



VAALHARTS WATER USER ASSOCIATION

**ANNUAL REPORT
2020-2021**



A. INTRODUCTION

This report will provide feedback on all operations and activities of the Vaalharts Water User Association (VHWUA) for the financial year 2020/2021.

The focus of this report will be on the following areas:

- Operations
- Social Contributions
- Financial Results
- Committee Reports
- Auditor Report

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C. List of Abbreviations

VHWUA	-	Vaalharts Water User Association
m ³	-	cubic meters
CEO	-	Chief Executive Officer
CFO	-	Chief Financial Officer
MANCO	-	Management Committee
IFRS	-	International Financial Reporting Standards
ISAE	-	International Standard for Assurance Engagements
PWC	-	PriceWaterHouseCoopers
WSP	-	Workplace Skills Plan
EWSETA	-	Energy and Water Sector Education and Training Authority
DWS	-	Department of Water and Sanitation
VHP	-	Vaalharts Farms
KB	-	Klipdam / Barkley- West
WAS	-	Water Administration System
Ha	-	hectares
EF	-	Emerging Farmer

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1. CHAIRPERSON'S REPORT

The year 2020-2021 was marked by the start of the Covid-19 pandemic. The initial lockdown period of 5 weeks proved to be a difficult adjusting period, although operations continued at a close to normal rate. The long-term effects though have still not worn off and the pandemic continues to have a daily effect on our industry.

In terms of financial results, the institution continues to find itself under pressure due to the non-repayment of refurbishment costs from the Department of Water and Sanitation as well as bad debt recovery from strategic users and municipalities. The negative financial effects of the pandemic on clients in terms of commodity prices also started negatively effecting VHWUA's revenue collection during the second part of the year with a heavy rain period in January also proving to have a harsh impact not only on canal breakages but also on debtors' ability to pay their accounts.

1.1. Operational Review

Strategies to continue with operations were the order of the day during this year and the management must be commended in finding ways to safely do so. Employees stayed motivated during the dangerous periods and throughout the water kept running.

The flooding period created concrete and soil challenges at the end of the financial year that will continue long into the new financial year. It has also contributed to an already heavy burdened debtor's book. The majority of strategic users are still not paying their water accounts while DWS has now not been paying for refurbishment for more than 4 years.

When looking at the financial results it is clear that VHWUA had a lot of items that could not be completed due to the pandemic, this will be caught up as the situation allows it.

1.2. Vaalharts Taung Revitalization (VTR) Project Feedback

A good thing that did come out from the Covid-19 pandemic in our industry is the listing and development of the Vaalharts Taung Revitalization Project as a SIP19 project potentially funded through the Infrastructure Fund.

The frustration remains that the Department is dragging its feet in terms of setting up letters of support or just not running with this project themselves as they are the owners of the infrastructure. The effect on VHWUA's budget is significant but we are unable to take the "do nothing" option as our clients could sit without water as soon as next week.

Thus in the meantime we wait for the development of the project while still engaging various interested investors and other departments.

1.3. Transformation

VHWUA continued their efforts to unite and support the communities in the area of operation, although during the 20202021 financial year in terms of projects it proved to be difficult.

Better communication and opportunity creation were hampered most by die pandemic and it might seem that VHWUA created significantly less job opportunities but VHWUA still provided opportunities to some while ensuring safety first.

In terms of water allocation reform some successes could be seen in emerging farming percentages of land farmed increasing. All applications are supported by VHWUA and various engagements with clients and potential clients are welcomed.

1.4. Manco Composition

The VHWUA Manco composition did not change in the last 12 months and remain at an industry leading 56% HDI representation of Non-State Categories

The current composition at the end of the 2020/2021 financial year is depicted below:

Table 1: Manco Composition

CATEGORY	NAME	PROCESS
IRRIGATION Ward 1 Ward 2 Ward 3 Ward 4 Ward 5 KB Canal Spitskop Bosele Ipelegeng	WILLEM DE KLERK ALPHIE BRAND PIETER BURGER (Chairperson) WERNER ERASMUS PIET VAN NIEKERK JOHAN SNYMAN JANNIE LIEBENBERG BENNIE LIEBENBERG MBULELO TAU OATILE GAREIKANELWE	SUB-DISTRICT ELECTION
EMERGING FARMERS	MOKGOBO SAMSON THABANG DANIEL STAOERT	AREA ELECTION
SMALL SCALE USERS VH TAUNG KB/Spitskop Traditional Leadership Kgosi Kgosi	SNOEKIE ERASMUS SUSAN MOLALE FABIAN LOBELO KGOSI MOTHIBI KGOSI MANKUROANE	NOMINATED SMALL SCALE USERS
LOCAL WATER AUTHORITIES (Sedibeng) (Phokwane) (Naledi)	FRANS DE VOS SJ MUSIE L PRETORIUS	NOMINATED BY AUTHORITY THEMSELVES
INDUSTRIES	J. KOKOME (Vice-Chair) (SAB)	NOMINATED INDUSTRIES
GOVERNMENT DEPARTMENTS (Dept. Agriculture) (DWS Region)	W. DE BRUYN (NC) N. DUBE (NW) RUTH MOTHEKHE	NOMINATED BY STATE DEPARTMENTS

1.5. Vote of Thanks

None of us could have foreseen the difficulties we all had to go through this year and we are not yet out of the woods. We are also hoping for a few good seasons for our agricultural clients in order to recover from the floods and bad grain harvests.

I would like to take this opportunity to thank the management and fellow board members for staying strong during this challenging year, keeping their focus in ensuring water supply to all areas of the scheme, as we know water is life.

P Burger
VHWUA Management Committee Chairperson

2. HISTORY OF THE ASSOCIATION

The Vaalharts Water User Association (VHWUA) was established by proclamation no 421 in Government Gazette no. 22281 dated 18 May 2001. The Minister of Water Affairs has approved the Constitution of the Water User Association and certain powers and duties in terms of the National Water Act have been delegated to the VHWUA.

In 1934 building work on the Vaalharts Government Water Scheme started. Vaalharts Weir was constructed on the Vaal River, just upstream of Warrenton, to divert water into the Vaalharts Main Canal which supplies the North, West, Klipdam-Barkly and Taung canals. The canal system compromises of a total of 1176 kilometres of concrete lined canals supplying irrigation water to a total of 39 820 hectares (scheduled), as well as industrial water to six towns and other industrial users, and household water to individual farms for primary use.

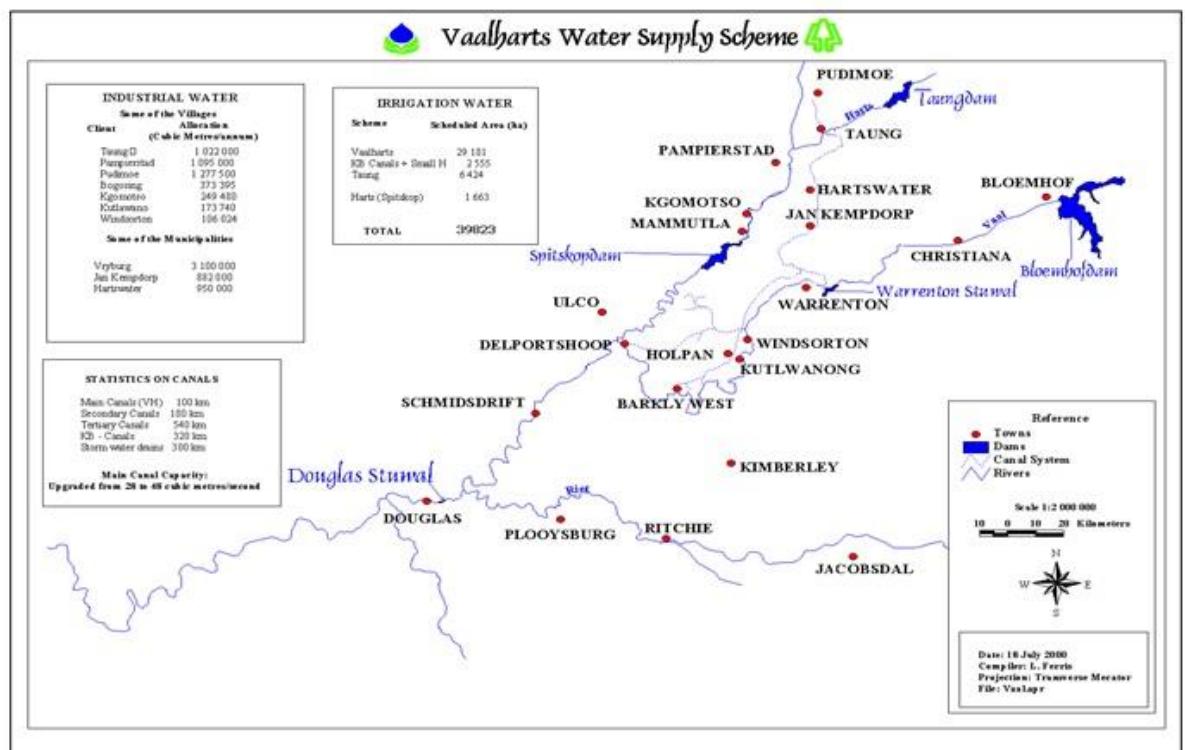


Figure 1: Vaalharts Water Supply Scheme

Irrigation activities and storm water drainage on the Vaalharts Government Water Scheme and Taung Irrigation necessitated the building of the dual purpose drainage canals to convey both storm water and subsurface drainage water out of the irrigation

scheme. A total of 314 kilometres of concrete lined drainage canals were built to serve this purpose.

