



KOBWA

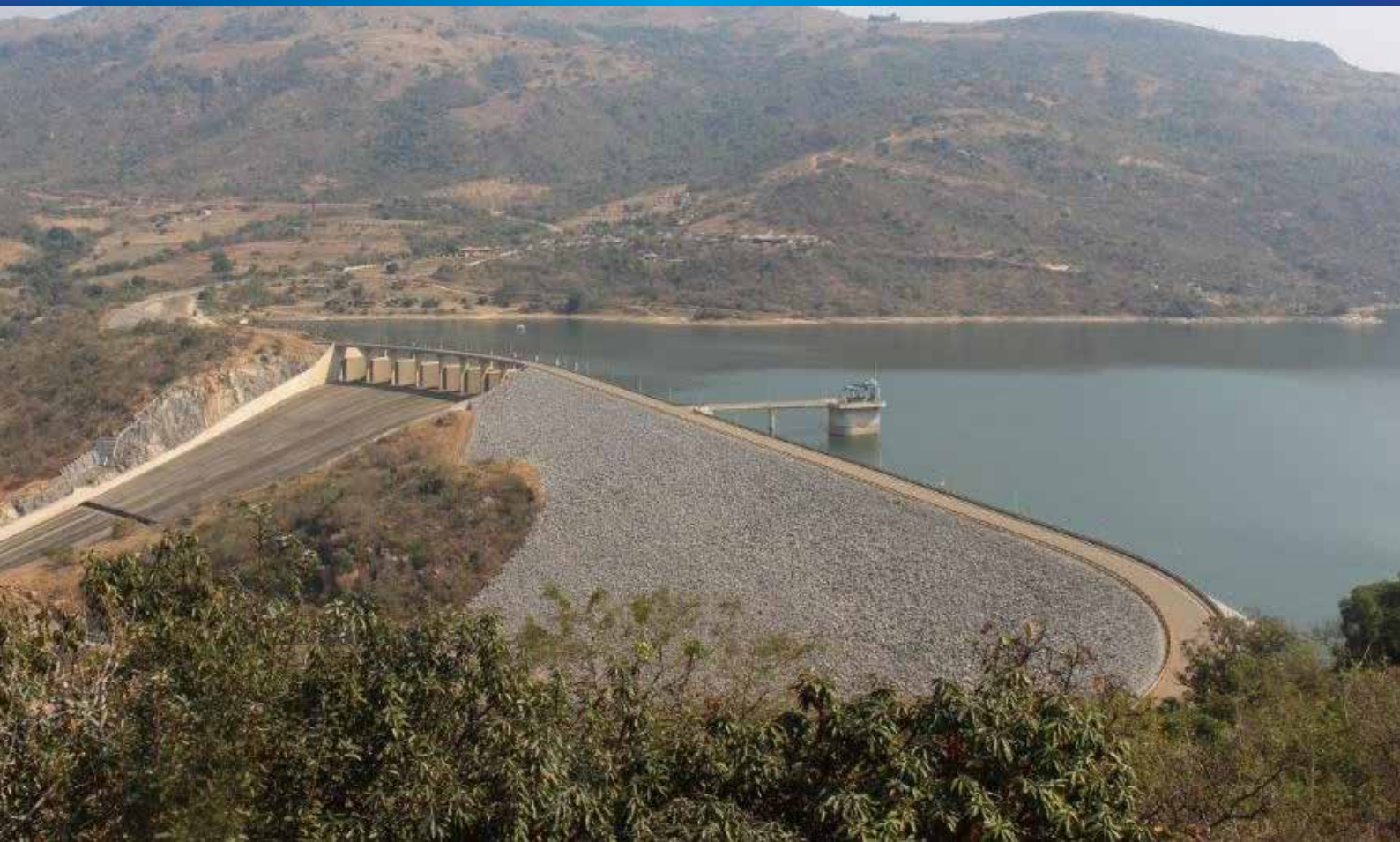
WATER FOR EVER



2018/2019

ANNUAL REPORT

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LIST OF ABBREVIATIONS

CMP	Comprehensive Mitigation Plan	LA	Low Assurance
CSD	Corporate Services Director	LMPC	Lake Matsamo Project Committee
DPP	Drought Preparedness Plan	NAPSAWU	National Public Services and Allied Workers Union
DRMC	Driekoppies Relocation Management Committee	NEHAWU	National Allied Workers Union
DSS	Decision Support System	NOSA	National Occupational Safety Association
DWA	Department of Water Affairs	OD	Operations Director
FD	Finance Director	PRIMA	Progressive Realisation of the IncoMaputo Agreement
FDS	Future Development Studies	QSHE	Quality, Safety, Health and Environment
HA	High Assurance	RAP	Relocation Allocation Plan
HEC-RAS	Hydraulic Engineering Centre River Analysis System Model	RBCT	Relationship Building Continuity Team
HR	Human Resources	RQO	Risk and Quality Officer
IMC	Information Management Centre	RUM&U	Risk and Uncertainty Management Unit
ISO	International Organisation of Standardisation	SUP	Sustainable Utilisation Plan
ISOTG	Inkomati System Operation Task Group	SWABCHA	Swaziland Business Coalition on HIV and AIDS
JWC	Joint Water Commission	SyE	Systems Engineer
IUCMA	Inkomati Catchment Management Agency	WAS	Water Administration Model
KJOF	Komati Joint Operations Forum	WEMAC	Water and Environment Awareness Campaign
KOBWA	Komati Basin Water Authority		

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THE KOMATI BASIN WATER AUTHORITY

1. THE KOMATI BASIN WATER AUTHORITY

1.1 Background Information

The Komati Basin Water Authority (KOBWA) is a bi-national company formed in 1993 through the Treaty on the Development and Utilisation of the Water Resources of the Komati River Basin. The agreement was signed in 1992 by the Kingdom of Eswatini and the Republic of South Africa. The member States tasked KOBWA with

designing, constructing, operating and maintaining two dams and associated infrastructure. This resulted in the construction of Driekoppies Dam in Schoemansdal South Africa (1993 to 1998) and Maguga Dam in Eswatini (1998 to 2003).

KOBWA is currently at the operation and maintenance phase where the focus is on managing the water resources of the Sub-Komati River Basin. Below are highlights of KOBWA's milestones in the past twenty-six years.

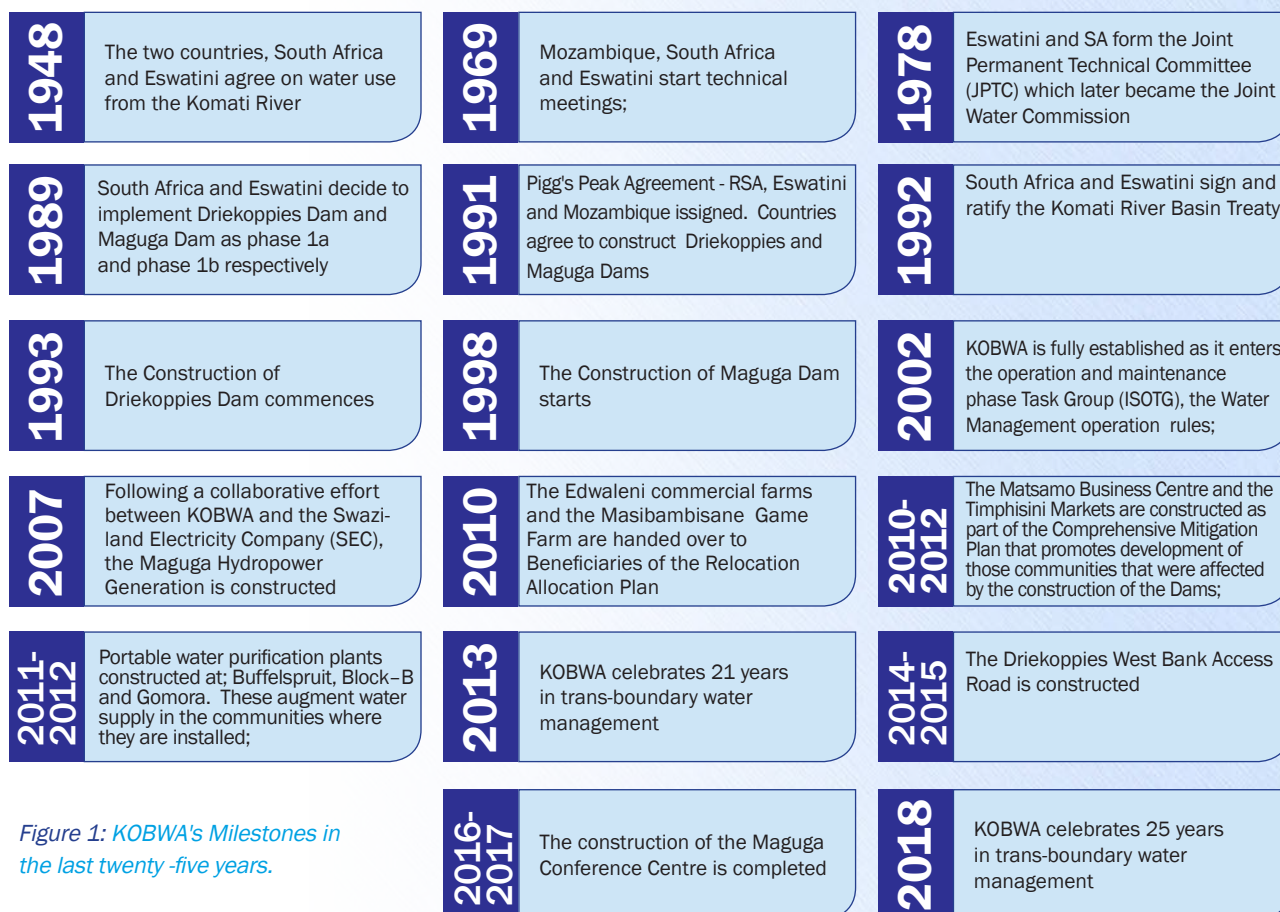


Figure 1: KOBWA's Milestones in the last twenty-five years.

KOBWA'S STRATEGY AND BUSINESS MODEL

Vision: "To be recognised as a leading entity in sustainable integrated, trans-boundary water resource development and management"

Mission: KOBWA will achieve the vision through ensuring efficient water harvesting and bulk water distribution, management of the environment, monitoring water quality, regulation, compliance, socio-economic development, engagement with key stakeholders, optimising our resources and empowering our employees.

Values

KOBWA's core values are;

- ◆ Teamwork and diversity
- ◆ Community and customer focused
- ◆ Quality and safety
- ◆ Performance delivery
- ◆ Communication and transparency

Strategic Objectives

The figure below depicts the six (6) KOBWA's strategic Key Focus Areas



Figure 2: KOBWA's Strategic Key Focus Areas

COMMITMENT TO CORPORATE GOVERNANCE

GOVERNANCE FRAMEWORK

The King IV Report on Corporate Governance for South Africa, 2016 (King IV) replaced King III Report on Governance for South Africa, 2009 (King III) with effect from 1 April 2017. King IV advocates for an outcomes-based approach and defines corporate governance as “the exercise of ethical and effective leadership by the governing body towards the achievement of the following governance outcomes: ethical culture, good performance, effective control and legitimacy.”

The principles of King IV requires an “apply and explain” approach. In order to align KOBWA with King IV, the Executive Committee (EXCO) and the Board of Directors were trained on Corporate Governance to better understand the changes to King IV and their roles and requirements in respect thereof.

KOBWA embraces King IV and remains committed to good governance and broader stakeholder interests. The Board accepts the responsibility for considering and applying relevant King IV principles and are satisfied that they have made good progress in moving towards compliance, in all material aspects, with these principles.

The Board shall continue to review and update the Authority’s governance policies and procedures to adhere to the JSE Listings Requirements, King IV and best practice. KOBWA carefully considers all new non-statutory corporate governance concepts and implement those that are in the best interests of the organisation and stakeholders. Governance requirements should enable, not detract, the directors to carry out their statutory and fiduciary duties as well as their duties of care and skill.

The governance framework allows the Board to keep effective control and stay accountable while delegating authority to board committees and the CEO along with clearly defined mandates and authority. The Board is satisfied that the delegation of authority framework contributes to role clarity and the effective exercise of authority and responsibilities.



Figure 3: KOBWA Corporate Governance

2.1 The Joint Water Commission (JWC) – South Africa and Eswatini

The Joint Water Commission was established in 1992, following the signing of the Treaty on the Establishment and functioning of the JWC between Eswatini and South Africa. The Commission is responsible for water governance in the Komati Basin between South Africa and Eswatini. They provide technical advice to the Parties on issues that relate to the development and utilisation of the shared water sources. The Commission comprises three members from South Africa and three from Eswatini.

2.1.1 Members of the Joint Water Commission

In 2018/2019, the following were members of the Joint Water Commission;

i) Eswatini

- Mrs. Winnie T Stewart - Commissioner and Leader of the Eswatini Delegation
- Principal Secretary in the Ministry of Natural Resources & Energy

- Mr Bongani Masuku - Commissioner
- Principal Secretary in the Ministry of Agriculture
- Mr Trevor Shongwe - Commissioner
- Director: Department of Water Affairs

ii) South Africa

- Ms Duduzile Twayi - Commissioner and Leader of the South African Delegation
- Chief Director: Transboundary (Department of Water & Sanitation, PTA Office)
- Mr Fikile Guma - Commissioner
- Regional Head: Department of Water and Sanitation (Mpumalanga Province)
- Mr Gideon Siziba - Commissioner
- Control Industrial Technician: Department of Water and Sanitation (Mpumalanga Province)

Joint Water Commission Members



Mrs Winnie T. Stewart
(Leader of the Eswatini delegation)



Mr Bongani Masuku
(Commissioner - Eswatini)



Mr Trevor Shongwe
(Commissioner - Eswatini)



Ms Duduzile Twayi
(Leader of the South African delegation)



Mr Fikile Guma
(Commissioner - South Africa)



Mr Gideon Siziba
(Commissioner - South Africa)

2.2 The Board of Directors

The Komati Basin Water Authority adheres to the acceptable practice of good governance. There are six (6) Board of Directors appointed to the KOBWA Board by the two Governments. Each country has a representation of three members appointed by the Honourable Minister of Water and Sanitation in South Africa and the Honourable Minister of Natural Resources and Energy in Eswatini. As indicated in the KOBWA's Corporate Governance, the KOBWA Board reports directly to the Joint Water Commission on all proceedings of Board Meetings, strategic issues and corporate governance. Board Members are required to declare their interest on an annual basis and at every meeting in relation to the matters before them for their decision.

KOBWA Board of Directors for the year 2018/2019 were as follows;

i) Eswatini

- Ms Emelda Magagula** - Interim Board Chairperson
- Acting Chief Engineer:
Department of Water Affairs
- Mr Lloyd Mzizi** - Non-Executive Member
- Legal Advisor (MNRE)
- Ms Nelisiwe Mabuza** - Non-Executive Member
- Chief Executive Officer
(African Alliance)

ii) South Africa

- Mr Blessing Singwane** - Deputy Chairperson
- Partner (Singwane and Partners)
- Dr Thomas Gyedu-Ababio** - Non Executive Member
- Chief Executive Officer: IUCMA
- Mr Archington Thobejane** - Non Executive Member
- Director: Hydrological
Engineering (DWS)
- Mr Muzi Simelane** - Company Secretary
- Mr Collin Zwane** - Chief Executive Officer

The Board of Directors



Ms Emelda Magagula
Interim Board Chairperson



Mr Archington Thobejane
Non Executive Member



Mr Blessing Sigwane
Deputy Chairperson



Dr. Thomas Gyedu-Ababio
Non Executive Member



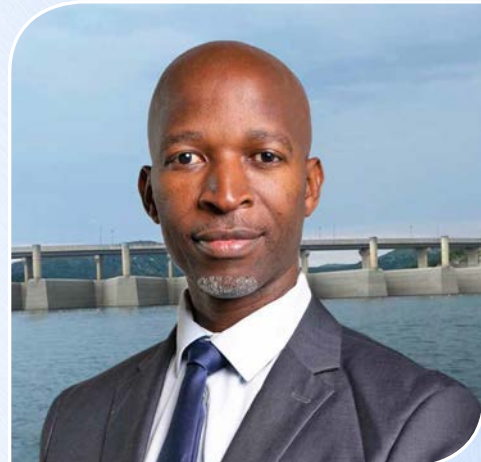
Ms Nelisiwe Mabuza
Non Executive Member



Mr Lloyd Mzizi
Non Executive Member



Mr Collin Zwane
Chief Executive Officer



Mr Muzi Simelane
Company Secretary

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CORPORATE GOVERNANCE - continued

2.3 Board of Directors' Meetings

The Board meets at least quarterly. It follows a structured approach of delegation, reporting and accountability. This includes reliance on two Board Committees to carry out delegated duties, namely

the Finance, Risk and Audit Committee (FRAC), and Human Resources & Remunerations Committee (HRRC). During the year under review, the Board convened four ordinary meetings.

Table 1 Board of Directors' attendance record

ROLES & RESPONSIBILITIES	BOARD MEETINGS				
	NAME	DATE			
i) The Board drives corporate policy and provides strategic direction in achieving the KOBWA's strategic focus areas. ii) They are expected to exhibit impeccable ethical conduct and good governance in line with the Treat and with corporate governance rules.		15.05.2018	07.08.2018	09.11.2018	13.02.2019
	*M. Simelane	✓	✓	✓	✓
	B. Singwane	X	✓	✓	✓
	N. Mabuza	✓	✓	X	✓
	C. Zwane	✓	✓	✓	✓
	T. Gyedu-Ababio	✓	✓	✓	✓
	A.Thobejane	✓	✓	✓	X
	L. Mzizi	✓	✓	✓	✓
	E. Magagula	✓	✓	✓	✓

2.3.1 Board of Directors' Meetings

The Special Board meetings are inclusive of a training session, strategic session and interviews for vacant Executive Management positions.

Table 2 Board of Directors' Special Board Meetings

NAME	SPECIAL MEETINGS					
	23.04.2018	23.05.2018	13.06.2018	11.07.2018	06.08.2018	12.02.2019
N. Mabuza	✓	✓	X	X	✓	✓
M. Singwane	✓	✓	X	✓	✓	✓
L. Mzizi	✓	✓	✓	✓	✓	✓
E. Magagula	✓	✓	X	✓	✓	✓
*M. Simelane	✓	✓	X	✓	✓	X
C. Zwane	✓	✓	✓	✓	✓	✓
A. Thobejane	✓	✓	X	X	✓	X
T. Gyedu-Ababio	✓	X	X	✓	✓	✓

2.3.2 Finance, Risk and Audit Committee (FRAC) Meetings

Table 3 Board of Directors' Special Board Meetings

ROLES & RESPONSIBILITIES	FINANCE, RISK AND AUDIT COMMITTEE (FRAC) MEETINGS				
	NAME	DATE			
		04.05.18	30.07.18	30.10.18	04.02.19
The Finance, Risk and Audit Committee comprises four members of the Board. i) Their activity to guide KOBWA on; the financial reporting process, internal control systems, the audit process and the organisation's procedures for monitoring compliance with applicable legislation. ii) The Committee also advises on Corporate Risk Management including health and safety, environmental and quality management.	N. Mabuza	✓	✓	X	✓
	T. Gyedu-Ababio	✓	✓	✓	✓
	T.A. Thobejane	X	✓	X	✓
	L. Mzizi	X	✓	X	X
	E. Magagula	✓	✓	✓	✓
	M. Singwane	X	✓	✓	X
	C. Zwane	✓	✓	✓	✓
	*M. Simelane	✓	✓	✓	✓
	.				

2.3.3 Human Resources and Remuneration Committee (HRRC) Meetings

Table 4 Board of Directors' Special Board Meetings

ROLES & RESPONSIBILITIES	HUMAN RESOURCES AND REMUNERATION COMMITTEE (HRRC) MEETINGS				
	NAME	DATE			
		03.05.18	31.07.18	29.10.18	05.02.19
The HRRC is made up of four members. Their activities include; dealing with policies relating to the management of human resources, organisational structure, terms and conditions of service, remuneration and recruitment of senior staff (besides those appointed by the Board) and pensions.	N. Mabuza	✓	✓	✓	✓
	T. Gyedu-Ababio	X	X	✓	X
	T.A. Thobejane	✓	✓	✓	✓
	L. Mzizi	✓	✓	✓	✓
	E. Magagula	X	✓	✓	✓
	M. Singwane	X	X	✓	✓
	C. Zwane	✓	✓	✓	✓
	*M. Simelane	✓	✓	✓	✓

2.3.4 KOBWA Management

The operational management of KOBWA is the responsibility of the Chief Executive Officer with the assistance of the Executive Management Team.

The role of the Management Team, with the help of section heads, is to implement the strategic direction and objectives as set out by the Board within the confines of the corporate vision, mission and values.



Mr Collin Zwane
Chief Executive Officer



Mr Charles Matambo
Finance Director



Mr Mathokoza Manana
*Operations Director
 (until January 2019)*



Ms Temangcamane Maseko
Corporate Services Director



Mr Sakhile Nkomo
*Acting Operations Director
 (from February 2019)*



Ms Portia Chuene
Internal Auditor



Ms Kenzie Mavimbela
Risk & Quality Officer



Ms Sphiwe Shongwe
Communications Officer



Ms Barbara Gama
Executive Personal Assistant



2 CORPORATE GOVERNANCE - continued



Figure 4: KOBWA Staff



Ms. Emelda Magagula
Interim Chairperson

“ I am pleased to once again announce that KOBWA continued to maintain her record of attaining unqualified external audit report. This feat was achieved notwithstanding the challenges experienced which led to migration from previous reporting framework to GRAP... ”

The KOBWA Board is once again honoured to present the organisation's annual report for the period 01st April 2018 to 31st March 2019.

