



# ANNUAL REPORT

2018/19



**BREDE-GOURITZ**  
CATCHMENT MANAGEMENT AGENCY





**BREEDDE-GOURITZ**  
CATCHMENT MANAGEMENT AGENCY

# **ANNUAL REPORT**

## **2018/19**

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# ACRONYMS

<b>APP</b>	Annual Performance Plan	<b>HDI</b>	Historically Disadvantaged Individual
<b>ARC</b>	Audit & Risk Committee	<b>HSWS</b>	Human Settlements, Water and Sanitation
<b>BEE</b>	Black Economic Empowerment	<b>HR</b>	Human Resources
<b>BBBEE</b>	Broad-Based Black Economic Empowerment	<b>IB</b>	Irrigation Board
<b>BERG</b>	Berg-Olifants Proto-CMA	<b>IT</b>	Information Technology
<b>BG</b>	Breede-Gouritz	<b>MP</b>	Member of Parliament
<b>BGCMA</b>	Breede-Gouritz Catchment Management Agency	<b>MTEF</b>	Medium Term Expenditure Framework
<b>BGWMA</b>	Breede-Gouritz Water Management Area	<b>NDP</b>	National Development Plan
<b>CEO</b>	Chief Executive Officer	<b>NEWP</b>	National Eutrophication Monitoring Programme
<b>CFO</b>	Chief Financial Officer	<b>NWA</b>	National Water Act
<b>CMA</b>	Catchment Management Agency	<b>PDMS</b>	Performance and Development Management System
<b>CMS</b>	Catchment Management Strategy	<b>NWRS</b>	National Water Resources Strategy
<b>DG</b>	Director-General	<b>RORs</b>	Record of Recommendations
<b>DDG</b>	Deputy Director-General	<b>PFMA</b>	Public Finance Management Act
<b>DPSA</b>	Department of Public Service and Administration	<b>RPF</b>	Resource Poor Farmers
<b>DWS</b>	Department of Water and Sanitation	<b>PSP</b>	Professional Service Provider
<b>FLR</b>	Fourth Industrial Revolution	<b>R</b>	Rand (unit of South African currency)
<b>EDMS</b>	Electronic Document Management Committee	<b>ToR</b>	Terms of Reference
<b>EE</b>	Employment Equity	<b>V&amp;V</b>	Validation and Verification
<b>ENE</b>	Estimates of National Expenditure	<b>VAT</b>	Value Added Tax
<b>EXCO</b>	Executive Committee of the Governing Board	<b>WMA</b>	Water Management Area
<b>GDP</b>	Gross Domestic Product	<b>WARMS</b>	Water Authorization and Registration Management System
<b>GGP</b>	Gross Geographic Product	<b>WMIs</b>	Water Management Institutions
<b>GIS</b>	Geographical Information System	<b>WRM</b>	Water Resource Management
<b>GRAP</b>	Generally Recognized Accounting Practice	<b>WMS</b>	Water Management System
		<b>WUA</b>	Water User Association

# 1. THE MINISTER'S FOREWORD



**MS LINDIWE NONCEBA SISULU**

*Minister of Human Settlements, Water and Sanitation*

The Breede-Gouritz Catchment Management Agency (BGCMA), established in terms of Section 76 of the National Water Act 36 of 1998 (NWA) performs water resource management in the Breede-Gouritz Water Management Area (WMA) as contemplated in the NWA.

The BGCMA is one of two established catchment management agencies in the country and is responsible for the management of water resources in the Breede-Gouritz Water Management Area. The BGCMA is reporting and accountable to me as the Executive Authority. As a water resource management entity they ensure that water resource management services are brought to stakeholders at a local level with their participation and involvement.

As the Annual Report indicates, the BGCMA played a significant role in the processes to apply for water use licenses. In these processes the BGCMA fulfilled the role of a commenting authority to the delegated authority, the Department of Water and Sanitation. The BGCMA is locally situated; the application process for a water use licence is therefore very accessible and efficient. The role BGCMA played in the year to support historical disadvantaged individuals to get access to water by means of technical support in various aspects is noted.

Water resources management can be truly successful if the public is more aware of water resource management issues and more involved in water resource management, especially at local level. In the performance year the BGCMA was quite successful in making school children aware of issues

in water resources management. This bodes well for water resources management going forward. I also want to thank all the stakeholders that are members of the numerous water related forums in the area, by giving your input, you made a difference.

The BGCMA responded to the prevailing drought in its area of operation. It is noted that the planned river rehabilitation projects were successfully implemented. These projects are essentially about the removal of alien vegetation next to river courses that are impacting the availability of water. The program to install rain water harvesting tanks, where rain water is collected and stored for later irrigation use was successfully implemented. This made a significant contribution to make water available especially for the irrigation of food gardens that provide food for people.

I would like to thank the Governing Board and staff for your contributions that made 2018/2019 a successful year. It is through these efforts that a positive difference is made in the lives of people, where it comes to water.

**MS LINDIWE NONCEBA SISULU**

*Minister of Human Settlements, Water And Sanitation*

## 2. THE CHAIRPERSON'S REPORT

The Breede-Gouritz Catchment Management Agency (BGCMA) celebrates yet another year of delivering a water resource management service to all the people in the Breede-Gouritz Water Management Area (BGWMA). The BGCMA continued to thrive for service excellence in the midst of ongoing challenges as well as celebrating the various achievements along the way. We continue to pride ourselves to be working closer to our stakeholders. The Karoo area is still in the midst of a very crippling drought where Local Authorities are severely challenged to provide drinking water to their inhabitants. It is in these challenging times that the value of water is appreciated by all who rely on this resource so desperately. In the year, there was a continuation of awareness creation about various aspects of water resources management among our stakeholders. By working together with all stakeholders, the BGCMA can be truly successful.

All challenges were eased with the arrival of the Honorable Minister Lindiwe Sisulu, the new Minister of Human Settlements, Water and Sanitation who brought along with her a clear direction with regards to the establishment of the remaining seven Catchment Management Agencies in South Africa. The Minister pronounced that the remaining seven Catchment Management Agencies would be established. The Minister further enhanced the functions of the BGCMA by allowing that vital powers and functions in terms of the National Water Act could be delegated to the BGCMA. We extend our sincere gratitude to the Honorable Minister Gugile Nkwinti for his support of the Catchment Management Agencies' establishment as well as ensuring that the existing ones continue to function effectively.

The BGCMA implemented various projects to make water resource management tangible to all our stakeholders, especially the marginalized communities. Projects such as food gardens make water resources management very practical and beneficial to these communities. In the backdrop of the drought, the BGCMA planned and implemented activities and projects to mitigate the impact of drought. Some of these projects included the installation of over 300 rain water harvesting tanks. These tanks were installed to support small scale irrigation schemes such as growing of food gardens. Invasive vegetation in the catchments is severely influencing the availability of water for downstream water users. Planned river rehabilitation projects were successfully implemented. This was achieved in collaboration with other water management institutions and other state departments. The impact of invasive vegetation on water resources is real and going forward there must be a concerted effort by all stakeholders to manage this challenge.

The BGCMA has recently taken over the billing of water use and performed well in managing the process. This was made possible because the BGCMA is local and in a better position to service the stakeholders as well as the greater willingness by water users to pay their accounts. We thank

our stakeholders for their continued commitment. For the BGCMA to be sustainable, it is important that water users pay their water use accounts.

The planned water resources management functions in terms of the National Water Act were achieved. These are functions like the processing of water use applications, registration of water use and the monitoring of water resources. In this regard, the planned assistance to emerging farmers in the authorisation process for water use was achieved.

It's worth noting that I serve with an excellent team of Board Members and I thank them for their unselfish dedication to the governance of the Breede-Gouritz Catchment Management Agency (BGCMA), it is highly appreciated. The Governing Board ensured that there was accountability in the implementation of the Annual Performance Plan. For this, I thank the senior management and staff in general who worked tirelessly to provide an efficient water resources management service to all of the stakeholders in the Breede-Gouritz Water Management Area (BGWMA). The Governing Board recognises your efforts and highly appreciates you.

The BGCMA continues to grow from strength to strength and it is discharging its official responsibilities with great zeal. The BGCMA is a fully fledged public entity responsible for water resources management in the BGWMA. I am forever grateful for the role that the Department of Water and Sanitation continues to play. Water as a critical resource cannot and should not be managed in isolation. As such, I acknowledge the various partnerships the BGCMA has with various institutions of higher learning, environmental organisations including other international bodies, which continue to make significant contribution towards all-encompassing principles of integrated water resource management.

I thank the Honourable Minister of Human Settlements, Water and Sanitation Ms Lindiwe Sisulu for her support that led to the Human Settlements, achievement of the BGCMA's set targets. Indeed, the BGCMA made a positive difference in its area of operation. In Xitsonga we say "Mintirho ya vulavula".

Yours sincerely



**EVIDENCE BONGANI MNISI**

*Chairperson Of The Governing Board*



### 3. PRESENTATION OF THE ANNUAL REPORT

Dear Honourable Minister

I have pleasure in presenting to you the 2018-2019 Annual Report of the Breede-Gouritz Catchment Management Agency for the year ended 31 March 2019.

Yours faithfully



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**EVIDENCE BONGANI MNISI**

*Chairperson of The Governing Board*





## 4. FOREWORD BY THE ACTING CHIEF EXECUTIVE OFFICER

The performance year was operationally a very successful year for the Breede-Gouritz Catchment Management Agency (BGCMA) as the targets that were set out in the beginning of the year were mostly achieved. More highly committed personnel were appointed which enabled the BGCMA to respond to the different challenges and to provide an efficient water resource management service to the water users in the area. The unit “Compliance Monitoring” was staffed and capacitated. The BGCMA is now better placed to ensure that water users are compliant to conditions linked to a water use.

A water resource management institution like the BGCMA can be more successful if more of the stakeholders are involved in the various aspects of water resources management. In this regard numerous forums are maintained and supported by the BGCMA. These forums provide the necessary platforms for water users to make the BGCMA aware of challenges, but in many instances also provide various proposals on how to solve the challenges. Numerous activities were implemented to make the public more aware of water resources challenges, i.e. water pollution, unlawful water use and the great threat invasive vegetation is posing on water resources.

The impact of invasive vegetation on water resources is real and needs to be managed. For this, a coordinated approach is required between all stakeholders. The BGCMA funded river rehabilitation projects, mostly in the Breede River Catchment. The purpose of these projects is to remove invasive vegetation in the riparian areas and to bring the vegetation back to a natural state. This makes more water available for downstream users and is also important for the management of floods.

The BGCMA is a recommending authority for the processing of water use applications. The Department of Water & Sanitation approves the water use application. The processing of water use applications is important because each approved water use license reaps various benefits i.e. job creation and investment in the local economy. For the year, the BGCMA

committed itself to process 90% of applications received. Due to focused and dedicated staff, this target was achieved.

Continuous strives were made to make the benefits of water resources management tangible to all stakeholders, especially to the marginalised communities. Various community projects, that are for the benefit of communities have been completed. Projects included the establishment of food gardens for schools, old age homes and the installation of over 300 rain water harvesting tanks. The BGCMA provides continuous support to emerging farmers by providing assistance and technical support in the process to apply for water use authorisations.

The monitoring of water resources is critical for the management of water resources. The targets for the monitoring were exceeded.

The most valuable asset of the BGCMA is its dedicated staff. In the year there was continuous training and development to enable all of us to deliver an even better service to our people.

Thank you to the Governing Board for providing the necessary oversight and to all of the BGCMA staff who are more than ever committed to the sustainable management of water resources in the Breede-Gouritz Water Management Area.

**JAN VAN STADEN**  
Chief Executive Officer (Acting)

# 5. STRATEGIC OVERVIEW

## VISION

Quality water for all, forever.

## MISSION

**The Breede-Gouritz Catchment Management Agency exists to:**

*manage our water resources responsibly, through continuous engagement with all stakeholders and to devolve decision making to the lowest level for the benefit of all water users in the Breede-Gouritz area, including the environment.*

## VALUES

Integrity  
Accountability  
Empowerment  
Approachability  
Equity

## STRATEGIC OBJECTIVES

Water Resource Planning  
Water Use Management  
Institutional & Stakeholder Relations  
Water Allocation Reform  
Water Resource Protection  
Strategic Support (Finance & Human Resources)  
Management & Governance

## 6. SITUATIONAL ANALYSIS

The Breede-Gouritz Catchment Management Agency (BGCMA) was established in 2014 (Government Notice 37677, 23 May 2014) by extending the boundary and area of operation of the then Breede-Overberg Catchment Management Agency in terms of Section 80 of the National Water Act, 1998 (Act No 36 of 1998) (NWA). The BGCMA

gives effect to its function to investigate and advise water users on the protection, conservation, management and control of water resources in a cooperative manner. The BGCMA facilitates cooperative governance of water resources through the linking of National, Provincial and Local Government as well as a host of sector partners and stakeholders.

**FIGURE 1**

*The Breede-Gouritz Catchment Management Area (Map)*



The Breede-Gouritz Water Management Area has widely varying precipitation levels. The precipitation ranges from 160mm in the northern, more inland parts of the WMA to more than 3 000mm in the high mountainous regions of the Hottentots Holland and Franschoek water divides between Berg and Breede WMAs. The average rainfall over the Breede area is 200 mm, Overberg 400 mm, Gouritz Coastal 600mm and Klein Karoo / Great Karoo 150 mm.

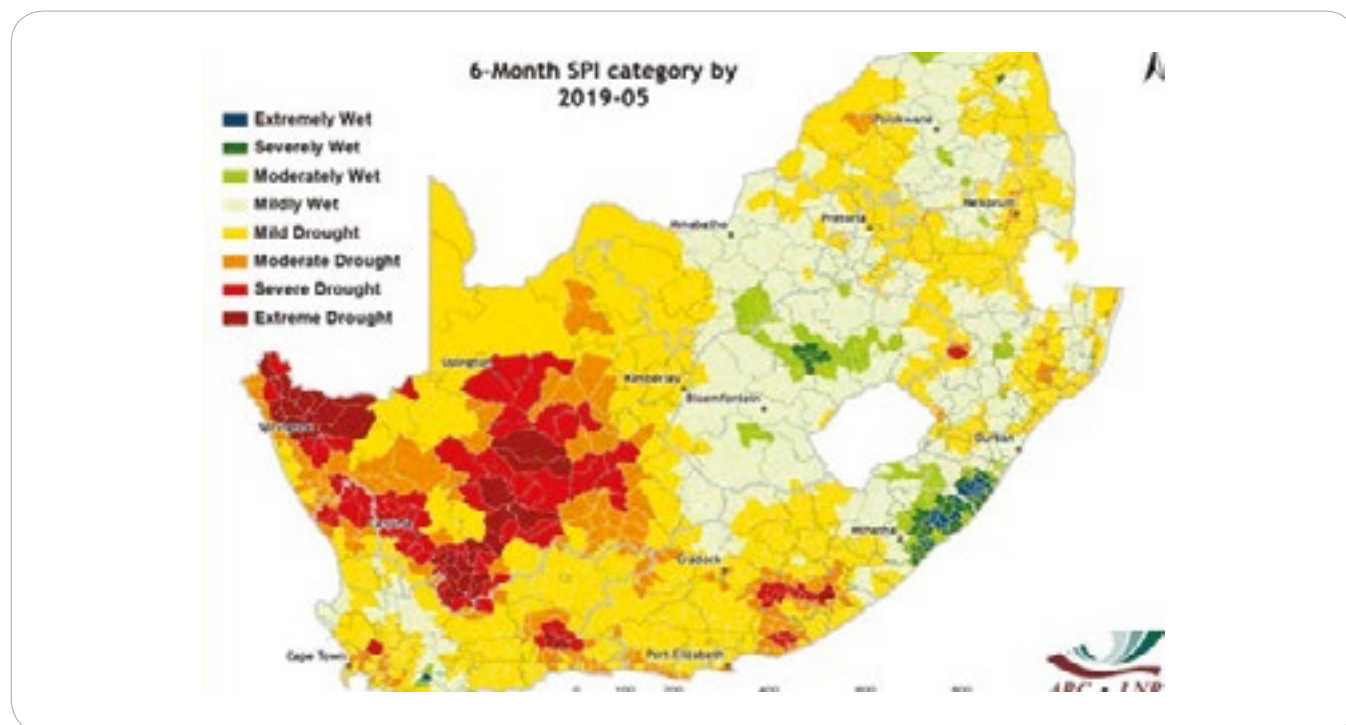
The Great Karoo and Olifants River catchment regions are classified as a very late summer rainfall region, with a large proportion of annual precipitation falling between March and May and October through storm events, whereas most of the rain in Breede Valley falls between the months of May and August. Parts of the Southern Coastal parts of the Gouritz used to experience all year round rainfall.