The Ganspan Social Welfare Settlement was developed with a scheduled area under the Vaalharts Canal System of 229.8 hectares of which 150 hectares are developed. The Vaalharts Agricultural Research Station was also developed and was scheduled for 381.2 hectares of which 180.5 hectares are developed. All the above were operated and maintained by the Department of Water Affairs.

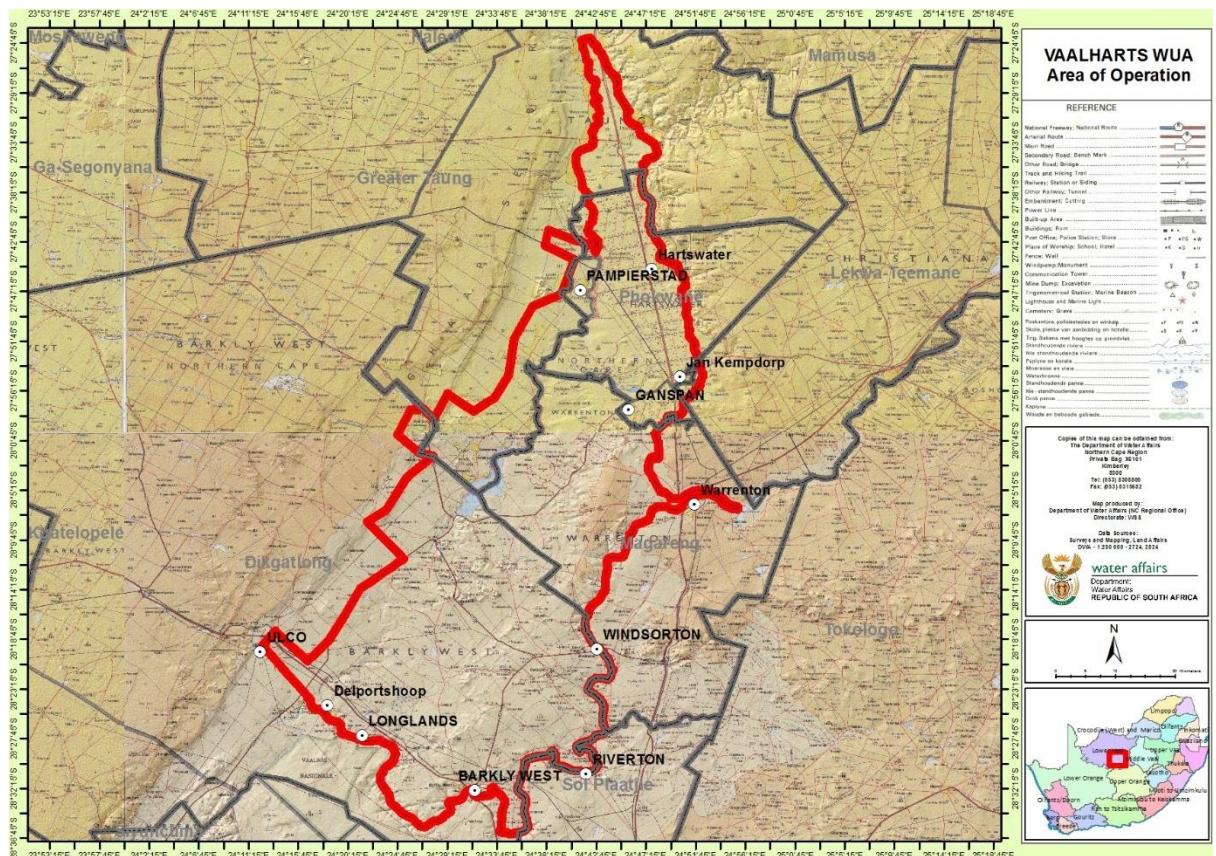


Figure 2: VHWUA Area of Operation

The area also includes a few restitution cases, one of them being Majeng which is situated close to the Spitskop dam. The community of Majeng was removed during the 1970's and only given back their land in 2002. Currently the community has had 60 hectares of water rights returned to them from their original amount of 600 hectares, however the infrastructure has gone to waste and needs urgent refurbishment if the community is to ever be functional irrigators again.

3. AUDIT COMMITTEE REPORT

This is the report of the audit committee of Vaalharts Water User Association appointed for the financial year ended 30 March 2021 in compliance with the Constitution of the Association.

3.1. Membership

The Board appointed the committee for the 2021 financial year at the management committee meeting dated 28 September 2017 with changes to the committee being appointed by the management committee at the management committee meeting dated 12 June 2019 and also approved the appointment of the chairman and members to the committee for the 2019 and 2020, and 2021 financial year at the management committee meeting on 12 June 2019.

The committee consists of members of the management committee together with the Chief Executive Officer and Chief Financial Officer.

The current members are A Brand (chairman), J Kokome, W Erasmus, N van Eeden (CEO) and A Kooverjee (CFO).

3.2. Purpose

The purpose of the committee is to:

- assist the board in discharging its duties relating to the safeguarding of assets, the operation of adequate systems, control and reporting processes, and the preparation of accurate reporting and financial statements in compliance with the applicable legal requirements and accounting standards;
- oversee the activities of, and to ensure coordination between, the activities of internal and external audit;
- provide a forum for discussing financial, enterprise-wide, market, regulatory, safety and other risks and control issues; and to monitor controls designed to minimize these risks;
- review the company's annual integrated report, including the annual financial statements, as well as its interim report and any other public reports or announcements containing financial information;

- receive and deal with any complaints concerning the accounting practices, internal and external audit or the content and audit of its financial statements or related matters; and
- annually review the committee's work and charter to make recommendations to the board to ensure its effectiveness.

3.3. Duties carried out

The committee has performed its duties and responsibilities during the financial year according to its charter.

3.4. Financial statements

The committee:

- confirmed, based on management's review, that the annual financial statements were prepared on the going concern basis;
- examined the annual financial statements and other financial information made public, prior to their approval by the board;
- considered accounting treatments, significant or unusual transactions and accounting judgements;
- considered the appropriateness of accounting policies and any changes made
- reviewed the representation letter relating to the annual financial statements and the ISAE 3240 reasonable assurance opinion in respect of the preliminary announcement, signed by management;
- considered any problems identified as well as any legal and tax matters that could materially affect the financial statements; and
- met separately with management, external audit and internal audit and satisfied themselves that no material control weakness exists

3.5. External audit

The committee:

- nominated PriceWaterhouseCoopers Inc as auditors and Kevin Moodley as the independent auditor and designated audit partner, respectively to the management committee for appointment for the financial year ended 30 March

- 2020, of the Association, and ensured that the appointments complied with legal and regulatory requirements for the appointment of an auditor;
- approved the external audit engagement letter, the audit plan and the budgeted audit fees payable to the external auditors;
 - determined the nature and extent of all non-audit services provided by the independent auditors and pre-approved all non-audit services undertaken;
 - obtained assurances from the independent auditors that adequate accounting records were being maintained;
 - confirmed that no reportable irregularities had been identified or reported by the independent auditors under the Auditing Profession Act; and

3.6. Independence of external auditors

The committee is satisfied that PriceWaterhouseCoopers Inc is independent of the Association after taking the following factors into account:

- representations made by PriceWaterhouseCoopers Inc to the committee;
- the auditors do not, except as external auditors or in rendering permitted non-audit services, receive any remuneration or other benefit from the Association;
- the auditors' independence was not impaired by any consultancy, advisory or other work undertaken;
- the auditors' independence was not prejudiced as a result of any previous appointment as auditors; and
- the criteria specified for independence by the Independent Regulatory Board for Auditors and international regulatory bodies.

3.7. Combined assurance

The committee reviewed the plans and reports of the external auditors and other assurance providers including management and concluded that these were adequate to address all significant financial risks facing the business.

Chief Financial Officer and finance function

The committee:

- considered the appropriateness of the experience and expertise of the Chief Financial Officer and concluded that this was appropriate; and

- considered the expertise, resources and experience of the finance function and concluded that these were appropriate.

3.8. Annual financial statements

Following the review by the committee of the annual financial statements of Vaalharts Water User Association for the year ended 30 March 2021, the committee is of the view that, in all material respects, it complies with the relevant provisions of the Constitution of the Association and IFRS and fairly presents the financial position at that date and the results of its operations and cash flows for the year. In conjunction with the risk committee and social and ethics committee, the committee has also satisfied itself as to the integrity of the remainder of the annual integrated report.

Having achieved its objectives for the financial year, the committee recommended the annual financial statements and annual integrated report for the year ended 30 March 2021 for approval to the management committee.

