



VAALHARTS WATER USER ASSOCIATION

**ANNUAL REPORT
2021-2022**



B. 23/11/2022

A. INTRODUCTION

This report will provide feedback on all operations and activities of the Vaalharts Water User Association (VHWUA) for the financial year 2021/2022.

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

2021/2022 turned out to be a better year in many aspects. In terms of financial results, the non-repayment of refurbishment costs from the Department of Water and Sanitation has finally been sorted out along with the non-recovery of commission on D.W.S funds collected. Unfortunately, bad debt recovery from strategic users and municipalities continues to be a very critical issue that has numerous negative effects on the institution's finances.

Inroads were made in terms of the backlog experienced with recovery on the commercial clients due to the effects of the pandemic and a heavy rain period in January 2021, however we are not out of the woods yet and many people are still suffering the aftermath.

1.1. Operational Review

Operations continued to be affected by varying stages of the pandemic and the knowledge and impact that we were now five years into a period where we were doing work on behalf of D.W.S. but not recovering any of the funds. It was only at the end of the financial year after a period where we were asked not to continue with any work on the North Canal until new submissions were signed that strategies finally came together to ensure from now on emergency maintenance would run smoothly. Let's hope.

Should the emergency rehabilitation efforts run smoother in future VHWUA can for the first time in 5 years turn a lot more attention and energy into ensuring its normal operations are ramped up due to more funds available, while at the same time ensure that the right efforts goes into the main artery, the North Canal in trying to ensure it keeps running in the short term while a larger project of rehabilitation is planned.

In terms of financial results it is clear that VHWUA is still under a lot of pressure due to the bad debt of strategic users and a renewed effort is needed in the new year to address it as the situation is worsening by the year.

1.2. Vaalharts Taung Revitalization (VTR) Project Feedback

The projects seem to be slowly awakening again as more departments realise that without it development in the two provinces are being hampered. D.W.S as the owners of the bulk infrastructure is making the right noises to contribute towards setting up the needed planning reports, while the two Departments of Agriculture has now collectively contributed millions of rands in ensuring the project moves forward.

What needs to happen in the coming months is to finalise the Integrated Masterplan, have the project prep phase running for all sub-projects listed and ensure that funding models are available and some approved for construction to start by the end of the next financial year.

Should the above happen we will finally see expansion and protection of investments on the scheme in practise.

1.3. Transformation

Efforts to unite and support the communities in the area of operation continued to be difficult in terms of capacity development due to the pandemic although during the 2021/2022 financial year opportunities started to present itself once again to make a difference.

Job opportunities were ramped up as operations started normalising while the focus on training could once again be resumed due to contact sessions becoming more and more accessible.

Some of the water authorisation applications VHWUA has been supporting is nearing its completion and there will soon be massive impacts in terms of Water Allocation Reform on the scheme.

1.4. Manco Composition

VHWUA ended the year with a brand-new elected Manco and at an industry leading 59% HDI representation.

The current composition at the end of the 2021/2022 financial year is depicted below:

Table 1: Manco Composition

CATEGORY – IRRIGATION	Mr	NAME
Wyk/Ward 1	1	WILLEM DE KLERK
Wyk/Ward 2	2	ALPHIE BRAND
Wyk/Ward 3 (5 Seats VH)	3	PIETER BURGER
Wyk/Ward 4	4	WERNER ERASMUS
Wyk/Ward 5	5	PIET VAN NIEKERK
KB Kanaal/Canal (2 Seats KB)	6	MATT BOND
	7	JANNIE LIEBENBERG
Spitskop (1 Seat Spitskop)	8	BENNIE LIEBENBERG
Taung Bosele (2 Seats Taung)	9	MBULELO TAU
Taung Areagengmmogo	10	MATTHEWS SENOKWANE
EMERGING FARMERS	Mr	NAME
(1 Seat Across Scheme)	11	DANIEL STAOERT
SMALL SCALE USERS	Mr	NAME
(1 Seat VH)	12	SNOEKIE ERASMUS
(1 Seat Taung)	13	TUMELO LETELE
(1 Seat KB/Spitskop)	14	FABIAN LOBELO
(Traditional Leader Co-Opted)	15	KGOSI MOTHIBI
(Traditional Leader Co-Opted)	16	KGOSI MANKURDANE
LOCAL WATER AUTHORITIES	Mr	NAME
(1 Seat Sedibeng)	17	FRANS DE VOS
(1 Seat Phokwane)	18	BUSI MGAGULI
(1 Seat Magareng)	19	TUMELO THAGE
INDUSTRIES	Mr	NAME
(1 Seat)	20	To be co-opted
GOVERNMENT DEPARTMENTS	Mr	NAME
(1 Seat Dept. Agriculture)	21	THABANG SIBHONO (NC) /
	22	TUBATSE MOTSOENENG (NW)
(1 Seat DW/S Region)	23	RUTH MOTHEKHE

1.5. Vote of Thanks

It is evident that a lot of work and energy went into the positive changes and results that this year brought with a positive outlook of even more positive results in the coming year.

I would like to take this opportunity to thank the management and fellow board members for their efforts during this year, I would also like to say good luck to the newly elected members, together we can have VHWUA reach incredible heights.

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 comprises 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.