As the custodians of a precious resource – water, it has never been more imperative that we focus on our strategic mandate in society. The increasingly unpredictable climate also enjoins KOBWA to pursue her mandate more diligently for the benefit of all our stakeholders. This underpins everything that we do, not only in the context of our key shareholders, the Parties and the water users but also in due consideration of our employees, the community in which we operate within, and other stakeholders. This holistic approach is entrenched in KOBWA's strategic framework in line with the Treaty governing the operations of KOBWA.

As the Board, our purpose is to guide the management of KOBWA towards building a lasting legacy and sustainability as well as being recognised as the most trusted water organisation – and during the year we were delighted to see this commitment recognised. This year has seen KOBWA successfully achieve a series of important milestones which are highlighted in this report.

Corporate Governance

I am pleased to once again announce that KOBWA continued to maintain her record of attaining unqualified external audit report. This feat was achieved notwithstanding the challenges experienced which led to migration from previous reporting framework to GRAP (Generally Recognised Accounting Practices) to enhance correct reporting of KOBWA Dam Assets on the organisational balance sheet.

Komati Treaty Review Process

The Joint Water Commission (JWC) also approved a Board proposal for the review of the current KOBWA Treaty. The JWC subsequently appointed a JWC Treaty Review Task Team which was tasked with developing the Terms of Reference, Implementation Plan and budget for the review process. This strategic initiative demonstrates the institution's capacity to adapt to the dynamic environment as the revised Treaty will enable KOBWA to expand her mandate beyond the current Treaty provisions. It is envisaged that the comprehensive review process which will involve adequate consultation will all stakeholders will be concluded by end of financial year 2020/21.

Key Executive Appointments

In line with the KOBWA Treaty and Delegation of Authority the JWC also approved the following key Executive appointments

- **Ms Temangcamane Maseko** – Appointed as Corporate Services Director for a 3-year term effective from 01st January 2019.
- **Mr. Sakhiwe Nkomo** – Appointed as Operations Director for a 3-year term effective from 01st March 2019.

The above appointments were effective following the departure of the previous Executive members; Messrs. Leonard Nxumalo (Corporate Services Director) and Mathokoza Manana (Operations Director) who both served the organisation with exceptional diligence and contributed to the progressive achievement of KOBWA strategic objectives.

Contract renewal for the CEO

In a strong show of confidence in his leadership the JWC supported the Board's recommendation to re-new the contract of KOBWA Chief Executive Officer, Mr. Collin Zwane, for another 3-year term effective from 01st July 2018. Mr. Zwane will continue pursuing the mandate of the organisation and also supporting strategically our principals with the process of reviewing the Treaty.

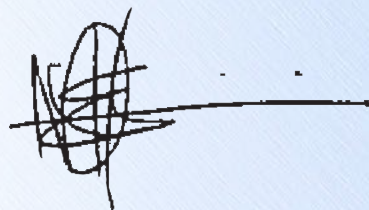
The Board is confident that the Executive team will ensure sustenance of corporate governance, operational efficiency and execution of strategic goals in the organisation.

Conclusion

The Board takes very seriously the responsibility that comes with providing guidance to the leadership and management of an entity providing an essential service that touches the lives of thousands of people within KOBWA's area of operation.

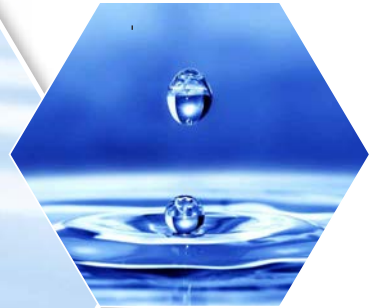
I look forward to the year ahead with confidence, knowing that the diligence of KOBWA Team and our commitment to good governance will help us to fulfil our potential as a socially responsible entity providing a high quality, essential public service.

As we build the next phase of our journey to deliver for our stakeholders and the environment, we pledge to be a force for good in the communities we serve and, in doing so, create value for the Member States and all our stakeholders.



Ms. Emelda Magagula

Interim Chairperson - Board of Directors



Mr. Collin Zwane
Chief Executive Officer

“ KOBWA continued to support community projects that have a broader impact on the ground and support Member States in compliance with the objective of contributing to the noble sixth Sustainable Development Goals (SDGs). ”

To our stakeholders,

Once again, I present this 2018/2019 annual report with a feeling of gratification about our delivery mandate as KOBWA since we managed to deliver according to our mandate as set forth in our bi-national Treaty.

Water management and Infrastructure

- **Water supply to the Parties**

At the commencement of the 2018/19 water year, the Driekoppies Dam was at 59.1% of its full supply capacity, while Maguga Dam was at 89.6%. In those conditions, KOBWA successfully delivered the allocation of water resources as approved by the two Member States, Eswatini and South Africa through continual stakeholder engagement with the Komati Joint Operations Forum (KJOF) and other key stakeholders.

- **System improvement**

KOBWA achieved another milestone in our continuous system improvement initiatives with the conclusion and approval of the project report of the Study to Improve the Operating Rules for Maguga and Driekoppies Dams. The

study was implemented in two phases; the first phase was used to refine system losses and impacts of reduced inflows from the updated hydrology, and, the second phase focused on utilising the outputs from the first phase to refine the operating rules of the system. The study was undertaken and implemented taking into consideration the inputs from the key stakeholders.

- **Infrastructure Management**

As of this financial year, again, KOBWA maintained her compliance with the Operations and Maintenance manuals and best practices. We also continued to progressively address recommendations from the previous statutory dam inspections conducted in terms Dam Safety Legislation.

Financial Management

The organisation once more received an unqualified external audit. This was achieved after a highly rigorous process of migrating from International Financial Reporting Standards (IFRS) to Generally Recognised Accounting Practices (GRAP). The statutorily compliant change was necessitated by the imperative for KOBWA to continue reporting fully all her infrastructure assets appropriately in the organisational balance sheet.

Human Resources and internal Relations

- **Employee satisfaction survey**

As part of her strategic objectives and best practices KOBWA engaged an external consultant to conduct an employee satisfaction survey. The survey was used to measure perceptions that KOBWA employees have about the various aspects of the organisation. The Board accepted the final report and the subsequent Implementation Plan prepared by the Executive to progressively address shortcomings and key areas of concerns.

- **Employee wellness**

In compliance with the organisational Employee Wellness Policy the authority upheld her support for wellness of the KOBWA Team through various activities including holding the annual wellness session with the support of The Eswatini Business Coalition on HIV and AIDS (SWABCHA). KOBWA staff also took advantage of the dedicated Wednesday Sporting afternoon which is allocated for sporting activities for staff. As part of team building KOBWA staff participated in annual sporting events both in South Africa and Eswatini such as the Selati Marathon held in Malelane (South Africa), Sibebe survivor and Imbube marathon (both held in Eswatini). A team building session focusing on organisational values was held in December 2018.

- **Industrial relations**

As per the Memorandum of Understanding (MoU) KOBWA and the two staff labour unions, NEHAWU (South Africa) and NAPSAWU (Eswatini) reached an agreement on the Cost of Living Adjustment (COLA) within the stipulated negotiation period and amicably.

Stakeholder Management

Effective Stakeholder Management is key to an organisation's sustainability. As an organisation cognisant of this imperative, KOBWA maintained good relations with all her stakeholders.

In addition to regular engagement with the catchment based stakeholders; KOBWA honoured invitations to international conferences, including but not limited to; the second annual International SHEQ summit 2018 to present on risk management in the water industry, the 36th Environmental Education Association for Southern Africa (EEASA) in Zambia and the SASDIR Conference in Durban themed "*Stop disaster risk creation in SADC.*"

Corporate Social Responsibility

KOBWA continued to support community projects that have a broader impact on the ground and support Member States in compliance with the objective of contributing to the noble sixth Sustainable Development Goals (SDGs) on Water and Sanitation. A number of meaningful projects were funded by KOBWA through our Corporate Social Responsibility Policy and annual program. In this financial year the Authority, amongst other initiatives, ran a program called 'Shoe Drive' which focused on schools within the Komati Sub-Basin both in South Africa and Eswatini where a total of 500 pairs of shoes and packs of sanitary packs were donated.

Risk Management

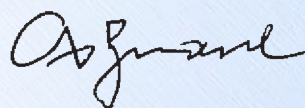
Upon Board approval of the organisational Strategic Register for 2019/10 EXCO developed individual Departmental Risk Registers and then reported to the Board on progress on mitigation measures for all risk registers on a quarterly basis.

On a final note,

I would like to recognize and appreciate the leadership and support by the Honourable Minister of Water and Sanitation in South Africa, Hon. Minister Gugile Nkwinti and the Honourable Minister of Natural Resources and Energy Eswatini, Hon. Minister Peter Bhembé, the Joint Water Commission (JWC) and the Board of Directors for their contribution towards KOBWA's ease of doing

business. I pledge our commitment of continual delivery on our mandate as instructed by the Member States, to meet stakeholders' interests and position KOBWA as the highly effective trans-boundary water management entity.

I also want to appreciate the commitment and diligence shown by the Management Team and all staff towards delivering on our strategic objectives.



Mr. Collin Zwane
Chief Executive Officer

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BUSINESS PLAN PERFORMANCE REPORT - as at 31st March 2019

1. FOCUS AREA: WATER RESOURCE DEVELOPMENT AND MANAGEMENT (35%)

OBJECTIVE: *To optimise the development and management of water and infrastructure in an effective and efficient manner to achieve KOBWA's current and future mandate.*

Table 5(a): KOBWA's Consolidated Performance

Performance Area (KPA)	Performance Indicator (KPI)	Baseline (at 1 st April 2018)	Target (2018 /2019)	Stretch Target: (31 st March 2019)	Actual performance as at 31 st Mar. 2019	Portfolio of evidence reference	Reasons for deviations	Corrective measures	New target date
System Operation	Submit Water Allocations	April 2017	May 2018	April 2018	Achieved.	KJOF presentations and Minutes. Board Reports. Written approval of Interim allocations.	n/a	n/a	n/a
	Updating of Operating Rules for the Komati System	Progress Report at 31/03/18	June 2018	n/a	Achieved.	n/a	n/a	n/a	n/a
	Prepare monthly reconciliation statements and water availability analysis	ISOTG and Treaty	20 th day of the following month	15 th day of the following month	Achieved.	KJOF minutes and Board Technical Report	n/a	n/a	n/a
	Implementation of Interim IncoMaputo Agreement (IIMA) Provision on transboundary flows Ressano Garcia	JWC Resolution adopting the IIMA Flows at Ressano Garcia	Implementation of JWC Resolution at Lebombo Gauging station by Dec 2018	30 Sep 2018	Achieved.	JWC Minutes	Need for further consultations with stakeholders.	n/a	Sep 2019

Performance Area (KPA)	Performance Indicator (KPI)	Baseline (at 1 st April 2018)	Target (2018 /2019)	Stretch Target: (31 st March 2019)	Actual performance as at 31 st Mar. 2019	Portfolio of evidence reference	Reasons for deviations	Corrective measures	New target date
Water Resources Risk Management	Intensify Climate Change communication and awareness in the Basin	Approved Climate Change Strategy. 2 workshops held in both Member States	Workshop stakeholders on water conservation and demand management by 31 Dec 2018	30 Sep 2018	Not Achieved	Not available	Condensed schedule of meetings during the period.	Activities deferred to 2 nd quarter of 2019/20 – to coincide with other stakeholder workshops	Sep 2019
	Drought Monitoring Plan (DMP)		Workshop stakeholders on land use and sanitation best practices by 31 Dec 2018	30 Sep 2018	Not achieved.	Discussion notes from meeting with CRIDF and email communications.	Project scope and implementation modalities are still being discussed with CRIDF.	Continuous engagement with CRIDF.	Mar 2020
Establishment of the Komati River Basin meteorological measuring stations network.	Identification and location of the different aquifer interactions and layouts.	Framework for Development of Drought Preparedness Plans	Develop Drought Monitoring Plan by 31 Mar 2019	31 Dec 2018	Partially achieved.	Final report	Liaising with SAWS faced some delays in scheduling a date.	Additional info will be input into meteorological stations map.	Mar 2020
	Phased installation of one groundwater monitoring borehole per Country per year	Existing KOBWA & other institutions networks	Evaluation of different meteorological zones and existing and Party owned meteorological measuring stations by 31 Mar 2019	31 Dec 2018	Partially achieved.	n/a	Remaining budget not enough to sink in another borehole.	RSA side borehole to be prioritised for 2019/20	Sep 2019
Infrastructure Management	Progressive Implementation of statutory dam inspections report	Driekoppies and Maguga Dam Inspection safety reports Compiled	Implementation of DD Implementation Plan by Dec 2018 and MD Plan by Mar 2018 Mar 2019	Oct 2018	Achieved	Monthly maintenance reports	n/a	Continuous monitoring of any recurring issues.	
	Internal annual dam inspections	Driekoppies and Maguga Dam Inspection safety reports Compiled	Feb 2019	Dec 2018	Achieved.	Inspection reports	n/a	n/a	n/a

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Business Plan Performance Report - as at 31st March 2019

1. FOCUS AREA: WATER RESOURCE DEVELOPMENT AND MANAGEMENT (35%)

OBJECTIVE: To optimise the development and management of water and infrastructure in an effective and efficient manner to achieve KOBWA's current and future mandate. (continued)

Performance Area (KPA)	Performance Indicator (KPI)	Baseline (at 1 st April 2018)	Target (2018 /2019)	Stretch Target: (31 st March 2019)	Actual performance as at 31 st Mar. 2019	Portfolio of evidence reference	Reasons for deviations	Corrective measures	New target date
Infrastructure Management (continued)	Contracts for key infrastructure components	Existing Contracts	Sep 2018	June 2018	Not achieved.	n/a	Delays in research on technical specifications	Staggered approach prioritising areas that frequent maintenance	Mar 2019
	Development of scheduled Master Maintenance Plan for major items on both dams.	Existing individual schedule for major items	Develop a Maintenance Master Plan by 31 Aug 2018	Jul 2018	Achieved.	Operational budget approved. Masterplan incorporated into O&M schedule	n/a	n/a	n/a
Environmental monitoring	Relocate Laboratory operations.	Final design Building Materials procured. Appointment of Lab Technologist	Relocate laboratory by Dec 2018	Sep 2018	Achieved	Report on the migration to new lab.	n/a	n/a	n/a
	Compliance with ISO17025	Internal audit report	Dec 2018	Sep 2018	Achieved	Quarterly reports.	n/a	n/a	n/a
	Perform wet and dry micro biological monitoring	2017/2018 report	Sep 2018 Feb 2019	Aug 2018 Jan 2019	Partially achieved	Monthly Report	Delayed procurement resulting in non-availability of service provider on time.	n/a	n/a

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Business Plan Performance Report - as at 31st March 2019 (continued)

2. FOCUS AREA: FINANCIAL MANAGEMENT & OTHER SOURCES OF INCOME (15%)

OBJECTIVE: *To proactively source, secure and diversify our revenue streams.*

Performance Area (KPA)	Performance Indicator (KPI)	Baseline (at 1 st April 2018)	Target (2018 /2019)	Stretch Target: (31 st March 2019)	Actual performance as at 31 st Mar. 2019	Portfolio of evidence reference	Reasons for deviations	Corrective measures	New target date
Financial Management	Expenditure Control	95% budget expenditure	Achieve at least 95%. Budget expenditure	98%	Achieved	Cost Control report.	n/a	n/a	n/a
	Audited Financial Statements	Unqualified audit	Unqualified Audit. Draft report to Board by 31 July 2018	Unqualified Audit. Draft report to Board by 30 June 2018	Achieved	Audit report	n/a	n/a	n/a
	Implementation of International Financial Reporting Standards (IFRS)	Assets evaluated in accordance with IFRS Standards	Annual Financial Statements (AFS) for 17/18 compliant with IFRS	n/a	Achieved	Annual Financial Statements	n/a	n/a	n/a
Budget Preparation	Approved Budget	24 Nov 2018	Approved budget by 30 Nov 2018	n/a	Achieved	Approved budget and JWC resolution.	n/a	n/a	n/a
Loan Repayments	Timely (due dates) of all Payments	100% Compliance	100%	n/a	Achieved	Payment vouchers and bank statements.	n/a	n/a	n/a
Accounting software	Implement a suitable integrated accounting package to enhance efficiency within Finance Department.	Identified a suitable accountable package	Suitable accounting package implemented by 31 Mar 2019	31 Dec 2018	Partially achieved.	Tender Documents and report for Board approval.	Budget approved in Quarter 4 at JWC meeting (held in February 2019)	Appointment of the service provider in 2019/20	Dec 2019.

5

Business Plan Performance Report - as at 31st March 2019

2. FOCUS AREA: FINANCIAL MANAGEMENT & OTHER SOURCES OF INCOME (15%)

OBJECTIVE: To proactively source, secure and diversify our revenue streams. (continued)

Performance Area (KPA)	Performance Indicator (KPI)	Baseline (at 1 st April 2018)	Target (2018 /2019)	Stretch Target: (31 st March 2019)	Actual performance as at 31 st Mar. 2019	Portfolio of evidence reference	Reasons for deviations	Corrective measures	New target date
Review of Finance Policies and Procedure Manuals	Revised Supply Chain Management (SCM) Policy	Current SCM due for review in 2018/19	Revised Policy by 31 Mar 2019	31 Dec 2018	Partially Achieved.	Policy presented to EXCO in Mar 2019	Extensive Research in both countries.	Submission to Board in April 2019	Sep 2019
	Finance Policies and Procedures Manual	Conversion into IFRS	New Finance Management Policy and Updated Procedures Manual by 31 Mar 2019	31 Dec 2018	Partially Achieved.	Accounting policies part of the AFS, policy statement to be drafted.	Prioritisation was given to SCM policy and IFRS.	Policy will be done in phases to cover all aspects adequately.	Aug 2019
Cost Containment measures	Cost containment measures implemented across the organisation	Initiatives incorporated during the budgeting process for 2018/19	Document detailing Cost containment measures implemented by 30 Sep 2018	30 June 2018	Achieved.	Cost control and document on proposed measures.	Cross-cutting will be discussed Operations department.	Continuous engagement internally.	Ongoing
	Cost containment Awareness taken across the organisation	Awareness measures during cost control meetings	Cost containment measures discussed at all departments on a monthly basis	n/a	Achieved	Cost containment document tabled at EXCO. Approval processes more rigorous.	n/a	n/a	Continuous engagement.