A Brand
VHWUA Audit Committee Chairperson

4. HUMAN RESOURCE COMMITTEE REPORT

It is an honour and prestige to be afforded an opportunity to present a progress report of the aforementioned committee for the period 2020/2021

Members of the committee

1. Mr Fabian Lobelo – Committee Chairperson
2. Her royal highness Ponatshego Mothibi – Deputy Chairperson
3. Mrs. Erasmus – MANCO member.
4. Human Resource Manager
5. All heads of departments

Terms of reference are *inter alia*

- To develop and ensure implementation of human resources polices
- Oversee compliance with employment legislation
- Oversee fair and sound labour practices
- Bridge the gap between labour and management
- Oversee skills development plan
- Oversee selection and recruitment
- Oversee development of an organogram

To mention a few

During the period under review and the committee was able to review and develop other policies on top of the existing sixteen polices, below are policies which have been reviewed/developed pending MANCO approval:

1. Clothing Policy
2. Bursary Policy
3. Records Management Policy
4. Access Policy
5. Quality Assurance Policy
6. Union Engagement Policy
7. Media Policy
8. Employee Exit Policy
9. Social Responsibility Policy

Due to Covid-19 restrictions we were not able to do most of the employee wellness programs and social responsibility programs, but we are hoping that such will change as soon as the Covid -19 situation improves.

Vaalharts Water Users Association was able to hold long service awards ceremony, the ceremony aims to motivate workers and show appreciation to employees who served the institution for a number of years with loyalty and faithfulness and also to avoid exodus of personnel from the institution.

Employment Equity.

In compliance with Employment Equity Act No 55 of 1998 we were able to submit the updated Employment Equity Report to the department of Labour.

Skills Development

Vaalharts Water during the financial year 2020/2021 trained 24 employees on occupational based training.

Occupational Health and Safety

The company has revised its risk assessment and action plan in accordance with the department of labour regulations and directives.

The company has trained health and safety officer, safety reps and first aiders, this is very important not only for compliance but as a proactive measure against the occupation risk of accidents and health risk especially during this period of Covid-19 pandemic.

The company has vaccinated 79% for Covid-19 of its employees to date, the vaccination drive is on-going.

Way forward

The committee plan to continue with the innovative ways which will respond to the challenges brought by the Covid-19 and also enhance the productivity levels of the employees.

To overcome the challenge of recruitment of people with disability and women as required by the Employment Equity Act.

F Lobelo

VHWUA HR Committee Chairperson

5. CIVIL DEPARTMENT

In order to ensure sustainable water supply to all water users, continuous maintenance and refurbishment is needed on the Vaalharts Water Scheme. The maintenance of all infrastructure belonging to the Department of Water and Sanitation within the Vaalharts Water Scheme, is the responsibility of the Civil and Technical Departments, while DWS as the owners of the infrastructure, is responsible for all refurbishments and betterments.

Maintenance on water bearing canals can only be carried out during low demand periods when water is cut or in emergency cases when down periods are negotiated with farmers or communities. This fact makes maintenance scheduling difficult and due to the dilapidated state of the water scheme at this stage as a result of a previous DWS project not completed, normal maintenance can barely keep up.

Above average rainfall occurred during December 2020 and January 2021, this caused a lot of flood damage to the drainage canals on the scheme that had to be repaired. VHWUA also elevated and replaced the tail end of community furrow 6H because of flood damage and to prevent future damage.

Primary drains were mechanically cleaned, and secondary drains were cleaned by contractors on a tender basis.

25 Panels were replaced at Dam 6 in Taung due to bad construction. This was done according to DWS specifications, with DWS being on site during construction.

Seven dry periods were scheduled for emergency maintenance on the North Canal on behalf of the Department of Water and Sanitation.

Unfortunately VHWUA did not recover any of the funds from DWS for the 20202021 financial year.

5.1. Concrete Works

During the Financial year under review the following concrete maintenance work was conducted:

Table 2: Concrete Works

STRUCTURE	CONCRETE m ³	SLABS	METERS
North canal	514.5	285	715
Feeder canals	383	478	1436
Community furrows	621	1380	4140
Drainage canals	383	478	1436
VHP	41	91	273
KB canals	128.5	285	856
Ganspan	16.5	37	110
Dam 6	146.5	25	113.9
Pre-Cast	19		
Other	38		
TOTAL:	2291		



Figure 3: Repairing Flood Damage

5.2. Sluices

During the 2020-2021 financial year a total of 46 sluices were replaced and calibrated.

5.3. Maintenance of Drainage Canals

During the financial year under review, the following Drainage canals were cleaned:

Table 3: Drains

DRAINS CLEANED	DISTANCE IN METERS
Primary and secondary drains mechanically cleaned	125 786
Secondary drains cleaned by contractors	327 355

5.4. Maintenance of Buildings

This section of the Civil department is responsible for the maintenance on all buildings under the administration of VHWUA. This includes 95 Houses as well as all offices and Work Shops.

The team does all the normal maintenance work thorough out the year, the following were bigger projects that were completed:

- House B051 Painted inside and outside.
 - House B111 Painted inside and outside.
 - House B111 Replace 2 garage doors.
 - 12 Compound Refurbished.

6. WATER CONTROL

6.1. Efficiency and Control of Water

Table 4: Water Use Efficiency



Water Use Efficiency Accounting Report: Weeks 1 to 52 VHS: VAALHARTS WATER 2020/2021

Year	Mnth	Agriculture (x1000 m3)	Industrial (x1000 m3)	Municipality (x1000 m3)	Household (x1000 m3)	Down stream (x1000 m3)	Other (x1000 m3)	Total used (x1000 m3)	Released (x1000 m3)	Total loss (x1000 m3)	Loss (%)	Alloc used (x1000 m3)	Alloc avail (x1000 m3)	Used (%)	Avail (%)
2020	Apr	2 544	8	1 230	45	7 334	13	11 174	16 067	4 893	30.5	3 795	280 370	1.3	98.7
2020	May	3 676	6	1 033	36	3 400	43	8 194	10 896	2 702	24.8	8 553	275 612	3.0	97.0
2020	Jun	10 371	213	899	36	11 829	79	23 427	26 112	2 685	10.3	20 116	264 049	7.1	92.9
2020	Jul	10 765	- 189	891	45	12 290	79	23 881	27 239	3 358	12.3	31 663	252 502	11.1	86.9
2020	Aug	14 875	5	1 197	36	9 921	101	26 135	32 332	6 197	19.2	47 841	236 324	16.8	83.2
2020	Sep	22 356	7	1 116	36	10 135	112	33 762	47 818	14 056	29.4	71 432	212 733	25.1	74.9
2020	Oct	38 165	25	991	45	17 931	180	57 337	71 429	14 092	19.7	110 793	173 372	39.0	61.0
2020	Nov	13 798	37	1 157	36	10 052	76	25 155	28 031	2 875	10.3	125 861	150 304	44.3	55.7
2020	Dec	18 376	37	927	45	12 314	95	31 794	37 605	5 811	15.5	145 297	138 868	51.1	48.9
2021	Jan	4 696	13	953	36	5 569	22	11 289	11 782	494	4.2	150 981	133 184	53.1	46.9
2021	Feb	8 752	7	946	36	7 618	94	17 452	21 593	4 141	19.2	160 779	123 386	56.6	43.4
2021	Mar	15 917	7	1 080	36	7 642	112	24 794	31 127	6 334	20.3	177 895	106 270	62.6	37.4
		164 293	176	12 422	463	116 036	1 004	294 394	362 031	67 637	18.7	177 895	106 270	62.6	37.4

6.2. Loss Percentage

In the table below the past 21 year's loss percentages can be seen. A clear reduction can be seen from 2007 when the WAS program was introduced fully. The biggest factor used to be the operational losses. For even more savings in future attention needs to be given to seepages due to the ageing infrastructure.

This year the highest saving ever was realised with a loss percentage of only 18.7% effective at the end of the year. 15% less water where used in the water year due to the heavy rains that occurred during the summer months and constant flows added to the low distribution losses

Table 5: Loss Percentages

Year	Release	Agriculture	Industries	Losses
2001 / 2002	342493656	220601667	10706508	32.46
2002 / 2003	466115640	300543082	11776505	33.00
2003 / 2004	488284140	301224875	7400411	36.79
2004 / 2005	433936910	276099880	6737981	34.82
2005 / 2006	366491600	223932100	9310951	36.36
2006 / 2007	406172300	255986842	6885718	35.28
2006 / 2007	373348400	243647992	9027348	32.32

2007/2008	351413400	202907300	9442000	26.12
2008/2009	396550400	227259400	11689000	25.22
2009/2010	374724500	212461900	86550000	24.71
2010/2011	366491600	243647992	9027348	25.4
2011/2012	371800500	263311734	10517915	26.1
2012/2013	447967500	335745351	10929292	22.6
2013/2014	459084500	324462500	12150000	26.7
2014/2015	449132500	335851500	13178000	22.3
2015/2016	493176500	347370500	14740000	26.6
2016/2017	326706500	237113500	22212200	22.7
2017/2018	44194000	325974000	16685000	22.8
2018/2019	477785000	356746000	16845000	21.7
2019/2020	421883000	323894000	15788000	19.7
2020/2021	362031000	294394000	12598000	18.7

6.3. Representation of Emerging Farmers on the Vaalharts Water Scheme

Table 6: Current Emerging Farmer Hectares

Scheme	Total ha	EF ha	%
Vaalharts	28968	524.8	1.73
Spitskop	1663	375.41	22.57
KB	2555	660.7	25.86
Taung	(6424 available) 3759 usable	3759	100
Total	36 945	5319.91	14.4

A slight increase can be seen in the Emerging Farmer representivity on the scheme with the execution of the Vaalharts/Taung Revitalisation project expected to add 2665 ha in Taung, an estimated 1000 ha of land in the Majeng area as well as 400ha of land in the Sekhing area which will become available for emerging farmers to utilise.