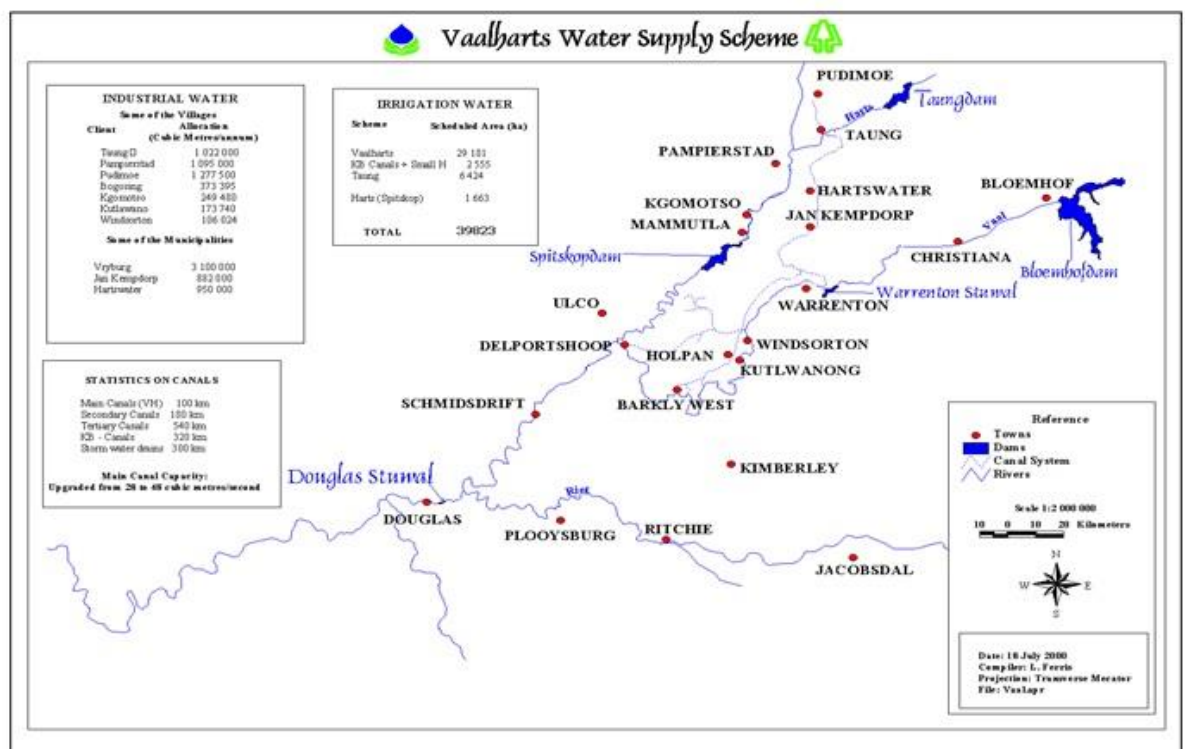


Figure 1: Vaalharts Water Supply Scheme

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.

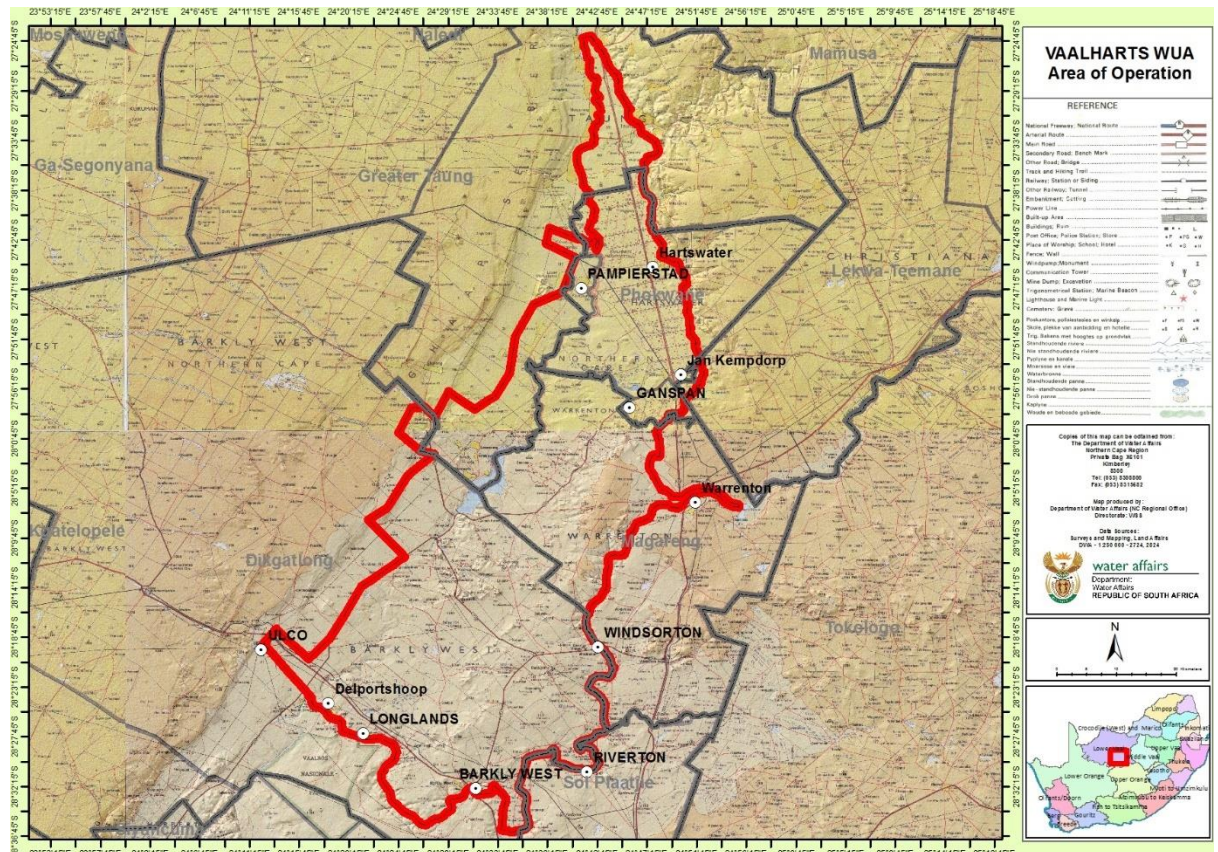


Figure 2: VHWUA Area of Operation

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 31 March 2022 in compliance with the Constitution of the Association.

