</p> <p>Politsi and Nandoni:</p>	<p>The plant replaced Florida reservoir bypass valve and Repaired pipeline between Florida and Westfalia.</p> <p>The leak reported in January has now been repaired.</p> <p>The damaged communication cable has been repaired.</p>


¹ Based on the number of unplanned interruptions to bulk supply each exceeding 24 hours

² KPI 1.2.1 has been calculated as a percentage of raw water abstracted instead of water sold and the KPI has been corrected in 2023/24 Corporate Plan as time did not allow to change the 2022/23 Corporate plan.




STRATEGIC KEY FOCUS AREA	STRATEGIC GOALS	STRATEGIC OBJECTIVES	KEY PERFORMANCE INDICATOR	TARGET 2022/23	ACTUAL	ACHIEVED/ NOT ACHIEVED	REASONS FOR NON-ACHIEVEMENT	REMEDIAL ACTION
							Both schemes are within the set target.	Both filters were repaired and are functional.
							<p>Capricorn Region Doorndraai The meter is to be recalibrated within a week when faulty.</p> <p>Olifantspoort The upgrade project is to be implemented as a matter of urgency.</p>	<p>As and when the incident occurs.</p> <p>The first work package of the Olifantspoort and Ebenezer upgrade project has been advertised and currently under the adjudication processes and the completion of this work package will minimise water loss.</p>
							<p>Sekhukhune Region Burgersfort rising main and old plant rising main pipe bursts.</p> <p>Flag Boshielo: 5x leaks at Makotswana river, leak at Senamela camp, leak at Dibhafong, leak at Regae manhole, opened scour at Madisha camp, opened scour at Scara camp, leak at Ga-Mmela,</p>	Engage SDM on submitted business plans to address CAPEX. Install meters at the points of illegal connections as agreed with the municipality.


STRATEGIC KEY FOCUS AREA	STRATEGIC GOALS	STRATEGIC OBJECTIVES	KEY PERFORMANCE INDICATOR	TARGET 2022/23	ACTUAL	ACHIEVED/ NOT ACHIEVED	REASONS FOR NON-ACHIEVEMENT	REMEDIAL ACTION
							mushrooming of illegal connections.	
Water quality compliance	Provision of drinking water with excellent quality	1.3. Comply with SANS 241 for drinking water quality (Bulk)	1.3.1. % Microbiological compliance	98%	97,4%		Olifantspoort The post chlorination system is not working properly and currently using chip dozers.	A purchase request has been done in to secure the service provider to repair the chlorine system.
			1.3.2. % Chemical non-health aesthetic compliance	95%	99,3%			
			1.3.3. % Operational compliance	95%	90,5%		Olifantspoort The post chlorination system is not working properly and currently using chip dozers. Recurring pipe leaks and vandalism Ebenezer turbidity non-compliant Doorndraai- Contracted farmer (van Heerden) supplying borehole water notified of his non-compliance to SANS 241 Two package plants turbidity is non-compliant and free chlorine below target.	A purchase request has been done in to secure the service provider to repair the chlorine system. Continue with reservoir cleaning schedule and address pipe leaks on time. Doorndraai Scheme to monitor closely. Prolonged power cuts contribute to water quality challenges. After onsite visit R&D, Planning, and the scheme to compile report on actions plan to address turbidity challenges. Scheme to

STRATEGIC KEY FOCUS AREA	STRATEGIC GOALS	STRATEGIC OBJECTIVES	KEY PERFORMANCE INDICATOR	TARGET 2022/23	ACTUAL	ACHIEVED/ NOT ACHIEVED	REASONS FOR NON-ACHIEVEMENT	REMEDIAL ACTION
							<p>Tsakane: the package plant has design issues in that settling tanks do not desludge.</p> <p>Mahloakoena: The design is the same as Tsakane's.</p> <p>Kutullo: Same challenges as Tsakane.</p>	<p>monitor free chlorine at the farmers weekly.</p> <p>Schedule the cleaning of reservoirs in consultation with the WSAs</p> <p>Glencore is appointed to refurbish the package plant.</p> <p>CAPEX required to be approved by WSA. Business plans have been submitted to the WSA.</p>
			1.3.4. % Chronic health chemical compliance	95%	99,9%			
ISO Compliance	Improve environmental performance, reduction of waste, and gain trust of stakeholders.	1.4. Comply with ISO 14001 certification	1.4.1. Valid certificate	12	12			
	Provide a safe working environment for employees	1.5. Comply with ISO 45001 certification	1.5.1. Valid certificate	6	5		One scheme (Politsi) was included in the plan, however, the auditors indicated that because it was included under ISO 14001, they don't have to include it under ISO 45001 as it is still valid.	Consider the schemes in ISO 14001 before targeting for ISO 45001.









STRATEGIC KEY FOCUS AREA	STRATEGIC GOALS	STRATEGIC OBJECTIVES	KEY PERFORMANCE INDICATOR	TARGET 2022/23	ACTUAL	ACHIEVED/ NOT ACHIEVED	REASONS FOR NON-ACHIEVEMENT	REMEDIAL ACTION
	Customer satisfaction and organizational efficiency	1.6. Comply with ISO 9001 certification	1.6.1. Gap audit report	1	0		Human resources constraints negatively impacted on the achievement of the KPI.	The structure is under review to ensure that there are resources to handle such projects.
			1.6.2. Valid certificate	N/A	N/A	N/A	N/A	N/A










2. BULK WATER SERVICES INFRASTRUCTURE PLANNING AND DEVELOPMENT


STRATEGIC FOCUS AREA	STRATEGIC GOALS	STRATEGIC OBJECTIVES	KEY PERFORMANCE INDICATOR	TARGET 2022/23	ACTUAL	ACHIEVED/ NOT ACHIEVED	REASONS FOR NON-ACHIEVEMENT	REMEDIAL ACTION
Infrastructure development	Reliable water services provision	2.1. Expand and renew water infrastructure	2.1.1. Average % Completion of LNW infrastructure projects per approved project execution plan	85%	63%		Ineptitude of Technical and Financially challenged Contractors' ability to execute the work. Disruptions of site activities by business forums in Phalaborwa.	Notice of termination letters issued to non-performing Contractors and Consultants and application of penalties. Appointment of Cost Engineers in the long term to assist with invoice verifications and ensuring timeous payment of service providers.
			2.1.2. Average % Completion of Ministerial Directives per approved project execution plan	65%	66%			
			2.1.3. Actual capex spent on expansion related projects as % of	65%	46%		DWS CN and Isiphethu suspended services temporarily pending finalisation of the Contract adjustment for	BAC approved appointment of support grade 9 fixed term contractors to augment DWS CN and reduce the

STRATEGIC FOCUS AREA	STRATEGIC GOALS	STRATEGIC OBJECTIVES	KEY PERFORMANCE INDICATOR	TARGET 2022/23	ACTUAL	ACHIEVED/ NOT ACHIEVED	REASONS FOR NON-ACHIEVEMENT	REMEDIAL ACTION
			budget (initiative by the Minister)				Giyani RM08. The work resumed after consultation with LNW Management. The Q4 expenditure continued to be low for DWS Construction North on the Giyani RM08 project due to DWS institutional constraints to procure construction materials and consumables. This heavily brought the score down due to the value of the project.	scope accordingly. Appointment awaits conclusion of the internal investigations on the evaluation.
			2.1.4. Overall % project completion dates within targets	30%	62%			





3. EFFECTIVE FINANCIAL VIABILITY AND SUSTAINABILITY

STRATEGIC KEY FOCUS AREA	STRATEGIC GOALS	STRATEGIC OBJECTIVES	KEY PERFORMANCE INDICATOR	TARGET 2022/23	ACTUAL	ACHIEVED/ NOT ACHIEVED	REASONS FOR NON-ACHIEVEMENT	REMEDIAL ACTION
Sound Financial Management	Effective SCM Process	3.1. Local economic development (Job creation)	3.1.1. % BBEE expenditure	90%	94%			
			3.1.2. Number of new entrants awarded with contracts in the financial year	14	13		The definition for new entrants was not in line with other waterboards.	The APP new entrants' definition for 2024 has been amended to be in line with other waterboards.
	Financial Growth	3.2. Increased Revenue	3.2.1. % income from secondary activities on turnover	5%	5,4%			
			3.2.2. Repairs and maintenance as a % of Property Plant and Equipment	1,50%	1,4%		The asset base increased by the takeover of Nandoni infrastructure. The target was achieved before the takeover implementation, caused by spending on maintenance.	Align the budget and expenditure in relation with the asset base to ensure that the infrastructure is sufficiently maintained.
		3.3. Profitability Analysis	3.3.1. Gross profit margin (primary activity)	48%	55,5%			
			3.3.2. Gross profit margin (secondary activity)	5%	99,3%			
	3.3.3. Net profit margin (primary activity)		1%	151,9%				
	3.3.4. Net profit Margin (secondary activity)		5%	89%				

STRATEGIC KEY FOCUS AREA	STRATEGIC GOALS	STRATEGIC OBJECTIVES	KEY PERFORMANCE INDICATOR	TARGET 2022/23	ACTUAL	ACHIEVED/ NOT ACHIEVED	REASONS FOR NON-ACHIEVEMENT	REMEDIAL ACTION
			3.3.5. Return on assets	1%	22,8%			
		3.4. Budget Management	3.4.1. % Variance of actual revenue and budgeted revenue	10%	12,1%		Only Marble Hall met its production targets. Schemes that missed their targets by over 10%.	The GM Operation will establish a water loss turnaround strategy.
			3.4.2. % Variance of actual Capital Expenditure versus Capital budget	10%	47,5%		There were delays in implementation of projects	The GM Engineering and GM Operation will develop a turnaround strategy to expedite the projects performance.
	Improved Audit Outcome	3.5. Enhanced control environment	3.5.1. Audit opinion	Unqualified	Unqualified			
	Improved Cash management	3.6. Cost containment	3.6.1. % Variance of actual operational Expenditure (fixed costs) versus operational budget	10%	-2,8%			
			3.6.2. Staff remuneration as % of total operating expenditure	35%	32%			
	Improved collection rate	3.7. Improved collection rate	3.7.1. Current ratio	1	2,47			
			3.7.2. % Debt Recovered	65%	52%		Customers are defaulting on payment arrangements and non-affordability by VDM.	We will continue to intensify collection measures
		3.8. Working Capital Management	3.8.1. Debt equity	20%	19,2%			

STRATEGIC KEY FOCUS AREA	STRATEGIC GOALS	STRATEGIC OBJECTIVES	KEY PERFORMANCE INDICATOR	TARGET 2022/23	ACTUAL	ACHIEVED/ NOT ACHIEVED	REASONS FOR NON-ACHIEVEMENT	REMEDIAL ACTION
			3.8.2. Debtors days	250	445		Customers are defaulting on payment arrangements and non-affordability by VDM.	We will continue to intensify collection measures

4. EFFECTIVE AND EFFICIENT ORGANISATIONAL DEVELOPMENT PROCESSES AND PRACTICES

STRATEGIC KEY FOCUS AREA	STRATEGIC GOALS	STRATEGIC OBJECTIVES	KEY PERFORMANCE INDICATOR	TARGET 2022/23	ACTUAL	ACHIEVED/ NOT ACHIEVED	REASONS FOR NON-ACHIEVEMENT	REMEDIAL ACTION
Staff Levels	Workforce Plan to address the current and future Human Resources needs.	4.1. Hiring and retaining people with the required skills, knowledge, and experience to achieve the strategic objectives of LNW.	4.1.1. % Staff Turnover	2%	1,19%			
Training and Skills Development	Grow the talent and skills	4.2. Increase the supply of talent through skills inventories and succession pools.	4.2.1. Number of Learnership (Beneficiaries)	30	41			
			4.2.2. Number of bursary employees enrolled for development	70	59		The target number of 70 employees, which excludes additional developmental interventions, represents 19% of the overall workforce. Given that the appointments are done in accordance with the necessary minimum qualifications, most employees prefer not to advance in their studies. Some employees choose to stop pursuing their formal studies after they have met the minimum requirements.	Promote the awareness campaign for work-life and academic balance among employees and encourage registration. Make the workforce's overall bursary target minimum of 10%.
			4.2.3. Number of employees on	50	63			

STRATEGIC KEY FOCUS AREA	STRATEGIC GOALS	STRATEGIC OBJECTIVES	KEY PERFORMANCE INDICATOR	TARGET 2022/23	ACTUAL	ACHIEVED/ NOT ACHIEVED	REASONS FOR NON-ACHIEVEMENT	REMEDIAL ACTION
			graduate programme					
			4.2.4. Number of registered employees with professional bodies	0	N/A	N/A	N/A	N/A
Job Created	Build a talent pipeline	4.3. Increase the supply of talent through talent acquisition practices and succession pools.	4.3.1. Number of permanent and fixed term jobs created	5	18	😊		
			4.3.2. Number of temporary jobs created	120	591	😊		
Information Technology Infrastructure Utilisation	ICT Operation Model	4.4. Build best practice principles to deliver a robust, secure and effective ICT service.	4.4.1. % Network Availability of IT infrastructure	95%	98,9%	😊		
			4.4.2. % System Availability of IT infrastructure	95%	89,2%	😞	UPS non-availability because of dead batteries	Purchase and replace Lithium UPS batteries

5. GOOD GOVERNANCE AND CLEAN ADMINISTRATION

STRATEGIC KEY FOCUS AREA	STRATEGIC GOALS	STRATEGIC OBJECTIVES	KEY PERFORMANCE INDICATOR	TARGET 2022/23	ACTUAL	ACHIEVED/ NOT ACHIEVED	REASONS FOR NON-ACHIEVEMENT	REMEDIAL ACTION
Compliance	Comply with relevant regulatory and statutory reporting frameworks	5.1. Reduce violations of relevant regulatory and statutory reporting frameworks	5.1.1. Number of breaches of materiality and significance framework	0	0			
			5.1.2. % Statutory reports submitted on time	100%	92%		Some reports were not submitted as per the submission schedule.	Ensure that all statutory reports are submitted on time
Governance	Effective Internal Controls and Risk Management	5.2. Reduce internal audit findings and organisational risks	5.2.1. Maximum number of repeat internal audit findings	0	0			
			5.2.2. Maximum number of unresolved Internal audit findings	20	42		An amount of 42 audit findings were not resolved because not all the action plans were implemented.	Management should make sure that Action Plans to address audit findings are fully implemented before reporting them as Completed.
			5.2.3. Tolerable organisational residual risk	7	10,8		The operational risks were reassessed in the fourth quarter to align with the requirements of the Barn Owl system and that made most of the controls' effectiveness to lower which increased the risk residual levels of many risks	- Removal of ineffective controls from the risk register -Reinforcing the implementation of controls that could be effective risk reassessment of implemented mitigation measures supported by PoE's.
Corporate Brand identity and Image	Positive perceptions held by external clients	5.3. Accentuate the corporate brand and image	5.3.1. Number of municipalities supported on rural development programmes.	0	0	N/A	N/A	N/A

STRATEGIC KEY FOCUS AREA	STRATEGIC GOALS	STRATEGIC OBJECTIVES	KEY PERFORMANCE INDICATOR	TARGET 2022/23	ACTUAL	ACHIEVED/ NOT ACHIEVED	REASONS FOR NON-ACHIEVEMENT	REMEDIAL ACTION
			5.3.2. % Stakeholder satisfaction	85%	85%	😊		
			5.3.3. Number of municipalities or other customers with bulk supply agreements	1	1	😊		
			5.3.4. Number of CSI initiatives undertaken	4	4	😊		
Board Effectiveness	Strategic leadership	5.4. Provide effective leadership	5.4.1. % Board members' attendance of all board and committee meetings	95%	98%	😊		
			5.4.2. Decision making: % number of resolutions taken by the board versus number of resolutions required	95%	100%	😊		

9 INFORMATION AND COMMUNICATIONS TECHNOLOGY (ICT)

9.1 INFORMATION AND COMMUNICATIONS TECHNOLOGY GOVERNANCE

Information and Communication Technology (ICT) is playing an ever-increasing role as a strategic enabler of public service delivery. To enable Political and Strategic leadership to embrace ICT as an enabler of business, the DPSA developed the Corporate Governance of ICT Policy Framework to guide the governance of ICT. The Framework requires departments and state entities to implement the corporate governance of ICT (CGICT) as an integral part of its corporate governance arrangements. The Framework prescribes a phased approach with three (03) phases:

9.1.1 Phase 1: Creation of an enabling environment: Implementation of the CGICT and GICT

For the 2022/23 financial year Lepelle Northern Water adopted the following ICT policies and procedures:

- a) Backup Procedure
- b) SAP Procedure
- c) Patch Management Procedure
- d) Firewall Management Procedure
- e) IT Helpdesk Procedure
- f) Incident Management
- g) Active Directory Administration Procedure
- h) Logical Access Procedure

9.1.2 Phase 2: Strategic alignment: Implementation of business and ICT alignment

- a) A Digital Transformation Strategy was drafted and adopted for implementation during the 2022/23 Financial.
- b) The ICT Steering Committee in place and for the period under review the Committee had four (04) quarterly meetings.

9.1.3 Phase 3: Continuous improvement of governance and strategic alignment arrangements

ICT continues to improve through the review of significant documents and strategic alignment arrangements to optimise ICT enablement of service delivery.

ICT continued to deliver value through a reliable and secure platform for business enablement, an effective and efficient service, a well-governed environment and exploiting best-fit digital technology innovation.

9.2 NETWORK AVAILABILITY

Network availability is very important in the day-to-day running of business of any organisation, especially with ICT having become crucial to any business. In line with the Fourth Industrial Revolution (4IR), the entity has ensured that there is reliable network available for all its employees to conduct their work. The graphs below depict how the organisation has fared in relation to network availability.

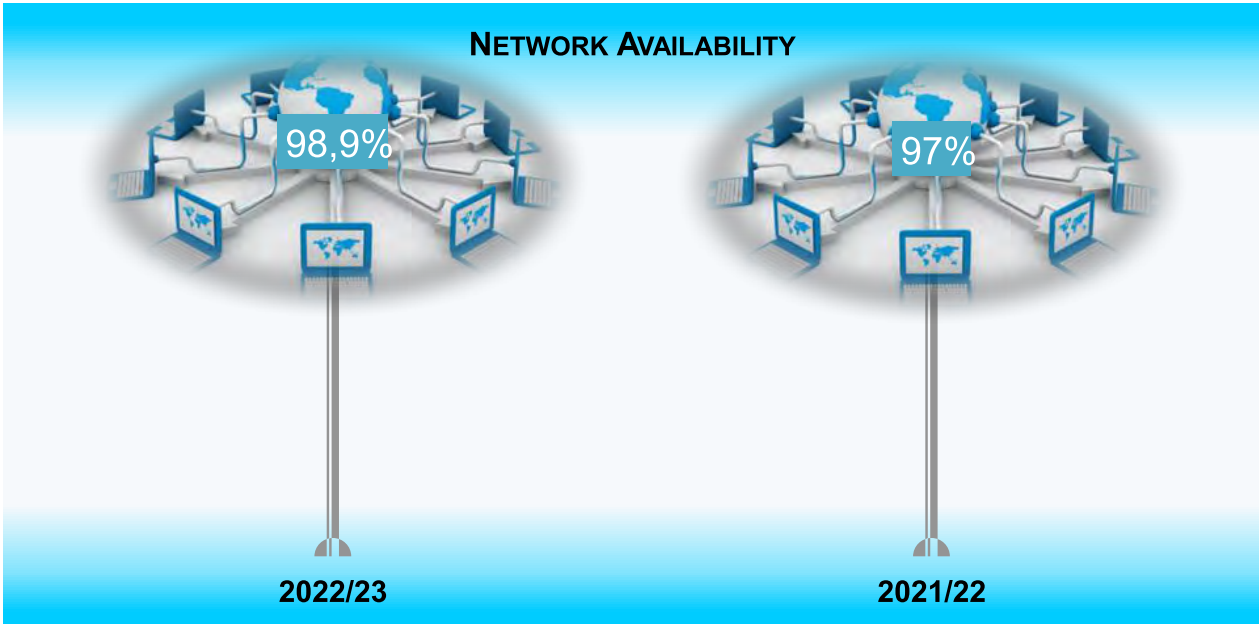


Figure 9-1: Network availability comparison

Figure 9-1 shows that there has been improvement on network availability at 98,9% when compared to 97% of the previous financial year.

9.3 SYSTEM AVAILABILITY

In the 2022/23 financial year the organisation introduced an additional Key Performance Indicator (KPI) to regularly measure the availability of all the systems that are utilised daily for the purpose of conducting business. The graph below highlights how the systems have on average been available for use.



Figure 9-2: System availability

Figure 9-2 above shows that a secure and reliable systems applications infrastructure with an average availability of 89.2% was provided, which is less than the targeted 95%. The poor systems performance was attributed to non-availability of the UPS caused by dead batteries, however, longer lasting batteries were purchased to replace the old ones.

ICT realised the benefits of significant strides taken and the collective efforts made in building new partnerships, fostering innovation and improving its support services by adopting trends in the industry to ensure the organisation remains aligned to the technology evolution.

Cyber threats continue to be an ever-increasing challenge that any institution is prone to, however, in the year under review LNW was never impacted by such. This is because over and above the firewall that has been installed, Mimecast email solution was also installed to intercept spam and phishing emails which intensifies the security of the entity's ICT infrastructure.

Continuous ICT Steering Committee and Board oversight of ICT matters ensured the deployment of secure, reliable, and adequate ICT solutions throughout the period under review.

OPERATING ENVIRONMENT



10 OPERATING ENVIRONMENT

10.1 PRODUCT STATUS

10.1.1 Overall Water Quality Performance

The primary mandate of LNW is to supply potable water with quality that complies with SANS 241 drinking water standards. The entity chose the minimum requirement for microbiological compliance to be 98% as a target, although in terms of SANS 241 95% is the minimum allowable limit for Chemical Non-Health Aesthetic, Chemical Chronic Health and Operational compliance. The entity has not complied to all four (4) categories of water quality requirements as per SANS 241 drinking water standard. Figure 10-1 below highlights the water quality results achieved.

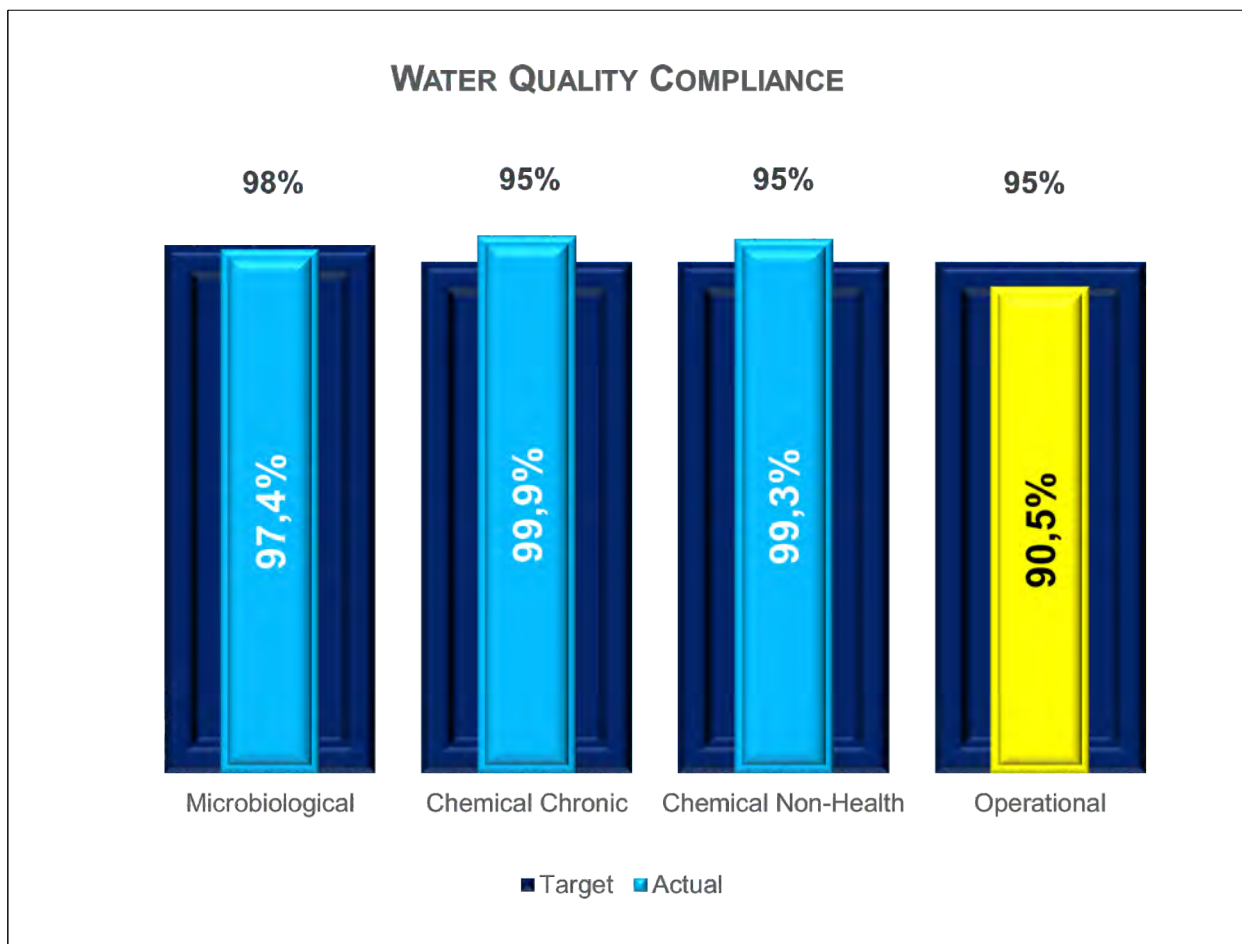
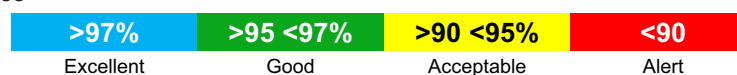


Figure 10-1: Overall water quality compliance



In South Africa the quality of drinking water supply is considered safe for human consumption by measuring compliance against South African National Standards (SANS 241). The potable water quality standards (SANS 241) requires both microbiological and chemical components to meet the minimum compliance standard of 95%.

Figures 10-2 to 10-5 below depicts the results achieved on various categories of water quality compliance.

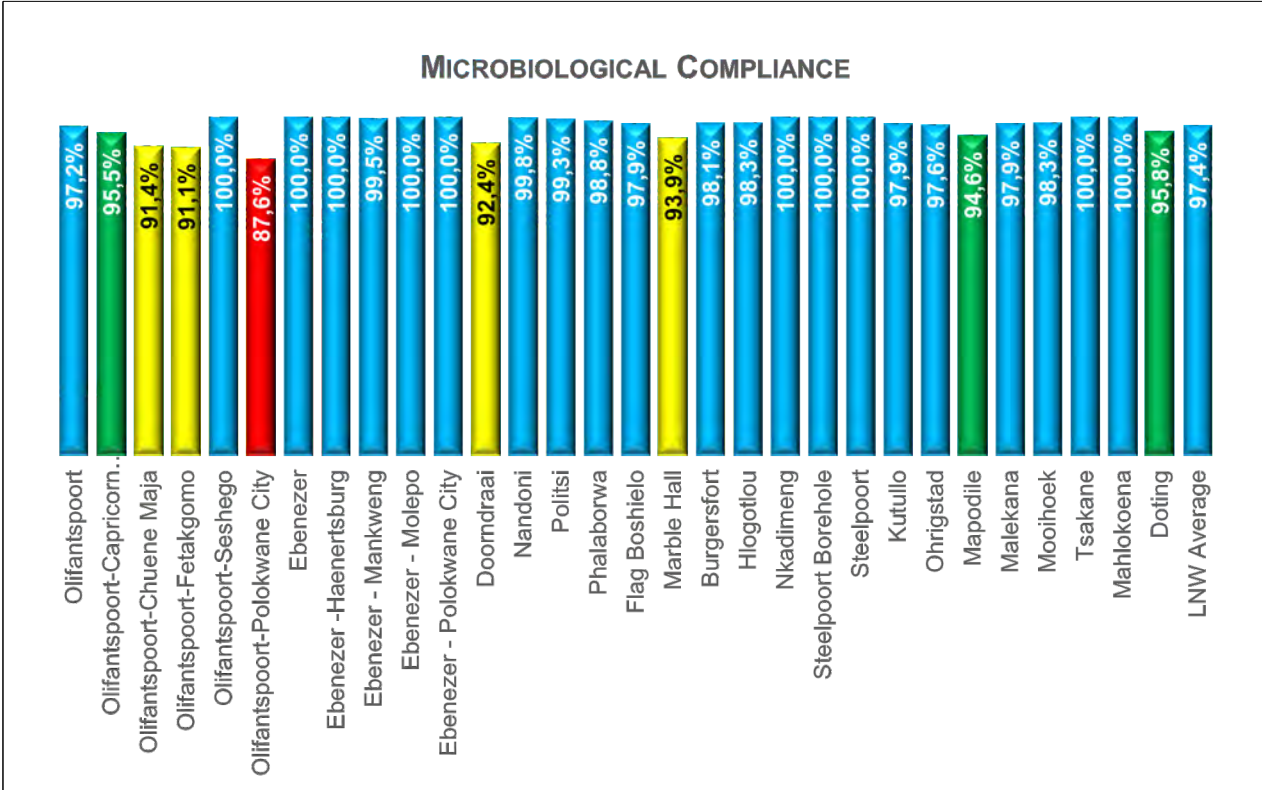


Figure 10-2: Microbiology Compliance



Figure 10-2 shows that on average the microbiological compliance for the organisation is 97,4%, which is below LNW internal target, but exceeds the SANS 241 minimum target of 95%. This renders the water safe for human consumption. Olifantspoort Scheme experienced microbiological challenges due to pipe bursts along the Specon pipeline. There is a Olifants/ Ebenezer upgrade project underway to address such pipe bursts and increase capacity of Olifantspoort WTW from 60M .day to 120M /day. Doorndraai Scheme experienced microbiological challenges as well, the challenges are addressed with the contracted water service provider that augments water supply through borehole system. Marble Hall WTW requires refurbishment and Sekhukhune DM is engaged to approve CAPEX project.

