2023/2024

ANNUAL REPORT

OVERBERG WATER

"When the well is dry, we know the worth of water".

By Benjamin Franklin


Nylstroom
Rustenburg
Minabatho
GAUTENG
Johannesburg
NORTH-WEST
Vereeniging
Vryburg
Klerksborp
Sasolburg
Holazel
Sishen
Kroonstad
Welkom
Upington
FREE STATE
Kimberley
Bloemfontein
Port Nolloth
Springbok
Kenhardt
NORTHERN CAPE
De Aar
Victoria
West
Calvinia
Vanrhynsdorp
Middelburg
Umtata
Queenstown
Sulherland
Beaufort
West
EASTERN CAPE
Bisho
Saldanha
WESTERN CAPE
Cape Town
Worcester
Swellendam
Mossel Bay
Port Elizabeth

LETTER FROM THE ACCOUNTING AUTHORITY

P.O. Box 1005
Somerset Mall
7137

The Minister of Water and Sanitation
Private Bag X313
PRETORIA
0001

Dear Honourable Minister

On behalf of the Overberg Water Board, it is with pleasure to present to you Minister the 2023/24 Annual Report of the Overberg Water Board for the year ended 30 June 2024.

Yours faithfully

ACCOUNTING AUTHORITY

OVERBERG WATER'S STRATEGY

Overberg Water's strategy comprise of five outcomes and long-term sustainability. The sustainability is about both financial and geographical expansion. In order to reach its desired state of being the following strategic positions are enablers:

Strategic Position:

1. Provide reliable and sustainable bulk water services provision to all current clients in the Overberg Area and the rest of the Western Cape Province.
2. Reposition Overberg Water Board as the implementing agent of choice to DWS and Municipalities in the Western Cape.
3. Pursue revenue and geographical growth to cover the Western Cape Province (water management areas) of the Republic of South Africa.
4. Ensure financial sustainability by maintaining current client base while investing in business development which aims at securing management and maintenance of bulk water services provision in municipalities within the Western Cape Province (water management areas).
5. Ensure aggressive investment in communications and stakeholder involvement programmes of Overberg Water throughout the Western Cape and beyond.
6. Invest in business process mapping and management (internal processes and operations)
7. Invest in human capital development / succession planning to ensure organisational continuity.
8. Consolidate resources by pursuing strategic partnerships with all key stakeholders in the Western Cape Province.
9. Utilise infrastructure delivery as a vehicle for contributing to local economic growth in the project areas.
10. Investing and exploration in alternative sources of water and energy.

Strategic Actions

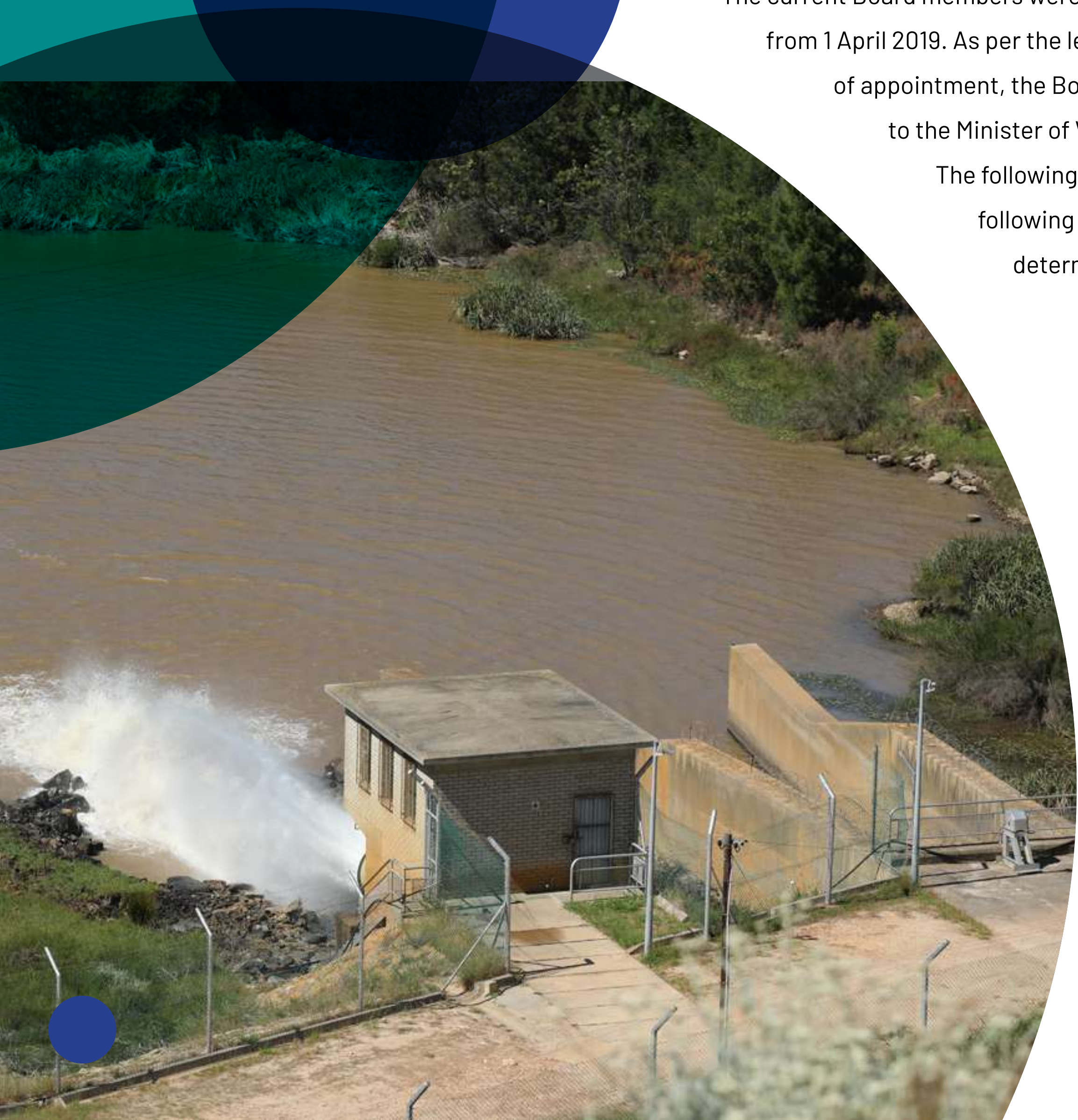
The strategic positions forms part of some of the key performance indicators as per the set strategic goals. The strategic goals are informed by the Department of Water and Sanitation key strategic areas, the National Development Plan and the overall National and Provincial Priorities.

IMPLEMENTATION OF STRATEGIC POSITIONS

SP 1	1.1	To develop, review and update annual maintenance plans as a means towards reliable water services provision.
	1.2	Ensure development of the implementation plans as per the repair and maintenance plans.
	1.3	Forge strategic partnership with the following municipalities: Beaufort West, Matzikama, Cederberg, Swartland.
	1.4	Enter into a memorandum of agreement with the Breede-Gouritz Catchment Management Agency as a means towards integrated water management approach with an intention to mobilise more water volumes through water use authorisation licenses.
SP 2	2.1	Secure RBIG and WRIG projects through working with the DWS Western Cape Regional Office.
	2.2	Develop a working relationship with the Department of Public Works and Infrastructure as part of keeping the existing and future water related projects at Correctional Services Centres, Defence Bases and Public Hospitals.
SP 3	3.1	Ensure the rollout of the growth path strategy throughout the water management area.
	3.2	Secure revenue generating secondary functions as per the Water Services Act.
SP 4	4.1	Review the current tariff model to ensure reasonable returns of water services.
	4.2	Investigate a long-term financial model linked with capex.
SP 5	5.1	Maintain regular communication channels with current and potential customers.
	5.2	Maintain the bi-annual production of the Overberg Water Board Newsletter.
	5.3	Issue two national advertisements showing the work and capability of Overberg Water Board.
SP 6	6.1	Ensure adherence to internal controls.
	6.2	Implement sound systems aimed at improving efficiency and effectiveness of business processes.
SP 7	7.1	Create relevant training opportunities to staff.
	7.2	Develop succession planning (sub) policies and strategies throughout the organisation.
SP 8	8.1	Forge strategic engagements with the Western Cape Provincial Government through the Departments of Local Government and Agriculture.
	8.2	Enter into cooperative agreements with relevant public Entities / bodies based in the Western Cape and Northern Cape Provinces.
SP 9	9.1	Secure funding to the implementation of the Master Plan.
	9.2	Invest in infrastructure activities such as gradual asbestos replacement initiatives.
SP 10	10.1	Embark on alternative sources of water (such as groundwater and desalination) through scientific investigations.
	10.2	Embark on alternative sources of energy (such as solar and wind) through scientific investigations.

GOVERNANCE

Overberg Water Board is governed by the board of nine members and once ex-officio member. The Board is appointed in terms of the Water Services Act, Number 108 of 1997. It is appointed by the Minister of Water and Sanitation. The Public Finance Management Act, Number 01 of 1999 as amended, regulates the financial activities of the Board and remains the supreme legislation on financial and related matters. The Board is solely responsible for governance which includes oversight and accounting authority responsibilities. The current Board members were appointed effective from 1 April 2019. As per the legislation and letters of appointment, the Board reports directly to the Minister of Water and Sanitation. The following Board consists of the following diverse, skilled and determined individuals:



NAME	GENDER	ROLE	COMMITTEE
Mr Razeen Benjamin	Male	Board Chairperson	Human Resources,Remuneration and Ethics
Ms. Sphiwe Doris Mayinga	Female	Board Deputy-Chairperson	Human Resources, Remuneration and Ethics
Pro Gregory Jerome Davids	Male	Committee Chairperson	Operations and Infrastructure
Mr David Lefutso	Female	Committee Chairperson	Human Resources, Remuneration and Ethics
Dr Nandipha Siwahla-Madiba	Female	Committee Chairperson	Audit, Risk and Business Strategy
Ms. Nalini Maharaj	Female	Member	Audit, Risk and Business Strategy
Mr. Bongani Mnisi	Male	Member	Audit, Risk and Business Strategy
Mr. Dirk van Panendorp	Male	Member	Audit, Risk and Business Strategy
Ms. Monica Malunga	Female	Member	Operations and Infrastructure
Mr. Louis Van Rheede Van Oudtshoorn	Male	Member	Operations and Infrastructure
Dr. Thavamoney Kelly	Female	Member	Operations and Infrastructure

The above-mentioned Board Members contract with the Executive Authority, the Minister, through an annually approved shareholder compact. The Board then actively engages with the shareholder through various platforms of communication during the year.

To have a system that regulates the Board activities, the Board adopted its Charter. It was further cascaded down to its Committees; namely, the Audit, Risk & Remuneration Committee, the Operations & Infrastructure Committee and Human Resources, Remuneration & Ethics Committee. These Committees used the Board Charter to develop their Terms of Reference / Sub-Charters. The Terms of Reference / Sub-Charters were duly approved by the Board. As previously stated, Board Charter provides a framework for fiduciary duties, responsibilities and overall functioning of the Board. The Board Charter has to be read in conjunction with:

- The Public Finance Management Act (Act 1 of 1999), as amended by the Public Finance Management Amendment Act (Act 29 of 1999), hereinafter referred to as the PFMA
- Treasury Regulations (GG 27338) as amended from time to time
- The Water Services Act (Act 108 of 1997), as amended,
- The National Water Act (Act 36 of 1998)
- National Environmental Management (Act 2 of 2022)
- B-BBEE Act (Act 53 of 2003)
- The King Code of Governance Principles, 2016 (King IV)
- The South African Bill of Rights as contained in the Constitution (Act 108 of 1996)

Compliance with King IV is not a legislative requirement, but the Board endeavours to abide by the recommendations of King IV insofar as practically possible to ensure good corporate governance.

The non-executive Board members received remunerative benefits and fees as determined by the Minister in line with their terms of appointment. Therefore, there was no Board member who was involved in determining his/her own remuneration. Board members' remuneration has been fully disclosed in the Overberg Water Board's Annual Financial Statements as contained in this Annual Report.

BOARD MEMBERS

The following board members were duly appointed by the Minister through various transparent processes such the public advertisement, interviews, probity checks, Cabinet submission and formal letters of appointments

Ms. Nalini Maharaj
Audit, Risk and Business Strategy Committe

Mr. Dirk van Papendorp
Audit, Risk and Business Strategy Committe

Mr. Bongani Mnis
Audit, Risk and Business Strategy Committe

Dr. Nandipha Siwahla-Madil
Audit, Risk and Business Strategy Committe

Dr. Thavamoney Kelly
Operations and Infrastructure Committee

Mr. Louis Van Oudtshoorn (Pr. Eng)
Operations and Infrastructure Committee

Ms. Monica Malunga
Operations and Infrastructure Committee

Prof. Gregory Davids
Operations and Infrastructure Committee

Ms. Sphiwe Mayinga (Deputy Chairperson)
Human Resources, Remuneration and Ethics Committee

Mr. David Lefutso
Human Resources, Remuneration and Ethics Committee

Mr. Razeen Nenjamin (Chairperson)
Human Resources, Remuneration and Ethics Committee

STRUCTURE OF OVERBERG WATER BOARD

The Overberg Water Board is one of the entities within the Department of Water and Sanitation. It is governed by the non-executive Board appointed by the Minister. The non-executive Board is the accounting authority and provides strategic leadership. It has its own Committees that meet on regular basis to discuss all matters in detail before being forwarded to the Board for further consideration.

Overberg Water as at 30 June 2024 comprised of:

- Board membership of 11 members
- 3 committees, namely; the Operations and Infrastructure, Human Resources, Remuneration and Ethic Committee, and the Audit, Risk and Business Strategy
- A head count of 56 employees
- Three executive directors; the CEO, CFO and Executive Manager: Water Services. However, the latter position is vacant due to reconfiguration and budgetary constraints.

"Water is an essential ingredient for social economic development"

A STRATEGIC KALEIDOSCOPE OF SUCCESS

Vision

It is often said that the vision of an Entity is important as the oxygen to the body. It provides life and determines both the current and future character of the Entity. In addition, it sets the tone and directs the Entity to a particular destination. At Overberg Water the vision is both the compass and the desired state of success. Hence, the vision compels Overberg to: "To become the leading regional water utility providing sustainable and competitive water and sanitation services". The recent drought that has engulfed many parts of the country primarily the Western Cape Province calls for dedicated water Entities like Overberg Water to innovatively and proactively look for better solutions in the provision of water and sanitation services. Therefore, becoming the regional water utility will mean ensuring continuous water and sanitation services to our current and future customers. Also, various alternative sources of water such as groundwater and desalination need to be explored so that the leading role becomes a reality as OW grows in revenue and geographical terms.

Mission statement

The above-mentioned vision is further operationalised by the mission statement that clearly articulates the desired outcome of the Entity. The Mission is:

"To supply and maintain reliable, affordable and good quality water and sanitation services for the region."

STRATEGIC OVERVIEW

Vision

To become the leading regional water utility providing sustainable and competitive water and sanitation services for the region.

Mission

To supply and maintain reliable, affordable and good quality water and sanitation services for the region.

Values

- Teamwork: Promoting a culture of collaborative behavior whilst pursuing individual organisational responsibilities.
- Respect: Serving with a positive attitude, courtesy, and mutual respect that engender a shared vision.
- Sustainability: Promoting environmentally sustainable practices as a commitment to protecting the natural resources.
- Accountability: Addressing challenges promptly, implement effective solutions by providing excellent service as a committed team.
- Integrity: Upholding honesty and moral principles.

Programmes

- Water services planning
- Water services management
- Institutional and stakeholder relations
- Resource protection
- Strategic support, which includes finance, human resources and administration
- Governance and management

Goals

- Organisational efficiency and effectiveness
- Improve and increase revenue and manage cost drivers
- Effective stakeholder and customer engagement
- Strengthen and develop quality human and organisations resources
- Provide oversight and take accountability

THE OVERBERG WATER BOARD

OVERBERG WATER

Introduction

Flowing from the Department of Water and Sanitation in the Ministry of Water and Sanitation motto that reads as follows:

"Water is Life and Sanitation is Dignity"

It becomes compelling for OWB to ensure that drinking water quality is in terms of the SAN241 standards and that every effort is being made towards ensuring water quality and quality in general in the provision of services. The assurance of quality is for the entire water services envelope.

Background

There are now seven national water boards offering essential water services to the end users. Overberg Water Board is one of those water boards which are not only offering water services but exist to advance the South African Constitution insofar as water access is concerned. The Overberg Water Board was established in 1993 with the amalgamation of Duivenhoks and Ruensveld water boards. The Overberg Water Board is one of the national water public Entities under the Department of Water and Sanitation (DWS). It also exists to complement the work of the Department and primarily supports the Minister as the shareholder. It is a water board providing bulk water services in terms of the Water Services Act 108 of 1997 and is subjected to a number of applicable laws such as the Constitution, the National Water Act 36 of 1998, Public Finance Management Act 1 of 1999. Overberg Water discharges its services by placing its customers ahead of the delivery menu. It has a long history of service delivery and placing customers in the forefront since its inception. Overberg Water has been a pillar of hope to its customers in terms of the quality of drinking water. The Head Office of OW is situated in Somerset West which is approximately 40 km from the Cape Town CDB and 30 km from Cape Town International Airport. It also has three water schemes functioning as satellite offices and these are Ruensveld West, Caledon: Ruensveld East Swellendam and Duivenhoks in Heidelberg.

The OWB is wholly owned by the State. The Minister of Water and Sanitation is the Executive Authority and the Board of Directors constitute the Accounting Authority. It is the only national water board operating in the Western Cape Province. It came out from its strategic session with the determination to grow and become the main partner in the provision of bulk water and sanitation services. Overberg Water's geographical location is within one of the six water management areas; namely, the Breede-Olifants Water Management Area. This is further illustrated by the following diagram showing all the six water management areas in the country.

Overberg Water provides bulk drinking water to Hessequa Municipality, Theewaterskloof Municipality, and its industrial customers. The Entity further provides potable water to the Rietkuil community within the Swellendam area as well as few communities in the Cape Agulhas area of jurisdiction. It intends to further extend its services to the nearest municipality and ultimately to the whole Western Cape Province, to water management areas and beyond.

The ever-increasing demand for water services is a clarion call for building partnerships. Partnerships build strengths which amongst other things facilitate the sharing of knowledge and expertise. Overberg Water shall endeavour to build more partnerships as means to water sustainability. It is the firm belief at Overberg Water that water services provision is largely dependent on other essential partners such as the civil society, the private sector and the public sector. The more these partnerships are built the greater we all become, and the winner is sustainability.

Jurisdictional area

The Overberg Water's area of jurisdiction is the south-western Cape in the west to the Heidelberg/ Riversdale districts in the east and bounded by the Langeberg Mountains in the north and by the Indian Ocean in the south. Its area includes the following towns: Caledon, Napier, Bredasdorp, Riviersonderend, Swellendam, Heidelberg, Riversdale and a number of other smaller areas. It is situated in one of the water management areas, namely, the Breede-Gouritz Catchment Management Agency which measures approximately 72 000 square kilometres. The BGCMA is the sole water resource authority in the catchment. The BGCMA "gives effect to its function to investigate and advise water users on the protection, conservation, management and control of water resources in a cooperative manner" (BGCMA, 2015).

The primary function of OWB is mainly the provision of bulk drinking water to its customers. Viewing the location of OW schemes within the BGCMA area of jurisdiction naturally creates a symbiotic relation with the BGCMA in managing the water use. The following map shows and facilitates cooperative governance of water resources through the linking of National, Provincial and Local Government as well as a host of sector partners and stakeholders.

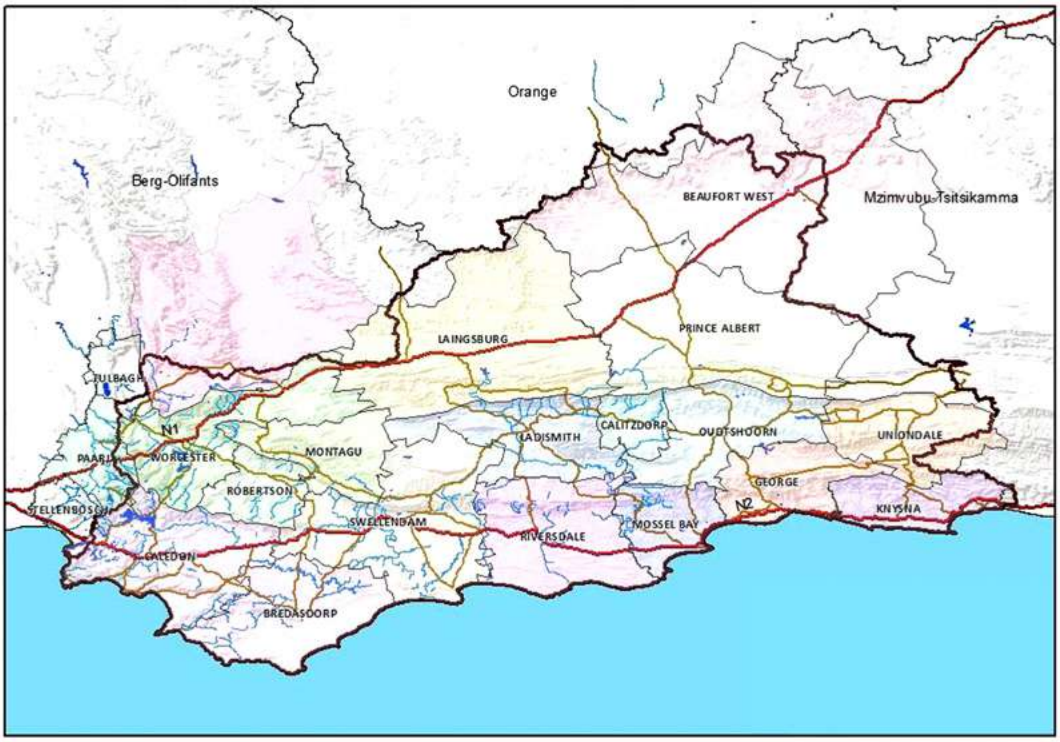


Figure 2: Map of Overberg Catchment Management Area

The Breede-Gouritz Catchment Management Area has widely varying precipitation levels which range from 160mm in the northern, more inland parts of the WMA to more than 3 000mm in the high mountains regions of the Hottentos Holland with Franschoek water dividing between the Berg and Breede water management areas (WMAs). The average rainfall over the Breede area is 200 mm, Overberg 400 mm, Gouritz Coastal 600mm and Klein Karoo / Great Karoo 150 mm. The Great Karoo and Olifants River catchment regions are classified as a very late summer rainfall region with a large proportion of annual precipitation falling between March and May as well as in October through storm events. Most of the rain in Breede Valley falls between the months of May and August. Parts of the Southern Coastal parts of the Gouritz WMA tends to experience all year-round rainfall.

Considering that OWB intends developing its growth path and in line with its vision that states the following: "To become the leading regional water utility providing sustainable and competitive water & sanitation services"; it stands to reason that knowing the rainfall patterns of the WMA is relevant for planning purposes. This will support OW in increasing its footprint through the Western Cape region and beyond. According to the BGCMA (2015) the rainfall patterns have, however, changed in the last few years, with the continuation of mildly wet to extremely wet conditions in the central Gouritz area and more recent within the Breede and Overberg areas. The rainfall patterns are depicted in the Seasonal Precipitation Index Maps supplied by the Agricultural Research Commission (Figures 3 and 4)

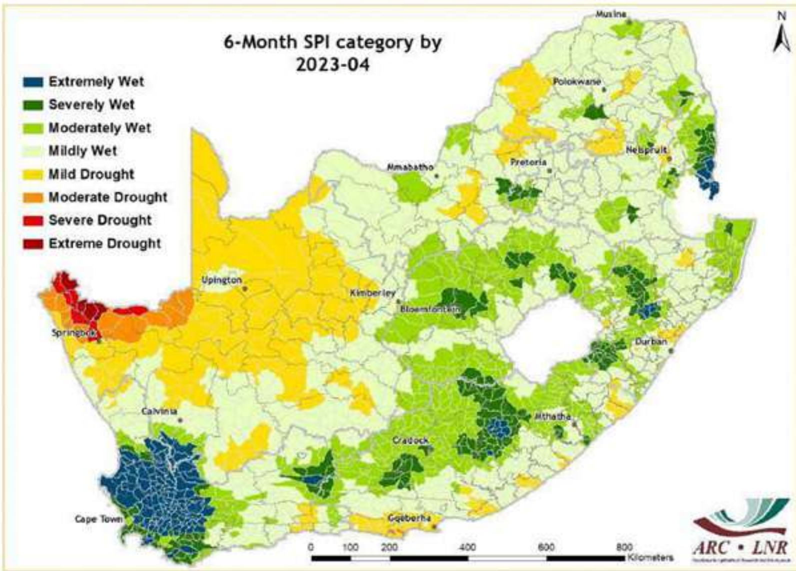


Figure 3: 6 month Seasonal Precipitation Map

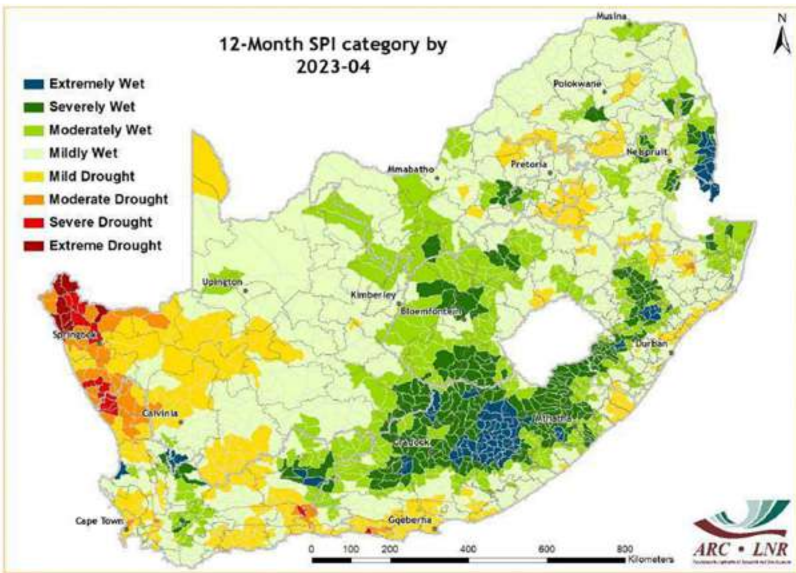


Figure 4: 12 month Seasonal Precipitation Map

The figures below show the population growth of the districts within the reach of Overberg Water. This is important for future planning so that Overberg Water can expand its business based on the growth path already developed. The population growth is based on comparing Census 2001 against 2011 as indicated in Figure 5.

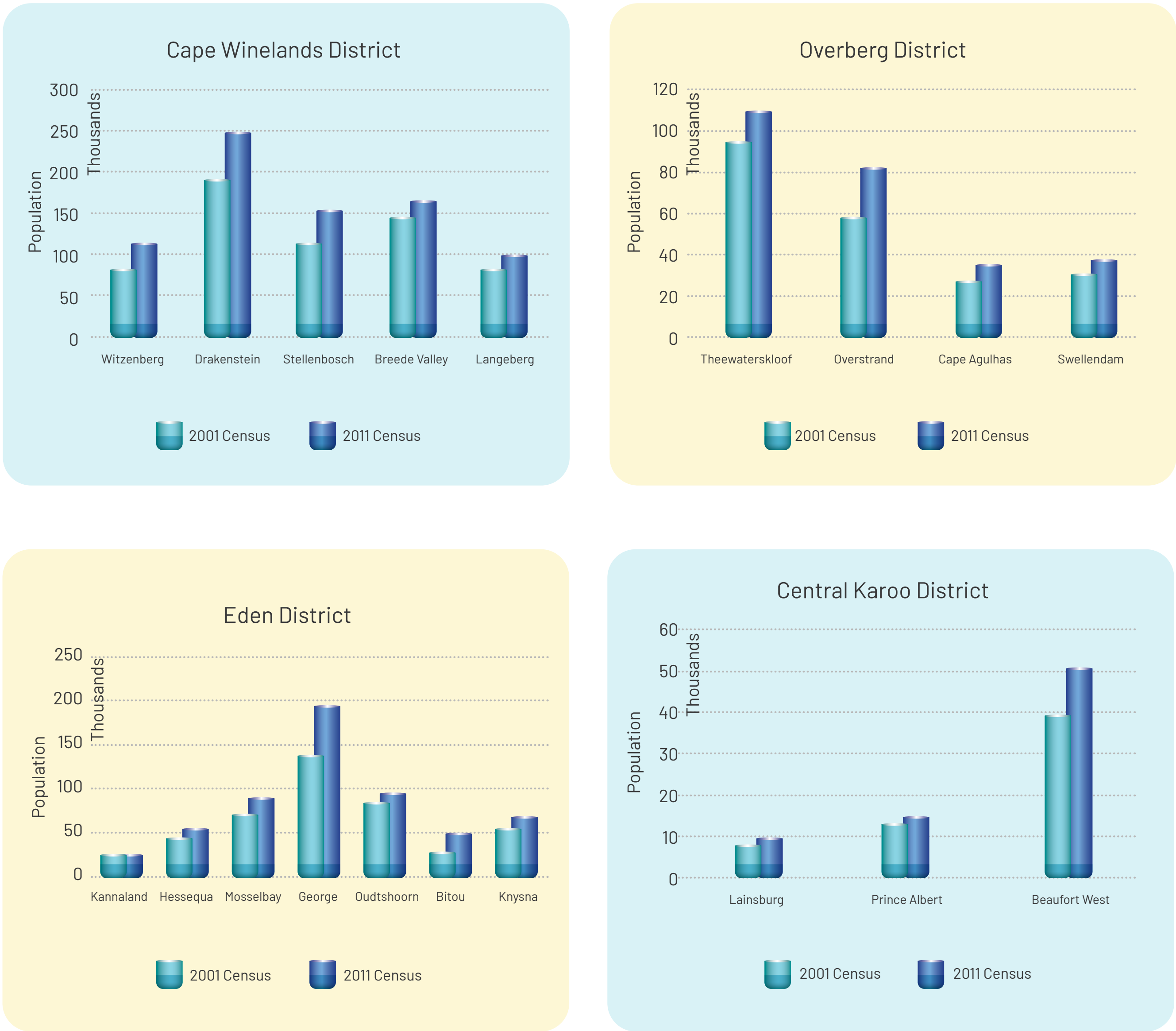
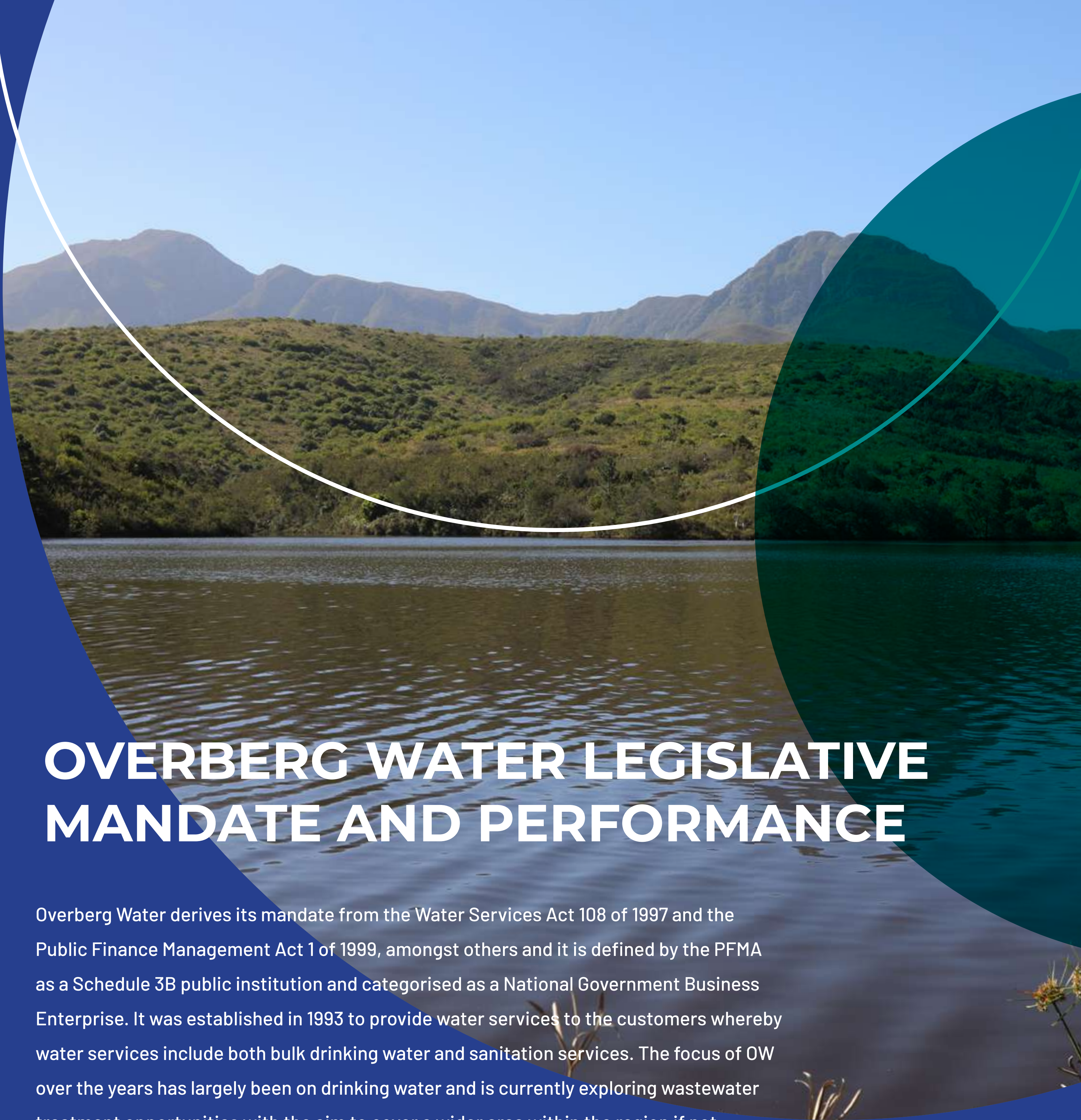


Figure 5: Population indicative growth in the Overberg DIstrict

It is therefore strategic for OW to focus in the above-mentioned districts in its endeavour to grow its business footprint. Growing the business requires a very close look and working with other institutions and government departments. The following diagram shows the institutional analysis of what must be taken into account whilst expanding the business.