3.1. Membership

The Board appointed the committee for the 2022 financial year at the management committee meeting dated 29 March 2022.

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

The current members are W Erasmus (chairman), A Brand (Vice-Chairman), 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 JP Allen as the independent auditor and designated audit partner, respectively to the management committee for appointment for the financial year ended 31 March 2022, 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 31 March 2022, 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 31 March 2022 for approval to the management committee.

Werner Erasmus

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 2021/2022

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 policies
- 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 policies, below are policies which have been reviewed/developed pending MANCO approval:

1. Bursary Policy
2. Records Management Policy

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 2021/2022 trained 55 employees on occupational based training.

The company is also in a process of capacitating its supervisors, boilermakers and mechanics to bridge the skills gap for immediate future company opportunities and for their self-developments.

The company submitted its annual training plan to EWSETA which was approved and will be followed by the partial training cost reimbursement.

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 conducted its annual independent OHS audit which it obtained 77.28% for legal compliant which was vast improvement from the previous year of 65.0% it obtained.

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.

Way forward

The lessons learnt from the Covid-19 pandemic is that we should focus or realigned our company human resources towards the hybrid model type of structure and 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.

The 2021/2022 year saw a lot of the flood damage from the previous year repaired while maintenance on water bearing canals can only be carried out during low demand periods when water is cut or in emergency cases when dry periods are negotiated with farmers and communities, five in total during this financial year. 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.

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

The Tail End Canal of 12L Community Furrow was replaced by a pipe to the adjacent drainage canal in order to save cleaning and maintenance costs.

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	269.5	150	375
Feeder canals	382	477	1431
Community furrows	459	1020	3060
Drainage canals	391	488	1464

KB canals	86	191	573
Pre-Cast	15		
Other	124.5		
TOTAL:	1727		



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	90 876
Secondary drains cleaned by contractors	332 830

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 GB008 | Fencing. |
| - House B051 | Painted inside and outside. |
| - House H17/1 | General Maintenance. |
| - House RB-BV1 | Tiling; Repair Roof. |
| - House B111 | Refurbished Tank Stand. |
| - Taung Office | Water Tank and Pressure Pump. |
| - Civil Yard | Water Tank and Pressure Pump. |

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 2021/2022

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 (%)
2021	Apr	11 002	7	1 155	45	7 250	101	19 558	27 640	8 081	29.2	12 264	271 901	4.3	95.7
2021	May	3 764	8	1 060	36	3 865	58	8 790	11 205	2 415	21.6	17 154	267 011	6.0	94.0
2021	Jun	8 583	5	890	36	7 163	94	16 770	23 806	7 036	29.6	26 726	257 439	9.4	90.6
2021	Jul	8 679	4	1 117	45	7 138	58	17 041	24 180	7 140	29.5	36 584	247 581	12.9	87.1
2021	Aug	7 825	13	1 141	36	5 581	76	14 671	18 401	3 729	20.3	45 639	238 526	16.1	83.9
2021	Sep	26 553	20	1 091	45	10 876	140	38 724	49 767	11 043	22.2	73 442	210 723	25.8	74.2
2021	Oct	25 140	9	1 145	36	9 876	94	36 299	43 549	7 250	16.6	99 830	184 336	35.1	64.9
2021	Nov	19 297	9	1 012	36	8 580	101	29 034	35 356	6 322	17.9	120 248	163 917	42.3	57.7
2021	Dec	10 746	8	952	45	5 778	130	17 659	22 146	4 487	20.3	132 084	152 081	46.5	53.5
2022	Jan	14 115	5	1 064	36	4 651	79	19 949	22 402	2 452	10.9	147 346	136 819	51.9	48.1
2022	Feb	18 840	13	1 223	36	6 009	85	26 204	32 477	6 273	19.3	167 506	116 659	58.9	41.1
2022	Mar	4 826	6	1 132	36	4 488	43	10 530	10 221	- 309	0.0	173 513	110 652	61.1	38.9
		159 370	106	12 981	463	81 254	1 057	255 230	321 149	65 919	20.5	173 513	110 652	61.1	38.9

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 and better monitoring with programs to have more real data available.

This year only 61.1% of the total quota was used due to all the heavy rains occurred during the summer months and constant flows added to the lower distribution losses and water that was released out of balancing dams.

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
2021/2022	321149000	159370000	13087000	20.5

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

The Vaalharts/Taung Revitalisation project is expected to add 2665 ha in Taung, an estimated 875 ha of land in the Majeng area as well as 411ha 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 water is released on a demand system and is controlled and streamlined by Water control.

Vaalharts Water has a registered rain meter by SAWS in Jan Kempdorp, we also measure at 8 other different sights to oversee the Vaalharts irrigation area.

At Magareng municipality an electromagnetic meter is installed and give a reading daily to the Water control office. Electronic meters on the Harts River some do have problems with signal in the field due to mobile networks and a meter needs to be physically read.

The KB system uses fixed overflows that ensure the amount of water licensed per year is delivered to each user in 250 days per year.

The next phase of the measuring project is new software that can display releases intime on phones and also capture leakages and breaks at the faults on the canal system and Taung, which is currently measured holistically.

6.5. Servitudes

The servitudes team debushed the Rethuseng canals in the Taung Scheme and Dam 6 and also debushed the North canal from Feeder 17 till Feeder 13 and from Feeder 9 till Feeder 4.

A Bandit woodchipper is used to mulch the trees to minimise the cleaning of the servitudes. New Roads are made at Taung to access the canal for inspection and reparations. There is also a new road from Feeder 24D till 24E11 and can also now be cut with Spedo Mulchers to easier do inspections next to them. Trees next to the canal was cut at the RB canal for 4km .