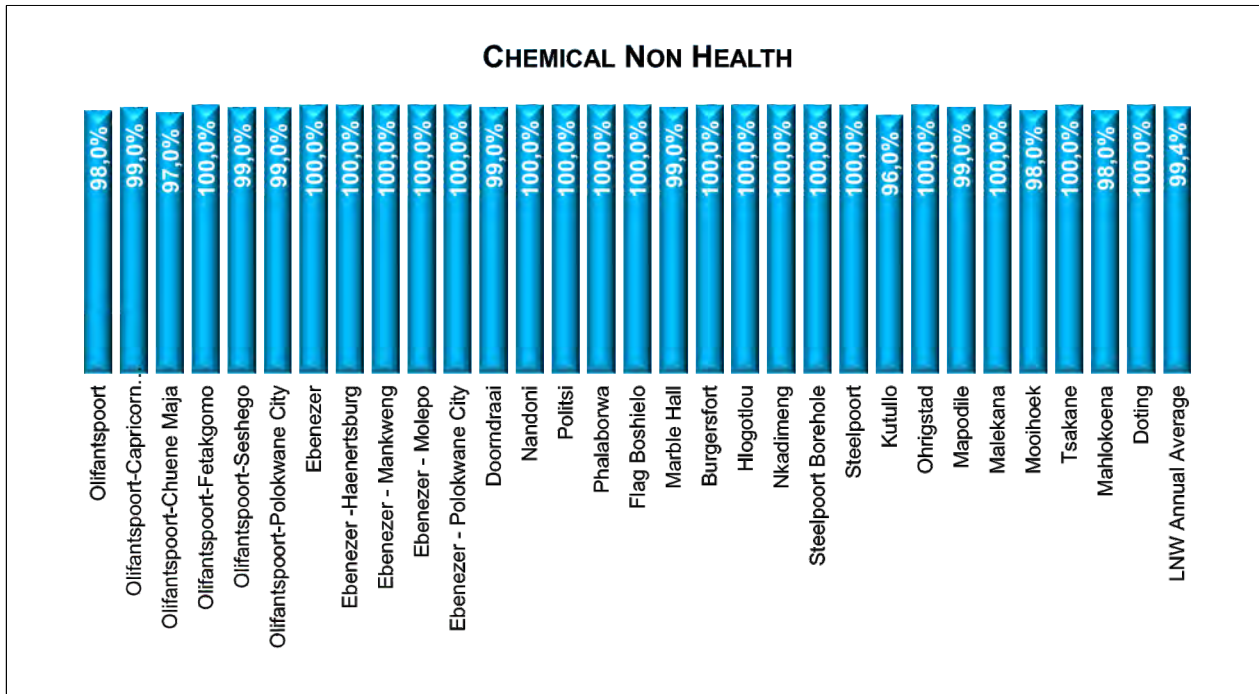


Figure 10-3: Chemical Non-Health Compliance

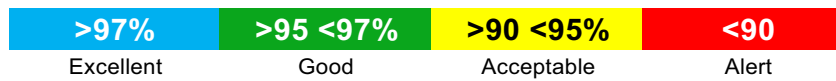


Figure 10-3 above highlights that the overall non-health compliance of water provided by LNW is in an excellent state with none of the results being below the set target of 95%.

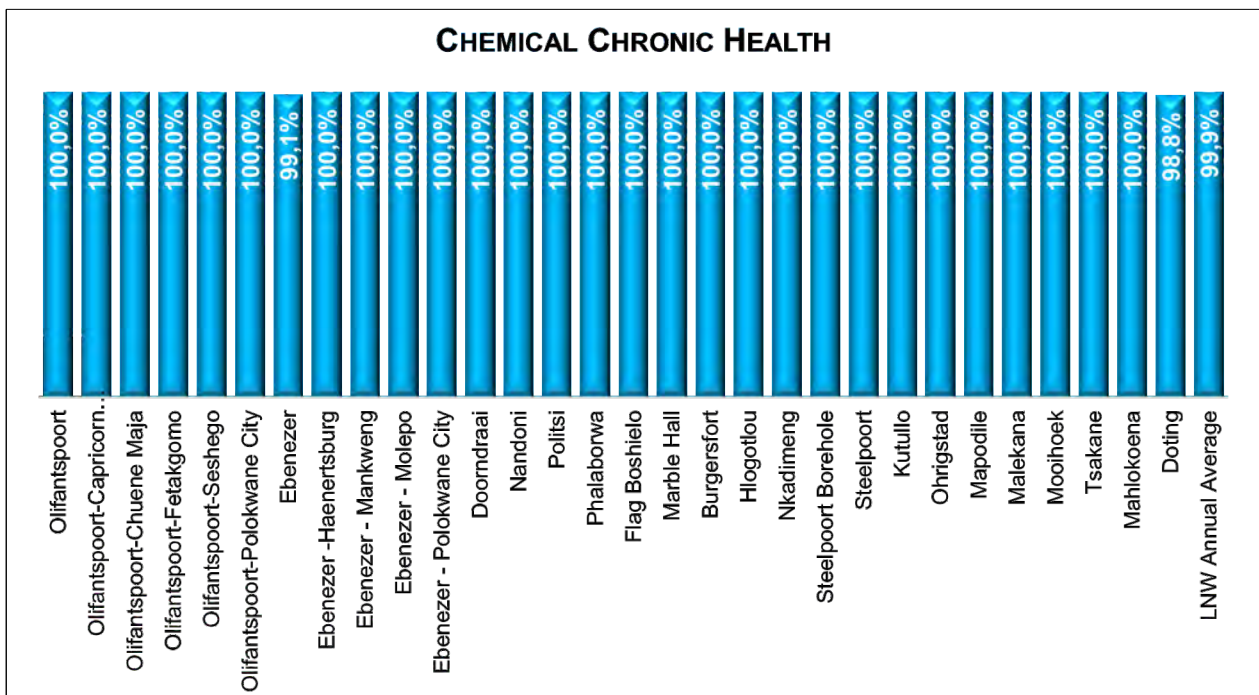


Figure 10-4: Chemical Chronic Health Compliance



Figure 10-4 above indicates that the overall chemical chronic health compliance of water provided is in an excellent state and no challenges were experienced and well above the set target of 95%.

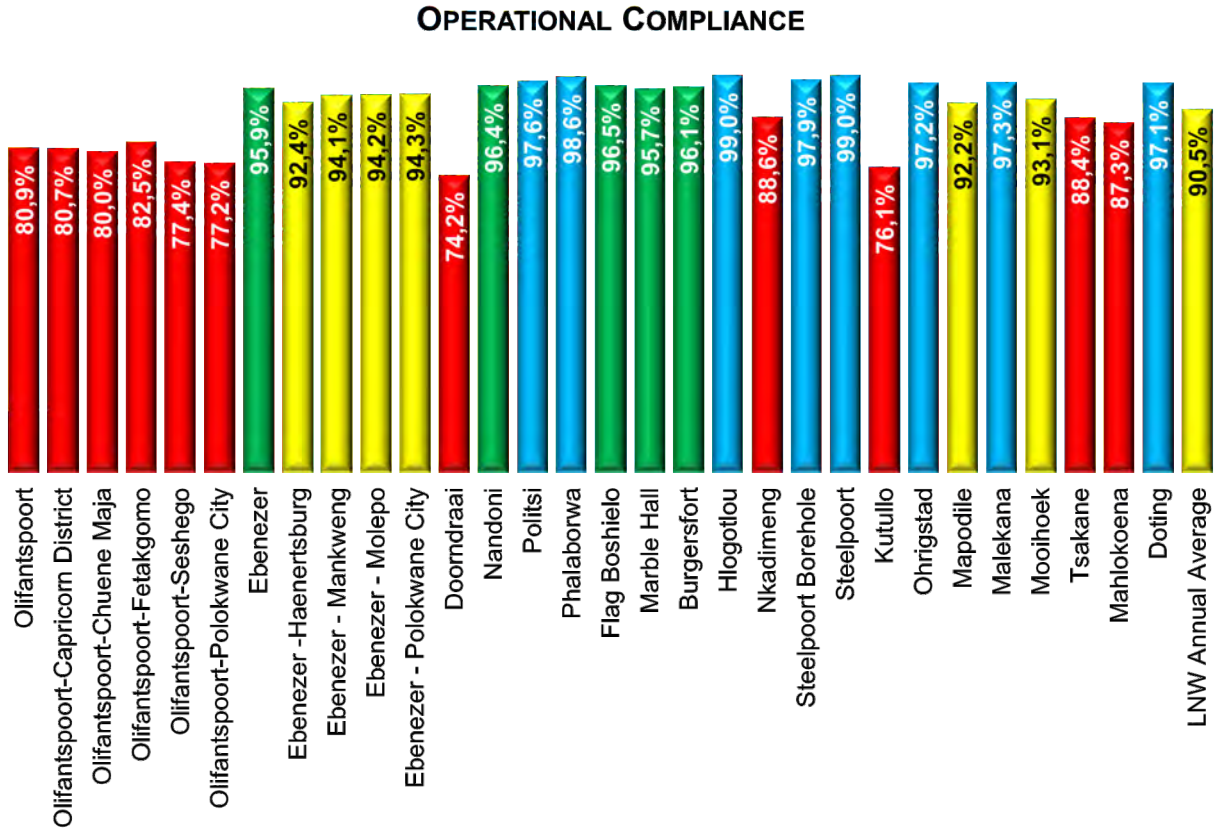


Figure 10-5: Chemical Chronic Health Compliance



Figure 10-5 shows that there are challenges in achieving the operational compliance, special reference to Olifantspoort, Ebenezer, Doorndraai, Nkadimeng, Kutullo, Mapodile, Mooihoek, Tsakane and Mahloakwena systems, which failed to meet the target of 95%. Non achievement of the operational compliance does not render the water unsafe to drink, however it serves as an alert level to the organisation that some processes within the water treatment works require optimisation or refurbishment. The next section of the report outlines LNW plans to remedy operational challenges.

Challenges and plans towards full operational compliance

There is a chlorine shortage in the country which poses a challenge to operational compliance. LNW has conducted benchmarking on alternate disinfectant measures to mitigate the risk of relying on a single supplier of chlorine gas. The entity is contributing to a chlorine demand survey conducted by DWS to mitigate a chlorine gas shortage in the country.

For the package plants in Sekhukhune District municipal area (i.e., Kutullo, Mapodile, Tsakane and Mahloakwena) a CAPEX budget was submitted to the municipality for implementation. However, there has been some minor delays in their approval which affected the timeous upgrades therefore affecting the operational compliance of the above-mentioned schemes.

10.1.2 Product Scientific Service

River monitoring is conducted through biomonitoring methodology and bioaccumulation (South African Scoring System Version 4). LNW conducts the biomonitoring of the rivers which Marble Hall, Groblersdal, Steelpoort and Burgersfort Wastewater Treatment Works (WWTWs) discharge into, such as Elands, Olifants, Spekboom and Steelpoort rivers during dry and wet seasons. Biomonitoring involves the use of organisms to assess environmental contamination of surrounding air or water by observing or measuring effects the environment has on resident organisms where pollution may be suspected or inferred. The reports are presented to the regional meetings for implementation and used as a baseline for the biomonitoring survey and are utilised as stipulated in the water licence.

The findings and recommendations of the biomonitoring report have been incorporated in the risk profiles of the schemes and implemented to reduce impact of the abstraction and/or receiving water systems. Where necessary process improvements are implemented within the water and or wastewater treatment schemes.

10.1.3 Accreditation: ISO 17025

Scientific Service Central laboratory has maintained SANAS accreditation status in compliance to ISO 17025 since November 2012. This give quality assurance that the results produced at the laboratory are credible. Over 5 000 samples were analysed during the 2022/23 period, these sample number are compliant to SANS 241 requirements in proportion to population served. The laboratory has received samples for analysis from internal and external clients.



10.2 RESEARCH AND DEVELOPMENT

10.2.1 Water supply augmentation/water availability

The entity was issued with an additional water use licence of 60 Mℓ/day for Olifantspoort Water Scheme, doubling the capacity of Olifantspoort Plant to 120MI/day. This will meet the water demand for Capricorn, Sekhukhune Districts and Polokwane Local Municipality. However, the entity continues to explore the groundwater for augmenting the limited surfac water.

10.2.2 Innovation and technology

The entity is currently conducting a trial using Presep 2000 Pre-clarification Unit. The technology removes about 80% of suspended solids and 30-40% chemical oxygen demand (COD) reduces. This ensures that the wastewater effluent complies with the General/Special Wastewater Standard.

Furthermore, the entity is conducting a trial on raw water turbidity at Olifantspoort Water Treatment Works as an early warning detection system for high raw turbidity (measured in NTU).

LNW is researching alternate disinfectants to reduce reliance on chlorine gas, as a result benchmarking was conducted with Chris Hani District Municipality to see their chlorine dioxide generator. The generator has been installed and is maintained by a service provider within Limpopo. LNW will further be exploring this option.

DWS Regulatory Assessments

Blue drop assessments were conducted in December 2022 to January 2023. The outcome of the assessment from DWS is still pending.

Green drop Performance Assessment Tool Spreadsheet Submission (GDPAT)

The GD PAT spreadsheets for all schemes were submitted on IRIS.

10.3 ENVIRONMENTAL SUSTAINABILITY

10.3.1 ISO 14001 Certification

Twelve (12) schemes operating and owned by LNW have maintained certification against the ISO 14001 environmental management system standard. Assessing our environmental performance using several KPIs is an integral part of our environmental management system to drive continual improvement.

10.3.2 Waste management

LNW is a responsible waste generator and implements comprehensive strategy to efficiently manage wastes from their origin until their final disposal. Hazardous waste at LNW facilities is handled in such a way that it complies to regulations and standards, i.e., the National Environmental Management Act (NEMA), National Environmental Management Waste Act (NEMWA) 59 of 2008 and SANS 10228. A competent service provider is appointed to collect and dispose of hazardous waste at a registered landfill site.

Below is a graph depicting the types of hazardous waste being collected:

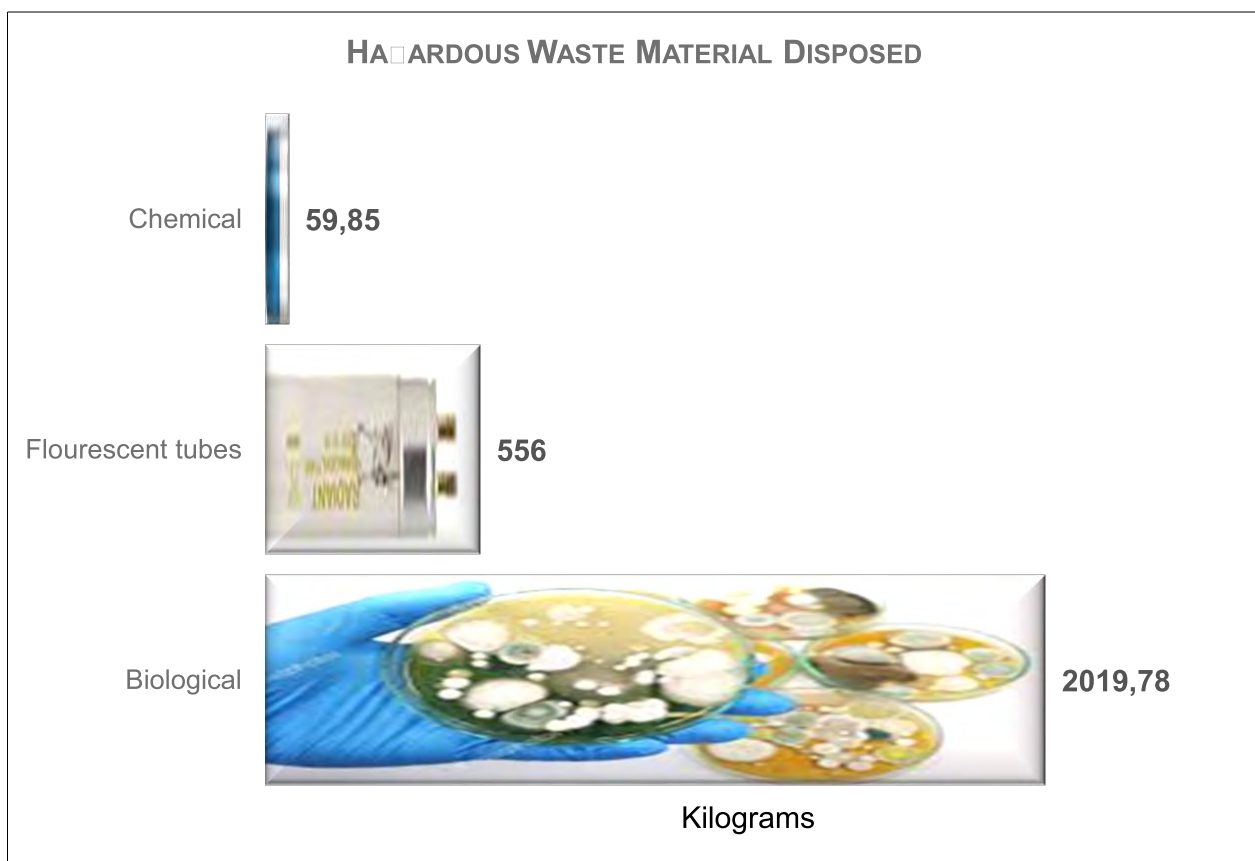


Figure 10-6: Hazardous waste materials collected

10.3.3 Water Conservation

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

- General awareness to employees through induction sessions, toolbox talks and newsletters;

- Conducting water audits to assist in establishing new ways to conserve water in the installations;
- Water leaks are timeously repaired; and
- Awareness campaigns promoting water conservation are continuously conducted to sensitise community members through various measures.

10.3.4 Environmental Authorisation

Environmental impact assessments are conducted on all construction projects to ensure that environmental impact is managed. Where environmental impact is identified, environmental management plans are developed to mitigate the risk. Projects involving a change, construction or upgrading of infrastructure and storage, removal of trees and handling of hazardous substances are among several listed activities that are required to follow the environmental impacts assessment process. The organisation monitors projects to ensure compliance with the environmental management plans during project implementation and rehabilitation after the completion of the project.

Below are environmental applications that were conducted under the reporting period are:

- Environmental authorisation for construction of bulk water pipeline network (pipeline A, B, C1, C2, D1, D2, F1, F2) on various farms in the Greater-Giyani area within Greater-Giyani Local Municipal area in Mopani District.
- Environmental authorisation for the installation of sand water extraction systems in Ga-Kuranta and Skhiming villages along the Molototsi River within the jurisdiction of Mopani District Municipality.
- Environmental Authorisation for Upgrading of Olifantspoort Water Supply Phase 1 and the proposed upgrading of the Ebenezer Water Supply Phase 1 from Ebenezer pumpstation to the Mankweng reservoir off-take within Polokwane, Lepelle Nkumpi and Greater Tzaneen Local Municipalities.
- Replacement of 7,5 km Specon pipeline of the Olifantspoort Water Treatment Works within Lepelle-Nkumpi Local Municipal area and the ongoing application of the upgrade of the Phalaborwa Sludge Lagoon within Ba-Phalaborwa Local Municipal area.

10.3.5 Emergency incidents

Section 30 of the NEMA of 107 of 1998 provides for the control of emergency incidents. This is a measure to protect the environment so that the rights enshrined in the act are protected. LNW has developed a Preparedness Emergency Plan which assists during incidents and non-conformance form (LNW-FRM-0001) for reporting purposes. The entity has not experienced any reportable environmental incident.

10.3.6 Water use license

LNW is complying with the National Water Act 36 of 1998. Below is the list of water use licenses and allocations:

- Ebenezer Scheme – 44 Mℓ/day
- Olifantspoort Scheme – 120 Mℓ/day
- Politsi Scheme – 5Mℓ/day
- Malekana Scheme - 12 Mℓ/day
- Doorndraai WTW - 12 M /day
- Flag Boshielo WTW - 30 Mℓ/day (waiting for validation and verification process from DWS); 8M /day allocation in place.
- Phalaborwa – 98 Mℓ/day from Olifants River
- Nkadimeng Scheme – 2,5 Mℓ/day from Nkadimeng Dam
- Hlogotlou Scheme – 2,0 Mℓ/day from Mahlangu Dam
- Marble Hall WWTW to discharge 5 Mℓ/day into the Crocodile River
- Burgersfort WWTW to discharge 10M /day into the Olifants River
- Burgersfort WTW - 5 Mℓ/day.
- Nandoni WTW - 60Mℓ/day authorisation- in the process of applying for 120 Mℓ/day

10.3.7 Occupational Health and Safety

To ensure that LNW continues to comply to the provisions of the Occupational Health and Safety Act 85 of 1993 and its applicable regulations, a legal compliance management system is implemented and maintained. Legal compliance audits were conducted during October/November 2022 to determine the level of legal compliance and to ensure that all non-conformance raised during the audit is closed.

10.4 WATER RESOURCES AND INFRASTRUCTURE STABILITY

The graph below indicates the levels of dams shared by residents of Limpopo and Mpumalanga as at the end of June 2023.

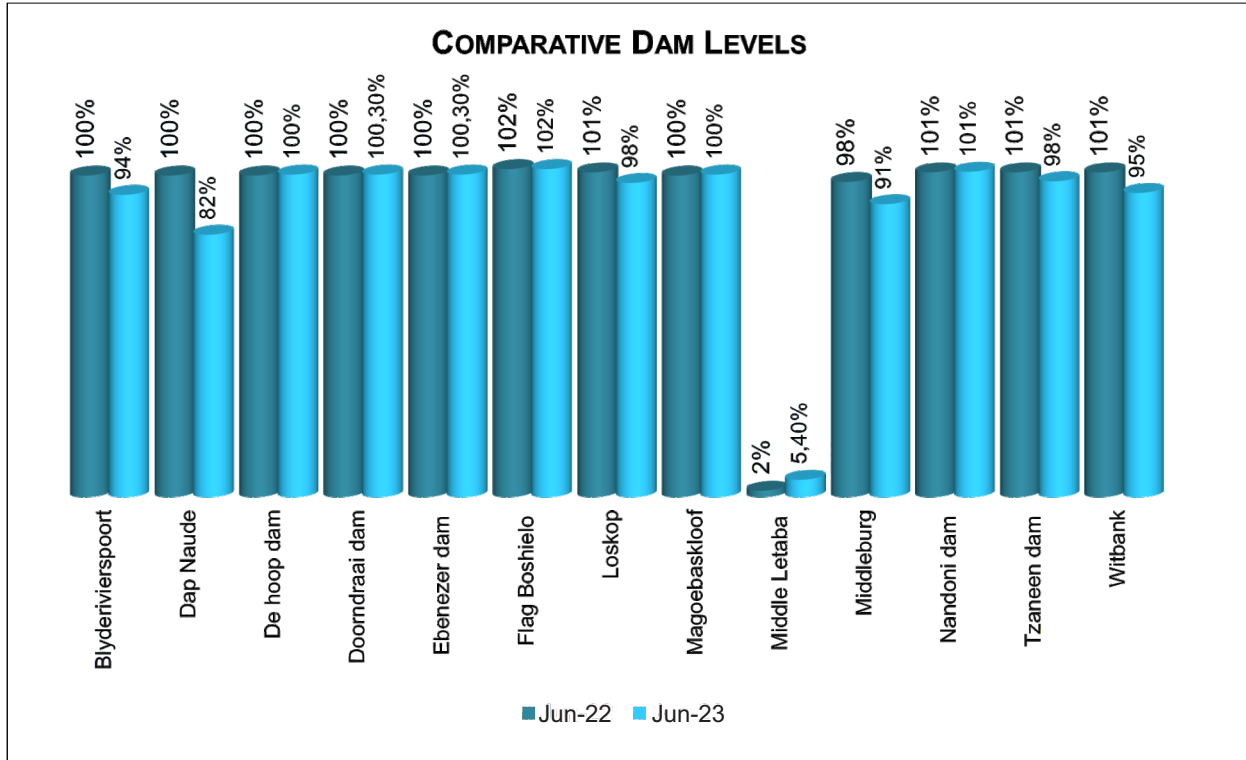


Figure 10-7: Dam levels

During the 2022/23 period above average rainfall was received in all catchments except that of the Middle Letaba Dam. Apart from Middle Letaba the levels of the other dams were more than satisfactory at the end of the rainy season. According to meteorological information the La Niña phenomenon will still be present during the coming year but will not be as strong as during the previous year. Higher rainfall in the catchment of the Olifants River may have negative consequences on raw turbidity at schemes such as Olifantspoort and Phalaborwa.

Impact of theft and vandalism on service delivery

LNW is experiencing a continuous increase in theft and vandalism of infrastructure associated with the supply and delivery of water services. The theft of copper cables and transformers is at the top of this list. Four (4) schemes within LNW's operating area have been declared Critical Infrastructure Sites, formerly known as National Key Points and more are to follow. LNW has expanded its network to monitor infrastructure via CCTV systems as well as upgrading other security features.

10.4.1 Surety of supply

LNW has identified projects that will ensure reliable water supply to WSAs and industries contracted to us.

Olifantspoort/Ebenezer Scheme Upgrades

The project viability and detailed design for the upgrade of Olifantspoort and Ebenezer Schemes are at advanced stages. The project plan is to increase surety of supply to Sekhukhune District Municipality, the City of Polokwane and Capricorn District Municipality, thus circumventing the severe water shortages within these areas. The first phase of the project is aimed at increasing supply from Olifantspoort Scheme by 40 Mℓ/day and refurbishing the existing infrastructure for assurance of supply by both Olifantspoort and Ebenezer Water Supply Schemes at a cost of R4,5 billion.

Politsi Scheme

Similar plans are in place for Politsi Scheme located in Mopani District, but the availability of sufficient raw water remains a major challenge to execute this project. Further engagements with interested and affected parties are ongoing with the assistance of the Department of Water and Sanitation.

Flag Boshielo Scheme

The project to increase the capacity of Flag Boshielo Scheme from 8 to 16 Mℓ/day is completed. LNW is currently exploring methods to fund the bulk distribution system to optimise supply of water within the scheme.

Phalaborwa Scheme

Major refurbishments are underway at Phalaborwa Scheme to improve surety of supply to the Phalaborwa Industrial Complex as well as to consumers of potable water.



Phalaborwa Industrial System



Phalaborwa Portable System

10.4.2 % Plant availability of production-related infrastructure

LNW views maintenance management as a proactive way of avoiding interruptions in the supply of service by developing plans that define the methods to be used to repair and maintain physical assets through their entire life cycle. Maintaining infrastructure through its entire lifespan is significant for optimising return on investment spent on assets.



Repairs of non-return valves within the Ebenezer Scheme for pump protection and control



Repairs of Gearbox for the WWTW in burgersfort WWTW



Installation of zonal meter on the potable water pipeline towards Namakgale for water balancing



Pipe repairs of 500mm pipe near Tompi Seleka. The pipe was dilapidated resulting in high water loss



Figure 10-8: Plant availability of production-related infrastructure

Figure 10-8 shows that for the period 2022/23 the organisation managed to achieve an average of 96% against the set annual target of 95%, with no movement when comparing 2021/22 performance on plant availability.

10.4.3 Capital and refurbishment programme

During the period LNW undertook several major capital and refurbishment projects. Apart from upgrading and extending its own infrastructure it also acted as a project implementing agent for DWS and WSAs.

The table below depicts the list of projects which LNW implemented during the period under review, including both those of DWS and WSAs.