Thus, the project on its own could almost double the emerging farmer representation to 24.4 %.

6.4. Water Measurement

The Vaalharts Sub-District uses calibrated sluices along with the WAS system for indirect measurement, the area is now also measured live electronically at 28 places.

Electronic live water meters have been installed to measure extraction on the Hartsriver (Spitskop Sub-district). The system runs parallel to the Satellite measurement. The system is fully installed but challenges with the high flow in the Hartsriver caused damage to 5 meters and are going to be replaced.

The KB system uses fixed overflows that ensure the amount of water licensed per year is delivered to each user.

The next phase of the measuring project will be Taung, which is currently measured holistically.

6.5. Servitudes

The servitudes of the Vaalharts, West canal and the accessible areas at KB canals was cut 2 times during the 2020/2021 year. Various training took place. A chipper machine was procured to demolish trees onsite.

Almost all feeders are now sloped for mulchers. In the West canal area new access roads were built to get access to canals where no inspection roads were and are now able to be cut with Spedo cutters totalling a distance of 7km. This was created in order to be able to drive next to canals for inspection, to clean mechanically and to do maintenance like the cutting of grass and to do concrete work.

The Taung Main Canal is in total a length of 26km, 19km where debussed and trees where removed with a mulcher, the cutting of grass can now be done mechanically.

Future projects include debushing the Main Canal, North canal and Rethuseng canal at Taung sub district.

6.6. Taung

The Taung Office is operating at full capacity, a database is in place of all users that has received tribal land and monthly meetings is held to better communication. The office is working parallel with the tribal office and feedback from the community is positive.

Crop verification is done bi-annually for proof of irrigation. The Vaalharts Water Officers are visible on daily basis while they attend all the Co-Op meetings for general enquiries and challenges. Communication between clients, farmers, Sedibeng Water and the Tribal Office has been improved.

6.7. Temporary Water Transfers

Table 7: Temporary Transfers

Total volume of water temporarily transferred for the water year	15 203 042 m ³
Transfers to Vaal River	3 783 320 m ³
Transfers between plots, between irrigators and between properties of the same irrigator	11 419 722 m ³

7. MECHANICAL DEPARTMENT

The core functions of the Vaalharts Water's Mechanical department are:

- Maintenance and service of vehicles and machines.
- Procurement, planning & transportation of fleet and equipment
- Innovation implementation to enhance productivity.
- All mechanical and steel maintenance of canals including sluices etc.
- Inspections of dams and structures.
- Grading of access roads
- Providing fuel and backup services to vehicles and machines on site.
- Electrical maintenance on all operated buildings, houses and dams.

7.1. Mechanical and Fleet operations

During the 2020/2021 year the mechanical department completed the following jobs:

Table 8: Mechanical Operations

Vehicle/Machine Maintenance & Service Activities	355
Steel Maintenance & Innovation Activities	290
Electrical Repairs	121
Pool Activities	1000+
Diesel & Tyre Jobs	1000+

Most mechanical maintenance jobs are done inside the Vaalharts Workshop, while others are carried out on site on the Scheme. Mechanics, welding teams and

support teams travel great distances every day to ensure fleet items and steel structures are in a good working condition.

The pool assistant vehicles include two low-bed trucks, two truck mounted crane trucks, a roll-back truck and a mobile crane. Water is also delivered to concrete sites and water control houses.

The service truck and fuel delivery vehicles provide diesel, tyre and small service support to machines on site.

7.2. New Fleet Items

During the past financial year, the following new additions to the fleet were added:

Table 9: New Additions

1x Nissan Hardbody NP300 2.5D 4X4	
3x Honda XR 125	
1x Cat Hydraulic Excavator 306.5	
1x Toyota Hino Water Truck 6500L	
1x Toyota Hino 300 815 Auto Crew Cab BC3	

	
1x Bandit 12XP Woodchipper	

7.3. Budget

The results for the Mechanical Budget for 2020/2021 are listed below:

Table 10: Mechanical Budget Results

Year Budget	R4 114 176
Year Spent	R3 940 612
Balance	R173 563
% Savings	4.2%

The 4.2% saving this year was due to the following measures:

- Strict measures to ensure all vehicles, trucks, machines and the mobile plant is serviced according to intervals to prevent major damage.
- Preventive maintenance on the fleet, all mechanical and steel structures in the Vaalharts scheme.
- Utilising our own mechanical personnel more than contractors.

- The daily using of the Omni accounts financial program to ensure strict budget control to prevent overspending.
- Fleet inspections to identify mechanical problems that could prevent high repair costs.
- Keeping to the replacement strategy to ensure a good running fleet.
- Not overspending on old vehicles and machines that is not cost effective to repair.

8. HUMAN RESOURCE DEPARTMENT

8.1. Brief introduction

The Human Resources department is responsible for the acquisition, maintenance and retention of human capital in the institution.

Below are some of the functions entrusted to the Human Resources Department:

- Selection and Recruitment
 - Labour relations
 - Benefits management
 - Skills development
 - Human resources Administration
 - Employment Equity
 - Human Resources Policies development
 - Leave Management
 - Occupational Health and Safety
 - Office Cleaning
 - Security Services
-
- The Mission of the VHWUA Human Resources Department is to be fully compliant with all labour laws, for example: The Basic Conditions of Employment, Labour Relations Act, Skills Development Act, Employment Equity Act etc while ensuring a happy and productive labour force.
 - The Vision is to contribute towards the general development of South Africa and in particular the community within our area of operation by capacitating employees who will respond to the fifth industrial revolution which requires flexible employees who are not rigid and able to interact with technological developments and also achieve our employment equity targets.
 - We have programs in place in terms of learnerships and internships for the local youth who are taken through our program to increase skill levels. We are also committed to social responsibility and, as a water user association, we are busy with the outlay of our social responsibility plans.

- During our dry weeks when we do annual maintenance work, we are able to provide temporary work for the locals. This year the temporary employment opportunities we could create were limited due to Covid-19 regulations.

8.2. Organogram

The organogram for 2020-2021 was approved by Manco when changes were made.

8.3. Staff Compliment

The staff compliment for the financial year 2020 – 2021 was 194.

8.4. Training and development

A total number of 24 employees were trained during the financial year 2020 – 2021, compared to 42 during the previous financial year, in order to improve their production, efficiency, skills and knowledge. The number of employees trained is significantly lower than the previous year due to Covid-19 regulations and the lock down that hampered training sessions.

All training undertaken was occupationally directed, and reported to EWSETA for reimbursement.

The WSP (Workplace Skills Plan) was submitted to EWSETA during the year under review.

8.5. Positions filled during the financial year 2020-2021

The following positions were filled during the year under review in accordance with our Selection and Recruitment Policy

- Water Control Aid
- Creditors Clerk
- General Worker

8.6. Vacancy Rate

The Vacancy rate (Number of unfilled position vs positions in the establishment) is at 8.76%.

8.7. Staff turnover rate

Staff turnover rate is a rate at which employees leave employment with Vaalharts Water for any reason, the current staff turnover rate is at 4.64% (9 staff turnover)

The following list is a breakdown of ways personnel left the employment of Vaalharts Water during the year under review:

- Resigned: 1
- Pensioned: 3
- Medically Pensioned: 2
- Deceased: 3

8.8. Employment Equity

VHWUA's submitted employment equity plan has been approved by the Department of Labour and the report was successfully submitted as per the provisions of the Employment Equity Act. Furthermore Vaalharts Water has a 5-year Employment Equity Plan.

8.9. Injury on Duty Report

During the year under review 13 incidents of injury on duty were reported compared to 14 for the previous financial year with no fatalities and the cost was carried by the Department of Labour.

This continued improvement is largely due to VHWUA having a full time Safety Officer.

9. FINANCE DEPARTMENT

9.1. Overview of the Past Financial Year

The Finance Department strives to ensure that spending and revenue collection is aligned to the budget. Policies are reviewed annually, developed as required and are implemented to ensure sound financial management. Internal controls have been and are continuously introduced and are implemented consistently.

This department comprises of five units: Bookkeeping, Debtors, Creditors, Payroll and Supply Chain Management, all reporting to the CFO. Throughout the reporting period, the department has functioned well. The Creditors Clerk position was filled in February 2021. The person appointed to the post is capable and since appointment has shown she can carry out tasks required. The Finance Department continues to operate effectively, ensuring billing is done on time, revenue collected, creditors and employees are paid timeously as well as all other financial functions including reporting is carried out.