Performance Area (KPA)	Performance Indicator (KPI)	Baseline (at 1 st April 2018)	Target (2018 /2019)	Stretch Target: (31 st March 2019)	Actual performance as at 31 st Mar. 2019	Portfolio of evidence reference	Reasons for deviations	Corrective measures	New target date
Revenue Generation	Identified additional sources of revenue for KOBWA	KOBWA Strategy detailing potential opportunities and additional scope	Package at least 2 growth opportunities into bankable projects	4 bankable projects	Partially achieved	1 additional project on DPP co-funded with CRIDF	Discussions not finalised with partner organisations	More organisations to be engaged. Specific projects to be pursued.	Jun 2019
	KOBWA recognised as Implementing Agent for Implementation of RMP at Driekoppies Dam	Draft RMP concluded after consultation with stakeholders. DWS / KOBWA involved in emerging land challenges	To be Implementing Agent for Driekoppies Dam Resource Management Plan (RMP)	n/a	Partly Achieved.	1 additional project on DPP co-funded with CRIDF	Awaiting DWS decision on the project.	KOBWA to continue engaging the DWS	June 2019
	Increased use of KOBWA Recreational Areas in both dams	n/a	Increased use of KOBWA Recreational Areas in both dams	n/a	Partially achieved.	Event approvals mostly at Driekoppies Dam and gate intake fees.	The current setup does not give KOBWA a huge benefit but is good for publicity.	KOBWA needs to review the structure of the events and how she can maximise the benefit.	2019/ 2020
	Provision of relevant Training in Water and Environmental Management at KOBWA	Information on training provided by other Water Management Institutions	Feasibility study on the viability of a Water and Environmental Management Training opportunities based at KOBWA	n/a	Partially achieved.	Record of meeting with TVET.	Could not secure a meeting during the quarter with the other identified institutions	Meetings will be set up to discuss areas of collaboration and to lead to courses.	June 2019
	Mini hydro-power generation at Driekoppies Dam	Dam designs	Evaluation of electricity generation potential of Driekoppies Dam for local area & KOBWA Complex	n/a	Not achieved	None, discussions were informal.	The process to engage Nkomanzi and DWS and other partners such as the Municipality is more involving.	To have more meetings and technical assessments in 2019/20	2021

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Business Plan Performance Report - as at 31st March 2019

3. FOCUS AREA: CUSTOMER AND STAKEHOLDER FOCUS (10%)

OBJECTIVE: *To anticipate and proactively meet current and future customer and stakeholder requirements. To attract new clients and expand our mandate (strengthen and position KOBWA as a preferred service provider).*

Performance Area (KPA)	Performance Indicator (KPI)	Baseline (at 1 st April 2018)	Target (2018 /2019)	Stretch Target: (31 st March 2019)	Actual performance as at 31 st Mar. 2019	Portfolio of evidence reference	Reasons for deviations	Corrective measures	New target date
Treaty Review Process	Treaty Review Process & draft revised Treaty	Concept notes developed in 2016/17	75% progress report	Draft Revised Treaty by 31 Mar 2019	Partially achieved.	Draft terms of reference and budget	Delayed approval of budget.	Program to be fast tracked in 2019/20	March, 2020
KOBWA Marketing and Branding – as an entity of value	Develop a marketing and branding strategy	Draft Concept note developed	Branding and Marketing Strategy by 31 Dec 2018	n/a	Not achieved	Not available	Focus was on implementing the Comms Bus Plan which has a section on Promotions	Developing a branding plan that will include input from all Departments	June 2019
KOBWA Promotions	Corporate Functions	25 th Anniversary celebrations	One function by 31 Mar 2019	Two functions	Achieved.	Hosted hand-over of school shoes and sanitary towels to primary school Learners Report, pictures, Advertorial in the <i>Mpumalanga News</i>	Joint event planned with Nkomazi LM and DWS for Jan 2019. Supported the Matsamo Traditional Authority annual event.	n/a	n/a
	Publications / Conference Presentations	3 Conference Presentations at SANCOLD & World Water Day	1 Publication / 2 Conference Presentations	4 Conference Presentations	Achieved	Presentation, report, pictures	n/a	n/a	n/a

Performance Area (KPA)	Performance Indicator (KPI)	Baseline (at 1 st April 2018)	Target (2018 /2019)	Stretch Target: (31 st March 2019)	Actual performance as at 31 st Mar. 2019	Portfolio of evidence reference	Reasons for deviations	Corrective measures	New target date
KOBWA Promotions (continued)	Water & Environmental Management Awareness Campaign (WEMAC) - Schools	Last event held in 16/17. Participated in IUCMA schools competition & KoS Water Week events	Hold 1 WEMAC event in each Member State by 31 Dec 2018	n/a	Achieved	Presentation KOBWA Emergency Preparedness Plans at the Global Water Conference in Durban in October 2018.	n/a	n/a	n/a
Customer Service	Survey report Satisfactory percentage level	2017/2018 Survey Report	Responsive Customer Service Charter & action plan by 31 Dec 2018	n/a	Achieved	An internal Stakeholder action plan	n/a	n/a	n/a
	Continuous engagement and sharing of IWRM information with the relevant partners in our industry	Presentation at stakeholder forums and KJOF	Convene at least 2 workshops with various key stakeholders by 31 Dec 2018	3 workshops by 31 Dec 2018	Achieved	IUCMA NDMA	n/a	n/a	n/a
	Strengthen partnerships with existing stakeholders	Informal events - based partnerships	Signed Memorandum of Understanding with IUCMA (RSA) and KRBA (KoS) by 31 Mar 2019	31 Dec 2018	Achieved	Draft MoUs with IUCMA and NDMA	Finalise and sign the draft MoUs	n/a	June 2019

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Business Plan Performance Report - as at 31st March 2019

4. FOCUS AREA: PEOPLE (15%)

OBJECTIVE: To attract, develop and retain competent staff who promote the vision and culture of KOBWA.

Performance Area (KPA)	Performance Indicator (KPI)	Baseline (at 1 st April 2018)	Target (2018 /2019)	Stretch Target: (31 st March 2019)	Actual performance as at 31 st Mar. 2019	Portfolio of evidence reference	Reasons for deviations	Corrective measures	New target date
Human Resources Management	Performance Evaluations	PMS based on the new Strategic Plan	2 Performance Evaluations based on the strategic plan.	n/a	Partially achieved.	Appraisal forms	Process has begun to conclude by May 2019	n/a	May 2019
	Revised HR Policy Manual	Transport and SHEQ Policies Revised as per KOBWA Policy Gaps Analysis Report	Revised HR Policy Manual by 31 Mar 2019	Revised HR Policy Manual by 31 Dec 2018	Partially achieved	Inputs from staff Draft policies (Sexual Harassment and whistle blowing Policies	Priority changed to SH and Whistle blowing Policies	To revert to initial plan after approval of the two policies per quarter	June 2019
Skills Development	Annual Skills Development & Process Annual Training Report/ Work Skills Plan for Energy SETA	2017/18 Skills Development Plan & Mid-Terms Performance Assessments	2018 Skills Development Plan & Access Training Fund Support from EWSETA	n/a	Achieved	Skills development plan for 2018/19	n/a	n/a	n/a
Corporate Values	Behavior changes or practices	Values defined new in strategy	Develop and Align KOBWA values with behaviours Dec 2018	Workshop conducted by Sep 2018	Partially achieved	Attendance register and report.	Ongoing process	To continue with workshops during quarterly feedback sessions	Every quarter

Performance Area (KPA)	Performance Indicator (KPI)	Baseline (at 1 st April 2018)	Target (2018 /2019)	Stretch Target: (31 st March 2019)	Actual performance as at 31 st Mar. 2019	Portfolio of evidence reference	Reasons for deviations	Corrective measures	New target date
Industrial Relations	Industrial Action (Strikes)	Nil	0 strikes resulting from failed negotiation 3 COLA Negotiation meeting Training on negotiations	2 negotiation seatings.	Achieved	Minutes and attendance register	n/a	n/a	n/a
	Signed Collective Agreement	Ad hoc MoU between Labour and Management.	Signed MoU by Dec 2018	Signed MoU by Sep '18	Achieved	Minutes of meeting	Meeting postponed to give way to negotiations (dependant on availability of labour)	To commence after finalisation of COLA negotiations	June 2019
Succession Plan	Revised succession plan and retention strategy	Draft succession plan	Succession Plan by 30 June 2018 Retention Strat by 31 Dec 2018	Revised Retention Strategy by 30 Sep '18	Partially achieved	Succession Plan	Vacancy of CSD position for 9 months	To revise Retention strategy in 2019/20	Dec 2019

5

Business Plan Performance Report - as at 31st March 2019

5. FOCUS AREA: TECHNOLOGY AND BUSINESS PROCESS (15%)

OBJECTIVE: To have technology systems and business processes that enable business efficiencies.

Performance Area (KPA)	Performance Indicator (KPI)	Baseline (at 1 st April 2018)	Target (2018 /2019)	Stretch Target: (31 st March 2019)	Actual performance as at 31 st Mar. 2019	Portfolio of evidence reference	Reasons for deviations	Corrective measures	New target date
Business Planning	Review Strategic Plan 15/16 to 19/20 (extend to 20/21)	Draft strategy reviewed by Board	Implement 2018/19 strategic actions	n/a	Achieved.	Implementation monitoring report	n/a	n/a	n/a
	Approved 2018/19 Annual Performance Plan (APP)	Approved strategy & budget	31 May 2018	n/a	Achieved.	Board reviewed and approved strategy in August 2018. Submitted to JWC for ratification	n/a	n/a	n/a
	Draft 2019/20 Annual Performance Plan (APP) by 3 rd quarter	Ave 3.0	Achieve a 3.0 organisational average score	3.5	Achieved.	Report from organisation performance appraisals	n/a	n/a	n/a
Reporting	Annual Report	Approved strategy	28 Feb '19	n/a	Achieved.	n/a	n/a	n/a	
	Board & Board Committee Report	5 Days Prior	7 Days Prior	n/a	Achieved.	Board & Board Committee Report	n/a	n/a	n/a
	JWC & JWC FC Reports	5 Days Prior	7 Days Prior	n/a	Achieved.	JWC & JWC FC Reports	n/a	n/a	n/a
Corporate Governance	Develop new corporate governance policy	Current policy & draft new policy.	Approved policy by Sep 2018	Approved policy by July 2018	Achieved.	Signed policy	n/a	n/a	n/a
Risk Management	Compliance Risk Management Plan	Board approved Risk Management Policy. Policy was workshopped to staff.	Two year rolling plan for risk management	Initiate and develop the implementation of a compliance monitoring strategy and guide.	Achieved.	Survey Risk Culture Assessment.	n/a	n/a	n/a

Performance Area (KPA)	Performance Indicator (KPI)	Baseline (at 1 st April 2018)	Target (2018 /2019)	Stretch Target: (31 st March 2019)	Actual performance as at 31 st Mar. 2019	Portfolio of evidence reference	Reasons for deviations	Corrective measures	New target date
Risk Management (continued)	Strategic Risk Register and quarterly monitoring reports.	Departmental and Strategic Risk Register (2017/18)	Approved Departmental and Strategic Risk Registers (2018/19) by 4 th quarter	Updated Strategic risk register by end of 3 rd quarter.	Achieved.	Risk Register and RQO report.	n/a	n/a	n/a
Internal Audit	2018/19 Internal Audit Charter, 2018/19 Annual Plan & 3 year 2018/19 Rolling Plan	2017/18 Internal Audit Charter, Annual Plan & 3 year Rolling Plan	2018/19 Internal Audit Charter, 2018/19 Annual Plan & 3 year 2018/19 Rolling Plan approved by 31 May 2018	2019/20 approved by 31 March 2019	Achieved.	Charter, Annual and three year rolling plan.	n/a	n/a	n/a
	Internal Audit Reports & follow up reports	Outstanding findings (Follow-Up audits)	Address 80% of adverse audit findings	Address 100% of adverse audit findings	Achieved.	Summary follow ups on Internal Audit Findings report as at Quarter 4 of 2018/19	n/a	n/a	n/a
Legal Compliance Management	Compliance Manual	Legal Register framework – identifying departmental legislative requirement	Compliance Legal Manual by 31 Mar 2019	Compliance Manual by 31 Dec 2018	Partially Achieved.	Legal register. Applicable controls outstanding	Under estimation of required effort in filling the register.	Engage more resources; Interns with legal background.	Oct. 2019
Information Management Systems	New Electronic Document Management System (EDMS)	Dr.Doc Management System Approved budget	New document management system by 30 Sep 2018	31 Jul 2018	Partially achieved	Appointment letter Attendance register Draft document	Delayed appointment of service provider	n/a	July 2019

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Business Plan Performance Report - as at 31st March 2019

5. FOCUS AREA: TECHNOLOGY AND BUSINESS PROCESS (15%)

OBJECTIVE: *To have technology systems and business processes that enable business efficiencies. (continued)*

Performance Area (KPA)	Performance Indicator (KPI)	Baseline (at 1 st April 2018)	Target (2018 /2019)	Stretch Target: (31 st March 2019)	Actual performance as at 31 st Mar. 2019	Portfolio of evidence reference	Reasons for deviations	Corrective measures	New target date
IT Audit	Implementation of the Audit Findings	Implement-ation plan: - DRP implemented	100% implement-ation.	n/a	Achieved	Monthly reports containing day – to – day usage of internet and other systems	n/a	n/a	n/a
Business Continuity Management	Implementation of Disaster Recovery Plan (DRP)	Approved DRP including tests	Progressive imple-mentation of recommend-ations	n/a	Achieved	Reports	n/a	n/a	n/a
Quality Control and Capacity Building	Quality Control Audits (Reports on adherence to industry specific standards)	Gap Analysis on the QMS	Initial Audit by Certification Body by 31 Mar 2019	Certification on ISO 9001:201	Achieved	Report	n/a	n/a	n/a
Health & Safety Health and safety certification	Progressive Compliance towards H&S Certification (ISO 45 001:2018)	Health Identification & Risk Assessment (HIRA)	Health and Safety risk profile in line with ISO 45 001 by 31 Dec 2018	Health and Safety Risk Profile by Sep 2018.	Achieved	HIRA report / profile.	n/a	n/a	n/a

5

Business Plan Performance Report - as at 31st March 2019

6. FOCUS AREA: SOCIO ECONOMIC INITIATIVES (10%)

OBJECTIVE: To facilitate socio economic development within the basin through socio economic initiatives.

Performance Area (KPA)	Performance Indicator (KPI)	Baseline (at 1 st April 2018)	Target (2018 /2019)	Stretch Target: (31 st March 2019)	Actual performance as at 31 st Mar. 2019	Portfolio of evidence reference	Reasons for deviations	Corrective measures	New target date
CSR Projects	Implementation of Corporate Social Responsibility projects	2017/18 projects & outstanding requests	Spend 100% of approved allocated budget on CSR projects by Mar 2019	Implement all projects by end 31 Dec 2018	Achieved.	CSR Reports and Committed costs documents.	n/a	n/a	n/a
Lake Matsamo Mitigation Plan	Lake Matsamo Business Proposal	Draft Feasibility Report	Business Proposal Report by Sep 2018	n/a	Partially achieved	Approved Business plan. Minutes of steering Committee minutes. Report complete and handed over to KOBWA, Trust and Ministry of Tourism in Eswatini.	n/a	n/a	n/a

Table 5(b): KOBWA's Performance Indicators' Achievement Percentage Summary

KPI's Achieved	KPI's Partially Achieved	KPI's Not Achieved
41/64	18/64	5/64
64%	28%	8%

6

OBJECTIVE: Water Resource Development and Management

- To optimise the development and management of water and infrastructure in an effective and efficient manner to achieve KOBWA's current and future mandate

6.1 Water Resources Management Function

The Water Resources Management Department, known as Operations Department, is responsible for the operation and maintenance of bulk infrastructure, water resources systems operation, managing water resources risks and uncertainties, water quality and other functions related to water management. Integrated reporting for this department will be structured under the following main focus areas:

- System Operation
- Infrastructure Operation and Maintenance

- Risk and Uncertainty Management
- Aquatic Ecosystems Monitoring

6.2 System Operation

The 2018/19 water year commenced with Driekoppies Dam at 59.1% of its full supply capacity, while Maguga Dam was at 89.6%. The graphs below show variation in the gross storage for both Maguga and Driekoppies Dams as compared to the last water year as well as the long term mean.



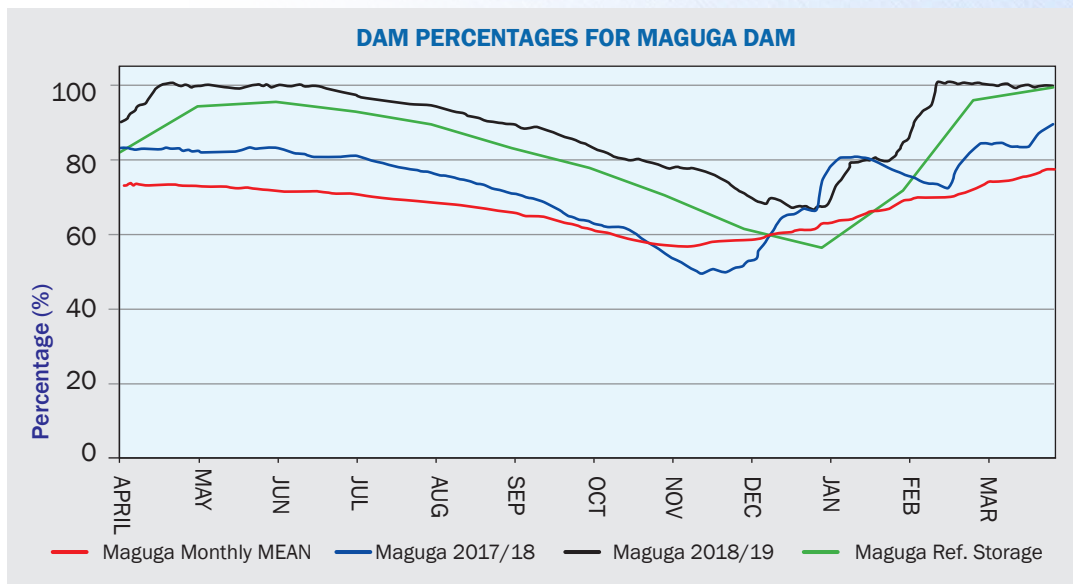


Figure 5(a): Showing Maguga Dam Level, as at end of March 2019

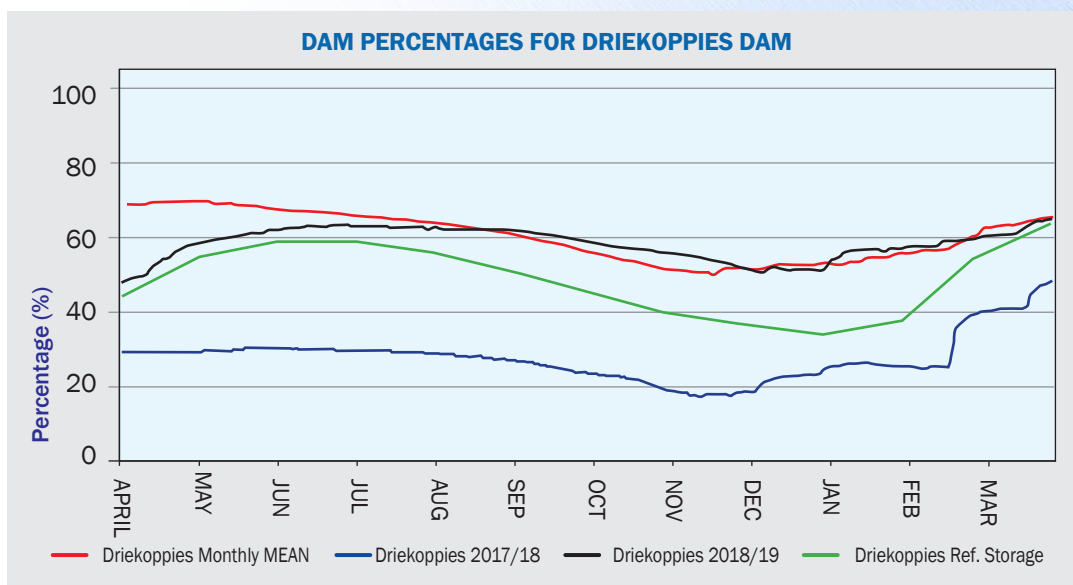
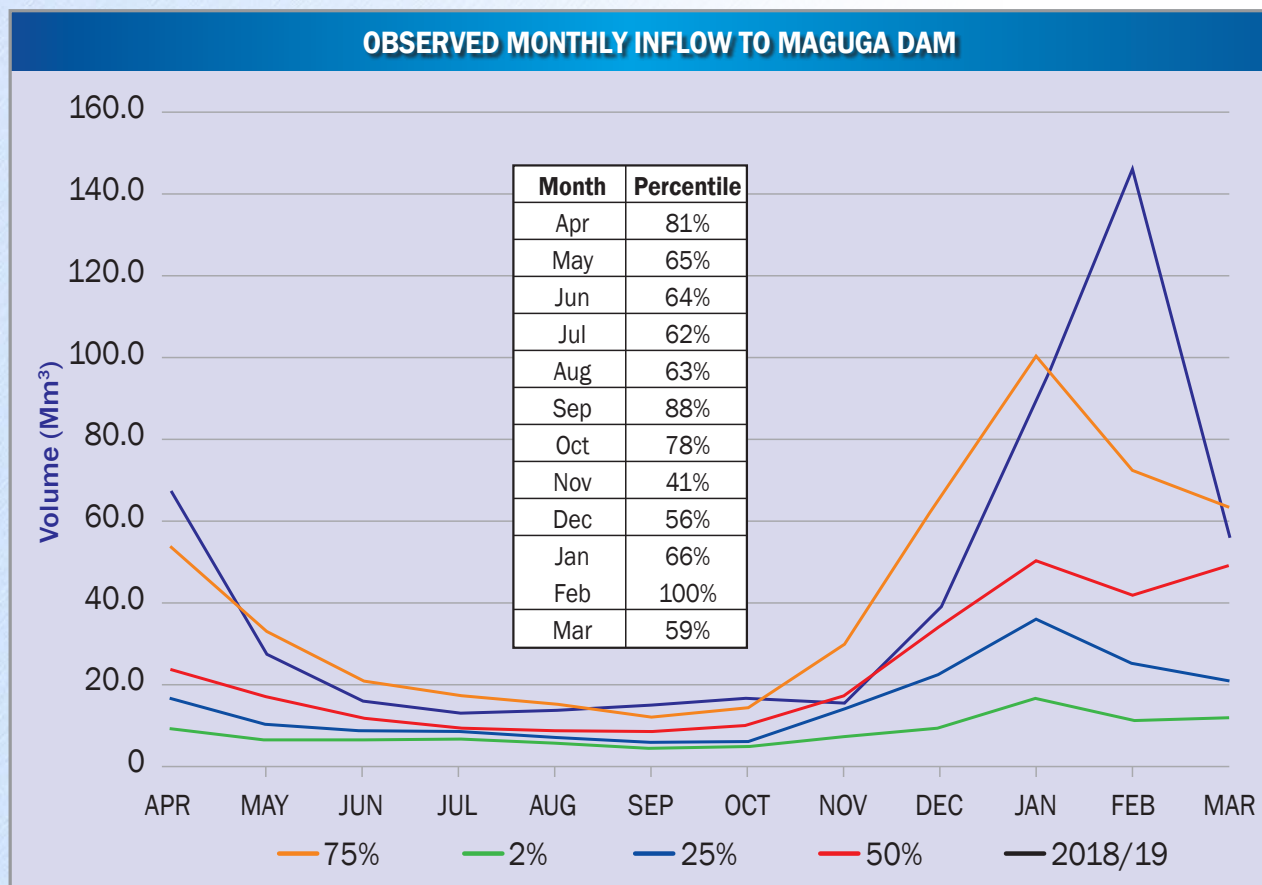


Figure 5(b): Showing Driekoppies Dam percentages as at the end of March 2019

6

OBJECTIVE: Water Resource Development and Management - contd.Figure 5(c): *Observed inflow to Maguga Dam*