Table 10-1: LNW major capital projects

PROGRAMME NAME	PROJECT NAME	PROJECT NUMBER	% COMPLETION
Flag Boshielo Phase 1	Upgrading of Flag Boshielo Water Scheme: Electro-mechanical Works Phase 2	LNW 16/14/15	98%
	Upgrade of plant - main upgrade and refurbishment: Civil and Structural Works Phase 3	LNW 17/18/19	100%
Flag Boshielo Phase 2	Flag Boshielo Scheme Upgrade: Phase 2 Bulk Supply Upgrade (planning phase) - Flag Boshielo Plant	LNW 10/14/16	100%
Upgrade of Olifantspoort	Olifantspoort 10 Ml/day packaged plant	LNW 52/14/15	100%
	Upgrade of Olifantspoort and Ebenezer Schemes: Specon pipeline Replacement Phase 2 within Olifantspoort	LNW 09/18/19	100%

PROGRAMME NAME	PROJECT NAME	PROJECT NUMBER	% COMPLETION
	system		
Ebenezer Refurbishment	Replacement of non-functional valves, construction of chambers & installation of new valves & check meter on mainline	LNW 14/16/17	100%
Doorndraai Upgrade	Design, manufacture, supply, installation, and commissioning of a 5 Ml/day package plant at Doorndraai Scheme	LNW 13/16/17	100%
Phalaborwa Refurbishment	Refurbishment of sludge lagoons and disinfection facilities at Phalaborwa Scheme	LNW 13/19/20	81%
Phalaborwa Refurbishment	Refurbishment of cathodic protection system within Phalaborwa Scheme on the potable water pipeline	LNW 21/19/20	100%
Phalaborwa Refurbishment	Supply, delivery, installation and commissioning of Palabora Mining Company Ltd (PMC) non-return, isolating valves, flow meters and pipe fittings	LNW 31/18/19	100%
Burgersfort WWTW Upgrade	Design, refurbishment, construction, manufacture, supply, installation, testing, commissioning, and maintenance of 10 Ml/day WWTW package plant at Burgersfort WWTW on a turnkey basis	LNW 30/18/19	69%
OVERALL PROGRESS - 62 %			

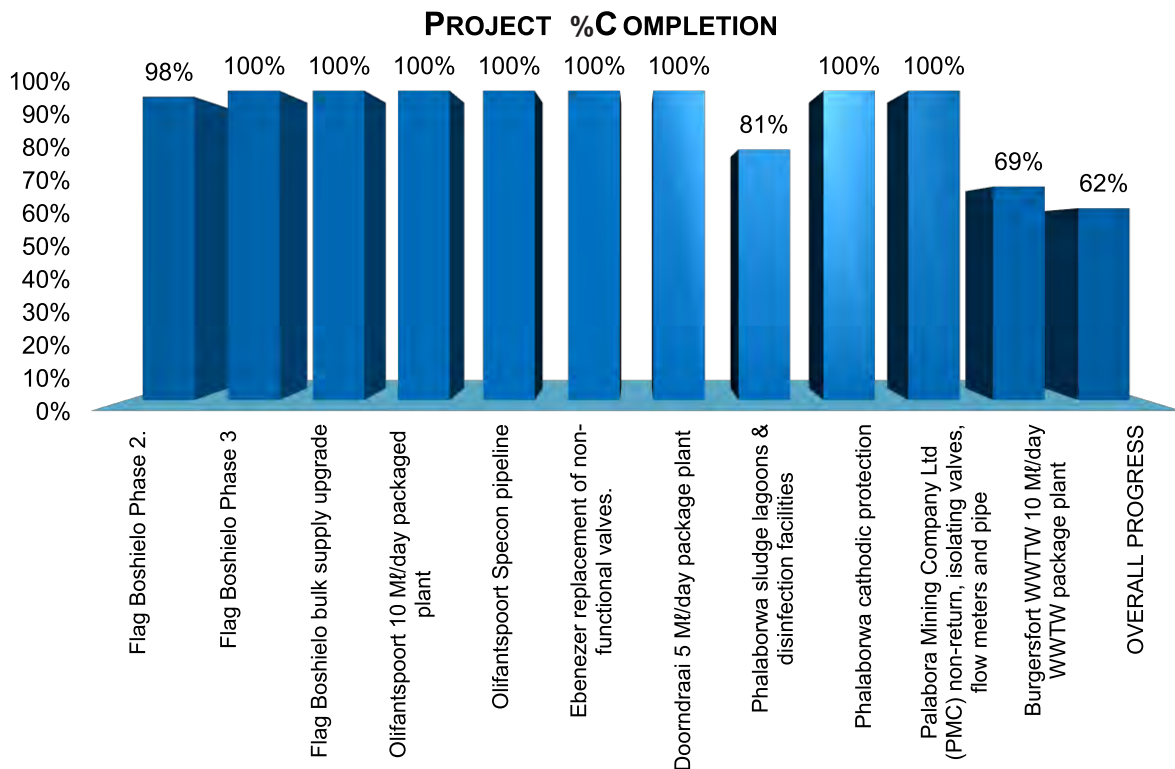



Figure 10-9: LNW capital projects progress as at end June 2023

As shown in Figure 10-9 and details in table 10-1, most LNW projects reached practical and/or final completion for the period under review, notwithstanding various challenges that generally



characterise the project environment. In terms of the scorecard, the three LNW projects with very low progress were Phalaborwa Sludge Lagoons, Burgersfort WWTW and Flag Boshielo:

- Following successful resolution of the dispute between LNW and the service provider for Burgersfort WWTW, the tender has since been advertised, which bodes well for completion of the remaining work on the project.
- There were several disruptions of work by business forums in Phalaborwa that brought the project to a halt. However, efforts are underway to ensure that the project reaches completion unabated.
- The long outstanding Flag Boshielo project crucially reached practical completion to be able to achieve the additional required 8 M /day as of September 2023.

To improve performance, a number of measures are being introduced and these include:

- Successful conclusion of the separation of Engineering Services from the Operations and Maintenance Department;
- Separation of infrastructure procurement from general procurement;
- Strengthening and capacitating the project management office through re-looking at resource requirements (personnel, training, systems, processes);
- Ensuring the delegations of authority on procurement related matters is optimal;
- Ensuring that appointment of contractors with the requisite skills and capability to undertake the projects successfully is embraced; and
- Multifaceted approach and broader inclusivity of stakeholders at project inception.

10.4.4 Ministerial directives

LNW received ministerial directives from DWS to assist with adaptive planning, feasibility studies, design and implementation of several projects. The state of progress of projects is summarised below:

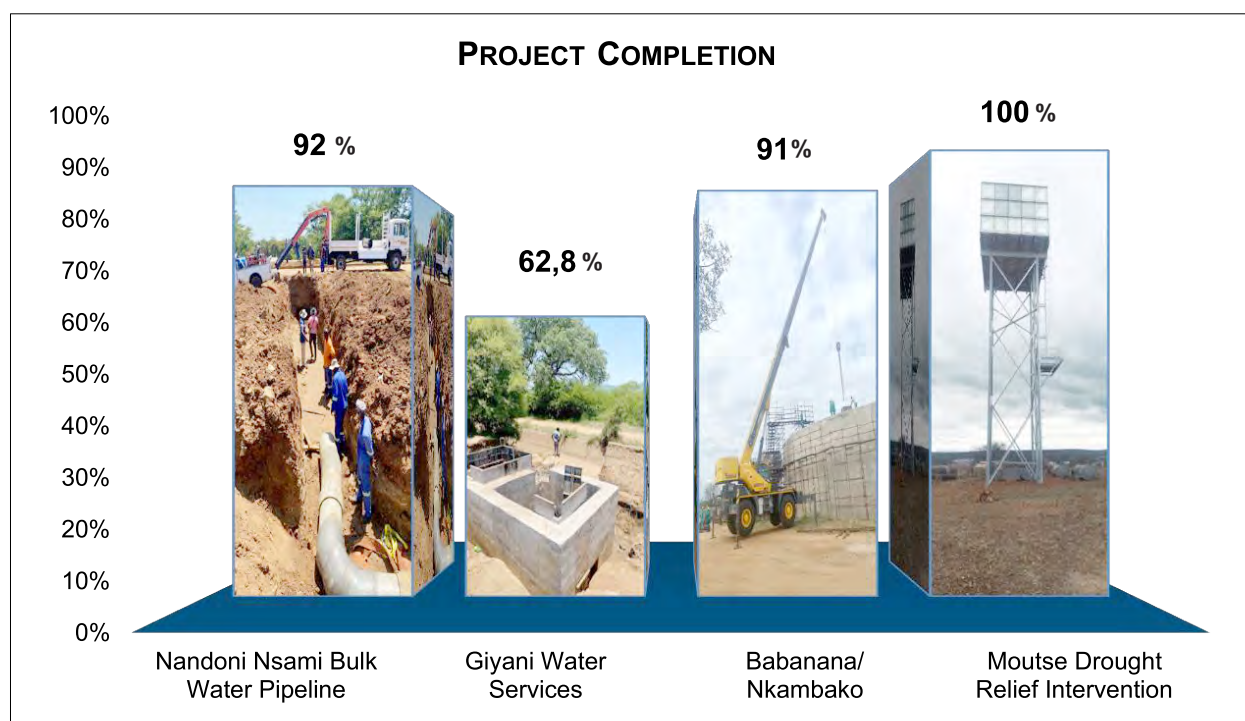


Figure 11-10: Progress on Ministerial Projects

Giyani Drought Relief Bulk Infrastructure Project (Nandoni–Nsami Bulk Pipeline)

Project history

The Luvuvhu River Government Water Scheme (LGWS) was developed in the nineties following a feasibility study conducted from 1994 to 1998. It involved the development of Nandoni Dam and the Xikundu weir and the bulk infrastructure from these sources. Nandoni Dam was developed to cover the following areas of supply:

- Malamulele East,
- Malamulele West,
- Tshifudi Lambani,
- Augmentation of Vondo Regional Water Scheme, and
- Albasini Dam augmentation.

Bulk water supply to Giyani and its surrounding villages is currently rendered through the various sub-schemes, with treatment works at Nsami WTW. The Giyani System is supplied mainly by the Nsami WTW. The current capacity of the plant is 30 Ml/day.

The Nandoni Nsami project entails the construction of a bulk water pipeline to convey water from Nandoni system to augment water supply inefficiencies in Giyani (49,113km pipeline). Furthermore, the scope entails the conveyance of water to Malamulele (26,58km pipeline).

There is also 320 metres of pipe jackings at various crossings as well as 120 metres of S river crossings and 197 chambers.

Progress for the reporting period

The implementation of the Nandoni–Nsami Bulk Pipeline Project is nearing completion and the summary of project progress is as follows:

Table 10-2: Nandoni-Nsami progress report

Programme name	Project name	Overall %
Nandoni-Nsami Bulk Water Pipeline	Mopani District Municipality Water and Sanitation Revitalisation Programme: (Nandoni-Nsami Potable Bulk Pipelines and Pump Station)	92%

A number of longstanding disputes between the client and contractor were resolved, pursuant to the GCC contract provisions which paved the way for finalising the remaining work. The project achieved functional completion during this reporting period with bulk raw water successfully discharged into the Nsami Canal, using temporary connections at the four main river crossings, for transfer onto the treatment works. The entire pipeline infrastructure is in place, apart from the permanent works at the river crossings that are being finalised. The project is progressing well towards practical completion aimed for the end of September 2023.

10.4.4.1 Mopani District Water and Sanitation Revitalisation Programme

The Mopani District was declared a disaster area due to the acute shortage of water and sanitation services in the area. Giyani Local Municipality, which is one of the five local municipalities in Mopani District, was hardest hit. In collaboration with the Provincial and National Government, MDM undertook a string of measures to address the crisis.

The directive received from the then Minister of Human Settlements, Water and Sanitation pays special attention to regularising water and sanitation crises in the Mopani District with the focus on 55 villages. The implementation of the projects guided by the business plan were categorised and prioritised as follows:

- Short-term project milestones,
- Medium-term project milestones; and
- Other project milestones.

Medium-term project milestones (commonly referred to as Phase 1)

These are the bulk pipeline projects composed of approximately 324 km in total, spread across villages of Giyani Local Municipality.

Table 10-3: Physical progress report

Programme name	Project name	Overall %
Giyani Water Services	Giyani Water Services Project - completion of 324km of bulk potable water pipeline network covering 55 villages within the Giyani area	62,8%

The progress on the Giyani RM08 was very low for the past financial year due to non-performance of the nominated DWS Construction North Contractor, which is restricted by DWS to procure material (sand or bedding material) or consumables (diesel, oil, etc) necessary to operate plant and equipment used during construction activities.

As a remedial measure, LNW set out to reduce the scope of work for DWS Construction North and allocate the work instead to a fixed-term support contractor. Appointment of the fixed-term contractor was unfortunately met with delays due to lack of responsiveness of the tenderers initially, necessitating re-adverts and also the need for vetting/internal investigations to safeguard against misdeeds and fraudulent submissions.

To accelerate progress in view of the delays, three instead of one support contractor will be appointed.

10.4.4.2 Babanana/Nkambako Bulk Water Project

The principal objective of the Babanana/Nkambako Water Scheme is to improve water supply to all villages which form part of the Ritavi 1 Water Scheme (the overall Nkambako N'wamitwa area). The project will provide more sustainable water supply systems to villages and complement the existing supply system.

The planning designs and the tender documents relating to the bulk pipeline have been completed and construction well underway undertaken by DWS Construction North as the main contractor.

Table 10-9: Scope for the project

ITEM	DESCRIPTION	STATUS
Refurbishment works	The refurbishment of approximately 37km-long existing pipelines north of Xihoko, raw water pump station, flocculation channels, sand filters, balancing dam and chemical dosing plant at Nkambako WTW	Complete
Improvement works	The construction of pump station, 3M clear water tank, raw water inlet works, and sludge dams at Nkambako WTW	In progress
Xihoko Distribution System	The construction of approximately 45 km uPVC pipelines north of Xihoko, construction of five reservoirs and construction of two booster pump stations	In progress
Babanana pipeline	Construction of 13 km steel pipeline	Not yet started – awaiting environmental impact assessment (EIA) approval

Table 10-5: Physical progress

Programme name	Project name	Overall %
Babanana/Nkambako	Bambanana/Nkambako Regional Bulk Infrastructure Project: Upgrade of Nkambako WTW and refurbishment of Bambanana bulk water pipeline	91%

In conjunction with DWS the inclusion of various other support contractors (for plant and equipment hire, blasting and construction of Mookgo and Mawa pump station) is in progress, in support of DWS Construction North and scope review was done within the financial year 2022/2023.

Other project milestones (commonly known as Phase 2)

The planning designs and tender documents for the Phase 2 project milestones have been completed. The procurement of the contractor and implementation of the project milestones will commence on confirmation of budget/funding by DWS.

10.4.4.3 Polokwane Intervention Project

Background

The upgrade of the Olifantspoort and Ebenezer Water Schemes Project involves the refurbishment and upgrade of the bulk water supply infrastructure of the two schemes to reduce water services backlogs and meet the current and future water needs of the areas supplied by the two schemes until 2036.

The supply areas for the two schemes include Polokwane Local Municipality, Lepelle-Nkumpi Local Municipality in Capricorn District, the north-western part of Fetakgomo, Greater-Tubatse Local Municipality in Sekhukhune District and Haenertsburg settlement and farming communities around Ebenezer Dam in the western part of Greater-Tzaneen Municipal area in Mopani District.

Project planning started in 2015 when LNW had appointed a principal consultant and thereafter appointed a service provider for the detail design and implementation for the first implementation phase of the project. The full spectrum of required upgrades to meet the 2036 water needs for the two schemes has been identified.

To alleviate the ongoing water crisis in the supply areas serviced by Olifantspoort and Ebenezer Water Schemes at the earliest opportunity and in view of the magnitude of the proposed upgrades, LNW has adopted a phased approach for the implementation of the required upgrades and refurbishments. A first phase has been planned, which will utilise available funds to maximise the increase in water supply within the shortest possible time and will provide an infrastructure backbone for subsequent upgrades going forward.

Priority work packages have been identified as an interim stopgap measure to be implemented as Implementation Phase 1, and to increase water supply to the Polokwane urban cluster by approximately 55 M /day within the shortest possible time. The priority work packages are particularly focused on enabling the City of Polokwane to lift the moratorium on new developments which was imposed in May 2013 due to water supply constraints. The moratorium has had a very negative impact on the quality of life in and economic growth of the city. Implementation of the identified priority work packages can be completed within a period of three (3) years and will bring much needed relief to Polokwane before the rest of the required upgrades are completed. It must, however, be stressed that the priority work packages will not fully address the current water shortages within the project area but will lessen the critical water shortages experienced. The current and projected future water needs of the project area will

only be fully addressed by the full implementation of all the required refurbishments and upgrades that have been identified.

The current estimated capital cost for all the proposed upgrades of Olifantspoort and Ebenezer Water Schemes was estimated at R18,5 billion in March 2018, including professional fees and VAT, but excluding the acquisition of land, compensation for servitudes or the upgrading of bulk power supply by Eskom. Due to the envisaged phased implementation of the project, the capital cost is expected to escalate to R18,5 billion by the time of project completion. The duration of the implementation of all the required upgrades will depend on the availability of funding. The project can be implemented over a period of five (5) to nine (9) years.

The total capital cost for the priority work packages is estimated at R4,54 billion, including professional fees, escalation and VAT but excluding the acquisition of land and compensation for servitudes. The estimated escalation costs are based on a 3-year implementation.

Benefits of the project

Water demands and moratorium on new developments


One of the main priorities is to supply water to Polokwane Local Municipality. The municipality is experiencing a water supply crisis, which is preventing the municipality from meeting its socio-economic goals. The proposed first phase of the refurbishment and upgrade of the Ebenezer WSS and Olifantspoort WSS Project is particularly focussed on enabling the City of Polokwane to lift the moratorium on new developments and expansion of commercial development which was imposed in May 2013 due to water supply constraints. This moratorium has effectively stopped most of the economic activity in the city for the past eight (8) years and has undoubtedly influenced local economic development, unemployment, small business opportunities and many other growth opportunities that are direly needed in South Africa.

Revenue enhancement to LNW

Polokwane Local Municipality is one of the key consumers of LNW. The municipality is consistently servicing its current water account. The upgrade of Olifantspoort and Ebenezer Schemes will not only be beneficial to Polokwane Local Municipality by providing additional water for new developments and fulfil the current and future water demands but will provide additional revenue to LNW.

Progress

The status to date is for priority work packages that have been identified as an interim stopgap measure to be implemented as Implementation Phase 1 of the overall project, to increase water supply and bring some relief to the Polokwane urban cluster within the shortest possible time.



Completion of these priority work packages will deliver an additional 40M /day to the Polokwane urban cluster (40M /day from Olifantspoort Scheme and 15M /day from Ebenezer Scheme). LNW will upgrade Ebenezer Scheme to be able to accommodate extra 15M /day supply such that when there is a breakdown in Olifantspoort Scheme, Ebenezer Scheme is able to augment and close the gap until Olifantspoort Scheme is brought back to normal operation. This will ensure that the City of Polokwane achieves its anticipated metro status in future. The total capital cost for Implementation Phase 1A is estimated at R4,54 billion, including professional fees, escalation and VAT but excluding the acquisition of land and compensation for servitudes.

Progress on Phase 1A is currently at 98% of the detailed designs. The feasibility, preliminary design reports and implementation readiness study (IRS) reports are being updated as per the comments from the Department of Water and Sanitation Planning Directorate. Social funding on the project has been made available in the form of Budget Facility for Infrastructure (BFI) of National Treasury to an amount of R1,407 billion. Upon approval of the IRS, DWS will be able to make available a budget of R1,197 billion for the project. The total social funding contribution by Government will amount to R2,604 billion before a borrowing limit condition is met for approval by the Minister of Finance to take a commercial loan from the market amounting to R1,959 billion. This overall project plan requires a total of R4,5 billion for Phase 1A to increase supply to the City of Polokwane and Capricorn District Municipality with an additional 40 Mℓ/day from Olifantspoort Scheme and refurbishment of Ebenezer Scheme. The project is planned to commence in October 2023 after all the necessary legislative compliance is finalised.

Two bids are already under evaluations by GTAC (Government Technical Advisory Centre under the National Treasury) for appointment of contractors to implement the first Work packages for refurbishment plant; replacement of pump stations and critical pipelines for assurance of current supply to the WSAs – CDM and Polokwane Local Municipality. The refurbishment work packages are planned to be completed by November 2024.

A project steering committee was established by DWS, LNW, Infrastructure Fund (DBSA) and Polokwane Local and Capricorn District Municipalities for project governance and steering the project towards successful completion.

Project funding

Infrastructure Fund (DBSA)

LNW engaged with the Infrastructure Fund (DBSA) concerning funding of Phase 1A of the Olifantspoort and Ebenezer project which requires a budget allocation of R4,5 billion. On the eve of the BFI closing date, they assisted LNW in developing project preparations for submission. A letter of request for their assistance was issued to them for the purposes forming a partnership between state entities. The BFI of National Treasury was approved in December 2021 to a total of R1,407 billion since this partnership started.

The Infrastructure Fund (IF) contract was finalised during the month of November 2022. Their contract is currently based on a mutual partnership and shall be finalised after conclusion of the MoA.

As part of the plan and the major involvement of the Infrastructure Fund, LNW shall upon receipt of the IRS which is critical to the progress of the project, commence with the process of acquiring the borrowing limit from National Treasury with the assistance of the IF. The borrowing limit include the commercial loans to make up the balance of R4,5 billion of the Phase 1A project. This activity is planned to commence from the beginning of December 2022 towards the month of December 2024 before the target date of receiving approval of Regional Bulk Infrastructure Grant (RBIG) fund in April 2024 and the commencement of major upgrade works.

Moutse Drought Relief Project

The Moutse area has experienced water crises for an extended period. After a visit to the area the then Minister of Human Settlements, Water and Sanitation tasked LNW to restore water supply to affected villages and put in place temporary measures to supply water while in the process of refurbishment. The area consists of 19 wards spanning across Elias Motsoaledi Municipal area (13 wards) and Ephraim Mogale (6) Municipal area. LNW was issued with a directive on 17 March 2020 to attend to the project on an urgent basis.

As part of short-term intervention, supply of water through water tankers was proposed together with the installation of new 5k polyethylene tanks in various villages within Moutse. Medium to long term intervention involves the refurbishment of existing boreholes, development of new boreholes and associated infrastructure.

To date 20 x 18k new water tankers were procured and handed over to Sekhukhune District Municipality for operation and maintenance for supplying of water to drought-stricken areas. The

trucks were initially operated by the service providers while the municipality was still arranging the appointment of the drivers and were officially handed over on 30 October 2020

Borehole refurbishment and development of new boreholes entailed various infrastructure components including pumps, pipelines, power connections, package plants and steel elevated tanks. The works have been completed as of 30 June 2023, however due to theft and vandalism some of the infrastructure remain non-functional.

Critical infrastructure components such as transformers and other power connections were stolen or vandalised, and cases were reported to the South African police services (SAPS). Eskom has also been notified to resuscitate the power connections to enable functionality and water supply to the community. In other instances, the pumps, valves and package plants components were stolen which also affect the operation of the boreholes.

Table 10-6: Refurbishment of the boreholes

Programme name	Project name	Overall %
Moutse Drought Relief Intervention	Development and refurbishment of boreholes, installation of water tanks on turnkey basis in Moutse area	100%
	Supply, delivery, registration and operation and maintenance of water tankers in Sekhukhune District (Moutse area)	100%

PEOPLE EMPOWERMENT



11 PEOPLE EMPOWERMENT

11.1 HUMAN CAPITAL MANAGEMENT

LNW has a total staff complement of 374. The entity's priority in managing human capital is based on attracting competent incumbents with the required skills to ensure continuous engagement, development and compensate market-related remuneration to enhance uninterrupted supply of bulk water services.

A critical skills shortage within the water and energy sector has a negative impact on ensuring effective and efficient business performance. LNW adopted a human capital strategy that encourages business stability and maximum performance.

11.2 PERFORMANCE MANAGEMENT SYSTEM

LNW will continuously implement this invaluable system to measure, align and enable sustainable individual and team performance to achieve the strategic intent of the entity. The entity recognises performance management system as a tool that creates the culture of accountability and ownership to adhere to our strategic objectives and values.

The organisational performance management system is addressed through the employees' development, mentorship, coaching and reward management system to inculcate a performance culture.

11.3 EMPLOYMENT EQUITY

The Department of Labour acknowledged our Employment Equity Report of 2022, including a three-year 2022/23 – 2024/25 Employment Equity Plan (EEP) with a plan to attract designated groups especially from top to skilled levels focusing on Indian and Coloured races without overlooking the current workforce. The target of 55/45 was exceeded during the year under review. The male/female ratio was 56%/44% as at 30 June 2023.

11.4 WORKFORCE PROFILE

Table 11-1: Employment Equity Plan 2023

Occupational levels	Male				Female				Foreign nationals		Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	Male	Female	
Top management	0	1	0	0	0	0	0	0	0	0	1
Senior managers	4	0	0	0	0	0	0	0	0	0	4
Professionals/ middle management	17	0	0	1	13	0	0	1	0	0	32
Skilled/ qualified technicians	76	0	0	10	79	0	0	2	0	0	167
Semi-skilled	94	0	0	1	67	0	0	1	0	0	163
Unskilled	7	0	0	0	0	0	0	0	0	0	7
Total permanent	198	1	0	12	159	0	0	4	0	0	374

The table above indicates the total workforce within occupational levels and a plan to address under-representation of race and gender guided by the approved three-year Employment Equity Plan will be implemented.

The below indicates the total workforce percentages per occupational level.

Table 11-2: Total workforce in percentages

Occupational Levels	Males					Females					Totals
	African	Coloured	Indian	White	Males	African	Coloured	Indian	White	Females	
Top Management	0%	0,27%	0%	0%	0,27%	0%	0%	0%	0%	0%	0,27%
Senior Management	1,07%	0%	0%	0%	1,07%	0%	0%	0%	0%	0%	1,07%
Middle management, Prof. qualified & experienced	4,55%	0%	0%	0,27%	4,81%	3,48%	0%	0%	0,27%	3,74%	8,56%
Skilled tech. & academically	20,32%	0%	0%	2,67%	22,99%	21,12%	0%	0%	0,53%	21,66%	44,65%
Semi-skilled & discretionary	25,13%	0%	0%	0,27%	25,40%	17,91%	0%	0%	0,27%	18,18%	43,58%
Unskilled & defined	1,87%	0%	0%	0%	1,87%	0%	0%	0%	0%	0%	1,87%
Total Permanent	52,94%	0,27%	0%	3,21%	56,42%	42,51%	0%	0%	1,07%	43,58%	100%



11.4.1 Employee wellness management

LNW's is committed to managing employee wellness to nurture our employees by ensuring their ongoing wellness and to minimise human capital risk. To improve the level of staff wellness and for staff to remain committed to the organisation, LNW implements programmes and offer incentives that nurture staff, aid in the improvement of their overall wellness and motivate them to remain committed. Integrated employee wellness programmes are implemented to address the needs of all the employee wellness pillars viz physical; emotional; motivational; nutritional; social and financial wellness.

11.5 TRAINING AND CAPACITY DEVELOPMENT

There's a need for the development of key individual technical and behavioural competencies to meet the organisational needs in delivering excellently in line with our mandate. To develop key competencies, LNW is taking a strategic view of the employee skill requirements in the future to enable the entity to deliver on its mandate. In addition, LNW recognises the need to have employees who are proactively engaged in continuous improvement, innovation, and learning. This is achieved by instilling a development and learning culture within the organisation.

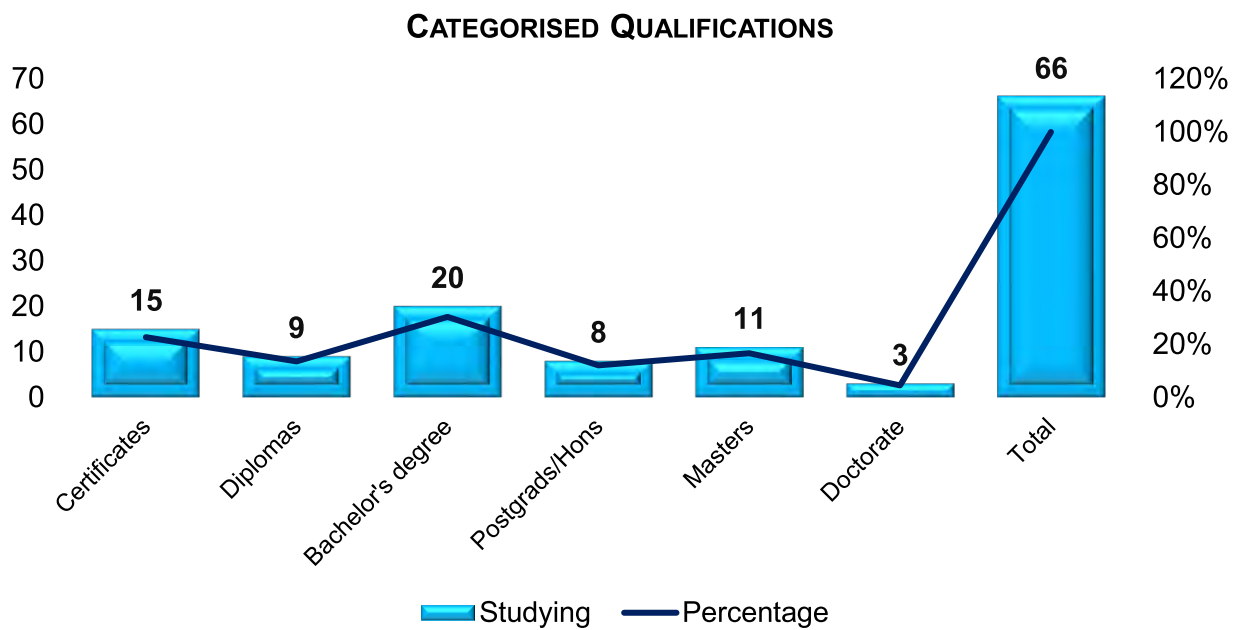


Figure 11-1: Employees qualification profile

Figure 11-1 Indicates that of the total 66 employees who are advancing their qualifications by studying represents 17% of the learning workforce. Fifty-nine (59) employees who were studying since 2018 submitted their completed qualifications.