Figure 6: Structure showing the environment of the Overberg Water Board



OVERBERG WATER LEGISLATIVE MANDATE AND PERFORMANCE

Overberg Water derives its mandate from the Water Services Act 108 of 1997 and the Public Finance Management Act 1 of 1999, amongst others and it is defined by the PFMA as a Schedule 3B public institution and categorised as a National Government Business Enterprise. It was established in 1993 to provide water services to the customers whereby water services include both bulk drinking water and sanitation services. The focus of OW over the years has largely been on drinking water and is currently exploring wastewater treatment opportunities with the aim to cover a wider area within the region if not becoming the main player in the provision of water and sanitation services.

OWB, like any other water board has to cope with the “new normal” which is about sustaining the business in a period of climate change and drought. The role played by OW during a period of drought was to ensure that quality drinking water is available by implementing the water restrictions and aligning itself with the conditions of DWS and other related drought governance initiatives. Such conditions included investing in temporal water storages such as constructing the beams in selected rivers and maintaining constant communication channels with its customers.

BUSINESS ACTIVITIES OF OVERBERG

As previously stated, the primary activities of OW in terms of section 29 of the Water Services Act, is to provide water services to other water services institutions in its service area. In line with OW's growth intention, section 30 of the Water Services Act enables OW to undertake other activities on condition that these activities do not affect the Entity's ability to perform its primary function. Such other activities in terms of section 30 of the Water Services Act include the following:

- Providing management services, training and other support services to other water services institutions, in order to promote co-operation in the provision of water services,
- Supplying untreated or non-potable water to end-users who do not use water for household,
- Providing catchment management services to or on behalf of the responsible authority,
- With the approval of the water services authority having jurisdiction in the area, OW maybe be charges with supplying water directly for industrial use, accepting industrial effluent and acting as a water services provider to consumers,

WATER RESOURCES MANDATE AND PERFORMANCE

Water availability – Catchment areas

As previously stated, the primary activities of OW in terms of section 29 of the Water Services Act, is to provide water services to other water services institutions in its service area. In line with OW's growth intention, section 30 of the Water Services Act enables OW to undertake other activities on condition that these activities do not affect the entity's ability to perform its primary function.

Water availability – Drought implications

Rainfall patterns within South Africa are one of great variability. South Africa's mean annual precipitation is estimated at 450mm compared to the global average of 860mm. Seasonal rainfall percentage deviations since 1960 has shown that the wide fluctuations about the long-term average and it is in this context that large rainfall deficits must be assessed. As an example, between July of 1960 and June of 2004, there have been 8 summer- rainfall seasons where rainfall for the entire summer-rainfall area has been less than 80% of normal. It can be safely assumed that a shortfall of 20% from normal rainfall will cause crop and water shortfalls in many regions accompanied by social and economic hardship.

Current observations still show the persistence of a strong El-Niño. However, most models are confidently sowing a gradual decay of El-Niño and the development of a neutral ENSO (El-Niño Southern Oscillation) state towards the winter season (SAWS, 2016). The forecast shows a huge disparity in the rainfall and temperature forecast for the coming seasons, therefore the likelihood of climate conditions for the coming winter season is overshadowed by the growing uncertainty in the forecast. It is very difficult to look at the entire summer-rainfall region and deduce that drought affected all of these areas equally. On the contrary, some of the provinces in South Africa appear to suffer more harshly than others at times of rainfall deficit

In the Overberg Region the impact of the drought has been particularly harsh, and the Department of Water and Sanitation is considering declaring the area a national disaster. Water Conservation and Demand Management must be a priority during this time especially looking at the state of the major dam that feeds two of Overberg Water's schemes:

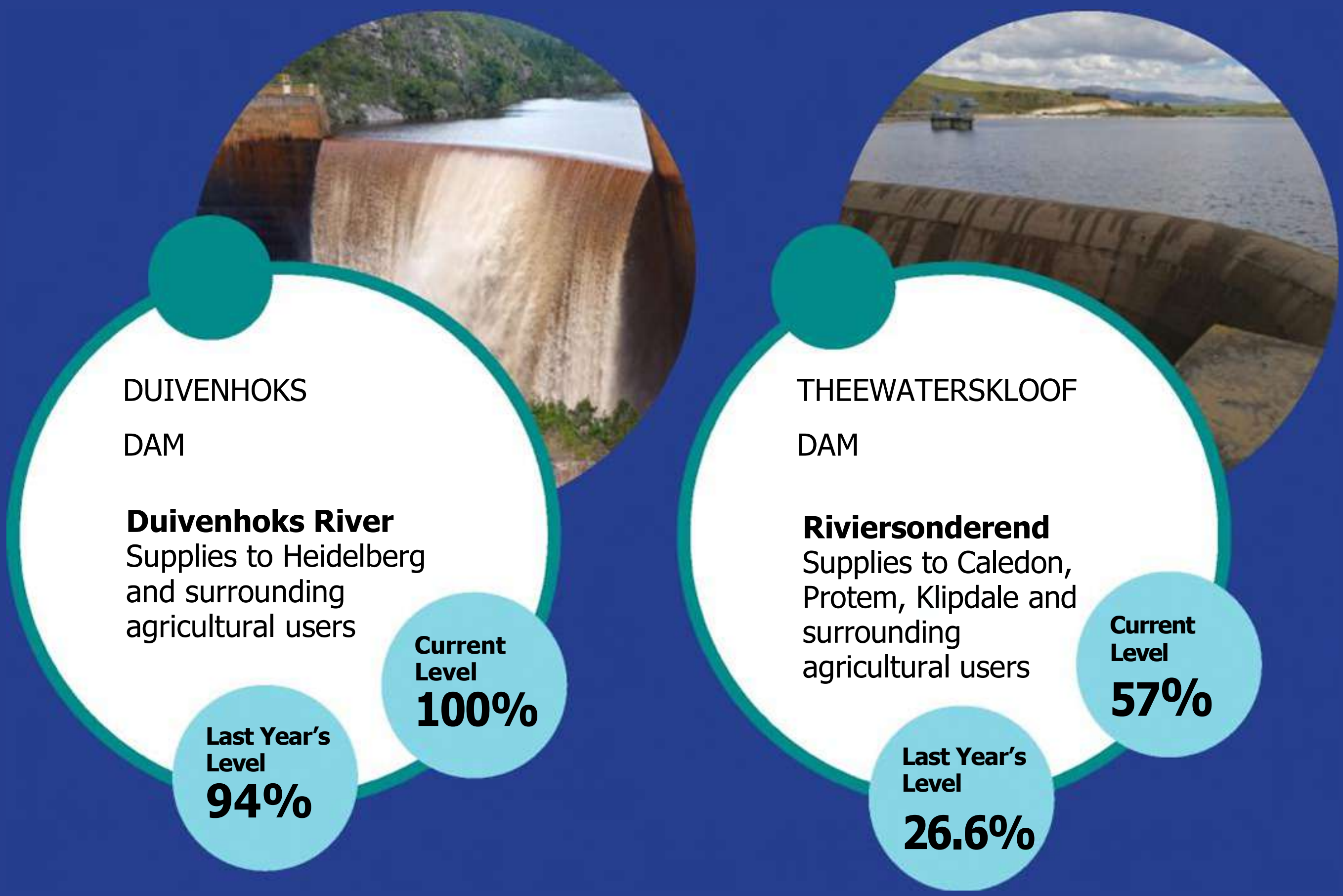


Figure 7: Major dams feeding two schemes of OW

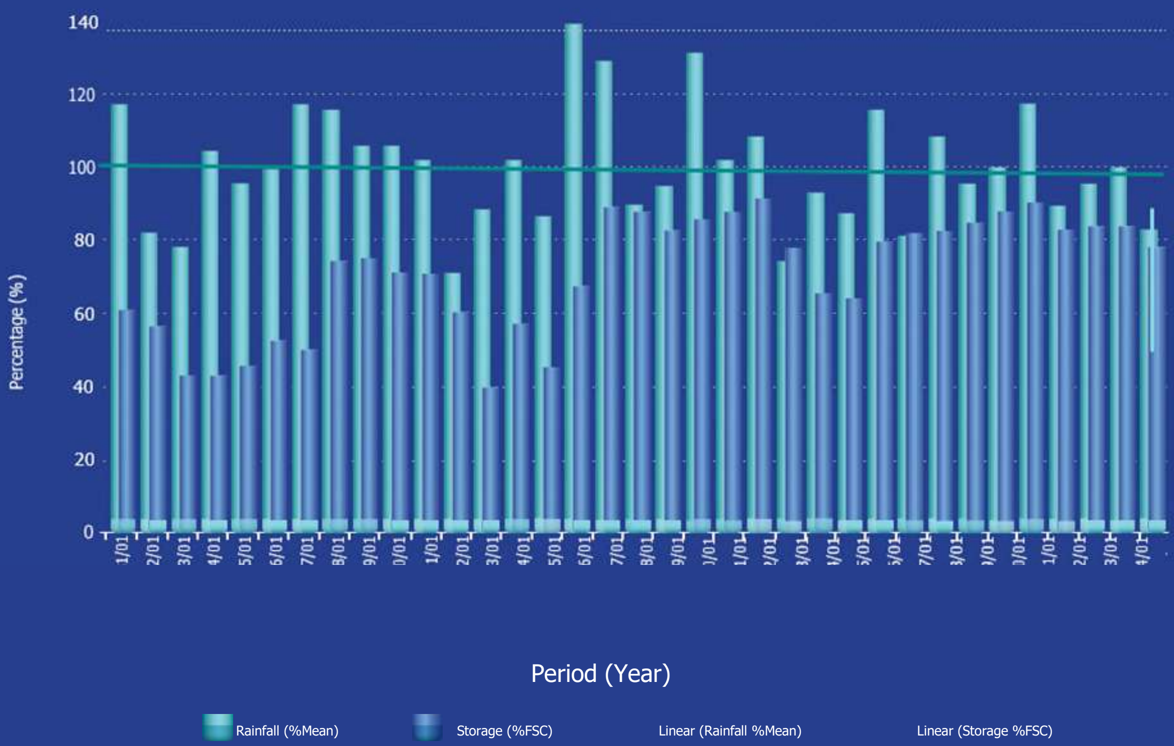


Figure 8: Rainfall and storage percentage trend since 1980

Source, DWS (2017)

Raw water quality

The quality of raw water remains a challenge throughout the region, particularly at the source and catchment. The raw water quality status of each source/catchment is determined by comparing key determinants against Overberg Water's quality criteria for each water supply catchment. The Table overleaf provides an overview of the water quality of raw water over the years.

Figure 9: Theewaterkloof Dam

Further discussions with the Catchment Management Agencies (CMAs) will be explored to improve the quality of water sources.

Geographical Area	System	Catchment	Impoundment	River	Owner	Manager	Gross Capacity (million m3)
Overberg Region	Rûensveld-Wes	Breede-Gouritz	Theewaterskloof Dam	Sonderend	DWA	BGCMA	479.3
	Rûensveld-Oos	Breede-Gouritz	Theewaterskloof Dam	Sonderend	DWA	BGCMA	479.3
	Duivenhoks	Breede-Gouritz	Duiwenhoks Dam	Duiwenhoks	DWA	BGCMA	6.2
	Total for Water Systems						**964.8**

Table 1: Capacity of water resources

Geographical Area	System	Catchment	Impoundment	Water Quality status			Description of Raw Water Quality Problem
				2022	2023	2024	
Overberg Region	Rûensveld-Wes	Breede-Gouritz	Theewaterskloof Dam	Good	Good	Good	Eutrophication with occasional high turbidity
Overberg Region	Rûensveld-Oos	Breede-Gouritz	Theewaterskloof Dam	Moderate	Moderate	Moderate	Eutrophication with occasional high turbidity. High conductivity. High organic matter, exacerbated by the rapid floods
Overberg Region	Duivenhoks	Breede-Gouritz	Duivenhoks Dam	Good	Good	Good	Eutrophication with occasional high turbidity

Table 2: Raw water quality

Water resource assurance and supply security per water services authority

The El Nino and protracted drought period experienced in 2015 to 2017 had a severe impact on the water security in the region. The TWK Dam had been at an all-time low during that period, reaching levels below 30%. Overberg Water was cognisant of this decline and reduced its volumes for financial year 2017/18. Since that time, the Entity has been very cautious on how water is conserved and invested in various activities.

Direct abstractions from the Sonderend River, Berg and Breede River as well as many smaller streams and rivers form an important source supplying many smaller towns and villages. Many municipal and rural water supply schemes are reliant on groundwater for potable water supply and groundwater also forms an important supplementary source to many surface water abstractions. Farms within the region make use of groundwater to a great extent, mainly through private boreholes and wells.

The Overberg region is characterised by east-west mountain ranges and valleys. The area is characterised by large, relatively flat, coastal plains with undulating hills reaching up to the Riviersonderend, Langeberg and Outeniqua mountain ranges to the north. Historically, surface water has been the most important resource for water supply to towns in the Overberg region and, in many cases, settlements in the region developed near accessible surface water sources such as rivers and dams.

The Breede, Gouritz and Sonderend Rivers are the prominent rivers in the Overberg region and many of the larger towns are situated close to these river systems. The Overberg region is situated in the coastal rainfall region of the Western Cape which has a mean annual rainfall of 324 mm. Evaporation is high and exceeds rainfall in most areas; consequently, runoff is mostly restricted to the larger rivers with many smaller streams and rivers drying up partially or completely in summer. The Overberg region is generally classified as a water-scarce region with varying rainfall.

The lower reaches of the Breede River are significantly impacted by return flows from agricultural areas, leading to high salinity. Large volumes of water are transferred from the Breede River catchment to the Berg River catchment from Theewaterskloof Dam, which form a significant portion of the potable water supply to the Cape Town Metropolitan area and irrigation along the Berg River. The coastal plains between Botrivier and Witsand are characterised by large wetlands and lakes. Several commercial forests are located in the western parts of the Overberg and impact significantly on runoff. Alien species invasion is particularly evident in the Overberg, especially in riparian areas.

Municipalities are generally responsible for their own bulk water supplies for towns while Overberg Water supplies some towns and mostly retail customers including farms and industries. Several smaller retail and private water schemes also exist in the region.

Potable water needs are mostly concentrated in larger towns and specifically coastal towns impacted by tourism and seasonal high-water demand during the drier summer months. The coastal towns in the Overberg region such as Roo Els, Bettiesbay, Kleinmond, Hermanus, Gansbaai, Franskraal, Pearly Beach, Struisbaai, Arniston, Infanta, and Witsand experience a high influx of holiday makers during summer and particularly over December and Easter holidays. This impacts significantly on the peak water demands for these towns and requires special measures to be taken by municipalities to ensure adequate potable water supply as the peak demand coincides with the peak summer and driest period.

According to the All Towns Study, the combined water demand in 2007 for the towns and villages in the Overstrand, Hessequa, Cape Agulhas, Theewaterskloof, and Swellendam Municipalities was 52.7 Ml/d and is projected to increase to a maximum of 197.9 Ml/d in accordance with the high growth scenario.

Overstrand Municipality

The current raw water sources for the Greater Hermanus Area consist of the De Bos Dam (licenced 2.8 mcm/a) and the Gateway Well field (licenced 1.6 mcm/a – note sustainable abstraction rate is only 1.2 mcm/a).

Two new well field developments are underway in the Hemel and Aarde Valley, i.e. the Camp hill and Welmoedwellfields, which will provide a further 1.6 mcm/a raw water source capacity bringing the total safe yield for the Greater Hermanus area sources to 5.6 million mcm/a.

The Overstrand Municipality has identified that the Greater Hermanus Area is projected to experience an annual average daily demand of 9.25 mcm/a by 2032 and a shortfall of 3.65 mcm/a (10 Ml/day average day demand). The Greater Hermanus Area experiences a significant influx of holiday makers during the peak summer months and the Municipality has therefore indicated that investigations into an alternative water source must be based on the estimated peak week demand with a peak week factor of 1.75; i.e. 17.5 Ml/day. AECOM (previously BKS) were appointed to carry out a feasibility study into the development of a new supply to the Greater Hermanus Area from the Mariasdal Water Treatment Works (WTW) (Rûensveld West Water Supply Scheme) situated downstream of Theewaterskloof Dam (TWKD) with a new pipeline to Hawsten or Fisherhaven and a new service reservoir or water treatment works.

Overberg Water abstracts water from the Sonderend River downstream of Theewaterkloof Dam from where it is treated at the Mariasdal WTW and distributed to Caledon and surrounding farms via the Rûensveld West Scheme. Although it was determined that very little spare capacity exists at the Mariasdal WTW and in the rising main from the WTW to the Noordekloof Reservoir, an increased abstraction from the Sonderend River and upgraded treatment capacity at Mariasdal WTW together with using the spare capacity in the existing rising main would provide a sensible scheme which could be expanded via a new pipeline. This option would require an agreement between Overberg Water and Overstrand Municipality for the possible joint development and operation of the scheme. The study concluded and recommended that the Overstrand Municipality and Overberg Water engage with the DWA to understand what costs other than licence fees would be associated with an immediate allocation from the Berg River / TWKD in terms of capital down payment.

The scheme presents an opportunity for Overberg Water to increase its presence as a bulk water provider to a major municipality in the Overberg Region and would allow Overberg Water to engage with the DWS in terms of the future management of the Berg River / TWKD source.

Preliminary discussions between Overberg Water and Overstrand Municipality have indicated a preference for Overberg Water to develop the additional abstraction and treatment capacity as well as the bulk pipeline and associated reservoir and pump stations.

Overstrand Water would construct a new receiving reservoir near Fisherhaven/ Hawston and Overstrand Municipality would purchase the water at an agreed tariff at the inflow to the new reservoir and distribute to their network to service the Greater Hermanus Area. The layout of the proposed scheme is reflected in the figure below.

Figure 10: Greater Hermanus bulk water provision proposal

Hessequa Municipality

Hessequa Municipality already has an agreement with Overberg Water for bulk water supply from the Duivenhoks WSS to the towns of Heidelberg, Witsand, and Slangrivier with a combined import of nearly 2.0 Ml/d. Except for a small groundwater supply for Witsand, these towns are entirely dependent on the bulk water supply from the Duivenhoks WSS. Rainwater harvesting and water reuse is being implemented by the Municipality for these towns but on a small scale, and it is reasonable to expect that future water demands for these towns would be supplied by Overberg Water, provided that capacity exists in the Duivenhoks WSS. The Duivenhoks WSS is currently has spare capacity at the source and treatment works. The All Towns Study indicates a possible high scenario shortfall of 4.5 Ml/d for Heidelberg, Witsand, and Slangrivier combined. A more detailed investigation into the projected future water demand for these towns must be carried out to inform Overberg Water and Hessequa Municipality and aid in the discussions on future water supply infrastructure planning.

Expansion of Overberg Water's supply toward Riversdale could also be considered if spare capacity is available in the Duivenhoks WSS although this would require new pipelines and increased treatment capacity. Riversdale is currently supplied from the Korentepoort Dam (Korente-Vette Government Water Scheme).

The 2035 high scenario projection indicates a possible shortfall of 3.59 Ml/d for Riversdale which presents an opportunity for the developed of a new pipeline between Heidelberg and Riversdale which could be jointly developed by Overberg Water and Hessequa Municipality.

Stilbaai is currently supplied by groundwater and the Olive Grove Dam while Jongensfontein is supplied from springs. Although Stilbaai and Jongensfontein have substantial water demand and are especially influenced by seasonal increased water demand, these towns are far away from the existing Duivenhoks WSS network and it would be advisable to investigate the feasibility of developing an off-channel winter runoff scheme from the Goukou River system to ensure water is available for the peak holiday periods.

The opportunity also exists to link the Duivenhoks and Rûensveld East Schemes between Swellendam and Suurbraak. This could improve security of supply to both schemes and also presents an opportunity to link in a possible potable water supply from the Buffeljags Dam which is currently utilised for irrigation only. This opportunity requires a detailed assessment and feasibility study to be completed in the future.

Expansion of the scheme east of Riversdale is not considered feasible due to the distances to Gouritzmond and Albertinia; however, the feasibility to construct a new water treatment works will be explored in the long term.

Overberg Water has also been approached to consider being a role-player in the upgrade of the Duivenhoks Canal.

Duivenhoks Canal

Overberg Water provides water to the town of Heidelberg, Slangrivier and Witsand as well as the rural areas (household and stock water). Raw water is abstracted via a pump station from the Duivenhoks River which is fed primarily by the Duivenhoks Dam. The dam was constructed by the Department of Water and Sanitation between 1962 and 1965 and the water abstraction weir and the irrigation canal were built by the farmers around 1910.

Forty to fifty percent of the water stored in the Duivenhoks dam is lost due to the leakage in the canal when water is conveyed in the old canal system to the irrigation fields. The amount of leakage is estimated at between 1, 53 million m^3/a (30%) and 2, 55 million m^3/a (50%) of the canal flow. Water is the economic driver in the agrarian community of Heidelberg and these water losses are the cause that the agricultural potential of the 1270ha of irrigation lands is not farmed to its full potential. The combined future water needs for irrigation and domestic (towns and rural) use in 2030, according to the Reconciliation Strategy for the area, ranges from 8,315million m^3 / annum to 9,815million m^3/ annum. While the total irrigation water allocation from the Duivenhoks water system is only 7,638million m^3/ annum – a shortfall of at least 0.680 million m^3/ annum which cannot be increased given the constraints on the dam.

A feasibility study was conducted in 2016, recommending a gravity pipeline be constructed from the Duivenhoks dam to the town of Heidelberg. Overberg Water, situated between these two points, will be able to draw water from this pipeline that is much cleaner than the current form. This should save significant purification costs and lead to less water being wasted through natural river flow. The study recommends the construction of a pipeline made up of various pipe sizes ranging between 800mm ductile iron and 50mm uPVC. The total cost of the project is estimated at R195 million (incl VAT) of which Overberg Water intends being a funding partner. While the funding model is still being finalised, Overberg Water believes the realisation of this project should bring about much more sustainable water use practices along the Duivenhoks Water Supply System, especially considering current water supply challenges. Long term benefits include less water wasted, increased crop production, lower purification costs and better water management overall.

Kannaland Municipality

Kannaland Municipality is considered as an expansion opportunity of the existing Overberg Water infrastructure and resources; however, further discussion with the Kannaland Municipality is required to identify possibilities for the development of new bulk water supplies where Overberg Water could play a role in the development, operational and maintenance of the infrastructure or through the provision of institutional support.

Cape Agulhas Municipality

Cape Agulhas Municipality already has an agreement with Overberg Water for bulk water supply from the Rûensveld East WSS to the settlements of Protem, Klipdale, and the town of Arniston. Protem and Klipdale are totally reliant on Overberg Water's supply while Arniston's water is supplemented from a local borehole. No significant water demand growth is expected in Klipdale and Protem; however, it can be expected that a reasonable growth in demand in Arniston can be expected due to tourism and the development of low cost housing which is underway at present, and it would make sense to increase Overberg Water's capacity to supply this demand.

Bredasdorp is currently supplied from Klein Sandrif Dam and groundwater. According to the high growth scenario, the All Towns Study identified a possible shortfall of 2.46 Ml/d for Bredasdorp by 2035.

The Municipality plans to implement measures for the optimisation of the aquifer and wellfield management that could meet the water demand of the town until 2035. It should, however, be noted that Overberg Water's pipelines supplying water to Arniston run very close to Bredasdorp and the Rûensveld East WSS has 2.7 Ml/d spare capacity that could be utilised to supplement the supply to Bredasdorp.

Napier is also a substantial town located to the west of Bredasdorp and the town is supplied from groundwater. According to the high growth scenario, the All Towns Study identified a possible shortfall of 0.83 Ml/d for Napier by 2035. Incremental groundwater development and possible import from the Rûensveld West WSS/East WSS are being considered.

Struisbaai, located to the south, has six (6) existing boreholes and further groundwater development is proposed to cater for future demands and no shortfall is envisaged by 2035. Agulhas, on the other hand, has limited groundwater supplies and high unaccounted-for water use. The Municipality plans to implement water conservation and demand management measures and develop additional groundwater capacity to cater for future demand. Surplus groundwater from Struisbaai could also be directed to Agulhas. Suiderstrand has adequate groundwater supplies.

Strategic links between the Rûensveld West and East Schemes will be needed to be considering in the future between Napier and Bredasdorp. This will both provide capacity to supply water to Napier and Bredasdorp without adding significant capacity to the existing schemes and provide security of supply.

Theewaterskloof Municipality

The Theewaterskloof Municipality already has an agreement with Overberg Water for bulk water supply from the Rûensveld West WSS to Caledon. Caledon is also reliant on groundwater supplies but it can reasonably be expected that an increased supply from the Rûensveld West WSS will be required to cater for future demand growth.

As discussed under the Overstrand Municipality section, Overberg Water and the Overstrand Municipality are planning to jointly develop a new bulk water supply for the Greater Hermanus Area based on increased abstraction from the Sonderend River downstream of Theewaterskloof Dam and an upgrade of the existing Rûensveld West WTW. The scheme will provide a capacity of 20 Ml/d.

Currently the Rûensveld West WTW has spare capacity available of around 3.9 Ml/d (subject to water licences being approved) which should be sufficient to supply in the future water requirements of Caledon and the retail customers in the Rûensveld West WSS.

Langeberg Municipality

Langeberg Municipality is considered too far away for expansion of the existing Overberg Water infrastructure; however, further discussion with the Langeberg Municipality will be required to identify possibilities for the development of new bulk water scheme where Overberg Water could play a role in the development of the infrastructure or through the provision of institutional support.

Swellendam Municipality

The towns of Swellendam and Barrydale are the only significant urban centres in the Swellendam Municipal area. Swellendam town has sufficient raw water sources in the form of the existing abstraction from the Klip River even beyond 2035 for the high growth scenario. The town of Barrydale, however, does require interventions to accommodate future demand growth. One of the intervention strategies is to implement water conservation and demand management programme and to increase abstraction from the Huis River. The Buffeljags Dam is, however, currently utilised only for irrigation.

Existing water use rights, licences by resource

Overberg Water's registered abstractions and licence applications are shown in Table 3.

System	Abstraction Point	Registered Abstraction (m3/year)
Rûensveld-Wes	Sonderend River	1 914 000
Rûensveld-Oos	Sonderend River	897 000
Duivenhoks	Duivenhoks River	1 232 000

Table 3: Water use rights, licenses by resources

Overberg Water submitted a water licence application for the Duivenhoks system in 2002 in Afrikaans. The application was rejected, and a request was made to submit in English. Overberg made application in 2007 (English) for the initial application to abstract more water from system at their current authorised intake point. DWS is still evaluating the licence application. Further discussions with DWS are to take place on this matter.

Future water use rights, licences by resource required

With Overberg Water's trajectory, having changed toward growing its footprint strategically, several new opportunities or potential growth areas have been identified. Firstly, for the schemes operated and owned by Overberg Water will require the future abstraction and licence requirements based on the future expansion and growth scenarios (see Table below). For the future schemes or opportunities, it is envisaged that strategic stakeholder engagements need to be complete with the Municipalities and DWS. The future abstraction and licence requirements will need to be determined as and when such needs or schemes are required. Table 4 below indicates the future licence and abstraction requirements that need approval by DWS and the respective CMAs.

System	Abstraction Point	Registered Abstraction (m3/annum)	Future Abstraction & Licence requirements and approvals by DWS (m3/annum) *
Rûensveld-Wes	Sonderend River	1 914 000	3 680 568
Rûensveld-Oos	Sonderend River	897 000	1 745 424
Duivenhoks	Duivenhoks River	1 232 000	2 086 920

** All of the future volumes have not been allowed for in the financial model as licences need to be approved*

Table 4: Future water use rights by resources required

Water demand of major consumers by resource

With the view to growing its footprint, Overberg Water has identified several major potential consumers based on the growth and allocation requirements. Table 5 gives a breakdown of Overberg Water's existing major consumers and the future major consumers where the additional potable water will be distributed. Overberg Water will therefore engage the major consumers and when the necessary water licenses are approved, so that new Service Level Agreements are established to provide the revised or new allocations.

Existing: Major Consumers				
System	Catchment	Impoundment	Major Consumers	Total Allocation - m3/annum
Rûensveld-Wes	Breede-Gouritz	Theewaterskloof Dam	TWK	2 409 000
Rûensveld-Oos	Breede-Gouritz	Theewaterskloof Dam	Cape Agulhas	91 250
Duivenhoks	Breede-Gouritz	Duivenhoks Dam	Hessequa	892 425

Future: Major Consumers				
System	Catchment	Impoundment	Major Consumers	Total Allocation - m3/annum
Rûensveld-Wes	Breede-Gouritz	Theewaterskloof Dam	TWK	3 381 953
		Theewaterskloof Dam (Berg River Scheme)	Overstrand	7 300 000
Rûensveld-Oos	Breede-Gouritz	Theewaterskloof Dam	Cape Agulhas	139 582
Duivenhoks	Breede-Gouritz	Duiwenhoks Dam	Hessequa	1 249 098

Future: Major Consumers - Dependent on engagements with Municipalities and DWS				
System	Catchment	Impoundment	Major Consumers	Total Allocation - m3/annum
New Scheme - West Coast	Breede-Olifants	Groundwater Sources / Clanwilliam Dam	WDC LM	930 000
New Scheme - Klein Karoo	Breede-Gouritz	Groundwater Sources	Oudtshoorn LM & Kannaland	1 860 000

Table 5: Water dams of major consumers by resource

KEY PRIORITIES FOR OVERBERG WATER

1. Strategic programmes

The following are **strategic programmes** that will define the activities of OW over a five-year period:

- Water services planning
- Water services management
- Institutional and stakeholder relations
- Resource protection
- Strategic support, which includes finance, human resources and administration
- Governance and management

The above-mentioned programmes are translated into the following **strategic goals**:

- Organisational efficiency and effectiveness
- Improve and increase revenue and manage cost drivers
- Effective stakeholder and customer engagement
- Strengthen and develop quality human and organisations resources
- Provide oversight and take accountability

2. Alignment with Government

The OW's mandate and functional responsibilities are aligned to achieve and support the strategic priorities of the Department of Water and Sanitation that are aligned with the fourteen Outcomes of National Government. **Table 6 Alignment of OW strategic objectives with those of National Government** below shows the alignment, such as constructing the beams in selected rivers and maintaining constant communication channels with its customers.