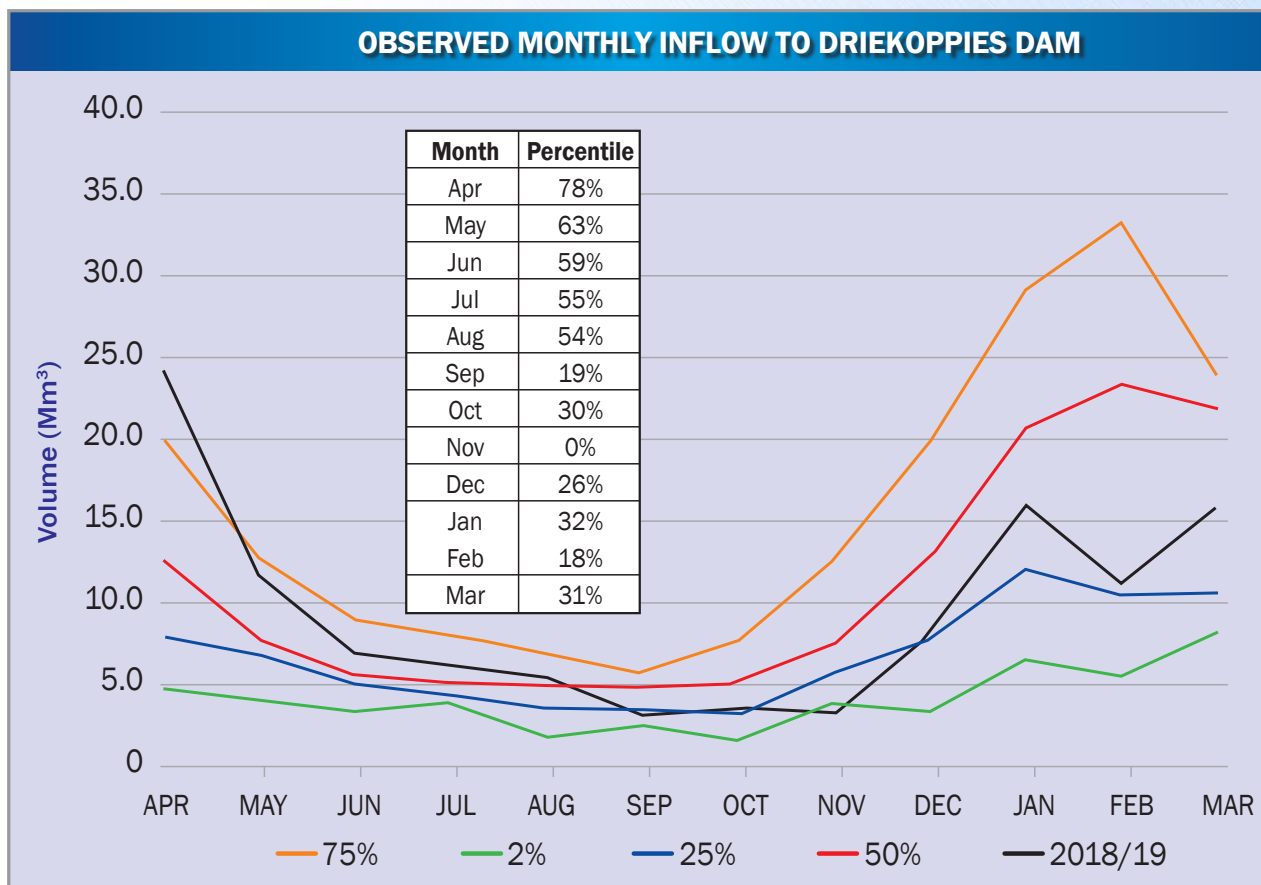


Figure 5(d): Observed inflow to Driekoppies Dam Water Allocations for 2018/19 Water Year

6

OBJECTIVE: Water Resource Development and Management - contd.

The approved Water Allocations below Maguga and Driekoppies dams for 2018/19 water year are shown in Table 5(a) for Low Assurance (LA) and Table 5(b) for High Assurance (HA). The Water Allocations represent non-

curtailed Treaty allocations. An adjustment for Mozambique requirement and water demand by Project relocatees, both in Eswatini and South Africa was made to the allocations.

Table 6(a): Low Assurance (Irrigation) Water Allocations for 2018/19 water year in cubic hectometres per year (hm³/a) downstream of Maguga and Driekoppies Dams.

Party	Water Allocation (million m ³ /a)	Banked Water (million m ³ /a)	Transmission Losses (Mm ³)	Total
South Africa	285.4	2.0	25.4	312.8
Eswatini	243.3	23.3	16.6	283.2

Table 6(b): Non-rationed High Assurance Water Allocations for 2018/19 water year in cubic hectometres per year (hm³/a) downstream of Maguga and Driekoppies dams

Party	Water Allocation (million m ³ /a)
South Africa	17.5
Eswatini	18.2
Total	35.7

6.3 Water Use by the Parties

The Komati Basin Water Use and Storage Reconciliation Statements for end of March 2019 were computed based on the full annual water allocations to the Parties and on the monthly average irrigation distribution curves of the ISOTG rules (ISOTG curves).

Low Assurance Water Use by the Parties for the 2018/19 water year is shown in Table 6(a) and Figure 6(a) for South Africa, and in Table 6(b) and Figure 6(b) for Eswatini. At the end of March 2019, South Africa had utilised 251.1 Mm³ or

80.8% of their non-rationed allocation and Eswatini, 2271 Mm³ or 62.087.4% of their non-rationed allocation. These consumption figures exclude banked water which was 2.0 Mm³ for South Africa and 23.3 Mm³ for Eswatini, at the beginning of 2018/19 water year.

As at the end of March 2019 the system spillage was estimated to be 135 Mm³. This amount of spillage resulted in the loss of all saved water by the Parties.

Table 7(a): *Water Use downstream of Driekoppies Dam and Mananga in South Africa in 2018/19 water year*

Water Use Downstream of Driekoppies and Mananga in South Africa March 2019		
	AMOUNT (million m ³)	BALANCE (million m ³)
Water use from Driekoppies Dam	76.9	
Add flow across Mananga Border	385.7	
		462.6
Subtract releases for Mozambique	233.2	
		229.4
Subtract riverine losses	33.6	
		195.8
Subtract domestic and industrial use	18.2	
		177.6
Add gross accruals from:		
Driekoppies to Lebombo	46.7	
Mananga to Tonga	26.8	
		251.1
Add water used from storage in the weirs (assumed)	0.0	
Irrigation water use in 2018/19*		251.1
* Remaining irrigation water downstream of Mananga and Driekoppies Dam on March 31:		
- South Africa:	=	59.7 Mm ³
Actual booked irrigation water in use in 2018/19	=	251.1** Mm ³
**Actual use which is:		
Greater than (AVERAGE IRRIGATION DISTRIBUTION CURVE)	=	310.8 Mm ³
Actual booked irrigation use = 80.8% of 310.8Mm ³ /a non-rationed Low Assurance water.		

6

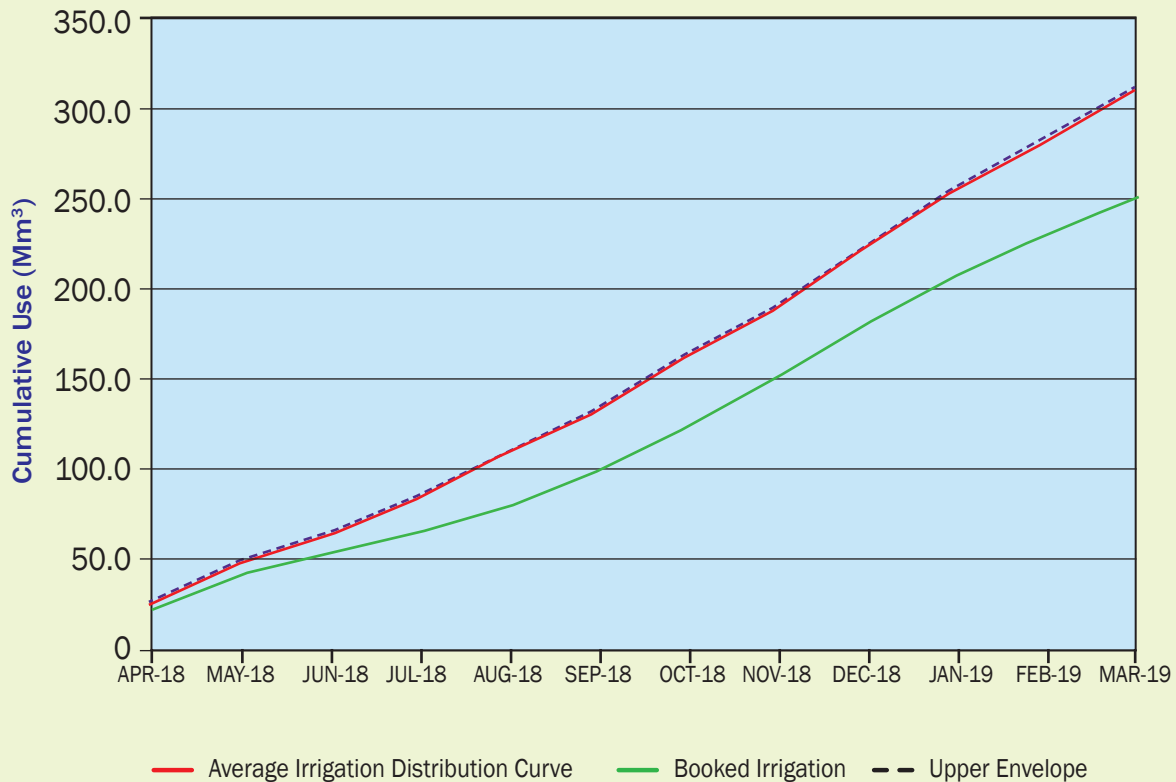
OBJECTIVE: Water Resource Development and Management - contd.
**Comparison Between Expected Irrigation use and Actual Irrigation Use:
 April 2018 - March 2019: SOUTH AFRICA**


Figure 6(a): Irrigation Water Use by South Africa

Table 7 (b): Irrigation Water Use by Eswatini

WATER USE DOWNSTREAM OF MAGUGA DAM IN ESWATINI March 2019		
	AMOUNT (million m ³)	BALANCE (million m ³)
Releases from Maguga Dam	479.0	479.0
Subtract increase in stored volume in Hydropower Regulating Weir from April 01 to March 31	0.6	
Subtract net evaporation losses from Hydropower Regulating Weir	0.0	478.4
Subtract riverine losses	13.7	478.4
Subtract domestic and industrial use	17.5	464.7
Add gross accruals from Maguga to Mananga	165.7	447.2
Subtract flow at Mananga Border	385.7	612.9
Irrigation water use in 2018/19*		227.1
* Remaining irrigation water downstream of Maguga Dam on March 31:		
- Eswatini:	=	32.8Mm ³
Actual booked irrigation water in use in 2018/19	=	227.1** Mm ³
**Actual use which is:		
Greater than (AVERAGE IRRIGATION DISTRIBUTION CURVE)	=	259.9 Mm ³
Actual booked irrigation use = 87.4% of 259.9 Mm ³ /a rationed Low Assurance water.		

Comparison Between Expected Irrigation use and Actual Irrigation Use: April 2018 - March 2019: ESWATINI

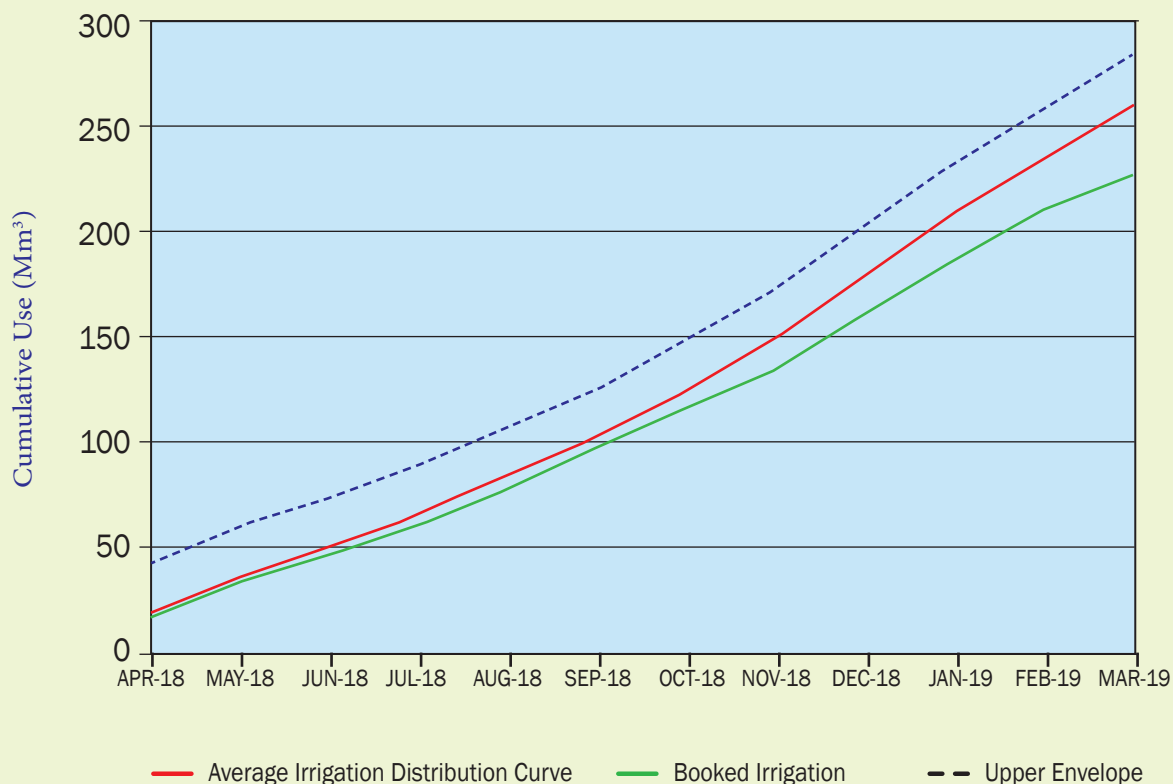


Figure 6(b): Irrigation Water Use by Eswatini

The total system storage as at the end of the water year was 508.6 Million m³ of water, being 332.3 Million m³ and 176.3 Million m³ at Maguga and Driekoppies Dams,

respectively. The reference storage was 504.7 Million m³. Tables 7(a) and 7(b) below, show the storage reconciliation of Maguga and Driekoppies dams, respectively.

Table 8 (a) : Maguga Dam Storage Reconciliation

MAGUGA DAM STORAGE RECONCILIATION ON 1 APRIL 2019		
	AMOUNT (million m ³)	BALANCE (million m ³)
Combined stored volume in Maguga Dam and Hydropower Regulating weir at start of water year	299.3	
Add Inflow to Maguga Dam for water year	517.0	
Subtract:		816.4
Net evaporation loses from Maguga Dam	4.9	
Releases from dam Maguga Dam	479.0	
Decrease in stored volume in Hydropower Regulating Weir from April 01 to March 31	-0.6	
Total stored volume in Hydropower Regulating Weir and Maguga Dam at end of month	483.3	333.1
Subtract Eswatini share of Water in Reserve	1.2	
Brought forward from 2017/18	0.1	
Cumulative for 2018/19	1.2	333.1
Subtract commitments from storage from 2017/18 water year to:		
South Africa	0.6	
Eswatini	23.3	
	23.8	308.0
Add back water use above average use and/or banking for 2018/19:		
South Africa along Middle and Lower Komati*	-16.9	
Eswatini	-32.7	
	-49.7	258.3
Add back portion of banked water lost through spillage during 2018/19 water year to:		
South Africa	16.5	
Eswatini	55.4	
	71.9	330.2
Add back Transmission Losses resulting from excessive water orders during 2018/19 water year by:		
South Africa	1.0	
Eswatini	0.6	
	1.6	331.9
Reference Storage Available in Maguga Dam and Hydropower Regulating Weir from 01 April 2019		331.9
Subtract water stored in Regulating Weir on 01 April 2019	0.8	331.0
Reference storage available in Maguga Dam on 01 April 2019		331.0

6

OBJECTIVE: Water Resource Development and Management - contd.Table 8 (b) *Driekoppies Dam Storage Reconciliation*

DRIEKOPPIES DAM STORAGE RECONCILIATION ON 1 APRIL 2019		
	AMOUNT (million m³)	BALANCE (million m³)
Total stored volume at start of water year	148.2	
Add inflow for water year	115.1	
Subtract:		263.3
Net evaporation losses		
Releases from dam	10.1	
Total stored volume at end of month	76.9	
	87.0	176.3
Subtract share of water supplied for Mozambique from Komati River that was used by South Africa but replaced from Crocodile River:		
Brought forward from 2017/18	2.7	
Net Cumulative for 2018/19*	0.8	
	3.5	172.8
Subtract South African share of Water Reserve		
Brought forward from 2017/18	2.5	
Cumulative for 2018/19	0.2	
	2.6	170.2
Subtract commitments from storage from 2018/19 water year to South Africa		
	1.4	
Add back water use above average use and/or Banking for 2018/19 along Lomati and Lower Komati**	-42.8	
Add back portion of banked water lost through spillage during 2018/19 water year to:		125.9
South Africa	41.7	
Crocodile River	3.5	
	45.2	171.1
Add back Transmission Losses resulting from excessive water order by South Africa during 2018/19 water year:	2.6	
Reference Storage Available in Driekoppies Dam on 01 April 2019		173.7
** Balance of South African over use not held in Maguga Dam		

High Assurance, water whose use is currently not necessarily measured, was reconciled assuming a uniform demand rate throughout the year, as seen in Table 7 (c), below.

Table 8(c) *High Assurance demand downstream of Maguga and Driekoppies dams*

HIGH ASSURANCE WATER DEMAND DOWNSTREAM OF DRIEKOPPIES AND MANANGA IN SOUTH AFRICA - MARCH 2019				
	Lomati	Middle Komati	Lower Komati	Total
Non-rationed High Assurance Annual Allocation	8.6	9.3	0.3	18.2
Cumulative demand in 2018/19	8.6	9.3	0.3	18.2
Remaining High Assurance water downstream of Mananga and Driekoppies Dam on March 31	0.0	0.0	0.0	0.0

NB: Quantities in million m³

HIGH ASSURANCE WATER DEMAND DOWNSTREAM OF MAGUGA DAM IN ESWATINI MARCH 2019				
	Maguga to IYSIS	IYSIS	IYSIS to Mananga	Total
Non-rationed High Assurance Annual Allocation	1.9	11.8	3.8	17.5
Cumulative demand in 2018/19	1.9	11.8	3.8	17.5
Remaining High Assurance water downstream of Maguga Dam on March 31	0.0	0.0	0.0	0.0

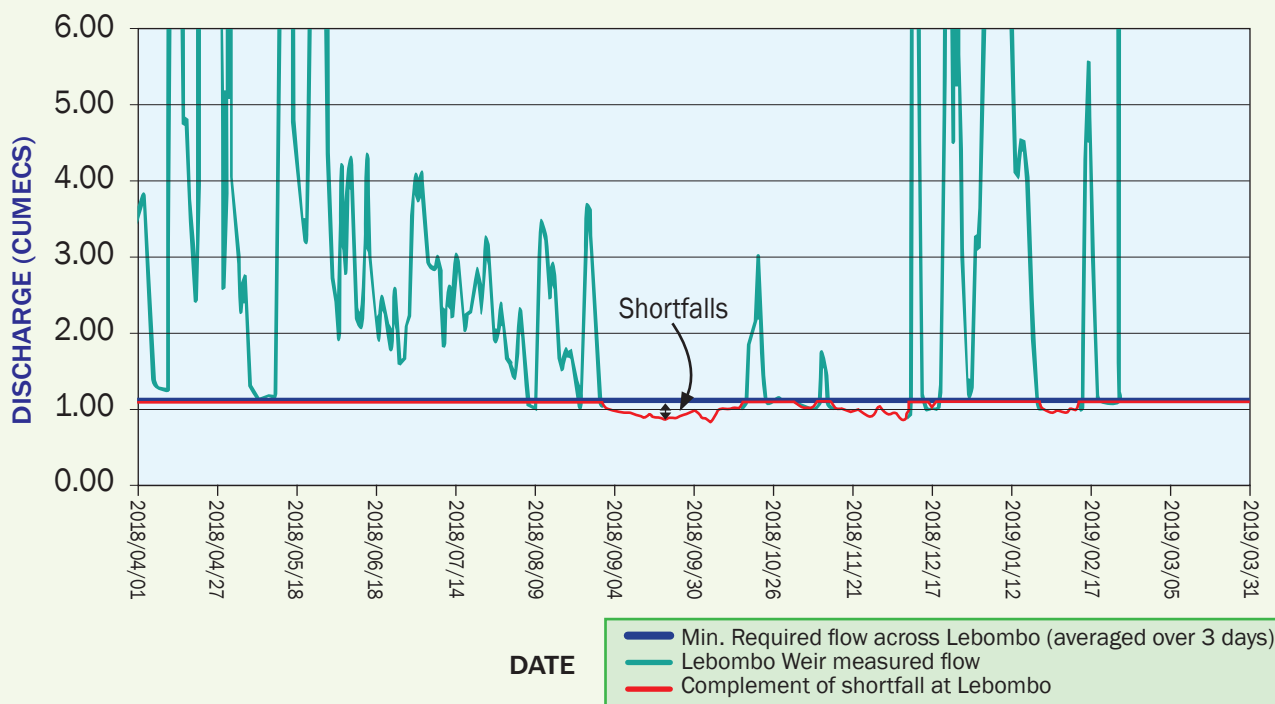
NB: Quantities in million m³

6.4 Analysis of the Komati River Contribution to Mozambique Requirement

During the period from 1st April 2018 – 31st March 2019, the contribution by the Komati River (measured at Lebombo weir) to the Mozambique flow was for 71.6% of the time

above the 3-day- average minimum requirement, which is 1.1 m³/s.