Apprenticeship: National Skills Funds & Local Government SETA: Centre of Specialisation (COS)

LNW continued to develop and train twenty- seven (27) trainees to contribute to the water sector specialised mechanical skills. Out of the twenty-seven (27) trainees, twenty-one (21) obtained their trade test certificates.

National Treasury: Engineering and scientists professionalisation

LNW continued to implement the National Strategic Engineering and Scientist programme to avail qualified incumbents to maintain and operate water industry infrastructure to ensure sustainable water and sanitation provision.

LNW's standing relationship with Polokwane Local Municipality (PLM) on the implementation of the National Infrastructure Skills Grant guided by the Division of Revenue Act (DoRA) Schedule 3 supported the organisation to ensure skills development and capacity programmes. Fourteen (14) candidates continued with their candidacy training with various professional councils for their professionalisation as scientists and engineers.

11.6 LABOUR RELATIONS

The salary agreement for bargaining employees for the 2022/23 financial year was reached between the South African Association of Water Utilities (SAAWU), the employer party and the South African Municipal Workers Union (SAMWU) and the National Education Health and Allied Workers Union (NEHAWU) at the Amanzi Bargaining Council.

Precautionary suspensions

Nine (9) employees were placed on precautionary suspension in the financial year under review, pending finalisation of their disciplinary cases. Eight (8) suspensions were completed, resulting in the employees being found guilty and dismissed. One is not uplifted, and the disciplinary processes are in progress.

General misconduct

Fourteen (14) employees were charged with misconduct for allegedly violating the Disciplinary Code of Conduct of LNW. There were seven CCMA referrals, one labour court matter and two grievances.

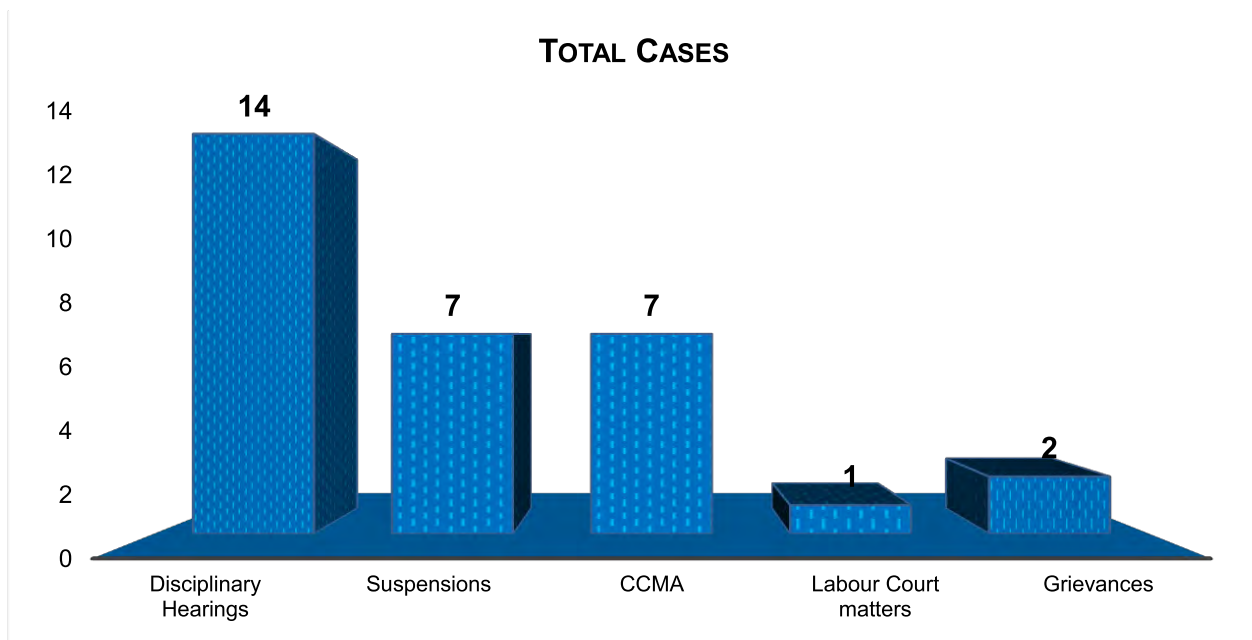


Figure 11-2: Labour cases

Non-occupational health and safety

The entity has identified non-occupational health and safety cases by means of conducting pre-periodic and post-medical examinations and addressed them accordingly.

FINANCIAL SUSTAINABILITY



12 FINANCIAL SUSTAINABILITY

The entity has streamlined its financial and supply chain management processes to ensure that it operates within the prescripts of the current reporting frameworks and supply chain frameworks. It is guided by the following legislative prescripts in the execution of its duties:

- Public Finance Management Act, Act No1 of 1999 (PFMA);
- Water Services Act, Act No.108 of 1997;
- Supply Chain Management Framework; and
- Municipal Finance Management Act.

12.1 ECONOMIC MANAGEMENT

This section focuses on maintaining and implementing sound financial processes and controls and ensuring compliance with relevant legislation. Key performance areas include financial administration, accounting, treasury management and reporting.

12.2 PFMA COMPLIANCE

The PFMA focuses on financial management with related outputs and responsibilities. The entity has established an ongoing process of awareness, education and advice regarding the PFMA within the business. This also involved reviewing the entity's financial policy and procedure manual to ensure effective internal control processes.

- The entity complies with its fiduciary duties as the accounting authority, as set out in the PFMA. The entity's responsibilities, in terms of the PFMA, include taking appropriate action to ensure:
 - o economic, efficient, effective, and transparent systems of financial and risk management and internal controls are in place.
 - o a system for properly evaluating all major capital projects, prior to a final decision on each project, is maintained.
 - o the implementation of appropriate and effective measures to prevent irregular or fruitless and wasteful expenditure or expenditure not complying with legislation or losses from criminal conduct.
 - o that all revenue due is collected.
 - o the economic and efficient management of available working capital; and

- o the definition of objectives and the allocation of resources in an economic, efficient, effective, and transparent manner.

12.3 OVERVIEW OF FINANCIAL STATEMENTS

12.3.1 Delivering solid financial performance

LNW's sustainability lies in the ability of the tariff to recover all operational costs as set by Government. The financial results as of 30 June 2023 demonstrate the entity's efforts to ensure financial viability and sustainability to enable the entity to accelerate service delivery by re-investing its earnings in critical water infrastructure to ensure constant supply and increase in production. This enabled the entity to continuously deliver on critical services.

The water board's financial results improved, compared to the prior year to the extent of it showing a surplus of R1,186 billion (2022: R93,5 million). Revenue improved by 13% compared to the previous year when R780 million was reported compared to R 689 million.

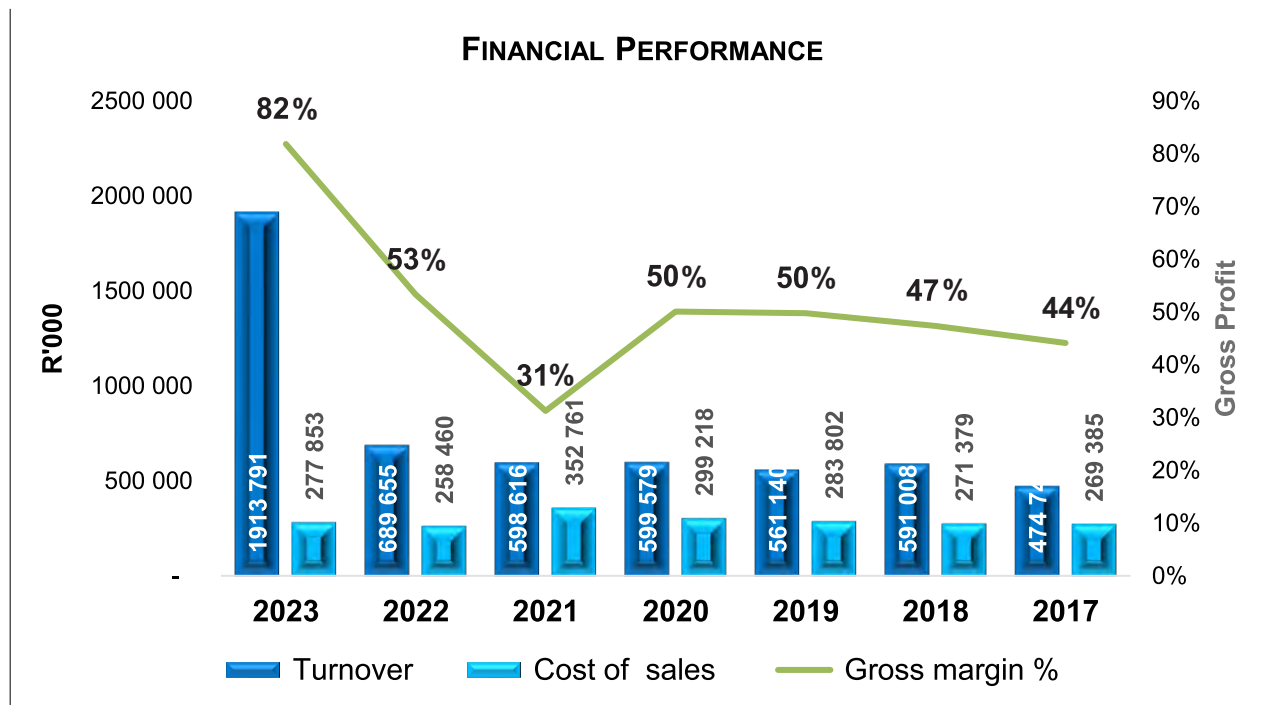
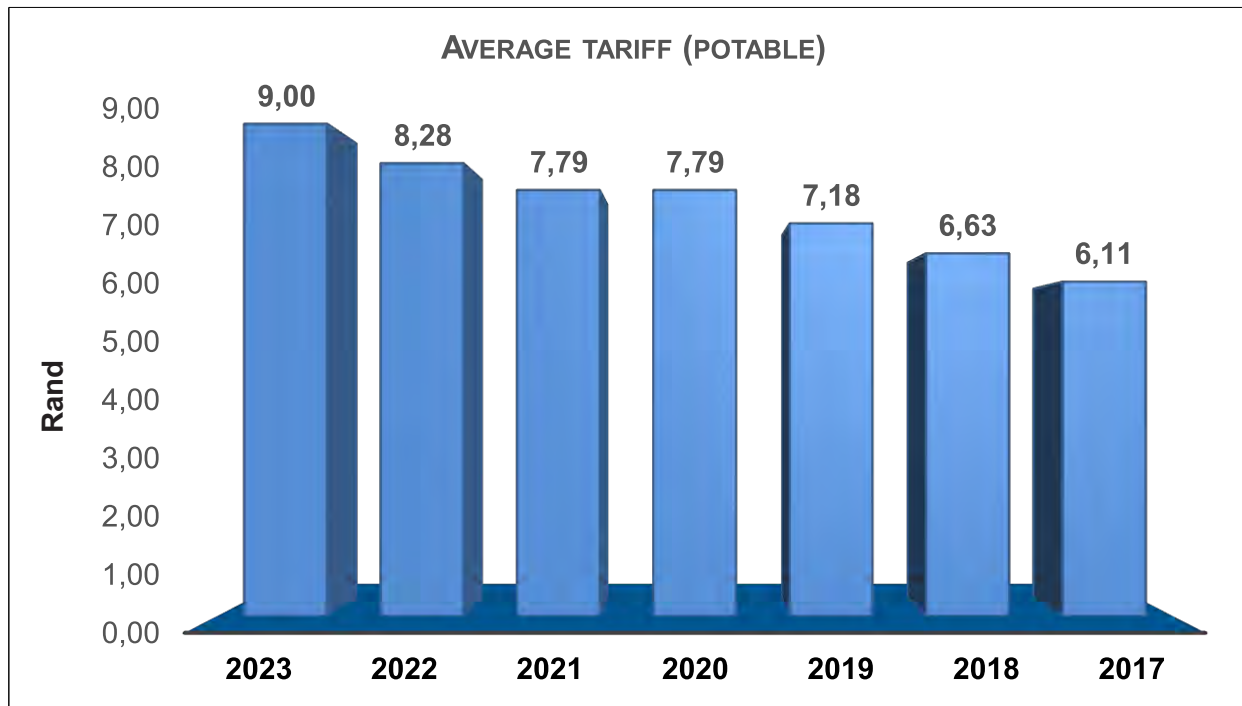


Figure 12-1: Seven-year financial performance

12.3.2 Supply quality water at an affordable rate

The entity's average tariff (potable) increased by 8,7% compared to the prior year and is currently at R9 per kilolitre.



12.3.3 Other income

Section 30 income decreased by 45,10% due to a change in the billing model from operating Nandoni Scheme on a cost recovery to a tariff basis during 2022/23 financial year.

12.4 INPUT AND OPERATIONAL COSTS

The entity's gross profit percentage increased to 83% from 53% due to realisation of government grant and transfer of assets gain. When compared to revenue growth, input cost increase by 8%. Raw water increased by 9%. Overall input cost increase does not reflect the real time general increase as cost for water inventory conversion is realised upon sales of water.

The cost of raw water is determined by DWS's pricing strategy, which is linked to the Producer Price Index (PPI).

12.4.1 Energy costs

The effect of national load shedding did not result in less electricity consumption compared to the prior year's electricity consumption as evident by an increase of 9%, which resulted in R141 million (2021: R130 million), due to additional account from Nandoni Scheme and the composition of Eskom electricity tariff structure.

12.4.2 Depreciation

Depreciation and amortisation of assets increase to R131 million from R118 million, as a result of capitalised assets realised from Nandoni Scheme asset transfer.

12.4.3 Salary mix

The remuneration cost is at R287 million, including direct labour (R114 million). In the year under review, the increase can be attributed to salary increases and filling of key vacant positions.

12.4.4 Other operational costs

Other operating expenses have significantly increased from R521 million compared to that of the previous financial year, totalling R379 million.

12.5 FINANCIAL POSITION

12.5.1 Infrastructure

Capital expenditure investment amounts to R67 million for the year under review. Poor performance on the projects was due to community stoppages and business forums that mushroomed once projects were started. The board with the support of the Minister of Water and Sanitation managed to collaborate with the relevant municipalities to assist, though it was a little too late.

12.5.2 Current liabilities

Short-term obligations have decreased by 3,59% to R743 million (2022: R771 million).

12.5.3 Increasing cash generated from operations

Net cash generated from operating activities decreased to R26 million (2022: R137 million), with total cash at end of the year totalling R631 million (2022: R185 million).

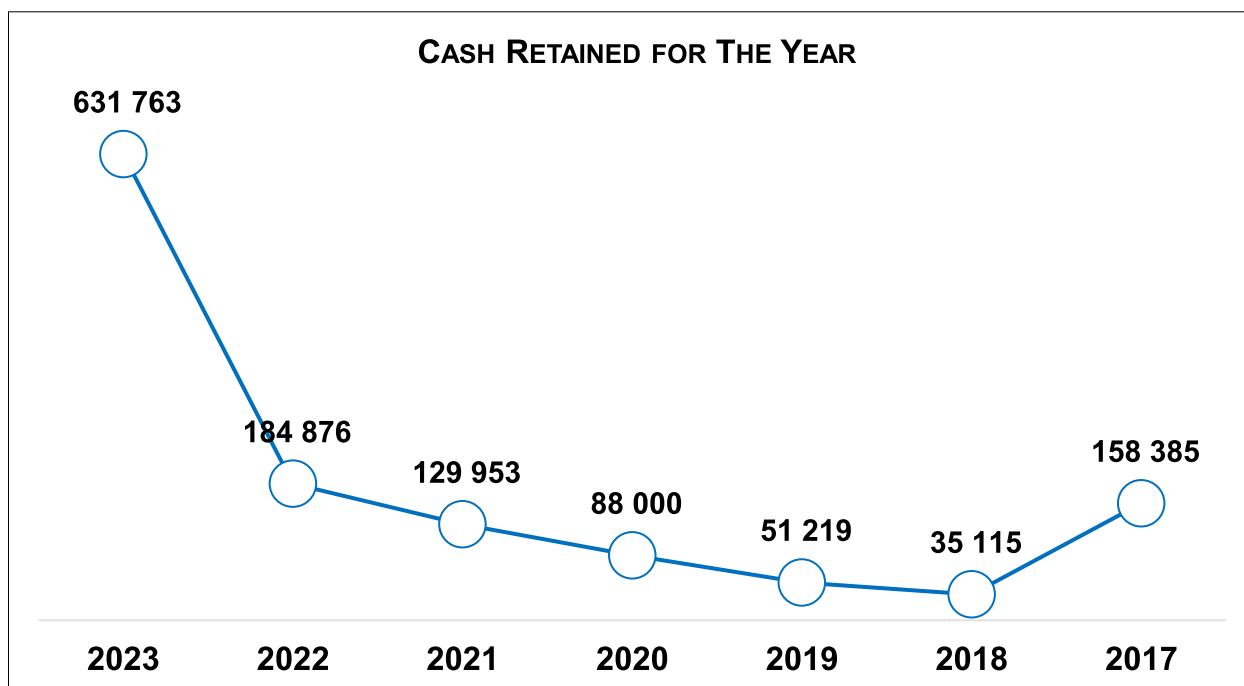


Figure 12-3: Cash and cash equivalents trends for the past seven (7) years

The entity debt to equity level at the year-end was 19%, indicating that significant capacity is still available to fund future expenditure.

12.5.4 Fruitless and Wasteful Expenditure

FRUITLESS AND WASTEFUL EXPENDITURE	2023 R'000	2022 R'000
Opening balance	15 647	15 142
Prior period errors		
As restated	15 647	15 142
Confirmed		
Identified during and for the current year	7	505
Previously identified and confirmed during the current year 2021/22 fruitless and wasteful expenditure identified in 2022/23		
As reported in the financial statements (note 33)	7	505
Less: Condoned	-	-
Less: Not condoned but removed	-	-
Less: Irrecoverable	-	-
Less amounts not recovered and written off	-	-

FRUITLESS AND WASTEFUL EXPENDITURE	2023 R'000	2022 R'000
Closing balance	15 654	15 647
Details of current and previous year fruitless and wasteful expenditure		
Under assessment	-	-
Under determination	-	-
Under investigation	31 301	15 647
Total	31 301	15 647
Details of current and previous year fruitless and wasteful expenditure condoned		
	-	-
Total	-	-
Details of current and previous year fruitless and wasteful expenditure removed - (not condoned)		
fruitless and wasteful expenditure NOT condoned and removed		
	-	-
Total	-	-
Details of current and previous year fruitless and wasteful expenditure recovered		
fruitless and wasteful expenditure recovered.		
	-	-
Total	-	-
Details of current and previous year fruitless and wasteful expenditure written off (irrecoverable)		
fruitless and wasteful expenditure written off		
Total	-	-
Details of current and previous year disciplinary steps taken as a result of fruitless and wasteful expenditure		
Not applicable		
Total	-	-

12.6 SUPPLY CHAIN MANAGEMENT

The entity continues to subscribe to the best practises of supply chain management, and it further continues to comply with prevailing legislation. This includes ensuring that supply chain

management processes are aligned with appropriate regulatory framework with the following key components:

- Supply chain management policy and procedures that are aligned to the PFMA and its regulations;
- Procedures that clearly define the procurement processes and how these are managed;
- Allocation of roles and responsibilities;
- Delegations of authority and its sub-delegations;
- Monitoring supply chain performance;
- Bid-Committee Charter that gives guidance on the functioning of the bid committees; and
- Code of Conduct for Supply Chain Management Unit officials and other role players.

12.6.1 Broad-Based Black Economic Empowerment

The entity strives to uplift businesses that are Broad-Based Black Economic Empowerment (BBBEE) compliant and locally based. The entity achieved or spent 94% (R93 million worth of projects) on BBBEE procurement, had at least thirteen (13) new entrants (R1 million worth of projects) and utilised most of the local companies. LNW believes that as the economy will gradually improve as the effects of Covid-19 pandemic continuously subside, new businesses are emerging and therefore given the opportunities to render service to LNW for the first time.

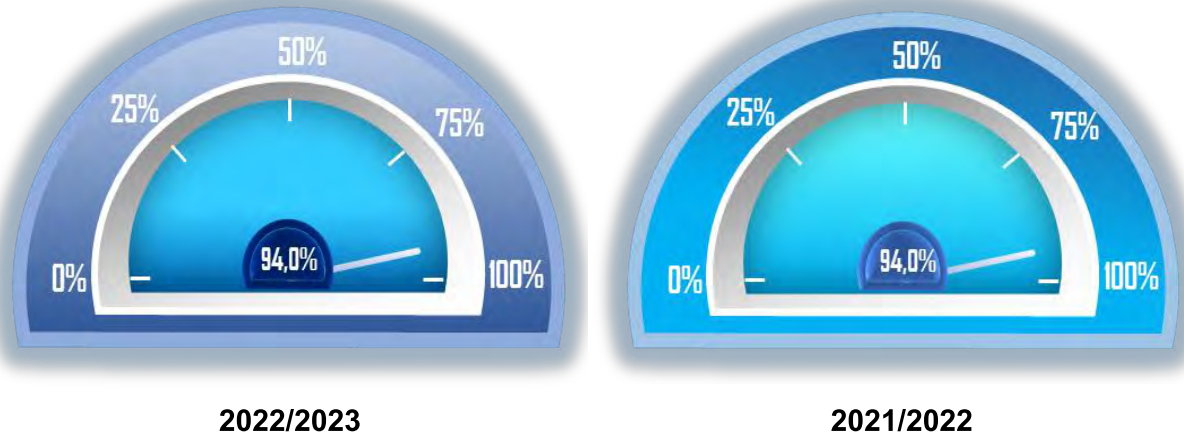


Figure 12-4: BBBEE procurement benefit from LNW projects

Figure 12:4 shows that there has been stability in the BBBEE utilisation and empowerment at 94%, when compared to 94% of the previous financial year 2022.

12.6.2 Best supply chain practices

The entity ensures that it contributes to encouraging its stakeholders to comply with legislative requirements that affect the economy of the country. It is a requirement that all service providers are compliant with taxation, ECSA guidelines, Construction Industry Development Board (CIDB), National Treasury regulations and any other legislative requirements. We also allow fair market competition in ensuring that all awards of contracts are not found to be contravening or defeating the principles within the supply chain management guidelines and legislation.

12.6.3 Disclosure on Irregular Expenditure

IRREGULAR EXPENDITURE	2023	2022
	R'000	R'000
Opening balance	81 531	78 494
Prior period errors		-
As restated	81 531	78 494
Confirmed		
Identified during and for the current year	-	3 037
Previously identified and confirmed during the current year		-
2021/22 irregular expenditure identified in 2022/23		-
As reported in the financial statements (note 33)	-	3 037
Less: Condoned	-	-
Less: Not condoned but removed	-	-
Less: recoverable	-	-
Less amounts not recovered and written off	- 76 304	-
Closing balance	5 227	81 531
Details of current and previous year irregular expenditure		
Under assessment	146	-
Under determination	-	-
Under investigation	-	81 531
Total	146	81 531
Details of current and previous year irregular expenditure condoned		
Irregular expenditure condoned	-	-

IRREGULAR EXPENDITURE	2023	2022
	R'000	R'000
Irregular expenditure condoned	-	-
	-	-
Total	-	-
Details of current and previous year irregular expenditure removed- (not condoned)		
Irregular expenditure NOT condoned and removed	-	-
Total	-	-
Details of current and previous year irregular expenditure recovered		
Irregular expenditure recovered	-	-
Total	-	-
Details of current and previous year irregular expenditure written off (irrecoverable)		
All irregular expenditure Incurred as at 30 June 2022	-76 304	-
Total	-76 304	-
Additional disclosure relating to inter-institutional arrangements		
Details of non-compliance cases where the institution is involved in an inter-institutional arrangement (where the institution is not responsible for the non-compliance)		
Not applicable	-	-
Total	-	-
Details of non-compliance cases where the institution is involved in an inter-institutional arrangement (where the institution is responsible for the non-compliance)		
Not applicable	-	-
Total	-	-
Details of current and previous year disciplinary steps taken as a result of irregular expenditure		
Extension service was acquired without NT's approval. A warning letter was issued to the responsible official.	-	248
A service was procured to defend an urgent application lodged against the Minister of DWS & the Interim Board. Disciplinary process was undertaken, the recovery of costs is in progress	2 789	2 789
Total	2 789	3 037

13 ENTERPRISE RISK MANAGEMENT

Effective risk management is fundamental to the business activities of the organisation. While we remain committed to increasing shareholder value by developing and growing our business within our board-determined risk appetite, we are mindful of achieving this objective in line with the interests of all stakeholders.

LNW adopted an Enterprise Risk Management (ERM) approach which seeks to identify, evaluate, monitor and report all actual and potential risks within the shortest possible time in all major processes and activities. This exercise remained inherent throughout the organisation via the risk assessments periodically conducted within the organisation as well as monitoring of the risk mitigation measures as outlined in the risk register. The organisation has an approved risk management framework for implementing ERM which is inclusive of the risk management framework aligned to COSO framework and ISO31000.

LNW has put measures in place to:

- identify and prioritise key risks and opportunities.
- determine appropriate levels of risk tolerance and risk appetite.
- implement a risk management strategy in accordance with the risk management policy; and
- measure, report, monitor and refine risks as needed.

Responsibility and accountability for risk management reside at all levels within the organisation, from the Board down to management and employees.

Risk tolerance levels were established for each of the organisation's strategic objectives and were considered for decision-making within the organisation. The Board of LNW contributed significantly to the process of risk management by consistently overseeing its implementation and monitoring and the integration into the daily activities of the organisation.

From the beginning of the financial year the organisation had identified eight (8) key strategic risks, of which two (2) were rated high in terms of the risk residual level and of the eight (8) high risks three (3) risks were accepted by the organisation. However, management continuously implement internal controls and mitigation measures against the accepted risks. Six (6) of the risks remained at moderate level. These risks were monitored by the oversight committees respectively on a quarterly basis.