The rainfall patterns have, however, changed in the last couple of years, with the continuation of a severe drought in the central Gouritz area and more recent within the Breede and Overberg area. This is depicted in the Seasonal Precipitation Index Maps supplied by the Agricultural Research Commission (Figures 2 and 3)

**FIGURE 2**

6-month Seasonal Precipitation Index (Map)

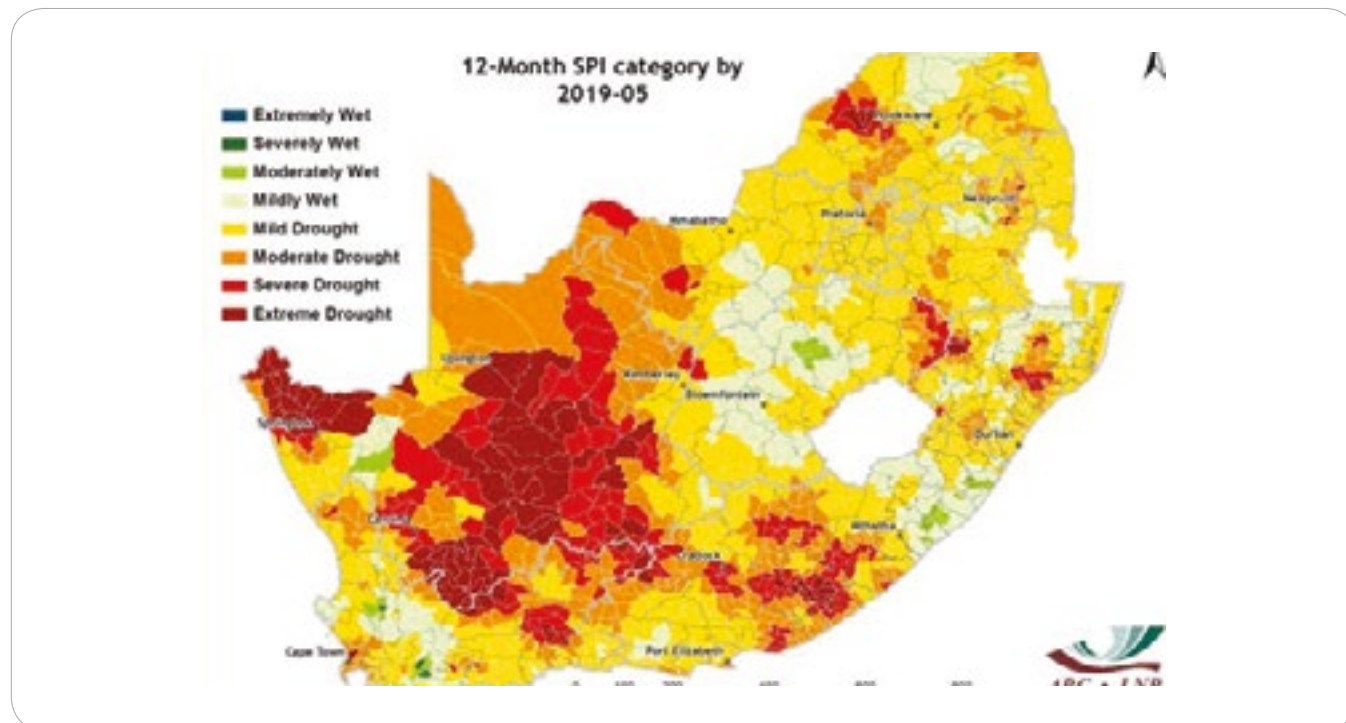
Source: ARC-LNR



**FIGURE 3**

12-Month Seasonal Precipitation Index (Map)

Source: ARC-LNR







## THE ECONOMIC GEOGRAPHY OF THE BREEDE-GOURITZ WMA

The Gross Geographic Product (GGP) of the Breede-Gouritz Water Management Area is estimated at around R22 billion per annum and makes up just less than 1% of South Africa's Gross Domestic Product (GDP). The economy of the WMA is dependent on export fruit and fruit products, PetroSA, uranium mining, renewable energy, ostrich farming and tourism. The region as a whole is quite significantly dependant on the agricultural economy which provides 58% of jobs to the rural poor. The economy of the Breede-Gouritz (WMA) is closely dependent upon the availability and health of water resources in the water management area (WMA) because of its heavy dependence on agriculture, petroleum production, inter-basin transfers of bulk water resources to Western Cape Water Supply System and tourism.

The implication of this for water is that there is a strong alignment between water supply areas and water demand, which reflects the history of a farming economy, where settlement occurred in farming areas with abundant water. However, as the urban population grows, particularly in the Garden Route and the Overberg region, demand is starting to exceed supply and water shortages are becoming increasingly common, with Hermanus and Knysna being cases in point. Similarly, Cape Town's demand exceeds local geographical supply, and inter-catchment transfers are necessary from the Breede catchment to meet this demand.

### KEY SPATIAL CLUSTERS OF ECONOMIC ACTIVITY WITHIN THE CMA ARE IDENTIFIED AS:



An intensive **COASTAL URBAN ECONOMY** in the far western portion of the CMA area (Gansbaai to Hermanus) and in the eastern portion (Mosselbaai to Plettenberg Bay). These areas have some of the largest urban populations in the catchment;



A **WIDESPREAD DRY-LAND CULTIVATION** economy on the Agulhas Plains (from Napier in the west to George in the east) to the south of the Breede river valley, with occasional small coastal towns, such as Riversdale and Heidelberg;



An intensive irrigation agricultural and **SMALL TOWN ECONOMY** in the Grabouw/Theewaterskloof area;



An intensive irrigation **AGRICULTURAL AND SMALL TOWN ECONOMY** along the length of Breede River, including Swellendam and Robertson;



An extensive **FARMING AND SMALL TOWN** economy in Groot and Klein Karoo, including Prince Albert, Beaufort West, Laingsburg and Oudtshoorn; and



A **TOURISM ECONOMY** overlies the whole CMA area, associated with urban areas, protected areas and importantly, agriculture.

# 7. INSTITUTIONAL ARRANGEMENTS

## CAPE WINELANDS DISTRICT MUNICIPALITY

- Breede Valley LM
- Langeberg LM
- Witzenberg LM

## OVERBERG DISTRICT MUNICIPALITY

- Cape Agulhas LM
- Overstrand LM
- Swellendam LM
- Theewaterskloof LM

## GARDEN ROUTE DISTRICT MUNICIPALITY

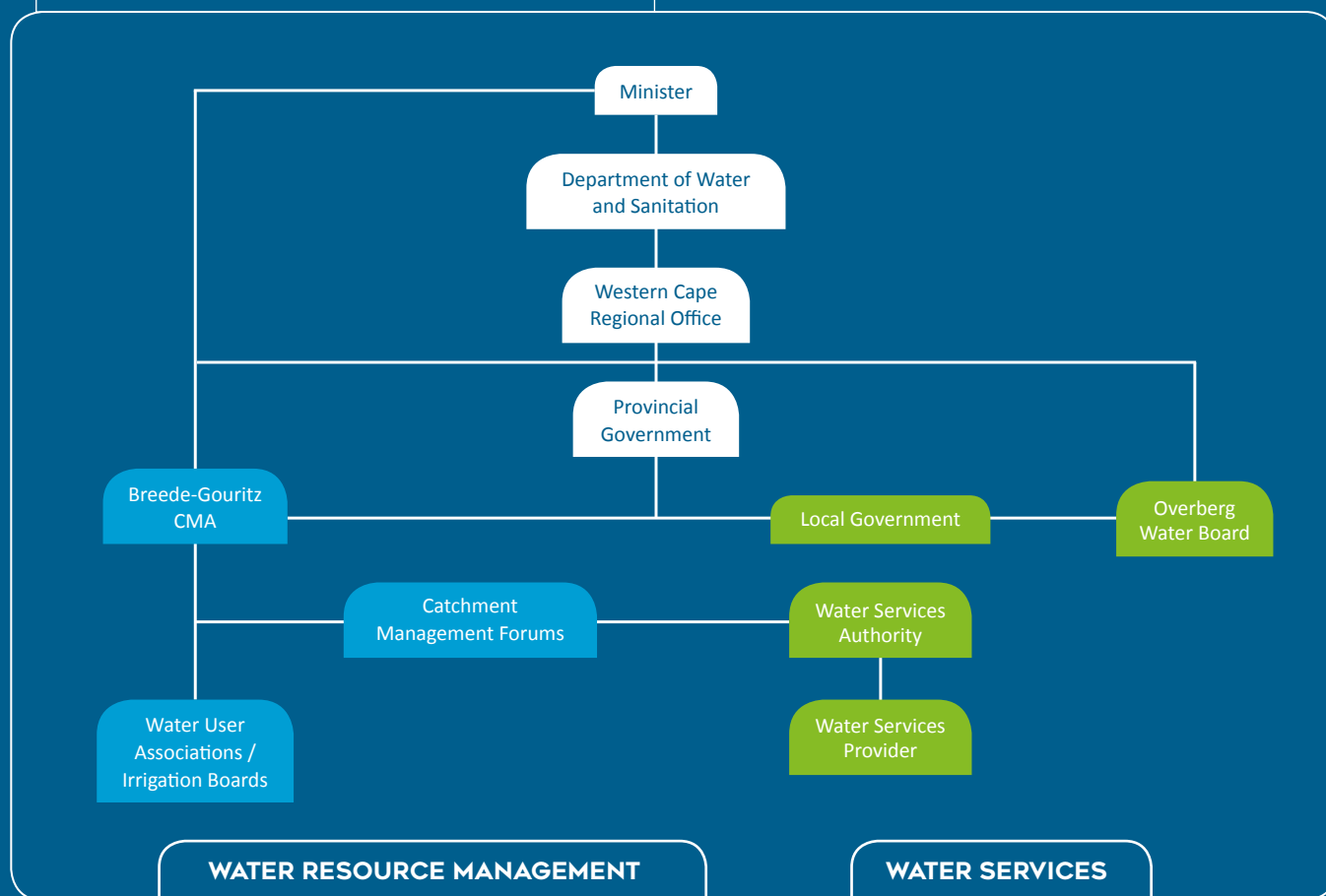
- Bitou LM
- George LM
- Hessequa LM
- Kannaland LM
- Knysna LM
- Mosselbay LM
- Oudtshoorn LM

## CENTRAL KAROO DISTRICT MUNICIPALITY

- Beaufort West LM
- Laingsburg LM
- Prince Albert LM

**FIGURE 4**

*Institutional arrangements of the Breede-Gouritz Water Management Area*



The Catchment Management Agency (CMA) is accountable to the Minister of Human Settlements, Water and Sanitation (HSWS). In order to play the coordinating and regulatory role the BGCMA has a close cooperative relationship with the DWS, largely with the HSWS Provincial Office, but also with key line functions at the National Office.

#### **The delegated functions support the broad functional areas of:**

- Localised management activities related to local management, conservation, protection and monitoring activities.
- Registration and water use verification in support of improved water use authorisation processes and improved understanding of water resource availability.

The BGCMA has adopted a cooperative management approach, with National, Provincial and Local Government, as well as other organisations and institutions. This cooperative approach permeates all stakeholder engagement and the way in which resource management decision-making is done in the BGWMA. This is a fundamental aspect of effective catchment management, because it is only through stakeholder buy-in that the individual actions required to protect and share water is done.

#### **PERFORMANCE ENVIRONMENT:**

One of the reasons for the existence of the BGCMA is to bring water resource management services closer to the public. This is achieved by having contact points to the public in Worcester and in George. With the public demanding an ever increasing water management services, the BGCMA will continue to strengthen its capabilities at the two contact points.

In a period of drought, as now, the true value of the BGCMA is coming to the fore to ensure that the available water is appropriately shared amongst the water users. This is achieved by the management of water restrictions and to act as a mediator between the competing water uses interest groups. The farming income is reduced because of the drought and it may affect the ability of water users to pay water resource management charges. The budget of the BGCMA takes into account the prevailing circumstances and the focus will be on efficiencies in all aspects.

Because the Breede-Gouritz Water Management Area is very water stressed the BGCMA will concentrate on efforts to increase the sustainability of the water resources through effective and well-considered water use licencing, encouragement of the construction of dams in the winter rainfall area, removal of alien invasive plant species, rehabilitation of riparian zones within rivers and the support of Community Gardens and water related projects. Water Allocation Reform remains a priority to the BGCMA and various avenues are explored at all times to reach this goal for example, participating in the Department of Rural Development and Land Reform steering committees, licencing conditions and promotion of partnerships.

## **8. LEGISLATIVE AND OTHER MANDATES**

The Breede-Gouritz Catchment Management Agency (BGCMA) is a water management institution established in terms of section 78 of the National Water Act 36 of 1998 and is operational in the Breede-Gouritz Water Management Area (WMA).

#### **The BGCMA has the following inherent functions in terms of section 80 of the National Water Act:**

- Investigate and advise interested persons on water resource management
- Compilation of the CMS
- Co-ordinate related activities of water users and WMIs
- Promote co-ordination of implementation of any applicable development plan
- Promote community participation in water resource management

In terms of section 5 of the National Water Act 36 of 1998, the National Water Resource Strategy determines the water management areas to be managed by catchment management agencies. This National Water Resource Management Strategy is also setting the national objectives for water resource management involving all water management institutions in terms of the National Water Act.

The Catchment Management Agency must, in terms of section 80(b) of the National Water Act, develop a catchment management strategy for its water management area which must not be in conflict with the National Water Resource Management Strategy II.

The catchment management strategy will be a stakeholder driven document which, on completion, is a policy mandate by stakeholders.

In terms of the National Pricing Strategy for Raw Water Use Charges the determination of sectorial water resource management charges and the determination of annual waste loads are to be per water management area. In terms of section 57(2) of the National Water Act the BGCMA determines the charges payable to the agency, in line with the National Pricing Strategy.

# 9. STATEMENT OF RESPONSIBILITY

## 1. COMPLIANCE WITH APPROPRIATE LEGISLATION

The Breede-Gouritz Catchment Management Agency is responsible for all information and representation contained in the annual financial statements for the year ended 31 March 2019.

These financial statements have been prepared in conformity with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standard Board.

## 2. BASIS USED TO PREPARE THE ANNUAL FINANCIAL STATEMENT

In this regard management maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorised and recorded, assets are safeguarded against unauthorised use or disposition, and liabilities are recognised.

**The management likewise discloses to the Audit & Risk Committee and its external auditors:**

- Significant deficiencies in the design or operation of internal controls that could adversely affect its ability to record, process and report financial data;
- Material weaknesses in the internal controls; and
- Any fraud that involves management or other employees who exercise significant roles in internal controls.

## 3. MEASUREMENT OF BGCMA'S FINANCIAL POSITION AS A GOING CONCERN (BUSINESS)

The BGCMA receives its funding from the Department of Human Settlements, Water and Sanitation on annual basis to cover the entity's operations expenses. Funds received for the financial year amount to R65 800 000.





## 10. GOVERNING BOARD MEMBERS



**CHAIRPERSON**  
Mr EB Mnisi



**DEPUTY CHAIRPERSON**  
MR TE Abrahams



Mr NH Hamman



Mr AP Barnes



Dr O Curtis-Scott



Ms B Damane



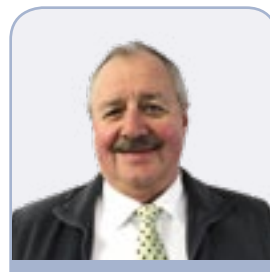
Mr MJ Delport



Ms EM Palmer



Mr HM Rossouw



Mr CJU Swart

# MANAGEMENT COMMITTEE



**ACTING CEO**  
Jan van Staden



**CHIEF FINANCIAL OFFICER**  
Zanele Mngoma



**ACTING SENIOR MANAGER:  
WATER RESOURCES**  
Prudence Mahlaba



**GEOHYDROLOGIST/ACTING  
MANAGER: WATER USE**  
John Sibanyoni



**IT/STRATEGIC SUPPORT MANAGER**  
Langa Twaie



**HUMAN RESOURCES MANAGER**  
Ogwang Okoth



**PERFORMANCE & PLANNING  
COORDINATOR**  
Sylvia Mbombo



**INSTITUTIONAL & STAKEHOLDER  
RELATIONS MANAGER**  
Elmarie van Rooyen



**PUBLIC RELATIONS &  
MARKETING OFFICER**  
Malehlohonolo Mlabateki



**FINANCE MANAGER:  
EXPENDITURE**  
Gerhard de Bruijn



**FINANCE MANAGER: REVENUE**  
Sikhumbuzo Shabangu



**COMPLIANCE MONITORING &  
ENFORCEMENT MANAGER**  
Nolutando Ndlumbini



**DATA MANAGER**  
Bonita Mdoda

## APPLICABLE ACTS AND OTHER INFORMATION

This report is submitted in compliance with the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996) read with section 4 and 20 of the Public Audit Act, 2004 (Act No. 25 of 2004); the Public Finance Management Act, 1999 (Act No. 1 of 1999) amended by Act 29 of 1999; the Standards of Generally Recognised Accounting Practice (PRAP); Standards of Accepted Accounting Practice (GAAP); Treasury Regulations, 2001; the Equity Act, 1999 (Act No. 55 of 1999) and other applicable Acts and Regulations.

## BGCMA COMMITTEES

### AUDIT AND RISK COMMITTEE:

Mr MJ Delpont (Chairperson)  
Mr NH Hamman  
Ms B Damane  
Mr CJU Swart

### TECHNICAL COMMITTEE:

Dr O Curtis-Scott (Chairperson)  
Mr HM Rossouw  
Mr CJU Swart  
Mr AP Barnes

### HUMAN RESOURCES AND REMUNERATION COMMITTEE:

Mr TE Abrahams (Chairperson)  
Mr EB Mnisi  
Ms EM Palmer  
Mr HM Rossouw

# 11. ANNUAL PERFORMANCE INFORMATION

## 1. WATER RESOURCES PLANNING

Water resources planning includes the Breede-Gouritz Catchment Management Strategy ("CMS"), which is a priority for the BGCMA, as well as conducting other assessments, engaging with DWS planning processes and advising DWS and other interested parties on the management of water resources in the Breede-Gouritz Water Management Area.