Future projects includes debushing the Main canal and North canal,roads. On KB the HU canal roads need to be re-gravelled due to the high volume of rains in the area.

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	14 462 649 m ³
Transfers to Vaal River	3 696 338 m ³
Transfers between plots, between irrigators and between properties of the same irrigator	10 766 311 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.
- Community work for schools, hospitals, churches, emerging farmers and communities

7.1. Mechanical and Fleet operations

During the 2021/2022 year the mechanical department completed the following jobs:

Table 8: Mechanical Operations

Vehicle/Machine Maintenance & Service Activities	461
Steel Maintenance & Innovation Activities	272
Electrical Repairs	126
Pool Activities	907
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, electricians and support teams travel great distances every day to ensure fleet, steel and electrical structures are in a good working condition.

The pool assistance vehicles include two low-bed trucks, two truck mounted crane trucks, a roll-back truck, a mobile crane and a tractor with a slasher. Water is also delivered to concrete sites and water control houses while two graders grades all access roads.

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 Isuzu NPR 400 AMT	
2x Isuzu 250 Ho Fleetside safety s/cab	
1x Toyota Hino 500 6x4 Tipper	

1x Boerbull Ramkat 3/4T Single Axle	
1x Jerry Car Trailer	
1x Benver Trailers Box Body	
1x 6 Wheel rake Ilgi	
1x Horizontal Bandsaw 250v	
1x Nomad Welder	
3x Honda XR 125	

7.3. Budget

The results for the Mechanical Budget for 2021/2022 are listed below:

Table 10: Mechanical Budget Results

Year Budget	R4 050 500
Year Spent	R4 029 500
Balance	R21 000
% Savings	0.5%

The % saving was less than the previous financial year due to higher maintenance cost to the fleet.

- Higher maintenance cost was caused by normal wear and tear on gearboxes, diffs, engines, and electronic engine control units that was overhauled or replaced to extend the life of the equipment.

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 the Vaalharts Water User Association and South Africa and in particular the community within our area of operation by capacitating employees who will respond to the challenging needs of the scheme which requires flexible employees who are not rigid and able to interact with administration, civil, technological and mechanical developments and also achieve our training and 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.

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 2021 – 2022 was 184.

8.4. Training and development

A total number of 56 employees were trained during the financial year 2021 – 2022, in order to improve their production, efficiency, skills and knowledge.

All training undertaken was occupationally directed, and reported to EWSETA's mandatory grant.

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

8.5. Positions filled during the financial year 2021-2022

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

- HR Clerk
- Water Control Aid
- 2x Senior Water Control Officers

8.6. Vacancy Rate

The Vacancy rate (Number of unfilled position vs positions in the establishment) is at 12%.

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 6% (11 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: 2
- Deceased: 5
- Dismissed 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 17 incidents of injury on duty were reported compared to 13 for the previous financial year with no fatalities and the cost was carried by the Department of Labour.

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 has resulted in positive improvement within the company with regards to revenue and expenditure as well as maintaining an unqualified audit opinion.

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 R7 629 472. The surplus seems high but in actual fact it is part of the under recovery due to the previous year's heavy rains that has been recovered thus easing pressure on our cashflow. In the current financial year and going forward, expenditure needs to be monitored and incurred prudently. The provision for debtors has decreased from R10 220 220 to R2 316 344. DWS has serviced arrear debt due to VHW for commission as well as funds owing for upkeep of canals. Commissions of R15 million were recovered for the 2020 / 2021 FY, and the rest in the 2021 /2022 FY, there is a period during which there was no Billing Agent Agreement and for this no commission was received. The amount received 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. The amount received from DWS has been allocated to a reserve fund for VHW.

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 2022 / 2023 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 2023 / 2024 FY and outer years commences during November 2022.

The audit of the 2021 / 2022 Financial year went well with a reduction in the number of matters raised. The matters raised by PWC are ones that can be corrected going forward and further controls will be implemented in the 2022 / 2023 Financial year, however one or two are legacy matters that can only be corrected once the constitution of the company is amended.

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 2021 / 2022 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 continue 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

	2020/2021		2021/2022		BUGETED			
	BUDGET	ACTUAL AFS	BUDGET 2021/2022	ACTUAL AFS	CY 2022/2023	Y + 1 2023/2024	Y + 2 2024/2025	Y + 3 2025/2026
MATERIAL , STOCK AND FUEL	10 598 176	7 156 473	10 127 049	8 605 471	14 295 879	15 010 673	15 761 207	16 234 043
MAINTENANCE: VEHICLES, MACHINERY & EQUIP	3 277 000	2 866 593	2 977 629	3 400 527	3 457 100	3 629 955	3 811 453	4 002 025
TOTAL LABOUR COST	57 929 192	57 838 210	57 818 179	58 010 374	61 035 413	64 087 184	67 291 543	69 310 289
OPERATING EXPENDITURE	11 941 000	27 714 042	11 583 816	21 610 543	13 294 112	13 958 818	14 656 758	15 096 461
	83 745 368	95 575 318	82 506 673	91 626 915	92 082 504	96 686 630	101 520 961	104 642 819
INCOME FROM MAIN ACTIVITY	86 029 301	84 811 723	85 896 978	88 801 145	93 507 606	98 182 986	103 092 135	106 184 899
OTHER SOURCES	4 185 880	11 701 658	2 669 688	12 624 913	7 193 294	7 552 959	7 930 607	8 327 137
	90 215 181	96 513 381	88 566 666	101 426 058	100 700 900	105 735 945	111 022 742	114 512 036
(DEFICIT) / SURPLUS	6 469 813	938 063	6 059 993	9 799 143	8 618 396	9 049 315	9 501 781	9 869 218
NON-CASH ITEMS								
CAPITAL AND PROJECTS	7 992 000		7 755 600		8 594 976	9 024 725	9 475 961	9 760 240
ACTUAL DEFICIT / SURPLUS - DECREASE / INCREASE TO RESOURCES	- 1 522 187	938 063	- 1 695 607	9 799 143	23 420	24 590	25 820	108 978

10. SOCIAL RESPONSIBILITY

10.1. Projects

- Mandela Day Celebrations

This year our institution reverted back to doing a community clean-up campaign on Mandela Day.