Figure 7(a) shows the observed daily hydrograph at Lebombo weir compared with the minimum required daily flow, averaged over three days.

ANALYSIS OF LEBOMBO SHORTFALLS: 01 April - 31 March 2019

Total No. of days below minimum requirement	89
Total No. of days above minimum requirement	276
Total No. of days for period of analysis	365
Expected minimum flow for period (Mm ³)	34.7
Measured flow across Lebombo Weir for period (Mm ³)	233.2
Lebombo shortfalls during period of analysis (Mm ³)	1.06

Figure 7(a): Analysis of Lebombo shortfalls (01 April 2018 - 31 March 2019)

6.5 Trans-boundary Flow Analysis

According to unverified data provided by The South African Department of Water and Sanitation and Inkomati-Usuthu Catchment Management Agency, the measured daily average flow over the Komatiport gauge (1st April 2018 –

31st March 2019) was for 91.5% of the time above the minimum requirement which is 2 m³/s averaged over three days, as shown in figure Figure 7(b) below.

ANALYSIS OF KOMATIPOORT SHORTFALLS: 01 April - 31 March 2019

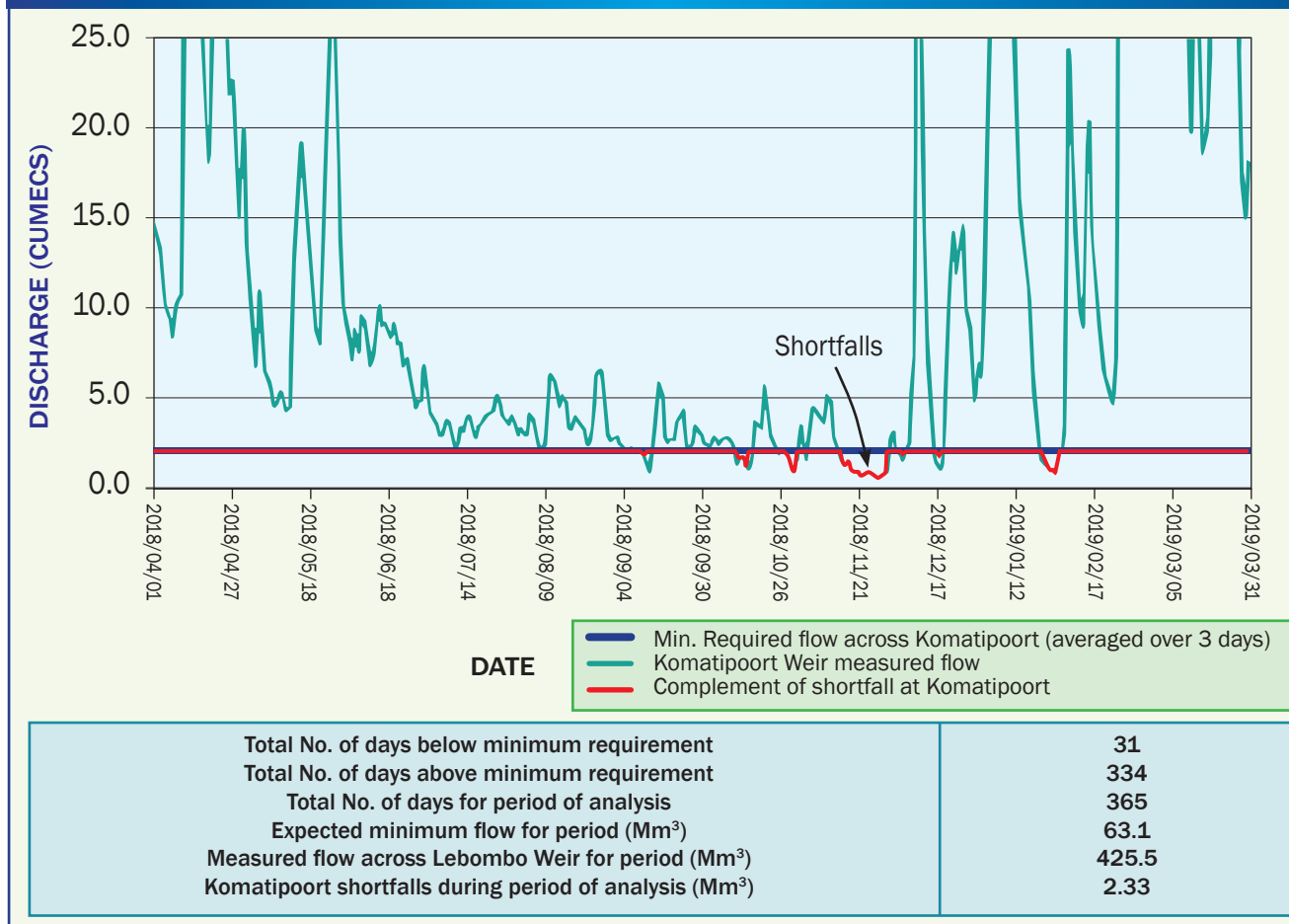


Figure 7(b): Analysis of Komatipoort shortfalls (01 April 2018 - 31 March 2019)

6.6 Study to Improve the Operating Rules for Maguga and Driekoppies Dams - Phase II

In executing our mandate, KOBWA saw the need for a technical study to investigate improvements to the operating rules for the Komati River Basin. To adequately

manage the scope, it was envisaged that the study would be implemented in two phases; the first being to refine system losses and impacts of reduced inflows from the updated hydrology, and, secondly to utilise outputs from the first phase to refine the operating rules of the system.

6

OBJECTIVE: Water Resource Development and Management - contd.

With the first phase having been completed in 2014, KOBWA engaged Aurecon to undertake the second phase of the project. The main objective of the Phase II study was to optimise the operational rules of Maguga and Driekoppies dams so as to minimise spills from one dam relative to the other while ensuring that the reliability of supply is kept the same for all irrigators downstream of the dams. The project commenced in April 2017 and the final study report was delivered in November 2018. The results of the study for this project were presented to KOBWA and the Joint Water Commission members during the last quarter of the financial year. Some findings and recommendations of the study are as follows:

- A reduction in the hydrology has resulted in the yield of the system being reduced. The low assurance

yield (at about 94% assurance) has decreased from the 566.9Mm³ derived from the Treaty allocations to between 375Mm³ to 412Mm³ depending on the application of a progressive curtailment rule. One such operating rule is shown in the Figure below.

- The study has proposed some refinements to the Rationing Model® in order to make it more accurate. This includes a reduction in inflows into Driekoppies Dam as well as reduction of accruals downstream of Maguga Dam. An updated drawdown rule has also been incorporated into the model in order to improve the conjunctive operation of the two dams. The study also proposed future updates for the Rationing Model®.

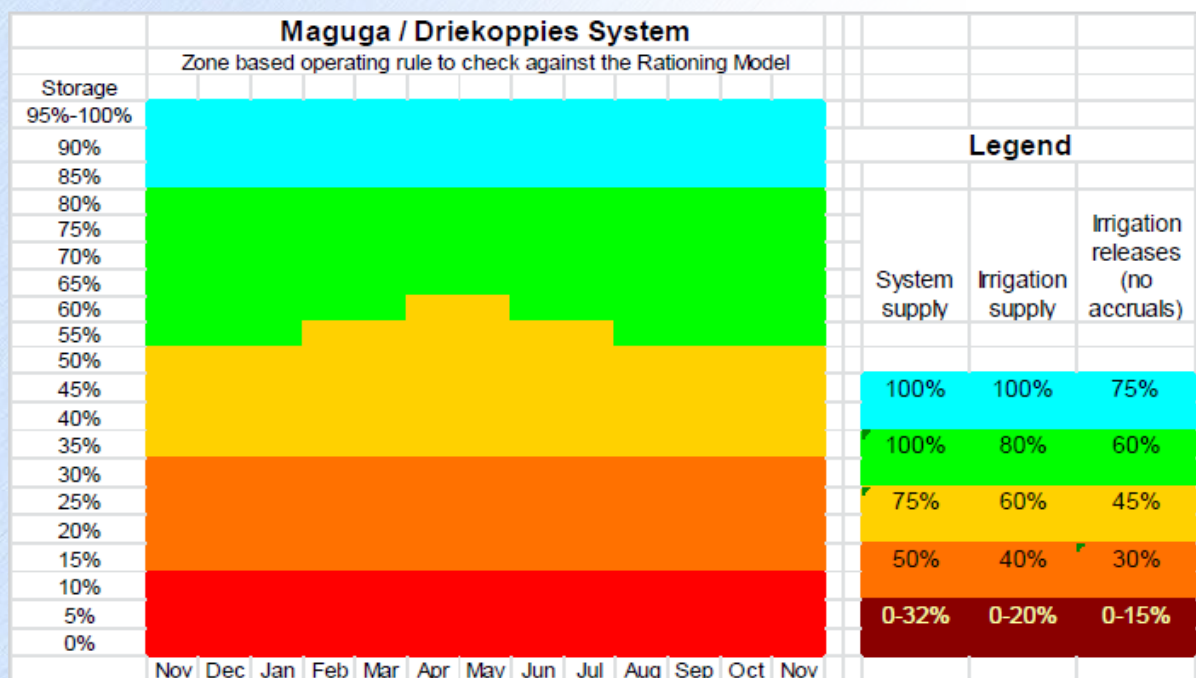


Figure 8: Provisional Progressive Curtailment Zones for the KOBWA System

The recommended update for the Rationing model will be attended to from 2019/20 year with the assistance of the Department of Water and Sanitation.

6.7 KOBWA and CRIDF Engagements

KOBWA and the Climate Resilient Infrastructure Development Facility (CRIDF) have formed a partnership that is of benefit to KOBWA and the Parties. CRIDF is an official SADC programme funded by the United Kingdom's Department for International Development's (DFID's). Working to deliver sustainable small-scale infrastructure across 12 SADC countries, the CRIDF programme focuses on water services, water resources management, and water for livelihoods, fostering sustainable development of the region's water resources and addressing the water, food and energy nexus. CRIDF began in 2013 and will run until 2020, with Phase 1 having ended in 2017 and Phase II ending in 2020.

The partnership has received some funding support for one project at the moment, namely:

- **Mananga hydrometric gauging station project (Bankability: feasibility),**

6.7.1 Feasibility Study for the Rehabilitation of Mananga Gauging Station: The primary purpose of this project is to confirm feasibility on the Mananga Gauging Station Rehabilitation Project. Three options will be evaluated:

- **Option 1:** Construction of a new weir just within South Africa near Mananga Boarder, as proposed by the South Africa Department of Water and Sanitation study about 2 years ago,
- **Option 2:** Construction of a new weir just upstream of the border in Eswatini (about 50 metres upstream of the Mananga border),
- **Option 3:** Improving the existing Mananga Gauging station to correct the approach flow patterns and foundation conditions.

The project will be implemented in 2019.

6.8 Infrastructure Operation and Maintenance

The Infrastructure Operation and Maintenance section is responsible for the operation and maintenance of the Maguga and Driekoppies dams and all related infrastructure. It also handles projects which may emerge from time to time. Both Maguga and Driekoppies Dams were operated and maintained in line with the Operations and Maintenance Manuals and best practice. The included data collection and analysis from various instrumentation which included weather stations at both dams, crack meters, open tube piezometers, relief wells (for Driekoppies dam), open tube piezometers, seepage weirs, etc. Projects that were managed include the erection of a concrete palisade fence at Driekoppies Dam whilst at Maguga Dam.

Driekoppies Dam Concrete Palisade Fence: During the period of extreme low flows at the dam, there was an influx of sand miners as well as livestock roaming all the way to the dam wall. The need for a strong barrier was identified and a concrete palisade design was chosen so as to prevent people from vandalising the barrier. The fence is 200m long and will continue to be constructed in phases in future years.

Other projects at Driekoppies Dam include revamping of the water treatment plant for Driekoppies Dam water supply as well as the first phase of constructing a workshop and shed to house the boat and other implements.

Migrating the Laboratory: KOBWA constructed a new laboratory which has a larger space within the premises in order to improve compliance with ISO 17025 requirements. The old laboratory equipment has successfully been moved to its new larger location and the minor touch ups being done will be completed .

6.9 Water Quality Monitoring Programme

The following water resources quality monitoring programmes, which form part of the KOBWA monitoring design, are undertaken to gather the required data and information for KOBWA to meet the objectives of water quality monitoring:

- Reservoir Monitoring
- River Health Monitoring
- Biological Monitoring
- Real Time Monitoring
- Ground Water Monitoring.

KOBWA continued with the monitoring of the water quality on the dams and along the river basin within its area of operation. The samples were analysed internally in our small laboratory and externally for other parameters such as groundwater parameters.

The figures below show water quality for each of the monitoring programmes:

RESEVOIR MONITORING:

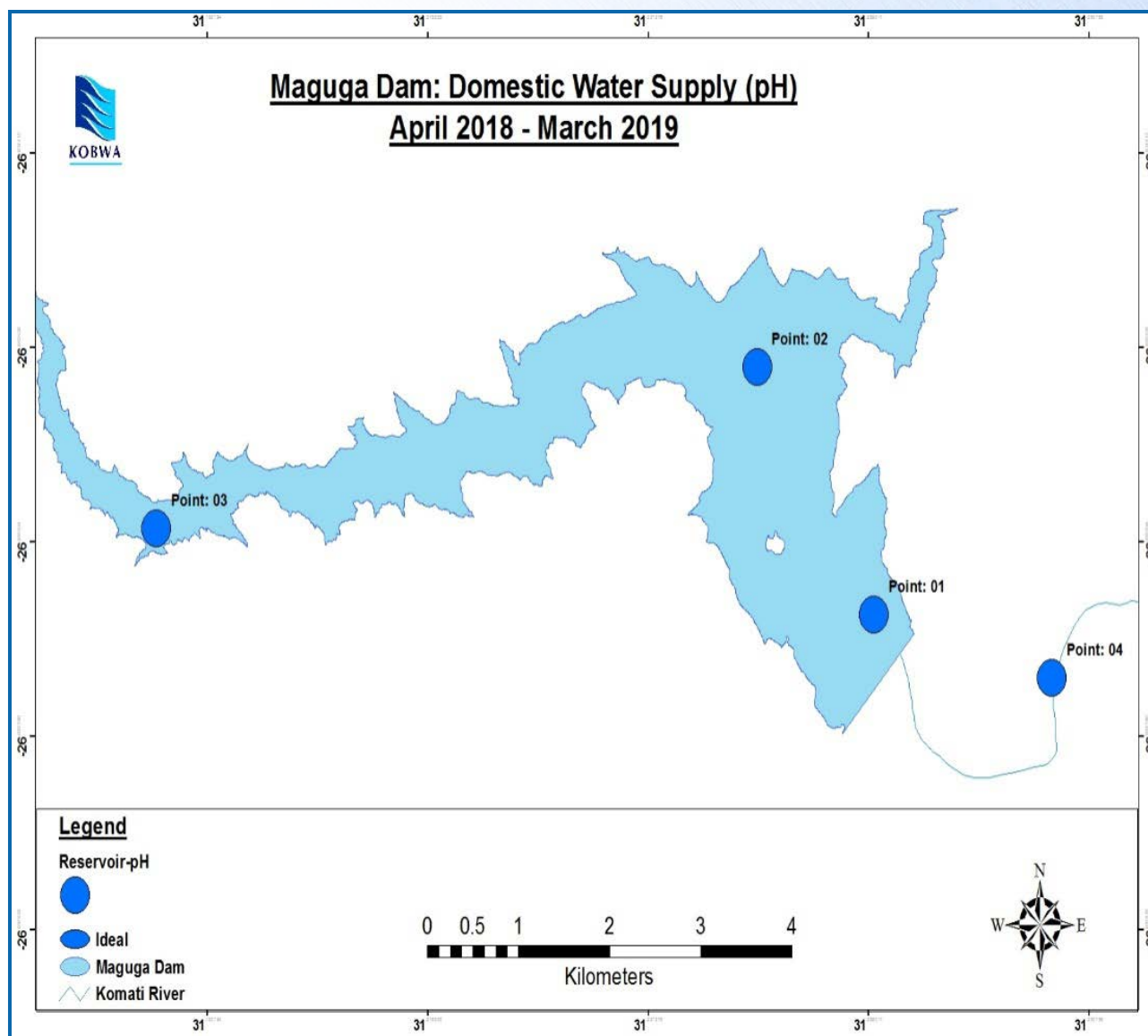


Figure 9(a): pH data plotted as pie diagram for Fitness of Domestic Water Use for Maguga Dam (2018/19 Water Year)

6 OBJECTIVE: Water Resource Development and Management - contd.

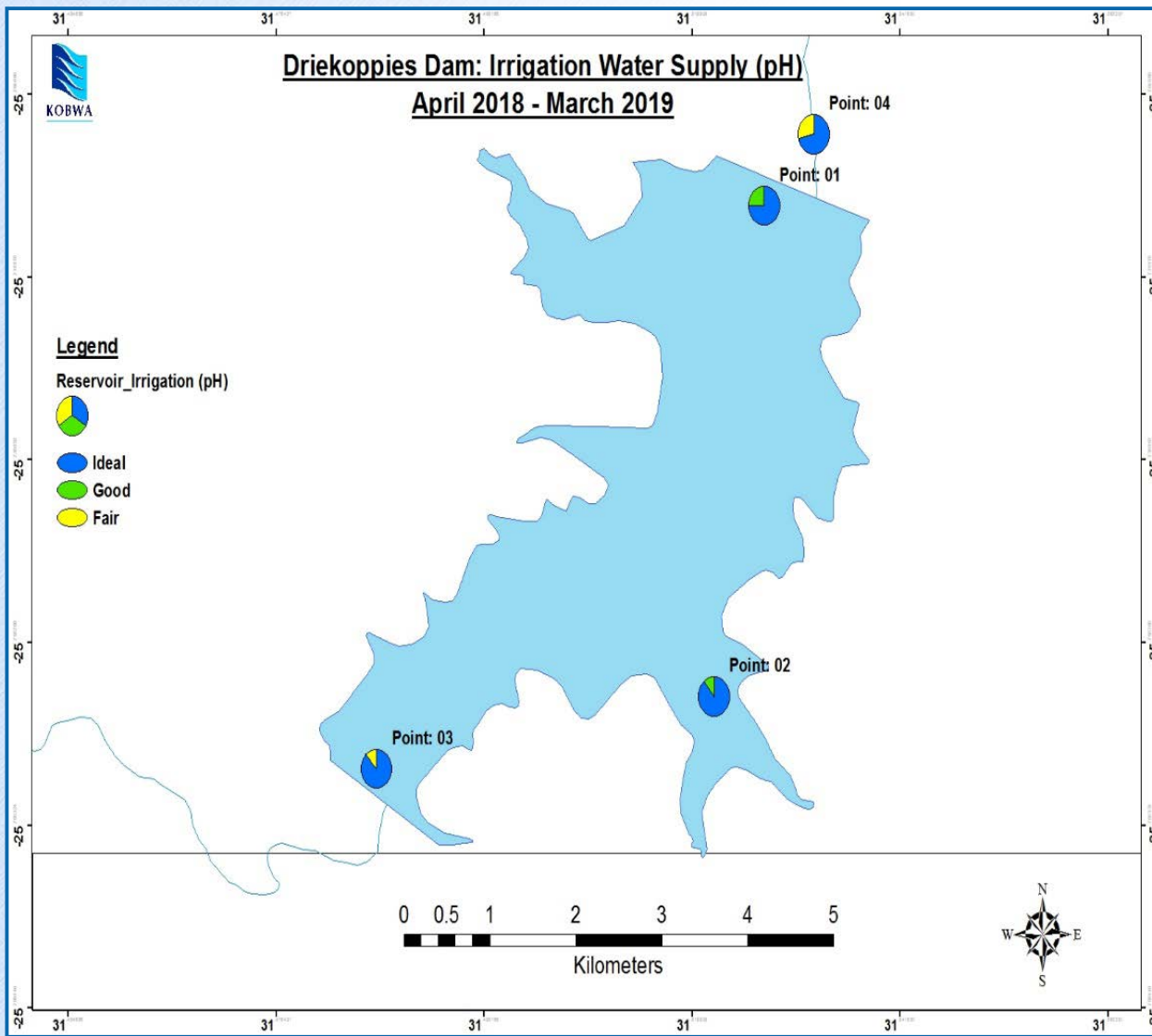


Figure 9(b): pH data plotted as pie diagram for Fitness of Irrigation Water Use for Driekoppies Dam (2018/19 Water Year)

RIVER HEALTH MONITORING:

In this programme water samples are collected in the river and analysed these for key water quality constituents in

the KOBWA Water Lab in order to determine the water quality status of the Komati River and the Lomati River.