Throughout the financial year, the budget is monitored to ensure compliance to it as well as minimising any deviations that due to unforeseen circumstances occur. Total expenditure and not expenditure per item or category were considered. This has resulted in a surplus of R938 063. The surplus will be allocated to the reserve funds. In the current financial year and going forward, expenditure needs to be monitored and incurred prudently. The provision for debtors continues to increase due to non-payment in certain arrears as well as DWS (Department of Water and Sanitation) being unable to pay over funds for necessary refurbishment of the canals.

The Supply Chain Unit may be functional, but it needs to be borne in mind that most of the staff are not capacitated fully yet and have co-morbidities affecting operations in the unit during lockdown periods. The appointment of the Senior Clerk SCM, has resulted in efficient and effective procurement practices being implemented as well as stringent monitoring of SCM procedures throughout VHWUA, yet the concern remains whether this can continue. It is advised that other departments within VHWUA be more co-operative and responsible when requesting procurement.

The budget for the next financial year 2021 / 2022 was developed in consultation with all HOD's and their input was considered. However, where needed, the budgeted amount was reduced to ensure that the budget was not inflated and was aligned to the expected revenue. It should be borne in mind that there are no new revenue streams available to VHWUA and the company strives to keep the tariff increase affordable to the users. The budget process for the 2022 / 2023 FY and outer years commences during November 2021.

Commissions of R15 million were recovered for the 2020 / 2021 FY, however, as the amount is applicable to various financial years, the effect is seen in the reduced debtor amount and on the Cash Flow Statement - the increase in cash generated from operating activities from 2019/2020 to 2020/2021. VHW continues to operate without the recovery on emergency betterments on the scheme (Estimated R5 000 000 per annum) for work done on behalf of DWS.

9.2. Revenue

Increases in tariffs are kept relevant to inflation. Revenue collection has decreased slightly, this can be attributed to Covid as well as flooding experienced during the latter part of the 2020 / 2021 Financial Year. Revenue from emerging farmers remain a grave problem with a slight increase in revenue from industrial sectors (this includes municipalities). VHWUA implements a Debt Collection Policy, supplemented with legal assistance when necessary. Debtors are monitored on an ongoing basis. Various discussions were held with defaulters and arrangements entered as per policy. The arrangements were monitored to ensure that they are adhered to. Effort has been made to enter into agreements with industrial users and emerging farmers. This entails ongoing commitment to ensure a good relationship is built and maintained with these consumers.

9.3. Expenditure

Operational expenditure was monitored throughout the 2020 / 2021 financial year. During the year, items such as Provision for bad debts is not considered and only actual revenue and actual expenditure is concentrated on to ensure that these remain aligned to the budget. Annually when the AFS are compiled, the provision for bad debt is provided for based on historical collection of debt and ability of consumers to service

debt, in our case mainly related to industrial and emerging farmer debt. These items have been included for the figures in below table.

By cultivating involvement of the entire staff of VHWUA, we intend to manage expenditure to align with actual revenue collected to protect the reserves and build them to the required amount as per legislation – we are all geared towards ensuring the continuation of a financially viable and sustainable VHWUA.

9.4. Budget

Attention is focussed on budgeting to ensure a realistic budget and longer-term budgeting is to be implemented. Actual revenue and expenses are considered when drafting the budget. Input is given by all departments within VHWUA and a sense of ownership is being nurtured.

VAALHARTS WATER USER ASSOCIATION (VHWUA)

REVENUE AND EXPENDITURE FRAMEWORK

	2019/2020		2020/2021		BUDGETED			
	BUDGET	ACTUAL AFS	BUDGET	ACTUAL AFS	CY 2021/2022	Y + 1 2022/2023	Y + 2 2023/2024	Y + 3 2024/2025
MATERIAL , STOCK AND FUEL	11 024 000	9 948 052	10 598 176	7 156 473	10 127 049	10 430 860	10 743 786	11 066 100
MAINTENANCE: VEHICLES, MACHINERY & EQUIP	2 589 500	2 479 900	3 277 000	2 866 593	2 977 629	3 126 510	3 282 836	3 446 978
TOTAL LABOUR COST	53 723 331	55 076 287	57 929 192	55 715 732	57 818 179	59 552 724	61 339 306	63 179 485
OPERATING EXPENDITURE	11 447 000	23 530 268	11 941 000	25 422 841	11 583 816	11 931 330	12 289 270	12 657 949
	78 783 831	91 034 507	83 745 368	91 161 639	82 506 673	85 041 426	87 655 199	90 350 511
INCOME FROM MAIN ACTIVITY	80 401 216	80 347 620	86 029 301	84 811 723	85 896 978	90 191 827	94 701 418	99 436 489
OTHER SOURCES	3 624 979	10 138 940	4 185 880	7 287 979	2 669 688	2 803 172	2 943 331	3 090 498
	84 026 195	90 486 560	90 215 181	92 099 702	88 566 666	92 994 999	97 644 749	102 526 987
(DEFICIT) / SURPLUS	5 242 364	- 547 947	6 469 813	938 063	6 059 993	7 953 574	9 989 551	12 176 475
CAPITAL AND PROJECTS	7 992 000		7 992 000		7 755 600	7 949 490	8 148 227	8 351 933
ACTUAL DEFICIT / SURPLUS - DECREASE / INCREASE TO RESOURCES	2 749 636	- 7 844 839	- 1 522 187	938 063	1 695 607	4 084	1 841 323	3 824 542

10. SOCIAL RESPONSIBILITY

10.1. Projects

- Mandela Day Celebrations

This year our institution decided to pool all our special day funds and buy food parcels during the pandemic to distribute to members of our communities our employees knew were in dire need of subsistence assistance and were thus nominated by our employees themselves.



Figure 4: Food Parcel Distribution

- Water Resource Awareness Campaign

This project was put on hold pending safer conditions during the pandemic.

- Water Safety Campaign

This project was put on hold pending safer conditions during the pandemic.

- Emerging Farmer Capacity Building Workshop

This project was put on hold pending safer conditions during the pandemic.

- John Deere SmartFarm Project

The SmartFarm initiative continuous to gather momentum as this year it was decided that the Agricultural High School in Jan Kempdorp and the Taung Agricultural College would be the two identified training farms where 30 emerging farmers at each would be trained for 12 months at a time.

The only challenge at this stage is the funds or the guarantee for input costs that we are trying to source.

10.2. General Community Assistance

Table 11: Community Institution Assistance

INSTITUTION	WORK DONE
Jan Kempdorp Primary School	Grass Cutting
Vaalharts High School	Grass Cutting
Ethiopian Catholic Church	Levelling of Yard
Tlhwahalang High School	Repair of Devil Fork Fence
Valspan Location	Grading of Soccer Field
Valspan Clinic – CHC Jan Kempdorp	TLB assistance with water pipe
Tadcaster Intermediate School	Grass Cutting
General Church of Jerusalem JKD	Grass Cutting
Vaalharts High School	Clearing of Trees & Branches
Pinkster Protestante Church - JKD	Grading of road
Motswedi-Tutu Intermediate School	Grass Cutting
Valspan Primary School	Grading & Grass Cutting
Eagles Football Club - Pampierstad	Grading of Soccer Field
South African Police - JKD	Grass Cutting
NG Church JKD	Supply of load Soil

Phokwane Football Club	Grading of Soccer Field
Real Starts Football Club	Grading of Soccer Field
Bala Community Project	Cleaning And Levelling of Stand
Unity Apostolic Church	4 Loads Old Concrete
Phokwane Municipality	Assisting with TLB
The Judges Gospel Mission	3 Loads Gravel; 2 Loads Soil
Tlhwahlalang High School	SKW Hall
The DR&PW	Repair road L13
Hartswater Golf Club	6 Loads Soil
GVE	Trench for cameras
Phokwane Municipality	Cleaning Settling Tank
Jan Kemp Golf Club	Assisting with TLB
NG Church Tadcaster	2 Loads Soil
NG Church Jan Kemp	1 Load Soil
Phokwane Municipality	Assisting with TLB
Phokwane Municipality	Cleaning of Valspan
Phokwane Municipality	Cleaning of Valspan
Phokwane Municipality	Cleaning of Valspan
Phokwane Municipality	Cleaning of Andalusia Park
Phokwane Municipality	Cleaning of Pampierstad
Phokwane Municipality	Cleaning of Bonita Park
Phokwane Municipality	Assisting with TLB
Phokwane Municipality	Draining of drowning hazzard
Rearuta Children Day Care Center	Cleaning of yard

10.3. Personnel External Assistance

Table 12: Personnel Assistance

Assistance	REQUEST
Old Concrete	5 Loads
House Moving	1

10.4. Personnel Funeral Support:

Table 13: Funeral Assistance

SUPPORT	QUANTITY
Transport Requests	1
Wood Requests	1

10.5. Emerging Farmer Support & Water Allocation Reform

Vaalharts Water User Association is highly committed to support Water Allocation Reform in the area by supporting and assisting with development of all water use entitlement applications in the area as well as solving any and all water related issues emerging farmers might have.