Figure 4: Clean-up

- 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 remaining 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
Pinkster Protestante Kerk	Grading of Church grounds
Andalusia Park	Grading of Church grounds
Jan Kempdorp	Grading of Church grounds
New Apostolic Church	Supply of gravel in parking area
Vaalharts District	Supply of gravel in parking area
Reaipela Intermediate School	Cutting of Grass & Level school entrance with grader
Magogong	Cutting of Grass & Level school entrance with grader
Vaalharts Combined School	Assistance with cleaning & removal of rubbish on the sports grounds
Andalusia Park	Removing of Rugby Poles
Jan Kempdorp	Filling up land areas
GJ Berent	Provided Water at a family funeral with the water truck
Sekhing Village	Provided Water at a family funeral with the water truck
Taung	Provided Water at a family funeral with the water truck
Voorspoed Primary School	Grading of the Road & Athletic Field
Magogong	Filling up land areas
Northern Cape Agricultural High School	Assist with Fire Breaks
Millennium Kids ELC - Taung	Debushing of area
Vaalharts Combined School	Installation of Soccer Poles and assisting with water flooding
Andalusia Park	Installation of Soccer Poles and assisting with water flooding
Jan Kempdorp	Installation of Soccer Poles and assisting with water flooding
The Old Apostolic Church - Valspan	Removal of ash on church site.

Vaalharts Research Station	Clearing of weeds
Tlhwahalang High School - Jan Kempdorp	Providing SKW Hall as a venue for an event
Batlhaping Ba-Ga Mothibi Traditional Council	Cleaning area for parking
Landbou High School	Cutting of Grass for Sport Event
Landbou High School	Cutting of Grass on school grounds
Jan Kemp Primary School	Cutting of Grass on school grounds
Valspan Primary School	Cutting of Grass on school grounds
South African Police Services	Cutting of Grass at their offices
Valspan Primary School	Cleaning of school yard
Valspan High School	Cutting of Grass on school grounds
Jan Kemp Primary School	Cleaning of School Sport Filed and Supply of Empty Drums
Landbou High School	Cutting of Grass on school grounds
Vaalharts High School	Cleaning of school yard & Cutting of Grass on school grounds
Motswedi-Thuto Intermediate School	Cutting of Grass & Level school yard with grader
Taudiarara Primary School	Refilling of two water tanks at the school
Jan Kemp Primary School	Cleaning of school yard & Cutting of Grass on school grounds
Vaalharts Districts Agricultural Union	Use of Forklift for Security Camera Installations
DWS - Water and Sanitation	Assistance with Crane
Vaalharts High School	Removal of Tree
Church Christ Mission	Gravel & Soil
Futurum Akademie School	Cleaning of school yard
Realeboga Intermediate School	Cutting of Grass on school grounds
Daniel Coetzee	Fire Breaks
Bishop of saints John Mission Church	Cleaning of Dump Site
Valspan Primary School	5 Loads Soil
Motswedi-Thuto Intermediate School	Levelling of Yard
SAPS	9 Loads Soil
Tlhwahalang High School	SKW Hall
Jan Kemp Golf Club	1 Load Soil
Jan Kemp Golf Club	Assisting with TLB
Jan Kemp Golf Club	Cleaning of Dam
Jan Kemp Golf Club	Levelling of road
NG Church Jan Kemp	1 Load Gravel
Phokwane Municipality	Cleaning of Backwash Dam
Department of Agriculture	Cleaning of Canal
Church of Christ Mission	2 Loads Gravel; Levelling

Futurum Akademie	Levelling of Yard
Jan Kemp Golf Club	1 Load Gravel
Die NG Kerk in Afrika	2 Loads Gravel
Holy Ministries Church of God	1 Load Soil

10.3. Personnel External Assistance

Table 12: Personnel Assistance

ASSISTANCE	REQUEST
Old Concrete	3 Loads
Transport VHW Soccer Team	3 Events
Old Concrete	2 Loads

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 2022

Vaalharts Water User Association
Financial Statements for the year ended 31 March 2022

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
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 under the supervision of: JM du Toit CA(SA)
Issued	22 September 2022
Management Committee Members	
Irrigation	W de Klerk A Brand P Burger(Chairperson) W Erasmus P van Niekerk M Bond J Liebenberg B Liebenberg M Tau M Senokwane
Emerging farmers	TD Staoert
Small Scale Users	S Erasmus S Molale F Lobelo T Letele
Local Water Authorities	F de Vos T Thage
Government Departments	T Sibhono T Motsoeneng R Mothekhe

Vaalharts Water User Association
Financial Statements for the year ended 31 March 2022

Index

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

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Statement of Financial Position	8
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Statement of Changes in Equity	10
Statement of Cash Flows	11
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The following supplementary information does not form part of the financial statements and is unaudited:

Detailed Income Statement	20 - 21
Supplementary Information	22

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 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 external auditor were given unrestricted access to all financial records and related data, including minutes of all meetings of the management committee and committees of the board. The management committee believes that all representations made to the independent auditor during their audit are valid and appropriate.

The management committee is also responsible for the association's system of internal financial control. These are designed to provide reasonable, but not absolute, assurance as to the reliability of the financial statements, and to adequately safeguard, verify and maintain accountability of assets, and to prevent and detect misstatement and loss. Nothing has come to the attention of the management committee to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

The financial statements have been prepared on the going concern basis, since the management committee has every reason to believe that the management committee has adequate resources in place to continue in Association for the foreseeable future.