OUTCOMES/ACTIVITIES	PERFORMANCE INDICATORS	OUTPUTS		
		PLANNED TARGETS 2018/2019	ACTUAL ACHIEVEMENTS 2018/2019	COMMENT ON DEVIATIONS
1.1 Water Resource Planning Processes	Percentage of land use planning and rezoning applications commented on (letters sent)	90%	96% (average)	More applications received more than what was envisaged

## 2. WATER USE MANAGEMENT

Water use management includes activities such as water use licensing, registration of water users, pollution control and ensuring water use compliance and enforcement for the 11 prescribed water uses, engaging consumptive water use, waste discharge and disposal and in-stream activities.

The BGCMA has highlighted the urgency of fast-tracking the registration and licensing process to address the backlog. The water quality management activities included the prioritisation of registration of waste discharge and effective resource protection and compliance monitoring.

OUTCOMES	PERFORMANCE INDICATORS	OUTPUTS		
		PLANNED TARGETS 2018/2019	ACTUAL ACHIEVEMENTS 2018/2019	COMMENT ON DEVIATIONS
2.1 Registered water use	2.1.1 % of Water Registrations finalised	85%	66% (average)	Connectivity issues with the WARMS system
	2.1.2 % of licences captured	100%	92%	Connectivity issues with the WARMS system
2.2 Processed Water Use Applications	2.2.1 % of Licenses recommended as per Regulation	90%	93.75%	None
	2.2.2 % of General Authorisations confirmed	100%	100%	
2.3 Water Use complied with Water use License / General Authorisation conditions	2.3.1 Number of Audit Reports completed for water use compliance	80	92	Compliance Audits were also conducted with DWS in the Blitz project.
2.4 Water Users Validated & verified in selected catchment/s	2.4.1 Number of confirmation letters sent to water users to apply for Validation & Verification of water use	200	153	Delay in project

### 3. INSTITUTIONAL AND STAKEHOLDER RELATIONS

The BGCMA communicated with stakeholders through various stakeholder forums, awareness drives such as Water Week. Identified Social Responsibility projects were supported and capacity building provided where necessary.

		OUTPUTS		
OUTCOMES	PERFORMANCE INDICATORS	PLANNED TARGETS 2018/2019	ACTUAL ACHIEVEMENTS 2018/2019	COMMENT ON DEVIATIONS
3.1 Communication with stakeholders	3.1.1 Number of learners that attended water campaigns (Water Week / Land Care etc.)	4500	7 386	Increased focus
	3.1.2 Number of Newsletters compiled and printed	4	4	None
3.2 Grant projects financially supported	3.2.1 % of approved grant projects funded	100%	100%	None
3.3 Forums established and maintained	3.3.1 Number of existing water related Forums technically and administratively supported	18	37	More than what was envisaged
3.4 Rainwater harvesting tanks installed maintained	3.4.1 Number of rainwater harvesting tanks installed	375	330	Due to the increase in the VAT%, the increase in prices of Rainwater Harvesting Tanks and installation materials the target of 375 could not be realised.

### 4. WATER ALLOCATION REFORM

The BGCMA has prioritised programmes promoting water allocation reform (and equity arrangements) giving assistance to resource-poor farmers, particularly in terms of the DWS subsidy and with license applications.

		OUTPUTS		
OUTCOMES	PERFORMANCE INDICATORS	PLANNED TARGETS 2018/2019	ACTUAL ACHIEVEMENTS 2018/2019	COMMENT ON DEVIATIONS
4.1 Resource Poor Farmers (RPF) supported	4.1.1 % of RPFs technically supported on water use	100%	100%	
	4.2.1 % of RPF assisted with completing financial applications for Government subsidies	100%	N/A	Due to DWS funding constraints, the BGCMA could not facilitate any financial applications during the 2018/2019 financial year

## 5. WATER RESOURCE PROTECTION

The focus of the Resource protection over the next three years will be on compliance, in order to achieve the Reserve determination and Classification lead by DWS. This involves ongoing assessments of Water Resources and Water Use monitoring information in the WMA against objectives and standard/licence conditions.

The BGCMA monitored water resources for water quality at 149 monitoring points and assisted with the NEMP monitoring for the DWS. Pollution incidents were acted on timeously to prevent any lasting damage to water resources. The DWS Control, Management and Enforcement unit were provided with assistance.

		OUTPUTS		
OUTCOMES	PERFORMANCE INDICATORS	PLANNED TARGETS 2018/2019	ACTUAL ACHIEVEMENTS 2018/2019	COMMENT ON DEVIATIONS
5.1 Protected Resources	5.1.1 Number of DWS Water Quality monitoring projects sampled (NEMP	1	1	None
	5.1.2 Number of BGCMA Water Resource points monitored	80	111	Include various Adhoc points, biolomonitoring points and groundwater points monitored.
	5.1.3 Number of River Rehabilitation Projects funded	3	5	The previous projects were maintained while three new projects were initiated in the tributaries of the Breede River to support the financial investment made by the BGCMA in previous projects.
	5.1.4 % of Reported non-compliance cases resolved	100%	100%	

## 6. STRATEGIC SUPPORT

### (I) FINANCIAL MANAGEMENT

The strategic support section of the BGCMA will be the backbone of financial management and administration for the organisation, with the priority of ensuring financial viability through water use charges and effective organisational development.

		OUTPUTS		
OUTCOMES	PERFORMANCE INDICATORS	PLANNED TARGETS 2018/2019	ACTUAL ACHIEVEMENTS 2018/2019	COMMENT ON DEVIATIONS
6.1 Finance Statutory reporting Documents	6.1.1 % of reports complying with listed financial reporting prescripts	100%	100%	None
6.2 Annual Tariffs proposals	6.2.1 Number of proposed tariff reports submitted to DWS complying with pricing strategy	1	1	None
6.3 Effective risk management	6.3.1 Number of risk assessment reports	2	1	No new risks identified
6.4 Effective internal controls	6.4.1 Percentage of compliance to audit recommendation	100%	100%	None
6.5 Increase BBBEE spending	6.5.1 % of targeted procurement budget spent on BBBEE	100%	100%	None
6.6 Effective Revenue Management	6.6.1 Percentage of WRM charges collected	60%	62%	None
	6.6.2 Percentage of outstanding debt recovered	10%	13%	None

## 6. STRATEGIC SUPPORT

### (II) HUMAN RESOURCES

The Human Resources is a strategic support function within the Agency whose main functions are: to plan, co-ordinate and manage the Human Resources function of the Agency through the design, development, formulation, and implementation of policies, procedures and systems in line with all applicable legislations and prescripts.

		OUTPUTS		
OUTCOMES	PERFORMANCE INDICATORS	PLANNED TARGETS 2018/2019	ACTUAL ACHIEVEMENTS 2018/2019	COMMENT ON DEVIATIONS
6.7 Effective Organisational Development	6.7.1 Percentage occupancy rate of approved and funded posts	75%	76%	Target achieved

## 7. MANAGEMENT AND GOVERNANCE

This programme represents the executive and board management of the CMA, together with the aspects required for good corporate governance and relationships with the Minister as the executive authority (and HSWS). The governance priority is to sign and mainstream the MoU with HSWS RO and other relevant Chief Directorates into the operation of the CMA together with HSWS.

		OUTPUTS		
OUTCOMES	PERFORMANCE INDICATORS	PLANNED TARGETS 2018/2019	ACTUAL ACHIEVEMENTS 2018/2019	COMMENT ON DEVIATIONS
7.1 Strategic Management provided	Percentage of Corporate Compliance reports produced	100%	100%	None
	Number of Shareholder Compact signed	1	1	None
7.2 Governance provided	Percentage of compliance with non-financial reporting scripts as per the technical descriptive	100%	100%	None
7.3 Inter-Governmental relation initiatives	Number of agreements signed	2	2	None





## 12. GOVERNANCE

### HUMAN SETTLEMENTS, WATER AND SANITATION PORTFOLIO COMMITTEE

The true test of democracy is the extent to which Parliament can ensure that government remains answerable to the people. This is done by maintaining constant oversight (monitoring) of government actions in terms of the Constitution which states that *“Parliament has the power to conduct oversight of all organs of state, including those at provincial and local government level”*.

The Parliamentary Committees are the “engine rooms” of Parliaments’ oversight and legislative work. The Committees scrutinise legislation, oversee government action and interacts with the public. The Water and Sanitation Parliamentary Portfolio Committee plays an important oversight function role of the Department of Water and Sanitation (DWS) and all its entities, including the BGCMA. Oversight assists the Water and Sanitation Portfolio Committee to detect and prevent the abuse of public funds. It holds the Agency accountable and answerable for how public funds (taxpayer’s money) both allocated (Parliamentary appropriation) and money collected (water use charges) by the Agency is spent. Secondly, the oversight prevents illegal and unconstitutional conduct by the Agency while delivering on its mandate within the confines of the National Water Act, 1998 in its area of jurisdiction and operation. Thirdly, to establish how effective the Accounting Authority (Governing Board) is in the management of the affairs of the Agency. Finally, the Portfolio Committee ensures that the Agency’s operations are transparent and increases public confidence and trust in the Agency as a Public Entity and organ of the state given the strategic role it plays in the management of water resources at the local level in line with the strategic intent of the Act.

### THE GOVERNING BOARD AS ACCOUNTING AUTHORITY

The Breede-Gouritz Catchment Management Agency was established on 23 May 2014 through extending the boundary and area of operation of the Breede-Overberg Catchment Management Agency in terms of Section 78(4) of the National Water Act, 1998 (Act No. 36 of 1998). The area of operation of the Breede-Gouritz Catchment Management Agency includes the previous Breede-Overberg Water Management Area and the Gouritz catchment covering approximately 72, 000 square kilometres. The Breede-Gouritz CMA is situated in the Western Cape Province and includes all properties in respect of which any person is entitled to use water by virtue of entitlements in terms of Section 22(1) of the Act. The BGCMA is a Public Entity 3A and is governed by a Board appointed by the Minister of Water and Sanitation as the public Trustee and sole Shareholder. The BGCMA Governing Board is the Accounting Authority of the Agency while the Chief Executive Officer is the Accounting Officer and is accountable to the Governing Board. Furthermore, the Governing Board has Committees, whose activities are governed by rules, procedures, terms of reference (ToR) and other relevant governance matters as enshrined in the different Committee Charters which are reviewed as and when necessary.

Corporate governance within the BGCMA embodies processes and systems by which the entity is directed, controlled, managed and held to account. In addition to legislative requirements based on the Agency’s enabling legislation, and the Companies Act, corporate governance with regard to the Agency as a Public Entity is applied through the precepts of the PFMA and run in tandem with the principles contained in the King Code of Corporate Governance.



## THE ROLES AND FUNCTIONS OF THE GOVERNING BOARD

The BGCMA Governing Board is the focal point and custodian of corporate governance in the organisation. The broad leadership role include the provision of direction and strategy, giving effect to strategy by approving policies, including plans, framework, structure and procedures, providing oversight of implementation and demonstrate accountability and transparency through disclosure among others. The Governing Board sets the tone and leads ethically and effectively and is the Accounting Authority of the BGCMA in terms of the PFMA and is accountable for the leadership and control of the Agency.

The BGCMA is headed and controlled by an effective and efficient Governing Board, comprising of both Executive and Non-Executive Directors. The majority of the Board members are Non-Executive Directors in order to ensure independence and objectivity in decision-making. The Governing Board has the absolute responsibility for the performance of the entity and is accountable for performance as guided by both the Strategic Plan and the Annual Performance Plan (APP) in line with all applicable legislations, frameworks, regulations and guidelines related to its mandate and Governments' priority as derived from the National Development Plan (NDP), vision 2030, the blue print for South Africa.

The Government of the Republic of South Africa represented by the Minister of Water and Sanitation is the Public Trustee and sole shareholder of the BGCMA. The Board as the Accounting Authority contracts with the Executive Authority (the Minister of Water and Sanitation) through an annually approved Shareholder Compact and actively engages with the shareholder (Minister / Government) through various fora during the course of the year. The year under review is no exception.

As per the King Code of Corporate Governance, the Board evaluates the performance of all divisions within the Agency. This is done during every scheduled Board meeting by the Chairpersons of the different Committees in their reports. The members of the Board have skills that are put to good use in providing leadership, guidance and directing strategy. Overall, the Board functions at a strategic level and delivers output in line with its mandate informed by the founding Legislation of the Agency, the National Water Act, 1998 hand-in-hand with the Public Finance Management Act, 1999 as amended and all legislative frameworks applicable to a Public Entity 3A. In the course of delivering its mandate, the Board observes, respects and abides-by the Constitution of the Republic at times as it is the supreme law of the land.

## DELEGATION OF AUTHORITY

Given that the Board is not operational in nature, it has the authority to lead, control, direct and manage the business of the BGCMA, including the authority to delegate its powers in line with the King Code and its own Charter. The Governing Board delegates the management of the day-to-day functions and operations of the Agency to the Chief Executive Officer. The Chief Executive Officer is in turn assisted by the Management Committee. However, the Governing Board needs to ensure oversight of the delegated authority without abdicating accountability. The Governing Board ensures that it is consulted on senior management appointments other than the Chief Executive Officer with the Chief Executive Officer finally approving all appointments. The Governing Board ensures that it

approves a delegation-of-authority framework which articulates its direction on reservation and delegation of power. It should further ensure that the delegation-of-authority is implemented. The delegation of authority framework on an annual basis undergoes an extensive review to assist in the control of decision-making processes but does not dilute the duties and responsibilities of the Board of Directors and its helicopter overview.

## SHAREHOLDER COMPACT

This is an instrument designed to regulate the relationship between the Shareholder (Executive Authority) on the one hand and the Governing Board (Accounting Authority) on the other. The Shareholder Compact is not intended to interfere in any way with normal company law principles. The relationship between the Shareholder and the Board is preserved, as the Board is responsible for ensuring that proper internal controls are in place and that the BGCMA is effectively managed in fulfilling its mandate.

## DECLARATION OF INTEREST

In terms of the Companies Act, 2006, all Boards of Directors have a duty to avoid conflict of interest by declaring any conflict of interest at the beginning of each and every scheduled meeting and such conflict is recorded in a Conflict Register. It avoids the inherent risk of conflict of interest in professional judgement or actions of a Board Member in terms of both pecuniary and non-pecuniary interests. The specific risk inherent in conflict of interest is that the professional judgements for actions of a Board Member in relation to the organisation they represent are influenced by a desire for personal advancement. The conflict of interest occurs when a Board Member has multiple interests which may influence the way in which they act or vote on a Board and/or arrive at a particular resolution. However, all declarations of conflict of interest by Board Members are done through the Chairpersons of the various Committees during Committee meetings. The Chairpersons of the different Committees communicate the declared interest/s to the Chairperson of the Governing Board during a scheduled Board meeting. The Chairperson of the Governing Board has the ultimate responsibility in the final decision-making in a disclosure register. However, the Board Members also declare conflict of interest directly during Board meetings as such interests might have developed after particular Committee meetings. All interest/s declared by the BGCMA Board Members are contained in the signed minutes of the different Committees and minutes of the Board itself.

## THE GOVERNING BOARD EVALUATION

The performance of the Governing Board and individual Board of Directors is evaluated annually as per the King Code of Good Practice and the BGCMA Board Charter itself. The evaluation of the Governing Board for the 2018/19 was conducted on 27 March 2019 by peer review mechanism. Thereafter, the results of the performance evaluation were forwarded to the Minister of Water and Sanitation on the same day (27 March 2019) as the representative and Public Trustee of the shareholder, the Government of the Republic of South Africa. The Governing Board ensures that the performance evaluation result is used for continued improved performance and effectiveness in the broad leadership role and provision of direction and strategy for the Agency going forward. The Board evaluation results act as a benchmark and yardstick for the Chairperson of the Governing Board to identify any training intervention that may be required for the entire Board and/or to specific Board Members.

## ATTENDANCE OF BOARD COMMITTEES

Board meetings are normally scheduled annually in advance for every financial year through a Board Resolution during the last meeting in any given financial year for the following year. The same was for the year under review. This minimizes absenteeism and/or non-attendance of meetings due to prior engagements by Board Members. The BGCMA has used this methodology since its inception and has worked perfectly well. However, in the event of any emergency as circumstances may dictate, a special meeting shall be convened to address specific issues.

The Board met 3 times during the year under review, with attendance as follows:

BOARD MEMBERS	NUMBER OF MEETINGS ATTENDED	NUMBER OF MEETINGS EXPECTED TO ATTEND
Mr. BE Mnisi	3	3
Mr. TE Abrahams	3	3
Mr. MJ Delpont	2	3
Mr. NH Hamman	1	3
Dr. O Curtis-Scott	3	3
Mr. CJU Swart	3	3
Ms EM Palmer	3	3
Mr. AP Barnes	3	3
Mr. HM Rossouw	3	3
Ms B Damane	3	3

## BOARD COMMITTEES

The Governing Board determines the protocol to be followed by its Committees. Three Board Committees exist within the BGCMA Board in order to assist the Board in discharging its oversight strategic roles and responsibilities. This assistance is rendered in the form of recommendations and written reports submitted to the Board during Board meetings whereby transparency and full disclosure of Committee activities are ensured by the Chairpersons of each Committee. The reports submitted by the different Board Committees enables the Board to make rational decisions in the execution of their duties. Each Committee operates within the confines and ambit of its defined Terms of Reference (TOR) that stipulates its composition, roles and responsibilities, delegated authority and meeting requirements.

### THE AUDIT AND RISK COMMITTEE

**The role of the Audit and Risk Committee (ARC) is to support the BGCMA Board in fulfilling its strategic oversight responsibilities towards the BGCMA in terms of the following:**

- Financial Management and statutory reporting practices in line with internationally accepted reporting standards;
- Ensuring the integrity, reliability and usefulness of reports;
- The internal control structure and the management and taking of calculated risks;

- The Management of Risk as per the Risk Register which is reviewed annually;
- Compliance with laws, regulations, guidelines, prescripts and ethics;
- Ensuring the independence of auditors and other assurance providers;
- Ensuring Audit quality;
- The use of combined assurance model to ensure adequacy and effectiveness of the internal control environment and the integrity of information used for reporting and decision-making.