Table 13-1: Strategic risks progress report

Risk Ref	Risk description	RR	Mitigating measure	Progress report
SR1	Negative effects and Consequences of Climate Change	8	<ul style="list-style-type: none"> Align the climate management policy with internal controls. 	<ul style="list-style-type: none"> Complying to the approved climate change policy.
SR2	Ageing infrastructure	16	<ul style="list-style-type: none"> Capital replacement reserves. Continue to implement current controls 	<ul style="list-style-type: none"> Revised capex was approved in May 2023 to allow the schemes to address issues of ageing infrastructure
SR3	Loss of business	13	<ul style="list-style-type: none"> Bi-annual meetings to be held between Executive Mayor and Chairperson of the Board 	<ul style="list-style-type: none"> The chairperson met the Executive Mayor of Mopani to discuss the repayment agreement.
SR4	Water demands that exceed available raw water allocation (over abstraction)	13	<ul style="list-style-type: none"> Risk is accepted in line with DWS and thus implementation of projects on LNW corporate plan will address it 	<ul style="list-style-type: none"> A service provider is appointed for Nandoni water use licence application. Ga-Kurante and Doorndraai scheme are on the last stage of assessment of the license application.
SR5	Fragmented project implementation (DWS IA projects)	13	<ul style="list-style-type: none"> 'Continue to implement the current controls 	<ul style="list-style-type: none"> For the quarter under review there were no directives received from the Minister for fragmented projects and no SLA will be signed in that regard Programme manager is currently managing the existing projects
SR6	Non-payment by WSAs for bulk water services	16	<ul style="list-style-type: none"> The risk is accepted, and current controls will be continuously implemented 	<ul style="list-style-type: none"> Water restrictions were implemented to the affected Water Services Authorities Payment arrangements were also made with the affected municipalities
SR7	Instability in leadership	10	<ul style="list-style-type: none"> Fast-track the recruitment process for strategic positions. Continuous awareness on ethics management for strategic managers 	<ul style="list-style-type: none"> There was no vacant position at strategic level in the quarter under review
SR8	Changes in all spheres of government leadership (administratively and politically)	13	<ul style="list-style-type: none"> The risk was accepted. LNW will continue to engage the incoming authorities (political or administrative) 	<ul style="list-style-type: none"> LNW engaged the authorities (political or administrative)

LNW regularly reviews its internal and external environment with a view to identify emerging risks, which are monitored by the organisation’s risk management oversight committees. The overall strategic risk rating is displayed in Figure 13-1 below:

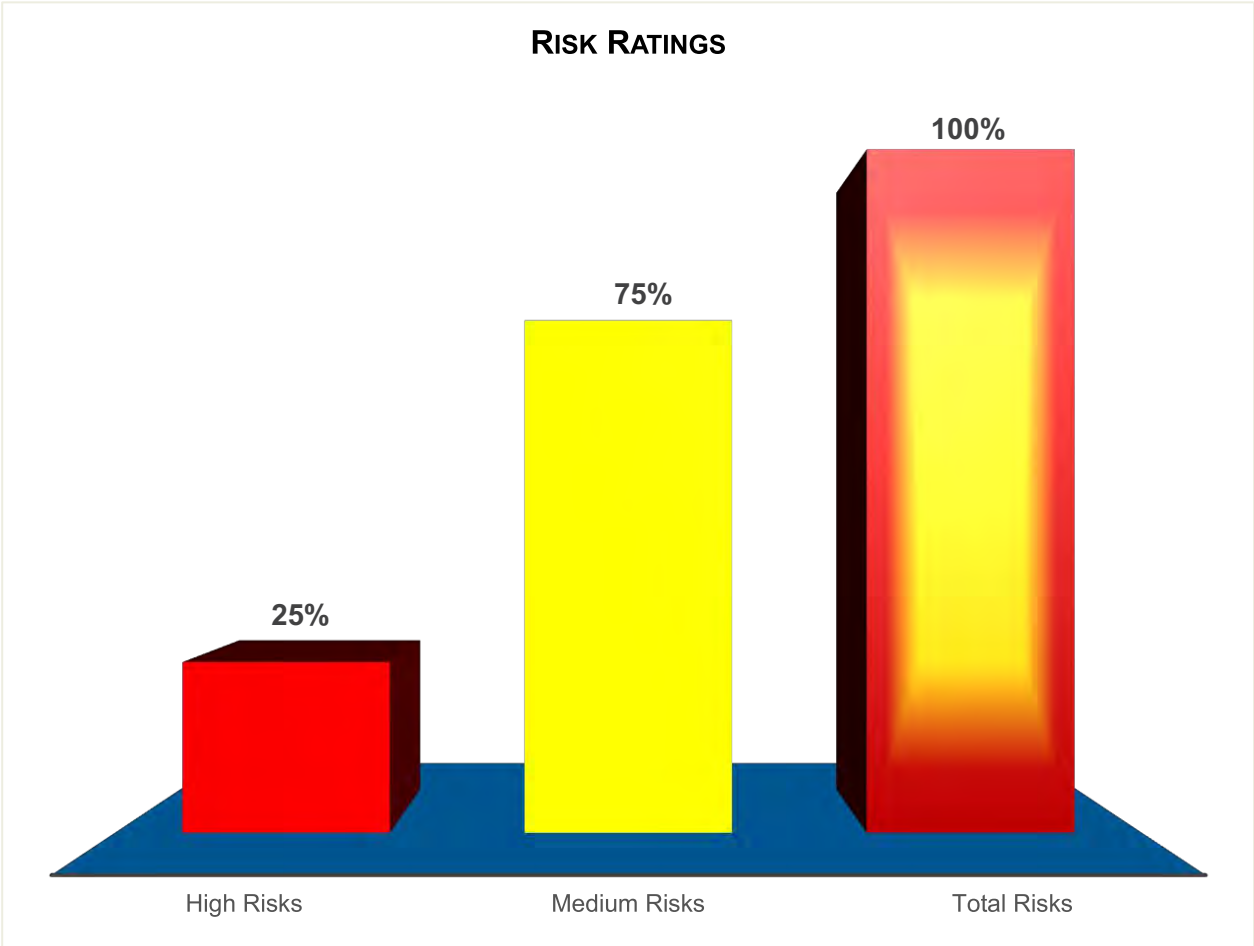


Figure 13-1: Overall risk rating for the six organisational strategic risks

Figure 13-1 depicts 25% of the strategic risks remaining high while medium risks are at 75% and no risk level is acceptable at strategic level. A focused approach will be required in the next financial year to reduce the high risks to medium or low.

The organisation had determined its overall risk appetite, which was then compared to the actual appetite level at the end of the financial year:

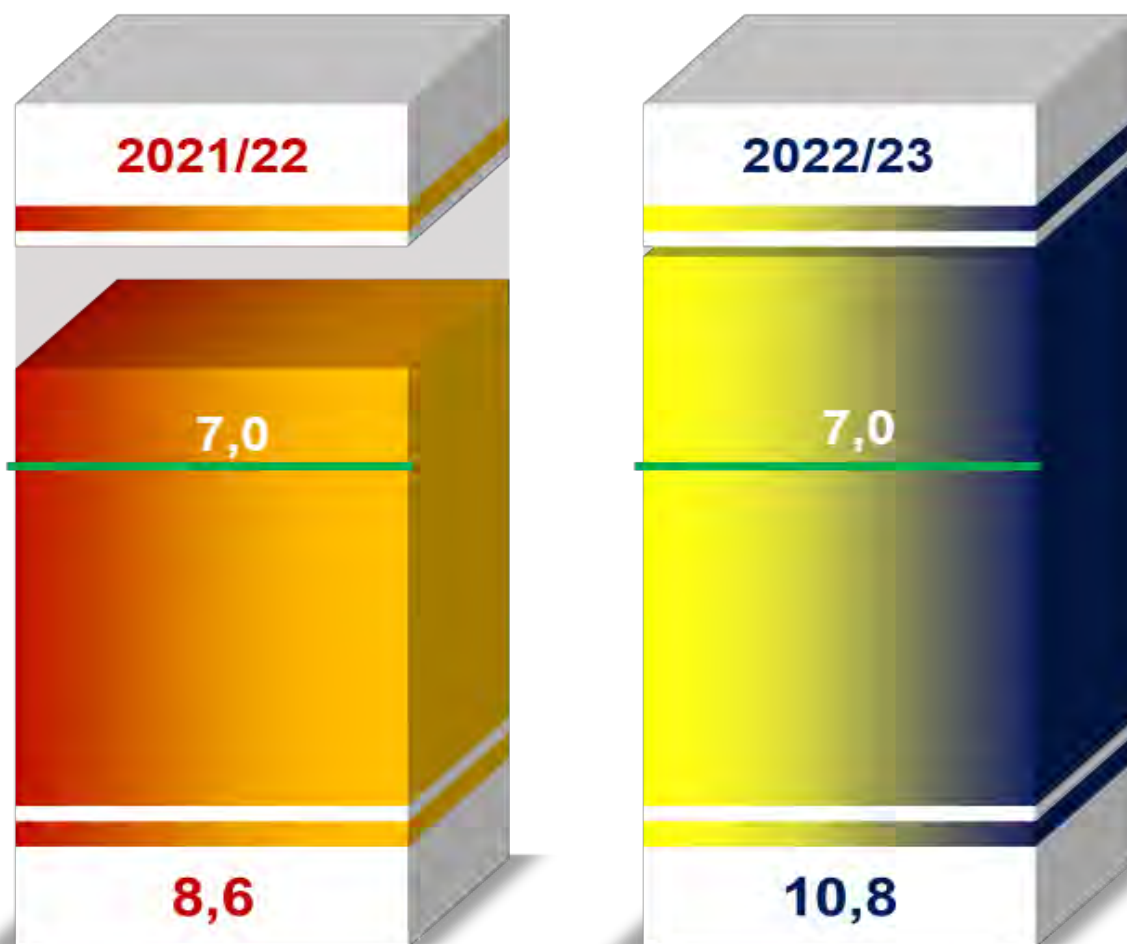


Figure 13-2: Risk appetite status

Figure 13-2 highlights that the maximum target of seven (7) was not met because it was exceeded in both financial years with 2022/23 having exceeded by 3,8 when compared to 1,6 of 2021/22. The board has taken a decision that every board committee oversees the implementation of the medium and high risks of the organisation going forward.

13.1 RISK MANAGEMENT COMMITTEE (RMC)

All four quarterly Risk Management Committee meetings were held to ensure effective management of risks throughout the organisation, overseeing inter alia:

- Risk management overview reporting (i.e., progress report on implementation of action plans, ethics management and business continuity management);
- Risk maturity reassessment rate and monitoring report;
- ICT risk reporting;
- Ethics/fraud risk reporting;
- Strategic risk reporting; and

- Risk management implementation plan approval and progress reporting.

13.2 PREVENTION OF FRAUD AND CORRUPTION

One of the goals of LNW is to achieve and maintain an ethical culture in the workplace. The entity is zero tolerance on fraud and corruption as these poses a potential significant risk to the entity's assets, service delivery efficiency and reputation. Awareness sessions are provided to employees on a quarterly basis and on the one hand there is protective mechanisms in place for whistle blowers. We have appointed Deloitte & Touche to administer the anonymous tip-off hotline to prevent fraud and corruption in the organisation.

The organisation has recorded a total of eight (10) cases for the 2022/23 financial years compared to four (8) cases that were reported in the previous financial year (2021/22). These cases were investigated through the Internal Audit unit.

13.3 COMPLIANCE MANAGEMENT

LNW continues to ensure that we comply with all relevant laws and regulations. The entity had developed its Compliance Regulatory Universe, and the areas of non-compliance were reported on quarterly basis to the relevant committees and are receiving the necessary attention.

13.4 ETHICS MANAGEMENT COMMITTEE

LNW Board is the accounting authority for ethics management and leadership commitment which ensures that there is code of ethics in place to be abide by all Board members and employees. On the one hand the Board ensured that its members and employees complete the declaration of financial interest yearly and continuously identify conflict of interest which might affect the organisation negatively.

The committee is governed by its charter and all four quarterly Ethics Management Committee meetings were held to ensure the effective management of ethics throughout the organisation, overseeing inter alia:

- Ethics management overview (i.e., new or emerging ethical risks, declaration of interests, cases of misconduct, gifts declarations and social responsibility reporting);
- Progress reporting on the ethics management plan; and
- Fraud risk register monitoring.

INTERNAL AUDIT



14 INTERNAL AUDIT

In terms of section 51(1)(ii) of the PFMA, LNW has and maintained a system of internal audit under the direction and control of its Audit & Risk Committee, complying with and operating in accordance with the regulations and instructions prescribed in terms of section 76 and 77.

The Internal Audit Unit of LNW provided an independent, objective assurance and consulting services that adds value and improves the organisation's operations. Internal Audit helps the organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

14.1 INTERNAL AUDIT DISCHARGED ITS ROLE AS FOLLOWS

For the period under review, the Internal Audit Unit:

- Developed a flexible Internal Audit Plan using the risk-based methodology, including any risks or control concerns identified by management and submitted the plan to the Audit & Risk Committee for review and approval. The plan included the following:
 - o Internal Audit Three-Year Rolling Risk-Based Plan;
 - o Internal Audit Annual Risk-Based Plan;
 - o Resource Plan; and
 - o Annual Budget.
- Had all the changes to the Internal Audit Annual Plan approved by the Audit & Risk Committee.
- Implemented the Internal Audit Annual Plan as approved, including conducting investigations and special tasks/projects requested by management and the Audit & Risk Committee.
- Reported on the implementation progress of the Internal Audit Annual Plan to the Audit & Risk Committee on a quarterly basis.
- Assisted with the investigations of significant suspected fraudulent activities within the organisation and notified management and the Audit & Risk Committee of the results.
- Reported administratively to the Chief Executive Officer and functionally to Audit & Risk Committee of the Board; and
- Kept the chairperson of the Audit & Risk Committee informed of all the line function developments within LNW to ensure that the independence and integrity of the Internal Audit Unit is maintained.

14.2 EFFECTIVENESS OF INTERNAL CONTROLS

During the period under review there was no material breakdown in the risk management and control environment in general. However, in the various internal audit and investigation reports several areas were highlighted that required immediate control improvements. Management undertook to implement the audit recommendations and action plans to mitigate against the control weaknesses identified and thus improving the effectiveness of governance, controls, and risk management.

The organisation closed off the year with a total of 261 internal audit findings of which 51% (132) were still in the process of being addressed by management.

There were 42 unresolved findings and 0 repeat findings for the duration of the 2022/23 financial year.

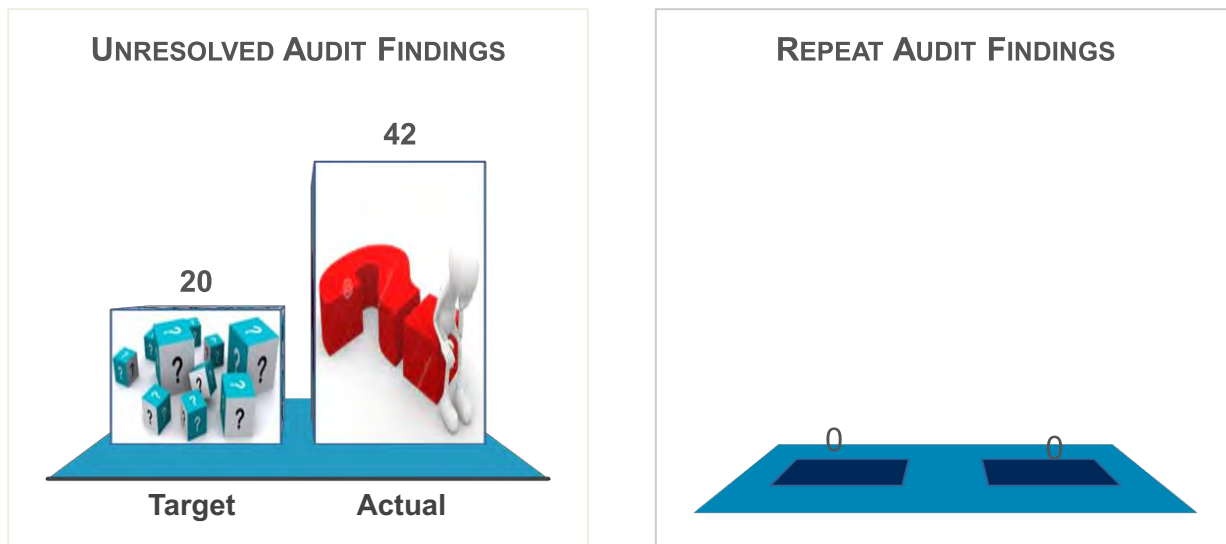


Table 14-1: Unresolved and Repeat audit findings as at 30 June 2023

Figure 14-1 above indicates that the organisation exceeded the maximum number of unresolved audit findings that was set as a target of 20 and has accumulated a total of 42 unresolved audit findings. The organisation has achieved the target on the Repeat Audit Findings.

Without assuming the operational and management responsibilities, the Internal Audit Unit also contributed to improvements in governance, risk management and controls processes by playing the advisory role within the following management committees:

- Executive Committee;
- Risk Management Committee; and
- Ethics Committee.

15 REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON LEPELLE NORTHERN WATER

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the Lepelle Northern Water set out on pages 107 to 181, which comprise the statement of financial position as at 30 June 2023, statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget information with actual information for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Lepelle Northern Water as at 30 June 2023, and financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Practice (GRAP) and the requirements of the Public Finance Management Act, 199(Act No 1 of 1999) (PFMA).

Basis for opinion

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



Emphasis of matters

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

Receivables from exchange transactions

7. As disclosed in note 10 to the financial statements, material provision for impairments of receivables from exchange transactions of R375 289 000 was incurred.

Water losses

8. As disclosed in note 19 to the financial statements, water losses of R33 670 000 were incurred as a result of ageing infrastructure, vandalism during service delivery strikes and illegal connections.

Contingencies

9. With reference to note 27 to the financial statements, the public entity is involved in various cases. The ultimate outcome of these matters could not be determined and no provision for any liability that may result was made in the financial statements.

Unaudited supplementary schedules

10. The supplementary information set out on pages 182 to 187 does not form part of the financial statements and is presented as addition. I have not audited this schedule and accordingly, I do not express an opinion on it.

Other matters

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

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

12. On 23 December 2022 National Treasury issued Instruction Note No. 4: PFMA Compliance and Reporting Framework of 2022-23 in terms of section 76(1)(b), (e) and (f), 2(e) and (4)(a) and (c) of the PFMA, which came into effect on 3 January 2023. The PFMA Compliance and Reporting Framework also addresses the disclosure of unauthorised expenditure, irregular expenditure and fruitless and wasteful expenditure. Among the effects of this framework is that irregular and fruitless and wasteful expenditure incurred in previous financial years and not addressed is no longer disclosed in the disclosure notes of the annual financial statements, only the current year

and prior year figures are disclosed in note 33 to the financial statements. The movements in respect of irregular expenditure and fruitless and wasteful expenditure are no longer disclosed in the notes to the annual financial statements of Lepelle Northern Water. The disclosure of these movements (e.g., condoned, recoverable, removed, written off, under assessment, under determination and under investigation) are now required to be included as part of other information in the annual report of the auditees.

13. I do not express an opinion on the disclosure of irregular expenditure and fruitless and wasteful expenditure in the annual report.

Responsibilities of the accounting authority for the financial statements

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

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

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

Report on the audit of the annual performance report

18. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I must audit and report on the usefulness and reliability of the reported performance

against predetermined objectives for the selected objectives presented in the annual performance report. The accounting authority is responsible for the preparation of the annual performance report.

19. I selected the following objectives presented in the annual performance report for the year ended 30 June 2023 for auditing. I selected objectives that measures the public entity's performance on its primary mandated functions and that are of significant national, community or public interest.

STRATEGIC OBJECTIVE	PAGE NUMBERS	PURPOSE
Strategic Objective 1: Provision of equitable and sustainable bulk water services	28	The purpose of this indicator is to ensure continuous supply to consumers. Although the indicator does not address the requirement of a law or regulation the indicator directly addresses and impact service delivery of the core function LNW is primary responsible for and is of a significant interest of the public and does have an impact on the public.
Strategic objective 2: Bulk water services infrastructure planning and development	32	To provide this water in an effective and efficient manner, good quality infrastructure is required. The need for the development of the sustainable economic infrastructure in which amongst others includes water infrastructure as the economic catalyst. LNW has continuously implemented its own capital programme and on behalf of other institutions such as DWS and Water Services Authorities. The NOP 2030 mandated the DWS to establish the Regional Water Utilities in order to effectively and efficiently provide water services in an equitable manner. LNW has geared itself to assume the responsibility and functions of the regional water utility within its area of operation.

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

21. I performed procedures to test whether:

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

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


23. The material findings on the reported performance information for the selected objectives are as follows:

Strategic objective 1: Provision of equitable and sustainable bulk water services

1.3 Comply with SANS 241 for drinking water quality (Bulk)

24. Based on audit evidence, the actual achievements for 1.3 comply with SANS 241 for drinking water quality (Bulk) indicators did not agree to what was reported. I could not determine the actual achievements, but I estimated them to be materially less. Consequently, the targets were not achieved, the under achievements on the targets were more than reported and the achievements against the targets were lower than reported.

INDICATOR	TARGET	REPORTED ACHIEVEMENT
1.3.1 % Microbiological compliance	98%	97.4%
1.3.2 % Chemical non-health aesthetic compliance	95%	99.3%
1.3.3 % Operational compliance	95%	90.5%

- 
25. I did not identify any material findings on the reported performance information for the Strategic objective 2: Bulk water services infrastructure planning and development.

Other matter

26. I draw attention to the matter below.

Achievement of planned targets

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

Report on compliance with legislation

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

Annual Financial Statement

32. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework as required by section 55(1)(b) of the PFMA.
33. Material misstatements of current assets and disclosures identified by the auditors in the

submitted financial statements were corrected, resulting in the financial statements receiving an unqualified audit opinion.

Other information in the annual report

34. The accounting authority is responsible for the other information included in the annual report. The other information referred to does not include the financial statements, the auditor's report and those selected objectives presented in the annual performance report that have been specifically reported on in this auditor's report.
35. My opinion on the financial statements, the report on the audit of the annual performance report and the report on compliance with legislation do not cover the other information included in the annual report and I do not express an audit opinion or any form of assurance conclusion on it.
36. My responsibility is to read this other information and, in doing so, consider whether it is materially inconsistent with the financial statements and the selected objectives presented in the annual performance report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
37. I did not receive records of other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary to be reported:

Internal control deficiencies

38. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with applicable legislation; however, my objective was not to express any form of assurance on it
39. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the unqualified opinion and the material findings on the annual performance report and the material findings on compliance with legislation included in this report.
40. Some review processes at financial reporting stage were ineffective, resulting in material adjustments being made to the submitted financial statements.

41. Management did not ensure action plans are effectively implemented timeously in order to ensure information reported in the annual financial statements and in the annual performance report is fairly presented.

Other reports

42. In addition to the investigations relating to material irregularities, I draw attention to the following engagements conducted by various parties. These reports did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.
43. Investigation regarding procurement irregularities conducted by Audit and Risk Management Solution were concluded in the financial year under review and one report was approved by the board on the 31 July 2023.
44. Numerous other investigations into Lepelle Northern Water are still in progress by various service providers including the Special Investigation Unit

Auditor-General

Pretoria

31 October 2023



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence



Annexure to the auditor's report

The annexure includes the following:

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

Auditor-general's responsibility for the audit


Professional judgement and professional scepticism

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

Financial statements

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

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the public entity's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- conclude on the appropriateness of the use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the public entity to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's



report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a public entity to cease operating as a going concern.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance.

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

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

Compliance with legislation - selected legislative requirements

The selected legislative requirements are as follows:

LEGISLATION	SECTIONS OR REGULATIONS
Public Finance Management Act No.1 of 1999 (PFMA)	Section 50(3) Section 51(1)(a)(iii); 51(1)(a)(iv); 51(1){b}{i}; 51(1){b}{ii}; 51{1}(e)(iii) Section 52(b) Section 53(4) Section 54(2)(c'); 54(2){d} Section 55(1)(a); 55(1)(b); 55(1)(c)(i) Section 56 Section 57(b) Section 57(d) Section 66(3)(b)
Treasury Regulations for departments, trading entities, constitutional institutions, and public entities (TR)	Treasury Regulation 29.1.1; 29.1.1(a); 29.1.1(c');29.2.1; 29.2.2; 29.3.1 Treasury Regulation 31.1.2(c') Treasury Regulation 31.2.5; 31.2.7(a) Treasury Regulation 33.1.1; 33.1.3
Companies Act No.71 of 2008	Section 45(2); 45(3)(a)(ii); 45(3){b}{i}; 45(3)(b)(ii); 45(4) Section 46(1)(a); 46(1)(b); 46(1)(c') Section 112(2)(a); Section 129(7)
Prevention and Combating of Corrupt Activities Act No.12 of 2004 (PRECCA)	Section 34(1)
Construction Industry Development Board Act No.38 of 2000 (CIDB)	Section 18(1) Section 22(3)
CIDB Regulations	CIDB regulation 17; 25(1); 25 (5) & 25(7A)
PPPFA	Section 1(i); 2.1(a); 2.1(b); 2.1(f)
PPR 2017	Paragraph 4.1; 4.2 Paragraph 5.1; 5.3; 5.6; 5.7 Paragraph 6.1; 6.2; 6.3; 6.5; 6.6; 6.8 Paragraph 7.1; 7.2; 7.3; 7.5; 7.6; 7.8 Paragraph 8.2; 8.5 Paragraph 9.1; 9.2 Paragraph 10.1; 10.2 Paragraph 11.1; 11.2 Paragraph 12.1 and 12.2
PPR 2022	Paragraph 3.1 Paragraph 4.1; 4.2; 4.3; 4.4 Paragraph 5.1; 5.2; 5.3; 5.4
NT SCM Instruction Note 03 2021/22	Paragraph 4.1; 4.2; 4.2 {b); 4.3; 4.4; 4.4 (c);4.4(d); 4.6 Paragraph 5.4
NT SCM Instruction 4A of 2016/17	Paragraph 6

16 AUDIT & RISK COMMITTEE REPORT

We are pleased to present our report for the financial year ended 30 June 2023.

Audit & Risk Committee members and attendance

The Audit & Risk Committee consists of the members listed hereunder and should meet 4 times per annum as per its approved terms of reference. During the current year 13 meetings were held as highlighted in table 16-1 below:

Table 16-1: Attendance of the Audit & Risk Committee

	NUMBER OF SCHEDULED MEETINGS PER ANNUM	NUMBER OF MEETINGS ATTENDED (INCL . SPECIAL)
I Vally	4	13
S Ngobeni	4	13
F Mudau	4	13
RT Ramashia	4	12

Matters of delegations of Audit and Risk Committee includes recommending the investigation reports to the Board for approval. During the financial year under review the organisation has received several allegations reported through the Tip-Off Anonymous system. This has led to the Committee to hold ten (10) special meetings to deal with and resolve the allegations reported through Tip-Off System.


Audit & Risk Committee responsibility

The Audit & Risk Committee reports that it has complied with its responsibilities arising from section 38(10)(1) of the PFMA and Treasury Regulation 3.1.

The Audit & Risk Committee also reports that it has adopted appropriate formal terms of reference as its Audit & Risk Committee Charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

Effectiveness of the internal controls

The system of internal controls applied by the entity over financial and risk management is effective, efficient, and transparent. In line with the PFMA and the King IV Report on Corporate Governance requirements, Internal Audit provides the Audit & Risk Committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the Internal Auditors, the Audit Report on the annual financial statements, and the management report of the Auditor-General South Africa, it



was noted that no matters were reported that indicate any material deficiencies in the system of internal control or any deviations therefrom.

Accordingly, we can report that the system of internal control over financial reporting for the period under review was efficient and effective.

The Audit & Risk Committee is satisfied with the content and quality of monthly and quarterly reports prepared and issued by the board of the entity during the year under review.

Evaluation of annual financial statements

The Audit & Risk Committee has:

- reviewed and discussed the audited annual financial statements to be included in the annual report, with the Auditor-General and the board,
- reviewed the Auditor-General of South Africa's management report and management's response thereto,
- reviewed the entities compliance with legal and regulatory provisions,
- reviewed significant adjustments resulting from the audit.
- reviewed the Annual Financial Statements and recommended that they be adopted.

Internal audit

The Audit & Risk Committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the entity in its audits.

The Committee reviewed:

- The risk areas of the entity's operations covered in the scope of internal and external audits.
- The internal audit reports concerning the adequacy and effectiveness of the internal control systems; detailing concerns arising out of audits and ensured there are appropriate responses from management, which will result in the concerns being addressed.
- The internal audit function and its effectiveness.
- The activities of internal audit, including its annual plan, co-ordination with the external auditors, the reports of significant investigations and the responses of management to specific recommendations.

Risk Management

The committee reviewed:

- Disclosure on matters of risk and risk management in the annual report.
- The adequacy and effectiveness of risk management in the Institution, including

recommendations for improvement.

- Internal and external audit plans and ensured that they are aligned to the risk profile of the Institution.
- The following areas:
 - Financial reporting risks, including the risks of fraud.
 - IT risks as they relate to financial reporting and ensured that they were appropriately addressed.
 - Ethical risks.
- Critiqued the risk appetite and risk tolerance and recommended this for approval by the Board.

Fraud prevention

The Committee reviewed:

- The mechanisms used to report fraud and corruption related activities and ensured that all allegations reported were dealt with appropriately.

Information and Communications Technology Governance

The committee monitored the Information and Communication Technology (ICT) with the DPSA Corporate Governance of ICT Policy Framework that guide the governance of ICT. The Framework requires departments and state entities to implement the corporate governance of ICT (CGICT) as an integral part of its corporate governance arrangements.

Auditor-General of South Africa

The audit committee has met with the Auditor-General of South Africa to ensure that there are no unresolved issues.

We concur with and accept the External Auditors' report on the annual financial statements and are of the opinion that the audited annual financial statements should be accepted and read together with the report of the External Auditors.