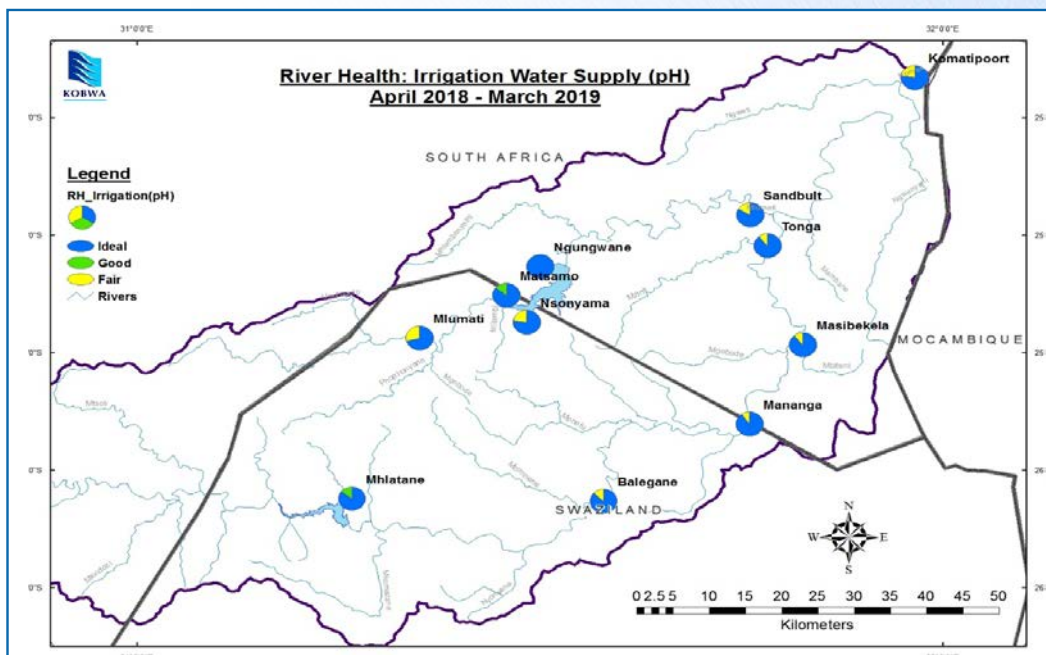


Figure 10(a): pH fitness for irrigation use plotted as pie diagrams at various points along the Komati-Lomati River (2018/19 Water Year)

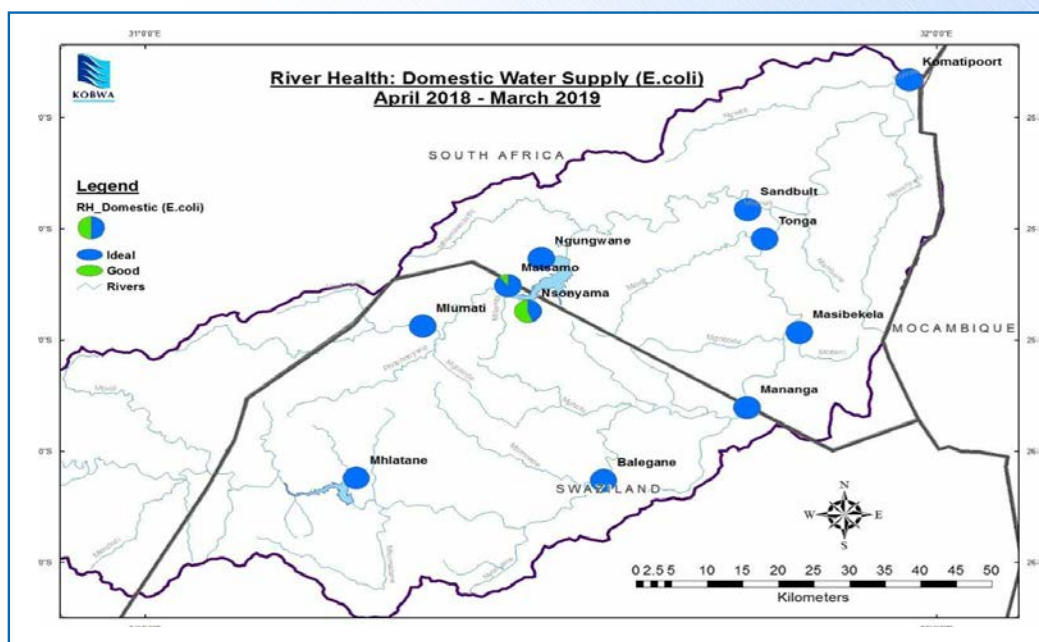


Figure 10(b): E. coli data plotted as pie diagrams at various points along the Komati - Lomati River (2018/19 Water Year)

NEAR REAL TIME WATER QUALITY MONITORING:

This monitoring programme is designed to record, in near real time, the water quality discharged from the two reservoirs and at key points in the system using electrical conductivity and water temperature as an indicator of the macro-chemical composition of the water and potential

impacts on biota. The majority of the catchment has access to ideal water quality for all three uses.

A decline of water quality is noted upstream of the confluence at Tonga, Sandbult and Lebombo for irrigation water use. The fitness of water quality for the aquatic ecosystem also declines from Tonga to Lebombo.

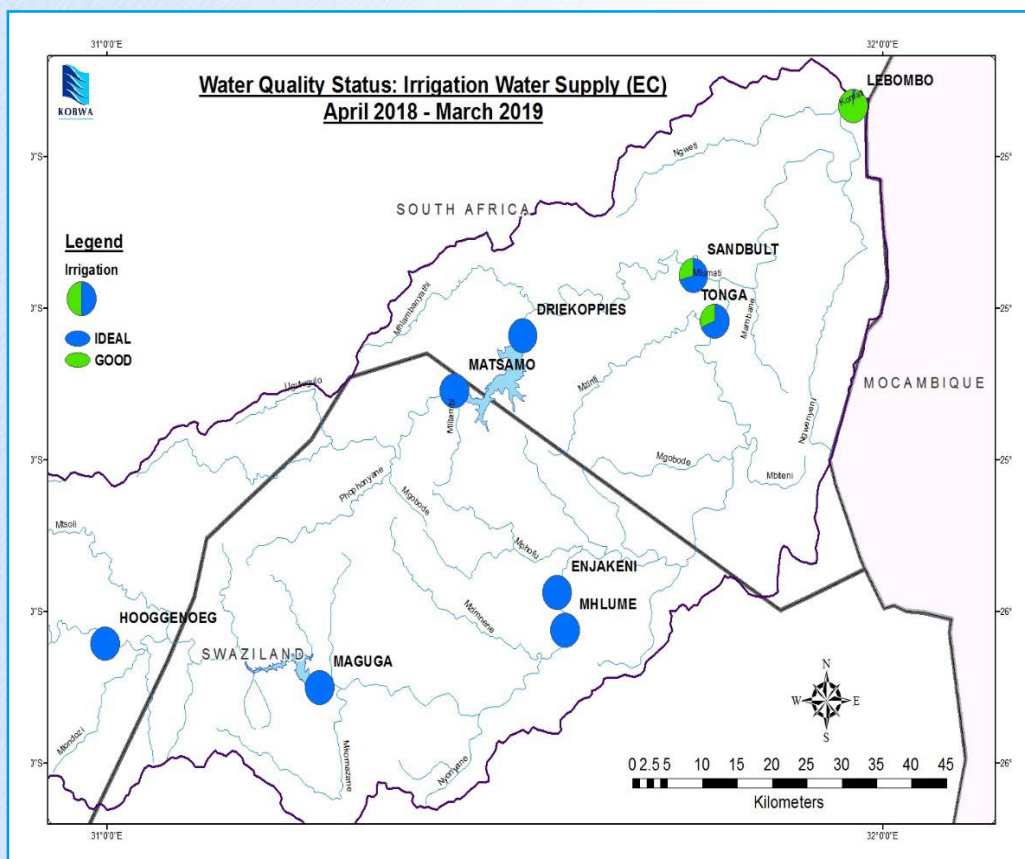


Figure 11(a): EC Real time data plotted as pie diagram for the Fitness for irrigation water use in the 2018/19 Water Year

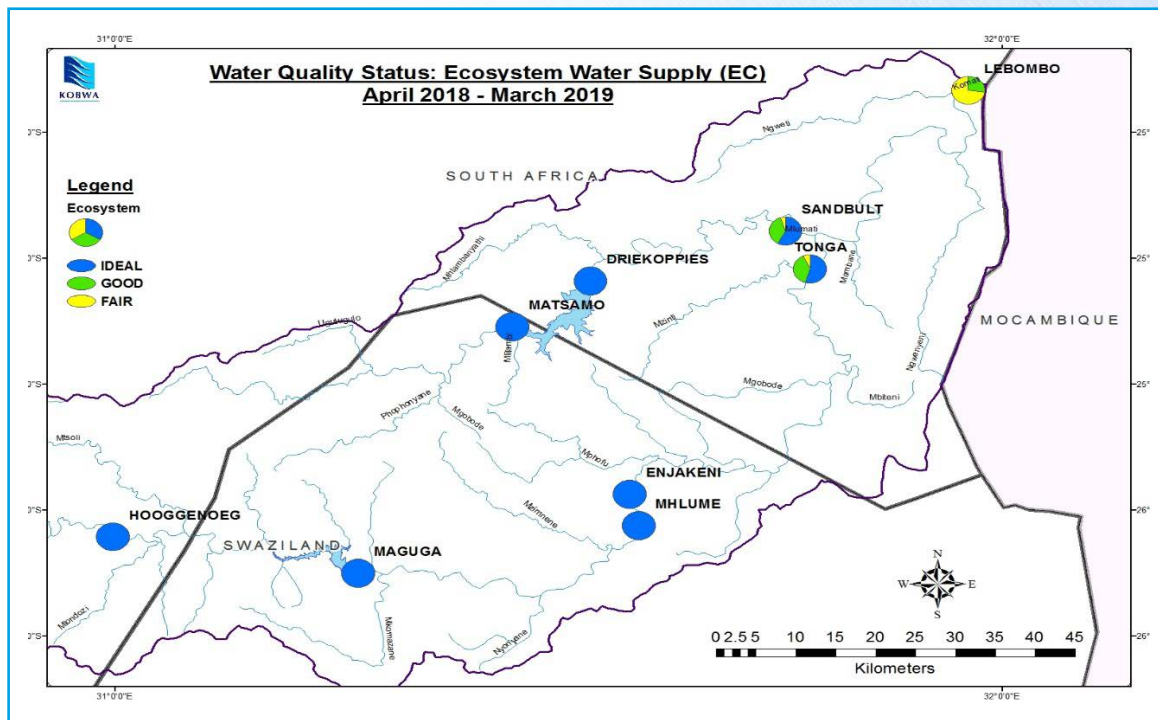


Figure 11(b): EC Real time data plotted as pie diagram for the Fitness for aquatic ecosystem health (2018/19 Water Year)

GROUNDWATER QUALITY MONITORING:

This monitoring programme is designed to record water quality data of boreholes at different monitoring points in the KOBWA operational area. Currently there is a total of seventeen boreholes that are monitored.

The Figure 11 (b) below indicates the behavior of sodium in the monitored boreholes for the 2018/19 water year. A majority of the monitored boreholes indicate an ideal Sodium content except for Nyakatfoand Langelooop which range between good and fair.

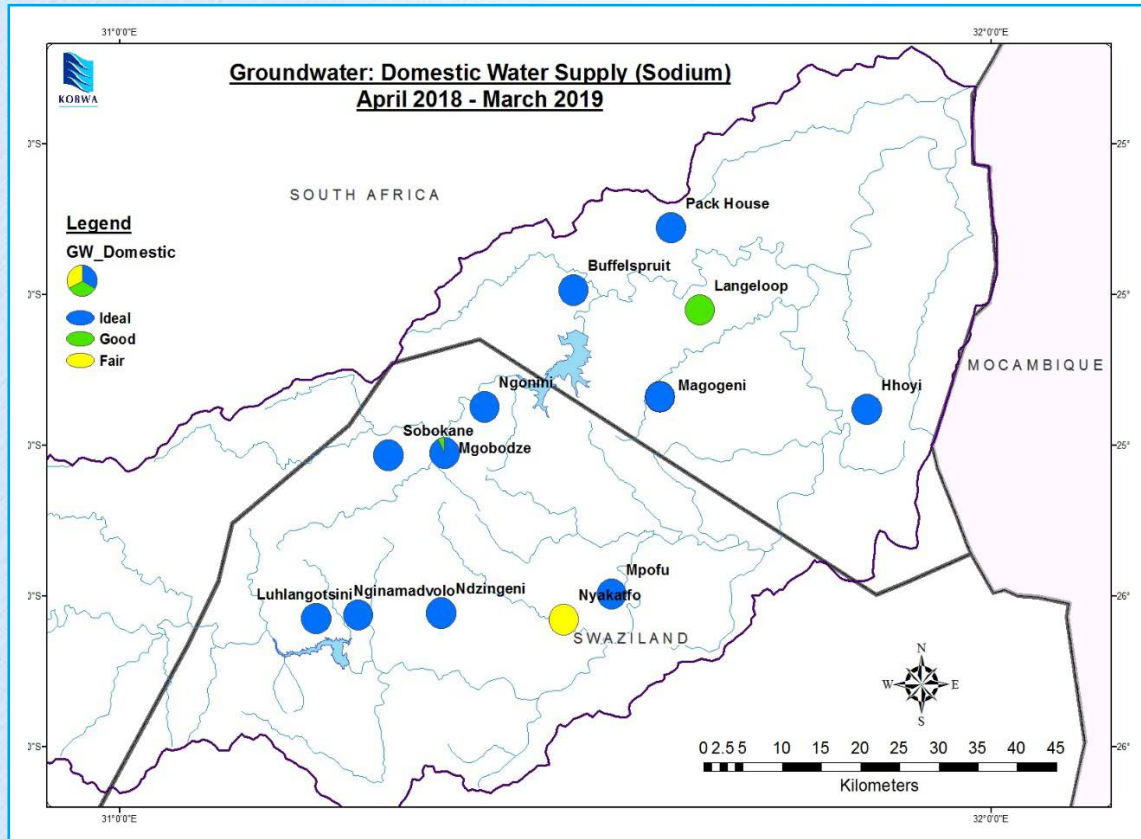


Figure 11(a): Sodium plotted as spatial plot for fitness of domestic use for groundwater in the 2018/19 Water Year

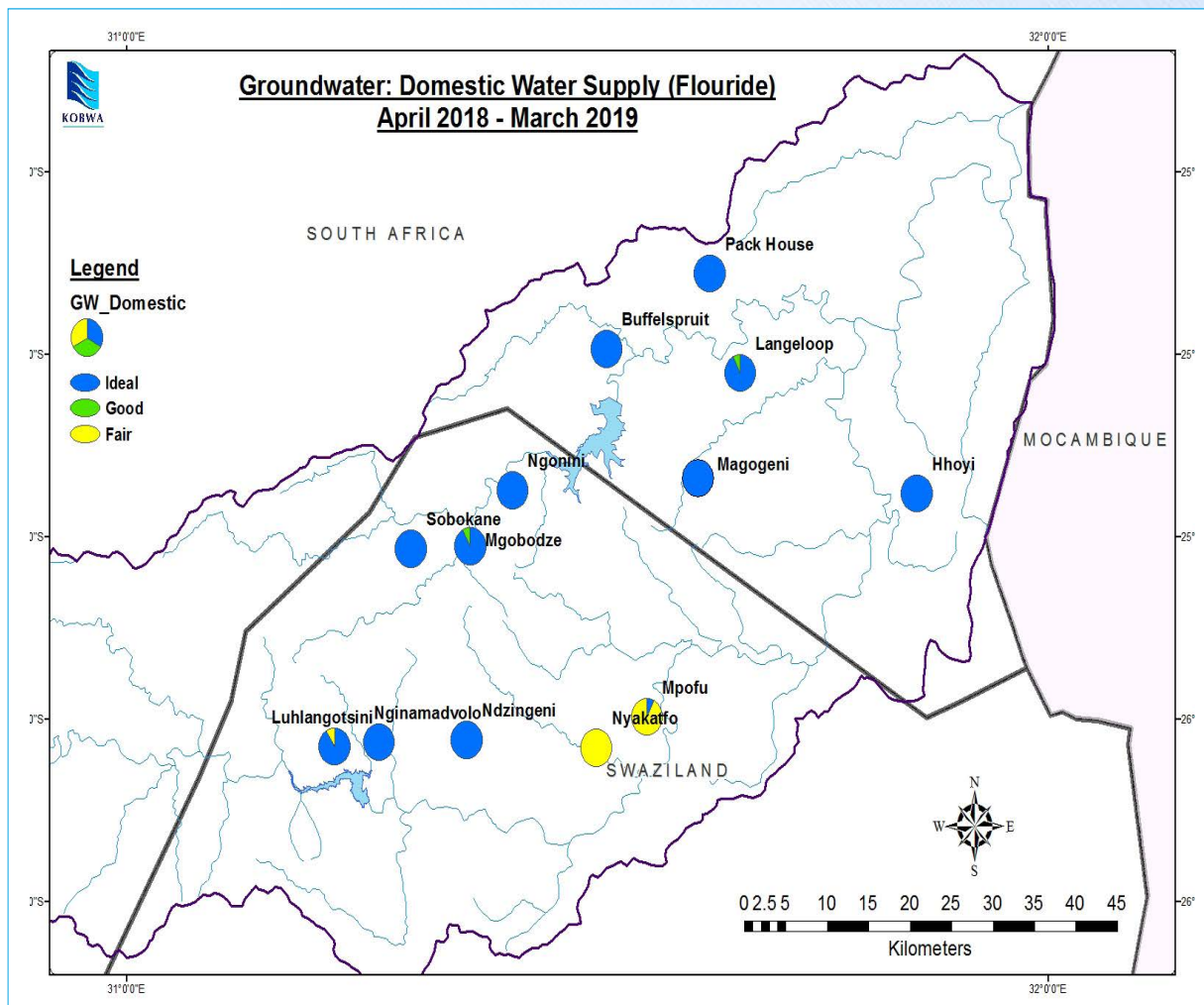


Figure 12(b): Flouride plotted as spatial plot for fitness of domestic use for groundwater in the 2018/19 Water Year

Wet Season Biomonitoring and Alien Vegetation Survey: The wet season biomonitoring surveys were undertaken in March 2019. The surveys were undertaken to:

- i) **Present Ecological State:** Determine the Present Ecological State (PES) of the Lomati and Komati Rivers. This includes the consideration of benthic diatoms, aquatic invertebrates and fish which typically reflect water quality conditions in the very short term (days);

- ii) **Identify Key Issues:** Identify and assess the key ecological issues associated with the operation of Diekoppies and Maguga Dams, and;

- iii) **Mitigation:** To recommend mitigation measures, where appropriate.

Findings: Diatoms, Aquatic macro-invertebrates and Fish are the biomonitoring indicators that were used determine

the status of the catchment. The overall compliance of these indicators as at the March 2019 wet season biomonitoring survey is shown in the figure below. The site that is of most concern is Maguga Dam downstream. Both the fish and invertebrates are poor indicating great impact. This is suspected to be caused by the close proximity of this

site to the operation of the dam, releases and hydropower, hence the recommendation is to evaluate this site and find a replacement site. Lubombo which is downstream is also another site that is problematic as it displays poor invertebrates and marginal/moderate fish.

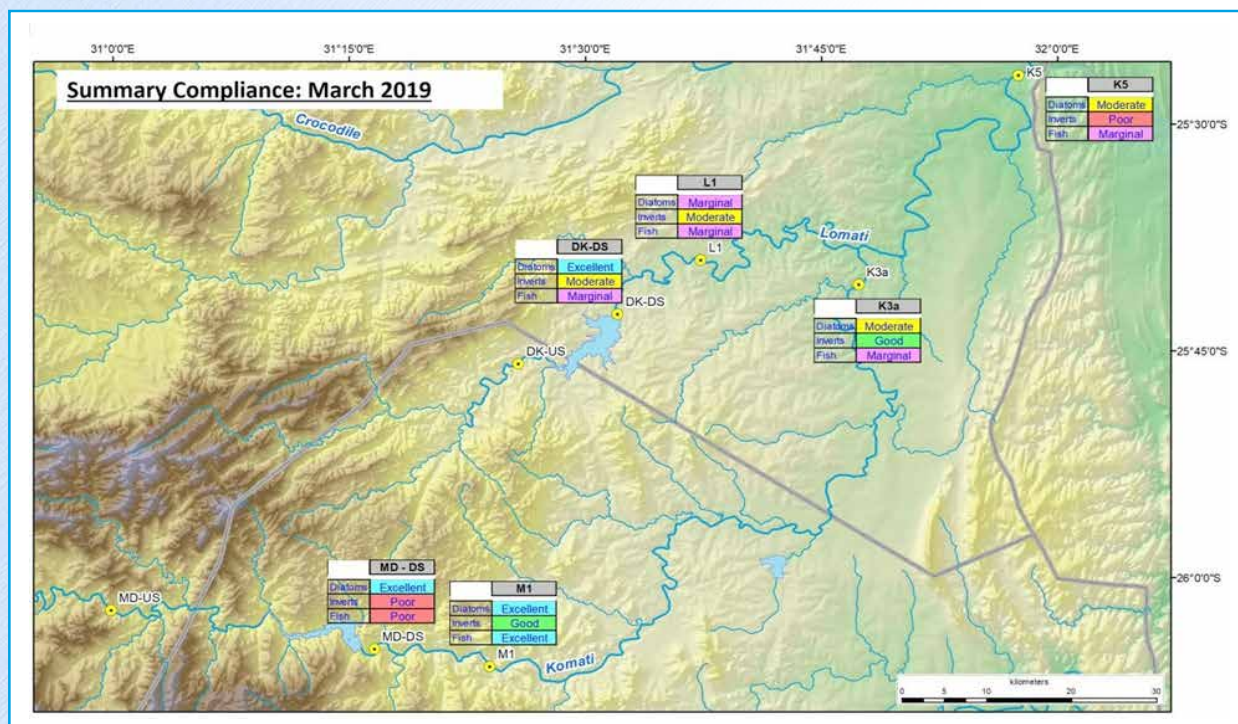


Figure 13: Summary of biomonitoring compliance at March 2019

6.10 Risk and Uncertainty

Emergency Preparedness Plan workshops

KOBWA is mandated to manage the Driekoppies and Maguga Dams and ensure that the safety objectives as

detailed in the Emergency Preparedness Plan guidelines are not compromised. It is important for all relevant stakeholders to be kept aware and up to date on the Emergency Preparedness Plan and its communication requirements.