The Committee meets quarterly and usually before scheduled Board meetings.

The Audit and Risk Committee consists of four Board members and one independent member from Price Waterhouse Coopers (PwC). The members of the Committee are: Mr. M J Delpont as Chairperson, Ms B Damane, Mr. C J U Swart and Mr. NH Hamman, who later resigned.

The Audit and Risk Committee held 3 Meetings during the year under review, with attendance as follows:

BOARD MEMBERS	NUMBER OF MEETINGS ATTENDED	NUMBER OF MEETINGS EXPECTED TO ATTEND
Mr. M J Delport	3	3
Ms B Damane	2	3
Mr. C.J.U Swart	3	3
Mr N.H Hamman	1	3
Jan van Staden	3	3

## THE HUMAN RESOURCES AND REMUNERATION COMMITTEE

The primary role of the HR & Remuneration Sub-Committee of the Governing Board is to assist the Governing Board with regards to remuneration and human resources matters. It comprises of four (4) non-executive members of the Governing Board who are mainly independent. The Committee is chaired by an independent non-executive member and not the chairperson of the Governing Board as per the King Code of Good Practice recommendation. Among other things, the Committee recommends remuneration and human resources-related policies for approval of the Board.

The Committee assists the Governing Board in the provision of strategic direction for fair, responsible and transparent remuneration on an enterprise-wide basis so as to promote the creation of value in a sustainable manner.

The Committee met six (6) times during the year under review, with attendance as follows:

BOARD MEMBERS	NUMBER OF MEETINGS ATTENDED	NUMBER OF MEETINGS EXPECTED TO ATTEND
Mr. T. E. Abrahams	5	6
Mr. B. E. Mnisi	6	6
Mr. H. M. Rossouw	5	6
Ms E. Palmer	5	6
Mr. Jan van Staden	6	6

The Committee plays significant role in the alignment of the cost-of-living adjustment across the board for all salary levels in line with the Price Consumer Index (CPI) as projected by the National Treasury.

## TECHNICAL COMMITTEE

The Technical Committee is a sub-committee of the Board. The purpose of the Committee is to assist the BGCMA Board in fulfilling its corporate governance responsibilities in respect of the BGCMA Technical related matters.

### In brief, the Committee is responsible for the following:

- Ensuring that the catchment visioning and development of the catchment management strategy and associated water resource management plans, etc.;
- Reviewing proposals on the allocation / re-allocation of water and protection of water resources and making recommendation to the Governing Board;
- Monitoring and evaluating implementation of the Catchment Management Strategy by the CMA and other institutions;
- Promoting and monitoring effective stakeholder participation in relevant BGCMA activities;
- Assisting in fostering cooperation between the CMA and other institutions, including local government, provincial government, water user associations and irrigation boards.
- Contributing to development of DWS water resources policy, management plans and institutional development strategies;
- Providing technical inputs to the BGCMA organisational design and institutional development; and
- Other activities as directed by the Board.



The Committee met three times during the year under review, with attendance as follows:

BOARD MEMBERS	NUMBER OF MEETINGS ATTENDED	NUMBER OF MEETINGS EXPECTED TO ATTEND
Dr. O. Curtis-Scott	3	3
Mr. H M Rossouw	3	3
Mr. C.J.U Swart	3	3
Mr. A.P Barnes	1	3
Mr. Jan van Staden	3	3

## DIRECTORS' REMUNERATION

The Shareholder (Minister of Water and Sanitation) determines the rate by issuing Practice Note which outlines the manner in which the Board especially non-executive directors are remunerated. Non-Executive Directors are also reimbursed for out of pocket expenses incurred in the execution of their oversight and strategic responsibilities they perform on behalf of the Agency. Non-Executive Directors receive fees for their contribution to the Board and the different Committees on which they serve.

There are different levels of fiduciary responsibilities and accountability attached to various roles (Chairperson, Deputy Chairperson, Committee Chairperson and ordinary Board Members) are recognised and the remuneration is differentiated accordingly on an hourly rate basis per sitting and the time they devote and contribution they make to their duties as Board Members of entity.

# 13. WATER RESOURCES MANAGEMENT

## INTRODUCTION

The Water Resources Management (WRM) unit is responsible for the management and co-ordination of functions performed by the Breede-Gouritz Catchment Management Agency (BGCMA) for the implementation of the National Water Act, (Act 36 of 1998) to ensure integrated water resources management in an equitable, efficient and sustainable manner.

The WRM Unit gives effect to the powers and duties as required by the Department of Water and Sanitation (DWS), (through three main divisions namely the Data Management, Water Use Regulation and Institutional and Stakeholder Relations). The three divisions enhance the efficiency of service delivery to the stakeholders through cooperative actions.

The Data Management division supports water resources management through constant updating and upgrading of water databases such as the Water Use Authorisation and Registration Management System and Geographical and Spatial Information Systems.

The Water Use Regulation division is responsible for, but not limited to, the functions relating to the Water Resource Planning, Water Use Management and Monitoring and Water Use Authorisations. The Institutional and Stakeholder Relations division is responsible for engagement with stakeholders as well as maintaining and improving Inter-Governmental Relations.

**This report discusses the key highlights for the financial year 2018/2019 under the following headings:**

- Water Resources Planning
- Water Resource Management
- Institutional Engagement
- Water Allocation Reform
- Water Resource Protection

## WATER RESOURCES PLANNING

### *Land use applications*

The BGCMA monitored and managed water resources within the Breede-Gouritz catchment. An average of 96% land use planning and rezoning applications were assessed and commented on within the regulated timeframes. Received 351 and commented on 337 applications.

## WATER USE MANAGEMENT

### *Registered Water Use*

The target set for the water registrations finalised was 85%. The BGCMA confirmed the water registrations of 66% average on the Water Authorisation and Registration Management System (WARMS), which is

19% less than the target.

### **The three major causes were:**

- ESKOM load shedding within different provinces caused extended down time on the system.
- WARMS connectivity within the BGCMA domain is very poor resulting in the system being offline, slower connection & random errors unique to BGCMA.
- 8% (x2 Licenses) could not be finalized due to WARMS system issues.

## WATER USE AUTHORIZATIONS

The BGCMA received 16 licenses between 1 April 2018 and 1 July 2018 which should have been assessed and presented within the regulated time of 270 days. All the licenses were finalised to be presented at the WUAAAC as per BGCMA delegation for National support which amounts to 100% presented.

The BGCMA therefore achieved 97.35% which calculates to a 3.75% overachievement of the target. There were also Water Use License Amendment requests which were assessed and presented to and then recommended by the WUAAAC. The amendments were forwarded to the DWS for signature by the DDG at the DWS National office.

**However, 14 (of the 16 = 87.5%) of these WULAS were recommended to be processed and forwarded to the DWS for approval;**

- 1 (of the 16 = 6.25%) of these WULAS was recommended to be processed and forwarded to the DWS for Decline letter;
- 1 (of the 16 = 6.25%) of these WULAS was not recommended at the WUAAAC and was deferred for clarification on the BBBEE status and confirmation with regards to the registration of the Farm Worker's Trust and the transfer of the relevant shares to these farm workers. This application was recommended for re-appearance at the WUAAAC after information was received, which fell outside of the 2018/2019 financial year.

BGCMA therefore achieved 93.75%, which is a 3.75% over achievement as the BGCMA prioritised Licensing in 2018/2019.

In addition to the aforementioned, the BGCMA also received 6 Amendment requests, which were presented to and recommended by the WUAAAC and delivered to DWS for signature by DDG at DWS National.

The BGCMA reviewed and confirmed 100% of the General Authorisations for water use requests (62 of 62 requests for confirmation).



## WATER USE COMPLIANCE AUDITS

92 Compliance audits were conducted during the financial year. The above included the investigation into pollution incidents, the follow up on rehabilitation after such incidents and the liaison with the authorities where necessary. Inspections on water users with valid permits/licenses were carried out and are an ongoing process as part of the delegations received by the BGCMA. Areas identified as "pollution hotspots" were included in the current sampling programmes of the BGCMA to increase the monitoring of these areas. This will also enable the BGCMA to be proactive in timeously mitigating pollution incidents.

The BGCMA assisted the DWS CME unit in a BLITZ operation where site visits were made and audits of water uses on these properties were conducted. Some of these audits were reported on by the BGCMA unit assisting DWS CME and is included in the number of compliance audits reported.

## VALIDATION AND VERIFICATION OF WATER USE IN SELECTED PRIORITY AREAS

Validation is the process to confirm whether the volume of water registered coincides with the volume of water required for crops cultivated. On the other hand verification is the process to check the lawfulness of the volume of water actually used under previous legislation, so as to clarify the extent of Existing Lawful Use (ELU).

The BGCMA further rolled out the Validation and Verification process for targeted quaternaries in the Gouritz Water Management Area. The water use of 153 properties was verified - 76.5% achieved - it was extremely unfortunate that the CSIR project did not contribute. Applications outside of these areas were also dealt with by the BGCMA staff on an ad-hoc basis.

## INSTITUTIONAL ENGAGEMENT

### *Stakeholder Engagement, Marketing and Communication*

The set target to reach 4500 learners and stakeholders during water campaigns 2018/2019 was exceeded and 7 386 stakeholders were reached. These stakeholders and learners were reached through several awareness days and campaigns throughout the year and not only during Water Week activities.

### These include:

- School Holiday Programmes
- School Water Awareness activities
- Youth Day activities
- Mandela Month – River Clean-up campaigns
- World Food Day

### *Grant Projects Financially Supported*

100% of the Grant projects recommended by the Grant assessment Committee to the Technical Committee were recommended to be funded.

### The following water related community projects were funded during the 2018/2019 financial year:

- Building the walls of communities
- Home for hope soup kitchen and after care
- Badisa Tafelronde Herberg
- Donald duck crèche
- Lapomilanga community project
- Overstrand conservation foundation
- Railton foundation
- Soul food community organization
- Tesselaarsdal action group
- Avian park community garden club
- Gouritz cluster biosphere reserve – rethink bags
- Gouritz cluster biosphere reserve – druppels
- Laingsburg commercial farmer association – food for all
- National institute of the deaf – water security project
- Zwelethemba youth development organization

330 Rainwater Harvesting Tanks were installed in the Breede-Gouritz Water Management Area for households and schools to enhance food production and food security. This number did not reach the targeted of 375 due to the unexpected increase in the %VAT as well as a hike in prices of the Rainwater Harvesting Tanks and associated installation materials due to the ongoing drought in the Western Cape.





#### Water Related Forums support

The BGCMA provided assistance, support and advice to water related forums within its water management area. These forums included community forums, Water User Associations, Inter-governmental Forums, and several Steering committees within Local Municipalities, etc.).

37 Forums were supported during this financial year.

### WATER ALLOCATION REFORM

The BGCMA gave support to Resource Poor Farmers through knowledge sharing, financial and administrative assistance. During the 2018/2019 financial year, the BGCMA could not facilitate any applications for Capital or Operation & Maintenance Cost assistance (DWS Financial Support to RPF Policy) due to the financial constraints within the DWS.

The BGCMA has prioritised programmes promoting water allocation reform giving assistance to resource-poor farmers (RPFs), particularly in terms of what assistance can be given to RPFs by other departments, which include the Department of Agriculture, Department of Rural Development and Land Reform, Municipalities and the Department of Water and Sanitation.

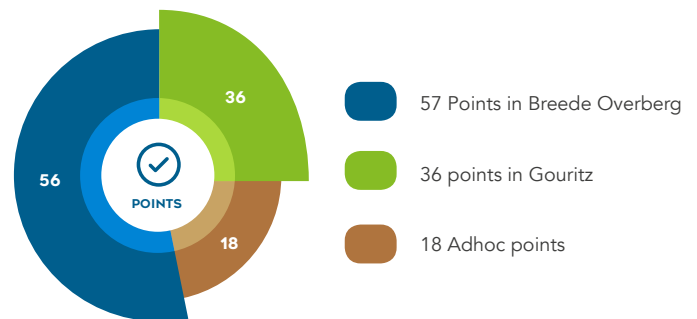
5 RPF Roadshows were held in collaboration with Cape Peninsula University of Technology, where the various departments explained their roles and what assistance they can offer to RPFs. A RPF guideline, highlighting the departmental assistance with contact details of responsible officials was distributed to the RPFs for future reference.

### WATER RESOURCE PROTECTION

The BGCMA assisted with the National Eutrophication Monitoring Programme (NEMP) monitoring for the DWS.

Two water quality monitoring points located in Theewaterskloof Dam and Brandvlei Dam were sampled for quality analysis to give effect to the delegation to monitor and manage water resources. These included sampling points for pollution incidents and ad-hoc sampling.

**A total of 111 points were monitored by BGCMA for the 2018/2019 financial year, excluding the NEMP:**



19 Pollution incidents were acted on timeously to prevent any lasting damage to water resources. The DWS Control, Management and Enforcement unit were provided with assistance where necessary with non-compliance cases.

32 CME Cases – the BGCMA actively assisted the DWS with enforcement cases through initial investigations and confirmations of illegal activities. DWS as the Regulator of water resources is responsible for issuing of directives.

### RIVER REHABILITATION PROJECTS

2 of the Previous projects were maintained through ongoing follow-up projects to ensure that rehabilitation of rivers are supported in conjunction with projects of the Working for Water initiative, the Wolseley Water Users Association and the Central Breede River Water Users Association. 3 new projects were initiated in the tributaries of the Breede River through the Hex River WUA, Worcester East WUA and Zonderend WUA to support the financial investment made by the BGCMA in previous projects.

# 14. HUMAN RESOURCES MANAGEMENT

## INTRODUCTION

People are our greatest asset and remains a priority to the Breede-Gouritz Catchment Management Agency (BGCMA). The Agency recognises that it is due to the talent, passion and commitment of each and every individual employee that it continues to drive success. The Human Resources Unit plays a strategic and pivotal role in ensuring integration and synergy of human resources activities into the business strategy of the Agency. The work life of an employee is managed by the human resources unit right from the point of entry to the point of attrition. Therefore, it is critical to ensure that there is value proposition for human resource as a service that translates to organisational performance through its greatest asset, human capital as a resource. The BGCMA is an “*infant institution*” and therefore in order to develop, strengthen and make it more effective and efficient, a number of human capital acquisitions were made, targeted human resources development interventions were prioritised, a number of policies were reviewed and developed and good corporate governance in line with the King Code was emphasised.

## EFFECTIVE ORGANISATIONAL DEVELOPMENT AND STRENGTHENING

The Breede-Gouritz Catchment Management Agency (BGCMA) was established on 23 May 2014 by Government Gazette No. 37677 through extending the boundary and area of operation of the Breede-Overberg Catchment Management Agency in terms of Section 78(4) of the National Water Act, 1998 (Act No. 36 of 1998). It covers an area of approximately 72, 000 square kilometres which is a vast geographical area. In order to develop and strengthen the entity and deliver on its mandate as per its founding legislation, the Agency recruited a number of personnel for the period under review. All appointments are funded posts within the Board approved organisational structure. Recruitment is an integral part of Human Resources provisioning in the acquisition of the requisite human capital to capacitate and strengthen the institution. However, the South African labour market is characterised by skills shortage which poses major challenges to many organisations and the water sector is no exception of which the BGCMA is integral. These challenges manifest especially during the acquisition of skilled talent that require registration with professional bodies like Professional Engineers, Hydrologists, Geohydrologist, Freshwater Ecologist, Industrial Technicians among others. The skills

shortage is a serious impediment to the entire recruitment value chain especially in the core functions of the business. This eventually filters into service delivery and ultimately hampers the Agency's efforts to improve universal access to “*quality water for all for ever*” and fast track water allocation reform within its Catchment.

The period under review, witnessed the appointment of 16 (sixteen) officials (**Table 1 on the next page**). This has greatly enhanced service delivery imperatives within the Breede-Gouritz Water Management Area. The acquired talent has not only contributed immensely to improving the effectiveness of the Agency but also led to organisational development and strengthening thus making the Agency more effective and efficient. Secondly, a fully flagged Compliance Monitoring and Enforcement sub-component of the Water Use Regulation Unit is now fully operational to specially tackle issues of pollution and other water use related matters within the Water Management Area.

However, recruiting and retaining the best people in a market environment with a shortage of skilled and experienced staff who are increasingly mobile, remains critically important. The right people at the right time will ensure that the BGCMA delivers against its mandate and it will drive development within its area of jurisdiction and operation.



TABLE 1

Appointments made for the period 01 April 2018 to 31 March 2019

POST/S	GENDER		RACE	DATE OF EMPLOYMENT
	MALE	FEMALE		
CM&E Officers x 2		F	A	01 February 2019
Manager: CM&E		F	A	02 February 2019
Auxiliary Officer x 2	M		C & A	01 August 2018
Water Liaison Officer	M		C	02 July 2018
Finance Officer: Billing Management		F	A	04 June 2018
Payroll Clerk		F	C	01 February 2019
Data Capturer		F	A	04 July 2018
Finance Administration Clerk		F	A	01 March 2019
WARMS Help Desk Officer		F	A	04 July 2018
Billing & Invoicing Clerk x 2	M	F	C & A	02 July 2018
Finance Manager: Revenue	M		A	04 June 2018
Registry Clerk		F	A	09 July 2018
Finance Officer Revenue: Debt Management	M		A	02 February 2019
	6	10		
	TOTAL 16			

**NOTE:** A= African; C=Coloured; F= Female; M= Male; CM&E: Compliance Monitoring & Enforcement

The Chief Executive Officer (Acting) is very instrumental in ensuring that the acquisition of human capital is aligned to the Annual Performance Plan, Strategic Plan and above all, Government priorities as envisaged in the National Development Plan (NDP) taking into account its mandate and budgetary constraints.