Chairperson: Audit & Risk Committee

Mr. Imtiaz Ahmed Vally

Date: 31 October 2023



FINANCIAL STATEMENTS

Lepelle Northern Water

Annual Financial Statements for the year ended 30 June 2023

11 FINANCIAL STATEMENTS

Statement of Financial Position as at 30 June 2023

Figures in Rand thousand	Note(s)	2023	2022 Restated*
Assets			
Current Assets			
Inventories	9	232 603	147 135
Receivables from exchange transactions	10	916 066	989 142
VAT receivable	11	57 861	58 695
Cash and cash equivalents	12	631 763	184 876
		1 838 293	1 379 848
Non-Current Assets			
Property, plant, and equipment	3	3 249 553	2 603 435
Intangible assets	4	838	1 019
Other financial assets	5	-	63 790
Receivables from exchange transactions	10	116 909	-
		3 367 300	2 668 244
Total Assets		5 205 593	4 048 092
Liabilities			
Current Liabilities			
Finance lease obligation	14	916	-
Payables from exchange transactions	6	694 080	717 689
Short-term employee benefits	8	48 852	53 919
		743 848	771 608
Non-Current Liabilities			
Finance lease obligation	14	929	-
Post-retirement employee benefits	7	94 517	97 671
		95 446	97 671
Total Liabilities		839 294	869 279
Net Assets		4 366 299	3 178 813
Accumulated surplus	13	4 366 299	3 178 813
Total Net Assets		4 366 299	3 178 813

Lepelle Northern Water

Annual Financial Statements for the year ended June 30, 2023

Statement of Financial Performance

Figures in Rand thousand	Note(s)	2023	2022 Restated*
Revenue	15	1 913 791	689 655
Cost of sales	16	(347 483)	(322 074)
Gross surplus		1 566 308	367 581
Other income	17	100 345	106 484
Operating expenses	19	(521 842)	(379 546)
Operating surplus		1 144 811	94 519
Investment revenue	18	38 362	8 808
Fair value adjustments	25	575	(611)
Actuarial gains/losses	7	15 762	1 927
Loss on sale of property, plant and equipment		(153)	(92)
Finance costs	23	(13 111)	(10 769)
Surplus for the year		1 186 246	93 782

Lepelle Northern Water

Annual Financial Statements for the year ended 30 June 2023

Statement of Changes in Net Assets

Figures in Rand thousand	Note(s)	Accumulated surplus/deficit	Total net assets
Balance at 01 July 2021		3 085 031	3 085 031
Changes in net assets			
Surplus for the year		93 782	93 782
Total changes		93 782	93 782
Restated* Balance at 01 July 2022		3 180 050	3 180 050
Changes in net assets			
Surplus for the year		1 186 246	1 186 246
Total changes		1 186 246	1 186 246
Balance at 30 June 2023		4 366 296	4 366 296

Lepelle Northern Water

Annual Financial Statements for the year ended 30 June 2023

Cash Flows Statement

Figures in Rand thousand	Note(s)	2023	2022 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		726 649	723 092
Interest income		38 362	8 808
		<u>765 011</u>	<u>731 900</u>
Payments			
Employee costs		(277 642)	(252 890)
Suppliers		(461 076)	(341 137)
Finance costs		(341)	(62)
		<u>(739 059)</u>	<u>(594 089)</u>
Net cash flows from operating activities	24	<u>25 952</u>	<u>137 811</u>
Cash flows from investing activities			
Purchase of property, plant, and equipment	3	(64 882)	(80 264)
Proceeds from sale of property, plant, and equipment	3	124	136
Proceeds/(purchase) of financial assets		64 365	(2 619)
Net cash flows from investing activities		<u>(393)</u>	<u>(82 747)</u>
Cash flows from financing activities			
Finance lease payments		(672)	(141)
Budget Facility for Infrastructure Grant		422 000	-
Net cash flows from financing activities		<u>421 328</u>	<u>(141)</u>
Net increase/(decrease) in cash and cash equivalents		446 887	54 923
Cash and cash equivalents at the beginning of the year		184 876	129 953
Cash and cash equivalents at the end of the year	12	<u>631 763</u>	<u>184 876</u>

Lepelle Northern Water

Annual Financial Statements for the year ended 30 June 2023

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figure in Rand thousand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Sale of goods	833 786	54 788	888 574	780 807	(107 767)	34
Administration and management Fees	32 869	(2 147)	30 722	22 220	(8 502)	34
Section 30 Income	32 534	(11 484)	21 050	20 751	(299)	34
Commissions received	-	-	-	2 711	2 711	
Rental income	1 186	-	1 186	1 293	107	
Interest Received -Water Sales	39 731	-	39 731	37 007	(2 724)	34
Sundry Income	3 084	-	3 084	911	(2 173)	
Interest received - investment	5 500	-	5 500	26 603	21 103	34
Total revenue from exchange transactions	948 690	41 157	989 847	892 303	(97 544)	
Revenue from non-exchange transactions						
Revenue - RBIG	-	146 547	146 547	422 000	275 453	34
Finance Income: non-exchange transactions	-	5 251	5 251	11 759	6 508	34
Total revenue from non-exchange transactions	-	151 798	151 798	433 759	281 961	
Total revenue	948 690	192 955	1 141 645	1 326 062	184 417	
Expenditure						
Personnel	(180 823)	-	(180 823)	(190 491)	(9 668)	
Depreciation, amortisation and impairment	(97 458)	-	(97 458)	(84 158)	13 300	
Finance costs	(15 896)	-	(15 896)	(13 111)	2 785	34
Lease rentals on operating lease	(650)	-	(650)	(720)	(70)	
Debt Impairment	(33 294)	-	(33 294)	(95 288)	(61 994)	34
Cost of sale	(415 998)	(26 176)	(442 174)	(347 483)	94 691	34
General Expenses	(188 383)	(7 304)	(195 687)	(151 185)	44 502	34
Total expenditure	(932 502)	(33 480)	(965 982)	(882 436)	83 546	
Operating surplus	16 188	159 475	175 663	443 626	267 963	
Fair value adjustments	2 006	-	2 006	575	(1 431)	
Actuarial gains/losses	3 820	-	3 820	15 762	11 942	
Loss on non-current assets held for sale or disposal groups	-	-	-	(153)	(153)	
	5 826	-	5 826	16 184	10 358	
Surplus before taxation	22 014	159 475	181 489	459 810	278 321	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	22 014	159 475	181 489	459 810	278 321	

Lepelle Northern Water

Annual Financial Statements for the year ended 30 June 2023

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand thousand						
Reconciliation						
Format and classification differences						
Reversal of provision				15 452		
Transfer of assets to LNW				710 984		
Actual Amount in the Statement of Financial Performance				1 186 246		



Lepelle Northern Water

Annual Financial Statements for the year ended 30 June 2023

Statement of Comparison of Budget and Actual Amounts

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Public Finance Management Act (Act 1 of 1999).

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

These accounting policies are consistent with the previous period, except for the changes in presentation and disclosure of irregular and fruitless and wasteful expenditure due to the first-time application of National Treasury Instruction Note 4 of 2022/23 as set out in note 33 on irregular and fruitless and wasteful expenditure.

1.1. Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the entity. The figures are rounded to the nearest thousand Rand (R'000), except where otherwise indicated.

1.2. Going concern assumption.

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

1.3. Materiality

These annual financial statements have been prepared and presented by applying the concept of materiality in the recognition, measurement, presentation, and disclosure of information.

1.4. Significant judgements and sources of estimation uncertainty

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

Accounting Policies

Figures in Rand thousand

Note(s) Note(s)

2023**2022****1.4. Significant judgements and sources of estimation uncertainty (continued)**

Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Inventory

Inventory is measured at lower of cost or net realisable value. Net realisable value assessment requires management to make estimates about future inventory replacement cost and future use of inventory to determine net realisable value. Refer to note 9 for the carrying amount of inventory at year end.

LNW considers water to be inventory from the point of abstraction of the raw water for processing from the natural sources that are licensed to the Water Board

Impairment testing

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

The entity reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in tangible assets are inherently uncertain and could materially change over time. Refer to note 3 for impairment estimated amounts.

Accounting Policies

Figures in Rand thousand

Note(s)

2023

2022

1.4. Significant judgements and sources of estimation uncertainty (continued)

Short-term employee benefits

Short-term employee benefits were raised, and management determined an estimate based on the information available. The entity's short-term employee benefits are related to 13th Cheque, leave and performance bonus liabilities as detailed in accounting policy note 1.13. Additional disclosure of these estimates of provisions are included in note 8 - Short-term employee benefits.

Contingencies

Contingencies disclosed in the current year required estimates of possible financial exposure and management relies on the opinions of its lawyers, refer to note 27 for disclosed contingencies.

Useful lives of waste and water network and other assets

The entity's management determines the estimated useful lives and related depreciation charges for the wastewater and water networks. This estimate is based on industry norm. Management will adjust the depreciation charge where useful lives are different from previously estimated useful lives. Refer to note 1.5 for the assessed useful lives and to note 3 for estimated depreciation amounts.

Post-retirement benefits

The present value of the post-retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post-retirement obligations.

The entity determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the medical obligations.

Accounting Policies

Figures in Rand thousand

Note(s)

2023

2022

1.4. Significant judgements and sources of estimation uncertainty (continued)

In determining the appropriate discount rate, the entity considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related medical liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 7.

Effective interest rate

The entity used the prime interest rate to discount future cash flows.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition. Refer to note 10 for the estimated impairment allowance.

Recognition and Derecognition of Land

In some instances, the entity is not the legal owner, or the custodian of land appointed in terms of legislation, but assessed that it controls such land. Key judgements made and assumptions applied to conclude that it controls such land, are as follows:

The entity has the right to direct access to and restrict access of others to the land.

The entity can make improvements to the land without a prior approval by the third party.

Accounting Policies

Figures in Rand thousand

Note(s)

2023

2022

1.5. Property, plant, and equipment

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

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

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

The depreciation method and useful lives of items of property, plant and equipment are as follows:

Item	Depreciation method	Average useful life
Land	Not depreciated	Indefinite
Buildings	Straightline	9 - 50 years
Machinery and Equipment	Straightline	3 - 15 years
Furniture and fixtures	Straightline	3 - 10 years
Motor vehicles	Straightline	2 - 15 years
Computer Hardware	Straightline	3 - 8 years
Waterworks	Straightline	3 - 52 years
Telemetry	Straightline	3 - 15 years

The depreciation method, residual value and the useful life of property, plant and equipment are reviewed at least at each reporting date and changes are accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Accounting Policies

Figures in Rand thousand

Note(s)

2023

2022

1.6. Intangible assets

An intangible asset is recognised when:

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

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

The amortisation method and useful lives of intangible assets are as follows:

Item	Amortisation method	Average useful life
Computer software	Straight -line	3 - 10 years
Servitudes	Not amortised	Indefinite

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight-line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at least at each reporting date and changes are accounted for as a change in an accounting estimate.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result, the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

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

Accounting Policies

Figures in Rand thousand

Note(s)

2023

2022

1.7. Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value are recognised immediately in profit or loss.

Subsequent measurement of financial assets and financial liabilities

Financial assets and financial liabilities are subsequently measured at amortised cost or fair value, depending on their classification.

Impairment of financial assets.

All financial assets measured at amortised cost are subject to an impairment review. If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

The amount of the loss is recognised in surplus or deficit.

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

Accounting Policies

Figures in Rand thousand

Note(s)

2023

2022

1.7. Financial instruments (Continued)

Derecognition of financial assets and financial liabilities

A financial asset is derecognised only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived,
- the entity transfers to another party substantially all the risks and rewards of ownership of the financial asset; or,
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.

A financial liability is derecognised when, and only when, it is extinguished (i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived).

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset measured at fair value is recognised in surplus or deficit. For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised.

Classification

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

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

Accounting Policies

Figures in Rand thousand

Note(s)

2023

2022

1.8. Statutory receivables (VAT)**Identification**

The entity is a registered VAT vendor in terms of the VAT Act (Act No. 89 of 1991) and is on a payment (cash) basis. The entity declares output tax and input tax monthly to the extent to which payment of the consideration is received or made in that tax period. This is a statutory arrangement giving rise to VAT balances of the following nature:

- a) VAT Statutory receivable from or payable to SARS, calculated as the net amount of output VAT collected and input VAT paid. This is the VAT already declared to SARS as it is associated with transactions for which payment was received or made. The entity nets the output and input as the amounts relate to the same counterparty (SARS) and settlement is done on a net basis.
- b) VAT accrual balance representing VAT associated with transactions that are yet to be settled. This balance is not yet declared to SARS because it does not represent amounts due from/ to SARS. It represents VAT accruals/provisions/ deferrals because despite the amounts being known, the timing is uncertain and is dependent on the settlement of the underlying transactions that gave rise to the VAT balances.

The VAT statutory balances in (a) above and the VAT accruals/ provisions in (b) above are reported on a net basis in the statement of financial position. Management considered the fact that despite (a) being an existing claim from/ by SARS while (b) isn't until payment is received or made for the underlying transactions from different counterparties, namely customers and suppliers respectively, they are all in substance VAT related and arose from a statutory arrangement. This was considered to be more relevant to the users of the financial statements than splitting the VAT balance merely based on the legal form.

Recognition

The entity recognises the VAT receivable when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the transaction amount can be measured reliably.

Accounting Policies

Figures in Rand thousand

Note(s)

2023

2022

1.8. Statutory receivables (VAT) (continued)

Initial measurement

The entity initially measures VAT receivables at their transaction amount. The transaction amount is the VAT rate as provided in the VAT Act and supporting regulations. The current rate is 15% of the value of supply made by the entity or to the entity.

Subsequent measurement

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

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

Accrued interest

SARS adjusts for interest on the outstanding VAT balances, it adjusts the transaction amount after initial recognition to reflect any accrued interest. Interest is calculated using the official interest rate. Interest earned on VAT receivables is recognised as income.

Other charges

SARS can levy penalties for late submission of VAT returns in terms of the Tax Administration Act (Act 28 of 2011).

Impairment losses

The entity assesses at each reporting date whether the VAT balance may be impaired.

If there is an indication that the VAT balance may be impaired, the entity measures the impairment loss as the difference between the estimated future cash flows and the carrying amount.

Accounting Policies

Figures in Rand thousand

Note(s)

2023

2022

1.8. Statutory receivables (VAT) (continued)

Where the carrying amount is higher than the estimated future cash flows, the carrying amount is reduced through the use of an allowance account. The amount of the losses is recognised in surplus or deficit.

An impairment loss recognised in prior periods is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows.

Any previously recognised impairment loss is adjusted either directly or by adjusting the allowance account. The adjustment does not result in the carrying amount exceeding what the carrying amount of the receivable would have been had the impairment loss not been recognised at the date the impairment is revised. The amount of any adjustment is recognised in surplus or deficit.

Derecognition

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

- the rights to the cash flows from the receivable are settled, expire, or are waived,
- the entity transfers to another party substantially all the risks and rewards of ownership of the receivable; or
- the entity, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity:
 - derecognise the receivable; and
 - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of any VAT receivable transferred are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date.

Accounting Policies

Figures in Rand thousand

Note(s)

2023

2022

1.8. Statutory receivables (VAT) (continued)

The entity considers whether any newly created rights and obligations are within the scope of the Standard of GRAP on Financial Instruments or another Standard of GRAP. Any difference between the consideration received and the amounts derecognised and, those amounts recognised, are recognised in surplus or deficit in the period of the transfer.

1.9. Leases

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

Finance leases - lessee

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

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

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

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

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

Accounting Policies

Figures in Rand thousand

Note(s)

2023

2022

1.10. Inventories

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

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

Inventories are measured at the lower of cost and current replacement cost where they are held for:

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

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

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.11. Impairment of cash-generating assets

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

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

Accounting Policies

Figures in Rand thousand

Note(s)

2023

2022

1.11. Impairment of cash-generating assets (continued)

Designation

An asset used with the objective of generating a commercial return and service delivery, is designated either as a cash-generating asset or non-cash-generating asset based on whether the entity expects to use that asset to generate a commercial return. When it is not clear whether the objective is to use the asset to generate commercial return, the entity designates the asset as a non-cash-generating asset and applies the accounting policy on Impairment of Non-cash-generating assets, rather than this accounting policy.

Identification

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

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

Irrespective of whether there is any indication of impairment, the entity also tests a cash-generating intangible asset with an indefinite useful life for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Recognition and measurement

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

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

Accounting Policies

Figures in Rand thousand

Note(s)

2023

2022

1.11. Impairment of cash-generating assets (continued)**Reversal of impairment loss**

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

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

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

1.12. Impairment of non-cash-generating assets Identification

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

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

Irrespective of whether there is any indication of impairment, the entity also tests a non-cash-generating intangible asset with an indefinite useful life for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Accounting Policies

Figures in Rand thousand

Note(s)

2023

2022

1.12. Impairment of non-cash-generating assets Identification (continued)**Recognition and measurement**

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

An impairment loss is recognised immediately in surplus or deficit.

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

Reversal of an impairment loss

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

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

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

Accounting Policies

Figures in Rand thousand

Note(s)

2023

2022

1.13. Employee benefits Short-term employee benefits

Short-term employee benefits include:

- wages, salaries, and social security contributions,
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service,
- bonus, incentive, and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars, and cell phones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognises the expected cost of bonus, incentive, and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Accounting Policies

Figures in Rand thousand

Note(s)

2023

2022

1.13. Employee benefits Short-term employee benefits (continued)

Post-employment benefits

Post-employment benefits: Defined contribution plans

When an employee has rendered service to the entity during a reporting period, the entity recognises the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Post-employment benefits: Defined benefit plans

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date,
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly,
- plus any liability that may arise as a result of a minimum funding requirement

The entity recognises the net total of the following amounts in surplus or deficit:

- current service cost,
- interest cost,
- actuarial gains and losses,

Actuarial valuations are conducted on an annual basis by independent actuaries. The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost.

Actuarial valuations are conducted on an annual basis by independent actuaries.

Accounting Policies

Figures in Rand thousand

Note(s)

2023

2022

1.14 Contingencies

Contingent assets and contingent liabilities are not recognised. Contingent liabilities are disclosed in the notes unless the possibility of an outflow of resources embodying economic benefits or service potential is remote. Contingent assets are disclosed where an inflow of economic benefits or service potential is probable. Contingencies are disclosed in note 27.

1.15 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and

Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.16. Revenue from exchange transactions Measurement

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

Sale of goods

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

- the entity has transferred to the purchaser the significant risks and rewards of ownership of the goods,
- the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold,

Accounting Policies

Figures in Rand thousand

Note(s)

2023

2022

1.16. Revenue from exchange transactions Measurement (continued)

- the amount of revenue can be measured reliably,
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably,
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity,
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Interest

Revenue arising from the use by others of entity assets yielding interest is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the entity, and
- The amount of the revenue can be measured reliably.

Interest is recognised using the effective interest rate method for financial instruments and using the nominal interest rate method for statutory receivables.

Accounting Policies

Figures in Rand thousand

Note(s)

2023

2022

1.17. Revenue from non-exchange transactions Government grants and subsidies

Recognition

Government grants are recognised when there is reasonable assurance that the grants will be received. The entity's grants received have restrictions rather than conditions. Consequently, the grants are recognised in revenue in full when they are received or when they become receivable, and thereafter any unutilised funds are held as restricted use funds until they are used.

Measurement

Revenue from a government grant is measured at the amount of the increase in net assets recognised by the entity.

Interest

Interest is recognised using the effective interest rate method for financial instruments and using the nominal interest rate method for statutory receivables.

1.18. Other income

Other income that is not already covered by another accounting policy relates to other entity income other than operating revenue. Other income are recognised as income when the right to receive has been established.

1.19. Cost of sales

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all surplus (deficit) of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Accounting Policies

Figures in Rand thousand

Note(s)

2023

2022

1.19. Cost of sales (continued)

The related cost of providing services recognised as revenue in the current period is included in cost of sales.

Cost of sales comprise of costs of raw water, electricity, pumping and purification, direct labour, depreciation and repairs and maintenance associated with water production.

1.20. Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.21. Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.22. Expenses

Expenses are recognised in the statement of financial performance upon receiving of the goods or services (i.e., as incurred)

1.23. Fruitless and wasteful expenditure

The entity determines that fruitless and wasteful expenditure has been incurred when the following are present:

- a) expenditure must be made in vain; and
- b) would have been avoided had reasonable care been exercised.

Fruitless and wasteful expenditure is recorded in the notes to the financial statements when confirmed after its assessment. The amount recorded is equal to the value of fruitless and wasteful expenditure incurred and confirmed in the current financial year unless it is impractical to determine, in which case reasons are provided in the annual report. This relates to fruitless and wasteful expenditure incurred in the current financial year, with a one previous financial year comparative analysis.

Accounting Policies

Figures in Rand thousand

Note(s)

2023

2022

1.23 Fruitless and wasteful expenditure (continued)

Fruitless and wasteful expenditure for the previous financial year (comparative amounts) is disclosed in the period in which they occurred as follows:

- a) fruitless and wasteful expenditure incurred and confirmed in the previous financial year,
- b) fruitless and wasteful expenditure that was under assessment in the previous financial year and confirmed in the current financial year; and
- c) fruitless and wasteful expenditure that was not discovered in the previous financial year and identified and confirmed in the current financial year.

Additional information relating to fruitless and wasteful expenditure under assessment, determination, investigations, narratives, and a process of dealing with the concerned fruitless and wasteful expenditure is recorded in the annual report of the entity as provided for in Chapter 8 of Annexure A to National Treasury Instruction Note 4 of 2022/23.

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

1.24. Irregular expenditure

The entity determines that irregular expenditure has occurred when the following are present:

- a) expenditure was incurred in contravention of, or not in accordance with legislation; and
- b) expenditure must have been recognised in the statement of financial performance or liability recognised in the statement of financial position (where expenditure is not reflected in the statement of financial performance). The earlier of an invoice or payment will trigger irregular expenditure for these transactions.

Irregular expenditure is recorded in the notes to the financial statements when confirmed after its assessment. The amount recorded is equal to the value of irregular expenditure incurred and confirmed in that current financial year unless it is impractical to determine, in which case reasons are provided in the annual report. This relates to irregular expenditure incurred in the current financial year, with a one financial year comparative analysis.

Accounting Policies

Figures in Rand thousand

Note(s)

2023

2022

1.24. Irregular expenditure (continued)

Irregular expenditure for the previous financial year (comparative amounts) i.e., disclosed in the period in which they occurred as follows:

- a) irregular expenditure incurred and confirmed in the previous financial year,
- b) irregular expenditure that was under assessment in the previous financial year and confirmed in the current financial year; and
- c) irregular expenditure that was not discovered in the previous financial year and identified and confirmed in the current financial year.
- d) irregular expenditure payments relating to multi-year contracts that was not condoned or removed.

Additional information relating to irregular expenditure under assessment, determination, investigation, narratives, and the process of dealing with the irregular expenditure is recorded in the annual report of the entity as provided for in Chapter 8 of Annexure A to National Treasury Instruction Note 4 of 2022/23.

1.25. Segment information Measurement

The segmented amounts are measured on the same measurement principles as those used in measuring the corresponding amounts in the entity's financial statements.

When management regularly reviews segment information for decision making purposes, all types of income that is allocated to a segment is reviewed as revenue without a need for a distinction between income that is revenue and that which is other.

1.26. Budget information

The approved budget is prepared on an accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget is for the Water Board and covers the fiscal period from 01/07/2022 to 30/06/2023.

Accounting Policies

Figures in Rand thousand

Note(s)

2023

2022

1.26. Budget information (continued)

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.27. Related parties

The entity's related parties comprise of the following categories:

- i. An entity with the ability to exercise control over the Water Board. The Department of Water and Sanitation exercises control over the entity.
- ii. Members of key management. Management are those persons responsible for planning, directing, and controlling the activities of the entity, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions. The entity's Board and Executive Management constitutes key management.

Notes to the Annual Financial Statements

Figures in Thousand

2. New standards and interpretations

2.1. Standards and interpretations issued, but not yet effective.

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 01 July 2023 or later periods:

GRAP 25 (as revised): Employee Benefits

Background

The Board issued the Standard of GRAP on Employee Benefits (GRAP 25) in November 2009. GRAP 25 was based on the International Public Sector Accounting Standard on Employee Benefits (IPSAS 25) effective at that time. However, GRAP 25 was modified in some respects where the Board decided the requirements of the International Accounting Standard on Employee Benefits (IAS 19) were more appropriate. Specifically, the Board:

- Eliminated the corridor method and required recognition of actuarial gains and losses in full in the year that they arise.
- Required the recognition of past service costs in the year that a plan is amended, rather than on the basis of whether they are vested or unvested.

Since 2009, the International Accounting Standards Board® has made several changes to IAS 19, including changes to the recognition of certain benefits, and where these changes are recognised. The IPSASB made similar changes to its standard and as a result of the extent of changes, issued IPSAS 39 on Employee Benefits to replace IPSAS 25 in 2016.

When the Board consulted locally on the proposed amendments to IPSAS 25 in 2016, stakeholders welcomed the amendments to align IPSAS 25 to IAS 19 and supported the changes that resulted in IPSAS 39.

In developing GRAP 25, the Board agreed to include the guidance from the IFRS Interpretation on IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements, and their Interaction (IFRIC 14) partly in GRAP 25 and partly in the Interpretation of the Standards of GRAP on The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (IGRAP 7).

Notes to the Annual Financial Statements

Figures in Thousand

2. New standards and interpretations (continued)

Key amendments to GRAP 25

The Board agreed to align GRAP 25 with IPSAS 39, but that local issues and the local environment need to be considered. As a result of this decision, there are areas where GRAP 25 departs from the requirements of IPSAS 39. The Board's decisions to depart are explained in the basis for conclusions.

The amendments to GRAP 25 are extensive and mostly affect the accounting for defined benefit plans. A new renumbered Standard of GRAP (e.g., GRAP 39) will not be issued, but rather a new version of the current GRAP 25.

The revisions are effective for accounting periods beginning on or after 01 April 2023.

It is unlikely that the revisions will have a material impact on the entity's annual financial statements.

Guideline: Guideline on the Application of Materiality to Financial Statements

The objective of this guideline: The objective of this Guideline is to provide guidance that will assist entities to apply the concept of materiality when preparing financial statements in accordance with Standards of GRAP. The Guideline aims to assist entities in achieving the overall financial reporting objective. The Guideline outlines a process that may be considered by entities when applying materiality to the preparation of financial statements. The process was developed based on concepts outlined in Discussion Paper 9 on Materiality – Reducing Complexity and Improving Reporting, while also clarifying existing principles from the Conceptual Framework for General Purpose Financial Reporting and other relevant Standards of GRAP. The Guideline includes examples and case studies to illustrate how an entity may apply the principles in the Guideline, based on specific facts presented.

Notes to the Annual Financial Statements

Figures in Thousand

2. New standards and interpretations (continued)

It covers: Definition and characteristics of materiality, Role of materiality in the financial statements, identifying the users of financial statements and their information needs, assessing whether information is material, applying materiality in preparing the financial statements, and Appendixes with References to the Conceptual Framework for General Purpose Financial Reporting and the Standards of GRAP & References to pronouncements used in the Guideline.

The guideline is encouraged to be used by entities.

It is unlikely that the guidelines will have a material impact on the entity's annual financial statements.

GRAP 104 (as revised): Financial Instruments

Following the global financial crisis, a number of concerns were raised about the accounting for financial instruments. This included that (a) information on credit losses and defaults on financial assets was received too late to enable proper decision-making, (b) using fair value in certain instances was inappropriate, and (c) some of the existing accounting requirements were seen as too rules based. As a result, the International Accounting Standards Board® amended its existing Standards to deal with these issues. The IASB issued IFRS Standard on Financial Instruments (IFRS 9) in 2009 to address many of the concerns raised. Revisions were also made to IAS on Financial Instruments: Presentation and the IFRS Standard on Financial Instruments: Disclosures. The IPSASB issued revised International Public Sector Accounting Standards in June 2018 to align them with the equivalent IFRS Standards.

The revisions better align the Standards of GRAP with recent international developments. The amendments result in better information available to make decisions about financial assets and their recoverability, and more transparent information on financial liabilities.

The most significant changes to the Standard affect:

- Financial guarantee contracts issued.
- Loan commitments issued.
- Classification of financial assets.
- Amortised cost of financial assets.

Notes to the Annual Financial Statements

Figures in Thousand

2. New standards and interpretations (continued)

- Impairment of financial assets
- Disclosures

The revised standard is effective for accounting periods beginning on or after 01 April 2025.

It is unlikely that the standard will have a material impact on the entity's annual financial statements.

iGRAP 21: The Effect of Past Decisions on Materiality

Background

The Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors (GRAP 3) applies to the selection of accounting policies. Entities apply the accounting policies set out in the Standards of GRAP, except when the effect of applying them is immaterial. This means that entities could apply alternative accounting treatments to immaterial items, transactions, or events (hereafter called "items").

The Board received questions from entities asking whether past decisions to not apply the Standards of GRAP to immaterial items effect future reporting periods. Entities observed that when they applied alternative accounting treatments to items in previous reporting periods, they kept historical records on an ongoing basis of the affected items. This was done so that they could assess whether applying these alternative treatments meant that the financial statements became materially "misstated" over time. If the effect was considered material, retrospective adjustments were often made.

This Interpretation explains the nature of past materiality decisions and their potential effect on current and subsequent reporting periods.

iGRAP 21 addresses the following two issues:

- Do past decisions about materiality affect subsequent reporting periods?
- Is applying an alternative accounting treatment a departure from the Standards of GRAP or an error?

Notes to the Annual Financial Statements

Figures in Thousand

2. New standards and interpretations (continued)

The effective date of this interpretation is accounting periods beginning on or after 01 April 2023.

It is unlikely that the interpretation will have a material impact on the entity's annual financial statements.

GRAP 2020: Improvements to the standards of GRAP 2020

Every three years, the Accounting Standards Board undertakes periodic revisions of the Standards of GRAP, in line with best practice internationally among standard setters.

Improvements to Standards of GRAP are aimed at aligning the Standards of GRAP with international best practice, to maintain the quality and to improve the relevance of the Standards of GRAP.

Amendments include,

GRAP 5 – Borrowing Costs

- For general borrowings, borrowing costs eligible for capitalisation determined by applying a capitalisation rate.
 - Clarify that borrowings made specifically for purposes of obtaining a qualifying asset are excluded until substantially all the activities necessary to prepare asset for intended use or sale are complete.

GRAP 13 – Leases

- Operating leases & Sale and leaseback transactions are currently assessed for impairment in accordance with GRAP 26
- Clarify that these arrangements may also be assessed in accordance with GRAP 21

GRAP 16 – Investment Property

- Clarify that GRAP 21 may be applied to assess investment property for impairment.
- Include heading “Classification of property as investment property” (par 6 and 7) & delete existing headings.