Hence KOBWA conducted a workshop within each of the Parties. The purpose of the workshops was to promote readiness for extreme flooding in the Komati catchment and to increase awareness on the role of stakeholders in the event of a flood emergency. This to ensure minimal exposure to flood situations in the unlikely event of dam break or other natural occurrences in all communities that are within the Komati river basin downstream of both dams. Climate change impacts and were also presented and discussed with stakeholders as part of the workshop.

GIS Support

The GIS Unit performs relevant Geographic Information System activities and provides services to the organisation and other stakeholders. These include field data collection, analysis and map production. The unit manages and maintains all available spatial data and information for the Komati River basin.

The maps which are produced are shared and published on the KOBWA intranet and are also used in reports. An example of the groundwater quality monitoring network is shown below.

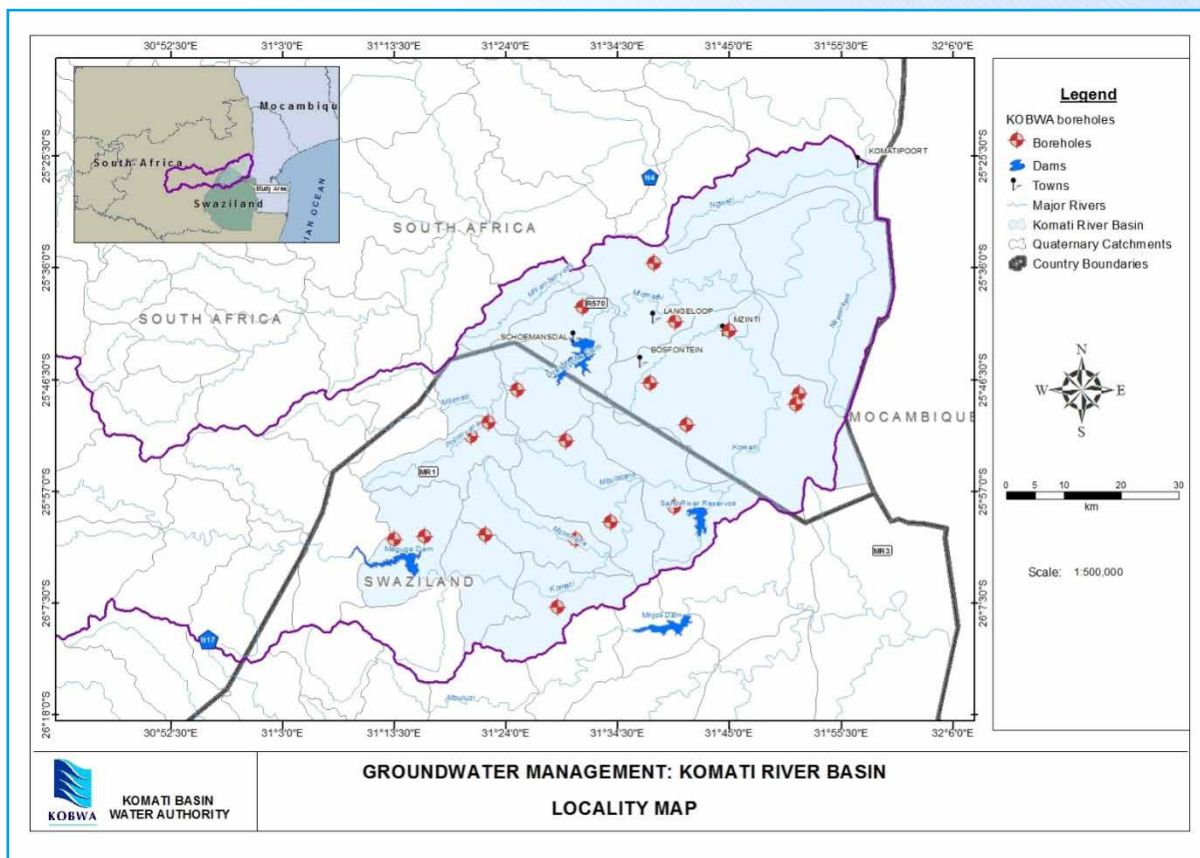


Figure 14: Map showing groundwater boreholes where KOBWA monitors groundwater quality.

6

OBJECTIVE: Water Resource Development and Management - contd.



7

OBJECTIVE: Technology & Business Processes

• **To have technology systems and business processes that enable business efficiencies**

7.1 Health & Safety**7.1.1 Hazard Identification and Risk Assessment**

The health and safety policy of KOBWA requires a hazard identification and risk assessment which aligns with the legal requirements of South Africa and Eswatini. KOBWA, as an employer is to conduct a hazard identification and risk assessment (HIRA) exercise, evaluate the risks and put measures in place to mitigate the hazards and risks that employees are exposed to. This exercise then results in the HIRA profile, which identifies existing current controls, evaluate them and advise where training is necessary. It also informs the Personal Protective Equipment (PPE) catalogue which is then used for procuring the PPE.

KOBWA's operational sites include measuring stations as well as the dam infrastructure. Field work involves driving to remote sites that are difficult to navigate, most of which are in rural areas, with no network coverage and some are infested with dangerous reptiles.

7.1.2 New Directors - Health and Safety Training & Appointment

KOBWA appointed Ms Temangcamane Maseko as the Corporate Services Director as of January 2019 and Mr Sakhiwe Nkomo as Operations Director as of the 1st of March, 2019. For them to deliver on their responsibilities on health and safety, they were trained on OHS Act and the

Responsibilities of Management on the 13 March 2019. The training covers Safety management and the organisation, Principles of safety management, Overview of the OHS Act, Good Organisational Governance; Management Commitment; Safety, Health and Environment Excellence and Control as well as Risk Assessments, Systems or Program Approach.

7.1.3 Fire Fighters Training

KOBWA fire fighters were trained in October 2016 and their certificates were valid for a period of two years and they were due for training. They have since been trained on a refresher Fire Fighting course and have been issued with certificates that will expire in 2021.

7.2 Annual Workshops: in Compliance with ISO Standards

Risk and Quality Officer conducted a combined workshop where staff was capacitated on Health and Safety, Health Promotion and Quality Management System over two days at Maguga and Driekoppies Dams held on the 06th and 22nd of June 2018 respectively.

7.2.1 Quality Management (ISO 9001:2015)

The Quality Management System model was presented as a system focused towards meeting of customer requirements and enhancing customer satisfaction. Employee

7

OBJECTIVE: Technology & Business Processes - continued

responsibilities were explained as the success of the system relies on employee commitment, as they need to be aware of their activities and how they contribute to the achievement of the quality objectives. During the workshop, the Records Officer presented on “Document and Records Management”. The Risk and Quality Officer also made a presentation on the QMS, ISO 9001:2015 processes. The objectives and targets, management system, customer requirements and customer satisfaction were explained as part of the presentation. The presentation also covered differences between the 2008 and the 2015 standards.

7.2.2 Health and Safety

The RQO makes annual presentations to staff on health and safety which covers staff appointments on health & safety inspections, employee safety, inductions of new employees, annual emergency preparedness drills, the safety, health, environment and quality policies as well as the journey to get KOBWA certified on the ISO 9001:2015 and 45 001:2015 standards.

7.2.3 Internships – Presentation on Health Promotion in the Workplace

KOBWA trains students from the University of Eswatini who are studying towards the degree in Occupational Health and Safety at the University of Eswatini amongst others. The Intern, Gcinile Zulu was given an opportunity to make a presentation on “Health Promotion in the Workplace”. Staff members followed with a range of discussions that covered

the employee wellness programme, mental and emotional wellness in the workplace and social games.

7.3 Legal Compliance

7.3.1 Corporate Governance Policy

KOBWA has in place a legal register which documents all the legislations of the Republic of South Africa and the Kingdom of Eswatini that are relevant for KOBWA’s operations. For each department, a list of relevant legislations were documented and from each legislation the relevant legislations were abstracted and interpreted to simple language or put as is where it was clear into the legal register. As a compliance measure, the Risk and Quality developed the Corporate Governance Policy in line with the KOBWA Treaty, King IV Code, Board Charter as well as related articles/legislations.

7.3.2 PAIA Manual and Privacy Policy

The Protection of Personal Information Act (POPIA) requires organisations to protect people from harm by protecting their personal information, prevent their money being stolen, to stop their identity being stolen, and generally to protect their privacy, which is a fundamental human right. KOBWA trained her staff in 2016 to create awareness on this Act and how it applies. KOBWA has developed a Privacy Policy. Responsible parties will have to take various steps to comply, which are as follows;

7.4 Risk Management

Risk Management is one of the primary functions/ responsibilities of Management/Directors. The maintenance of a strategic risk register is important to KOBWA as it assist the company to respond appropriately to the business environment, make decisions whose impacts are calculated and monitored as well as allocate resources adequately. The Strategic Risk Register is revised on an annual basis considering internal and the external environment as well as

the company's strategy. On a quarterly basis, the register is updated with Management actions and then related impacts in minimising the risks as reported, as well as to record emerging risks. The Board of Directors through the Finance, Risk, Audit and Technical Committee receive a report of the progress in this regard.

The residual risk rating is influenced by the strength of the current controls and the rating of the current controls is as shown as below;

Table 9: Residual risk controls

Qualification Criteria		Rating
Excellent	Control addresses risk, is officially documented and in operation	0.20
Good	Control addresses risk, but documentation and / or operation of control could be improved	0.40
Fair	Control addresses risk, at least partly, but documentation and / or operation could be improved.	0.75
Poor	At best, control addresses risk, but is not documented or in operation; at worst control does not address risk and is neither documented nor in operation	0.90

The residual risk rating is being used for the quarterly progress monitoring and the levels are as follows;

Table 10: Residual risks ratings

High	Medium	Low
From 12-25	From 6-10	From 1-5

The graph below shows the effectiveness of Management controls. The inherent risk level and the residual risk levels.

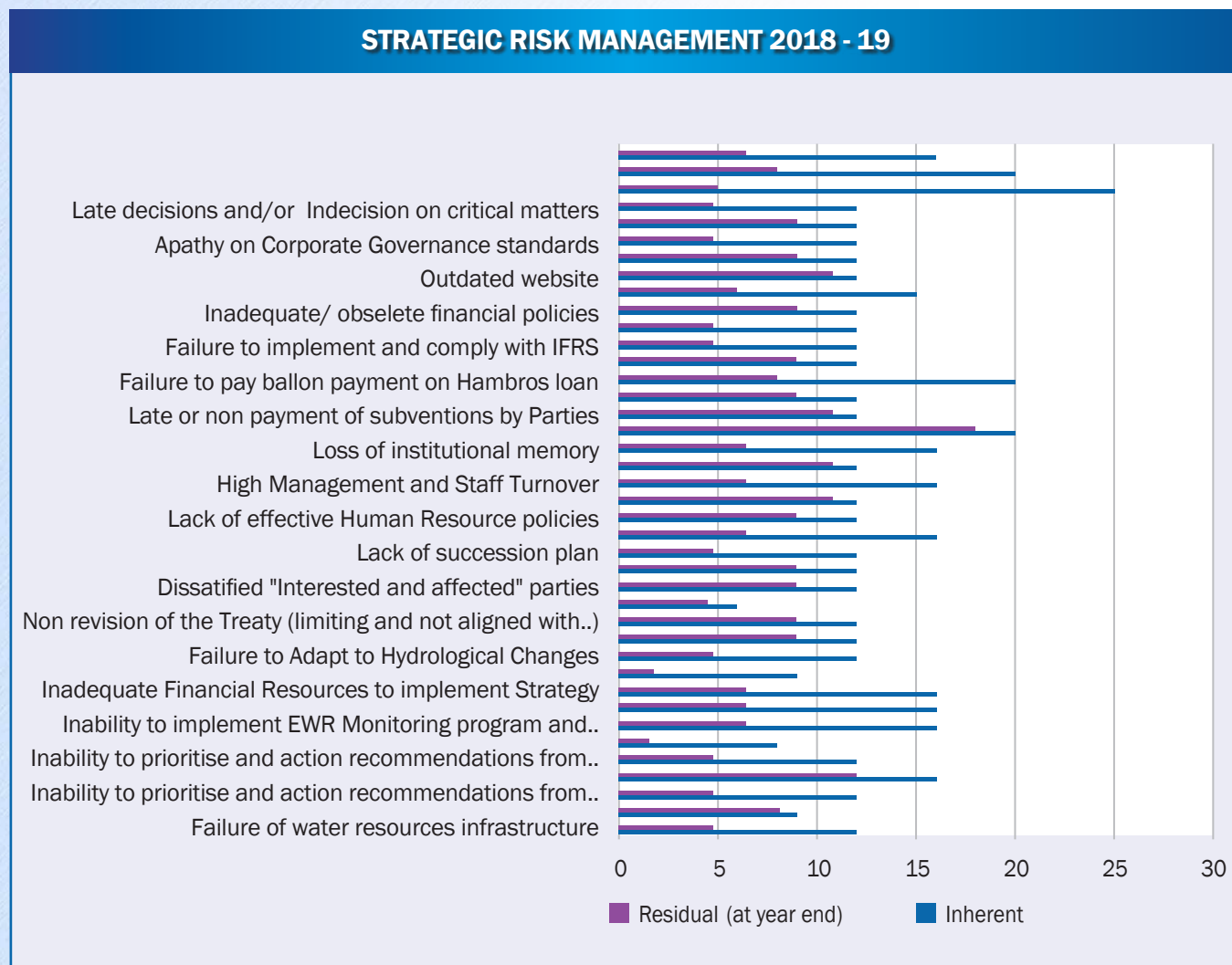


Figure 15: Effectiveness of Management controls on the Strategic Risks in the financial year 2018/19

7.5 Internal Audit

The function of internal audit is to add value and improve an organisation's operations through providing independent, objective assurance and consulting. Strategic objectives reach is improved through the systematic, evaluation of controls of risk management, internal control and governance processes. Highlighted below are outcomes of Internal Audit activities in financial year (FY) 2018-19. The reports displays Internal Audit's efforts in their functions in

terms of identifying and addressing significant risks whilst improving efficiency. Ten (10) audit projects were approved and there were no adhoc assignments. Six (6) audit projects were completed and (4) audit projects were deferred to 2019/20 financial year. Internal Audit works with Executive Management to track progress in the resolution of issues raised. As such, follow ups are transferred to the following financial year until 100% has been achieved on resolving the findings. The table below shows the progress achieved;

Table 11: Internal Audit follow-up status as at financial year end, 31 March, 2019

Area Reviewed	No of issues	Resolved	Partially Resolved	Not Resolved
Corporate Governance	11	10	1	0
Total	11	10	1	0
Total %	100%	90.91%	9.09%	0.00%
Security Services	11	11	0	0
Infrastructure and Maintenance Audit	7	6	1	0
Records Management	1	0	1	0
Financial Discipline Review	4	3	0	1
Total	23	20	2	1
Occupational Health and Safety	5	5	0	0
Human Resource Management	5	3	2	0
Financial Discipline Review – Midterm review	6	6	0	0
Compliance to Treaty requirements	2	1	1	0
Total	18	15	3	0
Total %	100%	83.33%	16.67%	0%
Stakeholder relations management audit	7	7	0	0
Corporate social responsibility audit	3	1	2	0
Fleet Management and Insurance Audit	9	8	1	0
Water Quality Management Audit	5	3	1	0
Total	24	20	4	0
Total %	100%	83.33%	16.67%	0%
PWC IT audit report 2015/16	28	27	1	0
Total %	100%	96.43%	3.57%	0%

7.6 Electronic Document Management System (EDMS)

As part of KOBWA's 2015-2020 Organisational Strategic Plan, one of the Business Processes success measures identified was the implementation of an EDMS. Thus upon the availability of funds, 2018/19 saw the launch of the project. The tender was advertised, at the beginning of the

second Quarter, in Eswatini and South African papers as well as on the KOBWA website. Bidders from both countries responded (8 in total) and due process was then followed until the winning bid was selected with JWC approval by the end of Q3. The winners were duly informed and preliminary planning sessions were held in the fourth Quarter. The Project plan is to have fully launched the system by December 2019.



8 OBJECTIVE: People's Management

To attract, develop and retain competent staff who promote the vision and culture of KOBWA

8.1 Strategic Human Resources Management

The Purpose of the Departments is to provide Strategic leadership in managing the human resources at KOBWA and the organisational culture and to develop and drive forward appropriate strategies to facilitate the implementation of quality and efficient corporate services and communications,

policies and programmes to the attainment of KOBWA's corporate goals and objectives.

8.1.1 Employee Establishment – 2018/2019

The table below shows the list of terminations and vacant positions for the year ending March 2019.

Table 12: List of Terminations and Vacant Positions

Terminations			Vacant Positions	
	Type	No.	Vacancy	No.
1.	Death	0	Procurement and Cost Accountant	1
2.	Retirement	0	Assistant Accountant	1
3.	Resignation	3	Human Resources Assistant	1
4.	Dismissal	0	IWRM Specialist	1
5.	Intercompany Transfer	0	Internal Auditor	1
	Total	3		5

8

OBJECTIVE: People's Management - continued

8.1.2 Demographics

The table below shows demographics of the KOBWA Human Resource as at 31st March 2019.

Table 13: Human Resource Demographics

	All Staff	Executive	Mid Management/ Technical	Supervisory	General Support	%
Number	37	4	6	12	15	100
By Country Of Origin						
KoE	24	2	1	4	7	35%
RSA	13	2	5	8	10	65%
By Sex						
Males	19	3	2	6	8	51%
Females	18	1	4	6	7	49%
By Station						
Driekoppies	14	1	2	5	6	38%
Maguga	23	3	4	7	9	62%

8.1.3 Internal Placements

The following placements were made in the year - 2018/2019.

Table 14: Placements made for the year

	Department	Position of Incumbent
1.	Operations Department	Operations Director
2.	Finance Department	Financial Accountant, Payroll & Cost Accountant

8.1.4 Human Resource Strength

The strength of human resource personnel for the year 2018/19 is tabled below

Table 15: Human Resource Personnel

	Type of Employment	No.
1.	Permanent	32
2.	Contracts	5
3.	Internships	7
4.	Temporal <i>Vincent Gama - Finance Department</i> <i>Mfanasibili Tsela – Corporate Services</i>	2
	Total	46

8.2 Training and Development

On yearly basis, The Authority periodically assesses employees through a performance management system where skills gaps are identified and training therefore offered to mitigate the identified gaps. All KOBWA staff attended training according to the organisational Skills Development Plan.

8.3 Staff Welfare

8.3.1 Long Service Awards

KOBWA continued with its tradition of recognising long serving employees, and the following employees were recognised for their long service in the Organisation, and as per policy were awarded with certificates and monetary awards, depending on the years of service:

Table 16: Long Service Awards

Category / Years of Service	Number of Employees	Name
10 Years	4	Gerald Dube Siphiwe Shongwe Colisile Dlamini Kenzie Mavimbela
15 Years	3	Nurse Nkosi Busisiwe Shongwe Sidney Dhlamini
25 Years	1	Mervis Mndawe

8

OBJECTIVE: People's Management - continued**8.3.2 Home Ownership Scheme**

KOBWA continues to support and empower their employees through a home ownership scheme via Eswatini Building Society. During this period 15 staff member are benefitted from this scheme.

8.4 Policies & Procedures

Sexual Harassment and Whistle blowing policies were approved by Board after consultation with staff.

8.5 Employee Relations**8.5.1 Wellness**

The authority continued with its support on wellness issues and dedicated Wednesday afternoons to attend to sporting activities.

8.5.2 Relationship Building

KOBWA staff attended to walks and marathons as part of team building namely, Selati Marathon, Sibebe Survivor and Imbube Marathon. A team building session was held in December where issues raised in the Employee Satisfaction survey were addressed.

8.6 Industrial Relations

There are two labour parties (NEHAWU AND NAPSAWU) currently recognised by KOBWA.

9

OBJECTIVE: Customer and Stakeholder Focus

To anticipate and proactively meet current and future customer and stakeholder requirements.
To attract new clients and expand our mandate (strengthen and position KOBWA as a preferred service provider).

9.1 Stakeholder Management**9.1.1 Shoe Drive – South Africa**

Through internal Corporate Social Initiatives programme, KOBWA distributed 500 school shoes to needy learners who were identified in primary schools that were within the Komati Sub-Basin. Each school also received a supply of sanitary towels. The school shoes initiative was identified by KOBWA team who observed some learners from neighbouring primary schools walk to school barefooted, bearing the hardship of long distances and weather conditions. KOBWA considers communities to be important Stakeholders and opted to render assistance where possible.