## DEVELOP AND SUPPORT OUR PEOPLE

### LEARNING AND DEVELOPMENT

Employee development is of cardinal importance for any organisation poised for growth and development. The Agency's investment in learning and development reflects the commitment of the Agency in investing in one of its greatest assets, its human capital. By doing so, the Agency creates opportunities for building its technical, operational and other relevant skills. The focus of the BGCMA is to develop the capacity of its workforce in order to meet the demands of the ever changing pace of the world of work triggered by the Fourth Industrial Revolution (4IR) and the need to adapt to the future world of Artificial Intelligence (AI). To this end, the Agency invested tremendous resources in developing its human capital in order to have a competitive edge in a very turbulent and unpredictable global economic environment in which organisations including the BGCMA

operate. This requires a skilled and experienced talent operating within a high-performance culture which is vital to the continued success of the Agency. It is only by investing in our employees that we shall be able to achieve our mandate.

The technical nature of our environment makes it imperative for the BGCMA to prioritise learning and development programmes so as to complement and uplift the existing skills of our people. Training is provided at all levels of employment within the BGCMA establishment and is aligned to our skills development priorities. This is further informed by the Workplace Skills Plan (WSP) as derived from the Personal Development Plans (PDPs) for the year under review. The entity is committed to ensuring that an adequate pool of talent with the requisite experience, competency and skills is created to enable the organisation compete favourably in a sector characterised by skills shortage and secondly, to ensure that the Agency successfully delivers on its mandate. This is on the backdrop of the severe drought that still persists with devastating consequences in some parts of the Water Management Area and in particular, the Gouritz Catchment despite some good rains in most parts of the Western Cape Province for the year under review.

During the year under review, the BGCMA supported five (5) officials with 100% bursaries to pursue formal studies with Accredited Higher Institutions of Learning within the Republic in various disciplines in terms of the Higher Education Act, 1997 (Act No. 101 of 1997) as amended. The bursaries awarded include: MSc in Integrated Water Resource Management, MSc Aquatic Health, and three (3) B Degrees in Public Administration. All studies are on part-time basis and are in line with the Board approved Bursary Policy directives. This shows total commitment to skills development of the Agency's workforce within its limited financial resources. Secondly, it prepares officials for the broader role within the Agency and the country at large. To this end, the Agency has become a library and/or hub of knowledge and institutional memory as it "leads from the front" in Water Resources Management. The Agency's aim is to embed a work ethic that

supports ongoing employee education and training in line with its Key Result Areas and is dependent on the availability of funds. In providing the necessary training interventions, the Agency is effectively developing and strengthening itself and wants to stomp its authority as force to be reckoned with not only within the Water Management Area but in the entire water sector.

The following learning and development courses were undertaken by officials for the period under review despite the serious financial constraints, 01 April 2018 to 31 March 2019.

**TABLE 2**

*Learning and development courses for the 2018/19 fiscal year*

OCCUPATIONAL LEVEL	GENDER	NUMBER OF EMPLOYEES	SKILLS PROGRAMME & SHORT COURSES	CONFERENCES & WORKSHOPS	TOTAL
Senior Management	Female	1	0	0	0
	Male	1	0	0	0
Professionally qualified	Female	41	7	2	9
	Male	21	7	0	7
Semi-skilled	Female	1	0	0	0
	Male	0	0	0	0
<b>TOTAL</b>		<b>65</b>	<b>14</b>	<b>2</b>	<b>16</b>

In order to strengthen and tighten internal controls and enhance accountability within the Agency, a number of policies were reviewed. The review of policies provides consistency and prevents ambiguity and further promotes harmony among staff while ensuring efficiency and effectiveness

in the delivery of the Agency's mandate. However, policies are regularly reviewed to incorporate changes in legislation, for general improvement purposes in line market trends and in relation to the challenges presented by the policies during implementation.

## HUMAN RESOURCES OVERSIGHT STATISTICS

**TABLE 3**

*Personnel cost by salary band*

LEVEL	PERSONNEL EXPENDITURE	% OF PERSONNEL EXP. TO TOTAL PERSONNEL COST	NO. OF EMPLOYEES	AVERAGE PERSONNEL COST PER EMPLOYEE
Senior Management	R 3 155 230.00	8.27	2	R1 553 277.00
Professional qualified	R34 233 680.00	91.25	62	R552 977.27
Semi-skilled	R177 155.00	0.47	1	R177 155.00
<b>TOTAL</b>	<b>R37 566 065.00</b>	<b>100%</b>	<b>65</b>	<b>R557 973.86</b>

TABLE 4

Performance Rewards

PROGRAMME	PERFORMANCE REWARDS	PERSONNEL EXPENDITURE	% OF PERFORMANCE REWARDS TO TOTAL PERSONNEL COST	AVERAGE PERSONNEL COST PER EMPLOYEE
Senior Management	R65 417.00	R3 155 230.00	0.17	R32 708.50
Professional qualified	R406 358.00	R34 233 680.00	1.08	R6 554.16
Semi-skilled	R4 011.00	R177 155.00	0.01	R4 011.00
<b>TOTAL</b>	<b>R475 786.00</b>	<b>R37 566 065.00</b>	<b>1.26</b>	<b>R7 319.78</b>

TABLE 5

Training Costs

BUSINESS UNIT	PERSONNEL EXPENDITURE	TRAINING EXPENDITURE	TRAINING EXPENDITURE AS A % OF PERSONNEL COST	NO. OF EMPLOYEES TRAINED	AVERAGE TRAINING COST PER EMPLOYEE
HR	2 718 443	20 937.87	0.06	2	10 468.94
Finance	8 076 367	2 639.25	0.01	1	2 639.25
WRM	20 322 518.00	143 891.73	0.38	9	15 987.89
IT	1 541 333.00	31 605.00	0.08	1	31 605.00
CEO's Office	1 782 768.00	0.00	0.00	0	0.00
ISRM	3 126 871.00	11 900.00	0.03	1	11 900.00

TABLE 6

Employment and Vacancies

PROGRAMME	NO. OF EMPLOYEES BEGINNING FY	APPROVED POST	NO. OF EMPLOYEES END OF FY	% OF FILLED POSTS
Senior Management	2	3	2	67%
Professional qualified	48	81	62	77%
Semi-skilled	1	2	1	50%
<b>TOTAL</b>	<b>51</b>	<b>86</b>	<b>65</b>	

## OVERALL STAFF TURNOVER

Our employee turnover stood at 3% for the period under review. The turnover during the period under review is far below the market rate of 13.6% according to Price Waterhouse Cooper (PwC's) Salary and Market Survey in March 2012. The resignation of two officials for the period under review was due to career advancements elsewhere within the Public Sector. It is therefore not a loss to the country as the said officials are still contributing to the development of the country. Table 7 below shows the employment changes for the period under review.

**TABLE 7**

*Employment Changes*

SALARY BAND	EMPLOYMENT AT BEGINNING OF PERIOD	APPOINTMENTS	TERMINATIONS	EMPLOYMENT AT END OF THE PERIOD
Senior Management	2	Nil	Nil	2
Professional qualified	48	16	2	62
Semi-skilled	1	Nil	Nil	1
<b>TOTAL</b>	<b>51</b>	<b>16</b>	<b>2</b>	<b>65</b>

**TABLE 8**

*Reasons for staff leaving*

REASON	NUMBER	% OF TOTAL NO. OF STAFF LEAVING
Death	Nil	Nil
Resignation	2	3%
Dismissal	Nil	Nil
Retirement	Nil	Nil
Ill health	Nil	Nil
Expiry of contract	Nil	Nil
Other	Nil	Nil
<b>TOTAL</b>	<b>2</b>	<b>3%</b>

**TABLE 9**

*Labour Relations: Misconduct and disciplinary action*

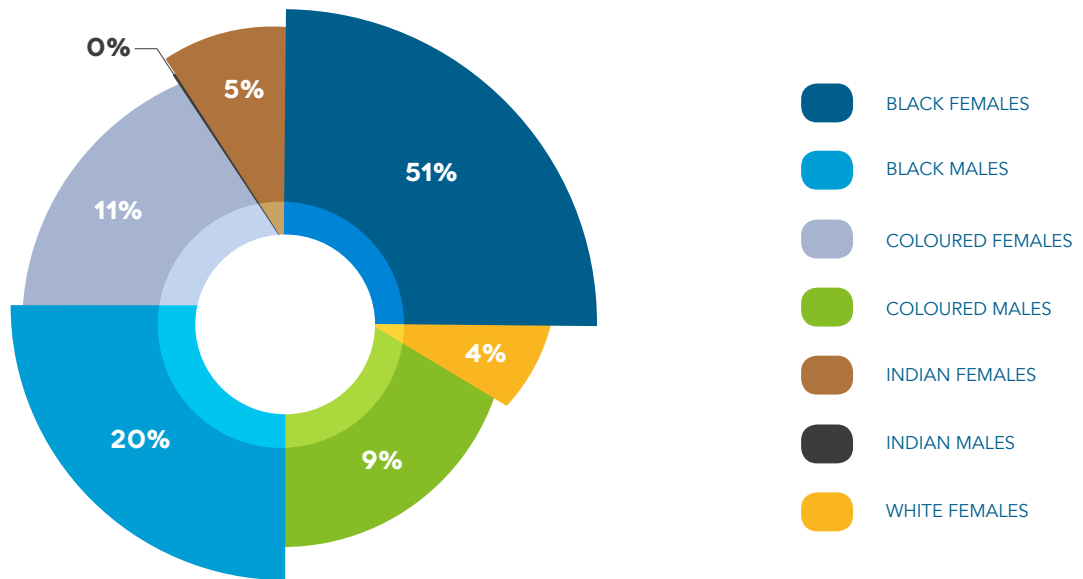
NATURE OF DISCIPLINARY ACTION	NUMBER
Verbal Warning	Nil
Written Warning	Nil
Final Warning	Nil
Dismissal	Nil

TABLE 10

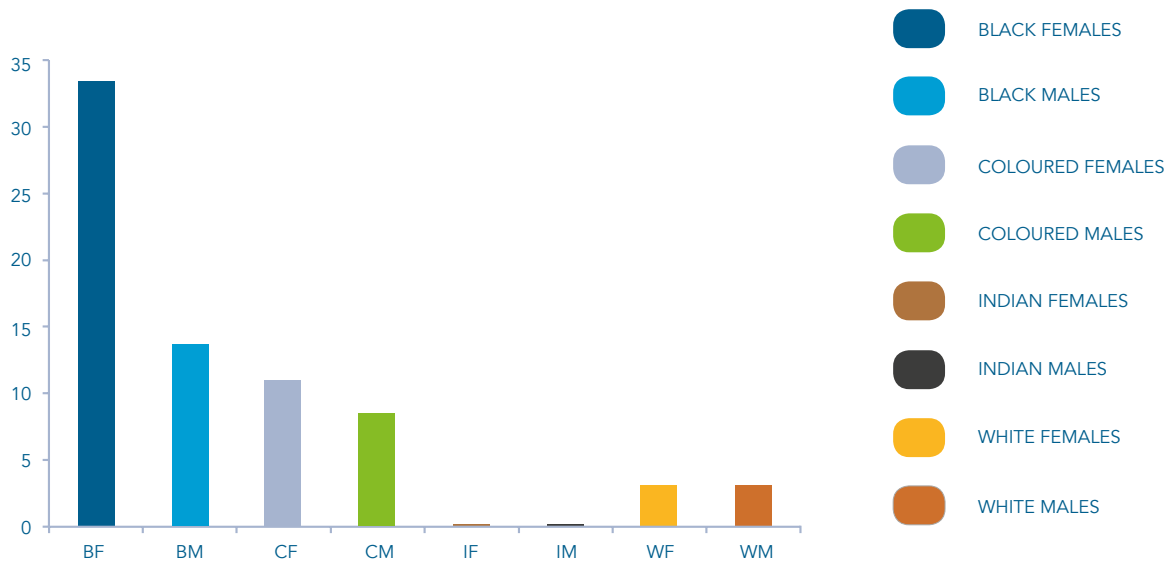
Employment Equity Status

CURRENT EMPLOYMENT EQUITY DATA									
	BF	BM	CF	CM	IF	IM	WF	WM	TOTAL NUMBER OF STAFF
CFO	1								
Senior Manager : WR								1	
IT / strategic Support Manager		1							
IT Technician		1							
Performance & Planning Coordinator	1								
Executive PA to CEO	1								
Human Resources Manager		1							
HR Admin. Officers	2								
Finance Manager: Expenditure								1	
Finance Manager: Revenue		1							
Finance Officer: Expenditure x 2	1		1						
Finance Officer: Revenue x 2	2								
Payroll Clerk			1						
Supply Chain Officer	1								
Finance Admin. Clerk	1								
Administration Officer x 2	2								
Data Manager	1								
ISR Manager							1		
Water Liaison Officer x 3		1	1	1					
Principal Water Liaison Officer			1						
Principal Data Capturer				1					
Data Capturer X 4	2		2						
WARMS Help Desk	1								
Senior Data Capturer	1								
Manager: CM&E	1								
CM&E Officer X 2	2								
Water Data (GIS) Officer	1								
Water Use Specialist X 4				2			1	1	
Water use Officer X 7	3	3		1					
Water Licensing Clerk x 2	1						1		
PR & Marketing Officer	1								
Receptionist	1		1						
Registry Clerk	1								
Cleaner	1								
Auxiliary Officer X 2		1		1					
Geohydrologist		1							
Freshwater Ecologist X 2	2								
Professional Engineer: WRM		1							
Water Use Manager	1								
Billing & Invoicing Clerk		1							
Finance Officer: Billing Management	1								
Finance Officer: Debt Management		1							
<b>TOTAL</b>	<b>33</b>	<b>13</b>	<b>7</b>	<b>6</b>	<b>0</b>	<b>0</b>	<b>3</b>	<b>3</b>	<b>65</b>

### BGCMA EE STATS 2018/2019



### EMPLOYEE EQUITY ESTATUS



**NB:** BF = Black Females, BM = Black Males, CF = Coloured Females, CM = Coloured Males, IF = Indian Females, IM = Indian Males, WF = White Females and WM = White Males



# ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

# GENERAL INFORMATION

## COUNTRY OF INCORPORATION AND DOMICILE

South Africa

## LEGAL FORM OF ENTITY

Schedule 3A Public Entity

## MEMBERS

Mr BE Mnisi (Chairperson)  
Mr TE Abrahams (Deputy-Chairperson)  
Mr NH Hamman  
Mr AP Barnes  
Dr O Curtis-Scott  
Ms B Damane  
Mr MJ Delpont  
Ms EM Palmer  
Mr HM Rossouw  
Mr CJU Swart  
Mr Jan van Staden (Acting Chief Executive Officer)  
Ms ZM Mngoma (Chief Finance Officer)  
Mr K Masindi (DWS Ex Officio member)

## REGISTERED OFFICE

Breede-Gouritz CMA  
51 Baring Street, Private Bag X3055, Worcester, 6850

## BUSINESS ADDRESS

Breede-Gouritz CMA, 51 Baring Street, Worcester, 6850

## POSTAL ADDRESS

The Chief Executive Officer, Breede-Gouritz CMA, Private bag X3055, Worcester, 6850

## BANKERS

ABSA Bank Limited

## AUDITORS

Nexia SAB&T Chartered Accountants (S.A.)  
Registered Auditors



# INDEX

The reports and statements set out below comprise the annual financial statements presented to the executive authority:

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## Independent auditor's report to the accounting authority on Breede-Gouritz Catchment Management Agency

### Report on the audit of the financial statements

#### Opinion

1. We have audited the financial statements of the Breede-Gouritz Catchment Management Agency set out on pages 7 to 32, which comprise the statement of financial position as at 31 March 2019, the statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget and actual amounts for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In our opinion, the financial statements present fairly, in all material respects, the financial position of the Breede-Gouritz Catchment Management Agency as at 31 March 2019, and its financial performance and cash flows for the year then ended in accordance with South African Standards of Generally Recognised Accounting Practise (SA Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA).

#### Basis for opinion

3. We conducted our audit in accordance with the 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 this auditor's report.
4. We are independent of the entity in accordance with the section 290 and 291 of the Independent Regulatory Board for Auditor's Code of Professional Conduct for Registered Auditors (Revised January 2018), parts 1 and 3 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised November 2018) (together the IRBA Codes) and other independence requirements applicable to performing audits in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (Including International Independence Standards) respectively.

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

### **Emphasis of matter**

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

### **Restatement of corresponding figures**

7. As disclosed in note 22 to the financial statements, the corresponding figures for 31 March 2018 were restated as a result of the GRAP 105 provisional period to adjust the debtors take on balance in the financial statements of the entity at, and for the year ended, 31 March 2019.