Notes to the Annual Financial Statements

Figures in Thousand

2. New standards and interpretations (continued)

- Investment property under construction (within scope of GRAP 16)
 - Added heading “Guidance on initially measuring self-constructed investment property at fair value”.
 - Added clarification that investment property is measured at fair value at earliest of:
 - completion of construction or development; or
 - when fair value becomes reliably measurable
- Clarify requirements on transfers to and from Investment property.
 - Change in use involves an assessment on whether:
 - property meets, or ceases to meet definition of investment property and
 - evidence exists that a change in use has occurred.
 - List of examples of a change in use is regarded as non-exhaustive.

GRAP 17 – Property, Plant and Equipment

- Delete example indicating that quarries and land used for landfill may be depreciated in certain instances.
 - Land has an unlimited useful life and cannot be consumed through its use.

GRAP 20 – Related Party Disclosures

- Clarify that entity, or any member of a group of which it is part, providing management services to reporting entity (or controlling entity of reporting entity) is a related party.
 - Disclose amounts incurred by the entity for the provision of management services that are provided by a separate management entity.
 - If an entity obtains management services from another entity (“the management entity”) the entity is not required to apply the requirements in paragraph .35 to the remuneration paid or payable by the management entity to the management entity's employees or those charged with governance of the entity in accordance with legislation, in instances where they are required to perform such functions.
 - Management services are services where employees of management entity perform functions as “management” as defined.

Notes to the Annual Financial Statements

Figures in Thousand

2. New standards and interpretations (continued)

GRAP 24 – Presentation of Budget Information in Financial Statements

- Terminology amended.
 - Primary financial statements amended to “financial statements” or “face of the financial statements”.

GRAP 31 – Intangible Assets

- Extend requirement to consider whether reassessing useful life of intangible asset as finite rather as indefinite indicates that asset may be impaired.
 - Both under cost model or revaluation model

GRAP 32 – Service Concession Arrangements: Grantor

- Clarify disclosure requirement for service concession assets.
 - Disclose carrying amount of each material service concession asset recognised at the reporting date.

GRAP 37 – Joint Arrangements

- Application guidance clarified.
 - When party obtains joint control in a joint operation where activity of joint operation constitutes a function (GRAP 105 or GRAP 106), previous held interest in joint operation is not remeasured.

GRAP 106 – Transfer of Functions Between Entities Not Under Common Control

- When party obtains control of joint operation and entity had rights to assets, or obligations to liabilities before acquisition date, it comprises an acquisition received in stages.
 - Apply the requirements for an acquisition achieved in stages, including remeasuring previously held interest in joint operation.

Directive 7 – The Application of Deemed Cost

- Clarify that bearer plants within scope of Directive The effective date of these improvements is 01 April 2023.

Notes to the Annual Financial Statements

Figures in Thousand

2. New standards and interpretations (continued)

The entity expects to adopt the improvements for the first time in the 2022/2023 annual financial statements.

It is unlikely that the applicable improvements will have a material impact on the entity's annual financial statements. The listed improvements to GRAP 5, 16, 32, 37, 106 and Directive 7 are currently not relevant to the entity's financial statements.

GRAP 1 (amended): Presentation of Financial Statements

Amendments to this Standard of GRAP, are primarily drawn from the IASB's Amendments to IAS 1. Summary of amendments are:

Materiality and aggregation

The amendments clarify that:

- information should not be obscured by aggregating or by providing immaterial information,
- materiality considerations apply to all parts of the financial statements; and
- even when a Standard of GRAP requires a specific disclosure, materiality considerations apply.

Statement of financial position and statement of financial performance

The amendments clarify that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements.

Notes structure

The amendments add examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order listed in GRAP 1.

Notes to the Annual Financial Statements

Figures in Thousand

2. New standards and interpretations (continued)

Disclosure of accounting policies

Remove guidance and examples with regards to the identification of significant accounting policies that were perceived as being potentially unhelpful.

An entity applies judgement based on past experience and current facts and circumstances. Going concern amendments

The amendments related to the assessment of going concern and the required disclosures.

The effective date of these amendments is accounting periods beginning on or after 01 April 2023. The effective date for the going concern amendments has not yet been determined by the Minister.

It is unlikely that the amendment will have a material impact on the entity's annual financial statements.

2.2 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the entity's accounting periods beginning on or after 01 July 2023 or later periods but are not relevant to its operations:

iGRAP 7 (as revised): Limit on defined benefit asset, minimum funding requirements and their interaction

Background

The Board issued the Standard of GRAP on Employee Benefits (GRAP 25) in November 2009. GRAP 25 was based on the International Public Sector Accounting Standard on Employee Benefits (IPSAS 25) effective at that time.

Notes to the Annual Financial Statements

Figures in Thousand

2. New standards and interpretations (continued)

However, GRAP 25 was modified in some respects where the Board decided the requirements of the International Accounting Standard on Employee Benefits (IAS 19) were more appropriate. Specifically, the Board:

- Eliminated the corridor method and required recognition of actuarial gains and losses in full in the year that they arise.
- Required the recognition of past service costs in the year that a plan is amended, rather than on the basis of whether they are vested or unvested.

Since 2009, the International Accounting Standards Board has made several changes to IAS 19, including changes to the recognition of certain benefits, and where these changes are recognised. The IPSASB made similar changes to its standard and as a result of the extent of changes, issued IPSAS 39 on Employee Benefits to replace IPSAS 25 in 2016.

When the Board consulted locally on the proposed amendments to IPSAS 25 in 2016, stakeholders welcomed the amendments to align IPSAS 25 to IAS 19 and supported the changes that resulted in IPSAS 39.

In developing GRAP 25, the Board agreed to include the guidance from the IFRS Interpretation on IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements, and their Interaction (IFRIC 14) partly in GRAP 25 and partly in the Interpretation of the Standards of GRAP on The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (IGRAP 7).

The effective date of these revisions is accounting periods beginning on or after 01 April 2023.

The entity does not envisage the adoption of the revisions until such time as they become applicable to the entity's operations.

It is unlikely that the revisions will have a material impact on the entity's annual financial statements.

Lepelle Northern Water

Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand thousand

3. Property, plant, and equipment

	2023			2022		
	COST/ VALUATION	ACCUMULATED DEPRECIATION AND ACCUMULATED IMPAIRMENT	CARRYING VALUE	COST/ VALUATION	ACCUMULATED DEPRECIATION AND ACCUMULATED IMPAIRMENT	CARRYING VALUE
Land	27 661	-	27 661	26 831	-	26 831
Buildings	280 923	(163 045)	117 878	258 211	(153 608)	104 603
Machinery and equipment	753 723	(414 183)	339 540	673 360	(373 859)	299 501
Furniture and fixtures	12 513	(10 498)	2 015	12 017	(10 224)	1 793
Motor vehicles	41 182	(34 007)	7 175	41 435	(33 764)	7 671
Computer Hardware	7 238	(5 367)	1 871	7 107	(5 367)	1 740
Assets Under Construction	377 741	-	377 741	352 745	-	352 745
Telemetry	10 208	(5 898)	4 310	10 140	(5 290)	4 850
Finance lease	2 137	(390)	1 747	-	-	-
Water network	3 559 112	(1 189 497)	2 369 615	2 918 419	(1 114 718)	1 803 701
Total	5 072 438	(1 822 885)	3 249 553	4 300 265	(1 696 830)	2 603 435

Lepelle Northern Water

Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand thousand

3. Property, plant, and equipment (continued)

Reconciliation of property, plant, and equipment - 2023

	OPENING BALANCE	ADDITIONS	DISPOSALS	TRANSFERS	ACQUISITION THROUGH TRANSFER	DEPRECIATION	IMPAIRMENT LOSS	TOTAL
Land	26 831	-	-	-	830	-	-	27 661
Buildings	104 603	-	-	1 303	21 408	(9 420)	(16)	117 878
Machinery and Equipment	299 501	5 606	(279)	17 244	60 220	(41 657)	(1 095)	339 540
Furniture and fittings	1 793	481	(10)	-	195	(436)	(8)	2 015
Motor vehicles	7 671	2 066	(8)	-	-	(2 477)	(77)	7 175
Computer Hardware	1 740	725	(15)	-	1	(579)	(1)	1 871
Assets under construction	352 745	56 004	-	(31 008)	-	-	-	377 741
Telemetry	4 850	-	-	-	96	(617)	(19)	4 310
Finance lease	-	2 137	-	-	-	(390)	-	1 747
Water network	1 803 701	-	-	12 461	628 234	(74 502)	(279)	2 369 615
	2 603 435	67 019	(312)	-	710 984	(130 078)	(1 495)	3 249 553

Reconciliation of property, plant, and equipment - 2022

	OPENING BALANCE	ADDITIONS	DISPOSALS	TRANSFERS	DEPRECIATION	IMPAIRMENT LOSS	TOTAL
Land	26 831	-	-	-	-	-	26 831
Buildings	112 853	-	-	1 385	(9 351)	(284)	104 603
Machinery and equipment	335 762	3 610	(66)	1 623	(40 562)	(866)	299 501
Furniture and fittings	2 139	271	(1)	14	(525)	(105)	1 793
Motor vehicles	9 324	1 396	(288)	-	(2 761)	-	7 671
Computer Hardware	2 332	35	(2)	-	(616)	(9)	1 740
Assets Under Construction	281 968	74 926	-	(4 149)	-	-	352 745
Telemetry	5 484	26	-	-	(660)	-	4 850
Water network	1 864 998	-	-	1 127	(62 415)	(9)	1 803 701
	2 641 691	80 264	(357)	-	(116 890)	(1 273)	2 603 435

Lepelle Northern Water

Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand thousand 2023 2022

3. Property, plant, and equipment (continued)

Other information

Assets under investigation		
Buildings	-	8
Furniture and fittings	143	30
Computer Hardware	134	9
Machinery and equipment	3 334	2 285
Motor vehicles	59	71
Software	-	69
Telemetry	151	171
Water network	20	21
	3 841	2 664

Property, plant, and equipment in the process of being constructed or developed

Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected

Sludge lagoon: Phalaborwa	25 222	23 381
Poor performance by the constructor Upgrade of Flag Boshielo	99 313	96 827
Poor performance by the constructor		
	124 535	120 208

Carrying value of property, plant, and equipment where construction or development has been halted either during the current or previous reporting period(s)

LNW 45/12/13 Upgrade of Politsi water treatment works	12 083	12 083
There is a dispute on water use licence between LNW and Tzaneen Irrigation Board		
LNW 33/15/16 Politsi main pipeline installation	5 407	5 407
Pipes were delivered on site. There is a dispute on the water use licence between LNW and Tzaneen Irrigation Board		
No impairment losses have been recognised in relation to the project LNW 33/15/16 Supply and delivery of pipes for Politsi	8 787	8 787
Pipes were delivered on site. There is a dispute on water use licence between LNW and Tzaneen Irrigation Board		
No impairment losses have been recognised in relation to the project LNW 04/15/16 Tzaneen Irrigation Board	459	459
Pipes were delivered on site. There is a dispute on water use licence between LNW and Tzaneen Irrigation Board]		
No impairment losses have been recognised in relation to the project		
	26 736	26 736

Cumulative expenditure recognised in the carrying value of property, plant and equipment

Reconciliation of Work-in-Progress 2023

	INCLUDED WITHIN INFRASTRUCTURE	TOTAL
Opening balance	352 745	352 745
Additions/capital expenditure	56 004	56 004
Transferred to completed items	(31 008)	(31 008)
	377 741	377 741

Lepelle Northern Water

Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand thousand 2023 2022

3. Property, plant, and equipment (continued)

Reconciliation of Work-in-Progress 2022

	Included within Infrastructure	Total
Opening balance	281 968	281 968
Additions/capital expenditure	74 926	74 926
Transferred to completed items	(4 149)	(4 149)
	352 745	352 745

Expenditure incurred to repair and maintain property, plant, and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance

Repairs and maintenance	38 069	37 777
-------------------------	--------	--------

Land appointed in terms of legislation which entity controls without legal ownership or custodianship.

In some instances, the entity is not the legal owner, or the custodian of land appointed in terms of legislation but assessed that it controls such land. Key judgements made and assumptions applied to conclude that it controls such land, are disclosed in Note 1.4.

4. Intangible assets

	2023			2022		
	COST/ VALUATION	ACCUMULATED AMORTISATION AND ACCUMULATED IMPAIRMENT	CARRYING VALUE	COST/ VALUATION	ACCUMULATED AMORTISATION AND ACCUMULATED IMPAIRMENT	CARRYING VALUE
Software	8 499	(8 442)	57	8 499	(8 261)	238
Servitudes	781	-	781	781	-	781
Total	9 280	(8 442)	838	9 280	(8 261)	1 019

Lepelle Northern Water

Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand thousand 2023 2022

4. Intangible assets (continued)

Reconciliation of intangible assets - 2023

	OPENING BALANCE	AMORTISATION	TOTAL
Software	238	(181)	57
Servitudes	781	-	781
	1 019	(181)	838

Reconciliation of intangible assets - 2022

	OPENING BALANCE	AMORTISATION	TOTAL
Software	428	(190)	238
Servitudes	781	-	781
	1 209	(190)	019

Other information

Intangible assets with indefinite lives:

Servitudes	781	781
------------	-----	-----

In determining the useful life of servitudes as indefinite, the entity considered the fact that there is no foreseeable limit to the period over which the rights represent service potential given that the primary activity of the entity is the provision of bulk water services, a basic service which is expected to continue in perpetuity.

5. Other financial assets

Designated at fair value.

Unit trusts	-	63 790
-------------	---	--------

Non-current assets

Designated at fair value	-	63 790
--------------------------	---	--------

6. Payables from exchange transactions

Trade payables	479 413	504 051
Payments received in advance - contract in process	12 844	25 703
Other payables	5 544	2 383
Retention	176 833	166 896
Customer - Deposits received	290	290
Receivables with credit balances	19 156	18 366
	694 080	717 689

Other non-financial liabilities included in payables from exchange transactions above are as follows:

SARS - Employee tax liabilities (PAYE, UIF, SDL)	4 637	2 158
	689 443	715 531

Lepelle Northern Water

Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand thousand 2023 2022

7. Post-retirement employee benefits

Defined benefit plan

Post retirement medical aid plan

The Entity offers in-service and retired members the opportunity of belonging to one of several medical schemes, most of which offer a range of options pertaining to levels of cover. Upon retirement, an employee may continue membership of the medical scheme. In-service members will receive a post-retirement subsidy of 70% of the contribution's payable should they be a member of a medical scheme at retirement. All continuation members and their eligible dependants receive a 70% subsidy of the contributions payable. Upon a member's death-in-service or death-after-service the surviving dependants will continue to receive the same subsidy.

The amounts recognised in the statement of financial position are as follows:

Carrying value

Present value of the defined benefit obligation-wholly unfunded	(94 517)	(97 671)
---	----------	----------

statement of financial position and related note. The line item has now been renamed to post-retirement employee benefits to be precise and relevant as this description pinpoints the nature of the obligation.

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	97 671	87 430
Benefits paid	(2 855)	(1 838)
Net expense recognised in the statement of financial performance	(299)	12 079
	<u>94 517</u>	<u>97 671</u>

The contributions (benefits) expected to be paid during the annual period beginning after the reporting date amounts to R3.171 million (2022: R2.572 million).

Lepelle Northern Water

Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand thousand 2023 2022

7. Post-retirement employee benefits (continued)

Net expense recognised in the statement of financial performance.

Current service cost	2 693	3 299
Interest cost	12 770	10 707
Actuarial (gains) losses	(15 762)	(1 927)
	<u>(299)</u>	<u>12 079</u>

The above net expense recognised in the statement of financial performance consists of current service cost included under the employee cost line, interest cost included under the finance cost line and actuarial gains included under the actuarial gains/ losses line in the statement of financial performance.

Calculation of actuarial gains and losses

Actuarial (gains) losses – Obligation	(15 762)	(1 927)
---------------------------------------	----------	---------

Key assumptions used.

Assumptions used at the reporting date:

Discount rates used	14.23 %	13.08 %
Medical cost trend rates	10.18 %	10.09 %
Expected increase in healthcare costs	8.68 %	8.59 %
Real rate GAP	3.68 %	2.72 %

The basis on which the discount rate has been determined is by taking the average yields from zero-coupon SA Government bond curve over a 15 to 20-year term which is consistent with the duration considered. The recommended discount rate as at 30 June 2023 is 14.23%. The source is the Johannesburg Stock Exchange through IReSS data service. The previous valuation had a discount rate of 13.08%

The future inflation assumption was estimated by comparing the yields on nominal bonds to the yields on real bonds on the yield curve for bonds with a duration of between 15 and 20 years. The implied inflation assumption is therefore 8.68% per annum. The source is the Johannesburg Stock Exchange through Inet BFA data service. The inflation assumption used for the previous valuation was 8.59%.

Lepelle Northern Water

Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand thousand 2023 2022

7. Post-retirement employee benefits (continued)

Other assumptions

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

	One percentage point increase	One percentage point decrease
Effect on the aggregate of the service cost and interest cost	19 863	14 759
Effect on defined benefit obligation	(108 612)	(82 871)

Amounts for the current and previous four years are as follows:

	2023 '000	2022 '000	2021 '000	2020 '000	2019 '000
Defined benefit obligation	(94 517)	(97 671)	(87 430)	(73 636)	(80 041)

Defined contribution plan

It is the policy of the entity to provide retirement benefits to all its employees. A number of defined contribution provident funds, all of which are subject to the Pensions Fund Act exist for this purpose.

The entity is under no obligation to cover any unfunded benefits.

The amount recognised as an expense for defined contribution plans is 14 318 15 076

8. Short-term employee benefits

13 th Cheque	4 873	4 805
Leave	23 966	39 022
Performance bonus	20 013	10 092
	48 852	53 919

Short-term employee benefits were in the previous year described as provisions in the statement of financial position and related notes. The line item has now been renamed to short-term employee benefits to be more precise and relevant as this description pinpoints the nature of these provisions to be employee benefit related.

Lepelle Northern Water

Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand thousand	2023	2022
9. Inventories		
Chemicals	1 477	972
Water inventory: Work in progress	38 298	40 892
Assurance inventory	1 365	1 421
Maintenance inventory	1 686	3 224
Water inventory: Clean water	189 777	100 626
	232 603	147 135

Cost of sales represent the inventories recognised as an expense during the year and have been disclosed under note 16.

10. Receivables from exchange transactions

Trade debtors	408 338	481 891
Employee loans	4 798	3 995
Trade debtors - long term	253 120	-
Sundry debtors	11 884	7 470
DWS Projects	335 700	364 505
Plant claims	394 424	396 762
Provision for impairment	(375 289)	(265 481)
	1 032 975	989 142
Non-current assets	116 909	-
Current assets	916 066	989 142
	1 032 975	989 142

Other non-financial asset receivables included in receivables from exchange transactions above are as follows:

Prepayments	6 175	2 041
Financial asset receivables included in receivables from exchange transactions above	1 026 800	987 101
Total receivables from exchange transactions	1 032 975	989 142

Trade and other receivables impaired

As of 30 June 2023, trade and other receivables measured at amortised cost with a gross carrying amount R1.4 billion R2022: R1.2 billion) were assessed for impairment.

The amount of the provision for impairment was R375.5 million as of 30 June 2023 (2022: R265.5 million).

Lepelle Northern Water

Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand thousand 2023 2022

10. Receivables from exchange transactions (continued)

Below is an analysis of financial instruments that were individually assessed for impairment as at the end of the reporting period. The amount of the impairment loss is included in the total impairment provision. In determining that these individual receivables are impaired, the entity considered the following factors:

- (i) evidence of customer liquidation/sequestration
- (ii) history of customer handover to debt collectors
- (iii) evidence of formal arrangements for arrear debt
- (iv) customer payment history

Trade Debtors	557 841	392 412
Plant claims	394 424	396 762
DWS Projects	333 824	364 645

Reconciliation of provision for impairment of trade and other receivables

Opening balance	265 481	277 166
Provision for impairment	111 781	(11 685)
Amounts written off as uncollectible	(1 973)	-
	<u>375 289</u>	<u>265 481</u>

The non-current portion of trade and other receivables comprise of the carrying amount of a trade debtor that has a payment arrangement to settle their long outstanding debt for a period that extends beyond twelve months. The entity does not expect to realise this carrying amount within twelve months after the reporting date because of these renegotiated payment terms with the debtor. The amount represents financial assets that would otherwise be past due whose terms have been renegotiated.

The current year movement in the provision for impaired receivables has been included in operating expenses in surplus or deficit (note 19). Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The entity does not have trade and other receivables that are past due but not impaired.

The entity does not hold any collateral as security and did not pledge the receivables as collateral for any liability or contingent liability.

Lepelle Northern Water

Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand thousand	2023	2022
--------------------------	------	------

11. VAT receivable

VAT	57 861	58 695
-----	--------	--------

Details relating to how the VAT Statutory transactions arise, the determination of transactions amounts, and other interest charged have been provided in the accounting policy note 1.8.

The VAT Statutory debt involves one counterparty (SARS) and is individually assessed for impairment at year-end. No objective evidence that the statutory receivable is impaired was identified and consequently, no impairment provision was recognised in the current and prior years. The following factors were considered in assessing the balance for impairment:

- The debtor is not going through significant financial difficulty. No evidence exists that the debtor is going through debt counselling, business rescue, or an equivalent process and the history of dealing with the debtor has not shown any evidence of financial difficulty.
- There is no evidence that the debtor will enter sequestration, liquidation, or other financial re-organization. Furthermore, the probability of this happening is remote because SARS is the nation's tax collecting authority, established in terms of the South African Revenue Service Act (Act 34 of 1997) for administering the South African tax system.
- The debtor has history of processing all refunds after processing all verifications and audits (where applicable). There is no evidence of breach, and the balance is not considered past due.

12. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	785	491
Bank balances	16 860	56 393
Short-term deposits	614 118	127 992
	631 763	184 876

Included in cash and cash equivalents are restricted use funds amounting to R234.087 million (2022: R0). The funds are ring-fenced for utilisation on Regional Bulk Infrastructure projects.

Lepelle Northern Water

Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand thousand 2023 2022

12. Cash and cash equivalents (continued)

Credit quality of cash at bank and short-term deposits, excluding cash on hand

The credit quality of cash at bank and short-term deposits can be assessed by reference to external credit ratings when available or historical information about counterparty default rates. The balances are held at South African banks that have good credit ratings and no history of default in their dealings with the entity. There is no objective evidence that cash and cash equivalents are impaired at the reporting date.

13. Accumulated surplus

Ring-fenced funds within accumulated surplus - 2023

	Restricted-use government grant funds	
Transfers received during the year	422 000	-
Applied to recoup prior year own spending on ring-fenced projects	(137 144)	-
Capital grants spending on ring-fenced projects in the current year	(50 769)	-
	<u>234 087</u>	-

14. Finance lease obligation

Minimum lease payments due		
- within one year	1 153	-
- in second to fifth year inclusive	1 009	-
	<u>2 162</u>	-
less: future finance charges	(317)	-
Present value of minimum lease payments	<u>1 845</u>	-
Present value of minimum lease payments due		
- within one year	916	-
- in second to fifth year inclusive	929	-
	<u>1 845</u>	-
Non-current liabilities	929	-
Current liabilities	916	-
	<u>1 845</u>	-

As disclosed under note 3 the entity leased printing machinery on a finance lease agreement.

Lepelle Northern Water

Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand thousand 2023 2022

14. Finance lease obligation (continued)

The average lease term is 3 to 5 years at an effective borrowing rate of 17%. The current finance lease will end on the 31 May 2025.

Interest rates are linked to prime at the contract date. All leases have fixed repayments and including the contingent rent of R 99, included in operating expenses, refer to note 19.

The entity's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 3.

15. Revenue

Water sales - Portable	709 124	614 244
Water sales - Industrial	71 683	75 411
Government grants & subsidies	422 000	-
Transfer of assets to LNW	710 984	-
	<u>1 913 791</u>	<u>689 655</u>

The amount included in revenue arising from exchanges of goods or services are as follows:

Water sales - Potable	709 124	614 244
Water sales - Industrial	71 683	75 411
	<u>780 807</u>	<u>689 655</u>

The amount included in revenue arising from non-exchange transactions is as follows:

Transfer revenue		
Government grants & subsidies	422 000	-
Transfer of assets to LNW	710 984	-
	<u>1 132 984</u>	<u>-</u>

16. Cost of sales

Sale of goods

Raw water	69 630	63 605
Electricity	141 993	130 368
Pumping and purification	8 550	9 633
Depreciation	34 988	30 765
Repairs and maintenance	7 545	5 506
Direct labour	84 777	82 197
	<u>347 483</u>	<u>322 074</u>

Lepelle Northern Water

Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand thousand	2023	2022
17. Other income		
Administration and management fees received	22 220	22 245
Section 30 Income	20 751	37 803
Debt forgiveness	2 711	2 110
Rental income	1 293	1 122
Debt impairment recovered	-	9 916
Reversal of provision	15 452	10 099
Interest received - water sales	37 007	22 739
Sundry income	911	450
	100 345	106 484

18. Investment revenue

Interest revenue

Bank	38 362	8 808
------	--------	-------

The amount included in Investment revenue arising from exchange transactions amounted to R26.603 million (2022: R8.808 million).

The amount included in Investment revenue arising from non-exchange transactions amounted to R11.759 million (2022: R0).

19. Operating expenses

Auditors' remuneration	5 223	4 207
Bank charges	247	332
Board Members Remuneration	6 222	6 389
Consulting and professional fees	13 063	16 662
Debt impairment	95 288	-
Depreciation, amortisation, and impairments	84 158	78 533
Employee costs	190 491	169 872
Fines and penalties	-	447
Fuel and oil	10 752	6 687
Insurance	3 893	2 889
IT expenses	8 647	5 012
Lease rentals on operating lease	720	913
Other operating expenses	9 162	9 564
Protective clothing	2 156	279
Repairs and maintenance	38 878	37 777
Safety & Security	13 794	12 247
Staff welfare	118	-
Water losses	33 670	23 172
Telephone	897	1 398
Training	2 915	2 023
Travel	1 548	1 143
	521 842	379 546

Lepelle Northern Water

Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand thousand 2023 2022

20. Employee related costs

Basic	91 229	87 274
Performance bonus provision	20 013	37
Medical aid - company contributions	12 306	12 752
UIF	490	508
Other payroll levies	60	87
Leave pay provision charge	5 638	9 118
Allowances	12 567	13 114
Defined contribution plans	14 318	15 076
Travel, motor car, accommodation, subsistence, and other allowances	5 843	4 139
Overtime payments	5 946	4 955
13th Cheques	5 581	6 002
Car allowance	13 678	13 348
Long-term benefits - incentive scheme	2 822	3 462
	190 491	169 872

21. Depreciation, amortisation, and impairment

Cost of sales	34 988	30 765
Operating expense	84 158	78 533
Capitalized water inventory	12 588	9 055
	131 734	118 353

22. Impairment loss

Impairments

Property, plant, and equipment	1 476	1 272
--------------------------------	--------------	--------------

23. Finance costs

Retirement benefit interest	12 770	10 707
Other interest paid	7	57
Finance leases	334	5
	13 111	10 769

24. Cash generated from operations.

Surplus	1 186 246	93 782
Adjustments for:		
Depreciation, Impairment, and amortisation	119 146	109 298
Gain or loss on disposal of property, plant, and equipment	153	92
Fair value adjustments	(575)	611
Finance costs	-	-
Debt impairment	95 288	(9 916)
Movements in retirement benefit liabilities	(3 154)	10 241
Movements in short-term employee benefits	(5 067)	(4 120)

Lepelle Northern Water

Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand thousand

2023

2022

24. Cash generated from operations (continued)

Debt forgiveness	(2 711)	(2 110)
Non-cash item transfer of assets	(710 984)	-
Funds received from shareholder	(422 000)	-
Other non-cash items	494	584
Changes in working capital:		
Inventories	(73 646)	(59 424)
Receivables from exchange transactions	(153 641)	(41 587)
Payables from exchange transactions	(20 898)	49 695
VAT	17 301	(9 335)
	<u>25 952</u>	<u>137 811</u>

25. Fair value adjustments

Other financial assets		
Other financial assets (Designated as at FV through P&L)	<u>575</u>	<u>(611)</u>

26. Commitments

Authorised capital expenditure

Already contracted for but not provided for

Property, plant, and equipment	<u>42 111</u>	<u>59 064</u>
--------------------------------	---------------	---------------

Total capital commitments

Already contracted for but not provided for	<u>42 111</u>	<u>59 064</u>
---	---------------	---------------

In addition to the above commitments, the entity also has rate-based contracted consultants on ongoing capital projects. This committed expenditure relates to plant and equipment and will be financed by funds internally generated.

Operating leases - as lessee (expense)

Minimum lease payments due

- within one year	3 281	3 165
- in second to fifth year inclusive	<u>4 087</u>	<u>6 990</u>
	<u>7 368</u>	<u>10 155</u>

Operating lease payments represent rentals payable by the Lepelle Northern Water for certain of its office equipment and properties. Leases are negotiated for an average term of five years and rentals are fixed for an average of three years. No contingent rent is payable.