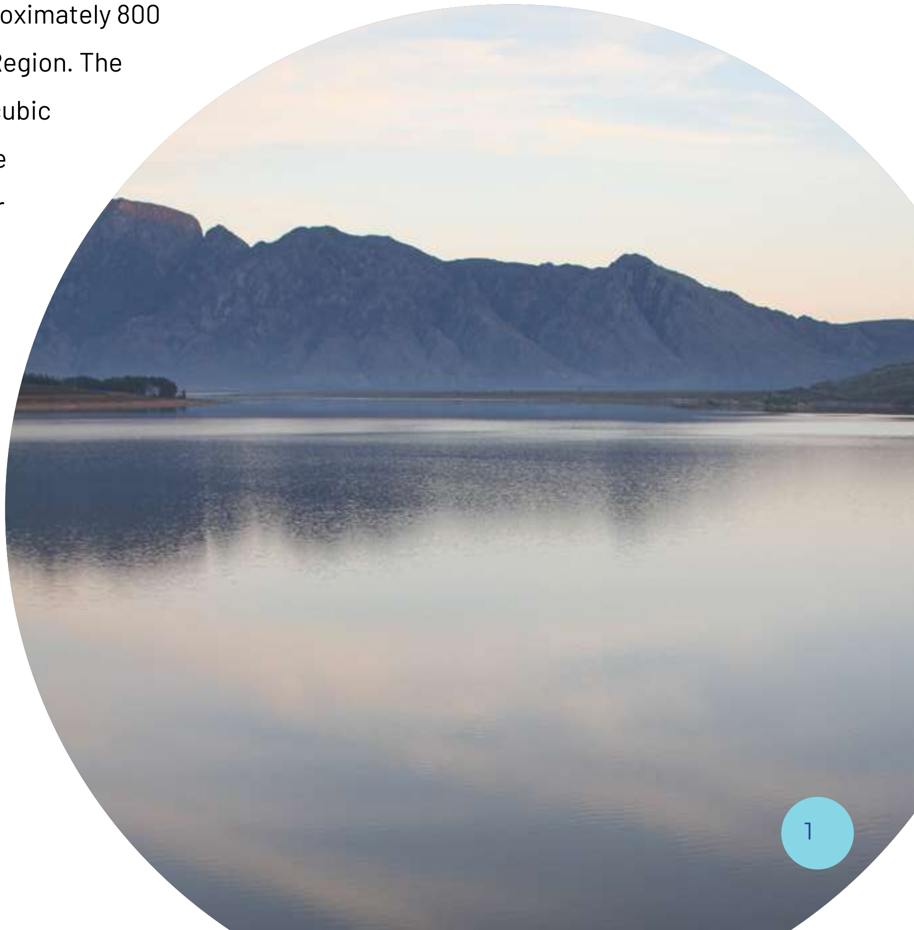
Government outcomes	No.	DWS Strategic outcome-oriented goals	No.	DWS Strategic objectives	No.	OW Strategic programmes aligned with objectives of DWS
Outcome 12 (Public service) Outcome 4 (Employment) Chapter 13 of National Development Plan (NDP) New growth path 2 (job creation	4.	An efficient, effective and development oriented sector leader	4.4	Coordinated development of the skills pool across the sector	6	Governance and management
			4.3	Effective and efficient internal control environment	6	Governance and management
			3.4	Job opportunities created that expand economic opportunities for historically excluded and vulnerable groups	6	Governance and management
Outcome 6 (Infrastructure) New growth path 2 Chapter 4 of the National Development Plan (NDP)	2.	Equitable access to reliable, sustainable and acceptable water resources and water and sanitation services	2.2	Targeted and aligned planning for adequate water availability and the enhanced provision of water supply and sanitation services	1	Water services planning
			2.5	Enhanced provision of sustainable and dignified basic sanitation	2	Water services management
			3.1	Equitable water allocation and availability for socio-economic development	2	Water services management
			1.4	Enhanced water use efficiency and management of water quantity	2	Water services management
Outcome 9 (Local Government) Outcome 10 (Environment) Chapter 5 of the National Development Plan (NDP)			1.1	Water resources protected through water supply and sanitation services regulation, compliance monitoring and enforcement	4	Resource protection
			1.3	The integrity of freshwater ecosystems protected	4	Resource protection
			1.2	Enhanced management of water and sanitation information	6	Governance and management

Table 6: Alignment of OW strategic objectives with those of National Government

Table 6 illustrates that OW's Corporate Plan is informed by the operating business environment as reflected in State of the Nation Address and National Budget Address of February 2017, the fourteen Government Strategic Outcomes of Government and Pertinent Outputs cascading to the Executive Authority, the National Development Plan (NDP) 2030, the Medium Term Strategic Framework (MTSF2014 – 2019) and the DWS's National Water Resources Strategy (NWRS II, 2013), key focus areas highlighted by the DWS Minister in March 2018 and the DWS' five-year Strategy Plan and Annual Performance Plan and the Presidential Review Committee Report of 2013 on reshaping state-owned Entities including DWS institutional realignment exercise.

Figure 11: Area of supply

Figure 11 shows the Overberg Water area of jurisdiction supplying bulk drinking water to two municipalities and approximately 800 individual industrial farmers in the Overberg Region. The yearly volume of supply is approximately 4m cubic metres, the two main sources of water are the Theewaterskloof Dam on the Sonderend River and the Duivenhoks Dam on the Duivenhoks River. OW owns and operates three water supply schemes; namely, the Ruensveld West, Ruensveld East and the Duivenhoks Water Supply Scheme. The primary activity is the provision of potable water. The area supplied over 6 000 square kilometres in the Overberg and Eden District Municipalities and the pipe network covering these areas is approximately 1 450 kilometres.



FOREWORD FOR 2023/24 BY THE HONOURABLE MINISTER OF WATER AND SANITATION

It is with pleasure to write this foreword for the Water Overberg Water Board. It is one of the entities within the Department of Water and Sanitation. It was established in 1993 to provide potable water to customers. Overberg Water has been evolving from a disclaimer to a set of unqualified audit opinions over recent years. There is no doubt that over the years the Entity has been working hard in improving its internal control systems, including the overall organisational performance. The improvements yielded the following results as shown in improvements yielded the following results as shown in the table below:

FINANCIAL YEAR	AUDIT OUTCOME
2015/2016	Disclaimer audit opinion
2016/2017	Qualified audit opinion
2017/2018	Unqualified audit opinion
2018/2019	Unqualified audit opinion
2019/2020	Unqualified audit opinion
2020/2021	Unqualified audit opinion
2021/2022	Unqualified audit opinion
2022/2023	Unqualified audit opinion
2023/2024	Unqualified audit opinion

Table 7: Audit opinions since 2015/2016

In recent years, the Entity has experienced a myriad of water supply interruptions. These were due to ageing infrastructure, funding constraints and technical challenges. Whilst the challenges remain my concern, I am satisfied that the Entity's intervention plan and the support from my department have resulted in reasonable and tangible results. The work remains to remove every water supply interruption and drastically reduce non-revenue water. Hence, my expectations in my capacity as the Minister are to completely reduce any water supply interruptions, non-revenue water and improve the financial performance of the Entity.

The Department of Water and Sanitation is fully committed to supporting the Entity. The Entity is unique in the sense that it also provides water directly to individual farmers who are the dominant economic component of the Overberg Region. The water is used for agro-processing and related activities. Water supply must always be made possible

My department is mindful of loadshedding and its impact on the Entity. Overberg Water has been asked by my department to develop its cost recovery plan for my attention. It is important for me to see it in a healthy financial position. Also, every effort is being made to solicit blended financing. I acknowledge that there is already a funding agreement between Overberg Water, Development Bank of Southern Africa and the Infrastructure Fund. The next step is to translate the agreement to tangible results aimed at ensuring another 30 years of Overberg Water's existence.

I am pleased to note that Overberg Water has completed its Growth Path Strategy which does not only focus on the future but deals with the current water supply challenges. The Entity is submitting its growth plan in due course. In addition, I have directed my department to do all that is humanely possible to support Overberg Water towards achieving its growth plan initiatives, attending to its water supply issues and ensuring water remains in the pipeline. The ultimate destination is to support Overberg Water in achieving its growth path initiatives which are geographically, and revenue determined. However, the first focus must be on existing infrastructure challenges.

In addition to individual farmers, Overberg Water provides bulk drinking water to its municipal customers, namely the Theewaterskloof and Hessequa Municipalities. Thus, the Entity must continually take its stakeholders on board and improve its communication with all the affected and interested parties.

In conclusion, my word of appreciation goes to the Board, executive management, staff, and all affected parties. Let the wheel of service delivery be a unifying force as the Entity discharges its mandate.

MS PEMMY MAJODINA, MP

MINISTER OF WATER AND SANITATION

THE ACCOUNTING AUTHORITY REPORT

Introduction

This report is written as an illustration that Overberg Water Board of Directors has done its best in executing its oversight and fiduciary responsibility. The year 2023/24 as shown in the CEO's Report has not been an easy year. The loadshedding has taken its toll and the challenge still remains on how best one can recover from the financial strain imposed by the energy cuts. Despite the challenges, Overberg Water remains a going concern and the beacon of hope in water services. Also, the results of the 2023/24 audit as performed by the Office of the Auditor-General indicates that OWB is truly committed to improve its internal controls. The Entity has done it again by obtaining an unqualified audit opinion. In one of the South African languages we simply say "Mintirho ya vulavula" – actions speak louder than words. The Entity has experienced a number of water supply challenges due to amongst other reasons ageing infrastructure and network design. Nevertheless, the Entity developed its Intervention Plan as part of leaving no stone unturn in arresting the challenges. There is so much that was achieved in terms of the Intervention Plan and the rest shall be implemented even in the new financial years 2024/25 and 2025/26. It has not been an easy cruise but at Overberg Water the waters were repeatedly calm down so that the Entity did not deviate from its core mandate which is provision of bulk drinking water. Hence, writing this report became a hand-in-glove as we marvelled the 2023/24 financial years with its challenges.

Intention

The intention as the financial years progressed there were visible changes aimed at strengthening the Entity so that the Board discharged its responsibilities bearing in mind the Entity's mandate. The outgoing Board only came into being in May 2019 up-to 30 September 2023. The Board put its hands on the deck through working with the Chief Executive Officer with his Executive Management to continually improve our internal controls and more importantly the focus was on growing the business both in revenue and geographical terms. In 2023/24 the Minister issued a gazette calling for comments on the plans to increase the geographical area. In line with the Minister's gazette and the Entity's Growth Plan Initiatives, a service provider was appointed to meticulously pull together the Growth Path core areas with the financial strategy.

Commitment

There is no doubt that Overberg Water is continually committed to the improvement of its service delivery record. Hence, it has noted the challenges engulfing the financial year of 2023/24. It was not only about noting but profoundly coming out with an Action Plan dealing with all the issues raised in the Auditor-General Report of 2023/24. The same Action Plan has amongst other things improved the audit opinion from a disclaimer in 2015/16, qualification in 2016/17, unqualified audit opinion in 2017/18, unqualified audit in 2018/19, unqualified audit in 2020/21, unqualified audit in 2021/22 and unqualified audit opinions in 2022/23 and 2023/24. Furthermore, a number of policies were reviewed and some developed in line with the weaknesses in the system. One of those policies is the Supply Chain Management Policy aimed at overhauling not only the irregular expenditure but to completely eliminate it. Whilst every issue is being attended to, there are still challenges that require a well thought through intervention process.

Challenges

These challenges are being attended to and with the support of the Department of Water & Sanitation there is every reason to be confident about the future of the Entity. The entire Overberg Water staff is determined to see successes and the Entity reclaiming its rightful place of becoming the leading water services provider in the region. Everyone at Overberg Water recognises that an old African proverb is so true when it comes to success. The proverb without any ambiguity states that "ingwe idla ngamabala". This can be loosely translated to mean the leopard shines through its spots. In other words, success does not grow on trees but one works for it. Whence, the Entity has been retaining a record of unqualified audit opinion for the past consecutive years. The Entity is yet to fully achieve its Growth Path initiatives. It remains a challenge to create the Entity that services the Cape Region and beyond. It is a challenge that the current Board is fully behind it and believes in it.

Accountability

Overberg Water understands that accountability to its stakeholders and partners is essential in growing the Entity as well as building the public image that builds confidence. As such a number of stakeholder and partnerships engagements were initiated so that everyone is on board insofar as the Entity's performance is concerned. This will go hand-in-hand with the Entity's efforts to improve organisational performance. Overberg Water is mindful that any lack of accountability has a potential to corrode public respect which would be harmful to its growth path initiatives. The Entity's public image and reputation are sacrosanct. These will propel the Entity from goodness to greatness.

State of Governance

Overberg Water is committed to zero-tolerance to fraud and corruption and is continually improving its internal controls and systems as part of being alert at all times so that fraud and corruption is detected and appropriately dealt with.

Essentially, the state of governance plays a major role in setting the right tone and implementing consequence management against individuals who have transgressed in this area.

In order to ensure a sound governance culture, the Entity once the new Board has been appointed will ensure that a number of committees are in place so that they support the Board in discharging its governance and fiduciary responsibilities. The main objective henceforth is to obtain the audit opinion that builds public confidence. Accordingly, an unqualified audit opinion is the zenith point for building the public image. The next step to climb is achieving the clean audit.

Sustainability

Most organisations and Entities strive for sustainability. Overberg Water is one of those Entities that are striving for sustainability, firstly in terms of financial sustainability, secondly, in terms of operational sustainability and thirdly, in terms of ecological / environmental sustainability. Of course, sustainability without complementary infrastructure would forever remain a pipe dream. Whence, one of the future plans is to develop an infrastructure plan that supports sustainability.

Conclusion

In conclusion, a word of appreciation goes to the Chief Executive Officer and his Executive Management Team as well as the entire Overberg Water staff.

A further word of thanks goes to the Theewaterskloof and Hessequa Municipalities including our industrial customers / agriculture for being interested in working with the Overberg Water.

Obviously, no word of appreciation will be concluded without acknowledging the Portfolio Committee, Minister of Water and Sanitation for the support and political direction; the Department of Water and Sanitation for its willingness to see Overberg Water sailing through.

CHAIRPERSON OF THE BOARD

RAZEEN BENJAMIN

CHIEF EXECUTIVE OFFICER REPORT

Introduction

Water is not only key to life but is life. Benjamin Franklin is correct by stating: “when the well is dry, we know the worth of water”. The worth of water is irreplaceable. It is lifeblood of our existence, our nations and evolutionary development. Water is playing an important role to the economy of the Overberg District, Western Cape Province, and the country at large. It supports agriculture which is a vital component to sustainable growth. Therefore, if the well is dry, it would mean no jobs, no dependable GDP and no adherence to the Bill of Rights. Fauna and flora are at risks at losing their existence. Hence, one of the growth path core areas is alternative sources of water to keep the dry full of water.

Socio-economic growth

There is no doubt that Overberg Water Board’s performance in delivering bulk water in general and water distribution in particular contributes to socio-economic development. The recent drought and the COVID-19 pandemic had shown that water is central in our daily activities and none of us can live without water. It is often said that “water is the driving force of all nature”. The word nature refers to the phenomena of the physical world collectively including plants, animals, the landscape, and other features and products of the earth. Water is life to both fauna and flora. It becomes evident in drinking water. Drinking water must always be of quality not just meeting the prescribed standards as stated in the SANS241 but to the health of the consumers as well. Quality water is linked to primary healthcare. This, however, does not happen on its own. It requires dedicated Entities like the Overberg Water Board which are given the task of providing water services to ensure that they have sound internal controls, financial sustainability, clearly defined performance indicators and are aligned with the Constitution. The Constitution makes water access the human right issue. Without any word of contradiction, water services provision is a constitutional mandate which is a mantle that promotes human dignity and sustainable development. The Overberg Water Board in 2023/24 did all what it could to live up to the expectation. It is a commitment that defines its performance culture and organisational architecture. The winds of change have been blowing since 2015/16 and led OWB to consistently retain its unqualified audit opinion up to date. The discussion in this CEO Report provides an organisational performance overview.

Challenges

Before discussing the kaleidoscope pictorial view, it is important to provide a summary of challenges that has been facing Overberg Water during the year under review. These are:

- Interrupted electricity supply
- Inflation
- Ageing infrastructure
- IT investment deficiencies
- Chemical increase
- Energy increase
- Fuel increase
- Audit fees

The above-mentioned challenges are grouped into two areas; infrastructure and key cost drivers. The Entity is defined as 3B business enterprise. It relies on its own revenue to discharge its business activities. The challenges as indicated in the bullet forms have a direct impact on the overall business processes in terms of revenue and water supply. The focus has been on running an Entity on an going concern basis and continually provide superior performance.

Infrastructure

OWB has been in existence over 30 years now. The age of the Entity has a direct relationship with the infrastructural performance. The current infrastructure is depressed due to ageing and design. The Entity had to invest it's savings to address the issue. For example, in Duivenohoks the Witsands pipeline of 11 km had to be replaced and the replacement of sandfilters. Furthermore, the Entity developed its 36 months Intervention Plan. The development of the plan was a transparent exercise with inputs from the Western Cape DWS Regional Office, Western Cape Provincial Department of Local Government, and further inputs from the Overberg Water Users Forum. The ultimate plan remains the overall responsibility of the Entity. The first part of 12 months has passed and now in the second year of implementation. Each year has its own set targets, budget, and action owners. In addition, the Entity had applied for blended funding and various funding Entities such as the National Treasury' BFI, DBSA, IDC, and Infrastructure Fund SA were approached for financial injections. The Entity had agreed to enter into a trio memorandum of agreement consisting of the DBSA, Infrastructure Fund and Overberg. The purpose of the intended agreement is to craft a funding proposal which clearly outlines the low hanging fruits and the proposal that is shovel ready.

Key cost drivers

The focus throughout the 2023/24 financial year was to consistently supply water within the prescribed SAN241 standards to all customers. It was not a straightforward phenomenon as the Overberg Water reported a net deficit due to unforeseen cost drivers. Fuel increase to 574% due to loadshedding. As such, the Entity had to buy diesel generators using its own finances. The costs were never included in the tariff component. It was not envisaged that the country was to experience regular energy cuts. The situation became dire when loadshedding was beyond Stage 2 as more diesel had to be bought to comply with the service agreement in place. In addition, the overall energy tarrif was also hiked by 15.65%. The hike put more pressure on the finances of the Entity. The Entity had to withdraw its investment to carry on with the business. The hike was not only on the energy, the chemicals also were hiked by 15% due to global economic climate. In short the following diagram shows that the Entity's expenditure exceeded its revenue.

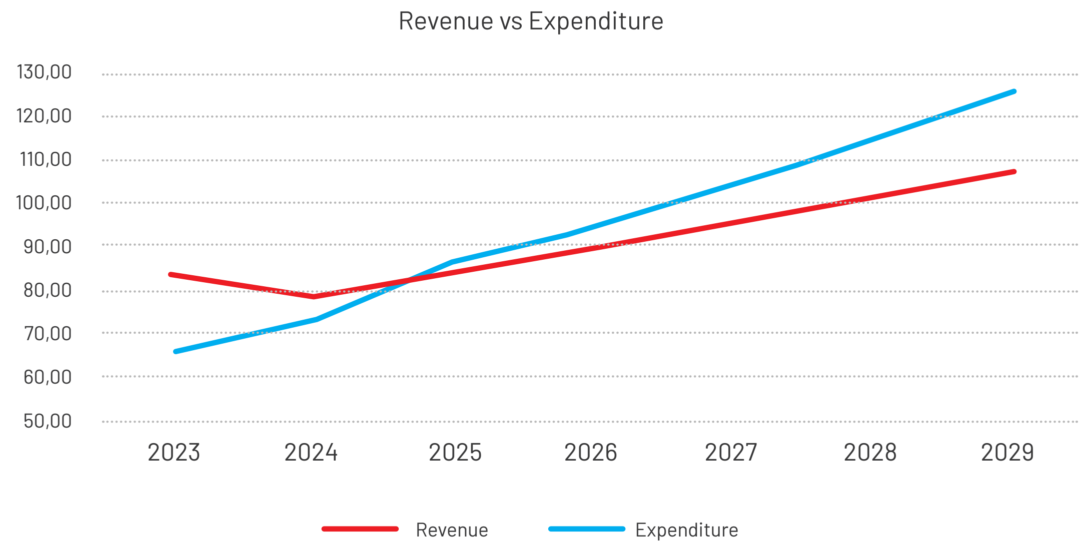


Figure 12: Revenue versus expenditure

The combined hikes had a serious financial dent on the Entity. There is a ray of hope ahead, the Entity expects to improve going forward in the next two financial years.

Kaleidoscope pictorial view

The winds of change have been blowing since 2015/16 audit outcome. The audit outcome was a disclaimer. The current audit opinion shows that where there is the willingness and positive attitude the altitude is reciprocal too. The sequence of audit reports at Overberg Water have been the following:

Financial Year	Audit Outcome	Representation	Remarks
2015/16	Disclaimer		AFS not timeously submitted due to internal challenges and no audit concluded as per prescribed timeframes. Not all records were available for auditing purposes
2016/17	Qualified audit		AFS not submitted on time due to internal challenges. A lot of work was done addressing internal control deficiencies
2017/18	Unqualified audit		AFS were submitted on time but due to the previous backlog no audit could be performed while still auditing the previous financial year. A lot of work was done addressing internal control systems
2018/19	Unqualified audit		AFS submitted on time and audit commenced on time. The focus was on internal controls continual improvements and enhancement.
2019/20	Unqualified audit		The AFS and Performance Information were submitted on time. However, the Office of the Auditor General informed the OWB that due to COVID-19 the audit end date is 31 January 2021.
2020/21	Unqualified audit with no findings – clean audit		There were no material findings either in the AFS or performance information due to the hard work of the Board, Executive Management, Senior Management and staff.
2021/22	Unqualified audit		The AFS and Performance Information were submitted on time. However, the Office of the Auditor-General informed the OWB that due to its capacity constrains the audit will be delayed and that every effort shall be made to conclude it within a reasonable period.
2022/23	Unqualified audit		AFS submitted on time and audit commenced on time. The focus was on internal controls continual improvements and enhancement.
2023/24	Unqualified audit		AFS submitted on time and audit commenced on time. The focus was on internal controls continual improvements and enhancement.

In the financial years of 2023/24 the Overberg Water's key focus areas were to improve and enhance its internal controls as well as growing its footprint. There is a lot of work that was done aimed at improving the historical backlogs and challenges. However, it was impossible to address everything at once during the financial year. It is still work in progress. The major achievement was the Entity's ability to retain its unqualified audit report. The unqualified audit opinion was received with findings. There were areas of misstatements and those were corrected as indicated in the Auditor-General's Report. The main challenge was the conversion from IFRS to GRAP something that requires a lot of preparatory work and timed transition. The conversion should have happened few years ago. In 2018/19, the conversion was done inhouse without any form of outsourcing. Also, the Entity has engaged the Office of the Director-General soliciting assistance in the preparation and presentation of the performance information. The aim was to improve both the preparation and presentation of the performance information so that it is reliable and useful to meet the SMART principles. In addition, the Entity engaged with the parent Department regarding the review of the Shareholder Compact. The Office of the Auditor-General has recommended that OW should continue engaging the Department so that the current Shareholder Compact is reviewed in line with the SMART principles. The ultimate objective is to receive the unqualified audit opinion without any findings if not with reduced findings. The primary purpose of this 2023/24 Annual Report is to present the overall organisational picture in relation to the Entity's Corporate Strategy cum Business Plan and Shareholder Compact.

Growth path initiative

In 2017 Overberg Water adopted a growth path initiative. The objective is to increase revenue and increase the geographical footprint to primarily cover the entire Western Cape Province. The core of the growth path initiative is inward and outward in its orientation. The inward orientation focuses on addressing all the existing challenges such as the leaks, pipe bursts, water quality and exceeding customer expectations. The outward orientation is about going beyond the current jurisdiction. The growth path initiative was further endorsed by the Department of Water and Sanitation. In 2019, the initiative was further enriched by the new board support in terms of adopting it as part of the strategy of the Entity. The growth path initiative is necessary to Overberg Water. In 2022, there was the Government Gazette published in the newspapers calling for public comments. The Minster of Water and Sanitation intends to increase the geographical area by allowing the Entity to cover the whole Western Cape Province. Thus, Overberg Water appointed its preferred service provider after following its procurement processes to conduct the due diligence exercise. The approach is not only on potable water. Overberg Water is an important player in the provision of water services. In the past, the scope was limited to drinking water provision. The growth path approach identifies other areas of expansion which will improve the revenue streams. The Entity has so much capacity for additional water supply. In order to realise that capacity above the current licensed quantity water user authorisation application process is underway. In addition, several initiatives such as considering wastewater involvement and looking for funding opportunities were at the core of growth. The Entity acknowledges and appreciates the support received from the Ministry of Water and Sanitation, the Parliamentary Committee, the Department of Water and Sanitation as well as other government departments and customers.

Overberg Water

Overberg Water is one of the national water boards within the Department of Water and Sanitation. It is the only board that provides water directly to individual farmers who in turn use the water for their agro-processing activities. It is a vital Entity to support agriculture within the Overberg Region and the country. In 2023/24 financial years, there were nine water boards which are now reduced to seven water boards. Umngeni Water was merged with Mhlathuze to form uMngeni-uThukela Water Board. Another water boards which were merged were the Bloem Water and Sedibeng to form the Central Vaal Water Board. Overberg Water was not merged with any water boards. The following diagram still shows the sizes still indicating the old names.

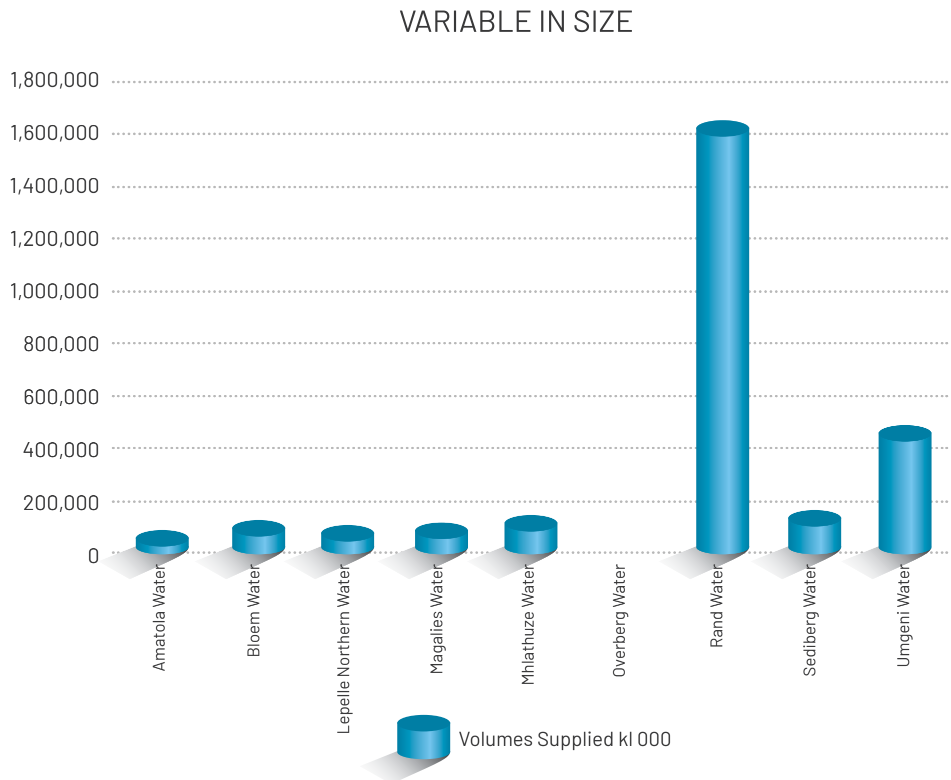
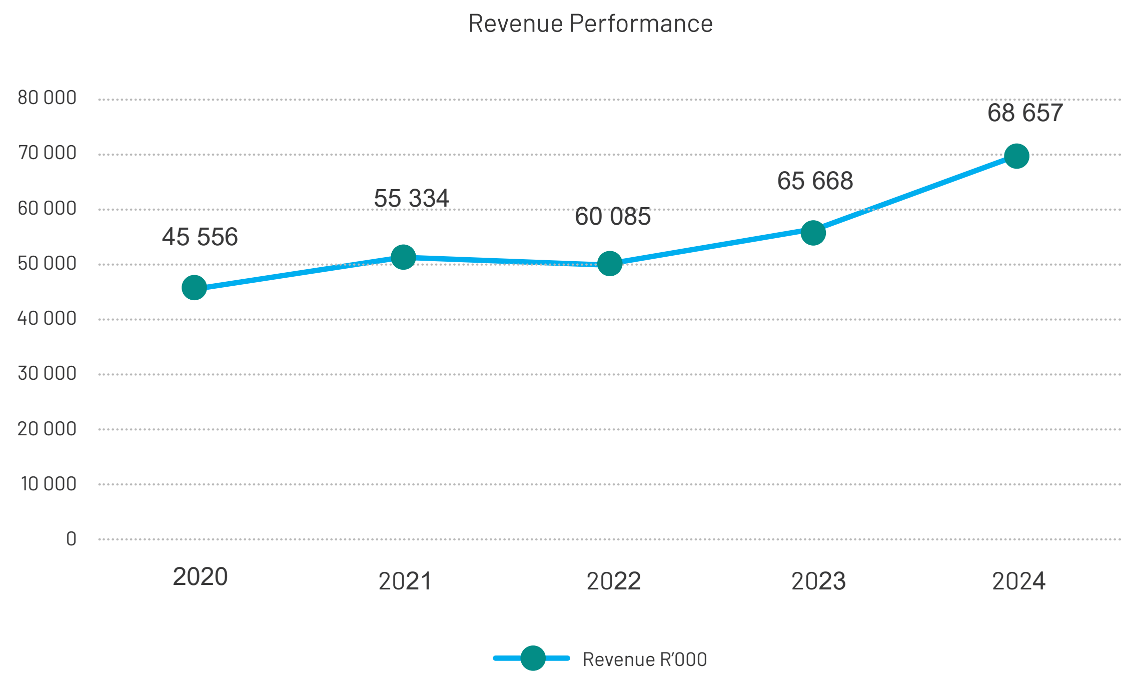


Figure 13 Volumes of supplied water (depicting old figuration)

The above figure indicates that Overberg Water is the smallest water board and yet capable to reach the same level of water services provision. It is subjected to the very same processes such as meeting the required water services standards and audit requirements. The growth of Overberg Water will also be advantageous to the province and the country as there will be a dedicated water service provider supporting all other municipalities and interested parties. The focus is to change the current volumes supplied to be higher than what it is at the moment. There is a ray of hope that Overberg Water will reach its zenith point of growth. Since inception, the Entity has been the main water service provider in the Overberg Region and has been providing good quality of drinking water. The current business status shows that the Entity has gone beyond its traditional area of operation.

Revenue

There is no doubt that over the years the overall financial performance has been steadily improving but not sufficient to upgrade the ageing infrastructure. The graph below tells a strong of an Entity that has potential to grow and better service its customers:



Legislation

The provision of bulk water services other than the Water Services, is also guided by the South African Constitution and other acts such as the National Water Act of 1998, National Environmental Management Act, Number 107 of 1998, the Biodiversity Act, Number 10 of 2004, Municipal Systems Act, Number 32 of 2000, Development Facilitation Act, Number 67 of 1995. The provision of the services has to comply with the Audit Act and the Public Finance Management Act as amended from time to time. Various pieces of legislation assist the overall performance of the Entity. From these Acts the message is water services provision is an interconnected and intersectoral service. It requires collaboration with other relevant parties. Overberg Water shall continue engaging all the parties and stakeholders not only in terms of growing the business but in terms of finding alternative sources of water and exploring water storage. The effects of climate change and drought make a compelling clarion call to all water Entities and water management institutions. It is the right time to think ahead moving beyond a five year planning horizon but to a 30 year one.

Achievements

During the 2023/24 has achieved the following:

- Resilience as water supply continued throughout the financial years
- Appointment of its preferred due diligence service provider regarding the growth path initiative
- Conclusion of the skills audit
- Improved the Corporate Plan with tangible performance information with their technical descriptors
- Improved the collection rate above 90%
- Submitted the Annual Financial Statements on time as stipulated by the PFMA
- Remain financially healthy whilst most organisations were affected by loadshedding despite the deficit
- Water services provision remained
- Policies development and management
- The Board through its Committees, namely; Operations & Infrastructure, Human Resources, Remuneration & Ethics as well as the Audit, Risk and Business Strategy, continued with its excellent oversight and accountability role
- Achieved the unqualified audit opinion ad maintained for the past seven years

All of the above-mentioned were done successfully with effort, skill and courage by all at Overberg Water Board. The Overberg Water Board is indeed the water services hub for the Western Cape Province and beyond. Investing in its Growth Path Initiatives is the right thing to do! We shall continue with our efforts of making a difference to all our communities insofar as water provision and associated / ancillary services are concerned.