### **Responsibilities of the accounting authority for the financial statements**

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

### **Auditor's responsibilities for the audit of the financial statements**

10. 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 the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
11. A further description of our responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

## Report on the audit of the annual performance report

### Introduction and scope

12. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, we have a responsibility to report material findings on the reported performance information against predetermined objectives for selected programmes presented in the annual performance report. We performed procedures to identify findings but not to gather evidence to express assurance.
13. Our procedures address the reported performance information, which must be based on the approved performance planning documents of the entity. We have not evaluated the completeness and appropriateness of the performance indicators/ measures included in the planning documents. Our procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, our findings do not extend to these matters.
14. We evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programmes presented in the annual performance report of the entity for the year ended 31 March 2019:

Programmes	Pages in the annual performance report
Programme 1 – Water resources planning	1
Programme 2 – Water use management	2 - 3
Programme 3 – Institutional Stakeholder relations	3 - 5
Programme 4 – Water allocation reform	5
Programme 5 – Resources protection	6 - 7

15. We performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. We performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

16. We did not raise any material findings on the usefulness and reliability of the reported performance information for these programmes:

- ☐ Programme 1 – Water resources planning;
- ☐ Programme 2 – Water use management;
- ☐ Programme 3 – Institutional Stakeholder relations;
- ☐ Programme 4 – Water allocation reform; and
- ☐ Programme 5 – Resources protection.

### **Other matters**

17. We draw attention to the matters below. Our opinions are not modified in respect of these matters.

### **Achievement of planned targets**

18. Refer to the annual performance report on pages 1 to 7 for information on the achievement of planned targets for the year and explanations provided for the under/ over achievement of a number of targets.

## **Report on the audit of compliance with legislation**

### **Introduction and scope**

19. In accordance with the PAA and the general notice issued in terms thereof, we have a responsibility to report material findings on the compliance of the entity with specific matters in key legislation. We performed procedures to identify findings but not to gather evidence to express assurance.

20. The material findings on compliance with specific matters in key legislations are as follows:

### **Adjustment of material misstatements**

21. The financial statements submitted for audited were not prepared in accordance with the prescribed financial reporting framework, as required by section 55(1)(b) of the PFMA. Material misstatement of revenue and accumulated surplus identified by the auditors relating to the comparative 2017/2018 financial year in the submitted financial statements were corrected, resulting in the financial statements receiving an unqualified audit opinion.

## Revenue management

22. Effective and appropriate steps were not taken to collect all revenue due, as required by section 51(1)(b)(i) of the PFMA.

## Other information

23. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report, which includes the chairperson's report, chief executive officers report and the report of the audit and risks committee. The other information does not include the financial statements, the auditor's report and those selected programmes presented in the annual performance report that have been specifically reported in this auditor's report.
24. Our opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.
25. In connection with our audit, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected programmes presented in the annual performance report, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.
26. We did not receive the other information prior to the date of this auditor's report. When we do receive and read this information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, we may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

## Internal control deficiencies

27. We considered internal control relevant to our audit of the financial statements, reported performance information and compliance with applicable legislation; however, our objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on compliance with legislation included in this report.

## Leadership

### Oversight responsibility

28. The accounting authority did not timeously establish mechanisms to monitor and review the financial statements.

## Financial and performance management

### Regular, accurate and complete financial and performance reports

29. Management did not develop, implement or fully monitor internal controls regarding financial reporting.

### Compliance monitoring

30. Management did not review and monitor compliance with applicable legislation.

### Auditor tenure

31. In terms of the IRBA rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Nexia SAB&T has been the auditor of Breede-Gouritz Catchment Management Agency for 11 years.

*Nexia SAB&T*

#### **Nexia SAB&T**

S Kleovoulou

Director

Registered Auditors

29 July 2019

First Floor, SAB&T House

Cnr Birmingham & Canterbury Road

N1 City

Goodwood



## Annexure – Auditor’s responsibility for the audit

1. As part of an audit in accordance with the ISAs, we exercise professional judgement and maintain professional scepticism throughout our audit of the financial statements, and the procedures performed on reported performance information for selected programmes and on the entity’s compliance with respect to the selected subject matters.

### Financial statements

2. In addition to our responsibility for the audit of the financial statements as described in this auditor’s report, 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 entity’s internal control
  - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting authority
  - conclude on the appropriateness of the accounting authority’s use of the going concern basis of accounting in the preparation of the financial statements. We also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Breede-Gouritz Catchment Management Agency’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 about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. Our conclusions are based on the information available to me at the date of this auditor’s report. However, future events or conditions may cause an entity to cease continuing as a going concern
  - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

### Communication with those charged with governance

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

4. We also confirm to the accounting authority that we have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on our independence and, where applicable, related safeguards.

# 1. STATEMENT OF RESPONSIBILITY AND APPROVAL

In accordance with the National Water, Act 36 of 1998-, and the Public Finance Management Act, Act 1 of 1999, as amended the Board is required to prepare annual financial statements that comply with South African Statements of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board (ASB) and the Public Finance Management Act (PFMA).

The Accounting Authority is responsible for ensuring that complete, accurate and reliable accounting records for the basis of preparing annual financial statements. The financial statements include judgements and estimates that are reasonable and prudent, made by management, reviewed and accepted by the Board. The Board also ensures that accounting policies are appropriate to the agency's circumstances. In order to achieve this objective, the Board rely on the system of internal controls set up and maintained by management.

These controls are monitored throughout the agency and all employees are required to maintain the highest ethical standards in ensuring that the agency business is conducted in a manner in all reasonable circumstances above reproach.

The Board is of the opinion, based on the information and explanations given by management that the system of internal control provides reasonable assurance that the financial records may be relied on for the

preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The Accounting Authority has reviewed the agency's cash flow forecast for the year to March 31, 2020 and, in the light of this review and the current financial position, they are satisfied that the agency has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the agency's annual financial statements.

The annual financial statements set out on page 53 to 77, which have been prepared on the going concern basis, were approved by the Audit and Risk Committee and with the Board of Directors.



**EVIDENCE BONGANI MNISI**

*Chairperson*



**JAN VAN STADEN**

*Acting: Chief Executive Officer*

## 2. REPORT OF THE ACCOUNTING AUTHORITY

### THE MEMBERS OF THE GOVERNING BOARD SUBMIT THEIR REPORT FOR THE YEAR ENDED 31 MARCH 2019.

#### REVIEW OF ACTIVITIES

##### MAIN BUSINESS AND OPERATIONS

The Breede-Gouritz Catchment Management Agency is responsible for the integrated management of the water resource in the Breede-Gouritz Catchment Management Area (BGCMA). The operating results and state of affairs of the company are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

##### GOING CONCERN

The Board believes that the agency has adequate financial resources to continue in operation for the foreseeable future and accordingly the annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. The Board is satisfied that the agency is in a sound financial position and that it has access to sufficient resources to meet its foreseeable cash requirements. The Board is not aware of any new material changes that may adversely impact on the agency. The Board is also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation that may affect the agency.

##### SUBSEQUENT EVENTS

The members are not aware of any matter or circumstance arising since the end of the financial year.

##### THE GOVERNING BOARD

The members of the Governing Board during the year and to the date of this report are as follows:

- Mr BE Mnisi (Chairperson)
- Mr TE Abrahams (Deputy-Chairperson)
- Mr NH Hamman
- Mr AP Barnes
- Dr O Curtis-Scott
- Ms B Damane
- Mr MJ Delpont
- Ms EM Palmer
- Mr HM Rossouw
- Mr CJU Swart
- Mr Jan van Staden (Acting Chief Executive Officer)
- Ms ZM Mngoma (Chief Finance Officer)
- Mr K Masindi (DWS Ex Officio member)

##### AUDITORS

Nexia SAB&T has been appointed as auditors in accordance with Section 25 of the Public Audit Act.





### 3. REPORT OF THE AUDIT & RISKS COMMITTEE

#### WE ARE PLEASED TO PRESENT OUR REPORT FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019.

##### AUDIT COMMITTEE TERMS OF REFERENCE

The Audit and Risks Committee reports that it has complied with its responsibilities arising from Section 77 of the Public Finance Management Act 1 of 1999, as amended and Treasury Regulations 27.1 and that it has adopted formal terms of reference as its Audit Committee charter that has been approved by the Board.

##### AUDIT COMMITTEE RESPONSIBILITY

The Audit and Risks Committee reports that it has adopted an appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

Statutory duties

##### EXTERNAL AUDITOR APPOINTMENT AND INDEPENDENCE

The Committee ensured that the appointment of external auditors complied with the applicable legislation relating to the appointment of auditors. The Committee in consultation with management agreed to the budgeted audit fees for the 2019 financial year.

##### INTERNAL FINANCIAL CONTROLS

The Audit and Risks Committee is satisfied that internal controls and systems have been in place and that these controls have functioned effectively during the period under review. The committee has overseen a process by which internal audit has performed audits according to a risk audit plan where the effectiveness of risk management and internal control systems including financial internal controls were evaluated. The findings of the evaluations formed the basis for the Committee's recommendation in this regard to the Board, in order for the Board to report thereon as well as through discussions with internal audit on the result of their audits that an adequate system of internal control is being maintained to:

- Reduce the risk to an acceptable level
- Meet the business objectives
- Ensure the assets are adequately safeguarded and
- Ensure that the transactions undertaken are all recorded in the Agency's records.

The Committee is satisfied with the content and quality of monthly and quarterly financial reports prepared and issued by the Agency during the year under review.

## INTERNAL AUDIT

In line with the PFMA, and the King IV Report on Corporate Governance requirements, Internal Audit provides the Audit and Risks Committee and management with assurance that internal controls are appropriate and effective. The Committee is responsible for ensuring that Agency's internal audit function is independent and has the necessary resources, standing and authority within the Agency to enable it to discharge its duties. Furthermore, the Committee oversees cooperation between internal and external auditors and serves as a link between the Board and these functions.

The Committee considered and approved the internal audit charter. The internal audit plan and three year strategic plan were approved by the Committee. The internal audit function reports administratively to the Chief Executive Officer and functionally to the Audit and Risks Committee and has responsibility for reviewing and providing assurance on the adequacy of the internal control environment across all the agency's operations.

From the various reports of the internal auditors, it was noted that no matters were reported that indicate any material deficiencies in the systems of internal controls.



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### MR MJ DELPORT

*Chairperson of the Audit and Risks Committee*

### AUDIT AND RISKS COMMITTEE MEMBERS:

Ms Bulelwa Damane  
Mr Cornie Swart  
Mr N. Hamman

## GOVERNANCE OF RISK

The Committee oversees the implementation of the policy and plan for risk management taking place by means of risk management systems and processes. The Committee is satisfied that appropriate and effective systems are in place for risk management.

The Audit and Risks Committee permits the appointed external auditors, Nexia SAB&T, to audit the agency's annual financial statements.

The Accounting Authority have reviewed the agency's financial statement for the year ended March 31, 2019 and, in the light of this review and the current financial position, they are satisfied that the agency has access to adequate resources to continue in operational existence for the foreseeable future. The committee recommended that the financial statements be approved by the board of directors which will take place on the 26<sup>th</sup> July 2019.



# 4. STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2019

	FIGURES IN RAND	NOTE(S)	2019	2018 (RESTATED*)
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment		3	3,283,562	3,890,878
Intangible assets		4	84,519	173,574
			<b>3,368,081</b>	<b>4,064,452</b>
<b>CURRENT ASSETS</b>				
Receivables from exchange transactions		5	66,099,097	34,967,018
Cash and cash equivalents		6	34,174,061	9,159,450
			100,273,158	44,126,468
<b>TOTAL ASSETS</b>			<b>103,641,239</b>	<b>48,190,920</b>
<b>NET ASSETS AND LIABILITIES</b>				
<b>NET ASSETS</b>				
Accumulated surplus			92,932,837	41,415,230
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Operating lease liability		7	220,988	254,246
Payables from exchange transactions		8	10,487,414	6,521,444
			<b>10,708,402</b>	<b>6,775,690</b>
<b>TOTAL LIABILITIES</b>			<b>10,708,402</b>	<b>6,775,690</b>
<b>TOTAL NET ASSETS AND LIABILITIES</b>			<b>103,641,239</b>	<b>48,190,920</b>

## 5. STATEMENT OF FINANCIAL PERFORMANCE

	FIGURES IN RAND	NOTE(S)	2019	2018
<b>REVENUE</b>				
<b>Revenue from exchange transactions</b>				
Penalties on late registration			481,242	1,061,966
Other income			5,857,161	2,508
Interest received			8,561,646	5,223,559
Billing for water resource management			35,147,646	10,145,209
<b>TOTAL REVENUE FROM EXCHANGE TRANSACTIONS</b>			<b>50,047,695</b>	<b>16,433,242</b>
<b>Revenue from non-exchange transactions</b>				
<b>Transfer revenue</b>				
Grants received			65,800,000	60,000,000
<b>TOTAL REVENUE</b>		9	<b>115,847,695</b>	<b>76,433,242</b>
<b>EXPENDITURE</b>				
Employee related costs			(39,604,519)	(33,063,282)
Depreciation and amortisation			(1,230,275)	(2,208,278)
Lease rentals on operating lease			(1,959,390)	(2,549,655)
Operating Expenses		11	(21,535,904)	(16,569,154)
<b>TOTAL EXPENDITURE</b>			<b>(64,330,088)</b>	<b>(54,390,369)</b>
Gain on disposal of assets and liabilities			-	36,861
<b>SURPLUS FOR THE YEAR</b>			<b>51,517,607</b>	<b>22,079,734</b>

## 6. STATEMENT OF CHANGES IN NET ASSETS

	FIGURES IN RAND	ACCUMULATED SURPLUS	TOTAL NET ASSETS
<b>BALANCE AT 1 APRIL 2017</b>		<b>2,988,595</b>	<b>2,988,595</b>
Changes in net assets			
Surplus for the year		22,079,733	22,079,733
Transfer from DWS debtors reserve		21,582,511	21,582,511
Total changes		43,662,244	43,662,244
Opening balance as previously reported		46,650,839	46,650,839
Adjustments			
Prior year restatement (Refer note 22)		(5,235,609)	(5,235,609)
<b>RESTATED* BALANCE AT 01 APRIL 2018</b>		<b>41,415,230</b>	<b>41,415,230</b>
Changes in net assets			
Surplus for the year		51,517,607	51,517,607
Total changes		51,517,607	51,517,607
<b>BALANCE AT 31 MARCH 2019</b>		<b>92,932,837</b>	<b>92,932,837</b>

## 7. CASH FLOW STATEMENT

	FIGURES IN RAND	NOTE(S)	2019	2018 RESTATED*
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
<b>RECEIPTS</b>				
Cash receipts from the Department of Water and Sanitation			65,800,000	60,000,000
Interest income			1,437,535	1,113,616
Cash receipts			26,831	-
Debtor receipts			21,138,068	317,378
Other income			-	2,508
			88,402,434	61,433,502
<b>PAYMENTS</b>				
Cash paid to suppliers and employees			(62,853,919)	(52,182,092)
Unallocated receipts from debtors			-	(317,378)
			(62,853,919)	(52,499,470)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		14	<b>25,548,515</b>	<b>8,934,032</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of property, plant and equipment		3	(533,904)	(733,652)
Proceeds from sale of property, plant and equipment		3	-	36,861
Purchase of other intangible assets		4	-	(155,580)
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>			<b>(533,904)</b>	<b>(852,371)</b>
<b>Net increase in cash and cash equivalents</b>			<b>25,014,611</b>	<b>8,081,661</b>
Cash and cash equivalents at the beginning of the year			9,159,450	1,077,789
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>		6	<b>34,174,061</b>	<b>9,159,450</b>

## 8. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

	APPROVED BUDGET	ADJUSTMENTS	FINAL BUDGET	ACTUAL AMOUNT	VARIANCE BUDGET VS ACTUAL
<b>STATEMENT OF FINANCIAL PERFORMANCE</b>					
<b>REVENUE</b>					
<b>REVENUE FROM EXCHANGE TRANSACTIONS</b>					
Government Grant	65,800,000		<b>65,800,000</b>	65,800,000	
Billing Income			--	21,138,068	<b>21,138,068</b>
Interest Received	-		--	1,437,535	<b>1,437,535</b>
<b>TOTAL REVENUE FROM EXCHANGE TRANSACTIONS</b>			<b>65,800,000</b>	<b>88,375,603</b>	<b>22,575,603</b>
<b>EXPENDITURE</b>					
Employee Costs	(40,787,130)		<b>(40,787,130)</b>	(38,041,851)	<b>2,745,279</b>
Hiring and Rentals	(2,116,481)		<b>(2,116,481)</b>	(2,094,454)	<b>22,027</b>
Staff Training and Conferences	(301,094)		<b>(301,094)</b>	(253,586)	<b>47,508</b>
Professional Fees	(3,114,950)		<b>(3,114,950)</b>	(3,054,034)	<b>60,916</b>
IT Expenses	(507,652)		<b>(507,652)</b>	(487,703)	<b>19,949</b>
Project Expenses	(8,532,382)		<b>(8,532,382)</b>	(8,428,921)	<b>103,461</b>
Traveling and Accommodation	(2,179,887)		<b>(2,179,887)</b>	(2,130,515)	<b>49,372</b>
Public Participation & Engagement	(4,298,114)		<b>(4,298,114)</b>	(5,840,539)	<b>(1,542,425)</b>
Vehicle Costs	(208,916)		<b>(208,916)</b>	(207,164)	<b>1,752</b>
Board and Committee Costs	(968,680)		<b>(968,680)</b>	(828,063)	<b>140,617</b>
Depreciation			--	(1,230,275)	<b>(1,230,275)</b>
General Expenses	(1,700,072)		<b>(1,700,072)</b>	(1,722,385)	<b>(22,313)</b>
<b>TOTAL EXPENDITURE</b>			<b>(64,715,358)</b>	<b>(64,319,490)</b>	<b>395,868</b>
<b>SURPLUS BEFORE TAXATION</b>	<b>1,084,642</b>		<b>1,084,642</b>	<b>24,056,113</b>	<b>22,971,471</b>
<b>ACTUAL AMOUNT ON COMPARABLE BASIS AS PRESENTED IN THE BUDGET AND ACTUAL COMPARATIVE STATEMENT</b>			<b>1,084,642</b>	<b>24,056,113</b>	<b>22,971,471</b>

The accounting policies on pages 58 to 63 and the notes on pages 64 to 77 form an integral part of the annual financial statements.