Lepelle Northern Water

Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand thousand	2023	2022
27. Contingencies		
Contingent liabilities		
Case 1		
The water board is involved in a litigation case that relates to a wage increase dispute. The case has a review application pending in court.	7 100	7 100
Case 2		
The water board is involved in a litigation case relating to a labour dispute. The case has a review application pending in court.	2 600	2 600
Case 3		
The water board is involved in a litigation case with a service provider for alleged non-payment of invoices. The service provider outsourced services from a third party. The third-party has instituted legal action against the water board for non- payment of invoices. The court case is still ongoing in court.	3 117	3 117
Case 4		
The water board was served with summons for a claim in relation to a child who drowned in an abandoned open pit in Giyani due to the alleged negligence of a service provider. The case is still before the court.	10 000	10 000
Case 5		
The water board is involved in a litigation case with a service provider for alleged unpaid invoices. The matter is still before the court.	720	720
Case 6		
The water board is involved in a litigation case with a service provider for an invoice billed by the supplier without following the SCM processes. The matter is still before the court.	857	857
Case7		
The water board is involved in ongoing litigation regarding the preparation of a tender document, in doing so the service provider omitted information which led to the water board incurring a variation. National Treasury approved the variation but directed that the variation amount be recovered from the service provider. The service provider instituted a claim against the water board for outstanding invoices. The water board issued a counterclaim against the service provider for reasons detailed under the contingent assets section of this disclosure note.	444	444
Case 8		
The water board is involved in a litigation case with a service provider for alleged invoices not paid. The matter is still before the court.	19 026	-
Case 9		
The water board is involved in a litigation case with a service provider for alleged invoices not paid. The matter is still before the court. LNW has made an application for rescission of judgment on the matter and the case is still ongoing.	142	-
Case 10		
The water board was involved in a dispute relating to interest charged and invoices billed by a supplier amounting to R67.4 million and R9.7 million respectively.	77 100	77 100
	121 106	101 938

Lepelle Northern Water

Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand thousand	2023	2022
27. Contingencies (continued)		
Contingent assets		
Case 1		
The water board is involved in ongoing litigation regarding the preparation of a tender document, in doing so the service provider omitted information which led to the water board incurring a variation on the contract amount. National Treasury approved the variation but directed that the variation amount should be recovered from the service provider. The service provider instituted a claim against the water board for outstanding invoices as detailed under the contingent liabilities section of this disclosure note. The water board issued a counterclaim against the service provider. The case is before the court.	1 433	1 433
Case 2		
The water board is involved in ongoing litigation with a service provider for payments made for partially completed work that was claimed as fully completed work. The case is still before the court.	1 583	1 583
Case 3		
The water board has made a claim against a contractor that was appointed to install and commission a 10 ML/day conventional wastewater treatment plant. The water board terminated the contract due to contractual disputes. The adjudicator was in favour of the contractor and the contractor took the water board to court to implement the decision of the arbitration. The court dismissed the application. Subsequently, the water board instituted a counterclaim against the contractor for payment made to the contractor for materials. The case is still before the court.	35 000	35 000
Case 4		
The water board has made a claim to recover irregular expenditure in relation to monies that were overpaid. The matter is still in progress.	868	-
Case 5		
The Water Board was involved in ongoing litigation regarding the recovery of monies owed by the former executives. The matter was closed during the current year.	-	1 200
Case 6		
The water board has made a claim against a service provider contracted for upgrading infrastructure claimed money for remedial work. The remedial work was a result of damages caused by storms and heavy rain. The claim was found to be in contravention of clause 8.2.2.1 of the General Conditions of Contract resulting in undue benefit to the service provider. The matter was closed during the current year.	-	3 500
Case 7		
The water board has made a claim to recover monies from one of its former executive and the former board. The matter is still in progress.	349	-
Case 8		
A court order was issued in favour of LNW to recover profits made by a service provider through a contract that was set aside subject to submission of audited financial statements. The contract amount paid to the service provider under the contract is R23m.	23 947	-
	63 180	42 716

Lepelle Northern Water

Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand thousand 2023 2022

28. Related parties

Relationships

Ultimate controlling entity	National Government of South Africa
Controlling entity	Department of Water and Sanitation
Members of key management	Board members and Executive Management

Department of Water and Sanitation provide abstraction point for raw water this service is provided at market related cost, transactions balances are included under trade payables. The entity is also an implementation agent on various department project, these services are provided on a commission basis, the balance related to the transaction is included under receivables from exchange transaction.

Remuneration of Management

Management class: Board Members

2023

NAME	STIPEND	BOARD MEMBERS' CLAIMS	SUBSISTENCE AND TRAVEL	TOTAL
NF Mphephu	627	317	64	1 008
TJ Mathebula	415	86	6	507
MM Makgopa-Madisa	415	82	6	503
B Mahlutshana	415	60	-	475
FR Munyai	415	64	1	480
MSM Soni	415	127	13	555
MM Magoele	415	115	18	548
RT Ramashia	208	20	5	233
S Chiloane-Nwabuze	415	130	14	559
FJ Mudau	415	90	8	513
PE Molokwane	415	95	19	529
	4 570	1 186	154	5 910

Independent members

	MEMBERS' FEES	TOTAL
IAS Vally	308	308
SA Ngobeni	81	81
Y Pamla	63	63
	452	452

Lepelle Northern Water

Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand thousand

2023

2022

28. Related parties (continued)

Relationships

Ultimate controlling entity	National Government of South Africa
Controlling entity	Department of Water and Sanitation
Members of key management	Board members and Executive Management

Department of Water and Sanitation provide abstraction point for raw water this service is provided at market related cost, transactions balances are included under trade payables. The entity is also an implementation agent on various department project, these services are provided on a commission basis, the balance related to the transaction is included under receivables from exchange transaction.

Remuneration of Management

Management class: Board Members

2023

NAME	STIPEND	BOARD MEMBERS' CLAIMS	SUBSISTENCE AND TRAVEL	TOTAL
NF Mphephu	627	317	64	1 008
TJ Mathebula	415	86	6	507
MM Makgopa-Madisa	415	82	6	503
B Mahlutshana	415	60	-	475
FR Munyai	415	64	1	480
MSM Soni	415	127	13	555
MM Magoele	415	115	18	548
RT Ramashia	208	20	5	233
S Chiloane-Nwabuze	415	130	14	559
FJ Mudau	415	90	8	513
PE Molokwane	415	95	19	529
	4 570	1 186	154	5 910

Independent members

	MEMBERS' FEES	TOTAL
IAS Vally	308	308
SA Ngobeni	81	81
Y Pamla	63	63
	452	452

Lepelle Northern Water

Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand thousand

2023

2022

28. Related parties (continued)

2022

NAME	BASIC SALARY	OTHER SHORT-TERM	POST-	TOTAL
		EMPLOYEE BENEFITS	EMPLOYMENT BENEFITS	
AE Netshidaulu	1 157	682	203	2 042
PE Molokwane	130	9	-	139
SP Mathevula	1 029	890	180	2 099
ES Moeng	666	989	126	1 781
GD Manzini	893	757	169	1 819
N Nokeri	913	610	173	1 696
RM Sebela	476	526	90	1 092
M Satekge	466	319	88	873
M Mantsho	57	-	-	57
MS Ramalatso*	216	-	-	216
MPD Tolo	252	-	-	252
ME Mphachoe	137	-	-	137
LP Sebola	174	-	-	174
MC Zenzile	11	-	-	11
	6 577	4 782	1 029	12 388

Remuneration of key management excludes any consideration provided solely as reimbursement for expenditure incurred by those persons for the benefit of the entity, such as the reimbursement of accommodation costs associated with work-related travel.

29. Change in estimate.

Property, plant, and equipment

The useful lives for Property, plant and equipment were assessed during the financial year to ensure a more reliable and relevant presentation. The revision of useful lives was accounted for prospectively. The effect of this revision has decreased the depreciation charges for the current and future periods by R5 719. Broken down per asset class as follows:

Buildings	642
Furniture and fixtures	114
Computer hardware	39
Machinery and equipment	4 396
Motor vehicles	380
Telemetry	52
Waterworks	96
	5 719

Lepelle Northern Water

Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand thousand

2023

2022

30. Prior-year adjustments

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

Statement of financial position

2022

	NOTE(S)	AS PREVIOUSLY REPORTED	CORRECTION OF ERROR	RESTATED
Property, plant, and equipment	3	2 602 727	708	2 603 435
Receivables from exchange transactions	10	989 282	(140)	989 142
Inventory	9	147 003	132	147 135
Payables from exchange transactions	6	(717 920)	231	(717 689)
VAT receivable	11	58 515	180	58 695
		3 079 607	1 111	3 080 718

Statement of financial performance

2022

OTHER INCOME	NOTE(S)	AS PREVIOUSLY REPORTED	CORRECTION OF ERROR	RESTATED
	17	104 374	2 110	106 484
Cost of sales	16	(321 786)	(288)	(322 074)
Operating expenses	19	(378 195)	(1 351)	(379 546)
Gain/ (Loss) on sale of property, plant, and equipment		98	(190)	(92)
Surplus for the year		(595 509)	281	(595 228)

Errors

The following prior period errors adjustments occurred:

Payables from exchange transactions, VAT receivable, cost of sales and operating expenses

A retrospective adjustment was made to the prior year payables, VAT receivable, cost of sales and operating expenses to recognise an accrued liability and related expense for invoices received after 30 June 2022 but for which the goods or services invoiced had already been received or rendered by 30 June 2022.

Lepelle Northern Water

Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand thousand	2023	2022
--------------------------	------	------

30. Prior-year adjustments (continued)

The error has been adjusted retrospectively resulting in an increase prior year payables from non - exchange transactions by R1.89 million, an increase in VAT receivable of R0.162 million, and an increase in prior year cost of sales and operating expenses by R0.43 million and R1.29 million respectively. The error impact is confined to the immediate prior year and does impact the opening net assets for the prior period.

Property, plant, and equipment, Operating expenses, Gain/loss on disposal and Accumulated surplus.

During the asset verification, assets were found on the floor that were not recorded in the fixed asset register. The error impacts periods prior to 2022 and has been corrected retrospectively effective 01 July 2021 resulting in an increase in property, plant and equipment by R524 thousand and equal increase in accumulated surplus as at 01 July 2021. The 2022 depreciation in relation to the take-on-assets has also been adjusted retrospectively resulting in an increase in operating expenses and a decrease in property, plant and equipment by an amount of R63 thousand.

Costs qualifying for capitalization were omitted from property, plant, and equipment in 2021. The error impacts periods prior to 2022 and has been corrected retrospectively effective 01 July 2021 resulting in an increase in property, plant, and equipment by R305 thousand and an equal decrease in accumulated surplus as of 01 July 2021.

During the 2022 financial year, assets stolen at Olifantspoort were not derecognised. The error has now been corrected retrospectively resulting in a decrease in property, plant, and equipment by R69 thousand, an increase in gain on disposal by R59 thousand, and an increase in receivables by R128 thousand due to an insurance receivable which was incorrectly raised. The depreciation 2022 reversal of depreciation that had been recognised for the stolen assets has also been reversed retrospectively resulting in an increase in property, plant and equipment and an increase in operating expenses by R7000.

During 2022, a receivable was incorrectly recognised in relation to the disposal of property, plant, and equipment. The error has been corrected retrospectively resulting in a decrease in receivables by R287 thousand, a decrease in gain on disposal by R98 thousand and an increase in VAT and Operating expenses by R38 thousand and R151 thousand respectively.

Lepelle Northern Water

Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand thousand

2023

2022

30. Prior-year adjustments (continued)

Inventory, cost, and operating expenses

In the 2022, financial year, some chemical costs were not inputted in the inventory model with a consequential impact on the amounts for water inventory, cost of sales, and operating expenses. The inventory model has been updated and the error has been corrected retrospectively resulting in an increase in inventory by 132 thousand, an increase in operating expenses by 10 thousand, and a decrease in cost of sales of R142 thousand.

Other presentation and disclosure adjustments

The following correction have been made to the prior year disclosure amounts. The corrections have no impact to amounts included in the statement of financial position, financial performance, cashflows and consequently no impact on net assets:

Financial instruments and risk management disclosure

The prior year VAT receivable balance of R58.515 million was erroneously included as a financial asset at amortised cost within the disclosure note. The balance has now been excluded as VAT arises due to statutory rather than a contractual arrangement and does not meet the definition of a financial asset.

The prior year trade and other receivables from exchange transactions of 989.282 million were erroneously included in the disclosure note inclusive of a prepayment balance that is summarised in note 10 which is a non-financial asset. The balance has now been disclosed exclusive of non-financial assets because prepayments represent balances that will be settled through the receipt of goods or services and not cash or another financial asset and thus do not meet the definition of a financial asset.

The prior year cash and cash equivalents balance of R184.876 million was erroneously captured under the fair value category. The balance has now been moved to the amortised cost category to align with the accounting policy and the fact that the balances are held to collect the contractual cash flows (the cash is repaid on demand or based on the notice period or other terms specified); and the cash flows are solely payments of principal (fair value on initial recognition will be repaid) and interest based on the terms of the arrangement.

Lepelle Northern Water

Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand thousand	2023	2022
--------------------------	------	------

30. Prior-year adjustments (continued)

The prior year provisions balance of R53.919 million was erroneously included as a financial liability at amortised cost within the disclosure note. The balance has now been excluded as the employee benefit provisions are outside the scope of GRAP 104: Financial instruments and are accounted for using GRAP 25 on Employee Benefits.

The prior year employee benefit obligation of R97.671 million was erroneously included as a financial liability at amortised cost within the disclosure note. The balance has now been excluded as employee benefits are outside the scope of GRAP 104: Financial instruments and are accounted for using GRAP 25 on Employee Benefits.

The prior year trade and other payables from exchange transactions of R717.919 million were erroneously disclosed inclusive of statutory obligations which are not financial instruments as summarised in note 6. The balance has now been disclosed exclusive of non-financial liabilities because the tax obligations arise from statutory rather than a contractual arrangement and does not meet the definition of a financial instrument.

Property, plant, and equipment

Assets under construction was understated in 2021 financial year due to certificate not capitalized amounting to R306.

Payables and other income

Payables decreased and other income increased due to a debt forgiveness of R2 110.

Lepelle Northern Water

Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand thousand 2023 2022

31. Financial instruments disclosure

Categories of financial instruments 2023

Financial assets

		AT AMORTISED COST	TOTAL
Receivables from exchange transactions	10	1 026 800	1 026 800
Cash and cash equivalents	12	631 763	631 763
		1 658 563	1 658 563

Financial liabilities

		AT AMORTISED COST	TOTAL
Payables from exchange transactions	6	689 443	689 443

Financial assets

		AT FAIRVALUE	AT AMORTISED COST	TOTAL
Other financial assets	5	63 790	-	63 790
Receivables from exchange transactions	10	-	987 101	987 101
Cash and cash equivalents	12	-	184 876	184 876
		63 790	1 171 977	1 235 767

Financial liabilities

		AT AMORTISED COST	TOTAL
Payables from exchange transactions	6	715 531	715 531

32. Risk management

Financial risk management

The board's activities expose it to a variety of financial risks, market risk, credit risk, and liquidity risk.

The board overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the board's financial performance. Risk management is carried out by Risk and Audit committee under policies approved by the board. Risk and Audit committee identifies and evaluates financial risks in close cooperation with the board's operating units.

Lepelle Northern Water

Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand thousand 2023 2022

32. Risk management (continued)

The board provides written principles for the overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and investment of excess liquidity.

There are no changes from previous year in respect of the objectives, policies, and processes for managing risks.

Liquidity risk

The Board defines liquidity risk as the risk of failure to meet all financial obligations on a timely basis when due. The Board's approach to managing liquidity risk is to ensure it will always have sufficient committed facilities to meet its liabilities when they fall due, under both normal and stressed conditions without incurring unacceptable losses or risking damage to the Board's reputation. The Board's liquidity comprises of money markets instruments such as call deposits and fixed call deposits. To mitigate liquidity risk exposure. The Board has committed facilities with various financial institutions.

The board's liquidity requirements are reviewed on a regular basis to ensure the organisation funding requirements are met timeously. This is monitored using cash flow forecasts (weekly, monthly, quarterly, and yearly forecasts) and maturity gap analysis to assess and monitor its liquidity requirements and risk level.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

MATURITY ANALYSIS 2023		LESS THAN 1 YEAR	BETWEEN 1 AND 5 YEARS	TOTAL
Payables from exchange transactions	6	689 443	-	689 443
Finance lease obligation	14	1 153	1 009	2 162
		690 596	1 009	691 605

MATURITY ANALYSIS 2022		LESS THAN 1 YEAR	BETWEEN 1 AND 5 YEARS	TOTAL
Payables from exchange transactions	6	715 531	-	715 531

Lepelle Northern Water

Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand thousand 2023 2022

32. Risk management (continued)

Credit risk

As a bulk water provider, being a basic commodity, it is not possible for the Water Board to select customers to whom sales are made and to determine their credit worthiness before sales are made. This increases the risk of customer defaulting in water accounts.

Management evaluates credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. If there is no independent rating, risk control assesses the credit quality of the customer, considering its financial position, experience, and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument			
Receivables from exchange transactions	10	1 026 800	987 101
Other financial assets	5	-	63 790
Cash and cash equivalents	12	631 763	184 876

Credit risk is mainly concentrated in the receivables from exchange transactions which is further concentrated in the Water Board's municipal customers. Some of these customers are part of the receivables individually assessed for impairment as disclosed in note 10.

Market risk Interest rate risk

The Board analyses its interest rate exposure. Interest rate risk management objective is to protect its funding plan and Assets and Liability Management (ALM) strategies from adverse fluctuations in market interest rates. To achieve this objective, it is the policy of the board to measure and manage its interest rate exposure both over the short and long term to protect and ensure continued financial sustainability. Wherever possible, the board manages its interest rate risk by maintaining an appropriate mix between fixed and floating interest rate investments.

The interest rate risk refers to the susceptibility of the Water Board's financial positions to adverse fluctuations in market interest rates. Cash and cash equivalents as disclosed in note 12

Lepelle Northern Water

Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand thousand 2023 2022

32. Risk management (continued)

includes variable interest rate call and fixed deposits. The entity's exposure to interest rate risk is as follows:

Short-term deposits	12	614 118	127 992
---------------------	----	---------	---------

33. Irregular and fruitless and wasteful expenditure

Irregular expenditure	-	3 493
Fruitless and wasteful expenditure	7	505
Total	7	3 998

Restatement of prior period balances

National Treasury issued Instruction Note 4 of 2022/23 in December 2022. The new Framework replaces all previous instructions and impacts the presentation and disclosure of irregular and fruitless and wasteful expenditure in the financial statements. The new reporting requirements became effective on 1 January 2023 and are applicable for financial statements issued after that date.

The main change is that the financial statements will only include irregular and fruitless and wasteful expenditure incurred and confirmed in a particular financial year and disciplinary steps taken thereof. The cumulative balance from the previous period is now excluded from the financial statements and will be maintained in separate registers for each financial year.

Additional information on irregular, and fruitless and wasteful expenditure that is still under assessment, determination and investigation and the progress thereof is included in the annual report.

The previously reported irregular and fruitless and wasteful expenditure has been restated due to the first-time application of the National Treasury Instruction Note and the impact of the changes are shown below:

Lepelle Northern Water

Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand thousand	2023	2022
33. Irregular and fruitless and wasteful expenditure (continued)		
Irregular expenditure		
Previously stated		81 531
Restatement due to first time application of the National Treasury Instruction Note 4		(78 038)
Restated expenditure		3 493
Fruitless and wasteful expenditure		
Previously stated		15 647
Restatement due to first time application of the National Treasury Instruction Note 4		(15 142)
Restated expenditure		505
Criminal or disciplinary steps taken as a result of losses, irregular and fruitless and fruitless and wasteful expenditure		
Extension service was acquired without National Treasury's approval. A warning letter was issued to the responsible official.		285
A service was procured to defend an Urgent Application lodged against the Minister of DWS & the Interim Board. Disciplinary process was undertaken, the recovery of costs is in progress		3 208
		3 493

34. Segment information

General information

Identification of segments

The Board identifies all schemes operated by Lepelle Northern Water as reportable segments. The organisation operates throughout Limpopo Province in four regions. The segments were organised around the type of services delivered, the target market, and the method used to provide the services. Management uses the same segments for determining strategic objectives. Segments were aggregated for reporting purposes due to the similarity of their economic characteristics.

Sale of bulk water services: Sale of portable and industrial water

Section 30 income: Operations and maintenance services

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

Lepelle Northern Water

Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand thousand 2023 2022

34. Segment information (continued)

Segment surplus or deficit

2023

REVENUE	SALE OF BULK WATER SERVICES	SECTION 30 INCOME	TOTAL
Revenue from non-exchange transactions	1 132 984	-	1 132 984
Revenue from exchange transactions	780 807	-	780 807
Section 30 income	-	42 971	42 971
Other segment income	73 711	-	73 711
Interest income	26 603	-	26 603
Interest income - non-exchange	11 759	-	11 759
Total segment revenue	2 025 864	42 971	2 068 835
Entity's revenue			2 068 835
Expenditure			
Cost of sales	347 483	-	347 483
Labour costs	158 181	32 310	190 491
Other expenses	145 113	6 945	152 058
Expected credit losses	95 288	-	95 288
Depreciation & Amortisation	84 071	87	84 158
Interest expense	13 111	-	13 111
Total segment expenditure	843 247	39 342	882 589
Total segmental surplus			1 186 246

2022

REVENUE	SALE OF BULK WATER SERVICES	SECTION 30 INCOME	TOTAL
Revenue from exchange transactions	689 655	-	689 655
Section 30 income	19 397	40 651	60 048
Total segment revenue	709 052	40 651	749 703
Interest revenue			8 808
Other unallocated revenue			36 435
Reversal of provision for bad debts			9 916
Total revenue reconciling items			55 159
Entity's revenue			804 862
Expenditure			
Cost of sales	321 786	-	321 786
Labour costs	159 601	9 515	169 116
Other expenses	125 558	6 448	132 006
Depreciation and Amortisation	77 446	238	77 684
Interest expense	10 769	-	10 769
Total segment expenditure	695 160	16 201	711 361
Total segmental deficit			38 342
Total revenue reconciling items			55 159
Entity's surplus (deficit) for the period			93 501

Management regularly reviews information on segment surplus and deficit only and does not receive and review the segment assets and liabilities.

Lepelle Northern Water

Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand thousand	2023	2022
--------------------------	------	------

34. Segment information (continued)

There have been no changes in the composition of reportable segments from prior year, and there are no transactions between the segments.

35. Budget differences

Material differences between budget and actual amounts

Sale of goods:

The budget was adjusted to take into account change of Nandoni Scheme from cost recovery to tariff. decline in targeted revenue was caused by various reasons which include illegal connection to our infrastructure, power failures and unplanned breakdown.

Administration and management fees:

Project spending is not in line with the projections.

Section 30 Income:

Adjustment to the budget to take into account changes in Nandoni scheme from cost recovery to tariff.

Interest Received -Water Sales:

Decrease as a result of settlement of long outstanding balance.

Interest received - investment:

Increase as a result of interest earned on surplus cash reserves.

Revenue - RBIG:

More funds transferred to revenue than had been anticipated during the budgeting phase.

Lepelle Northern Water

Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand thousand	2023	2022
--------------------------	------	------

35. Budget differences (continued)

Finance Income: non-exchange transactions:

Interest earned on BFI cash reserves.

Finance costs:

Change in estimates for the purpose of calculating post-retirement fund.

Debt Impairment:

Changes as a result of renegotiated settlement agreement.

Cost of sale:

Decline in the targeted revenue resulted in less spending than projected.

General Expenses:


Late finalization of SAP upgrade project delayed the anticipated spending patterns.

Differences between budget and actual amounts basis of preparation and presentation

The annual financial statements and the budget are prepared on an accrual basis using a classification based on the nature of expenses. In some areas, the budget has a different presentation or classification format to the financial statements. In such cases, the actual amounts in the financial statements have been adjusted (aggregated/ disaggregated) to align with the budget format for comparison purposes in statement of comparison of budget and actual amounts.

Changes from the approved budget to the final budget

The changes between the approved and final budget are a consequence of both reallocations within the approved budget parameters and changes in the overall budget parameters.



EXPENDITURE TRENDS

(HISTORICAL INFORMATION)

EXPENDITURE TRENDS(HISTORICAL INFORMATION)

	2023	2022	2021	2020	2019	2018	2017
Water Sales (in megalitres)							
	780 807	91 873	88 505	84 148	89 526	93 820	77 819
Potable water	709 124	77 536	72 576	71 168	78 195	81 140	77 819
Industrial water	71 683	14 337	15 929	12 980	11 331	12 680	-
FINANCIAL PERFORMANCE	R`000	R`000	R`000	R`000	R`000	R`000	R`000
Turnover	1 913 791	689 655	598 616	599 579	561 140	591 008	474 747
Portable water sales	709 124	614 244	531 867	542 719	510 928	541 945	429 626
Industrial water sales	71 683	75 411	66 749	56 860	50 212	49 063	45 121
Government grants & subsidies	422 000	-	-	-	-	-	-
Transfer of assets to LNW	710 984	-	-	-	-	-	-
Sundry income	16 337	450	123 244	159 341	153 488	177 250	188 162
Total Revenue	1 930 128	690 105	721 860	758 920	714 628	768 258	662 909

CASH FLOW STATEMENT

	2023	2022	2021	2020	2019	2018	2017
	R`000	R`000	R`000	R`000	R`000	R`000	R`000
Cash flow from operations	25 952	140 304	155 068	122 171	108 244	(46 350)	214 867
Net cash outflow from investing	(393)	(85 235)	(112 890)	(86 194)	(92 713)	(70 854)	(136 057)
net cash inflow from financing	421 328	(146)	(225)	(207)	573		
Net cash and cash equivalent	446 887	54 923	41 953	35 770	16 104	(117 204)	78 810
Cash at beginning of year	184 876	129 953	88 000	52 230	35 115	152 319	79 575
Cash retained for the year	631 763	184 876	129 953	88 000	51 219	35 115	158 385

CASH FLOW STATEMENT

	2023	2022	2021	2020	2019	2018	2017
	R`000	R`000	R`000	R`000	R`000	R`000	R`000
Cash flow from operations	25 952	140 304	155 068	122 171	108 244	(46 350)	214 867
Net cash outflow from investing	(393)	(85 235)	(112 890)	(86 194)	(92 713)	(70 854)	(136 057)
net cash inflow from financing	421 328	(146)	(225)	(207)	573		
Net cash and cash equivalent	446 887	54 923	41 953	35 770	16 104	(117 204)	78 810
Cash at beginning of year	184 876	129 953	88 000	52 230	35 115	152 319	79 575
Cash retained for the year	631 763	184 876	129 953	88 000	51 219	35 115	158 385

TARIFF STATISTICS

	2023	2022	2021	2020	2019	2018	2017
	R/kl	R/kl	R/kl	R/kl	R/kl	R/kl	R/kl
Potable tariff							
Phalaborwa	6,58	5,71	5,11	5,11	4,71	4,25	3,91
Doorndraai	10,08	9,00	7,91	7,91	7,29	6,75	6,22
Politsi	10,74	9,34	8,12	8,12	7,49	6,93	6,39
Ebenezer	9,48	8,73	8,05	8,05	7,42	6,86	6,33
Olifantspoort	9,48	8,73	8,05	8,05	7,42	6,86	6,33
Flag Boshielo	10,28	9,48	8,75	8,75	8,05	7,46	6,88
Marble Hall	11,31	10,10	8,73	8,73	8,05	7,45	6,87
Tubatse	8,94	8,24	7,59	7,59	7,00	6,48	5,97
Industrial tariff							
Industry - Foskor	5,88	5,25	4,57	4,57	4,21	3,90	3,59
Industry - PMC	5,88	5,25	4,57	4,57	4,21	3,90	3,59
Industry - Bosveld	5,88	5,25	4,57	4,57	4,21	3,90	3,59

TARIFF STATISTICS

	2023	2022	2021	2020	2019	2018	2017
	R/kl	R/kl	R/kl	R/kl	R/kl	R/kl	R/kl
Potable tariff							
Phalaborwa	6,58	5,71	5,11	5,11	4,71	4,25	3,91
Doorndraai	10,08	9,00	7,91	7,91	7,29	6,75	6,22
Politsi	10,74	9,34	8,12	8,12	7,49	6,93	6,39
Ebenezer	9,48	8,73	8,05	8,05	7,42	6,86	6,33
Olifantspoort	9,48	8,73	8,05	8,05	7,42	6,86	6,33
Flag Boshielo	10,28	9,48	8,75	8,75	8,05	7,46	6,88
Marble Hall	11,31	10,10	8,73	8,73	8,05	7,45	6,87
Tubatse	8,94	8,24	7,59	7,59	7,00	6,48	5,97
Industrial tariff							
Industry - Foskor	5,88	5,25	4,57	4,57	4,21	3,90	3,59
Industry - PMC	5,88	5,25	4,57	4,57	4,21	3,90	3,59
Industry - Bosveld	5,88	5,25	4,57	4,57	4,21	3,90	3,59



CONTACT DETAILS



Head Office Address
1 Landdros Maré Street
Private Bag X9522
Polokwane, 0699



015 295 1800



015 295 1931



information@lepelle.co.za



www.lepellewater.com