Action Plan

In order to respond to the above-mentioned challenges, the first thing to be done was to develop an action plan that has seen a number of changes being effected such as the appointment of the internal audit services as well as tariff increase for 2016/17 and 2017/18. There is still more to be done but progress has been made with the support of the Department of Water and Sanitation. The following are some of the achievements met and emanating from the Action Plan:

- Appointment of the permanent Chief Executive Officer, Chief Finance Officer and other critical staff.
- Stakeholder and client relations being initiated
- Appointment of the internal audit service
- Supply chain management systems and procedures revival including reviewing the policy
- Organogram review

- Improve the control environment
- Initiating the BBBEE and SMMEs development
- The Overberg Water Master Plan being developed
- The Growth Path strategy was developed as an anchor to the Entity

Conclusion

In quoting one of the well-known African proverb that says "umuntu ngumuntu ngabantu"- which means that all of us owe our success through actions of others, Overberg Water shall succeed based on teamwork and support from all parties and stakeholders. Therefore, it will be erroneous not to acknowledge, appreciate and pass a vote of thanks to all those who have walked the journey with us and supported the Overberg Water to discharge its legislative mandate. The management and staff of Overberg Water is very appreciative to the new Board and looking forward to working with the Board. Other people who come to mind are the colleagues & executive management at Overberg Water who burnt the mid-night & midday oil, the Department of Water & Sanitation and our partners at the Hessequa & Theewaterskloof municipalities including our industrial customers. The Overberg Water Board remains committed to its vision, mission statement, values, programmes and strategic objectives. The Entity exists to add value to the socio-economic development of our area of operation as well as contributing towards sustainable development. The support from the Ministry of Human Settlements, Water and Sanitation shall remain a matter of appreciation. The confidence shown by the Department of Water and Sanitation in the Entity is indeed our compass for success. The role played by the Board in steering the Entity forward is unforgettable. On behalf of all staff at Overberg Water Board, I express our humble words of appreciation, dedication and commitment to the vision and strategic intent of Overberg Water Board. We say:

Thank you,
Dankie,
eNkosi,
Inkomu,
Rea leboga,
Siyaboga,
Siyathokoza,
Let us all put our hands on the deck for success!

CHIEF EXECUTIVE OFFICER
DR PHAKAMANI BUTHELEZI

Acting Executive Manager Water Services Report

Introduction

It is a well known fact that in the Republic of South Africa access to water is a right and such should be available to all South Africans. As Overberg Water, the only Water Board in the Western Cape, we were called upon to serve, and answer the Minister's call we did. We have prevailed through the ups and downs of financial constraints caused by the embargo on tariffs increases and we remain steadfast and resolute in the midst of loadshedding. While the rains have been kind in the past year, we shall not forget the summer of 2017 when the drought almost brought the province to its knees. To mitigate the impacts of such occurrences in the future we have begun intensifying our water conservation practices. As a water board we understand the dichotomy of asking our clients to use less water but we also require them to use more water for our financial benefit. What is paramount to us as a Water Board is the sustainability of the region and not financial gluttony.

Water Resource

The water supply to Ruensveld West and Ruensveld East comes from Theewaterkloof Dam via the river channel. The dam levels have been stable over the past year with a final dam level of above 100% on the 30th of June 2023. The raw water quality deteriorate significantly from Ruensveld West at Mariasdal to Ruensveld East at Swellendam. This contamination increases the water purification cost. Overberg Water will be engaging the BGCMA for the protection of the water resource. The water supply to the Duivenhoks Water treatment plant comes from Duivenhoks Dam via the river channel. The dam levels have been stable over the past year with a final dam level of above 100% on the 30th of June 2023. The raw water in this region is plagued by high level of aluminium which are naturally occurring in the rock strata.

Product Quality

Overberg Water's Core business of providing bulk potable water to customers and providing water supply fit for drinking and domestic use as well as for industry was performed exceptionally well during this past year. Out of the three schemes that Overberg operates two of them met the excellent SANS241:2015 standard completely.

Water sampling and analyses were carried out using accredited laboratory techniques as Overberg Water strives for continued excellence in water quality compliance. The overall water quality compliance for the 2022/2023 financial year is reflected in Table 10. These results exceed the SANS 241: 2015 requirement in all compliance fields except for operational risk category. This was due to inefficient sand filtration at Duivenhoks Water treatment Plant. The refurbishment of the sand filters was completed at the end of the financial year and will only start to show water quality improvement in the 2023/2024 financial year.

Water Quality results for FY 2022/23					
	Acute Health: Microbiological	Acute Health: Chemical	Chronic Health	Aesthetic	Operational
SANS 241 Quality Compliance Limit	**95.00%**	**95.00%**	**93.00%**	**90.00%**	**90.00%**
Rûensveld West	96.67%	100.00%	99.49%	99.32%	92.38%
Rûensveld East	98.14%	100.00%	98.95%	99.18%	96.72%
Duivenhoks	97.60%	100.00%	100.00%	100.00%	97.74%
Total	**97.46%**	**100.00%**	**99.48%**	**99.50%**	**95.74%**

Table 8: 2022/2023 Potable Water Quality Compliance with SANS 241:2015

OPERATIONAL RESILIENCE

The African business landscape is littered with the carcasses of organisations who neglected operational resilience. The Institute of Standards and Technology defines operational resilience as "The ability of systems to resist, absorb, and recover from or adapt to an adverse occurrence during operation that may cause harm, destruction, or loss of ability to perform mission-related functions". One of the biggest threat that translates to adverse occurrences for Overberg Water as a schedule 3B public Entity in terms of the Public Finance Management Act is the sluggish procurement system. It does not allow for agile responding to operational stresses and disruptions. To overcome this hurdle Overberg Water is implementing a robust preventative maintenance plan and has appointed a maintenance contractor to increase its agility. Stakeholder management is the shield and armour that protects Overberg Water from external environmental threats and obstacles that may occur from misunderstandings and miscommunication.

OPERATIONAL OPTIMISATION

Overberg Water has over the past number of years successfully maintained non-revenue water below 15% although for the year in review the Entity set a far more stringent target of 10%, alas this target was not achieved and instead the non-revenue water was reported to be 25.1%. This is still less than the national average at 46.4 % according to engineering news. The effects of the ageing infrastructure, prevalence of water theft activities and the lack of telemetry contracts are some of the reasons the target could not be achieved. Overberg Water will continue to uphold its accurate meter readings of all network points as well as operational improvements like efficient water unit process management to tie in with the water conservation demand and management principles. Figure 14 indicates water losses experienced over the past financial year against projected targets. The overall production losses across all schemes amounted to 7.7%. The total raw water abstraction was 5 021 371 m3, total system input amounts to 4 633 133 m3 whereas the total volume of water being sold amounts to 3 757 412 m3.

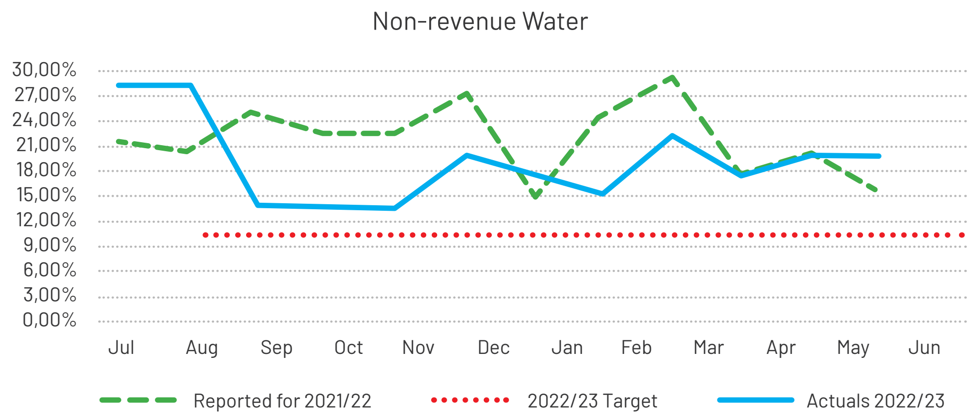


Figure 14: Non-Revenue water for 2022/2023 FY

INFRASTRUCTURE STABILITY

For the year under review we had approximately 106 pipe breaks and leaks that were reported, which is better than the 120 pipe breaks of the previous financial year. This number has been steadily increasing but seems to have come to a decline. Several of the bursts were related to ageing infrastructure structural pipe defects and ground conditions. There have been a few damaged pipes due to servitude encroachment. The lack of adequate funding for capital infrastructure upgrades has resulted in the deterioration of water treatment works and distribution infrastructure. Overberg Water has improved on its maintenance target through upgrading of short sections of pipeline, changing of water meters and air valves as well as procuring large pumps and generators.

THE FUTURE

The Entity has considered alternative expansion opportunities within the region and this is emphasised by the ministerial initiative that aims to expand the jurisdictional boundaries of the Entity. Overberg Water is in the process of formulating an expansion strategy. Overberg Water is also actively looking for other opportunities within its current jurisdiction to manage waste water treatment works.

CONCLUSION

The year under review has been a challenging one but never the less we have prevailed. Our efforts were on par with the previous financial year in terms of operational targets. In addition the Entity has been resilient during the limited funding for maintenance and the refurbishment projects. As the acting Executive Manager Water Services, I would like to thank my operational team for their dedication throughout the year, their hard work, commitment and resilience in the face of such tremendous adversity we are working in. They performed honorable, they performed like Super Saiyans.

Xolani Mdletshe
Acting Executive Manager Water Services

REPORT OF THE CHIEF FINANCIAL OFFICER

I am pleased to present the report of the Chief Financial Officer (CFO) for the financial year under review.

Results for the Year

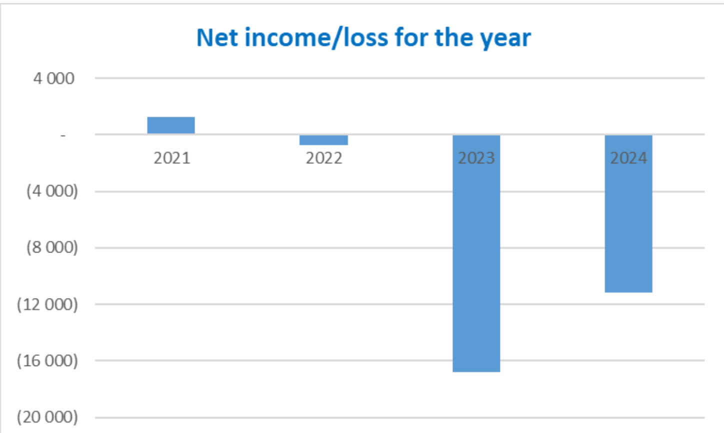
The Annual Financial Statements provide a clear overview of the year's results, detailed below

Financial Performance

The 2023/24 financial year was challenging from the outset, with key performance expenditures rising at an alarming rate, while we faced the constraint of an 8% non-cost-reflective tariff to cover these expenses.

The financial statements for the year ended 30 June 2024 reflect a net audited deficit of R11.1 million, representing a significant reduction of 33.73% compared to the previous year's deficit of R16.8 million.

(R'000)	2021	2022	2023	2024
Net income/loss for the year	1 237	(747)	(16 829)	(11 153)



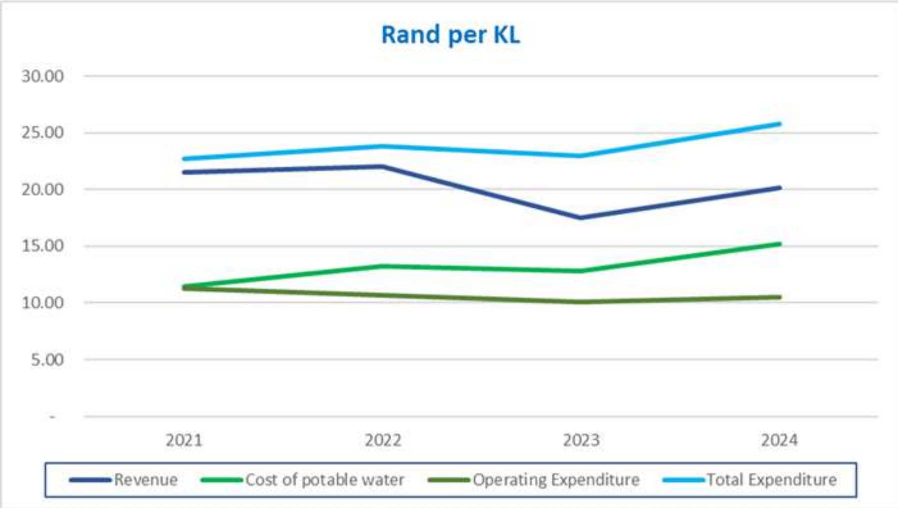
Rand per KL

The Rand per KL cost represents the cost incurred by the entity to supply one kilolitre of water. This metric is crucial for assessing the financial sustainability of the entity, particularly in relation to the tariffs charged to consumers. A non-cost reflective tariff means the price charged to consumers does not cover the actual costs of production and distribution. If tariffs do not reflect true costs, the entity will face a revenue shortfall, leading to increasing operational deficits over time.

The analysis of the Rand per KL cost shows the true impact of the non-cost reflective tariff the entity has been charging.

The gap between revenue and expenditure has steadily widened, as key cost drivers have been increasing at a faster rate than tariff adjustments.

	2021	2022	2023	2024
Revenue	21.52	22.01	17.48	20.14
Cost of potable water	11.47	13.21	12.83	15.20
Operating Expenditure	11.24	10.64	10.12	10.54
Total Expenditure	22.71	23.85	22.95	25.73



	2021	2022	2023	2024
Gap	1.19	1.84	5.47	5.59
% Increase		54%	198%	2%

The steady increase in the gap between revenue and expenditure is evident, rising from 1.19 to 5.59 over the observed periods. This reflects a concerning trend, with the gap widening year-on-year due to escalating key cost drivers outpacing tariff adjustments.

In the 2021 and 2022 financial years, the rate per kilolitre (KL) benefited from additional revenue generated by the public works project. However, excluding the public works project revenue and factoring in the additional costs incurred due to loadshedding, the gap ballooned by nearly 200% from the 2022 to the 2023 financial year. A silver lining in the 2024 financial year is that, thanks to concerted efforts by the entity to manage and monitor expenditure, the gap—while still significant—only increased by an additional 2% year-on-year.

Cost of potable water

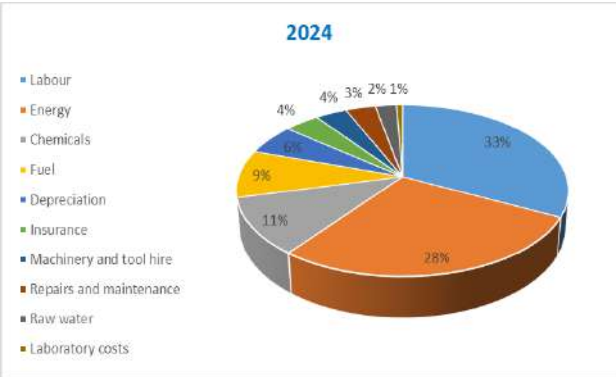
The cost of potable water refers to the total expenses incurred in the process of treating, producing, and delivering clean, safe water for consumption.
In 2023, the four main key cost drivers—labour, energy, chemicals, and fuel—accounted for 78% of the total cost of producing potable water. This percentage increased to 80% in 2024, indicating a slight rise in the proportion of costs attributed to these factors.

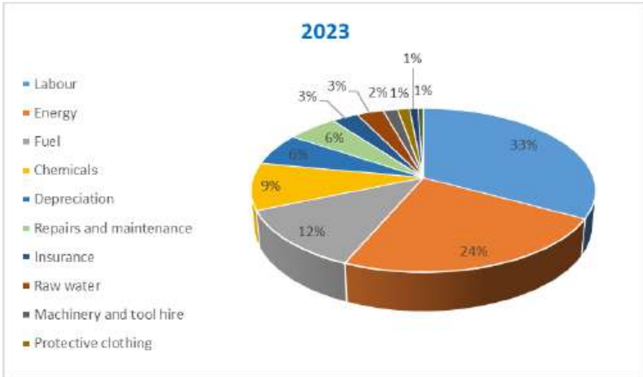
This trend suggests that these key components continue to have a significant impact on the overall cost structure, with energy, labour, and chemicals potentially becoming more expensive, or their use increasing in the production process. The increase in fuel costs may reflect broader economic conditions, such as inflation or rising global energy prices as well as the impact of loadshedding.

This shift could highlight areas for potential efficiency improvements, such as adopting energy-saving technologies, optimizing labour use, or exploring alternative, cost-effective chemicals for water treatment.

Description	2024
Labour	33%
Energy	28%
Chemicals	11%
Fuel	9%
Depreciation	6%
Insurance	4%
Machinery and tool hire	4%
Repairs and maintenance	3%
Raw water	2%
Laboratory costs	1%

Description	2023
Labour	33%
Energy	24%
Fuel	12%
Chemicals	9%
Depreciation	6%
Repairs and maintenance	6%
Insurance	3%
Raw water	3%
Machinery and tool hire	2%
Protective clothing	1%
Cylinder rental	1%
Laboratory costs	1%





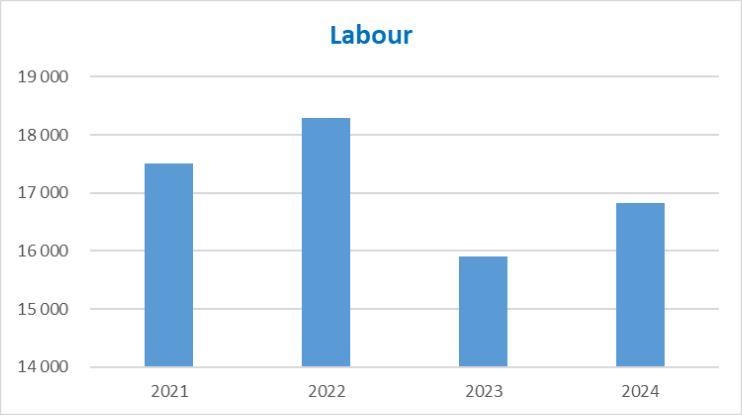
Analysis of Key Cost Drivers

The widening gap between revenue and expenditure over the past financial years can be attributed to several key cost drivers, which have grown at rates exceeding tariff adjustments. Below is a detailed analysis of the primary cost contributors:

Labour

Although labour remains the largest expenditure in the production of potable water, it has exhibited a 13% decrease from 2022 to 2023. However, it then saw a 6% increase in 2024. The 6% increase in labour costs in 2024 can be attributed, in part, to the overtime increases caused by load shedding. This overtime adds to overall labour costs and may be particularly noticeable if load shedding is frequent or prolonged. The impact of these disruptions is reflected in the increased labour expenditure for 2024.

(R'000)	2021	2022	2023	2024
Labour	17 510	18 286	15 900	16 832
% Increase		4%	-13%	6%
Cost per kl	5.05	5.40	4.23	4.94

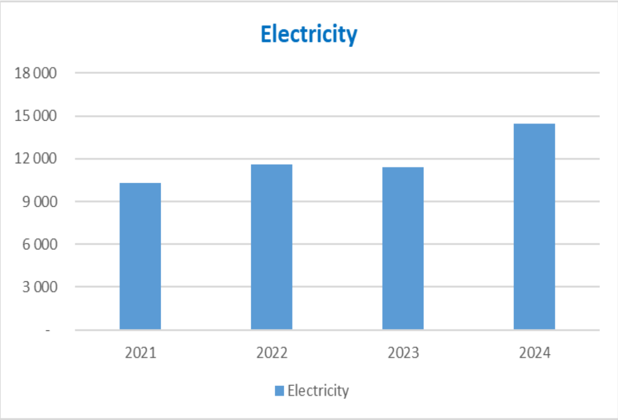


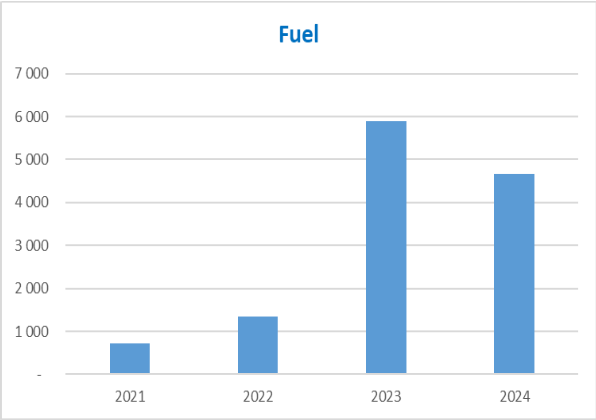
Energy and Fuel Costs

Electricity Tariffs: Rising electricity tariffs have also amplified overall expenditure, directly impacting service delivery operations.
In 2023, the decrease in energy costs was influenced by increased load shedding, which led to greater reliance on generators. While electricity costs decreased by 2%, fuel costs saw a dramatic 335% increase as generators became necessary to maintain operations during power outages.
In 2024, with less load shedding, fuel costs decreased by 21%, while electricity costs increased by 27%, reflecting the shift back to grid power. The cost per kiloliter (KL) of fuel dropped by 20 cents, but the electricity cost per KL rose by 1.22 cents. These changes reflect a shift in energy sourcing and cost dynamics, where the reliance on fuel-intensive generators in 2023 gave way to higher electricity consumption in 2024.

(R'000)	2021	2022	2023	2024
Electricity	10 292	11 617	11 371	14 459
% Increase		13%	-2%	27%
Cost per kl	2.97	3.43	3.03	4.24

(R'000)	2021	2022	2023	2024
Fuel	712	1 355	5 890	4 658
% Increase		90%	335%	-21%
Cost per kl	0.21	0.40	1.57	1.37

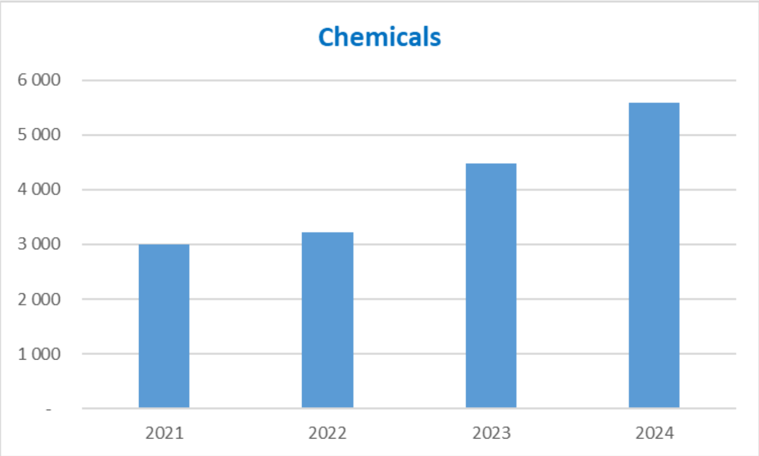




Chemicals

Despite the decrease in volumes treated in 2024, there has been a significant increase in chemical costs, driven primarily by price hikes. The 40% increase in chemical costs for 2023 and the 24% increase in 2024 highlight how pricing pressures in the chemical market are impacting overall expenses, even as the volume of water treated declines.

(R'000)	2021	2022	2023	2024
Chemicals	3 002	3 214	4 485	5 579
% Increase		7%	40%	24%
Cost per kl	0.87	0.95	1.19	1.64



Revenue

The decrease in revenue during the 2023 and 2024 financial years is primarily due to the loss of the public works project previously managed by Overberg Water. To offset this decline and dilute the fixed costs, the focus is on expanding the entity's revenue base.

Key strategies for achieving this include:
- Expanding the service delivery area, potentially by acquiring new bulk revenue customers.
- Managing infrastructure projects on behalf of municipalities, which can provide additional revenue streams.
- Reducing non-revenue water (water that is produced but not billed to customers), which could improve operational efficiency and revenue capture.
- Increasing the revenue base is crucial to the long-term sustainability and financial health of the entity, ensuring that it can continue to meet its obligations and invest in future growth.

Debt Management

Overberg Water is implementing stricter debt recovery controls with regards to long-outstanding debtors focussed on structured and enforceable strategies aimed at recovering overdue payments from individuals or businesses that have failed to pay their debts on time. These controls are crucial for minimizing financial losses due to delinquent accounts. This includes implementing a series of escalating reminders (e.g., soft reminder, final reminder, and warning) which helps set expectations and gives debtors multiple chances to settle their accounts. Regular phone calls, emails, or letters help maintain pressure on long-outstanding debtors.

Tariffs

Overberg Water's financial turnaround strategy includes the implementation of a more cost-reflective tariff for the 2025/26 financial year, including a capital levy, which is a strategic approach aimed at improving the organization's financial health and ensuring sustainable service delivery. The primary aim of implementing cost-reflective tariffs is to ensure that the entity generates enough revenue to cover the full spectrum of its costs, making it financially sustainable in the long term.

The inclusion of a capital levy in the new tariff is part of Overberg Water's efforts to address aging infrastructure and fund future upgrades. Overberg Water, like many water utilities, faces the challenge of maintaining and upgrading infrastructure to ensure long-term sustainability, improve service delivery, and avoid service disruptions. The funds raised through the capital levy will likely be used for critical infrastructure projects, such as upgrading pipelines, improving water treatment facilities, expanding capacity, or investing in more efficient technologies. This is essential for meeting growing demand, addressing maintenance backlogs, and ensuring regulatory compliance

With a more stable financial base, Overberg Water can focus on delivering higher-quality services, improving water availability, and ensuring the safety and reliability of water systems for consumers in the region

In Summary

In Summary **2023/24 financial year** has proven to be a challenging period for Overberg Water, primarily due to increasing **key performance cost drivers** and **minimal sales** that were unable to absorb these rising costs. This combination of factors has strained the financial position of the entity and created difficulties in maintaining a stable service delivery framework.

However, with **the approval of a more cost-reflective tariff** for the upcoming financial year, Overberg Water is poised for a **stronger financial recovery**. The new tariff structure is expected to provide a more sustainable revenue base, aligning income with the true cost of delivering services. This adjustment will help the entity address its operational and capital costs more effectively, enabling the organization to invest in essential infrastructure upgrades and ensure that service delivery remains uninterrupted.

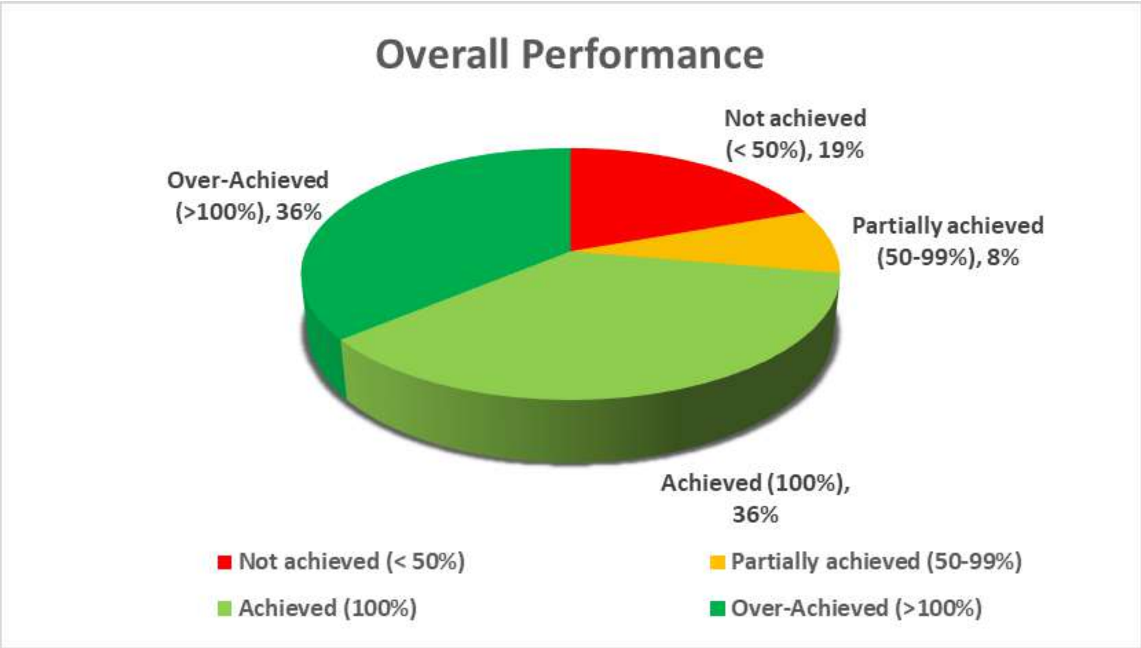
In the **2024/25 financial year**, Overberg Water anticipates a **financial strengthening** that will provide greater stability and flexibility. This renewed financial position will also bolster the entity's ongoing **commitment to service delivery**, ensuring that customers continue to receive reliable and quality water services while the organization continues to improve and modernize its infrastructure to meet future demands. With the financial stability brought about by these changes, Overberg Water is better equipped to navigate the challenges ahead, and the organization is optimistic about a future where both financial performance and service delivery are strengthened, ultimately benefiting its clients and the broader community.

The anticipated improvement in financial stability will help the entity meet future challenges while continuing to provide quality water services to its clients.

Emmeritia Jeffries
Chief Financial Officer

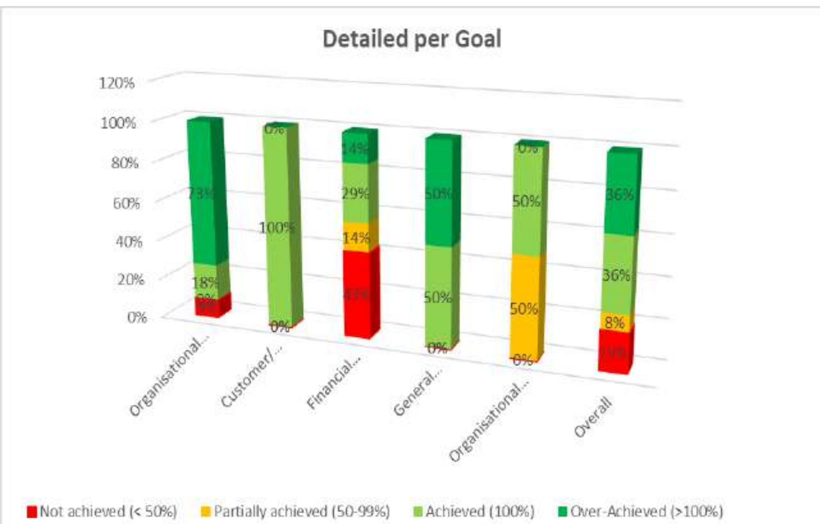
ANNUAL PERFORMANCE REVIEW REPORT

Below is the performance achieved on both the financial and non-financial strategic objectives as outlined in both the Annual Performance Plan and the Strategic Plan:



Overall performance is 72%

1. **Organisational efficiency and effectiveness: 91%**
2. **Customer/ Stakeholder Interaction: 100%**
3. **Financial Performance: 43%**
4. **General Performance (Risk, Audit, Governance): 100%**
5. **Organisational capacity: 50%**



Summary of Performance

The Water Board achieved 69% including overachievement of 30%, partial achievement of 12% and did not achieve on 19%of its target in the financial year 2022/23. This is reflective of the Water Board's efforts and controls put in place to ensure that the strategic objectives as agreed with the Minister of Water and Sanitation are achieved. This shows the effectiveness of the Board in overseeing the execution of the strategic plan.

Performance Objectives	Comments
Organisational efficiency and effectiveness	The Water Board has achieved 62% of its organizational efficiency and effectiveness targets, partially achieved 15% and did not achieve on 23% due to the ageing of the infrastructure that requires attention. However, the replacement of the sandfilters project to prevent water quality issues has been completed, including the Witsand pipeline project. The telemetry repairs are complete for Duivenhoks, Ruensveld West and Ruensveld East to follow.
Improve and Increase revenue and manage cost drivers (Financial Performance)	The Water Board achieved 53%, partially achieved 18% and under achieved by 29%. This is due to sustaining a deficit in the current financial year. This is attributed by the impact of load shedding adversely affecting revenue generated and results in additional unbudgeted for expenditure.
Effective stakeholder and customer engagement (Customer/Stakeholder interaction)	The targets set were 100% met with 50% achievement and 50% overachievement. This is due to concerted efforts by the Water Board to effectively engage its stakeholders and customers on a regular basis.
Organisational Capacity	The Water Board achieved 62% of its targets, partially achieved 15% and did not achieve 23% of its targets. This is mainly attributed to retirements, resignations, expiry of fixed term contracts, 1 employee dismissal and having fewer than targeted number of interns at year end.
General Performance/Governance	The Overberg Water Board achieved on all its targets on Governance. This is because the Water Board ensures that they fulfil all their fiduciary duties. This portray's the Board's commitment to ensuring that the strategy is implemented.