The following material differences were identified during the financial year.

**As a result of not including the figures below in the annual budget, it represents variances:**

- Interest received R1 437 535
- Billing Income R21 138 068
- Depreciation R1 230 275

## PUBLIC PARTICIPATION AND ENGAGEMENT

Variance is 30.40%. This represents over expenditure because of the fact that certain projects from the previous financial year carried over to and was financed in the current financial year .

# 9. ACCOUNTING POLICIES

## BASIS OF PREPARATION

The annual financial statements have been prepared in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP), including any interpretations of such statements issued by the Accounting Practices Board.

The financial statements have been prepared on an accrual basis in accordance with the historical cost convention.

The policies used in preparing the financial statements are consistent with those of the previous year, unless otherwise stated. The details of any change in accounting policies are explained in the relevant notes to the financial statement.

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP. The cash flow statement has been prepared in accordance with the direct method. The amount and nature of any restrictions on cash balances are disclosed.

## 1.1 PRESENTATION CURRENCY

The functional currency of the agency is the South African Rand (R). These annual financial statements are presented in South African Rand and all amounts have been rounded to the nearest rand.

## 1.2 GOING CONCERN ASSUMPTION

These annual financial statements are prepared on a going concern basis. Funding has been approved by the Department of Water and Sanitation for the following financial year. The Strategic plan for the next five years until 2021 has been approved by National Treasury.

## 1.3 COMPARATIVE INFORMATION

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. When accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

## 1.4 REVENUE

Revenue from Non-Exchange Transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an entity, which represents an increase in

net assets, other than increases relating to contributions from owners. Exchange transactions are transactions in which one entity receives assets or service, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services or use of assets) to another entity in exchange. Revenue from non-exchange transactions refers to transactions where the entity received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount. Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset.

A corresponding liability is raised to the extent that the grant, transfer or donations conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached, is recognised as revenue when the asset is recognised. An asset acquired through non-exchange will be measured at its fair value. At the date of acquisition where there is a condition attached to the assets a liability should be recognised at the best estimates of the amount required to settle the present obligation at the reporting date.

### *Revenue from exchange transactions*

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

## 1.5 FINANCIAL INSTRUMENTS

### *Initial Recognition and Measurement*

Financial instrument are recognised initially when the group becomes a party to the contractual provision of the instruments. This is achieved through the application of trade date accounting.



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

For financial instruments which are not at fair value, transaction costs are included in the initial measurement of the instrument.

Trade and other receivables that have fixed and determinable payments that are not quoted in an active market are classified as loans and receivables.

#### *Trade and other receivables*

Trade and receivables are initially recorded at fair value plus transactions costs that are directly attributable to the acquisition and subsequently stated at amortized costs, less provision for impairment. All trades and other receivables are assessed at least annually for possible impairment. A provision for impairment of trade receivables is established when there is objective evidence that the entity will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value expected cash flows. Impairment adjustments are made through the use of an allowance account. Bad debts are written off in the year in which they are identified as irrecoverable.

#### *Cash and cash equivalents*

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

#### *Trade and other payables*

Trade payables are initially measured at fair value plus transaction costs that are directly attributable to the acquisition and are subsequently measured at amortised costs, using the effective interest rate method.

#### *Impairment of financial assets*

Cash generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the costs of the assets. Impairment is a loss in the future economic benefit or service potential of an asset, over and above the recognition of the loss of the asset's future economic benefit.

The agency assesses at each reporting period date whether there is any indication that an asset may be impaired. If any such indication exists, the agency estimates the recoverable amount of the asset. If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of the cash generating unit to which the asset belongs is determined.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds recoverable amount. Impairment losses are recognised in the statement of financial performance. The impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

#### *Derecognition*

Is the removal of a previously recognised financial asset or financial liability from the entity's statement of financial position.

#### **A financial asset is derecognised at trade date, when:**

- The cash flow from the asset expired are settled or waived;
- Significant risks and rewards are transferrable to another party.

## **1.6 PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

#### *Initial recognition*

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

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

In determining recognition, the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence at the time of initial recognition is assessed and the exchange transaction evidencing the purchase of the asset identifies its cost.

#### *Initial Measurement*

An item of property, plant and equipment which qualifies for recognition as an asset shall initially be measured at its cost at the acquisition date.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

Where an asset is acquired at no cost, or for nominal cost, its cost is its fair value as at the date of acquisition.

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

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

#### *Subsequent Measurement - Cost Model*

Subsequent to initial recognition as an asset, an item of property, plant and equipment shall be carried at its cost less any accumulated depreciation and any accumulated impairment losses.

#### *Depreciation*

Depreciation is charged to the profit and loss on a straight-line basis over the estimated useful life of each item of property, plant and equipment. The depreciation method used shall reflect the pattern in which the asset's economic benefits or service potential is consumed by the entity. The depreciation charge for each shall be recognised as an expense unless it is included in the carrying amount of another asset.

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

ITEM	RATE PER ANNUM
Furniture and fixtures	16,67%
Motor vehicles	20,00%
Office equipment	16,67%
IT equipment	33,33%
Leasehold improvements	20,00%
Security System	20,00%
Scientific Equipment	20,00%

The residual value and the useful life of each asset are reviewed at each financial period-end. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately over its useful life.

#### Impairment

All the Agency's items of property, plant and equipment are considered to be non-cash generating assets as no commercial return is generated from these assets.

The carrying amounts of assets are reviewed at each reporting date to determine whether there is an indication of impairment. If there is an indication that an asset may be impaired, its recoverable service amount is estimated. The estimated recoverable service amount is the higher of the asset's fair value less cost to sell and its value in use. When the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. The reduction is an impairment loss.

The value in use is determined through depreciated replacement cost, restoration cost approach or service units approach. The decision to the approach to use is dependent on the nature of the identified impairment.

The impairment loss is recognised immediately in the Statement of Financial Performance. After the recognition of an impairment loss, the depreciation charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value if any, on a systematic basis over its remaining useful life.

#### Derecognition

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the assets. The gain or loss arising from the derecognition of an item of property, plant and equipment is included in the statement of financial performance when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

## 1.7 INTANGIBLE ASSETS

### INITIAL RECOGNITION

#### Intangible asset is recognised when:

- it is probable that the expected future economic benefits that are attributable to the assets will flow to the entity and
- the cost of the asset can be measured reliably.

The entity has no internally generated intangible assets.

### Initial Measurement

Intangible assets are initially measured at cost. Acquired computer software is capitalised on the basis of the costs incurred to acquire and bring into use the specific software. Costs associated with researching or maintaining computer software programmes are recognised as an expense as incurred.

Where an intangible asset is acquired through a non-exchange transaction, the cost shall be its fair value as at the date of acquisition.

Amortisation is charged to the statement of financial performance on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Other intangible assets are amortised from the date they are available for use.

### Amortisation

Amortisation is charged to the statement of financial performance on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Other intangible assets are amortised from the date they are available for use.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

ITEM	RATE PER ANNUM
Computer software	50.00%

Intangible assets are considered to have finite useful lives. Amortisation begins when the asset is available for use. Impairment

All items of intangible assets are considered to be non-cash generating assets as no commercial return is expected from these

The entity tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is performed at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable service amount, it is written down immediately to its recoverable service amount and an impairment loss is charged to the Statement of Financial Performance.

### Derecognition

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as a difference between the net sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

## 1.8 LEASES

A lease where the Agency assumes substantially all the risks and rewards of ownership are classified as finance leases. All other leases are classified as operating leases.

### Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease liability. This liability is not discounted.

## 1.9 EMPLOYEE BENEFITS

### Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employee rendered the related services.

#### Such short term employee benefits include items such as:

- Wages, salaries and social security contributions;
- Bonus; incentive and performance related payments payable within twelve months after the end of the reporting period in which the employee rendered the related services; and
- Non-monetary benefits (for example, medical aid, medical care, housing, cell phone and any other benefits) for current employees.
- Short-term employee benefits are measured on an undiscounted basis and are expensed as the related service is provided.

An accrual is recognised for the amount expected to be paid under short-term cash benefits if the entity has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably. The cost of all short term employee benefits is recognised during the period in which the employee renders the related service.

The liability for employee entitlements to wages, salaries and annual leave represents the amount which the entity has a present obligation to pay as a result of employees' services provided to the Statement of Financial Position date. The liability has been calculated at undiscounted amounts based on current wage and salary rates.

Long term employee benefits

Are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the reporting period in which the employee rendered the related service.

Long term service award e.g. one lump sum amount and long service award certificate will be given to the employee depending on the number of years as stipulated on the policy.

Defined Contribution plans

The Breede-Gouritz Catchment Management Agency provides retirement benefits to all its employees. The employees belong to the GEFP pension fund which is subject to the Pension Fund Act. The Breede-Gouritz Catchment Management Agency is under no obligation to cover any unfunded benefits.

The contributions of the fund obligations for the payment of the retirement benefits are charged against the statement of financial performance in the year they become payable.

## 1.10 PROVISIONS

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation. Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The amount recognised for the reimbursement shall not exceed the amount of the provision. Provisions are not recognised for future operating losses.

## 1.11 USE OF ESTIMATES, JUDGEMENTS AND ASSUMPTIONS

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates and assumptions are recognised in the period of which the estimate and assumption is revised.

Information about assumptions and estimation uncertainties that may have significant risk of resulting in a material adjustment within the next financial year includes:

#### *Useful lives and residual values*

The useful lives and residual values of property, plant and equipment as well as the useful lives of the intangibles are reviewed at each reporting date. The useful lives are estimated, by management, based on historic analysis and other available information. The residual values are estimated based on useful lives as well as other available information.

Property, plant and equipment, is depreciated on the straight-line basis over their expected useful lives to their estimated residual value.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values.

#### *Fair value*

Fair value measurement estimates the price at which an orderly transaction to the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions.

#### *Trade and other receivables*

Trade and other receivables are initially recognised at fair value plus transactions costs that are directly attributable to the acquisition and subsequently stated at amortised cost, less provision for impairment. All trade and other receivables are assessed at least annually for possible impairment.

A provision for impairment of trade receivables is established when there is objective evidence that the entity will not be able to collect all amounts due according to the original terms of receivables. The water resource management charges are due within 30 days from invoice date. If client do not pay within 30 days, the receivable is considered for impairment.

An impairment loss is recognised firstly on individually significant receivables. Thereafter, an impairment loss is recognised on a group of receivables with the same credit risk. Impairment assessments are based on objective evidence as a result of one or more events that occurred during the reporting period. For clients that have defaulted, management made judgements based on history to determine if the receivable or group of receivables have to be impaired.

The current year impairment is based on management's best estimate of the expected cash flows for amounts that are outstanding.

#### *Budget Information*

Variances of 20% or more between budget and actual amounts or quantitative material variances are regarded as material. All material differences are explained in the notes to the annual financial statements.

## 1.12 BUDGET INFORMATION

The annual budget figures have been prepared in accordance with the applicable GRAP standards, and are consistent with the accounting policies adopted by the entity for the preparation of these financial statements. The amounts are presented as a separate additional financial statement, named the Statement of Comparison of Budget and Actual amounts. Explanatory comments are provided in the primary statement of the annual financial statements, firstly stating reasons for overall growth or decline in

the budget, and, secondly, motivating overspending or underspending on line items. The annual budget figures included in the financial statements are for the entity. These figures are those approved by the Board both at the beginning and during the year.

The preparation of budget information is performed on the accrual basis.

### 1.13 RELATED PARTIES

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa.

Key management is defined as being individuals with the authority and responsibility for planning, directing and controlling the activities of the entity as in the Annual Financial Statements currently. All individuals at the level of Executive Officer and Executive Managers are regarded as key management.

Close members of the family of a person in key management are considered to be those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

Related party disclosures are provided in respect of transactions and balances with identified related parties, other than transactions that would occur within a normal supplier or client relationship, on terms and conditions no more or less favourable than those which it is reasonable to expect the entity would have adopted if dealing with that individual or entity at arm's length in the same circumstances. Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

### 1.14 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government or organ of state and expenditure in the form of a grant that is not permitted. Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance in the year that the expenditure was incurred, and where recovered, it is subsequently accounted for as income in the Statement of Financial Performance.

### 1.15 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Public Finance Management Act (PFMA) and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the entity's supply chain management policies. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

Irregular expenditure that was incurred and identified during the current financial period and which was condoned before year end or before finalisation of the annual financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

### 1.16 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance in the year that the expenditure was incurred, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

## 1.17 TRANSFER OF FUNCTIONS BETWEEN ENTITIES UNDER COMMON CONTROL

Transfer of functions between entities under common control are accounted for by the acquirer by recognising assets acquired and liabilities assumed at their carrying amounts at the date of transfer. Any difference between the assets and liabilities recognised and consideration paid, if any, is recognised in accumulated surplus or deficit.

Transfer of functions between entities under common control are accounted for by the transferor by derecognising assets and liabilities at their carrying amounts at the date of transfer. Any difference between the assets and liabilities derecognised and consideration paid, if any, is recognised in accumulated surplus or deficit.

In accordance with the transitional provision as per GRAP 105, where assets and liabilities were acquired through a transfer of functions, the entity is not required to measure those assets and liabilities for a period of two years from the effective date of the transfer of functions or the effective date of the Standard, whichever is later.

Full GRAP compliance is required after two years from the date of transfer for the above assets acquired

**Until such time as the measurement period expires, and the items of assets and liabilities associated with the transfer of functions are recognised and measured, in accordance with the applicable Standard of GRAP, the BGCMA does not need to comply with the Standards of GRAP on:**

- Presentation of Financial Statements

## TO THE ANNUAL FINANCIAL STATEMENTS

### 2. NEW STANDARDS AND INTERPRETATIONS

#### 2.1 INITIAL RECOGNITION

Standards and interpretations issued, but not yet effective.

The entity has not applied the following standards and interpretations, which have been published and mandatory for the entity's accounting periods beginning on or after 01 April 2019 or later periods:

STANDARD/INTERPRETATION	EFFECTIVE DATE: YEARS BEGINNING ON OR AFTER	EXPECTED IMPACT
<b>GRAP 20:</b> Related Party Disclosures	01 April 2018	Unlikely there will be a material impact
<b>GRAP 34:</b> Separate Financial Statements	01 April 2018	Unlikely there will be a material impact
<b>GRAP 35:</b> Consolidated Financial Statements	01 April 2018	Unlikely there will be a material impact
<b>GRAP 36:</b> Investments in Associates and Joint Ventures	01 April 2018	Unlikely there will be a material impact
<b>GRAP 37:</b> Joint Arrangements	01 April 2018	Unlikely there will be a material impact
<b>GRAP 38:</b> Disclosures of Interest in Other Entities	01 April 2018	Unlikely there will be a material impact
<b>GRAP 108:</b> Statutory Receivables	01 April 2018	Unlikely there will be a material impact
<b>GRAP 109:</b> Accounting by Principals and Agents	01 April 2018	Unlikely there will be a material impact
<b>GRAP 110:</b> Living and Non-living Resources	01 April 2018	Unlikely there will be a material impact

### 3. PROPERTY, PLANT AND EQUIPMENT

	2019			2018		
	COST	ACCUMULATED DEPRECIATION AND ACCUMULATED IMPAIRMENT	CARRYING VALUE	COST	ACCUMULATED DEPRECIATION AND ACCUMULATED IMPAIRMENT	CARRYING VALUE
Leasehold property	689,936	(475,085)	214,851	689,936	(364,623)	325,313
Plant and machinery	219,452	(146,086)	73,366	219,452	(115,885)	103,567
Furniture and fixtures	2,961,083	(1,827,857)	1,133,226	2,706,798	(1,527,970)	1,178,828
Motor vehicles	2,306,334	(912,031)	1,394,303	2,306,334	(950,630)	1,355,704
IT equipment	4,379,119	(3,911,303)	467,816	4,111,266	(3,183,800)	927,466
<b>TOTAL</b>	<b>10,555,924</b>	<b>(7,272,362)</b>	<b>3,283,562</b>	<b>10,033,786</b>	<b>(6,142,908)</b>	<b>3,890,878</b>



### 3.1 RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT - 2019

	OPENING BALANCE	ADDITIONS	DEPRECIATION	TOTAL
Leasehold property	325,313	-	(110,462)	214,851
Plant and machinery	103,567	-	(30,201)	73,366
Furniture and fixtures	1,178,828	263,575	(309,177)	1,133,226
Motor vehicles	1,355,704	-	38,599	1,394,303
IT equipment	927,466	270,329	(729,979)	467,816
	<b>3,890,878</b>	<b>533,904</b>	<b>(1,141,220)</b>	<b>3,283,562</b>

### 3.2 RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT - 2018

	OPENING BALANCE	ADDITIONS	WRITE OFF/ RECLASSIFICATION	DEPRECIATION	TOTAL
Leasehold property	436,566	-	-	(111,253)	325,313
Plant and machinery	95,834	41,200	-	(33,467)	103,567
Furniture and fixtures	902,535	285,853	300,787	(310,347)	1,178,828
Motor vehicles	1,793,092	218,001	(181,140)	(474,249)	1,355,704
Office equipment	300,787	-	(300,787)	-	-
IT equipment	1,640,734	138,140	-	(851,408)	927,466
	<b>5,169,548</b>	<b>683,194</b>	<b>(181,140)</b>	<b>(1,780,724)</b>	<b>3,890,878</b>

There are no restrictions or plant, property and equipment pledged as securities.