The management committee of the association confirms that as at 31 March 2022, the assets of the Association exceeded its liabilities.

The annual financial statements and additional schedules set out on pages 7 to 19, were approved by the management committee on 22/09/2022 and have been signed by them or on their behalf by:



Chairman



Independent auditor's report

To the Members of Vaalharts Water User Association

Our opinion

In our opinion, the financial statements of Vaalharts Water User Association (the Association) for the year ended 31 March 2022 are prepared, in all material respects, in accordance with the basis of accounting described in Note 1 to the financial statements.

What we have audited

Vaalharts Water User Association's financial statements set out on pages 8 to 19 comprise:

- the statement of financial position as at 31 March 2022;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Association in accordance with the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*.

PricewaterhouseCoopers Inc., Roylglen Office Park, PricewaterhouseCoopers Building,
Cnr Welgevonden Avenue and Memorial Road, Kimberley, 8301, P O Box 32, Kimberley, 8300
T: +27 (0) 53 807 9000, F: +27 (0) 53 807 9100, www.pwc.co.za



Emphasis of Matter – Basis of Accounting

We draw attention to Note 1 to the financial statements, which describes the basis of accounting. The financial statements are prepared in accordance with the Association's own accounting policies to satisfy the financial information needs of the Association's members. As a result, the financial statements may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Other information

The management committee is responsible for the other information. The other information obtained at the date of this auditor's report comprises the information included in the document titled "Vaalharts Water User Association financial statements for the year ended 31 March 2022". The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the management committee for the financial statements

The management committee are responsible for the preparation of these financial statements in accordance with the basis of accounting described in Note 1 to the financial statements, for determining that the basis of preparation is acceptable in the circumstances and for such internal control as the management committee determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management committee are responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management committee either intend to liquidate the Association or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our 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 our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an



audit conducted in accordance with 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We 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 our 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 Association's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management committee.
- Conclude on the appropriateness of the management committee's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Association to cease to continue as a going concern.

We communicate with the management committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit

PricewaterhouseCoopers Inc.
PricewaterhouseCoopers Inc.

Director: JP Allen
Registered Auditor
Kimberley, South Africa
22 September 2022

Management Committee Report

The management committee has pleasure in submitting the report on the annual financial statements of Vaalharts Water User Association report for the year ended 31 March 2022.

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 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 Association's business from the prior year.

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

Net surplus of the Association was R9 799 143 (2021: R938 063).

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

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

3. Events after the reporting period

The management committee is not aware of any matter or circumstance arising since the end of the financial year that has a material impact on the annual financial statements.

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 2022

Statement of Financial Position

	Notes	2022 R	2021 R
Assets			
Current Assets			
Trade and other receivables	2	42 404 006	34 379 432
Other financial assets	3	22 898 146	-
Cash and cash equivalents	4	53 547 760	53 669 793
		<u>118 849 912</u>	<u>88 049 225</u>
Non-Current Assets			
Property, plant and equipment	5	42 023 365	42 276 264
Total Assets		<u>160 873 277</u>	<u>130 325 489</u>
Equity and Liabilities			
Liabilities			
Current Liabilities			
Trade and other payables	6	<u>99 241 429</u>	<u>78 492 784</u>
Equity			
Capital Reserve		42 158 852	42 158 852
Accumulated surplus		<u>19 472 996</u>	<u>9 673 853</u>
		<u>61 631 848</u>	<u>51 832 705</u>
Total Equity and Liabilities		<u>160 873 277</u>	<u>130 325 489</u>

The accounting policies on pages 12 to 15 and the notes on pages 16 to 19 form an integral part of the financial statements.

Vaalharts Water User Association
Financial Statements for the year ended 31 March 2022

Statement of Comprehensive Income

	Notes	2022 R	2021 R
Income	7	88 801 145	84 811 723
Other income	8	8 344 500	7 285 787
Operating expenses		(91 626 915)	(95 572 010)
Operating surplus / (deficit)		5 518 730	(3 474 500)
Investment income	10	4 280 413	4 413 679
Finance costs	11	-	(1 116)
Surplus for the year		9 799 143	938 063
Other comprehensive income		-	-
Total comprehensive surplus for the year		9 799 143	938 063

The accounting policies on pages 12 to 15 and the notes on pages 16 to 19 form an integral part of the financial statements.

Vaalharts Water User Association
Financial Statements for the year ended 31 March 2022

Statement of Changes in Equity

	Capital reserve R	Accumulated surplus R	Total equity R
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 01 April 2021	42 158 852	9 673 853	51 832 705
Surplus for the year	-	9 799 143	9 799 143
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	9 799 143	9 799 143
Balance at 31 March 2022	42 158 852	19 472 996	61 631 848

The accounting policies on pages 12 to 15 and the notes on pages 16 to 19 form an integral part of the financial statements.

Vaalharts Water User Association
Financial Statements for the year ended 31 March 2022

Statement of Cash Flows

	Notes	2022 R	2021 R
Cash flows from operating activities			
Cash receipts from customers		86 748 239	88 877 141
Cash paid to suppliers and employees		(64 673 636)	(78 329 666)
Cash generated from / (used in) operations	12	22 074 603	10 547 475
Investment income	10	4 280 413	4 413 679
Finance costs	11	-	(1 116)
Net cash generated from operating activities		26 355 016	14 960 038
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(3 578 903)	(2 911 055)
Proceeds from the sale of property, plant and equipment	5	-	169 592
Increase in investments		(22 898 146)	-
Net cash used in investing activities		(26 477 049)	(2 741 463)
Total cash movement for the year		(122 033)	12 218 575
Cash, cash equivalents and bank overdrafts at the beginning of the year		53 669 793	41 451 218
Cash, cash equivalents and bank overdrafts at end of the year	4	53 547 760	53 669 793

Accounting Policies

1. Presentation of annual financial statements

The financial statements have been prepared on a going concern basis in accordance with the accounting policies as set out below. The financial statements have been prepared on the historical cost basis, unless stated otherwise. They are presented in South African Rands.