Organisational efficiency and effectiveness

NR	OW Strategic Goal	OW Strategic Objective	Performance perspective	Unit of Measure	Annual Target 2023/24	Actual 2023/24	Prior year Actual 2022/23	Variance 2023/24	Comment	Reasons for variance and corrective measures
1.		1,1	Percentage compliance with water quality standard SANS 241:2015, in terms of Health: Acute	%	97%	97,46%	98,51%	0,46%	Over-Achieved	Improved water quality monitoring and replacement of sand filters
2.		1,1	Percentage compliance with water quality standard SANS 241:2015, in terms of Health: Chronic	%	97%	99,48%	99,95%	2,48%	Over-Achieved	Improved water quality monitoring and replacement of sand filters
3.		1,1	Percentage compliance with water quality standard SANS 241:2015, in terms of operational quality	%	95%	95,74%	89,74%	0,74%	Over-Achieved	Improved water quality monitoring and replacement of sand filters
4.		1,1	Percentage compliance with water quality standard SANS 241:2015, in terms of aesthetic quality	%	95%	99,50%	99,35%	4,50%	Over-Achieved	Improved water quality monitoring and replacement of sand filters
5.		1,1	Percentage unavoidable water losses of water purified	%	97%	97,46%	96.48%	0.48%	Over-Achieved	Improved water quality monitoring and replacement of sand filters
6.		1,1	Percentage unavoidable water losses of water purified	%	15%	24.30%	21.50%	9.30%	Not Achieved	Due to ageing infrastructure and pipe breaks within all 3 distribution networks. Some non-revenue water is also used to fill up reservoirs that have run empty during the time of reporting.
7.		1,1	Number of days with water supply interruptions exceeding 24 hours	Number	20 days	4 days	14 days	16 days	Over-Achieved	Pressure monitoring and refurbishment of telemetry system
8.		1,1	Percentage of the repairs and maintenance budget spent	%	95%	105%	139%	10%	Achieved	Repair work on the northern pipeline
9.		1,2	Number of MOU's entered in to with relevant agencies relating to water conservation at	Number	1	1	0	0	Achieved	N/a

Organisational efficiency and effectiveness

NR	OW Strategic Goal	OW Strategic Objective	Performance perspective	Unit of Measure	Annual Target 2023/24	Actual 2023/24	Prior year Actual 2022/23	Variance 2023/24	Comment	Reasons for variance and corrective measures
10.		1,3	Percentage of repairs and maintenance to PPE and investment property (carrying value)	%	3%	4.99%	10%	1.99%	Over-Achieved	Repair work on the northern pipeline
11.		1,4	Actual CAPEX spend on expansion related projects (initiatives by the Minister) as a % of budget.	%	0%	0%	0%	0%	Achieved	N/a

Improve and increase revenue and manage cost drivers

NR	OW Strategic Goal	OW Strategic Objective	Performance perspective	Unit of Measure	Annual Target 2023/24	Actual 2023/24	Prior year Actual 2022/23	Variance 2022/24	Comment	Reasons for variance and corrective measures
1.		2,2	Result of the annual external audit	AG's audit opinion	Unqualified	Unqualified	Unqualified with no material findings	N/a	Achieved	N/a
2.		2,2	Current ratio	Ratio	1,2	1,39	2,7	0,19	Over-Achieved	Increase is due to improved collection from old debt.
3.		2,2	Gross profit margin % (Primary activity)	%	42%	29%	44%	-12%	Partially Achieved	
4.		2,2	Gross profit margin % (Secondary activity)	%	0%	0%	0%	0%	Achieved	N/a
5.		2,2	Net profit margin % (Primary activity)	%	0%	-24%	0%	-24%	Not Achieved	Operational expenditure increasing higher than inflation and tariff
6.		2,2	Net profit margin % (Secondary activity)	%	0%	0%	0%	0%	Achieved	N/a
7.		2,2	Debit equity ratio	Ratio	0,00	0,00	0,00	0,00	Achieved	N/a

Improve and increase revenue and manage cost drivers (Financial performance)

NR	OW Strategic Goal	OW Strategic Objective	Performance perspective	Unit of Measure	Annual Target 2023/24	Actual 2023/24	Prior year Actual 2022/23	Variance 2022/24	Comment	Reasons for variance and corrective measures
8.		2,2	Return on assets ratio	%	0%	-25.80%	-18%	-25.80%	Not Achieved	Impact of load shedding not factored in approved tariffs
9.		2,2	Debtor days	Nr	80 Days	109 Days	100 Days	-20 Days	Not Achieved	Increase in impairment of debtors coupled with increase in debtors resulting from the Dept of Public Works project.
10.		2,2	Spend increased and new entrants awarded contracts in the financial year	%	15%	0%	n/a	-15%	Not Achieved	
11		2,2	Actual expenditure compared to budgeted expenditure for the quarter	%	95%	110%	N/a	-15%	Not Achieved	Interruption in supply-non revenue water.
12.		2,2	Return on turnover	%	0%	-24%	0%	-24%	Not Achieved	Impact of load shedding not factored in approved tariffs.
13.		2,3	Infrastructure availability to meet demands: Overall project expenditure within targets	%	60%	0%	0%	-60%	Not Achieved	Lack of funding to finance capex
14.		2,4	Infrastructure availability to meet demands: Overall project expenditure within targets	%	60%	0%	0%	-60%	Not Achieved	
15.		2,5	Percentage Growth in turnover from secondary activities	%	0%	0%	0%	0%	Achieved	

Effective stakeholder and customer engagement

NR	OW Strategic Goal	OW Strategic Objective	Performance perspective	Unit of Measure	Annual Target 2023/24	Actual 2023/24	Prior year Actual 2022/23	Variance 2022/24	Comment	Reasons for variance and corrective measures
1.		3,1	Percentage of municipalities / other customers with bulk supply	%	100%	100%	100%	0%	Achieved	N/a
2.		3,1	Number of new Ministerial Directives issued and implemented on time	Number	0	0	2	0	Achieved	N/a
3.		3,1	Percentage of statutory reports submitted on time	%	100%	100%	100%	0%	Achieved	N/a

Organisational Capacity

NR	OW Strategic Goal	OW Strategic Objective	Performance perspective	Unit of Measure	Annual Target 2023/24	Actual 2023/24	Prior year Actual 2022/23	Variance 2023/24	Comment	Reasons for variance and corrective measures
1.		4,3	Percentage of annual staff turnover	%	10%	6.48%	18.32%	3.26%	Achieved	Due to 8x staff terminations in Q1, 0 terminations in Q2, 2x termination in Q3 and 2x terminations in Q4.
2.		4,2	Number of learnerships implemented to increase skill and capacity building	Number	3	1	2	-2	Partially Achieved	2x learnerships implemented a year Performance Information Intern and Operations Intern and 2x resignations.

General Performance

NR	OW Strategic Goal	OW Strategic Objective	Performance perspective	Unit of Measure	Annual Target 2023/24	Actual 2023/24	Prior year Actual 2022/23	Variance 2023/24	Comment	Reasons for variance and corrective measures
1.		5,2	Percentage of board members attending of all Board and committee meetings	%	80%	95%	95,05%	15%	Over-Achieved	The attendance of the Board has been exceptionally well due to members' commitment to OWB.
2.		5,3	Number of repeated internal audit findings within the annual audit cycle	Number	0	0	0	0	Achieved	N/a
3.		5,4	Number of unresolved findings	Number	6	22	8	16	Over-Achieved	More than 100% of board resolutions implemented.
4.		5,5	Decision making %: Number of resolutions taken by the Board vs number of resolutions required	%	80%	100%	N/a	20%	Over-Achieved	They were all recommended for approval by the Board. The new policy was the Preferential Procurement Policy.
5..		5,6	Number of breaches of materiality and significance framework	Number	0	0	0	0	Achieved	N/a
6.		5,7	Good corporate citizenship: Number of CSI initiatives	Number	1	1	0	0	Achieved	N/a

OPERATIONAL EFFICIENCY AND EFFECTIVENESS

Water quality produced (relative to SANS 241)

Overberg Water Board has continually maintained good water quality results over the past year as shown in Table 19. As a bulk water service provider, all of the Overberg Water Board's water treatment plants comply with the standards set out in SANS 241: 2015. Water quality is rigorously managed, and stringent systems and controls are in place to make sure this is met. The water did not achieve on the Operational Water Quality Standard as we obtained 87.74% vs a target of 95%. This was caused by the ageing sand filters that required refurbishment at the Duivenhoks Scheme. As at year end the sand filters have been refurbished and the benefits should be evident in the next financial year. Overberg Water has set KPIs that are in line with Blue Drop certification requirements and its monitoring and testing processes far outweigh the minimum required by SANS 214: 2015. Sampling and analyses are carried out using accredited laboratory techniques (ISO 9001) as far as possible. Table 20 provides an explanation of the results.

Table 9: 2022/2023 Potable Water Quality Compliance with SANS 241:2015

Water Quality results for 2022/2023					
	Acute Health: Microbiological	Acute Health: Chemical	Chronic Health	Aesthetic	Operational
SANS 241 Quality Compliance Limit	**95.00%**	**95.00%**	**93.00%**	**90.00%**	**90.00%**
Rûensveld West	92.77%	100.00%	99.86%	98.26%	93.07%
Rûensveld East	97.41%	100.00%	99.73%	99.72%	96.18%
Duivenhoks	99.02%	100.00%	99.86%	99.44%	73.50%
Total	**96.36%**	**100.00%**	**99.81%**	**99.16%**	**87.74%**

Table 10: Key classification of drinking water supply systems according to SANS 241:2015

	Population up to 100 000 Proportion of samples compliant			Population > 100 000 Proportion of samples compliant		
	Excellent	Good	Unacceptable	Excellent	Good	Unacceptable
Microbiological Health	>97%	>95%	<95%	>99%	>97%	<97%
Chronic Health	>95%	>93%	<93%	>97%	>95%	<95%
Operational	>93%	>90%	<90%	>95%	>93%	<93%
Aesthetic	>93%	>90%	<90%	>95%	>93%	<93%

Reliability of supply

During the year under review Overberg Water Board experienced 12 instances of interruptions in supply and 4 days without water. These interruption were mainly caused by load shedding which caused reservoir levels to decline at an accelerated rate due to pump stations shutting down with power. In addition to the load shedding the Entity experienced higher than an anticipated pipe bursts during the year with some being caused by changes in pressure in the pipeline network as and when power returns. There was also one third party damage to one of our pipes.

Manage avoidable water losses

Overberg Water (OW) has over the past years successfully maintained non-revenue water below 10%, although for the past few years the Entity had a challenge of several pipe bursts due to the ageing infrastructure resulting in higher water loses than anticipated. This target was not achieved. For the 2022/23 financial year the non-revenue water was reported at 25.1%. This is still acceptable compared to national standards. The effects of the ageing infrastructure, prevalence in water theft activities and the lack of telemetry contract are some of the reasons for the non-achievement of this target.

Increase access services

There is no actual spending as the Department of Water and Sanitation did not issue any directives to Overberg Water to implement projects.

CORPORATE GOVERNANCE

Introduction

For the most part of the financial year there was no Board in place. The Board was only appointed in March 2019 and effective from 01 April 2019. There were originally nine individual members serving on Overberg Water Board. They were appointed in terms of the Water Services Act and carry their fiduciary duties in terms of the Public Finance Management Act

The term

The Board is appointed to serve for a four-year term, effective from the 1st April 2019. The term was due to end end in March 2022. However, the Minister decided to extend the term up September 2023. The Board comprise of professionals representing a diverse array of talent in administration, academic, business, accounting, engineering, governance, human resources, information systems and legal. Board members were chosen for their diversity of experience and perspective in order to support the Overberg Water through sharing best practices in the Entity. The most essential component is to grow the business of the Entity.

Focus areas

The Board is chaired by Mr Razeen Benjamin and deputised by Ms Ina du Bruyn. It is further complemented by its Committee. The Committees exist to provide recommendation to the Board which then takes ultimate decision regarding the overall strategy and oversight responsibility. The Board is responsible for providing strategic leadership through ensuring that the vision, mission statement values strategic intent, policies, financial resources and stability and legal integrity of the organisation are exercised and implemented in an efficient and effective manner.

Fiduciary and oversight

In exercising its fiduciary and oversight responsibilities, the Board approved the strategic direction in a form of its Corporate Plan supporting the; Annual Performance Plan of the Department of Water and Sanitation but mainly the Ministry of Water and Sanitation. The responsibility includes oversight functions on the budgets; internal and external annual audits; a performance management system which support the overall compensation and personnel benefits. The Board Committees as appointed the Board met outside of board meetings and reported to the ordinary Board during its ordinary and special board meetings. The Audit, Risk and Business Strategy Committee reviewed the annual audit of the Entity, recommended the adoption of the Annual Financial Statements to the ordinary board meeting and ensured the Entity's adherence to the prescripts of the Public Finance Management Act (PFMA). During the year under review, the Board took a decision to combine the Audit, Risk and Business Strategy Committee. The Committee is also responsible for finance and procurement oversight. The Operations and Infrastructure Committee is responsible for the main mandate of the Entity which is the bulk drinking water supply. The Human Resources, Remuneration and Ethics Committee assist the Board to discharge its responsibilities regarding remuneration and HR policies and other related matters. As well as promoting sound ethical conduct and practices in the work place.

Ethical Leadership and Code of Ethics

Like in all water Entities, the Board of Overberg Water is aiming for the highest standards of business integrity, ethical leadership and good governance.

The role of the governing Board was focused on strategic matters and ensuring organisational conformance to legal, statutory and regulatory requirements. In addition, the Governing Board had a key role in ensuring performance of management in strategy implementation and ensuring that executives succession planning became the organisational culture.

Compliance with laws, Rules, Codes, Guidelines and Ethical Standards

The Governing of Overberg Water considered compliance with laws, rules, codes, guidelines and ethical standards to be the right way of doing business. It was for this reason that the draft Board Charter and Committees' Charters were drawn up in terms of the Water Services Act, Number 108 of 1997 and the Public Finance Management Act, Number 1 of 1999.

The Charter concisely articulates the overview of the following:

- The demarcation of the roles, functions, responsibilities and powers of the Board, individual board members, the executives of the Entity and shareholder of Overberg Water Board being the Ministry / Department
- The powers delegated to various committees of the Governing Board
- The policies and practices of the Governing Board in respect of matters such as corporate governance, declarations and conflicts of interest, board meeting documentation, procedures, nomination, appointment, induction, training and evaluation of directors and members of Board Committees
- The division of labour between the Governing Board and its committees, ensuring that risk exposure is sufficiently managed

Conclusion

Overberg Water has invested in its human capital as the success of any strategy is entirely dependent on the people. The Entity shall continue investing in its human capital as part of an overall approach to achieving the Growth Path initiatives. With the support of the Board, there is every reason to believe that the Entity is on the right course. The Board is capable of taking the organisation to the greater heights due to their skills from a diverse background and exposure.

RISK MANAGEMENT

Enterprise Risk Management

Enterprise Risk Management (ERM) is a critical component of effective corporate governance and a helpful method for achieving strategic goals in accordance with legislative regulations, according to the Overberg Water Board. Enterprise Risk Management comprises aligning an organisation's strategy, processes, people, technology, and knowledge to accomplish its risk management goals, as well as providing a systematic and integrated approach to identifying and responding to all types of risk. Its goal is to create a unified framework for dealing with all the risks that come with functioning in an ever-changing economic environment.

The Entity followed an approved risk management policy, strategy, and execution plan throughout the year under review. Risk Management remained a standing agenda item for the Board/Committees and Management Committee meetings while the implementation plan was implemented. This allowed the Board to maintain control of risk management while focusing on the most critical risks affecting the Entity, such as loadshedding.

Strategic Risks

The Entity recognises that some risk exposures at a corporate level cannot be totally removed, hence effective risk management and reduction have remained a top focus for the Board. The risk assessment approach revealed a few key risk exposures that required to be properly managed at the strategic level. Risks endangering the schemes' operations are among the exposures. In conclusion, the risk management maturity level has improved, but the strategic risk profile has not improved significantly in the year under review. The Board remains concerned about the risk triggers that jeopardise the Entity's long-term viability. For strategic risks, the Audit Committee examined and approved risk thresholds in accordance with the authorized risk appetite statement.

Table 11: Summary of Strategic risks

		Strategic risks beyond appetite but within tolerance levels categorised		
Percentage of strategic risks & narrative	**Strategic risks within risk appetite**	**Acceptable - Low deviation (Business as usual)**	**Endurable - Moderate Deviation (Management intervention)**	**Undesirable - High Deviation (Turnaround Strategy)**
100% (11)	**18 % (2)**	**18 % (2)**	**27 % (3)**	**36 % (4)**
The Entity has a total of 11 strategic risks.	The Entity continued to manage these risks utilising the Board approved policies and normal operating procedures.	This level of risk exposure depicted a slight deviation, therefore the Entity continued to manage these risks utilising the Board approved policies and normal operating procedures. Monitoring was intensified on the risks.	The Board and management's immediate attention was required to reverse the situation to normal.	This level of risk exposure continuously threatens the survival and sustainability of the Entity.

The Key risks are as follows:

- Revenue under-collection
- Ageing Infrastructure
- Servitude encroachment
- Inadequate funding for mega capital projects
- Water resource availability
- Protection and safeguarding of the asset
- Unsustainable tariff model
- Lack of technical skills
- Overberg Growth Path
- Fraud and Corruption
- Poor Financial Planning

6.3. Business Continuity Management

In ensuring that business continuity was placed at the forefront during the current loadshedding crises the country is facing the Entity has:

- Withdrawn Investments in order to invest in Generators to ensure business con.
- Minimising the adverse impact of the disruption on Overberg Water Board's operations.
- Continuity of the critical business processes to a predefined, acceptable level.

INTERNAL AUDIT AND INTERNAL CONTROL

In accordance with the prescripts of the Institute of Internal Auditors (IIA), Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

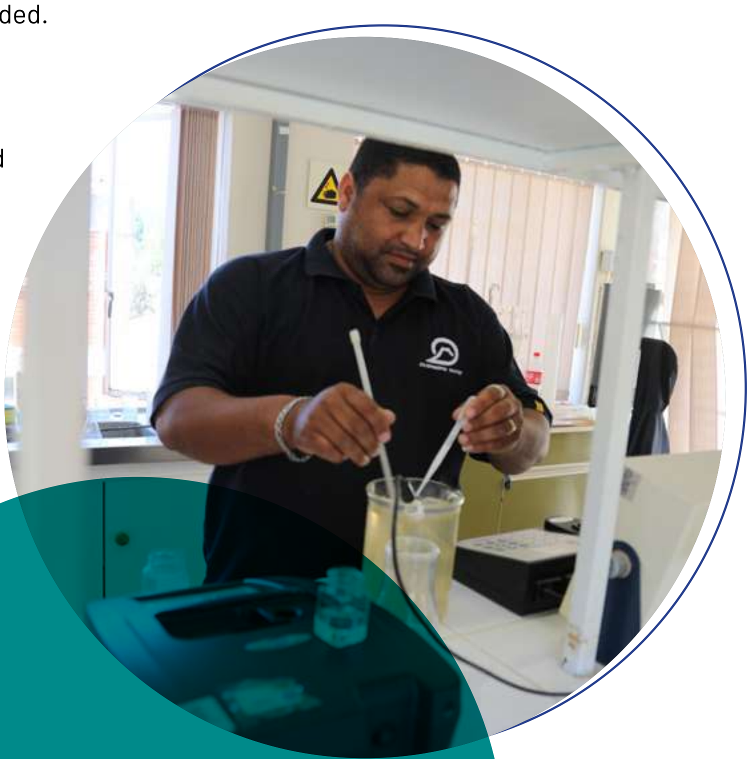
Internal Audit is an out-sourced function within Overberg Water Board and adheres to the prescripts and functions of an independent assurance provider to ensure optimum objectivity. To achieve this independence, the development of proper governance, and lines of reporting and authority remain paramount to the success of the internal audit function.

Key activities/reviews, as per the approved Internal Audit Plan for 2021/22 were concluded in the 2022/23 financial year, activities undertaken by Internal Audit included the following:

- Human Resource Management Review
- Predetermined Objectives Review (Quarter 1 up to Quarter 4)
- Asset Management Review
- Supply Chain Management Review
- Financial Management Review
- Irregular, wasteful, and fruitless expenditure Review
- Operations Management Review
- Performance Management Review
- Information and Communication Technology Review
- Annual Financial Statement Review
- Follow up Reviews

COMPLIANCE WITH LAWS AND REGULATIONS

Overberg Water Board Compliance Universe consists of a number of legislation with their associated regulations, codes, and guidelines. These require the attention of management on an ongoing basis. These applicable legislations include, but are not limited to, the Water Services Act 108 of 1997, National Water Act 27 of 2014, the Public Finance Management Act 1999 as amended, the Basic Conditions of Employment Act 1997 as amended, and the Employment Equity Act 1998 as amended.



Overberg Water Board provides access to information to stakeholders and other third parties in compliance with the provisions of section 32 of the Constitution of the Republic of South Africa (Act 108 of 1996) read with the Promotion of Access to Information Act 2 of 2000 (PAIA). During the 2020/21 financial year, the organisation received requests for information disclosure which were duly provided.

FRAUD AND CORRUPTION

The Board recognises that fraud and corruption continue to be a threat to public trust and confidence, and as a result, it has set the right tone for fraud and corruption prevention and management at the Overberg Water Board by ensuring that the Entity follows an approved anti-fraud and corruption policy and strategy. It should be noted that no allegations of fraud or corruption were lodged against the Overberg Water Board during the financial year under review.

An Independent Fraud and Ethics hotline continues to be operational at Overberg Water Board which is in partnership with Department of Water and Sanitation and the Presidency to provide employees and stakeholders with a mechanism for reporting unethical conduct.

MINIMISING CONFLICT OF INTEREST

Overberg Water Board, in line with relevant legislative provisions, has successfully integrated early identification of conflict of interest by making it a standing item on each Agenda of every meeting of the Board, Committees, and EXCO. In addition, other mechanisms such as the annual declaration of interest and of gifts are discussed.

CODE OF CONDUCT

The Board is continuously advocating for a high level of conduct from all employees. Ethics and Code of Conduct is seen as the best preventive measure by the Board in guiding decision-making processes. The adopted values are guidelines that are followed for the benefit of society at large. Overberg Water Board developed and approved a Code of Ethics that is applicable to the Board, management, and all employees. Contravention of the Code of Conduct is attended to through consequence management processes.

SECURITY, SAFETY, HEALTH, ENVIRONMENT & QUALITY

HEALTH AND SAFETY

Overberg Water Board takes high regard of the health and safety of its employees. The Entity has made strides in ensuring that there is a structured approach towards overall Health and Safety and measures in place to create a safe working environment for all employees and Stakeholders in general. The Health and Safety function continues to build and promote a safety culture among employees. The Health and Safety Policy, together with related standard operating procedures was reviewed to ensure alignment with legislation.

The Entity conducted Hazardous Risk Assessment for treatment, catchment, distribution (from WTP to distribution reservoirs), and distribution (household connection) works through all the Schemes. Based on these assessments, some of the Entity's Water Treatment Works will be declared Major Hazardous according to the Occupational Health and Safety Act Regulations.

ENVIRONMENTAL MANAGEMENT

The Entity subscribes to a vision that sees water resources as an integral component of the environment, a natural resource, and a social and economic good that is particularly important in playing a role of reparation and change. In fulfilling its mandate, Overberg Water Board works in collaboration with strategic partners and stakeholders to promote and enhance cooperation across all levels and sectors to ensure sustainable integrated management of water resources through the river health programme. The continued epidemic of urban waste disposal culminates in contamination of the water bodies in the sub Breede-Olifants Catchment Management Agency (BOCMA) under Duivenhoks, Caledon, and Swellendam Schemes. Overberg Water Board has participated in Stakeholder initiatives to manage several river clean-up and public education programmes. This included public education programmes for river safety, water quality, water hygiene, and sanitation.

SECURITY MANAGEMENT

Overberg Water Board has a legal duty of care to provide a safe and secure work environment for its employees and Stakeholders, as well as to safeguard assets including information. Security of water infrastructure is critical to ensure continuous provision of bulk water services. The water scarcity resulted in a heightened need to enhance security of water infrastructure. Corporate services have established Policies, Procedures, and Standards in line with the Minimum Information Security Standards and related government legislation.

During the year under review, a draft Security Plan was developed in collaboration with the Risk Management where risks inherent to the Entity were identified, and the strategies and resources required to mitigate the risks were established across the Schemes.

TECHNOLOGY AND INFORMATION GOVERNANCE

Information and Communication Technology is integral to the success of every business and remains on the Board's agenda. The Entity has established the ICT Steering Committee to support and advise the Chief Executive on ICT Operations and alignment of its strategies with the Entity's strategies.

The Entity was no different from the entire world in having to adopt virtual technology for business continuity in response to changing working enviroments. The Entity was able to seamlessly migrate the Board and management engagements through technology platforms facilitating internal and external engagements.

ORGANISATIONAL CAPACITY

Introduction

The Overberg Water Board embraces the principle that the organisational goals and Human Resource needs are matched, aligned and strongly interdependent. The Overberg Water Board recruits and retain competent and skilled employees who are motivated, adaptable to change and engaged who play key role in to creating value and long term sustainability for the Entity.

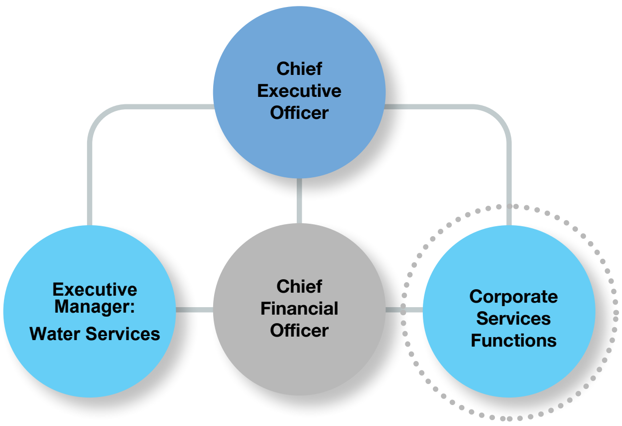
Furthermore, the Entity's objectives as well as Human Resources needs are mutual, compatible, and strongly interdependent to ensure successful execution of the Corporate Strategy. Therefore, the role of Human Resources is to create and maintain a supportive environment for employees to achieve the Entity's strategic objectives.

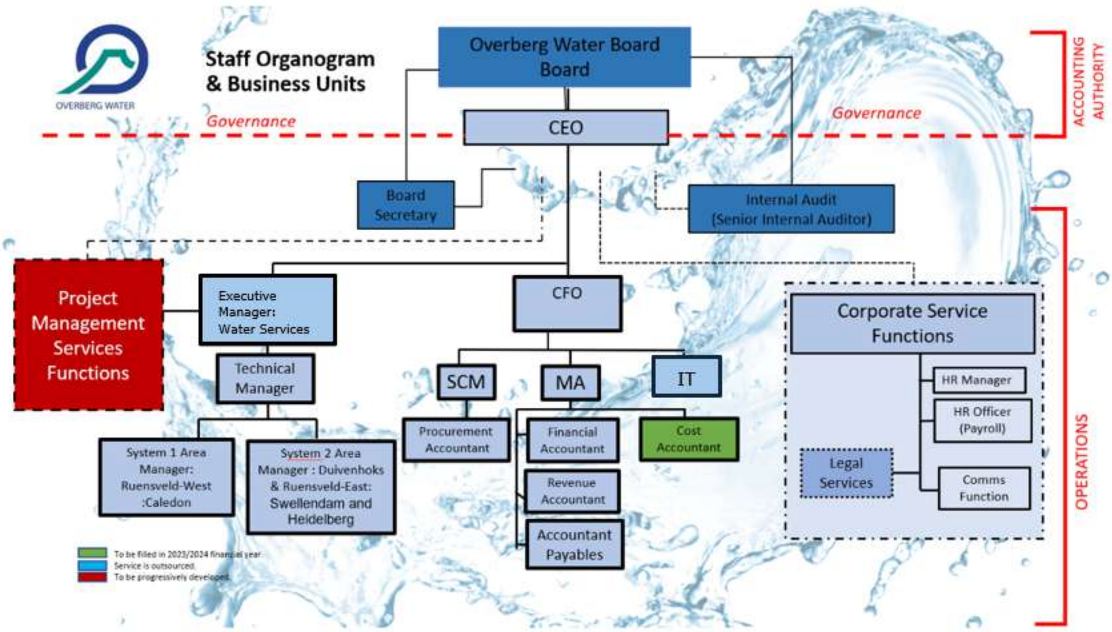
Organisational Capacity

Introduction

The Overberg Water Board employs a workforce with various qualifications, skills and experiences that are key to create value and long-term sustainability for the Entity. The Entity's goals as well as Human Resources needs are mutual, compatible, and strongly interdependent. Therefore the role of Human Resources is to create and maintain a supportive environment for employees to achieve the Entity's strategic objectives.

Functional Structure





OVERBERG WATER
Staff Organogram
& Business Units
Overberg Water Board
Board
Governance
CEO
Governance
ACCOUNTING AUTHORITY
Board Secretary
Internal Audit
(Senior Internal Auditor)
Project Management Services Functions
Executive Manager: Water Services
Technical Manager
System 1 Area Manager: Ruensveld-West :Caledon
System 2 Area Manager : Duivenhoks & Ruensveld-East: Swellendam and Heidelberg
CFO
SCM
MA
IT
Procurement Accountant
Financial Accountant
Revenue Accountant
Accountant Payables
Cost Accountant
Corporate Service Functions
HR Manager
HR Officer (Payroll)
Legal Services
Comms Function
OPERATIONS
To be filled in 2023/2024 financial year
Service is outsourced.
To be progressively developed.

Employee Profile

At the end of the financial year under review, the Entity had a staff compliment of 58 permanent employees, and 5 temporary employees. The Table below shows the representation.
Of employees per occupational levels as at the 30th June 2024.

The Overberg Water Board adheres to the principles embodied in the Employment Equity Act. Sound progress is being made on the Overberg Water employment equity profile. The Overberg Water Board seeks to retain employees who enable the Entity to deliver quality services to all its stakeholders. The Entity is still falling short of reaching its 2023/2024 target for people with disability and African females' representation overall.

Overberg Water Board is committed to continue addressing this situation and put more emphasis on recruiting, promoting, and retaining employees from the designated groups that have been disadvantaged, particularly women and people living with disabilities.

Table 12: Organisational Capacity

	African		Coloured		Indian		White		Total
Occupational Level	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**	
Top Management	1	0	0	1	0	0	0	0	**2**
Senior Management	3	1	0	0	0	0	0	0	**4**
Professionally Qualified and Experienced Specialists and Mid-Management	0	1	2	0	0	0	0	0	**3**
Skilled Technical and Academically Qualified Workers, Junior Management, Supervisors, Foremen and Superintendents	3	2	1	2	0	0	0	0	**8**
Semi-skilled and Discretionary Decision Making	3	1	13	12	0	0	0	0	**29**
Unskilled and Defined Decision Making	1	3	5	3	0	0	0	0	**12**
Total Permanent	**11**	**8**	**21**	**18**	**0**	**0**	**0**	**0**	**58**
Temporary Employees	**0**	**5**	**0**	**0**	**0**	**0**	**0**	**0**	**5**
Grand Total	**11**	**13**	**21**	**18**	**0**	**0**	**0**	**0**	**63**

Appointments

During the 2023/2024 financial year the Entity filled Chief Financial Offer, Technical Manager, System 1 Area Manager, Operations Admin Clerk, two General Workers and one Graduate from the Operations Division.

Table 13: Appointments

	African		Coloured		Indian		White		Total
Occupational Level	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**	
Top Management	0	0	0	1	0	0	0	0	**1**
Senior Management	1	0	0	0	0	0	0	0	**1**
Professionally Qualified and Experienced Specialists and Mid-Management	0	1	1	0	0	0	0	0	**1**
Skilled Technical and Academically Qualified Workers, Junior Management, Supervisors, Foremen and Superintendents	0	0	0	0	0	0	0	0	**0**
Semi-skilled and Discretionary Decision Making	0	1	1	0	0	0	0	0	**1**
Unskilled and Defined Decision Making	1	1	1	0	0	0	0	0	**3**
Grand Total	**2**	**3**	**3**	**1**	**0**	**0**	**0**	**0**	**7**

Graduate Internship Programme

For the financial year under review, the Entity employed (1) graduate intern namely: (1) Operations graduate intern as stipulated in the Table below.