Currently over and above various small applications VHWUA is involved with the following large water use entitlement applications where VHWUA also provides machines in terms of soil analysis:

- Taung Enlargement of Arable Land
- Majeng Application
- Kgosi Mothibi Application

VHWUA also offered the following support to emerging farmers and is also currently busy engaging with the Agricultural Sector in terms of further Emerging Farmer support:

- Co-Operatives Workshops and Training
- Emerging Farmer Fire Breaks
- Emerging Farmer Machine Support

11. FINANCIAL STATEMENTS

Vaalharts Water User Association
Financial statements
for the year ended 31 March 2021

Vaalharts Water User Association
Financial Statements for the year ended 31 March 2021

General Information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	Water User Association
Registered office	Van Riebeeck Road Jan Kempdorp 8550
Bankers	Standard Bank
Auditors	PricewaterhouseCoopers Inc. Kimberley
Tax reference number	PBO93001226
Level of assurance	The annual financial statements were audited in terms of the requirements of the Association's Constitution
Preparer	The financial statements were independently compiled by: JP Allen CA (SA)
Issued	<u>25/11/2021</u>

Management Committee Members

Irrigation	W de Klerk A Brand P Burger(Chairperson) W Erasmus P van Niekerk J Snyman J Liebenberg B Liebenberg M Tau G Oatile
Emerging farmers	M Samson TD Staoert
Small Scale Users	S Erasmus S Molale F Lobelo K Mothibi K Mankuroane

Vaalharts Water User Association
Financial Statements for the year ended 31 March 2021

General Information

Local Authorities & Water Boards	F de Vos K Gaborone
Industries	J Kokome (Vice-chairperson)
Government Departments	W de Bruin N Dube R Mothekhe

Vaalharts Water User Association
Financial Statements for the year ended 31 March 2021

Contents

The reports and statements set out below comprise the financial statements presented to the members:

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Vaalharts Water User Association
Financial Statements for the year ended 31 March 2021

Management Committee's Responsibilities and Approval

The management committee is responsible for the maintenance of adequate accounting records and the preparation and integrity of the annual financial statements and related information. It is their responsibility to determine that the annual financial statements are in agreement with the accounting records in conformity with the accounting policies as described in note 1 to the financial statements. The external auditor is engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with the accounting policies as set out in note 1 to the financial statements and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

Management acknowledges that they are ultimately responsible for the system of internal financial control established by the association and places considerable importance on maintaining a strong control environment. To enable management to meet these responsibilities, the management committee 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 Association and all employees are required to maintain the highest ethical standards in ensuring the Association's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Association is on identifying, assessing, managing and monitoring all known forms of risk across the Association. While operating risk cannot be fully eliminated, the association endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The management committee 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 management committee has reviewed the Association's cash flow forecast for the year to 31 March 2022 and, in light of this review and the current financial position, is satisfied that the Association 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 Association's annual financial statements. The annual financial statements have been examined by the Association's external auditors and their report is presented on pages 7 to 9.

The external auditors were given unrestricted access to all financial records and related data, including minutes of all meetings. Management believe that all representations made to the independent auditors during their audit are valid and appropriate.

The annual financial statements and additional schedules set out on page 10 to 21, were approved by the management committee on 23/11/2021 and have been signed on their behalf by:



Chairman

Vaalharts Water User Association
Financial Statements for the year ended 31 March 2021

Management Committee Report

The management committee has pleasure in submitting the report on the annual financial statements of Vaalharts Water User Association for the year ended 31 March 2021.

1. Review of activities

Main business and operations

The Association was established in terms of section 115 of the National Water Act, 1998. The Association's main operations include the waterworks of the Vaalharts canal system, including the Barkley West canal and the Taung canal system, as well as the utilisation and maintenance of the Spitskop and Taung Dams for water supply.

There have been no material changes to the nature of the Association's business from the prior year.

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

Net surplus of the Association was R938 063 (2020: R7 846 008 deficit).

Vaalharts Water User Association's main objective is the effective supply of water to its members. In order to achieve this goal it is important that sufficient funds are available to:

1. finance normal operating expenses
2. finance the maintenance of infrastructure, and
3. maintain the reserve fund.

The levying of a reasonable rate in line with current market conditions and also sufficient to supplement the accumulated surplus, as well as the collection of outstanding receivables is extremely important to enable the Association to achieve its overall main goal.

2. Going concern

A global pandemic, Covid-19 was made known in December 2019 and the first case reported in South Africa was in March 2020. Subsequently, the President of SA, Mr C Ramaphosa declared a national state of disaster as per the Disaster Management Act on 15 March 2020. On 23 March 2020, President Ramaphosa declared a nationwide lock down of 21 days, starting 26 March 2020 effective to 16 April 2020. On 09 April 2020, the lock down period was further extended to 30 April 2020.

For the lock down period, only essential services were to operate. Vaalharts Water User Association (VHWUA) provides irrigation water and therefore falls within the ambit of Agricultural Services and all Water User Associations declared essential. VHWUA continued to operate with only minimal staff not being able to work.

There was no significant impact on the finances of VHWUA. Water was provided through out the lockdown period. Billing for the major portion of revenue occurs biannually with the second run for the 2020 / 2021 FY occurring in December 2020, largest portion of payment received by March 2021. The first billing run for the 2021 / 2022 FY occurs in June 2021 and looking at the payments already received by 31 July 2021, there was no significant impact. The effect of COVID-19 has already been taken into effect when determining the provision for bad debt at year end. There were additional expenses due to Covid-19 regulations, but they have been monitored and absorbed into the 2020/2021 budget. The impact on revenue might be felt going forward but will not be significant. Vaalharts Water User Association (VHWUA) has sufficient cash reserves to carry the entity of the next 12 months.

Vaalharts Water User Association
Financial Statements for the year ended 31 March 2021

Management Committee Report

3. Events after the reporting period

All events subsequent to the date of the annual financial statements and for which the applicable reporting framework requires adjustment or disclosure have been adjusted and disclosed.

The effect of Covid-19 has been assessed before year end as part of the going concern note and disclosed there. We have considered the effect of Covid-19 post balance sheet on all line items and no further subsequent events were identified.

The members are not aware of any other matter or circumstances arising since the end of the financial year to date of this report that could have a material effect on the financial statements of the Association.

4. Auditors

PricewaterhouseCoopers Inc. was in office for the current financial period in accordance with the Association's constitution.

Vaalharts Water User Association
 Financial Statements for the year ended 31 March 2021

Statement of Financial Position as at 31 March 2021

	Notes	2021 R	2020 R
Assets			
Current Assets			
Trade and other receivables	2	34 379 418	44 491 867
Cash and cash equivalents	3	53 669 793	41 451 218
		<u>88 049 211</u>	<u>85 943 085</u>
Non-Current Assets			
Property, plant and equipment	4	42 276 264	43 061 899
Total Assets		<u>130 325 475</u>	<u>129 004 984</u>
Equity and Liabilities			
Liabilities			
Current Liabilities			
Trade and other payables	5	<u>78 492 770</u>	<u>78 110 342</u>
Equity			
Capital Reserve		42 158 852	42 158 852
Accumulated surplus		9 673 853	8 735 790
		<u>51 832 705</u>	<u>50 894 642</u>
Total Equity and Liabilities		<u>130 325 475</u>	<u>129 004 984</u>

The accounting policies on pages 14 to 17 and the notes on pages 18 to 21 form an integral part of the financial statements.

Vaalharts Water User Association
 Financial Statements for the year ended 31 March 2021

Statement of Comprehensive Income

	Notes	2021 R	2020 R
Income	6	84 811 723	80 347 620
Other income	7	7 287 979	5 098 960
Operating expenses		(95 574 202)	(98 331 400)
Operating surplus (deficit)		(3 474 500)	(12 884 820)
Investment income	8	4 413 679	5 039 980
Finance costs	9	(1 116)	(1 168)
Surplus (Deficit) for the year		938 063	(7 846 008)
Other comprehensive income		-	-
Total comprehensive surplus (deficit) for the year		938 063	(7 846 008)

The accounting policies on pages 14 to 17 and the notes on pages 18 to 21 form an integral part of the financial statements.

Vaalharts Water User Association
 Financial Statements for the year ended 31 March 2021

Statement of Changes in Equity

	Capital reserve R	Accumulated surplus R	Total equity R
Balance at 01 April 2019	42 158 852	16 581 798	58 740 650
Deficit for the year	-	(7 846 008)	(7 846 008)
Other comprehensive income	-	-	-
Total comprehensive loss for the year	-	(7 846 008)	(7 846 008)
Balance at 01 April 2020	42 158 852	8 735 790	50 894 642
Surplus for the year	-	938 063	938 063
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	938 063	938 063
Balance at 31 March 2021	42 158 852	9 673 853	51 832 705

The accounting policies on pages 14 to 17 and the notes on pages 18 to 21 form an integral part of the financial statements.