Repairs and maintenance including to leasehold improvements amounted to **R27 295**.

The Agency do have assets that have a **Rnil balance** on the asset register that is still in use during the current financial year.

## 4. INTANGIBLE ASSETS

	2019			2018		
	COST	ACCUMULATED DEPRECIATION AND ACCUMULATED IMPAIRMENT	CARRYING VALUE	COST	ACCUMULATED DEPRECIATION AND ACCUMULATED IMPAIRMENT	CARRYING VALUE
Software ArcGIS Server	1,146,210	(1,061,691)	84,519	1,146,210	(972,636)	173,574

### 4.1 RECONCILIATION OF INTANGIBLE ASSETS - 2019

	OPENING BALANCE	AMORTISATION	TOTAL BALANCE
Software ArcGIS Server	173,574	(89,055)	84,519

### 4.2 RECONCILIATION OF INTANGIBLE ASSETS - 2018

	OPENING BALANCE	ADDITIONS	AMORTISATION	TOTAL BALANCE
Software ArcGIS Server	445,625	155,580	(427,631)	173,574

Amortisation of intangible assets is included under depreciation in the statement of financial performance. No intangible assets are pledged as security. The above intangible asset will be depreciated within its useful life.

## 5. RECEIVABLES FROM EXCHANGE TRANSACTIONS

Recoverable Debtors	65,877,172	34,730,537)
Gross debtors	149,585,865	124,298,514
Provision: Bad Debt	(83,708,693)	(89,567,977)
Prepayments and deposits	221,925	220,983
Prepayments	-	15,498
<b>TOTAL</b>	<b>66,099,097</b>	<b>69,697,555</b>

## 6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

Petty cash	590	1,821
Bank balances Main Account	12,351,853	8,840,251
CMA Cashier Breede Gouritz	26,831	-
Bank Balances Deposit Account	21,794,787	317,378
<b>TOTAL</b>	<b>34,174,061</b>	<b>9,159,450</b>

Cash and cash equivalents comprise of cash held and short-term deposits. The carrying amount of these assets approximates their fair value.

## 7. OPERATING LEASE LIABILITY

Cash and cash equivalents consist of:

Lease liability	220,988	254,246
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## 8. PAYABLES FROM EXCHANGE TRANSACTIONS

	2019	2018
Trade payables	1,601,091	1,517,223
Accrued leave pay	1,406,302	1,219,395
Staff bonus accrual	475,786	403,669
Debtors in credit refund	7,004,235	3,381,157
<b>TOTAL</b>	<b>10,487,414</b>	<b>6,521,444</b>

The entry has a related party called Department of Water and Sanitation and transaction or amount received from the related party for operational expenses have been disclosed under note no 11 in the statement of financial performance.

## 9. REVENUE

	2019	2018
Government grants & subsidies	65,800,000	60,000,000
Other income	5,857,161	2,508
Interest received	8,561,646	5,223,559
Billing for water resource management	35,147,646	10,145,209
Penalties on late registration	481,242	1,061,966
<b>TOTAL</b>	<b>115,847,695</b>	<b>76,433,242</b>

REVENUE RELATING TO NON-EXCHANGE TRANSACTIONS	2019	2018
Grants received	65,800,000	60,000,000
Other income	5,857,161	2,508
Interest received	8,561,646	5,223,559
REVENUE RELATING TO EXCHANGE TRANSACTIONS		
Billing for Water Resource Management	35,147,646	4,909,600
Penalties on late registration	481,242	1,061,966
<b>TOTAL</b>	<b>115,847,695</b>	<b>71,197,633</b>

## 10. OTHER INCOME

	2019	2018
Profit with sale of asset	-	36,861
Movement in bad debt provision	5,854,533	-
Registration fees received	2,628	2,508
<b>TOTAL</b>	<b>5,857,161</b>	<b>39,369</b>

## 11. GENERAL EXPENSES

	2019	2018
Advertising	200,292	94,221
Auditors remuneration	682,950	611,470
Bank charges	38,739	27,386
Cleaning	114,607	74,685
Conferences and seminars	41,445	43,017
Consulting and professional fees	5,404,276	3,436,521
Consumables	8,052	1,794
Electricity	120,968	161,339
Entertainment	-	7,200
Vehicles licenses	5,494	4,911
Fines and penalties	-	6,600
Fleet	207,164	160,522
Hire	164,859	146,458
IT expenses	498,298	487,703
Insurance	487,479	422,821
Magazines, books and periodicals	-	2,091
Placement fees	1,673,982	943,877
Postage and courier	74,879	101,090
Printing and stationery	292,320	325,979
Promotions and sponsorships	8,033,415	6,100,671
Property only	133,239	74,236
Security	123,869	115,389
Subscriptions and membership fees	168,819	87,044
Telephone and fax	676,657	589,216
Training	253,586	316,383
Travel - local	2,130,515	2,075,715
Uniforms	-	8,280
Venue expenses	-	142,535
<b>TOTAL</b>	<b>21,535,904</b>	<b>16,569,154</b>

## 12. INTEREST INCOME

	2019	2018
Interest received from ABSA	1,437,535	1,113,616
Interest charged to late payments	7,124,111	4,109,943
<b>TOTAL</b>	<b>8,561,646</b>	<b>5,223,559</b>

## 13. AUDITORS' REMUNERATION

	2019	2018
Audit fees (internal and external)	682,950	611,470

## 14. CASH GENERATED FROM OPERATIONS

	2019	2018
Surplus	51,517,607	22,079,734
<b>ADJUSTMENTS FOR:</b>		
Depreciation and amortisation	1,230,275	2,208,278
Loss on sale of assets and liabilities	-	(36,861)
Interest income	(1,437,535)	-
Movements in operating lease assets and accruals	11,766	-
Movements in retirement benefit assets and liabilities	-	(5,235,609)
Non-cash movement	1,633,064	21,896,361
Other cash items	26,831	-
<b>CHANGES IN WORKING CAPITAL:</b>		
Receivables from exchange transactions	(31,132,077)	(34,753,411)
Payables from exchange transactions	3,698,584	2,775,540
<b>TOTAL</b>	<b>25,548,515</b>	<b>8,934,032</b>

## 15. RELATED PARTIES

### RELATIONSHIPS

Department of Water and Sanitation  
Governing body

Executive Authority  
Accounting Authority

### THE GOVERNING BODY INCLUDES THE FOLLOWING MEMBERS:

Mr BE Mnisi	(Chairperson)
Mr TE Abrahams	(Deputy-Chairperson)
Mr NH Hamman	
Mr AP Barnes	
Dr O Curtis-Scott	
Ms B Damane	
Mr MJ Delpont	
Ms EM Palmer	
Mr HM Rossouw	
Mr CJU Swart	
Mr K Masindi	(Representative Department of Water and Sanitation)
Mr J. Van Staden	(Acting Chief Executive Officer)
Ms ZM Mngoma	(Chief Finance Officer)

### RELATED PARTY TRANSACTIONS

GRANTS RECEIVED FROM RELATED PARTIES	2019	2018
Department of Water and Sanitation	(65,800,000)	(60,000,000)

The entity has a related party called Department of Water and Sanitation and transaction or amount received from the related party for operational expenses have been disclosed under note no 11 in the Statement of Financial Performance.



## 16. REMUNERATION

EXECUTIVE - 2019	EMOLUMENTS	OTHER BENEFITS*	PENSION PAID	TOTAL OR RECEIVABLE
Mr. JW Van Staden (Acting Chief Executive Officer)	1,467,503	26,559	174,907	1,668,969
Ms. Z Mngoma (Chief Financial Officer)	1,352,946	23,825	174,907	1,551,678
<b>TOTAL</b>	<b>2,820,449</b>	<b>50,384</b>	<b>349,814</b>	<b>3,220,647</b>

EXECUTIVE - 2018	EMOLUMENTS	OTHER BENEFITS*	PENSION PAID	TOTAL OR RECEIVABLE
Mr. JW Van Staden (Acting Chief Executive Officer)	1,243,202	24,436	160,331	1,427,969
Ms. Z Mngoma (Chief Financial Officer)	1,201,833	24,436	160,331	1,386,600
Mr P Buthelezi (Chief Executive Officer, Ex Officio member)	634,503	43,917	-	678,420
<b>TOTAL</b>	<b>3,079,538</b>	<b>92,789</b>	<b>320,662</b>	<b>3,492,989</b>

NON-EXECUTIVE - 2019	MEMBERS FEES	TOTAL
Chairperson	96,298	96,298
Deputy Chairperson	29,672	29,672
Non-executive directors	214,614	214,614
<b>TOTAL</b>	<b>340,584</b>	<b>340,584</b>

NON-EXECUTIVE - 2018	MEMBERS FEES	TOTAL
Chairperson	141,987	141,987
Deputy Chairperson	32,736	32,736
Non-executive directors	313,259	313,259
<b>TOTAL</b>	<b>487,982</b>	<b>487,982</b>

## 17. DEFINED CONTRIBUTION PLAN

### PENSIONFUND

The Breede-Gouritz Catchment Management Agency provides retirement benefits to its employees. The amount was recognised as an expense in the statement of financial performance. The total pension fund contributions for the **2019 financial year** amounted to **R4 820 270** compared with **R3 839 459** for the **2018 financial year**.

## 18. FINANCIAL RISK MANAGEMENT

### FINANCIAL RISK FACTORS

The management of the entity has overall responsibility for the establishment and monitoring of the entity's risk management policies and procedures which have been established to identify and analyse the risks faced by the entity, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and procedures are reviewed regularly to reflect changes in market conditions and the entity's activities.

The entity's activities expose it to a variety of financial risk (including currency risk and interest rates will affect the entity's income. The objective of market risk management is to manage and control market risk exposure within rate risk and price risk), credit risk, liquidity risk and interest rate risk.

#### (a) Market risk

Market risk is the risk that changes in the market prices, such as foreign exchange rates and interest rates will affect the entity's income. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimising the return.

The entity's exposure to changes in the interest rates is on a floating rate basis to funds invested with reputable financial institutions.

#### (b) Credit risk

Credit risk is the risk of financial loss to the entity if a customer or counterpart to a financial instrument fails to meet its contractual obligations, and arises principally from the entity's receivables from customers. An allowance for impairment is established based on managements' estimate of identified incurred losses in respect of specific trade and other receivables bad debts identified are written off as they occur. There is no significant concentration of unsecured credit risk. Reputable financial institutions are used for investing and cash handling purposes.

#### (c) Liquidity risk

Liquidity risk is the risk that the entity will not be able to meet its financial obligations as they fall due. The entity's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liability when due. The liquidity risk is considered as low, because the entity has adequate funds at their disposal.

### LIQUIDITY RISK

The carrying amounts of financial liabilities at the reporting date were the other payables of R10 487 493 for the 2019 financial year compared with R3 711 171 for the 2018 financial year. The contractual maturities for other payables outstanding at 31 March 2019 are 12 months or less. These are payable on demand and most accurately reflects the short-term nature of trading activities.

OTHER PAYABLES	PAYABLE WITHIN 1 MONTH	PAYABLE 3 TO 12 MONTHS
2018	2,088,107	1,623,064
2019	8,605,325	1,882,168
<b>TOTAL</b>	<b>10,693,432</b>	<b>3,505,232</b>

## 18. FINANCIAL RISK MANAGEMENT (CONTINUED)

### CREDIT RISK

DEBTOR - 2018	RECEIVABLE WITHIN 30 DAYS	RECEIVABLE WITHIN 60 DAYS	OVERDUE 90 DAYS +
Department Water and Sanitation	-	-	2,299
Trading debtors	13,566,244	6,866,529	83,836,627
<b>TOTAL</b>	<b>13,566,244</b>	<b>6,866,529</b>	<b>83,838,926</b>

DEBTOR - 2019	RECEIVABLE WITHIN 30 DAYS	RECEIVABLE WITHIN 60 DAYS	OVERDUE 90 DAYS +
Department Water and Sanitation	-	-	2,299
Trading debtors	11,148,814	569,253	113,668,137
<b>TOTAL</b>	<b>11,148,814</b>	<b>569,253</b>	<b>113,670,436</b>

The debtors are past due, but not impaired.

### INTEREST RATE RISK

The carrying amount of financial assets and financial liabilities represent the maximum interest exposure. The maximum exposure to interest risk at the reporting date in respect of floating interest rate instruments amounted to R34 174 061 (Cash and cash equivalents) for the 2019 financial year compared with R9 159 450 for the 2018 financial year. The maximum exposure to interest risk at the reporting date in respect of interest bearing instruments amount to R1 601 091

(trade payables) for the 2019 financial year compared to R1 517 223 for the 2018 financial year.

A change of 50 basis points in interest rate at reporting date would have increased/(decreased) the deficit or surplus by R117 772 for the 2019 financial year and R44 210 for the 2018 financial year.

## 19. COMMITMENTS

OPERATING LEASE COMMITMENTS	2019	2018
<b>BUILDINGS</b>		
within one year	1,726,872	2,053,115
in second to fifth year inclusive	1,046,108	2,772,981
later than five years	-	-
<b>MINIMUM LEASE PAYMENTS</b>	<b>2,772,980</b>	<b>4,826,096</b>

Leases premises are contracted for periods between 1 and 7 years with further renewal option. The commitment above comprise of future minimum lease payments under non-cancellable operating leases. Escalation on the different leases varies between 5% to 8%.

CAPITAL COMMITMENTS	2019	2018
<b>APPROVED AND CONTRACTED FOR</b>		
Breede-River Alien Clearing Project	1,895,245	1,663,934
Development of CMS	-	45,032
Intergovernmental Projects	10,000	1,691,274
Commitments for the validation and verification of water use in respect of the 2017/2018 financial year	3,549,262	2,118,386
Rainwater Tanks Project	1,047,167	-
<b>APPROVED AND NOT YET CONTRACTED FOR</b>		
Breede-River Alien Clearing Project	-	512,420
Development of CMS	-	645,411
Intergovernmental Projects	-	1,320,906
<b>TOTAL FUTURE CAPITAL COMMITMENTS</b>	<b>6,501,674</b>	<b>7,997,363</b>

## 20. RECONCILIATION BETWEEN STATEMENTS OF FINANCIAL PERFORMANCE

The entity obtained resources in the form of a government grant R65 800 000 from the Department of Water and Sanitation and were used in accordance with the approved budget. The approved budget covers the period 1 April 2018 to 31 March 2019.

Reconciliation between the actual amounts on a comparable basis as presented in the statement of comparison of budget and actual amount and actual amounts in the cash flow statement for the period ended 31 March 2019.

The financial statements and the budget were not on the same basis of accounting, thus reconciliation between the statement of financial performance and the approved budget were included in the financial statements as per below.

EXECUTIVE - 2018	OPERATING	FINANCING	INVESTING	TOTAL
Actual amount on comparable basis as presented in the budget and actual comparative statement	24,056,113	-	(533,904)	23,522,209
Timing differences	1,492,402	-	-	1,492,402
Entity Differences	-	-	-	-
<b>ACTUAL AMOUNT IN THE CASH FLOW STATEMENT</b>	<b>25,548,515</b>	<b>-</b>	<b>(533,904)</b>	<b>25,014,611</b>

## 21. TRANSFER OF FUNCTIONS BETWEEN ENTITIES UNDER COMMON CONTROL

On 1 January 2018 the debtor and billing function relating to the charges for water resource management was transferred from the Department of Water and Sanitation to the Breede-Gouritz Catchment Management Agency.

These functions included the billing for water resource management as well as the debt collection function relating to such charges. With the transfer of these functions, the BGCMA has developed an accounting policy regarding these functions based on the policy that was in place at The Department of Water and Sanitation.

The debtors book relating to the Breede-Gouritz area inclusive of all amounts relating to water resource management charges were transferred to BGCMA on 28 February 2018 to the amount of R91 615 440.01. This transfer is reflected and included in the Current Assets: *Trade and other Receivables as well as in the statement of Changes in Net Assets: Transfers from DWS Reserves.*

The BGCMA is in the process of identifying and measuring the debtor's book transferred by the Department of Water and Sanitation as per the principles of GRAP. In terms of GRAP 105, the BGCMA has two years from transfer date to measure the assets transferred. The initial values were based on the information provided by the Department of Water and Sanitation which are subjected to verification and validation.

Additional new information was obtained from quality assurance reports by management of BGCMA which triggered that the transfer debtors book must be adjusted to reflect the correct balance. An amount of R5 235 609 was identified as an overstatement of account receivables transferred by Department of Water and Sanitation, which was adjusted to the accumulated surplus as per the GRAP 105 provision.

These values will be updated to comply with the GRAP requirements in the transitional period.

## 22. PRIOR PERIOD RESTATEMENT

The Agency has inherited a debtors book of R91 615 440.01 from the Department of Water and Sanitation. The Agency has two years from the date of transfer to measure the asset transferred by the Department of Water and Sanitation.

## 22. PRIOR PERIOD RESTATEMENT (CONTINUED)

The impact of the GRAP 105 adjustments is summarized as follow:

	BEFORE ADJUSTMENTS	AFTER ADJUSTMENTS
<b>ACCOUNT RECEIVABLE BALANCE</b>		
Accounts Receivable Balance	129,534,121	129,534,121
(Decrease) in Trade Receivable	-	(5,235,609)
	<b>129,534,121</b>	<b>124,298,512</b>
<b>ACCUMULATED SURPLUS</b>		
Accumulated Surplus	46,650,837	46,650,837
(Decrease) in Accumulated Surplus	-	(5,235,609)
<b>BALANCE AT 31 MARCH 2018</b>	<b>46,650,837</b>	<b>41,415,228</b>







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