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

1.1 Property, plant and equipment

Property, plant and equipment are tangible assets which the association holds for its own use or for rental to others and which are expected to be used for more than one period.

Property, plant and equipment is initially measured at cost.

Cost includes 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.

Expenditure incurred subsequently for major services, additions to or replacements of parts of property, plant and equipment are capitalised if it is probable that future economic benefits associated with the expenditure will flow to the association and the cost can be measured reliably. Day to day servicing costs are included in profit or loss in the period in which they are incurred.

Property, plant and equipment is subsequently stated at cost less accumulated depreciation and any accumulated impairment losses, except for land which is stated at cost less any accumulated impairment losses.

Depreciation of an asset commences when the asset is available for use as intended by management. Depreciation is charged to write off the asset's carrying amount over its estimated useful life, using a method that best reflects the pattern in which the asset's economic benefits are consumed by the association.

The useful lives of items of property, plant and equipment have been assessed 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

When indicators are present that the useful lives and residual values of items of property, plant and equipment have changed since the most recent annual reporting date, they are reassessed. Any changes are accounted for prospectively as a change in accounting estimate.

Impairment tests are performed on property, plant and equipment when there is an indicator that they may be impaired. When the carrying amount of an item of property, plant and equipment is assessed to be higher than the estimated recoverable amount, an impairment loss is recognised immediately in profit or loss to bring the carrying amount in line with the recoverable amount.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognition of an item of property, plant and equipment, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, is included in profit or loss when the item is derecognised.

Accounting Policies

1.2 Financial instruments

Financial instruments at amortised cost

These include loans, trade receivables and trade payables. 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.

Financial instruments at fair value

All other financial instruments, including equity instruments that are publicly traded or whose fair value can otherwise be measured reliably, without undue cost or effort, are measured at fair value through profit and loss.

If a reliable measure of fair value is no longer available without undue cost or effort, then the fair value at the last date that such a reliable measure was available is treated as the cost of the instrument. The instrument is then measured at cost less impairment until management are able to measure fair value without undue cost or effort.

Trade receivables

Trade receivables are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest rate 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 third party information is not available.

1.3 Impairment of assets

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

Accounting Policies

1.3 Impairment of assets (continued)

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.

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.

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.

Provisions are not recognised for future operating losses.

Contingent assets and contingent liabilities are not recognised.

1.5 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.

Accounting Policies

1.6 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 Sanitation.

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.

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.

1.7 Operating expenses

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

1.8 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.

1.9 Interest expense

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

1.10 Comparative figures

Where necessary comparative figures have been adjusted to conform with changes in presentation in the current year.

Vaalharts Water User Association
Financial Statements for the year ended 31 March 2022

Notes to the Financial Statements

	2022 R	2021 R
2. Trade and other receivables		
Trade receivables	134 732 525	124 002 345
Total trade receivables outstanding	500 338 899	449 304 617
Levies on Department of Water and Sanitation accounts not collected	(365 606 374)	(325 302 272)
Provision for Bad debts	(99 989 534)	(96 502 965)
	34 742 991	27 499 394
Eskom Deposit	133 982	129 702
VAT	7 527 033	6 750 336
	42 404 006	34 379 432

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 acts as agent for the Department of Water and Sanitation.

3. Other financial assets

Investments at amortised cost
Stanlib Income fund - 000402184

22 898 146	-
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Current assets

Investments at amortised cost

22 898 146	-
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4. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	10 363	22 795
Current account - Standard Bank	10 484 069	86 375
Department of Water and Sanitation	8 779 640	-
Vaalharts Water User Association	1 704 429	-
Other cash and cash equivalents	43 053 328	53 560 623
	53 547 760	53 669 793

Notes to the Financial Statements

2022
R

2021
R

5. Property, plant and equipment

	2022			2021		
	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
Plant and machinery	50 968 521	(17 665 945)	33 302 576	50 260 449	(15 141 476)	35 118 973
Furniture and fixtures	1 532 616	(1 192 522)	340 094	1 330 907	(979 093)	351 814
Motor vehicles	15 956 640	(7 872 790)	8 083 850	13 340 418	(6 800 445)	6 539 973
Steel construction	431 192	(134 347)	296 845	378 292	(112 788)	265 504
Total	68 888 969	(26 865 604)	42 023 365	65 310 066	(23 033 802)	42 276 264

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Depreciation	Closing balance
Plant and machinery	35 118 973	708 073	(2 524 470)	33 302 576
Furniture and fixtures	351 814	201 709	(213 429)	340 094
Motor vehicles	6 539 973	2 616 221	(1 072 344)	8 083 850
Steel construction	265 504	52 900	(21 559)	296 845
	42 276 264	3 578 903	(3 831 802)	42 023 365

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
	43 061 899	2 911 055	(21 956)	(3 674 734)	42 276 264

6. Trade and other payables

Department of Water & Sanitation	84 968 291	76 561 996
Total outstanding invoices issued	450 574 665	401 864 268
Less: Levies on Department of Water and Sanitation accounts not collected	(365 606 374)	(325 302 272)
Trade payables	13 095 381	1 486 247
Leave provision	455 221	444 541
Payroll accruals	722 536	-
	99 241 429	78 492 784

7. Income

Irrigation - overheads and maintenance	84 316 930	79 827 063
Industrial - overheads and maintenance	4 484 215	4 984 660
	88 801 145	84 811 723

Vaalharts Water User Association
Financial Statements for the year ended 31 March 2022