Vaalharts Water User Association
 Financial Statements for the year ended 31 March 2021

Statement of Cash Flows

	Notes	2021 R	2020 R
Cash flows from operating activities			
Cash receipts from customers		88 877 141	77 403 436
Cash paid to suppliers and employees		(78 329 666)	(87 104 446)
Cash generated from / (used in) operations	10	10 547 475	(9 701 010)
Investment income		4 413 679	5 039 980
Finance costs		(1 116)	(1 168)
Net cash generated from / (used in) operating activities		14 960 038	(4 662 198)
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(2 911 055)	(3 712 171)
Sale of property, plant and equipment	4	169 592	-
Net cash generated used in investing activities		(2 741 463)	(3 712 171)
Total cash movement for the year		12 218 575	(8 374 369)
Cash, cash equivalents and bank overdrafts at the beginning of the year		41 451 218	49 825 587
Cash, cash equivalents and bank overdrafts at end of the year	3	53 669 793	41 451 218

The accounting policies on pages 14 to 17 and the notes on pages 18 to 21 form an integral part of the financial statements.

Vaalharts Water User Association
Financial Statements for the year ended 31 March 2021

Accounting Policies

1. Presentation of annual financial statements

The financial statements have been prepared in accordance with accounting policies as set out below. The financial statements have been prepared on the historical cost basis. They are presented in South African Rands.

These accounting policies are consistent with the previous period, except where indicated otherwise.

1.1 Financial instruments

When a financial asset or financial liability is recognised initially, it is measured at the transaction price (including transaction costs) unless the arrangement constitutes, in effect, a financing transaction.

Financial instruments at amortised cost

These include loans, trade receivables and trade payables. These debt instruments are subsequently measured at amortised cost using the effective interest method. Debt instruments which are classified as current assets or current liabilities are measured at the undiscounted amount of the cash expected to be received or paid, unless the arrangement effectively constitutes a financing transaction.

At each reporting date, the carrying amounts of assets held in this category are reviewed to determine whether there is any objective evidence of impairment. If there is objective evidence, the recoverable amount is estimated and compared with the carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.

Trade receivables

Trade receivables are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Association will not be able to collect all amounts due according to the original terms of the receivables.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand deposits and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown as a current liability on the statement of financial position.

Borrowings

Borrowings are recognised initially at the transaction price (that is, the present value of cash payable to the bank, including transaction costs). Borrowings are subsequently stated at amortised cost. Interest expense is recognised on the basis of the effective interest rate method and is included in finance costs. Borrowings are classified as current liabilities unless the Association has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Trade payables

Trade payables are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest rate method.

Trade payables are obligations on the basis of normal credit terms and do not bear interest. Trade payables denominated in a foreign currency are translated into Rand using the exchange rate at the reporting date. Foreign exchange gains or losses are included in other income or other expenses.

In certain circumstances, trade payables are reflected based on the Association's own internal accounting records where accurate 3rd party information is not available.

Vaalharts Water User Association
Financial Statements for the year ended 31 March 2021

Accounting Policies

1.2 Property, plant and equipment

Property, plant and equipment are tangible items that are held for use in the production or supply of goods or services, or for rental to others or for administrative purposes; and are expected to be used during more than one period.

Property, plant and equipment is carried at cost less accumulated depreciation and accumulated impairment losses.

Cost 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 recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing an asset and restoring the site on which it is located is also included in the cost of property, plant and equipment, when such dismantling, removal and restoration is obligatory.

Depreciation is provided using the straight-line method to write down the cost over the useful life of the property, plant and equipment as follows:

Item	Depreciation method	Average useful life
Plant and machinery	Straight line	20 years
Furniture and fixtures	Straight line	3 years
Motor vehicles	Straight line	10 years
Steel construction	Straight line	20 years

If the major components of an item of property, plant and equipment have significantly different patterns of consumption of economic benefits, the cost of the asset is allocated to its major components and each such component is depreciated separately over its useful life.

The depreciation method and useful life of each asset are reviewed only where there is an indication that there has been a significant change from the previous estimate.

Gains and losses on disposals are recognised in profit or loss.

1.3 Impairment of non-financial assets

The Association assesses at each reporting date whether there is any indication that property, plant and equipment may be impaired.

If there is any such indication, the recoverable amount of any affected asset (or group of related assets) is estimated and compared with its carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.

If an impairment loss subsequently reverses, the carrying amount of the asset (or group of related assets) is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset (or group of assets) in prior years. A reversal of impairment is recognised immediately in profit or loss.

Vaalharts Water User Association
Financial Statements for the year ended 31 March 2021

Accounting Policies

1.4 Provisions

Provisions are recognised when:

- the Association has an obligation at the reporting date as a result of a past event;
- it is probable that the Association will be required to transfer economic benefits in settlement; and
- the amount of the obligation can be estimated reliably.

Contingent assets and contingent liabilities are not recognised.

Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the amount expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as interest expense.

1.5 Reserves

The reserve fund is earmarked to serve as a reserve for the maintenance of the normal activities of the association in times when restrictions on the ability of the association exists to generate sufficient revenue through water charges, such as in times of drought and when water restrictions are in place.

1.6 Income

Income is recognised to the extent that the Association has transferred the significant risks and rewards of ownership of goods to the buyer, or has rendered services under an agreement provided the amount of income can be measured reliably and it is probable that economic benefits associated with the transaction will flow to the association. Income is measured at the fair value of the consideration received or receivable, excluding sales taxes and discounts.

The Association includes in income only the gross inflows of economic benefits received and receivable by the Association on its own account. The Association excludes from revenue all amounts collected on behalf of third parties such as goods and services and value added taxes. The amounts collected on behalf of the principal are not income of the Association.

Service income is recognised by reference to the stage of completion of the transaction at the end of the reporting period. The Stage of completion is determined by surveys of work performed. When the outcome of a transaction involving the rendering of services cannot be estimated reliably, income is recognised only to the extent of the expenses recognised that are recoverable.

Interest is recognised, in profit or loss, using the effective interest rate method.

1.7 Other income

Rental income is received from the renting out of properties to employees of the Association. Rental income is levied on a monthly basis.

Billing agent commission is levied on payments received on behalf of the Department of Water and Sanition.

The reserve fund is held for a reserve to ensure the continuity of normal activities of the Association. The risk reserve is funded by income received from irrigation users to remove reeds.

Contractor services income is billed and received after work on infrastructure has been performed. The income is billed per hours worked, infrastructure used and other additional resources utilised during the project.

Gain on disposal of assets is recognised if the selling price for the assets exceeds the assets carrying amount.

Discount received is recognised in the applicable period during which the discount has been received.

Employee training income is recognised as and when employees have received and completed training.

Vaalharts Water User Association
Financial Statements for the year ended 31 March 2021

Accounting Policies

1.7 Other income (continued)

Fuel recoveries is recognised once fuel expenses actually incurred has been received back by the Association.

Gate and camping fees is recognised as and when the income is received and the services relating to the fees have been performed.

Legal fees recovered is recognised once legal fees actually incurred has been received back by the Association.

1.8 Operating expenses

Expenses are recognised when incurred and the service or goods have been delivered.

1.9 Interest expense

Interest expense are recognised as an expense in the period in which they are incurred.

Vaalharts Water User Association
 Financial Statements for the year ended 31 March 2021

Notes to the Financial Statements

	2021 R	2020 R
2. Trade and other receivables		
Trade receivables	124 002 345	128 634 108
Total trade receivables outstanding	449 304 617	413 820 804
Levies on Department of Water and Sanitation accounts not collected	(325 302 272)	(285 186 696)
Provision for Bad debts	(96 502 965)	(92 616 508)
	<hr/>	<hr/>
Prepaid expense	27 499 380	36 017 600
Eskom Deposit	-	412 048
VAT	129 702	119 723
Sundry debtors	6 750 336	7 572 803
	<hr/>	<hr/>
	34 379 418	44 491 867

The Association has a right to recovery in terms of section 58, 59 and 60 of the Water Act of 1998 regarding water tax debtors.

In terms of the billing agent contract dated 5 September 2019, the Association is responsible for paying to the Department of Water and Sanitation, the amount collected and the Department of Water and Sanitation has in terms of paragraph 11.1.4 the sole discretion to take action against defaulters where the Association act as agent for the Department of Water and Sanitation.

3. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	22 795	8 729
Current account - Standard Bank	86 375	6 524 700
Fixed deposits	53 560 623	34 917 789
	<hr/>	<hr/>
	53 669 793	41 451 218

4. Property, plant and equipment

	2021			2020		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Plant and machinery	50 260 449	(15 141 476)	35 118 973	48 449 992	(12 684 664)	35 765 328
Furniture and fixtures	1 330 907	(979 093)	351 814	1 121 270	(801 439)	319 831
Motor vehicles	13 340 418	(6 800 445)	6 539 973	12 890 038	(6 197 717)	6 692 321
Steel construction	378 292	(112 788)	265 504	378 292	(93 873)	284 419
Total	65 310 066	(23 033 802)	42 276 264	62 839 592	(19 777 693)	43 061 899

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Disposals	Depreciation	Closing balance
Plant and machinery	35 765 328	1 867 159	(21 956)	(2 491 558)	35 118 973
Furniture and fixtures	319 831	209 637	-	(177 654)	351 814
Motor vehicles	6 692 321	834 259	-	(986 607)	6 539 973
Steel construction	284 419	-	-	(18 915)	265 504
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	43 061 899	2 911 055	(21 956)	(3 674 734)	42 276 264

Vaalharts Water User Association
 Financial Statements for the year ended 31 March 2021

Notes to the Financial Statements

2021	2020
R	R

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Depreciation	Closing balance
Plant and machinery	36 125 217	2 021 843	(2 381 732)	35 765 328
Furniture and fixtures	264 747	187 512	(132 428)	319 831
Motor vehicles	6 138 475	1 502 816	(948 970)	6 692 321
Steel construction	303 334	-	(18 915)	284 419
	42 831 773	3 712 171	(3 482 045)	43 061 899

5. Trade and other payables

Department of Water & Sanitation	76 561 996	75 117 748
Total outstanding invoices issued	401 864 268	360 304 444
Less: Levies on Department of Water and Sanitation accounts not collected	(325 302 272)	(285 186 696)
Trade payables	1 486 233	2 641 679
Leave provision	444 541	350 553
Payroll accruals	-	362
	78 492 770	78 110 342

6. Income

Irrigation - overheads and maintenance	79 827 063	74 615 344
Industrial - overheads and maintenance	4 984 660	5 732 276
	84 811 723	80 347 620

7. Other income

Commissions received	2 957 086	1 773 240
Contractor services	2 224 427	1 564 956
Discount received	2 192	3 121
Fuel recoveries	806 794	896 666
Gate and camping fees	35 352	33 230
Insurance claim received	268 025	-
Other recoveries	119 614	46 871
Profit on sale of non-current assets	147 636	-
Rental income	623 930	677 953
Risk Reserve	102 923	102 923
	7 287 979	5 098 960

8. Investment income

Finance income		
Bank	1 452 771	3 219 799
Eskom	9 979	-
Interest from debtors	2 950 929	1 820 181
	4 413 679	5 039 980

Vaalharts Water User Association
 Financial Statements for the year ended 31 March 2021

Notes to the Financial Statements

	2021 R	2020 R
9. Finance costs		
Trade and other payables	<u>1 116</u>	<u>1 168</u>
10. Cash generated from / (used in) operations		
Surplus / (Deficit) before taxation	938 063	(7 846 008)
Adjustments for:		
Depreciation and amortisation	3 674 734	3 482 045
Profit on sale of assets	(147 636)	-
Investment income	(4 413 679)	(5 039 980)
Finance costs	1 116	1 168
Changes in working capital:		
Trade and other receivables	10 112 449	(2 944 184)
Trade and other payables	382 428	2 645 949
	<u>10 547 475</u>	<u>(9 701 010)</u>
11. Employee cost		
Employee costs		
Basic	43 595 132	41 088 214
Overtime, bonus, honorarium and merit allowance	3 145 034	3 896 295
Unemployment Insurance Fund	328 284	319 536
Skills Development Levy	370 232	472 572
Motor vehicle allowance	2 371 453	2 236 058
Other allowances	8 060 392	7 997 482
Long-term benefits - incentive scheme	3 745	94 477
	<u>57 874 272</u>	<u>56 104 634</u>
12. Taxation		
The Association is exempt from income tax in terms of section 10(1)(cA)(i) of the Income Tax Act 58 of 1962 in terms of an exemption certified dated 30 March 2006.		
13. Going concern		
A global pandemic, Covid-19 was made known in December 2019 and the first case reported in South Africa was in March 2020. Subsequently, the President of SA, Mr C Ramaphosa declared a national state of disaster as per the Disaster Management Act on 15 March 2020. On 23 March 2020, President Ramaphosa declared a nationwide lock down of 21 days, starting 26 March 2020 effective to 16 April 2020. On 09 April 2020, the lock down period was further extended to 30 April 2020.		
For the lock down period, only essential services were to operate. Vaalharts Water User Association (VHWUA) provides irrigation water and therefore falls within the ambit of Agricultural Services and all Water User Associations declared essential. VHWUA continued to operate with only minimal staff not being able to work.		
There was no significant impact on the finances of VHWUA. Water was provided through out the lockdown period. Billing for the major portion of revenue occurs biannually with the second run for the 2020 / 2021 FY occurring in December 2020, largest portion of payment received by March 2021. The first billing run for the 2021 / 2022 FY occurs in June 2021 and looking at the payments already received by 31 July 2021, there was no significant impact. The effect of COVID-19 has already been taken into effect when determining the provision for bad debt at year end. There were additional expenses due to Covid-19 regulations, but they have been monitored and absorbed into the 2021/2022 budget. The impact on revenue might be felt going forward but will not be significant. Vaalharts Water User Association (VHWUA) has sufficient cash reserves to carry the entity of the next 12 months.		

Vaalharts Water User Association
Financial Statements for the year ended 31 March 2021

Notes to the Financial Statements

2021	2020
R	R

14. Events after the reporting period

All events subsequent to the date of the annual financial statements and for which the applicable reporting framework requires adjustment or disclosure have been adjusted and disclosed.

The effect of Covid-19 has been assessed before year end as part of the going concern note and disclosed there. We have considered the effect of Covid-19 post balance sheet on all line items and no further subsequent events were identified.

The members are not aware of any other matter or circumstances arising since the end of the financial year to date of this report that could have a material effect on the financial statements of the Association.

Vaalharts Water User Association
 Financial Statements for the year ended 31 March 2021

Detailed Income Statement

	Notes	2021 R	2020 R
Income			
Irrigation - overheads and maintenance		79 827 063	74 615 344
Industrial - overheads and maintenance		4 984 660	5 732 276
	6	84 811 723	80 347 620
Other income			
Commissions received		2 957 086	1 773 240
Contractor services		2 224 427	1 564 956
Discount received		2 192	3 121
Fuel recoveries		806 794	896 666
Gains on disposal of assets		147 636	-
Gate and camping fees		35 352	33 230
Investment income	8	4 413 679	5 039 980
Insurance claim received		268 025	-
Other recoveries		119 614	46 871
Rental income		623 930	677 953
Risk reserve received		102 923	102 923
		11 701 658	10 138 940
Expenses (Refer to page 23)		(95 574 202)	(98 331 400)
Operating surplus / (deficit)		939 179	(7 844 840)
Finance costs	9	(1 116)	(1 168)
Surplus / (Deficit) for the year		938 063	(7 846 008)

Vaalharts Water User Association
 Financial Statements for the year ended 31 March 2021

Detailed Income Statement

	Notes	2021 R	2020 R
Operating expenses			
Accounting and audit fees		329 187	308 329
Advertising		25 173	107 808
Bank charges		81 501	93 529
Cleaning expense		403 786	388 095
Compensation commissioner		212 913	1 699 784
Computer expenses		35 495	62 556
Consulting and professional fees		801 096	703 563
Contractors		4 855 054	6 258 483
Depreciation, amortisation and impairments		3 674 734	3 482 045
Employee costs		57 874 272	56 104 634
Entertainment, refreshments and canteen		41 694	61 189
Insurance		1 762 927	1 122 527
Legal expenses		121 874	114 238
Levies		4 239	1 089
Membership fees		399 623	248 675
Motor vehicle expenses		1 438 925	1 224 390
Pest control		9 772	1 232
Petrol and oil		5 717 548	5 286 122
Printing and stationery		324 629	300 082
Protective clothing		480 908	497 424
Provision for bad debt		10 220 220	13 455 109
Provision for leave		93 988	13 414
Rates, electricity and water		1 844 236	2 083 293
Repairs and maintenance		2 866 593	2 479 900
Security		1 501 072	1 186 331
Skills development		67 653	380 594
Social responsibility		89 976	247 807
Telephone and fax		257 791	223 737
Traveling expenses		37 323	195 421
		95 574 202	98 331 400

The supplementary information presented does not form part of the annual financial statements and is unaudited.

Vaalharts Water User Association
 Financial Statements for the year ended 31 March 2021

Supplementary Information

1. Department of Water and Sanitation

	2021	2020
Total outstanding invoices issued by the Department of Water & Sanitation	401 864 268	360 304 444
Less: levies on Department of Water and Sanitation accounts included in trade receivables not collected	(325 302 272)	(285 186 696)
	<u>76 561 996</u>	<u>75 117 748</u>

2. Accounts receivable

	2021	2020
Irrigation- Overheads and maintenance	86 395 186	73 710 405
Irrigation - Water levies	17 459 008	14 907 827
Other services - construction contracts and agent commission	9 169 867	33 054 269
Rental income	149 086	114 359
Industrial - overheads and maintenance	28 288 206	23 415 271
Industrial - water levies (NWRI, CMA, water research fund)	307 843 264	270 278 868
Less: Department of Water and Sanitation - water levies (NWRI, CMA, water research fund) only payable once collected	(325 302 272)	(285 186 696)
	<u>124 002 345</u>	<u>130 294 303</u>