Table 14: Graduates/Interns

Occupational Level	Male	Female	Total
Human Resources	0	0	**0**
Finance	0	0	**0**
Supply Chain Management	0	0	**0**
Operations	0	1	**1**
Grand Total	**0**	**1**	**1**

Terminations

During the period under review, twelve (12) employees left the Overberg Water Board. The Entity's labour turnover percentage for the financial year 2023/2024 was 6.84%.

Table 15: Staff Turnover

	African		Coloured		Indian		White		Total
Types of Terminations	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**	
Resignations	3	2	0	1	0	0	0	0	**6**
Dismissals	0	0	1	0	0	0	0	0	**1**
Abscondment	0	0	0	0	0	0	0	0	**0**
Deaths	0	0	0	0	0	0	0	0	**0**
Ill-Health	0	0	0	0	0	0	0	0	**0**
Retirements	1	1	1	0	0	0	0	0	**3**
Expiry of Fixed-term Contract	2	0	0	1	0	0	0	0	**3**
Total	**6**	**3**	**2**	**2**	**0**	**0**	**0**	**0**	**13**

Labour Relations

The Overberg water Board strives to create sound relations with organised labour as a key business partner which is key to the sustainability of the Entity. The Municipal Allied Trade Union of South Africa (MATUSA) who is the majority Union and the only recognised Union representing workers. The Overberg Water Board stood at 48 MATUSA membership (68%) as of 30th June 2024. Governed through various HR Legislative, Policy framework and collective agreements, the Overberg Water Board remains committed to sharing key information regarding operations with organised labour.

Management and organised labour, through a Local Labour Forum (LLF), scheduled four (4) meetings per annum as per the Recognition Agreement. Continuous engagement is deemed critical to the development of sound workplace relation and sustainability of the Entity, which, in turn, provides opportunities for all employees. Engagements held during the year focused on continuous building of the workplace relations, as well as the resolution of all disputes. The determination by the CCMA is in place, in relation to the minimum services agreement required for essential service organisations in the event of industrial action. Currently, MATUSA has three shop stewards who are employed by the Overberg Water Board. A major focus for the year has been on building their capacity given that some shop stewards were newly appointed.

Training and Skills Development

Training and Skills Development is an essential enabler for the Entity's employees to excel in their individual performance which then translate into the realisation of the Entity's mandate. The Overberg Water Board submitted the Workplace Skills Plan (WSP) and the Annual Training Report (ART) to the Energy and Water Sector Education Training Authority (SETA) as planned. The WSP provides guidance on the implementation of the skills and development initiatives through the identification of the key and critical skills needed by the Entity to improve its organizational efficiencies and productivity.

For the 2023/2024 financial year, the Entity witnessed an increase in training initiatives offered compared to the previous financial years. The Table below shows the number of employees trained per occupational category for the financial year under review and the various training programmes implemented to further develop their capacity.

Table 16: Training and Development

	African		Coloured		Indian		White		Total
Training Programs	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**	
Finance for Engineers, Projects & Technical Managers Short Training Course	1	0	0	0	0	0	0	0	**1**
Sage People 300 Trainings	0	3	0	1	0	0	0	0	**4**
Health & Safety Training	0	5	1	1	0	0	0	0	**7**
Minutes Taking	0	1	0	0	0	0	0	0	**1**
Accounts Payable, Cashbook Training	0	0	0	1	0	0	0	0	**1**
General Ledger	0	0	0	1	0	0	0	0	**1**
Sustainable Operation & Maintenance of Water Treatment Plants	0	0	2	1	0	0	0	0	**3**
Water Quality & Sampling for Wastewater treatment	1	0	5	3	0	0	0	0	**9**
Advanced Water Treatment Control: Coagulation, Flocculation and Filtration	2	0	1	1	0	0	0	0	**4**
Advanced Wastewater Treatment: Secondary Process	1	0	3	4	0	0	0	0	**8**
Grand Total	**5**	**9**	**12**	**13**	**0**	**0**	**0**	**0**	**39**

Governance

The Human Resources unit is constantly reviewing and developing the Entity's policies in line with the policy register to ensure that they are kept abreast with the latest legislative developments and prevailing organisational challenges. The reviewed and developed HR policies will improve the operational efficiencies for the Entity and enable successful execution of the Entity's Corporate Plan.

Conclusion

The Human Resources department faced multiple challenges such as competitive labour market and several labour disputes during the year under review. However, these challenges presented opportunities for the development relevant people strategies to support the Entity to successfully execute its Corporate Plan as well as the Shareholder mandate. The HR department remains committed to promoting employee engagement, high performance culture, employee well-being and fostering a culture of diversity, equity, and inclusion in the workplace.

Board member attendance

The new Overberg Water Board members were appointed in March 2019 effective from 01 April 2019. The Board had its first meeting on the 28 May 2019. It resolved to create and nominate individual members to serve on the following committees:

(a) Audit, Risk and Business Strategy Committee
(b) Operations and Infrastructure Committee
(c) Human Resources, Remuneration and Ethics Committee

Board member attendance was satisfactory during the year under review. The Overberg Water will first outsource the Company Secretary responsibilities due to its size and nature of the work at hand. The long-term plan is to appoint the permanent Company secretary. The following table indicate attendance for Board and Committees' meetings:

Table 17: Board Committee Meeting

BOARD MEMBERS	BOARD MEETINGS	Audit, Risk & Business Strategy Committee	Operations and Infrastructure Committee	Human Resources, remuneration and Ethics Committee
Mr R Benjamin	✓ ✓ ✓ ✓			✓ ✓ ✓ ✓
Ms. S Mayinga	✓ ✓ ✓ ✓			✓ ✓ ✓ ✓
Mr M Malunga	✓ ✓ ✓ ✓		✓ ✓ ✓ ✓	
Mr D Lefutso	✓ ✓ ✓ ✓			✓ ✓ ✓ ✓
Mr. B Mnisi	✓ ✓ ✓ ✓	✓ ✓ ✓ ✓		
Dr N Madiba	✓ ✓ ✓ ✓	✓ ✓ ✓ ✓		
Dr G Davids	✓ ✓ ✓ ✓		✓ ✓ ✓✓	
Dr. T Kelly	✓ ✓ ✓ ✓		✓ ✓ ✓ ✓	
Mr D. PapenDorp	✓ ✓ ✓ ✓	✓ ✓ ✓ ✓		
Mr. L Van Oudshoorn	✓ ✓ ✓ ✓		✓ ✓ ✓✓	
Ms., N Maharaj	✓ ✓ ✓ ✓	✓ ✓ ✓ ✓		

The following table indicate the overall attendance in terms of the number of meetings, type, number of members for the Board and Committees as well as the overall attendance percentage.

Table 18: Board Committee Meetings Attendance

TOTAL MEETINGS	MEETING TYPE	NUMBER OF MEMBERS	NUMBER OF ATTENDEES	ATTENDANCE PERCENTAGE
2	Ordinary Board	8	8, 7, 8, 7	94%
1	Special Board	8	8	100%
2	Audit, Risk & Business Strategy	3	3, 3, 2, 3	92%
1	Operations and Infrastructure	3	3, 3, 3, 3	100%
1	Human Resources, Remuneration & Ethics	3	3, 3, 2, 3	92%
7				

Effective controls and risk management

During the year under review, several interventions were introduced. These include, inter alia: the introduction of the new internal controls systems by the Chief Financial Officer, the advertisement for the Supply Chain Manager and the appointment of the Internal Auditor.

Good governance

Due to limited internal audit function, no bridges of materiality and significance were reported by the Combined Audit, Risk and Finance Committee and the Chief Financial Officer.

Corporate Social Responsibility Initiatives

The Corporate Social Responsibility Initiatives is one of the Entity's cornerstone. However, due to financial constraints the Entity opted to partner with the Regional Office in some of their programs.

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ANNUAL FINANCIAL STATEMENTS

GENERAL INFORMATION

Country	South Africa
Nature of business and principal activities	Overberg Water is a water board established in terms of section 28 of the Water Services Act (Act 108 of 1997) and is an unincorporated government business entity according to Schedule 3B of the Public Finance Management Act (Act 1 of 1999), as amended.
Accounting Authority / Board members	Mr R Benjamin (Chairperson) Ms S. Mayinga (Deputy Chairperson) Mr D. Lefutso Prof G Davids Dr N. Siwahla-Madiba Dr. T. Kelly Ms. M. Malunga Mr. D van Papendorp Mr B. Mnisi Ms. N. Maharaj Mr. L Van Rheede Van Oudshoorn Pr Eng
Executive Management	Dr P Buthelezi (Chief Executive Officer) Ms. E. Jeffries (Chief Financial Officer) Mr X Mdletshe (Acting Executive Manager: Water Services, Infrastructure and New Business Development)
Corporate Office & Business Address	1st Floor, Trident Park 3 1 Niblick Way Somerset West 7130
Postal address	P O Box 1005 Somerset Mall 7137
Bankers	ABSA Bank Ltd
Auditors	Auditor-General South Africa
Company Secretary	Mfoloe Inc
Entity registration number	22078092 in terms of the National Water Act (Act 36 of 19
Reporting Currency	The Annual Financial Statements are presented in South African Currency (ZAR) and are rounded off to the
Preparer of the financial statements	The Financial Statements have been prepared under the supervision of the CFO Emmeritia Jeffries CA (SA)

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

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the Overberg Water Board set out on pages 6 to 37, which comprise the statement of financial position as at 30 June 2024, statement of financial performance, statement of changes in net assets, statement of cash flows and the statement of comparison of budget and actual amounts 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 Overberg Water Board as at 30 June 2024 and its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Public Finance Management Act 1 of 1999 (PFMA).

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the responsibilities of the auditor-general for the audit of the financial statements section of my report.

4. I am independent of the public entity in accordance with the International Ethics Standards Board for Accountants' *International code of ethics for professional accountants (including International Independence Standards)* (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.

5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of matter

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

Restatement of corresponding figures

7. As disclosed in note 32 of the financial statements, the corresponding figures for 30 June 2023 were restated as a result of errors in the financial statements of the public entity at, and for the year ended 30 June 2024.

Contingent liability

8. With reference to note 29 to the financial statements, the public entity is the defendant in compensation for loss lawsuit. The public entity is opposing part of the claim, as it believes that the claim is not fully supported. The ultimate outcome of the matter could not be reliably determined.

Subsequent Event

9. I draw attention to note 33 in the financial statements, which deals with subsequent events and specifically the possible effects of the arbitration process outcome on the public entity. My opinion is not modified in respect of this matter.

Responsibilities of the accounting authority for the financial statements

10. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with GRAP and the requirements of 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.

11. 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

12. 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.

13. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report. This description, which is located at pages 8-9 , forms part of our auditor's report.

Report on the audit of the annual performance report

14. 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 strategic goal presented in the annual performance report. The accounting authority is responsible for the preparation of the annual performance report.

15. I selected the following strategic goal presented in the annual performance report for the year ended 30 June 2024. I selected strategic goal that measures the public entity's performance on its primary mandated functions and that are of significant national, community or public interest.

Strategic goal	Page numbers	Purpose
Strategic Goal 1 - Organisational efficiency and effectiveness	3 – 5	Equitable access to reliable, sustainable, and acceptable water resources and water and sanitation services

16. I evaluated the reported performance information for the selected strategic goal 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.

17. 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;
- all the indicators relevant for measuring the public entity's performance against its primary mandated and prioritised functions and planned objectives are included;
- the indicators are well defined to ensure that they are easy to understand and can be applied consistently, as well as verifiable so that I can confirm the methods and processes to be used for measuring achievements;
- the targets can be linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance as well as how performance will be evaluated;
- the indicators and targets reported on in the annual performance report are the same as those committed to in the approved initial or revised planning documents;
- the reported performance information is presented in the annual performance report in the prescribed manner and is comparable and understandable and
- there is adequate supporting evidence for the achievements reported and for the reasons provided for any over- or underachievement of targets.

18. I performed the procedures for the purpose of reporting material findings only and not to express an assurance opinion or conclusion.

19. I identified a material finding on the reported performance information for the strategic goal.

20. The material finding on the reported performance information for the selected strategic goal is as follows:

Strategic goal 1 - Organisational efficiency and effectiveness

21. The indicator- Number of MoUs entered in to with relevant agencies relating to water conservation at specific sites was not clearly defined during the planning process. The performance indicator has an ambiguous definition, is not defined so that data will be collected consistently, and target is not time bound. Consequently, the indicator and its target are not useful for measuring and reporting on progress against the public entity's planned objectives.

Other matter

22. I draw attention to the matter below.

Achievement of planned targets

23. 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.

24. The table that follows provides information on the achievement of planned targets and lists the key indicators that were not achieved as reported in the annual performance report. The reasons for any underachievement of targets are included in the annual performance report on pages 3 to 5.

Strategic goal 1 - Organisational efficiency and effectiveness

Targets achieved: 91% *Budget spent: 112%*		
Key indicator not achieved	**Planned target**	**Reported achievement**
Avoidable water lost as a percentage of water produced at the treatment and distribution systems	15%	24.3%

Material misstatements

25. I identified a material misstatement in the annual performance report submitted for auditing. This material misstatement was in the reported performance information for strategic goal 1 - Organisational efficiency and effectiveness. Management subsequently corrected the misstatement, and I did not include any material findings in this report.

Report on compliance with legislation

26. 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.

27. 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.

28. 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.

29. The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

Consequence management

30. I was unable to obtain sufficient appropriate audit evidence that disciplinary steps were taken against some of the officials who had incurred and/or permitted irregular expenditure in prior years, as required by section 51(1)(e)(iii) of the PFMA.

Procurement and Contract Management

31. Some of the goods, works or services were not procured through a procurement process which is fair, equitable, transparent and competitive, as required by section 51(1)(a)(iii) of the PFMA.

Annual financial statements, performance and annual report

32. The financial statements submitted for auditing were not fully prepared in accordance with the prescribed financial reporting framework, as required by section 55(1)(b) of the PFMA. Material misstatements of current assets, current liabilities, revenue and disclosure items identified by the auditors in the submitted financial statement were corrected, resulting in the financial statements receiving an unqualified audit opinion.

Other information in the annual report

33. 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 strategic goals presented in the annual performance report that have been specifically reported on in this auditor's report.

34. 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.

35. 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 Strategic goal presented in the annual performance report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

36. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

Internal control deficiencies

37. 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.

38. The matters reported below are limited to the significant internal control deficiencies that resulted in the material findings on the annual performance report and the material findings on compliance with legislation included in this report:

39. Management did not implement investigations because they were certain that the cases are confirmed instances of non-compliance, however no assessment, determination or investigation has been conducted as required by National Treasury instruction no 4 of 2022/23.

40. Inadequate monitoring of the procurement process to ensure that quotes are obtained within the appropriate range and that the correct procurement processes are followed which can lead to potential splitting of quotes and compliance issues.

41. The inability to fully prepare financial statements in accordance with the prescribed financial reporting framework revealed material misstatements, which required subsequent corrections, highlighting a significant control deficiency in the financial reporting process.

Auditor General

Cape Town

31 October 2024

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure to the auditor's report

The annexure includes the following:

- The auditor-general's responsibility for the audit
- The selected 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 strategic goals 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.

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

Compliance with legislation – selected legislative requirements

The selected legislative requirements are as follows:

Legislation	Sections or regulations
Public Finance Management Act 1 of 1999	Section 50(3)(b); 51(1)(a)(iii); 51(1)(b)(i); Section 51(1)(b)(ii); 51(1)(e)(iii); 52(b); Section 54(2)(c); 54(2)(d); 55(1)(a); 55(1)(b); Section 55(1)(c)(i); 56; 57(b); 57(d); 66(3)(b)
Treasury Regulations, 2005	Regulation 29.1.1; 29.1.1(a); 29.1.1(c); 29.2.1; Regulation 29.2.2; 29.3.1; 31.1.2(c); 31.2.5; Regulation 31.2.7(a); 33.1.1; 33.1.3
Construction Industry Development Board Act 38 of 2000	Section 18(1)
Construction Industry Development Board Regulations, 2004	Regulation 17; 25(7A)
Erratum National Treasury Instruction No. 5 of 202/21	Paragraph 1
Erratum National Treasury Instruction No. 5 of 202/21	Paragraph 2
National Treasury Instruction No. 4 of 2015/16	Paragraph 3.4
National Treasury Instruction No. 5 of 2020/21	Paragraph 4.8; 4.9; 5.3
National Treasury SCM Instruction No. 03 of 2021/22	Paragraph 4.2
National Treasury SCM Instruction No. 11 of 2020/21	Paragraph 3.1; 3.4(b); 3.9
Preferential Procurement Policy Framework Act 5 of 2000	Section 1; 2.1(a); 2.1(f)
Preferential Procurement Regulations 2022	Regulation 4.1; 4.2; 4.3; 4.4; 5.1; 5.2; 5.3; 5.4
Prevention and Combating of Corrupt Activities Act 12 of 2004	Section 34(1)

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GENERAL INFORMATION

Country	South Africa
Nature of business and principal activities	Overberg Water is a water board established in terms of section 28 of the Water Services Act (Act 108 of 1997) and is an unincorporated government business entity according to Schedule 3B of the Public Finance Management Act (Act 1 of 1999), as amended.
Accounting Authority / Board members	Mr R Benjamin (Chairperson) Ms S. Mayinga (Deputy Chairperson) Mr D. Lefutso Prof G Davids Dr N. Siwahla-Madiba Dr. T. Kelly Ms. M. Malunga Mr. D van Papendorp Mr B. Mnisi Ms. N. Maharaj Mr. L Van Rheede Van Oudshoorn Pr Eng
Executive Management	Dr P Buthelezi (Chief Executive Officer) Ms. E. Jeffries (Chief Financial Officer) Mr X Mdletshe (Acting Executive Manager: Water Services, Infrastructure and New Business Development)
Corporate Office & Business Address	1st Floor, Trident Park 3 1 Niblick Way Somerset West 7130
Postal address	P O Box 1005 Somerset Mall 7137
Bankers	ABSA Bank Ltd
Auditors	Auditor-General South Africa
Company Secretary	Mfoloe Inc
Entity registration number	22078092 in terms of the National Water Act (Act 36 of 199
Reporting Currency	The Annual Financial Statements are presented in South African Currency (ZAR) and are rounded off to the nearest
Preparer of the financial statements	The Financial Statements have been prepared under the supervision of the CFO Emmeritia Jeffries CA (SA)

BOARD RESPONSIBILITIES AND APPROVAL

The Board members are required in terms of the Public Finance Management Act of South Africa, 1999 (Act No .1 of 1999) "PFMA" to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the entity as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with Generally Recognised Accounting Practice. The external auditors are engaged to express an independent opinion on the annual financial statements and performance information.

The annual financial statements are prepared in accordance with Generally Recognised Accounting Practice and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Board members acknowledge that they are ultimately responsible for the system of internal financial control established by the entity and place considerable importance on maintaining a strong control environment. To enable the board to meet these responsibilities, the Board sets standards for internal control aimed at reducing the risk of error or loss 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 loss.

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

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

The annual financial statements set out on pages 6 to 37, which have been prepared on the going concern basis, were approved by the Board on **30 August 2024** and were signed on its behalf by:

Razeen Benjamin
Chairperson of the Board

REPORT OF THE GOVERNING BOARD / ACCOUNTING AUTHORITY

The members of the Governing Board submit their report for the year ended 30 June 2024

1. Review of activities

Main business and operations

The entity supplies bulk water to municipalities and agricultural customers.

The operating results and state of affairs of the entity are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

2. Compliance with legislation

The financial statements are prepared in accordance with Generally Recognised Accounting Practice (GRAP), approved by National Treasury in terms of section 79 of the Public Finance Management Act (Act No.1 of 1999) (PFMA), and the following relevant statutes:

- Water Services Act (Act 108 of 1997),
- Public Finance Management Act (Act 1 of 1999); and
- Public Audit Act (Act 25 of 2004).

3. Corporate Governance

The Board supports the Code of Good Governance Practice.

4. Share Capital

The Entity has no share capital and the Minister of Water and Sanitation as the Executive Authority is the sole shareholder.

5. Going concern and sustainability

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

The Entity is reporting a net deficit of R11.1m for the financial year under review down from the prior year 16.6m. The net deficit was a resulting of the Entity having to incur above inflation increases in the key cost drivers of Energy, Chemicals plus an increased reliance on the usage of Fuel to maintain constant water supply to customers. All these costs were financed with an 8% water tariff increase which is not cost reflective. However, notwithstanding the above, the Entity is still maintaining positive liquidity and solvency ratios. The current ratio is 1.68 & the acid test ratio 1.79, which demonstrates that the Water Board remains commercially solvent and can discharge its short-term obligations. Solvency remains positive at 1.2 as at yearend which reiterates that the entity remains a going concern. The cash levels of the entity will however be monitored continuously.

Taking into account all of the above mentioned factors, the Governing Board is confident that the entity is resilient and financially stable enough to withstand all external shocks (economic and climatic conditions) in the long and short term, however, further engagements with its stakeholder will be required to discuss the long term strategy and funding requirements. In particular additional projects to supplement its income like the projects related to Section 30 activities as outlined in the Water Services Act, such as managing infrastructure projects on behalf of DWS, managing water infrastructure assets on behalf of Government departments & Municipalities. The Entity will continue in its drive to ensure good governance and financial management whilst executing it mandate as outlined in the Water Services Act.

REPORT OF THE GOVERNING BOARD / ACCOUNTING AUTHORITY (CONTINUED)

Overberg Water remains a key instrument in the contribution of economic growth in the Overberg Region and therefore the Western Cape through its contribution of the sustenance of the agricultural industry which is the main source of employment in the Overberg Region. A region that contributes also to food security and the Gross Domestic Product of South Africa through its exports of commodities. The survival of this sector largely depend on the provision of clean potable water which is provided by the Overberg Water Board.

It is therefore on this basis when considering the principle of Going Concern, the Governing Board resolved that it does not foresee any financial or solvency implications in the short term that will impact the entity based on its financial position and reserves. This means the entity will not be forced to halt operations and liquidate its assets in the near or foreseeable future.

6. Events after the reporting period

None

7. Non-current assets

There are no major changes in the nature of the non-current assets or the policy relating to the use of the non-current assets of the entity, during the year under review.

8. Appointment of board members

The Board members were appointed in October 2023.

9. Directors' interests

There were no director's interests in contracts with stakeholders declared during the year.

10. Directors' emoluments

The directors emoluments is set out in note 17 to the financial statements in terms of Treasury Regulation 28.1, issued in terms of the Public Finance Management Act (Act 1 of 1999).

11. Directors service contracts

The executive directors serve a five year term.

12. Board Secretary

At the present the entity is using Mfoloe Incorporated as board secretariat.

13. Committees of the Board

The Governing Body of Overberg Water consisted of mainly 3 committees:
- The Audit, Risk & Business Strategy Committee
- The Human Resources, Remuneration & Ethics Committee
- The Operations & Infrastructure Committee

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2024

	Notes	2024 R	2023 R
ASSETS			
Non-Current Assets			
Property, plant and equipment	3	49 358 841	52 713 181
Intangible Assets	4	4 402 073	4 717 654
Investments	6	3 155 071	15 239 567
		56 915 985	72 670 402
Current Assets			
Inventories	7	1 458 744	1 237 101
Receivables from exchange transactions	8	21 307 416	14 664 803
Cash and cash equivalents	9	2 846 162	3 918 442
		25 612 322	19 820 346
TOTAL ASSETS		82 528 307	92 490 748
RESERVES AND LIABILITIES			
Net Assets	10	67 013 862	78 166 377
Liabilities			
Current Liabilities			
Payables from exchange transactions	11	12 275 515	10 108 133
Employee benefits	12	2 610 901	4 214 408
Provisions	13	474 208	-
Finance lease Liability	23	27 481	1 830
		15 388 105	14 324 371
Non-current Liabilities			
Finance lease Liability	23	126 340	-
		126 340	-
TOTAL NET ASSETS AND LIABILITIES		82 528 307	92 490 748

STATEMENT OF FINANCIAL PERFORMANCE AS AT 30 JUNE 2024

	Notes	2024 R	2023 R
Revenue		**76 707 534**	69 419 085
Revenue from exchange transactions	14	**76 707 534**	69 419 085
Expenditure		**(87 860 049)**	(86 247 892)
Costs of potable water	15	**(51 787 903)**	(48 198 598)
Operating expenditure	16	**(35 911 132)**	(38 026 493)
Finance cost	18.3	**(161 014)**	(22 801)
Surplus(deficit) for a year		**(11 152 515)**	(16 828 807)

STATEMENT OF CHANGES IN NET ASSETS AS AT 30 JUNE 2024

	Notes	ACCUMULATED SURPLUS R	NET ASSETS R
Balance at 1 July 2022		**94 995 184**	**94 995 184**
Surplus(deficit) for a year		**(16 828 807)**	**(16 828 807)**
Prior Period Error	32	(4 745)	**(4 745)**
As previously stated		(16 824 062)	**(16 824 062)**
Balance at 1 July 2023		**78 166 377**	**78 166 377**
Surplus(deficit) for a year		**(11 152 515)**	**(11 152 515)**
Surplus(deficit) for a year		(11 152 515)	**(11 152 515)**
Balance at 30 June 2024		**67 013 862**	**67 013 862**

STATEMENT OF CASH FLOWS AS AT 30 JUNE 2024

	Notes	2 024.00 R	2023 R
Operating activities			
Cash receipts from customers		**67 427 768**	66 059 142
Water sales		**64 619 112**	65 570 280
Other income		**2 808 656**	488 862
Cash paid to suppliers and employees		**(81 446 352)**	(81 580 154)
Employee costs		**(34 900 209)**	(36 745 053)
Operating costs		**(46 546 143)**	(44 835 101)
Cash generated from operations	20	**(14 018 584)**	(15 521 012)
Interest paid	18.3	**(161 014)**	(22 801)
Interest income	18.2	**840 300**	1 443 066
Net cash from operating activities		**(13 339 298)**	(14 100 747)
Investing activities			
Acquisition of property, plant and equipment and intangible assets	3;4	**(1 764 261)**	(22 850 687)
Proceeds on Sale of Property, Plant & Equipment		**1 315 691**	
Withdrawal of investment		**12 065 864**	25 757 331
Interest received on investments		**654 152**	1 818 741
Net cash from investing activities		**12 271 446**	4 725 385
Financing activities			
Finance leases		**(4 428)**	
Investment			
Net cash from financing activities		**(4 428)**	-
Net increase/(decrease) in cash and cash equivalents		**(1 072 280)**	(9 375 362)
Cash and cash equivalents at the beginning of the year		**3 918 442**	13 293 804
Cash and cash equivalents at the end of the year	9	**2 846 162**	**3 918 442**

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS AS AT 30 JUNE 2024

	Notes	Approved Budget R	Final Budget R	Actual Amounts R	Variance Amounts R	
Financial Performance						
Revenue	27	**78 498 416**	**78 498 417**	**76 707 534**	**(1 790 882)**	**-2%**
Water sales		74 965 721	74 965 721	68 657 156	(6 308 565)	-8%
Other income		125 762	125 762	5 790 661	5 664 899	4504%
Interest on investments		2 001 053	2 001 053	654 152	(1 346 901)	-67%
Interest income		1 405 881	1 405 881	1 605 565	199 684	14%
Total Expenses	27	**(78 386 543)**	**(78 386 543)**	**(87 860 049)**	**(9 473 506)**	**12%**
Costs of potable water		**(42 996 133)**	**(42 996 133)**	**(51 787 903)**	**(8 791 770)**	**20%**
Chemicals		(3 926 195)	(3 926 195)	(5 579 486)	(1 653 291)	42%
Energy		(13 403 078)	(13 403 078)	(14 458 715)	(1 055 637)	8%
Fuel		(1 716 963)	(1 716 963)	(4 657 627)	(2 940 664)	171%
Insurance		(1 606 500)	(1 606 500)	(2 069 923)	(463 423)	29%
Laboratory costs		(202 228)	(202 228)	(340 931)	(138 703)	69%
Labour		(14 310 768)	(14 310 768)	(16 832 377)	(2 521 609)	18%
Machinery and tool hire		(1 220 765)	(1 220 765)	(1 862 884)	(642 119)	53%
Movement in potable water inventory		-	-	-	-	
Protective clothing		(132 040)	(132 040)	(6 125)	125 915	-95%
Raw water		(1 430 428)	(1 430 428)	(1 246 244)	184 184	-13%
Repairs and maintenance		(2 281 653)	(2 281 653)	(1 738 703)	542 950	-24%
Cylinder rental		(221 782)	(221 782)	-	221 782	-100%
Other vehicle cost		(15 711)	(15 711)	(4 621)	11 090	-71%
Depreciation		(2 528 021)	(2 528 021)	(2 990 267)	(462 246)	18%
Operating expenditure	27	**(34 046 761)**	**(34 046 761)**	**(35 911 132)**	**(1 864 371)**	**5%**
Auditors remuneration		(3 603 951)	(3 603 951)	(2 970 748)	633 203	-18%
Consulting and professional fees		(3 034 142)	(3 034 142)	(5 065 925)	(2 031 783)	67%
Board Costs		(1 087 176)	(1 087 176)	(1 358 600)	(271 424)	25%
Depreciation		(444 500)	(444 500)	(843 479)	(398 979)	90%
Employee costs		(20 646 297)	(20 646 297)	(16 464 325)	4 181 972	-20%
Impairment of financial assets		(561 245)	(561 245)	(1 142 702)	(581 457)	104%
Bad debt write-off		-	-	(101 301)	(101 301)	
(Profit) / Loss on scrapping of property plant and equipment		-	-	(442 994)	(442 994)	
Office Rent		(985 517)	(985 517)	(920 184)	65 333	-7%
Operating lease charges Equipment		(314 866)	(314 866)	(179 398)	(605 318)	192%
IT expenses		(550 271)	(550 271)	(2 293 426)	(1 743 155)	317%
Travel and accommodation costs		(389 243)	(389 243)	(2 028 995)	(1 639 752)	421%
Consumables		(144 000)	(144 000)	(213 179)	(69 179)	48%
Stationery		(21 028)	(21 028)	(84 179)	(63 151)	300%
Recruitment costs		-	-	(10 573)	(10 573)	
Insurance		(535 500)	(535 500)	(460 773)	74 727	-14%
Municipal Services		(425 225)	(425 225)	(421 853)	3 372	-1%
Telephone costs		(644 156)	(644 156)	(566 062)	78 094	-12%
Bank charges		(113 100)	(113 100)	(56 801)	56 299	-50%
Postage and Courier		(2 591)	(2 591)	-	2 591	-100%
Subscriptions & Literature		(7 846)	(7 846)	-	7 846	-100%
Occupational safety		(142 041)	(142 041)	(29 643)	112 398	-79%
Training		(41 693)	(41 693)	(19 692)	22 001	-53%
Facilities Management		-	-	(1 385)	(1 385)	
** operating expenses		(352 375)	(352 375)	(234 915)	117 460	-33%
Finance costs		**(1 343 648)**	**(1 343 648)**	**(161 014)**	**1 182 634**	**-88%**
Surplus/(deficit)		**111 873**	**111 874**	**(11 152 515)**	**(11 264 388)**	**-10069%**

SIGNIFICANT ACCOUNTING POLICIES

1. Presentation of Financial Statements

1.1 Basis of preparation of the Annual Financial Statements

The annual financial statements have been prepared in accordance with General Recognised Accounting Practice (GRAP), including any interpretation and directives issued by the Accounting Standards Board (ASB) in accordance to the Public Finance Management Act of South Africa, 1999 (Act No.1 of 1999) "PFMA".

1.2 Adoption of GRAP

The following amended Standards of GRAP became effective and were fully implemented in the current financial year:

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash flow statements
GRAP 3	Accounting policies, changes in accounting estimates and errors.
GRAP 4	The effects of changes in foreign exchange rates
GRAP 5	Borrowing costs
GRAP 6	Consolidated and separate financial statements
GRAP 7	Investments in Associates
GRAP 8	Interest in Joint Ventures
GRAP 9	Revenue from Exchange Transactions
GRAP 10	Financial Reporting in Hyperinflationary Economies
GRAP 11	Construction contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events after the Reporting Date
GRAP 16	Investment Property
GRAP 17	Property, plant and equipment
GRAP 18	Segment Reporting
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GRAP 20	Related party disclosures
GRAP 21	Impairment of Non-cash- generating assets
GRAP 23	Revenue from Non-Exchange Transactions (Taxes and Transfers)
GRAP 24	Presentation of Budget information in Financial Statements.
GRAP 25	Employee Benefits
GRAP 26	Impairment of cash generating assets
GRAP 27	Agriculture
GRAP 31	Intangible Assets
GRAP 32	Services concession arrangements:Grantor
GRAP 34	Separate Financial Statements
GRAP 35	Consolidated Financial Statements
GRAP 36	Investments in Associates and Joint Ventures
GRAP 37	Joint Arrangements
GRAP 38	Disclosure of Interests in Other Entities
GRAP 100	Discontinued Operations
GRAP 103	Heritage Assets
GRAP 104	Financial Instruments
GRAP 105	Transfers of functions between entities under common control
GRAP 106	Transfers of functions between entities not under common control
GRAP 107	Mergers
GRAP 108	Statutory receivables
GRAP 109	Accounting by principals and agents
GRAP 110	Living and Non-living Resources

1.2.1 Standards of GRAP issued but not yet effective and early adopted by the entity

The Standards of GRAP that has been issued by the ASB, but where the Minister has not determined an effective date, have not been adopted by the Overberg Water.