Notes to the Financial Statements

	2022 R	2021 R
8. Other income		
Commissions received	2 388 190	2 957 086
Contractor services	3 925 070	2 224 427
Fuel recoveries	1 046 826	806 794
Gate and camping fees	18 704	35 352
Insurance claim received	124 140	268 025
Other recoveries	154 423	119 614
Profit on sale of non-current assets	-	147 636
Rental income	622 024	623 930
Risk Reserve	65 123	102 923
	8 344 500	7 285 787
9. Employee cost		
Employee costs		
Basic	43 156 886	43 595 132
Overtime, bonus, honorarium and merit allowance	3 530 206	3 145 034
Unemployment Insurance Fund	351 545	328 284
Skills Development Levy	486 934	370 232
Motor vehicle allowance	2 523 951	2 371 453
Other allowances	7 910 291	8 024 330
Long-term benefits - incentive scheme	50 561	3 745
	58 010 374	57 838 210
10. Investment income		
Finance income		
Bank	1 586 449	1 452 771
Eskom	4 280	9 979
Interest from debtors	2 406 616	2 950 929
Stanlib Collective Invest	283 068	-
	4 280 413	4 413 679
11. Finance costs		
Trade and other payables	-	1 116
12. Cash generated from / (used in) operations		
Surplus before taxation	9 799 143	938 063
Adjustments for:		
Depreciation and amortisation	3 831 802	3 674 734
Profit on sale of assets	-	(147 636)
Investment income	(4 280 413)	(4 413 679)
Finance costs	-	1 116
Provision for bad debts	2 316 343	10 219 793
Changes in working capital:		
Trade and other receivables	(10 340 918)	(151 158)
Trade and other payables	20 748 646	426 242
	22 074 603	10 547 475

Notes to the Financial Statements

	2022	2021
	R	R

13. Taxation

The Association is exempt from income tax in terms of section 10(1)(cA)(i) of the Income Tax Act of 58 of 1962 in terms of an exemption certified dated 30 March 2006.

14. Events after the reporting period

The management committee is not aware of any material event which occurred after the reporting date and up to date of this report that would have a material impact on these annual financial statements.

15. Contingent liability

Currently there is a dispute with the Department of Water and Sanitation regarding the outstanding amount owed. Management together with the Department of Water and Sanitation are busy with a mediation process.

Vaalharts Water User Association
Financial Statements for the year ended 31 March 2022

Detailed Income Statement

	Notes	2022 R	2021 R
Income			
Irrigation - overheads and maintenance		84 316 930	79 827 063
Industrial - overheads and maintenance		4 484 215	4 984 660
	7	88 801 145	84 811 723
Other income			
Commissions received		2 388 190	2 957 086
Contractor services		3 925 070	2 224 427
Fuel recoveries		1 046 826	806 794
Gains on disposal of assets		-	147 636
Gate and camping fees		18 704	35 352
Insurance claim received		124 140	268 025
Other recoveries		154 423	119 614
Rental income		622 024	623 930
Risk reserve received		65 123	102 923
		8 344 500	7 285 787
Expenses (Refer to page 21)		(91 626 915)	(95 572 010)
Operating surplus / (deficit)		5 518 730	(3 474 500)
Investment income	10	4 280 413	4 413 679
Finance costs		-	(1 116)
		4 280 413	4 412 563
Surplus for the year		9 799 143	938 063

Vaalharts Water User Association
Financial Statements for the year ended 31 March 2022

Detailed Income Statement

	Notes	2022 R	2021 R
Operating expenses			
Accounting and audit fees		277 615	329 187
Advertising		46 290	25 173
Bank charges		101 650	81 501
Cleaning expense		375 888	403 786
Compensation commissioner		428 349	212 913
Computer expenses		87 264	35 495
Consulting and professional fees		1 404 268	801 096
Contractors		5 425 157	4 852 862
Depreciation, amortisation and impairments		3 831 802	3 674 734
Employee costs		58 010 374	57 838 210
Entertainment, refreshments and canteen		52 879	41 694
Insurance		1 745 576	1 762 927
Legal expenses		194 074	121 874
Levies		2 507	4 239
MANCO fees		84 639	36 062
Management committee election costs		4 127	-
Membership fees		222 291	399 623
Motor vehicle expenses		1 510 128	1 438 925
Pest control		8 196	9 772
Petrol and oil		7 095 343	5 717 548
Printing and stationery		295 920	324 629
Protective clothing		511 662	480 908
Provision for bad debt		2 316 344	10 220 220
Provision for leave		10 680	93 988
Rates, electricity and water		1 246 161	1 844 236
Repairs and maintenance		3 400 527	2 866 593
Security		1 973 485	1 501 072
Skills development		216 671	67 653
Social responsibility		291 823	89 976
Telephone and fax		276 415	257 791
Transport cost		6 312	-
Traveling expenses		172 498	37 323
		91 626 915	95 572 010

The accounting policies on pages 12 to 15 and the notes on pages 16 to 19 form an integral part of the financial statements.

Vaalharts Water User Association
Financial Statements for the year ended 31 March 2022

Supplementary Information

1. Department of Water and Sanitation

	2022	2021
	R	R
Total outstanding invoices issued by the Department of Water and Sanitation	450 574 665	401 864 268
Less: levies on Department of Water and Sanitation accounts included in trade receivables not collected	(365 606 374)	(325 302 272)
	84 968 291	76 561 996

2. Accounts receivable

	2022	2021
	R	R
Irrigation - Overheads and maintenance	97 958 441	86 395 186
Irrigation - Water levies	19 558 612	17 459 008
Other services - construction contracts and agent commission	6 436 363	9 169 867
Rental income	178 127	149 086
Industrial - overheads and maintenance	30 159 592	28 288 206
Industrial - water levies (NWRI, CMA, water research fund)	346 047 764	307 843 264
Less: Department of Water and Sanitation - water levies (NWRI, CMA, water research fund) only payable once collected	(365 606 374)	(325 302 272)
	134 732 525	124 002 345