1.3 Statement of compliance

The annual financial statements have been prepared on the historical cost basis, and incorporate the principal accounting policies set out below. They are presented in South African Rands. These accounting policies are consistent with the previous year, where there are differences, these has been explained in note 31.

The annual financial statements are prepared on a basis that the entity will continue to be a going concern. This principle was applied in the preparation of the annual financial statements for the year ended June 2024.

SIGNIFICANT ACCOUNTING POLICIES

1.4 Off-setting

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

1.5 Changes in accounting , accounting estimates and errors

Where the entity changes its accounting policy or policies during the accounting period and the change has an effect on the current or any prior period, the Entity will disclose the nature of the change in the accounting policy, the reasons why the new accounting policy is applied and the extent and amount of the adjustment for both current and prior periods.

The entity discloses the nature and amount of accounting estimates that has an effect in the current period or which is expected to have an effect in future periods. Revisions to estimates are recognised prospectively.

In correcting prior period errors the entity discloses the nature of the prior period error, the amount of the correction for each prior error and amount of correction for each period at the beginning of the earliest prior period presentation.

1.6 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 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. Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognized in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Property, plant and equipment are classified as a cash generating unit if the asset does not generate cash inflows that are largely independent of those from other assets. Cash generating assets are assets used with the objective of generating a commercial return.

Property, plant and equipment is depreciated on the straight line basis over their expected useful lives to their estimated residual value. Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses. Land is stated at cost.

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

Item	Average useful life
Water purification schemes	
- Buildings	15 - 60 Years
- Structures	7 - 100 Years
- Pipes / network	10 - 80 Years
- Mechanical equipment	10 - 20 Years
- Electronic and electrical equipment	3 - 50 Years
Movable equipment and furniture	
- Movable equipment (including leased assets)	5 - 10 Years
- Furniture	5 - 10 Years
Motor vehicles	5 - 10 Years
Offices	5 - 60 Years
Land	Indefinite

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting period. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in the statement of comprehensive income 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.

1.7 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any.

Acquired computer software is capitalised on the basis of the costs incurred to acquire and bring into use the specific software. Costs associated with researching or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the development of identifiable software products controlled by the Overberg Water, that will probably generate economic benefits beyond one year that can be measured reliably, are recognised as intangible assets.

Costs include employee costs incurred as a result of developing software and an appropriate proportion of relevant overheads. The useful life of the servitudes will remain in force as long as the relevant infrastructure underlying the servitude is still in use. A servitude will only become impaired if the infrastructure to which the servitude is linked is derecognised, therefore servitudes are rights granted to the Overberg Water for an indefinite period of time.

An intangible asset with an indefinite useful life is not amortised. Intangible assets with an indefinite useful life or an intangible asset not yet available for use, are tested for impairment at the end of each financial year and whenever there is any indication that the intangible asset could be impaired. Other intangible assets are only tested for impairment where there is an indication that impairment exists.

Gains and losses on intangible assets, including impairment and impairment reversals, are treated similarly to gains and losses for property, plant and equipment.

The estimated useful lives of items of intangible assets are as follows:

Item	**Average useful life**
Computer Software	2 - 15 Years
Servitude	Indefinite

Servitudes are not amortised but are assessed by means of an annual impairment test. The recoverable amount is determined through the results of the value in use and fair value less costs to sell impairment tests.

1.8 Inventories

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

Inventories shall be Recognised as an asset if, and only if,
(a) it is probable that future economic benefits or service potential associated with the item will flow to the entity.
(b) the cost of the inventories can be measured reliably.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of selling expenses. The net realisable value of raw materials and supplies held to be used in the production of inventories will not be written down if the finished goods are expected to be sold or exchanged at or above cost.

The cost of potable water and chemicals inventory 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.

The cost of Emergency spares is assigned using the current replacement cost for the purpose of establishing cost and the subsequent measure is first in first out. The current replacement cost is used in the absence of actual cost. The same cost formula is used for all Emergency spares having a similar nature and use to the entity.

Emergency spares are held to repair leaks and other incidences in order to ensure an uninterrupted water supply to consumers.

1.9 Impairment of assets

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

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of cash-generating unit to which the asset belongs is determined.

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

Impairment losses are recognised whenever the carrying amount of the asset or a cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. Impairment losses are reversed if there has been a change in the estimates used to determine the recoverable amount. Impairment losses are reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

SIGNIFICANT ACCOUNTING POLICIES

1.10 Financial instruments

1.10.1 Classification

The Overberg Water classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or a residual interest in accordance with the substance of the contractual arrangement.

Financial instruments are initially measured at fair value.

Transaction costs on financial instruments at fair value are recognised in the statement of financial performance. Transactions costs on other financial instruments are included in the cost of the instrument.

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis.

1.10.2 Subsequent measurement

The Entity measures subsequently all financial assets and financial liabilities at amortised costs.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

1.10.3 Derecognition

Financial assets

The Overberg Water derecognises financial assets using trade date accounting.

The Overberg Water derecognises a financial asset only when:
* the contractual rights to the cash flows from the financial asset expire, are settled or waived;
* the Overberg Water transfers to another party substantially all of the risks and rewards of ownership of the financial
* the Overberg Water, 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. In this case, the Overberg Water :
- derecognise the asset; and
- recognise separately any rights and obligations created or retained in the transfer.

Financial liabilities

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

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

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

1.11 Investments

The long term interest bearing financial instruments held by the entity are stated at amortised cost. Interest on investments are calculated using the effective interest method and recognised in profit or loss.

SIGNIFICANT ACCOUNTING POLICIES

1.12 Receivables from exchange transactions

Receivables from exchange transactions measured at amortised cost arise from transactions with water users. Prepayments and advances consist of amounts paid to vendors and employees for which future goods and services are expected to be received. Prepayments and advances are not classified as financial instruments.

1.13 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Cash and cash equivalents are measured at initial recognition at fair value, and are subsequently measured at amortised cost.

1.14 Payables from exchange transactions

The Overberg Water recognises payables from exchange transactions where liabilities result in counter performance by the respective parties.
Payables from exchange transactions are initially measured at fair value, and are subsequently measured at amortised cost.

1.15 Provisions, Accruals & Contingent Liabilities

Provisions and accruals are liabilities where uncertainty exists about the timing or amount of the future expenditure required to settle the liability. The entity recognises, in payables, an amount for accruals where an estimate is made of the amount due for goods or services that have been received of supplied, but the invoice is outstanding or a formal agreement with the supply has not been concluded. Provisions are liabilities, excluding accruals that are recognised where the entity has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations and a reliable estimate of the amount of the obligation can be made. Provision are measured at the best estimate of the amount to settle the present obligation at the reporting date, discounting to present value where the time value of money is expected to be material.

A Contingent liability are not recognised as liabilities because they are either:
(i) possible obligations, as it has yet to be confirmed whether the entity has a present obligation that could lead to an outflow of resources embodying economic benefits or service potential; or
(ii) present obligations that do not meet the recognition criteria in this Standard (because either it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, or a sufficiently reliable estimate of the amount of the obligation cannot be made).

1.16 Revenue

Revenue relating to the supply of water is recognised on the consumption of water by the water users.
Revenue comprises amounts invoiced to customers for potable water, exclusive of value-added tax, at the declared tariffs

1.16.1 Revenue from exchange transactions

Revenue from the sale of water is recognised when all the following conditions have been met:
• the tariff has been set;
• the water allocation has been agreed;
• the water consumption has been measured; and
• the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for water supplied in the normal course of business.

Other revenue from exchange transactions is recognised in the statement of financial performance when the revenue becomes due to the Overberg Water.

Interest income from investment is recognized when it is earned. Interest is recognised using the effective interest rate method.

Revenue from the rendering of services is recognised when:
When the outcome of a transaction can be estimated reliably, revenue should be recognised by reference to the stage of completion of the transaction at the reporting date, provided that all of the following conditions are met:
> 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 at the reporting date can be measured reliably
> The costs incurred, or to be incurred, in respect of the transaction can be measured reliably

1.17 Costs of potable water

The related cost of purifying and providing water that is recognised as revenue in the current period, is included in costs of potable water.

1.18 Employee benefits

Leave benefits due to employees are recognised as a liability in the financial statements.

Obligations for contributions to defined contribution plans are recognised as an expense in the statement of financial performance as incurred.

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

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

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

The Overberg Water contributes towards the pension fund and the medical aid for its employees through a defined contribution plan. Once the contributions are paid, the Overberg Water has no further payment obligations. The contribution paid is charged to employee expenses in the same year as the related service is provided.

1.19 Expenditure

Expenditure is classified in accordance with the nature of the expenditure.

The Overberg Water recognises expenditure in the statement of financial performance when a decrease in future economic benefits or service potential related to a decrease in an asset or an increase of a liability, other than those relating to distributions to owners, has arisen, that can be measured reliably.

The Overberg Water recognises expenses immediately in the statement of financial performance when expenses produce no future economic benefits or service potential or when and to the extent that, future economic benefits or service potential do not qualify, or cease to qualify, for recognition in the statement of financial position as an asset.

The Overberg Water also recognises expenses in the statement of financial performance in those cases when a liability is incurred without the recognition of an asset, for example, when a liability under a court ruling arises.

Finance cost is recognised as an expense in surplus or deficit in the statement of financial performance in the period in which it is incurred, using the effective interest rate method.

1.20 Leases

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

1.20.1 Operating leases – lessor

Operating lease income is recognised as an income on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

Income for leases is disclosed under other income in the statement of comprehensive income.

1.20.2 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. This liability is not discounted.

Operating leases that are longer than 1 year are measured on a straight line basis as an expense, and the difference between the actual payments and the expense is accrued through payables or receivables. Where the lease is less than 1 year, the actual expenses is recognised in the statement of financial performance.

1.20.3 Finance lease

The Overberg Water classifies certain leases of equipment as finance leases.

Where practicable, the discount rate used to calculate the present value of the minimum lease payments is the interest rate implicit in the lease. Where the interest rate is not included on the lease agreement no interest charge will be calculated. Any initial direct costs are added to the amount recognised as an asset.

The assets acquired under finance leases is recognised as assets and the associated lease obligations as liabilities in the statement of financial position at the commencement of the lease term. The assets and liabilities is recognised at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease.

The Overberg Water measures the liability as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest if applicable (i.e. the Overberg Water recognises the capital portion of the obligation as a liability and recognises the interest over the lease term). If no interest rate exist on the contract, the interest wont be recognised over the lease term contract.

The leased assets are subsequently measured at cost less accumulated depreciation and impairment. The leased assets are depreciated over the shorter of the lease agreement or the useful life of the asset. The minimum lease payments is apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

1.21 Irregular, fruitless and wasteful expenditure and material losses through criminal conduct

Irregular, fruitless and wasteful expenditure and material losses through financial misconduct is recognised as expenditure in the statement of financial performance according to the nature of the payment and disclosed separately in note 28. If the expenditure is recoverable it is treated as an assets until it is recovered from the responsible person or written off as irrecoverable in the statement of financial performance.

1.22 Related parties

Parties are considered to be related if one party has the ability to control the other party, exercise significant influence over the other party or jointly control the other party. Specific information with regard to related party transaction is included in note 24.

1.23 Budget information

The budget is prepared on an accrual basis. The Overberg Water Budget comprise of revenue received from bulk portable water sales.

General purpose financial reporting by entity shall provide information on whether resources were obtained and used in accordance with the legally adopted budget. The approved budget is prepared on an accrual basis and presented by economic classification.

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

1.24 Judgements and estimates

The entity makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities during the next financial year are discussed below:

1.24.1 Initial measurement of financial assets

Short-financial assets have been measured at the transaction price unless there was an indication that the transaction was provided at terms that were longer than the normal credit terms longer than 30 days. Where extended payment terms were given, the transaction prices are discounted at the rate applicable to debt owed to the entity to determine the fair value for initial measurement purposes.

1.24.2 Impairment of financial assets

Trade receivables are assessed at the date of the statement of financial position for any indication of impairment. If there is a reasonable indication that the future cash flows relating to the financial asset might not be recoverable the financial asset must be impaired at the day of the statement of financial position. An impairment is recognised for estimated losses firstly on an individually significant receivables and secondly on a group of receivables with similar credit risk that are assessed to be impaired based on objective evidence as a result of one or more events that occurred during the reporting period. For debtors which have defaulted, management makes judgments based on an assessment of their ability to make future payments. Grouping is assessed using the average collection rate of previous three years as a benchmark grouping considers only factors that indicate that the financial asset has been impaired. Creditworthiness is not used in assessing debtor balances. Should the financial condition of the customers change, actual write-offs could differ significantly from the impairment losses recognised.

1.24.3 Provisions

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

1.24.4 Residual values and useful lives of plant and equipment

Residual values and useful lives of plant and equipment are assessed on an annual basis. Estimates and judgements in this regard are based on historical experience and expectations of the manner in which assets are to be used, together with the expected proceeds likely to be realised when assets are disposed of at the end of their useful lives. Such expectations could change over time and therefore impact both depreciation charges and carrying values of plant and equipment in the future. Residual value assessments consider issues such as future market conditions, the remaining life of the assets and projected disposal values.

1.25 *Events after reporting date*

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue.

Adjusting events after the reporting date are those events that provide evidence of conditions that existed at the reporting date.

Overberg Water Board terminated a contract with Buzaphi Construction due to non-performance. The cancellation went for arbitration with the CIBD whereby the contractor was claiming loss of income for the cancellation of the contract and Overberg Water Board lodged a counter claim for damages. The CIBD ruled in favour of the Overberg Water Board. The outcome of the arbitration is regarded as an adjusting event.

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2 *New Standards and Interpretations*

2.1 *Standards and interpretations not yet effective:*

At the date of approval of the financial statements, the following new standards, interpretations and amendments that apply to the entity were in issue but not yet effective:

Revised GRAP 104	Financial Instruments	Effective date 1 April 2025

The entity does not plan to early adopt any of the above mentioned standards, interpretations and amendments.

The standard was issued in April 2019 and its effective date 1 April 2025. The standard prescribes principles for recognising, measuring, presenting and disclosing financial instruments. Financial instruments are contractual arrangements that give rise to a financial asset in one entity and a financial liability or residual interest of another.

Most significant changes:
Scope - financial guarantee contracts and some loan commitments now in scope. Previously GRAP 19.
Classification - same number of categories, classification principles substantially changed.
Subsequent measurement – impairment model
Financial guarantee contracts and loan commitments now in GRAP 104, not GRAP 19

Old Grap 104	New Grap 104
Classification – financial assets *Amortised Cost* Non-derivative Fixed or determinable payments Not held for trading or designated at fair value *Fair Value* Derivatives, held for trading, designated at fair value	Management model – hold to collect cash flows Solely payments of principal and interest Management model – hold + sell, sell
Financial Assets at Amortised Cost *Change in impairment model* Incurred loss model Focusses on historical data Does not allow for timely action	Expected credit loss model Past, current and future data More timely decision making

Classification – financial assets

The Entity does not believe the new classification requirements will have a material impact on its accounting for financial assets. The financial assets of the entity will still be accounted for at amortised cost.

Impairment – Financial assets

The Entity anticipates that the application of the expected credit loss model will not significantly change the recognition of credit losses for the respective items and or increase the amount of loss allowance for those items, due to the nature of the business.

3. Property plant and equipment

	2024		
	Cost / Valuation	**Accumulated depreciation and impairment**	**Carrying value**
Water purification schemes	108 161 054	(61 447 961)	**46 713 093**
Motor vehicles	1 049 828	(90 676)	**959 152**
Furniture and office Equipment	1 737 668	(1 358 528)	**379 140**
Computer Equipment	1 163 315	(788 672)	**374 643**
Machinery and equipment	1 473 545	(1 287 599)	**185 946**
Land	88 222	-	**88 222**
Buildings	2 061 560	(1 555 663)	**505 897**
Leased assets: Equipment	1 328 909	(1 176 161)	**152 748**
Total	**117 064 101**	**(67 705 260)**	**49 358 841**

	2023		
	Cost / Valuation	**Accumulated depreciation and impairment**	**Carrying value**
Water purification schemes	108 900 559	(58 854 141)	**50 046 418**
Motor vehicles	2 802 110	(2 214 794)	**587 316**
Furniture and office Equipment	1 797 514	(1 384 604)	**412 910**
Computer Equipment	1 467 826	(923 884)	**543 942**
Machinery and equipment	2 215 564	(1 674 099)	**541 465**
Land	88 222	-	**88 222**
Buildings	1 950 880	(1 534 131)	**416 749**
Leased assets: Equipment	1 655 519	(1 579 360)	**76 159**
Total	**120 878 194**	**(68 165 013)**	**52 713 181**

Reconciliation of property plant and equipment – 2024

	Opening balance	Additions	Disposals / Scrapped	Depreciation	Impairment	Impairment Reversal	Total
Water purification schemes	50 046 418	294 667	(864 697)	(2 722 564)	(53 426)	12 695	**46 713 093**
Motor vehicles	587 316	1 014 379	(449 707)	(180 028)	(12 808)	-	**959 152**
Furniture and office Equipment	412 910	102 676	(17 569)	(116 803)	(2 074)	-	**379 140**
Computer Equipment	543 942	156 581	(97 889)	(194 214)	(33 777)	-	**374 643**
Machinery and equipment	541 465	71 184	(223 939)	(193 372)	(9 392)	-	**185 946**
Land	88 222	-	-	-	-	-	**88 222**
Buildings	416 749	124 774	(1 490)	(34 132)	(4)	-	**505 897**
Leased assets: Equipment	76 159	158 249	(34 594)	(46 341)	(725)	-	**152 748**
	52 713 181	**1 922 510**	**(1 689 885)**	**(3 487 454)**	**(112 206)**	**12 695**	**49 358 841**

Reconciliation of property plant and equipment - 2023

	Opening balance	Additions	Disposals / Scrapped	Depreciation	Impairment	Impairment Reversal	Total
Water purification schemes	27 648 327	24 962 914	(216 868)	(2 314 651)	(83 278)	49 974	50 046 418
Motor vehicles	1 164 064	-	-	(429 314)	(150 038)	2 604	587 316
Furniture and office Equipment	549 737	381	-	(136 869)	(339)		412 910
Computer Equipment	611 165	146 954	-	(214 009)	(168)		543 942
Machinery and equipment	788 415	8 942	-	(255 416)	(476)		541 465
Land	88 222	-	-	-	-		88 222
Buildings	567 636	-	-	(41 306)	(109 581)		416 749
Leased assets: Equipment	129 035	-	(3 505)	(49 371)	-		76 159
	31 546 601	**25 119 191**	**(220 373)**	**(3 440 936)**	**(343 880)**	**52 578**	**52 713 181**

3. Property plant and equipment (continued)

3.1 Useful lives

An entity shall assess at each reporting date, determines whether there is any indication that the expected useful life of an assets has changed since the previous reporting date. If any such indication exists, the entity shall revise the expected useful life accordingly. The change/(s) in the useful lives, shall be accounted for as a change in an accounting estimate in accordance to GRAP 3.

All remaining useful lives that were adjusted for the 2023/24 financial year are disclosed in the financial statements as a change in estimate in accordance with GRAP 3 (refer to note 5.1). All changes in estimates occurs prospectively and no prior year adjustments were made. All review of useful life adjustments occurred with effect from 1 July 2023.

3.2 Impairment and reversal of impairment

The carrying amounts of cash generating financial assets within the scope of GRAP 26 were reviewed during the year and we will continue to review them on the annual basis and adjusted for each reporting date to determine whether there is any indication of impairment.

During the 30 June 2023 financial year, the entity recognised an impairment loss on pumps due to damage, resulting in the assets not functioning as intended. Subsequent repairs were completed, restoring the pumps station to fully function as intended.
Following these repairs, an assessment indicated that the recoverable amount of the pumps had increased, resulting in a reversal of the previously recognised impairment loss. The reversal amounted to R12 695 which was recognised in the statement of financial performance at 20 June 2024. As a result, the carrying amount of the pumps has been increased by R12 695.

During the 30 June 2024 financial year end impairment losses amounted to R 112 206 (R 58 780 for movable assets and R R53 426 for infrastructure assets). The events and circumstances that lead to the impairment of these assets are based on the physical damage of the assets and whether the assets are being utilised. Based on the physical verification that was performed, assets were found that were not functional and no longer in use, indicating that they could no longer function at its intended capacity. This amount was recognised in the statement of financial performance under other operating expenses at 30 June 2024.

3.3 Capital work in progress

There was no work in progress in relation to property plant and equipment.

3.4 Assets pledged as security

There are no restrictions on any titles and no assets were pledged as security.

3.5 Repairs and maintenance

Details of repairs and maintenance are included in note 15.1

3.6 Details of properties

Overberg Water's area of service is in and around Heidelberg, Swellendam and Caledon in the Western Cape.

Properties:	Nature of asset	Location	Size
Property number: 591	Workshop	Caledon	0.2346 ha
Property number: 1358	Residential house	Caledon	0.0660 ha
Property number: 1359	Residential house	Caledon	0.0660 ha
Property number: 383	Office	Caledon	0.0501 ha
Property number: 1458	Reservoir R2	Heidelberg	1.2007 ha
Property number: 1494	Residential house	Heidelberg	0.0804 ha
Property number: 1925	Reservoir R8	Heidelberg	0.6248 ha
Property number: 150	Office	Heidelberg	0.0914 ha
Portion 32 & 33 of farm no. 7	Reservoir R3	Bredasdorp	0.2436 ha
Portion 13 of farm no. 9	Reservoir R5	Bredasdorp	0.4026 ha
Portion 5 & 6 of farm 87	Reservoir BRC9	Bredasdorp	0.1715 ha
Portion 3 of farm no. 95	Reservoir R4	Bredasdorp	0.4248 ha
Portion 1 of farm no. 157	Reservoir R6	Bredasdorp	0.3806 ha
Portion 1 of farm no. 254	Reservoir R4	Riversdale	0.4704 ha
Portion 31 of farm no. 80	Tailing dams	Swellendam	1.7046 ha
Portion 36 of farm no. 80	Treatment plant	Swellendam	5.0663 ha
Portion 24 of farm no. 88	Reservoir R1	Swellendam	0.4193 ha
Portion 8 & 9 of farm no. 243	Treatment plant	Swellendam	3.8581 ha
Portion 13 of farm no. 289	Reservoir R7	Swellendam	0.4729 ha
Portion 5 of farm no. 308	Reservoir R3	Swellendam	0.4831 ha
Portion 6 of farm no. 312	Reservoir R5	Swellendam	0.4802 ha
Portion 5 of farm no. 329	Reservoir R6	Swellendam	0.7053 ha
Portion 2 of farm no. 355	Reservoir BRE3	Swellendam	0.3551 ha
Portion 7 of farm no. 363	Reservoir R2	Swellendam	0.4796 ha
Portion 1 of farm no. 365	Reservoir R1	Swellendam	0.7441 ha
Portion 4 of farm no. 427	Reservoir BRW4	Swellendam	0.3248 ha
Portion 26 of farm no. 455	Reservoir R7	Swellendam	0.2507 ha
Portion 4 of farm 498	Reservoir R8	Swellendam	0.2610 ha

Servitudes and area in and around Caledon.

4 Intangible Assets

	2024		
	Cost / Valuation	**Accumulated amortisation**	**Carrying value**
Computer Software	4 042 562	(197 144)	**3 845 418**
Servitude	556 655	-	**556 655**
Intangible assets under development	-	-	**-**
Total	**4 599 217**	**(197 144)**	**4 402 073**

	2023		
	Cost / Valuation	**Accumulated amortisation**	**Carrying value**
Computer Software	214 242	(95 805)	**118 437**
Servitude	556 655	-	**556 655**
Intangible assets under development	4 042 562	-	**4 042 562**
Total	**4 813 459**	**(95 805)**	**4 717 654**

Reconciliation of Intangible Assets– 2024

	Opening balance	Additions	Disposals / Scrapped	Amortisation	Impairment	Transfers	Total
Computer Software	118 437	4 042 562	(68 800)	(246 781)	-	-	**3 845 418**
Servitude	556 655	-	-	-	-	-	**556 655**
Intangible Assets under Development	4 042 562	-	-	-	-	(4 042 562)	**-**
Total	**4 717 654**	**4 042 562**	**(68 800)**	**(246 781)**	**-**	**(4 042 562)**	**4 402 073**

Reconciliation of Intangible Assets– 2023

	Opening balance	Additions	Disposals / Scrapped	Amortisation	Impairment	Total
Computer Software	177 656	-		(59 219)	-	**118 437**
Servitude	556 655	-	-	-	-	**556 655**
Intangible Assets under Development	2 722 091	1 320 471	-	-	-	**4 042 562**
Total	**3 456 402**	**1 320 471**	**-**	**(59 219)**	**-**	**4 717 654**

The carrying amounts of cash generating financial assets within the scope of GRAP 26 are reviewed annually and adjusted (if required and at each reporting date to determine whether there is any indication of impairment).

Servitudes are rights granted to the Overberg Water for an indefinite period of time. These servitudes consist of land expropriated by Overberg Water containing infrastructure owned by the Overberg Water and used in the production of revenue. The life of the servitude will remain in force as long as the relevant infrastructure is still in use. Servitudes are not amortized but are assessed by means of an annual impairment test. The recoverable amount is determined through the results of the value in use and fair value less costs to sell impairment tests. The results of which have indicated that no impairment is required.

4.1 Intangible Assets

The total amount of R4 042 562 in relation to the implementation of the ERP system was transferred out of work in process to computer software.

The ERP (Enterprise Resource Planning) system was available for use from 1 January 2024 and has an expected useful life of an ERP of 10 to 15 years, though this can vary depending on several factors:

The entity is not expecting any rapid business growth or changes, that may outpace the capabilities of the existing ERP system, leading to a shorter useful life.

SAGE is not a highly customized ERP system that may become obsolete faster as maintaining and upgrading them can be more challenging compared to more standardised systems.

Based on the factors above, we expect to use the ERP system for 10 years. In terms of the GRAP requirements, the entity will re-assess the useful life of the ERP asset annually.

		2024 R	2023 R
5	**Depreciation, amortisation and impairment**		
	Depreciation on property, plant and equipment	**(3 714 211)**	**(2 714 506)**
	Water purification schemes	**(2 784 711)**	(1 939 566)
	Motor vehicles	**(162 658)**	(274 380)
	Furniture and office Equipment	**(147 787)**	(100 514)
	Computer Equipment	**(245 866)**	(159 126)
	Machinery and equipment	**(267 580)**	(242 918)
	Buildings	**(42 821)**	(29 220)
	Leased: equipment	**(62 787)**	31 218
	Amortisation on intangible assets	**(256 363)**	**(67 313)**
	Computer Software	**(256 363)**	(67 313)
	Impairment and Impairment reversal	**(99 511)**	**(291 302)**
	Water purification schemes	**(40 731)**	(33 304)
	Buildings	**(4)**	(109 581)
	Motor vehicles	**(12 808)**	(147 434)
	Furniture and office Equipment	**(2 074)**	(339)
	Computer Equipment	**(33 777)**	(168)
	Machinery and equipment	**(9 392)**	(476)
	Leased: equipment	**(725)**	-
	Change in estimate on depreciation	**236 339**	**(713 591)**
	Water purification schemes	**62 147**	(370 340)
	Buildings	**8 689**	(12 086)
	Motor vehicles	**(17 370)**	(154 934)
	Furniture and office Equipment	**30 984**	(36 355)
	Computer Equipment	**51 652**	(54 883)
	Machinery and equipment	**74 208**	(12 498)
	Leased: equipment	**16 446**	(80 589)
	Computer Software	**9 582**	8 094
		(3 833 746)	(3 786 712)

5.1 **Change in estimate**

Reconciliation on change in accounting estimate 2024

	Depreciation before Useful life adjustment	Depreciation Financial YTD	Effect of change in estimate
Water purification schemes	**(2 784 711)**	**(2 722 564)**	**62 147**
Buildings	**(42 821)**	**(34 132)**	**8 689**
Computer equipment	**(245 866)**	**(194 214)**	**51 652**
Furniture and Office Equipment	**(147 787)**	**(116 803)**	**30 984**
Computer Software	**(256 363)**	**(246 781)**	**9 582**
Machinery and equipment	**(267 580)**	**(193 372)**	**74 208**
Motor vehicles	**(162 658)**	**(180 028)**	**(17 370)**
Finance lease asset	**(62 787)**	**(46 341)**	**16 446**
	(3 970 574)	**(3 734 235)**	**236 339**

Reconciliation on change in accounting estimate 2023

	Depreciation before Useful life adjustment	Depreciation Financial YTD	Effect of change in estimate
Water purification schemes	(2 680 246)	(2 309 906)	(370 340)
Buildings	(53 392)	(41 306)	(12 086)
Computer equipment	(268 892)	(214 009)	(54 883)
Furniture and Office Equipment	(173 224)	(136 869)	(36 355)
Computer Software	(51 125)	(59 219)	8 094
Machinery and equipment	(267 914)	(255 416)	(12 498)
Motor vehicles	(584 248)	(429 314)	(154 934)
Finance lease assets	(129 960)	(49 371)	(80 589)
	(4 209 001)	(3 495 410)	(713 591)

During the current financial year, a physical verification and condition assessment was undertaken. This resulting in changes in the conditions of certain assets being identified which led to the useful life's of these assets being reassessed and adjusted, the effect of this revision is as follows:

• *Decrease in Computer equipment depreciation expense amounting to*	*51 652*
• *Decrease in Finance lease depreciation expense amounting to*	*16 446*
• *Decrease in Furniture and Office Equipment depreciation expense amounting to*	*30 984*
• *Decrease in Intangible Assets depreciation expense amounting to*	*9 582*
• *Decrease in Machinery and Equipment depreciation expense amounting to*	*74 208*
• *Increase in Motor Vehicles depreciation expense amounting to*	*(17 370)*
• *Decrease in Water Purification Schemes depreciation expense amounting to*	*62 147*
• *Decrease in Buildings depreciation expense amounting to*	8 689

6. Investments

	2024					
	Opening Balance	Transfers	Investments withdrawn	Interest Earned	Admin Fees	Total
CCM 60 Day Call Money Fund	13 345 623	(3 055 778)	(8 461 081)	549 910	(15 688)	**2 362 986**
CCM Call Money Fund	446 285	3 055 778	(3 503 276)	1 213	-	**-**
CCM Call Account	-	-	-	-	-	**-**
Masibambane Investment account	1 447 659	-	(755 659)	103 029	(2 944)	**792 085**
At amortized cost	**15 239 567**	**-**	**(12 720 016)**	**654 152**	**(18 632)**	**3 155 071**

	2023				
	Opening Balance	Investments withdrawn	Interest Earned	Admin Fees	Total
CCM 60 Day Call Money Fund	16 081 554	(3 792 420)	1 095 077	(38 588)	**13 345 623**
CCM Call Money Fund	15 824 973	(15 823 871)	464 736	(19 553)	**446 285**
CCM Call Account	7 801 677	(7 959 781)	159 172	(1 068)	**-**
Masibambane Investment account	1 351 381	-	99 756	(3 478)	**1 447 659**
At amortized cost	**41 059 585**	**(27 576 072)**	**1 818 741**	**(62 687)**	**15 239 567**

7. Inventories

	2024 R	2023 R
Maintenance and emergency spares	**753 561**	822 151
Potable water	**295 661**	118 316
Chemicals	**409 522**	208 125
Diesel	**-**	88 509
	1 458 744	1 237 101

The cost of raw water recognised as an expense during the period amounts to R1 423 589 (2023: R1 391 845)

7.1 Inventory pledged as security

Inventory was not pledged as security.

7.2 Maintenance and emergency spares

The cost of Emergency spares is assigned using the current replacement cost for the purpose of establishing cost and the subsequent measure is first in first out. The current replacement cost is used in the absence of actual cost. The same cost formula is used for all emergency spares having a similar nature and use to the entity.

8. Receivables from exchange transactions

	2024 R	2023 R
Trade receivables	**22 987 549**	18 184 240
Impairment of trade receivables	**(5 089 849)**	(3 947 148)
Net trade receivables	**17 897 700**	14 237 092
Prepaid expenses	**-**	120 597
Other receivables	**3 409 716**	710 419
Impairment of other income receivables	**-**	(403 305)
	21 307 416	14 664 803

Trade and other receivables are shown net of impairments amounting to R5 089 849 (2023: R3 947 148) recognised during the year determined by reference to past default experience. The major contributor to the impairment provision is the industrial and agricultural customers.

R2 974 089 of the outstanding debtors balance relates to Theewaterskloof municipality who settled their account after year end.

Refer to note 26.3 for further disclosure on receivable from exchange transactions and impairment allowances.

9. Cash and cash equivalents

	2024 R	2023 R
Cash and cash equivalents consist of:		
Bank accounts	**2 842 112**	3 911 954
Cash on hand	**4 050**	6 488
	2 846 162	3 918 442

Bank and cash balances include positive bank balances, cash on hand and call deposits.

The carrying amount of cash and cash equivalents are considered to represent a reasonable approximation of its amortised cost, is unrestricted and available for use as and when the need arises.

Credit card facilities

The entity has the following banking facilities:- Petrol cards (ABSA) facility of R160 000,00.

Guarantee provided by ABSA Bank Ltd

Letter of guarantee number 36551301542 for the sum of R101 500 given by ABSA Bank Ltd in favour of Eskom Holdings Soc. Limited Reg. No. 2002/015527/06 (reference number SDRF012/13) for electricity supply at the Duivenhoks Water Scheme.

10. Net Assets

	2024 R	2023 R
Accumulated surplus	**67 013 862**	78 166 377
	67 013 862	78 166 377

11. Payables from exchange transactions

	2024	2023
Trade payables	**8 175 331**	6 508 470
Accruals	**1 431 050**	1 277 159
Amounts received in advance	**438 251**	117 470
Salary payables	**1 286 339**	785 703
Other payable	**9 083**	18 109
Retention	**-**	426 545
VAT and PAYE Payable	**935 461**	974 677
	12 275 515	10 108 133

12. Employee Benefits

	2024	2023
Opening balance	**4 214 408**	6 246 063
Employee benefits for the year	**(1 603 507)**	(2 031 655)
Closing balance	**2 610 901**	4 214 408

12.1 Reconciliation of employee benefits - 2024

	Opening balance	Increases	Utilised during the	Unutilised	Total
Performance bonuses	1 145 062		-	(1 145 062)	**-**
Unpaid leave	3 069 346	2 688 667	(3 147 112)	-	**2 610 901**
	4 214 408	**2 688 667**	**(3 147 112)**	**(1 145 062)**	**2 610 901**

Reconciliation of employee benefits - 2023

	Opening balance	Increases	Utilised during the	Unutilised	Total
Performance bonuses	1 961 519	609 799	(1 026 644)	(399 612)	**1 145 062**
Unpaid leave	4 284 543	3 726 497	(4 941 694)	-	**3 069 346**
	6 246 062	**4 336 296**	**(5 968 338)**	**(399 612)**	**4 214 408**

In terms of GRAP 25, Employee benefits include benefits provided to either employees or their dependents and may be settled by payments (or the provision of goods or services) made either directly to the employees, to their spouses, children or other dependents or to others, such as insurance companies. Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Employee Benefits (Continued)

Performance bonuses

Overberg Water has in the past provided for bonusses due to a potential constructive obligation as a result of past events. Due to financial difficulties experienced by the Entity, Management has thought it prudent to reverse performance bonusses as it is not likely these will be paid in the foreseeable future.

Unpaid leave

Overberg Water has a legal obligation to grant leave to employees in terms of their employment contract and the basic conditions of employment act . Employees are granted a minimum of 15 leave days to a maximum of 27 leave days depending on their seniority. Any leave not taken at a reporting date is provided for, leave taken during the year is reported as utilised. The timing of the outflow is uncertain as well as the related amounts as its unknown as to when will the leave be taken. The provision of leave amount to R2 610 901 (R3 069 347 for 2023).

13 Provisions

	2024 R	2023 R
Opening Balance	-	119 025
Provision for claims against damages	474 208	-
Utilised during the year	-	(119 025)
Closing balance	**474 208**	**-**

13.1 Reconciliation of Provisions- 2024

	Opening balance	Increases	Utilised during the year	Total
Provision for claims against damages	-	474 208	-	**474 208**
	-	**474 208**	**-**	**474 208**

Reconciliation of Provisions- 2023

	Opening balance	Increases	Utilised during the year	Total
Provision for claims against damages	119 025	-	(119 025)	-
	119 025	**-**	**(119 025)**	**-**

14 Revenue from exchange transactions

	2024 R	2023 R
14.1 Water sales	**68 657 156**	65 668 416
Bulk water sales	**23 484 130**	23 243 188
Industrial and agricultural water sales	**45 173 026**	42 425 228
14.2 Other income	**5 790 661**	488 862
Other sundry revenue	**28 064**	26 037
Servitude rent	**125 615**	122 845
Insurance Claims Revenue and PPE	**1 041 824**	103 500
Movement in potable water inventory	**-**	-
Rental - Employees	**40 473**	83 488
Reversal of Impairment of debtors	**-**	-
(Profit) / Loss on scrapping of property plant and equipment (note 3)		-
Miscellaneous Income	**4 554 685**	152 992

Included in other income is the following class of other revenue:
Increase in other income is attributable to income received from Insurance.
Income from an arbitration case won against Buzaphi - R4 252 685.

		2024	2023
	Revenue from exchange transactions (continued)	R	R
14.3	**Interest income**	**2 259 717**	3 261 807
	Interest on investments	**654 152**	1 818 741
	Bank accounts	**89 663**	170 121
	Trade and other receivables	**1 515 902**	1 272 945
		76 707 534	69 419 085
15	**Costs of potable water**		
	Chemicals	**5 579 486**	4 484 519
	Chemicals usage	**5 064 028**	4 189 131
	Other chemicals and related cost	**515 458**	295 388
	Energy	**14 458 715**	11 371 159
	Fuel	**4 657 627**	5 889 547
	Insurance	**2 069 923**	1 391 674
	Laboratory costs	**340 931**	276 522
	Labour	**16 832 377**	15 899 904
	Machinery and tool hire	**1 862 884**	751 160
	Protective clothing	**6 125**	636 248
	Raw water	**1 246 244**	1 379 804
	Raw water before movement in inventory	**1 423 589**	1 391 845
	Movement in potable water inventory	**(177 345)**	(12 041)
	Repairs and maintenance(note 15.1)	**1 738 703**	2 630 213
	Repairs and maintenance other (note 15.1)	**1 191 426**	2 441 694
	Repairs and maintenance spares usage (note 15.1)	**547 277**	188 519
	Cylinder rental	**-**	412 257
	Other vehicle cost	**4 621**	-
	Depreciation	**2 990 267**	3 075 591
		51 787 903	48 198 598
15.1	**Repairs and Maintenance - Property, plant and equipment**		
	Repairs and maintenance other	**1 191 426**	2 441 694
	Repairs and maintenance spares usage	**547 277**	188 519
	Repairs and maintenance spares usage	**547 277**	229 670
	Spares capitalised	**-**	(41 151)
		1 738 703	2 630 213

		2024	2023
16.	**Operating expenses**	R	R
	Surplus/ (Deficit) for the year is stated after accounting for the following:		
	Auditors remuneration	**2 970 748**	3 830 714
	- Audit fees	2 970 748	3 830 714
	Consulting and professional fees	**5 065 925**	5 625 032
	Depreciation on property plant and equipment	**843 479**	715 867
	Depreciation cost related to operating expenditure	**549 632**	607 277
		246 781	59 219
	Depreciation cost leased equipment	**47 066**	49 371
	Directors emoluments (note 17)	**1 358 600**	1 060 642
	Employee costs	**16 464 325**	18 813 495
	Employee costs related to administration	**5 952 132**	5 620 383
	Executives and Senior Management (note 17)	**10 512 193**	13 193 112
	Impairment of financial assets	**1 142 702**	768 764
	Impairment / (reversal of impairment) of trade and other receivables	**1 142 702**	768 764
	Bad debt write-off	**101 301**	132 782
	(Profit) / Loss on scrapping of property plant and equipment	**442 994**	220 373

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

		2024 R	2023 R
16.	**Operating expenses (continued)**		
	Operating lease charges	**1 099 582**	1 433 874
	- Premises	**920 184**	1 004 768
	- Equipment	**179 398**	429 106
	IT expenses	**2 293 426**	1 125 056
	Travel and accommodation costs	**2 028 995**	1 311 474
	Consumables	**213 179**	125 060
	Stationery	**84 179**	85 988
	Recruitment costs	**10 573**	97 624
	Insurance	**460 773**	376 743
	Municipal Services	**421 853**	368 842
	Telephone costs	**566 062**	478 479
	Facilities Management	**1 385**	17 730
	Other operating expenses	**341 051**	1 437 954
	Electricity	**91 851**	86 201
	Training costs	**19 692**	32 441
	Transport costs	**17 904**	11 710
	Bank costs	**56 801**	106 130
	Occupational Safety	**29 643**	557 697
	Other	**125 160**	643 775
		35 911 132	38 026 493

Decrease in operating cost noted due to implementation of cost saving initiatives. Increase in IT expenses is due to support provided for the implementation of the ERP system.

Included in operating expenses are the following class of expenditure:

16.1 Impairment of financial assets

	2024	2023
Trade receivables	**1 142 702**	768 764
	1 142 702	768 764

16.2 Loss on disposal of fixed assets

	2024	2023
Loss on disposal of fixed assets	**442 994**	220 373
	442 994	220 373

16.3 Bad debt write-off

	2024	2023
Trade receivables and other receivables	**101 301**	132 782
	101 301	132 782

Bad debt write off is due to arrangements made with long outstanding debtors.

16.4 Consulting and Professional Fees

	2024	2023
Attorney fees	**1 266 022**	914 707
Asset consultant	**1 705 245**	3 460 915
Board facilitation	**239 789**	135 000
Other professional fees	**1 547 369**	314 410
Internal audit	**307 500**	800 000
	5 065 925	5 625 032

Other professional fees includes cost incurred for growth path initiative project.

16.5 Number of employees

	2024	2023
- Permanent	**54**	57
- Fixed term contracts	**4**	6
	58	63

17. Compensation to Directors, Executives and Senior Management

17.1

Accounting Authority (Non-executive directors)	Fee (stipend)	Additional fees	Travel expenses	Reimbursements	Total 2024
Mr R Benjamin (Chairperson)	171 015	72 752	6 985	-	**250 752**
Ina De Bruyn (Deputy Chairperson)	34 368		-	-	**34 368**
Ms S. Mayinga (Deputy Chairperson)	127 170	17 882	-	439	**145 492**
Mr D. Lefutso	110 130	5 829	146	585	**116 690**
Prof G Davids	91 478	-	-	1 001	**92 478**
Dr N. Madiba	111 913	3 259	667		**115 839**
Ms. T. Kelly	93 261	10 772	13 586	1 195	**118 814**
Ms. M. Malanga	83 935	6 412	9 867	435	**100 648**
Mr. D van Papendorp	74 608	1 749	5 770	-	**82 127**
Mr B. Mnisi	74 608	-	1 287	-	**75 896**
Ms. N. Maharaj	74 608	11 077	844	209	**86 738**
Mr. L van Oudshoorn	74 608	7 577	451	165	**82 802**
Mr. S. Nene	27 978	-	-	-	**27 978**
L. Seripe	27 978	-	-	-	**27 978**
	1 177 659	**137 309**	**39 603**	**4 029**	**1 358 600**

Accounting Authority (Non-executive directors)	Fee (stipend)	Additional fees	Travel expenses	Reimbursements	Total 2023
R Benjamin	217 357	-	-	9 479	**226 836**
Ina du Bruyn	141 053	-	-	1 925	**142 978**
S Mayinga	111 913	-	-	-	**111 913**
M Matji	-	-	-		**-**
S Nene	117 742	-	-	4 779	**122 521**
D Lefutso	114 827	-	-		**114 827**
L Seripe	114 827	-	-	-	**114 827**
Dr N Madiba	114 827	-	-	-	**114 827**
Prof G Davids	111 913	-	-	-	**111 913**
	1 044 459	**-**	**-**	**16 183**	**1 060 642**

17.2

Executives and Senior Management	*Salaries	Performance bonuses	Contributions to retirement fund, medical aid, UIF and SDL	**Allowances	Gratuity	Other	Total 2024
PM Buthelezi (CEO)	2 004 768		292 743	292 743		-	**2 590 254**
EF Jeffries (CFO)	1 282 984		189 232	71 550		-	**1 543 766**
DT Rani (Senior Manager)	834 450		132 663	63 523		442 502	**1 473 138**
MB Mokhele (Senior Manager)	1 140 357		143 589	162 185		1 000	**1 447 131**
RN Lehutso (Senior Manager)	1 141 654		62 962	166 271		310 762	**1 681 649**
XS Mdletshe (Senior Manager)	1 312 878		188 234	275 142		-	**1 776 255**
	7 717 091	**-**	**1 009 424**	**1 031 414**	**-**	**754 264**	**10 512 193**

*Salaries include the following earnings: Basic Salary, 13th Cheque, travel allowance and backpay
** Employees are allowed to structure for a travel allowance from the basic salary
*** Allowances include the following: Cell phone Allowance, Subsistence Allowance, Housing Allowance and Reimbursements
**** Mrs DT Rani services were terminated during the month of May 2024
***** Mr RN Lehutsi resigned on the 30 June 2024

Compensation to Directors, Executives and Senior Management (continued)

Executives and Senior Management	*Salaries	Performance bonuses	Contributions to retirement fund, medical aid, UIF and SDL	**Allowances	Gratuity	Other	Total 2023
PM Buthelezi (CEO)	1 896 605	-	458 530	113 742	1 828 402	954 304	5 251 583
TN Mudau (CFO)	166 244	-	37 074	1 703	-	436 911	641 932
DT Rani (Senior Manager)	1 042 448	46 752	278 789	62 233	-	-	1 430 222
MB Mokhele (Senior Manager)	1 075 116	47 178	242 380	497 050	-	-	1 861 724
RN Lehutso (Senior Manager)	1 082 677	54 202	40 125	433 200	-	-	1 610 204
T Kabini (Acting COO)	894 447	-	225 751	141 266	-	73 056	1 334 520
EF Jeffries (CFO)	301 283	-	77 680	26 910	-	-	405 873
AJ Lotz (Acting Technical Manager)	207 215	-	71 704	117 540	-	-	396 459
XS Mdletshe (Senior Manager)	205 907	-	41 432	13 256	-	-	260 595
	6 871 942	**148 132**	**1 473 465**	**1 406 900**	**1 828 402**	**1 464 271**	**13 193 112**

*Salaries include the following earnings: Basic Salary and 13th Cheque
**Allowances include the following: Travel Allowance, Cell phone Allowance, Subsistence Allowance, Housing Allowance and Reimbursements
*** Dr. N Mudau resigned as CFO of Overberg Water Board on 30 July 2022
**** Mr. B Mokhele was appointed as acting CFO from the 01 July 2022 to 30 March 2023.
***** Mr. T Kabini was appointed as acting COO from 01 July 2022 to the 31 January 2023
****** Mr A Lotz was appointed as acting Technical Manager from the 01 February 2023 until 30 April 2023
******* Ms. E Jeffries was appointed as a CFO on the 01 April 2023.
******** Mr X Mdletshe was appointed as a technical manager on the 01 May 2023.
********* Included in Other is mainly leave payout.
**********The CEO was eligible to a payment of gratuity at the end of his initial term which ended on the 31 December 2022

18. Net interest income

		2024 R	2023 R
18.1	**Interest on investments**	**654 152**	1 818 741
18.2	**Interest income**	**1 605 565**	1 443 066
	Bank accounts	89 663	170 121
	Trade and other receivables	1 515 902	1 272 945
	Interest income	**2 259 717**	3 261 807
18.3	**Finance cost**		
	Trade and other payables	**158 730**	10 065
	Interest paid-Bank	**2 284**	7 547
	Interest payable	**-**	5 189
	Finance cost	**161 014**	22 801
		-	
	Net interest income	**2 098 703**	3 239 006

19. Taxation

As state owned entity, Overberg Water is not liable for any taxes except for value added taxes.

20. Cash generated from operations

	2024 R	2023 R
Net (loss)/income before interest	**(13 251 218)**	(20 063 068)
Adjustments for non cash items:		
Depreciation	**3 833 746**	3 786 712
Transfers / (Write offs) of property, plant and equipment	**442 994**	220 373
Impairment of trade receivables	**1 142 702**	768 764
Movement in potable water	**(177 345)**	(12 041)
Acquisition of property, plant and equipment payable		(3 588 985)
Finance lease liability	**25 651**	(121 091)
Employee benefits	**(1 603 507)**	(2 031 654)
Provisions	**474 208**	(119 025)
Bad debts written off	**101 301**	132 782
Miscellaneous Income	**(4 363 105)**	45 229
Changes in working capital:		
Inventories	**(44 298)**	18 898
Trade and other receivables	**(4 132 067)**	(98 136)
Trade and other payables	**3 532 354**	5 540 230
	(14 018 584)	(15 521 012)

21. Operating leases

21.1 Operating leases – as lessee (expense)

	2024 R	2023 R
- within one year	**883 395**	12 498
Premises	**853 080**	-
Equipment	**30 315**	12 498
- in second to fifth year inclusive	**961 583**	-
Premises	**908 532**	-
Equipment	**53 051**	-
- Later than 5 years	-	-
Minimum lease payments due : Equipment & Premises	**1 844 978**	**12 498**

A new office lease contract was concluded at yearend for an initial period of 2 years ending 30 June 2026 with an option to extend for a further 3 years. Printers are on a 36 months lease RT Contract ending 30 April 2027.

21.2 Operating leases – as lessor (income)

The entity receives rental income for servitudes. Servitude agreements are non-cancellable and have terms from 4 to 9 years. There are no contingent rents receivable. The escalation clause on the Vodacom contracts is CPI year on year.

	2024 R	2023 R
- within one year	**80 680**	77 206
- in second to fifth year inclusive	**256 497**	337 177
- Later than 5 years	**-**	-
Minimum lease payments due	**337 177**	414 383

22. Capital commitments

22.1 Capital commitments contracted for

	2024 R	2023 R
Commitments for the acquisition of Intangible Assets: Assets Under Development.	**-**	1 124 351
Commitments for the acquisition of **Property Plant and Equipment: Water Purification Schemes**	**4 536 089**	13 257 787

23. **Finance lease liability**	2024 R	2023 R
Current obligation	**27 481**	1 830
Non-current obligation	**126 340**	-
Carrying amount at the end	**153 821**	1 830
Reconciliation of the carrying amount:		
Future minimum lease payments due:	**153 821**	1 830
Later than 5 years	**-**	-
Later than 1 year but less than 5 years	**126 340**	-
Less than 1 year	**27 481**	1 830
Less: Future finance charges	**-**	-
minimum lease payments	**153 821**	1 830

The finance lease obligations consist of I pads purchased for Board members and Executive Management for a period of 36 months (3 years). The interest implicit in the lease is 5.78%. as per the agreement and at the end of the contracts ownership of these devices shall be transferred to the Overberg Water Board. At the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset.

24. Related parties

Overberg Water is a Schedule 3B Enterprise in terms of the Public Finance Management Act. It is 100% controlled by the Department of Human Settlements, Water and Sanitation.

The related parties of Overberg Water consist mainly of government departments, state-owned enterprises and other public entities in the national sphere of government.

24.1. Transactions with the Executive Authority (Department of Water and Sanitation)

Overberg Water purchases raw water from the Department of Water and Sanitation ("DWS") and acts as implementation agent on behalf of DWS for specific projects.

	2024 R	2023 R
- Purchases of Raw Water:		
• Transactions for the year	**959 166**	959 051
• Balances: Trade payables	**(234 267)**	(60 944)

24.2. Transactions with the Breede Gouritz Catchment Management Agency (BGCMA)

Overberg Water purchase raw water from the BGCMA, both the entities report to the Minister of Human Settlements, Water and Sanitation.

- Purchases of Raw Water:		
• Transactions for the year	**128 665**	122 265
• Balances: Trade payables	**(14 528)**	(6 842)

24.3. Transactions with the Duivenhoks Water User Association

Overberg Water purchase raw water from the Duivenhoks Water User Association both the entities report to the Minister of Human Settlements, Water and Sanitation.

- Purchases of Raw Water:		
• Transactions for the year	**365 968**	310 529
• Balances: Accruals	**(30 211)**	
• Balances: Trade payables	**(30 886)**	(27 314)

24.4. Transactions with the Rand Water

Overberg Water is subcontracted by Rand Water to install the water tanks both the entities report to the Minister of Human Settlements, Water and Sanitation.

- Project income:		
• Other receivables	**-**	403 305
• Impairment of other income receivables	**-**	(403 305)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2024 R	2023 R
24. Related parties (Continued)		
24.5. Transactions with the Accounting Authority (Board of Directors)		
All the transactions with board members are set out in note 17.	**1 358 600**	1 060 642
24.6. Transactions with key management personnel		
All the transactions with key management personnel are set out in note 17.	**10 512 193**	13 193 112

25. Financial assets and liabilities

Financial assets

	2024 R	2023 R
Investments	**3 155 071**	15 239 567
Receivables from exchange transactions (note 8 excluding prepayments)	**21 307 416**	14 544 206
Cash and cash equivalents	**2 846 162**	3 918 442
Financial assets at amortized cost	**27 308 649**	33 702 215

Financial liabilities

	2024 R	2023 R
Payables from exchange transactions - Financial liabilities at amortized cost	**10 901 803**	9 015 986

26. Risk management

The entity’s activities expose it to a variety of financial risks: capital risk, liquidity risk and credit risk.

26.1 Capital risk management

The entity's objectives when managing capital are to safeguard the entity's ability to continue as a going concern in order to remain sustainable and to provide service delivery.

The capital structure of the entity consists of trade and other payables (note 11) and cash and cash equivalents (note 9) and funds as disclosed in the statement of financial position.

There were no borrowings for the 2023 and 2024 financial years.

26.2 Liquidity risk

The entity’s risk to liquidity is a result of the funds available to cover future expenses and commitments. The entity manages liquidity risk through an ongoing review of the entity's available and projected cash flow.

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 its carrying balances as the impact of discounting is not significant.

At 30 June 2024	**Between 1 and 5 years**	**Less than 1 year**	**Total**
Payables from exchange transactions’	-	10 901 803	**10 901 803**
Finance lease liability	126 340	27 481	**153 821**
	126 340	**10 929 284**	**11 055 624**

At 30 June 2023	Between 1 and 5 years	Less than 1 year	Total
Payables from exchange transactions’	-	9 015 986	9 015 986
Finance lease liability	-	1 830	1 830
	-	9 017 816	9 017 816

26.3 Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The Entity only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Risk management (Continued)

Financial assets exposed to credit risk at year end were as follows:

Financial assets	2024 R	2023 R
Investec Private Bank (division of Investec Bank Ltd)	**3 155 071**	15 239 567
ABSA Bank Ltd	**2 842 112**	3 911 954
Receivables from exchange transactions	**21 307 416**	14 544 206
Cash on hand	**4 050**	6 488

Receivables from exchange transactions

The collectability of receivables is assessed on an ongoing basis. A provision for impairment of receivables is established when there is objective evidence that Overberg Water will not be able to collect all amounts due according to the original terms of the receivable. We also provide for all receivables where customers are not paying due to unresolved disputes. Individually significant debtors which are considered to be a balance which accounts for at least 5% of the total book , are individually assessed for impairment. After the assessment of individually significant debtors, we consider debtors with similar characteristics and assess the collectability based on established payment patterns.

The following table shows receivables from exchange transactions and their related impairment

	2024		2023	
	Gross	**Impairment**	Gross	Impairment
Current	**6 471 358**	**-**	6 197 337	-
1 month past due	**2 927 076**	**-**	1 174 604	-
2 month past due	**865 624**	**-**	843 321	-
3 months past due and older not impaired	**7 633 642**	**-**	9 968 978	-
3 months past due and older impaired	**5 089 849**			
Impairment	**-**	**5 089 849**		3 947 148
	22 987 549	**5 089 849**	18 184 240	3 947 148

The debtors included in the R7 633 642 older than 3 months were not impairment because there was evidence of payments made during the financial year.
> Stage 1: individual assessment of significant debtors for impairment, these are debtors will a balance that is greater than 5% of the total debtors book.
> Stage 2: The balance of the debtors book after deducting significant debtors is impairment as a group using the average debt collection rate of three financial years.
> Stage 3: All debtors that do not show evidence of payment of their debtors account during the financial year are total impaired.

	2024	2023
Debtors turnover days	**109**	100

Reconciliation of provision for impairment of trade and other receivables	2024 R	2023 R
Opening balance	**3 947 148**	3 063 070
Provision for impairment	**1 142 701**	884 078
Bad debts written off against provision	**-**	-
Closing balance	**5 089 849**	3 947 148

The major contributors of impairment are farmers amounting to R5 089 849 due to bad economic conditions. Only 10% of Customers has long outstanding debt. A Comprehensive debt recovery program is under way, in order to decrease the negative effect of the long outstanding debt on debtors days.

26.4 Market risk

Market risk is the risk that changes in market prices, such as interest rates that will affect the investment income of Overberg Water or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on investment.

Financial assets exposed to market risk at year end were as follows:	2024 R	2023 R
Financial assets		
Investec Private Bank (division of Investec Bank Ltd)	**3 155 071**	15 239 567
	3 155 071	**15 239 567**

27. Budget information

27.1 Explanation of variances on the approved budget versus actual expenditure

Revenue
Water sales: Is below budget due to water losses, interruptions in supply, load shedding and a drop in bulk water sales.
Investment income: Is below budget due withdrawal of investments during the financial year to cover the cost of load shedding, higher than expected increase in chemicals and some repairs and maintenance activities on the pipeline.
Interest income: the interest income is above budget due interest charged to debtors for late payments.
Other Income: Is significantly above budget due to insurance income.

Operating Expenses

Overall **Operating Expenses** were under budget by 4% due to the following:
Audit fees were below budget due to lesser audit hours billed.

Employee costs realised savings due to savings on overtime, vacant positions and managing travel claims, leave utilisation and zero bonus accrual.
Operating Lease Charges was below budget due to RT Contract on printers and zero increase to head office rental lease.
IT expenses is significantly above budget due to license fees and post implementation support associated with the ERP System.
Impairment of debtors is above budget due to late payment by debtors
Recruitment is over budget due to verifications checks performed on new employees
Travel and accommodation was over budget due to board induction, relocation costs and ministers visit.
Board costs increased due to increase in number of board members.
Depreciation increased due to impairment of assets
Other expenses is significantly below budget due lesser occupational health and safety activities.
Telephone cost is below budget due to the appointment of a new service provider that costs less.
Consulting fees is higher than the budget due to migration from old system to new ERP system and consultants who assist with Asset register
Insurance is slightly lower than budget as some assets were disposed during the current year, resulting in lower insurance premiums
Consumables is slightly higher than the budget because of cleaning materials and hygiene products

Cost of Portable Water

Overall **Cost of Potable water** was over budget by 20% due to the following:
Labour costs is over budget due to increase in over time due to load shedding and pipe bursts and medical settlement.
Chemicals was over budget due to increase in prices of chemicals
Energy costs is over budget due to higher tariffs charged by ESKOM.
Fuel was over budget due use of diesel for generators in response to load shedding
Insurance is over budget due to increase in risks and acquisition of more assets
Lab Costs over budget due additional tests requirements
Protective clothing is over budget due a response to health and safety assessments
Repairs and maintenance costs are below budget due on cancellation of services of the repairs and maintenance contractor.
Cylinder rental services were not utilised due to cancellation of contract by service provider.
Machinery & tool hire is slightly hire than budgeted due to hiring of tankers in respond to high demand of water in summer
Raw water is slightly lower than budget as sales were not as high as anticipated
Depreciation is higher than budgeted as a result of impairment in assets

28. Fruitless & Wasteful, Irregular expenditure

Irregular expenditure is expenditure, other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including (a-c below). Fruitless and wasteful expenditure is an expenditure which was made in vain and would have been avoided had reasonable care been exercised.
(a) the PFMA;
(b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of that Act; or
(c) any provincial legislation providing for procurement procedures in that provincial government.

For the 2023/24 financial year the entity recorded R0 (2023: R11 500) of irregular expenditure. The irregular expenditure was a result of non-compliance supply chain prescripts.

For the 2023/24 financial year the entity disclosed incurred and disclosed fruitless and wasteful expenditure to the amount of R131 529. This fruitless and wasteful expenditure is as a result of interest incurred due to late payments as a result of difficulties the entity is experiencing with cash flow.

Fruitless & Wasteful, Irregular expenditure (continued)

	2024 R	2023 R
Unauthorised expenditure	-	-
Irregular expenditure	-	11 500
Fruitless and wasteful expenditure	131 529	9 551
Total	**131 529**	21 051

	2024 R
29. Contingent liabilities	**1 025 792**

A claim for damages has been instituted against the Overberg Water Board (OWB) for damages to private property caused by an OWB pipe burst. The amount claimed by the plaintiffs was initial R1.8 Million. OWB appointed an expert that has assessed the value of the damages to be valued at R474 208, an offer of equivalent to the value of the damages was made to the plaintiff to compensate for the damages, however a counter offer of R1.5 Million was made by the plaintiff, OWB therefore estimates the value of the possible outflow to be limited to the difference between the value of the damages and the amount the plaintiff is willing to accept which is R1 025 792.

30. Contingent assets

None

31. Change in accounting policy

None

32 Prior Period Errors

32.1 Depreciation and Amortization

During the current year audit, it was discovered that the Amortization of Intangible Assets: Software's was included in the depreciation related Cost of Potable Water instead of Operating Expenses. As a result, depreciation of cost of potable water is overstated by R59 219 and Operating Expenses understated by R59 219. This is regarded as material prior period error and therefore must be adjusted retrospectively.

	2023		
Amortization	**As previously reported**	**Effects of correction**	**As reported**
Cost of Potable Water	3 130 065	(59 219)	3 070 846
Operating Expense	656 648	59 219	715 867

32.2 Depreciation and Accumulated depreciation

During the current year audit it was discovered that an item of Property, plant & Equipment was incorrectly depreciated over 30 years instead of 15 years. As a result depreciation as well as accumulated depreciation was understated by R4 745. This correction will be adjusted retrospectively.

	2023		
	As previously reported	**Effects of correction**	**As reported**
Depreciation	4 745	4 745	9 490
Accumulated depreciation	4 745	4 745	9 490

32.3 Movement in potable water

During the current year audit, it was discovered that the movement in potable was incorrectly disclosed under other income instead of being included in the Raw Water expense under cost of potable water resulting an overstatement of Other Income and overstatement of Raw Water expense. This is regarded as material prior period error and therefore must be adjusted retrospectively.

	2023		
Movement in Potable Water	**As previously reported**	**Effects of correction**	**As reported**
Other income	(12 041)	12 041	-
Raw Water	1 391 845	(12 041)	1 379 804

32.4 Summary of corrections made in prior years to correct errors discovered to ensure completeness and accuracy:

	2023
Statement of financial position	
Property, plant and equipment - Decrease	4 745
	4 745
Statement of financial performance	
Cost of potable water - Depreciation (Increase)	4 745
	4 745

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33 Subsequent event

Overberg Water Board terminated a contract with Buzaphi Construction due to non-performance. The cancellation went for arbitration with the CIBD whereby the contractor was claiming loss of income for the cancellation of the contract and Overberg Water Board lodged a counter claim for damages. The CIBD ruled in favour of the Overberg Water Board. The outcome of the arbitration is regarded as an adjusting event.

The effect on the Current period is a follows:

	2024 R
Statement of Financial Position	
Trade and Other Receivables	
Other Receivables Increase/(Decrease)	2 887 982
Accruals	
Accruals Increase/(Decrease)	(294 828)
Input VAT Control	
VAT Increase/(decrease)	38 456
Trade and Other Payables	
Trade Payables	1 364 972
Increase/Decrease in Net Assets	3 996 582
Statement of Financial Performance	
Other Income increase/(decrease)	1 364 972
Other Income increase/(decrease)	2 887 982
Professional fees (increase)/decrease	(256 372)
Increase/(decrease) in surplus	3 996 582