In South Africa, pairs of school shoes and sanitary towels were donated to needy primary school learners who are in the villages that border the Driekoppies Dam. The villages included Schoemansdal, Schulzendal, Middelpaas, Driekoppies, Buffelspruit and Jeppes Reef. The Executive Mayor applauded KOBWA and the Department of Water and Sanitation for donating the shoes and sanitary towels to the needy learners. He stated that this gesture promoted the culture of “Ubuntu” which promotes a “Your Child is My Child” approach in supporting children. He also encouraged participants to take care of the Dam and desist from polluting water sources by dumping waste.



Figure 16 - Concillor Johan Mkhathswa the Executive Mayor of the Nkomazi Local Municipality and Mr Collin Zwane the KOBWA CEO handover school shoes to benefitting Learners.

9

OBJECTIVE: Customer and Stakeholder Focus - continued**9.1.2 Shoe Drive – Eswatini**

In Eswatini the benefiting schools were: St. Aidens Primary School, Luhlangotsini Primary School, St. Pauls Primary School, Ng'namadolo Primary School, Mlumatl Primary School, Mashobeni North Primary School, St. Amedeus Primary School, Luhhumaneni Primary School, Kwaliweni Primary School, Entsanjeni Primary School, Ekufikeni Primary School and Malandzela Primary School.

Mr Mandla Mavuso, the Senior Regional Officer thanked KOBWA and he further applauded the Member States for establishing the entity. He appreciated KOBWA's contributions to the agricultural development, which has seen commercial farming improve the lives of Farmers who are downstream of the two dams. Mavuso also recognised KOBWA's continuous engagement with Stakeholders as evidenced through the Water and Environment Management Campaings (WEMAC) that are held with schools.



Figure 17: Two Learners receive new shoes and proceed to shake hands with: Mr Collin Zwane (KOBWA's CEO), Mr Mandla Mavuso (Senior Regional Officer), Mr Victor Rodrigues- the Mayor of Pigg's Peak), Mr Dzimba (representing Regional Education Officer) and Mr Khoza the Acting Director of Water Affairs

9.1.3 Visits to the KOBWA Project

The Komati Basin Water Authority continues to be a source of technical information for local and international visitors. In May, a delegation from Sierra Leone which comprised

personnel in the Water Department of that country and visitors from the Seeds and Markets Project (SAMP) with representation from Zambia and Eswatini visited KOBWA.



Figure 18: A delegation from Sierra Leone visited the KOBWA Project

9.1.4 The South African Police Service (SAPS) Careers Day

The South African Police Service and the Women's Network and Men for Change Project hosted a careers day at the Schoemansdal Sports Ground. Colonel Mr Madonsela, the Station Commander of the Schoemansdal SAPS explained that the purpose for the event was to expose learners to the

various professional disciplines in the Police service, Divers and the Forensics Unit) and in other organisations such as the Department of Health, the Nkomazi Local Municipality (HIV Unit) and the Komati Basin Water Authority (KOBWA).

Learners also benefitted from presentations by other institutions, including KOBWA, on professional disciplines that they may consider for the future.



Figure 19: Above Colonel Madonsela addressing the gathering and Ms Nokwanda Mhlanga at the KOBWA stand

9.1.5 The Handover of Ekudzeni Dipping Facility to the Ministry of Agriculture

In June 2018, the Ekuvinjelweni Traditional Authority (ETA) officially handed over the Ekudzeni Dip Tank. The Ekudzeni Dip facility was constructed in 2011. The Community saw the need for this facility because the nearest dip tank was a distance away. Mr Mncina the Chairperson of the Dip Tank Committee stated that even school learners would miss school on dip days because they had to travel a long distance with livestock for the service. Participants included; the Honourable Mr Moses Vilakati –Minister of Agriculture and his delegation; the Ekudzeni Dip Tank Committee, the Enkhamba Member of Parliament, the Micro Projects Delegation, the KOBWA Delegation and community members of Ekuvinjelweni.



Figure 20: Mr Matambo represented the Chief Executive Officer. He shakes hands with Her Royal Highness Princess Ntfombindze – Chief of Ekuvinjelweni when she presented KOBWA with a goat



Figure 21: Above Left - Mr Vilakati the Honourable Minister of Agriculture, Mr Mncina the Chairman of the Ekudzeni Dipping facility, Mr Matambo the acting Corporate Support Director and Mr Nicholas Mkhathshwa the Field Officer. Right - The Honourable Minister with Mr Matambo next to the official plaque

Participants learned that each household in the community contributed E350 towards the construction of the dipping facility. KOBWA then contributed E10,000 and when they had accumulated R38,000, Micro projects granted them a sum of E95,000 to complete the facility. In his remarks, Mr Charles Matambo thanked HRH Princess Ntfombindze for inviting KOBWA and also for collaborating with KOBWA in matters that relate to the community. He stated that KOBWA values the relationship with community based

stakeholders and makes an effort to provide support in order to promote development.

The Honourable Minister also appreciated the support that Micro project and KOBWA had contributed for the construction of the Dam to come to fruition. He encouraged and applauded the design and state of the facility and said that it matched the required standards and it was well maintained.

9.1.6 KOBWA Donates Office Furniture to the Royal Eswatini Police –Pigg’s Peak

KOBWA officially handed over office furniture to the Royal Eswatini Police (REP) – Pigg’s Peak. The furniture consisted of twenty chairs and one conference table. Mr Methula the Station Commander introduced Mr Mamba the Regional Commissioner, stated that KOBWA’s contribution to crime-prevention has resulted in a 70% reduction of criminal activities in the Region. Said when he joined SEP Pigg’s Peak, he received a good report from his predecessor. He stated that over three years he noted that KOBWA’s support has been consistent in her support. He heaped praises to Mr Zwane, calling him a “vital code” who linked the organisation with crime-prevention campaigns, providing support in kind. He mentioned that SEP Pigg’s Peak has

been linked with Police across the border as the soccer games hosted by KOBWA established rapport amongst the police forces from the two parties.

The Station Commander applauded KOBWA for implementing His Majesty’s the King Mswati III’s vision for 2022 by injecting innovative changes in support of ERP/Pigg’s Peak’s crime-prevention programme which (as statistics indicate), have contributed to a reduction of the upsurge in crime in the Region. He urged younger Officers to take a leaf from the CEO and learn from his visionary leadership. The Station Commander committed to continuously uphold a positive relationship with KOBWA.



Figure 22(a): The CEO officially handing over furniture to Mr Khulani Mamba the Acting Regional Staff Officer

9.2 International Conferences and Presentations

9.2.1 Second Annual International SHEQ Summit 2018

KOBWA was invited to the second annual International SHEQ summit 2018 by **International Centre for Sustainability & Excellence** to support and make a

presentation on risk management in the water industry. The summit was meant to gather practitioners who share a common interest in practical solutions for ensuring business sustainability. The purpose was to provide a universal platform for practitioners to share their experiences, identify ways in which they can promote sustainability in their organisations.



Figure 23(a): The RQO, Ms. Kenzie Mavimbela, presenting during the SHEQ Forum at Ezulwini



Figure 23(b): The KOBWA promotional stand

9.2.2 36th Environmental Education Association for Southern Africa (EEASA) Conference

The Government of the Republic of Zambia through the Zambia Environmental Management Agency (ZEMA) and in collaboration with the Zambia Network for Environmental

Educators and Practitioners (ZANEEP) invited KOBWA to the 36th Conference for the Environmental Education Association for Southern Africa (EEASA) held in Livingstone, Zambia in September 2018. The theme was: **“Rethinking Education for Sustainable Development”**.



Figure 24: Ms Nokwanda Mhlanga delivering presentation at EEASA Conference in Zambia

9

OBJECTIVE: Customer and Stakeholder Focus - continued

The region seemed to be experiencing common issues on solid waste as well as climate change and how these issues were being managed which was affecting every aspect of communities' livelihood. During the presentation KOBWA shared her experiences and challenges in the design and implementation of the comprehensive aquatic ecosystem monitoring systems for the trans-boundary Komati River Basin.

9.2.3 Inkomati Women in Water Conference

The Risk and Quality Officer co-authored a paper in collaboration with Dr L. Lukhele from the University of Eswatini (UNESWA), under the Department of Health which was titled "Reflections on the Formulation and Implementation of Water Reform". Feedback received from the presentation has been documented and it is anticipated

that KOBWA maintains the collaboration so as to share expertise that will advance both institutions and inspire more collaborations with academic institutions. The conference was hosted by Inkomati Usuthu Catchment Management Agency (IUCMA) in March, 2019.

9.2.4 SASDiR Conference

KOBWA was represented in the 4th Biennial Conference of the Southern Africa Society for Disaster Reduction (SASDiR) that was held in Durban on the 17th – 19th October 2018. The conference theme was "Stop disaster risk creation in SADC", with various sub-themes. Mr Mfundu Mathunjwa, who attended the conference presented a paper and a poster presentation on disaster management and resilient catchments.

10

OBJECTIVE: Socio Economic Initiatives

To facilitate socio economic development within the basin through socio economic initiatives

10. Community Investment in Water and Sanitation

10.1 Corporate Social Responsibility (CSR) Projects

In 2018 - 2019 financial year, KOBWA approved a corporate social responsibility budget of E/R 590, 000-00.; R335, 000 for South Africa projects and E255, 000 for Eswatini projects.

Table 17: Budget shared between the two countries

COUNTRY	BUDGET
South Africa	E 335, 000-00
Eswatini	E 255, 000-00
Total	E 590, 000-00



Figure 25: Donated ablution facility and water tanks



Figure 26: Timphisini Market – Women Cooperative

10.2 Revolving Fund

The KOBWA Revolving Fund was set up in 2006 for purposes of assisting the communities around the Peri-Reservoir area by way of offering access to small – scale entrepreneurs. The MoU was signed between KOBWA and FINCORP as the administrator of the fund. The total value of the Fund is E1, 000 000-00 and the Fund is operational at the communities around Maguga Dam area, namely Nginamadvollo, Nsangwini, Mnyokane and Ekuvinjelweni as well as Lake Matsamo area, namely Mashobeni, Timphisini, Madelezini and Nhlambeni.

The MoU establishes Management committees comprising of community Representatives to be part of the assessment

process before applications are submitted to FINCORP. FINCORP indicated that consumption of the fund was still very low, currently slightly above E300, 000.00 and the repayment rate is 65% per annum.

In the end of the financial 2019, the Revolving Fund performed as follows:

- The total loan portfolio is E365, 251.56
- The balance at risk is E62, 864-91
- Total overdue amount is E47, 463-67
- Portfolio at Risk 23%
- Monthly repayment E38, 298-62

KOBWA and FINCORP are engaging each other on the need to review the current Memorandum of Understanding.

11 OBJECTIVE: Financial Management and Other Sources of Income

To proactively source, secure and diversify our revenue streams.

11.1 Financial Report 2018/2019

The Board recommended to the JWC for approval of the FY2018/19 a budget of **R/E 238,476,791**, of which **R/E 194,845,630** was for loan repayments and the remaining **R/E 43,631,161** was for operational expenditure. The total budget payable by the South African Government (DWS) was **R/E 173,178,389**, R/E being loan repayment budget of **R/E 142720,796** and **R/E 30,457,594** being operational funds.

The total budget payable by the Kingdom of Eswatini for the Financial Year 2018/19 was **R/E 62,073,337**. Of that budget, **R/E 52,124,834** relates to loan repayments and payable by the Ministry of Finance. In terms of the total budget payable by the Kingdom of Eswatini, **R/E 9,948,502** was for operational budget and payable by the Department of Water in the Ministry of Natural Resources.

11.2 Long Term Loans

11.2.1 Hambros Bank

R/E 375m loan denominated in registered stock (bond) KW01 notes with a coupon rate of 13.5% payable semi-annually (**R/E 25.3**) with a balloon capital repayment at maturity on October 31, 2027. The loan comes with a number of compliance issues which KOBWA has complied with as key among them the following;

- IFRS reporting basis which KOBWA transitioned to in FY 2017/18 reporting.
- Requirement for JSE accredited external audit firm and Partner of which KOBWA approved PWC and the partner assigned to KOBWA audit.
- Disclosure in terms of compliance with King IV regulations applicable to KOBWA.

11.2.2 Nedcor Bank Loan

The loan bears interest at 9.43% pa and has a nominal value of **R/E 233 000 000.00** payable semi-annually at amortised cost. Full repayment of the loan shall be made with the instalment of 30th of September 2019

11.2.3 Rand Merchant Bank Loan

Nominal value of the loan is **R/E 380 000 000** Interest rate on the loan is 11.24% p.a. at amortised cost. The loan will be fully paid with the instalment of the 6th of August 2019.

11.2.4 Development Bank of Southern Africa

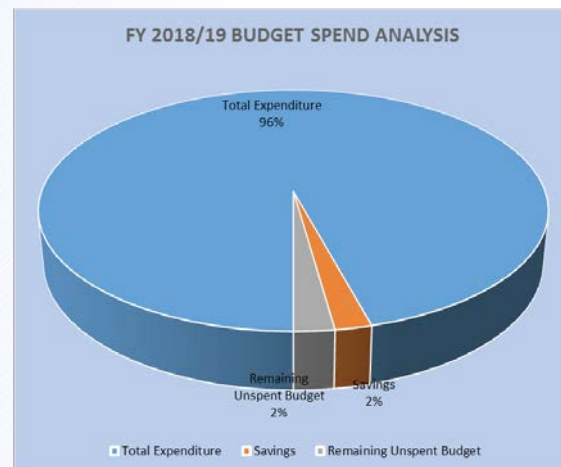
This is **R/E 488 401 000** SA DWS (only) loan payable through two equal instalments of **R/E 28 475 819.12** per annum bearing interest at 10% p.a. at amortised cost. The loan shall be fully paid in the first half of the financial year 2020/21.

Table 18: Status of Long-Term Loans as at 31st of March 2019

Financial Institutions	Face Amount	Effective interest rate	Start Date	End Date	# Remaining Installments	Balance 31.03.2019	Balance with interest to maturity
Gensec/ Futuregrowth	165,000,000	13.08%	24.01.2001	31.10.2016	00	-	-
Rand Merchant Bank	380,000,000	11.24%	04.07.2001	06.08.2019	01	25,325,057	26,767,237
Nedbank/Old Mutual	233,000,000	9.43%	29.10.2001	30.09.2019	01	15,978,511	16,867,258
Hambros Bank	375,000,000	14.87%	30.04.1998	31.10.2027	18	375,000,000	830,625,000
DBSA	488,401,000	10.00%	30.09.2000	30.09.2020	03	74,795,034	84,802,321
Total	1,641,401,000					491,098,602	959,061,816

11.2.5 Operating Expenditure

The annual budget of **R/E 43,631,161** for capital replacements, moveable assets and operational expenditure was approved by Board and JWC for the Financial Year ended 31 March 2019.

*Figure 27: Budget spend analysis*

Actual Spend versus Budget

- Total budget was approved at R/E 43,631,161
- Expenditure for the year was R/E 41,806,824
- Savings as directed by the JWC were R/E 878,678
- Underspend portion of the budget is R/E 971,114

Strategic Finance Activities	Outlook
Below is a summary of the key strategic finance activities which were planned for the FY 2018/19. IFRS Compliance - IFRS conversion completed and AFS compliant, work being done on the system and operating environment to produce IFRS compliant financials with additional controls. Accounting System Research and Implementation - System identified and funds secured, Tender to be approved and implementation to commence in June 2019. Revenue Generation and Cost Containment - Some measures have been put in place together with controls, more work still to be done especially on Revenue generation. Finance Policies and procedures. - SCM draft ready for approval, Financial to be presented in the current year.	The planned strategic and operational activities in the next quarter are as follows; ■ Implementation of the SAGE Evolution system to commence in the first quarter. ■ External Audit ■ Finance Policies and procedures. • Revised Financial to be presented in the FY2019/20.

ANNUAL FINANCIAL STATEMENTS

2018-19

General Information

Country of incorporation and domicile	South Africa and Eswatini	
Legal form of entity	Bilateral organisation formed in 1992 through a treaty between the Government of the Republic of South Africa and the Kingdom of Eswatini.	
Members	Ms E Magagula Mr B Singwane Mr A Thobejane Mr L Mzizi Chairperson: Dr T Gyedu-Ababio Ms N Mabuza Mr C Zwane	Chairperson Vice Chairperson Human Resources and Remuneration Committee Chairperson: Finance, Risk and Audit Committee CEO
Bankers	Standard Bank	
Auditors	PriceWaterhouseCoopers Inc Chartered Accountants (S.A.) Registered Auditors	
Secretary	Mr M Simelane	
Preparer	The annual financial statements were internally compiled by: Charles Matambo Finance Director	

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DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
KOBWA	Komati Basin Water Authority
IFRS	International Financial Reporting Standards
IAS	International Accounting Standards
KOE	Kingdom of Eswatini

IPSAS	International Public Sector Accounting Standards
JWC	Joint Water Commission
RSA	Republic of South Africa
The Parties	Refers to the Government of South Africa and the Kingdom of Eswatini

BOARD'S RESPONSIBILITIES AND APPROVAL

The Directors are required to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the Authority as at the end of the financial year and the results of its operations and cash flows for the period then ended in conformity with the Standards of Generally Recognised Accounting Practice. The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of Internal financial control established by the authority and place considerable importance on maintaining a strong control environment.

To enable the directors to meet these responsibilities, the board sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored through out the authority and all employees are required to maintain the highest ethical standards in ensuring that KOBWA's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the authority is on identifying, assessing, managing and monitoring all known forms of risk across KOBWA. While operating risk cannot be fully eliminated, KOBWA endeavours to minimise it by ensuring

that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

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

The directors have reviewed the authority's cash flow forecast for the year to 31 March 2020 and in the light of this review and the current financial position, they are satisfied that the authority 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 authority's annual financial statements. The annual financial statements have been examined by the authority's external auditors and their report is presented on page 94 - 100.

The annual financial statements set out on page 103-133 which have been prepared on the going concern basis were approved by the board on 14 November 2019 and were signed on its behalf by



Ms. E Magagula
Chairperson

AUDIT COMMITTEE REPORT

We are pleased to present our report for the financial year ended 31 March 2019.

Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet 4 times per annum as per its approved terms of reference. During the current year 4 meetings were held:

Name of member	Designation
Dr T Gyedu Ababio	Chairperson
Ms E Magagula	Member
Mr M Singwane	Member
Mr C Zwane	Ex-Officio Member

Audit Committee Responsibility

The Audit Committee is satisfied that the members thereof have the required knowledge and experience as set out in the Treaty. The committee held 4 meetings in the financial year which members attended.

The audit committee also reports that it has adopted 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.

The effectiveness of internal control

The system of internal controls applied by the entity over financial and risk management is effective, efficient and transparent. The board adopted the King IV Report on Corporate Governance requirements, Internal Audit provides the audit committee and management with assurance that the internal controls are appropriate and effective.

The Board considered the audit firm Pricewaterhouse-coopers Inc (PWC) and the audit partner (Schalk Barnard)

In terms of registration and compliance with the JSE regulation as required in terms of the Hambros Bank Loan registered and trading on the JSE.

The board was satisfied with the submission that it met the requirements of the JSE.

Evaluation of annual financial statements

The audit committee has reviewed the annual financial statements and recommended to the board for approval.

Internal audit

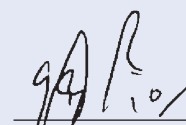
The audit committee is satisfied that the Internal audit function is operating effectively and that it has addressed the risks pertinent to the entity and its audits.

External Auditor

The audit committee has nominated Pricewaterhouse-coopers Inc as the independent auditor and Schalk Barnard as the designated partner, who is a registered independent auditor, for the 2019 audit.

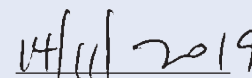
The committee satisfied itself through inquiry that the external auditors are independent as per the standards stipulated by the auditing profession.

The audit committee in consultation with the executive management agreed to the terms of the engagement. The audit fee for the external audit has been considered and approved taking into consideration such factors as the timing of the audit, the extent of the required and scope.



Dr. T. Gyedu Ababio

Chairperson of Finance, Risk & Audit Committee



Date of Signature

INDEPENDENT AUDITOR'S REPORT

To the Parties of Komati Basin Water Authority

Report on the audit of the Financial Statements

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Komati Basin Water Authority ("KOBWA", "the Authority") as at 31 March 2019, and its financial performance and cash flows for the year then ended in accordance with Generally Recognised Accounting Practice.

What we have audited

KOBWA's financial statements set out on pages 84 to 133 comprise:

- the statement of financial position as at 31 March 2019;
- the statement of financial performance for the year then ended;
- the statement of changes in net assets for the year then ended;
- the cashflow statement for the year then ended;
- accounting policies; and
- the notes to the financial statements.

Basis for opinion

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

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

Independence

We are independent of the Authority in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' 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 of financial statements 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.

Our audit approach

Overview

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Authority, the accounting processes and controls, and the industry in which the Authority operates.

Overall materiality

- Overall group materiality: R1,636,959 which represents 1% of total expenses

Key audit matters

- First time adoption of Generally Recognised Accounting Practice ("GRAP")

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement.

Misstatements may arise due to fraud or error. They 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 the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole asset out in the table below.

These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall materiality	R 1,636,959
How we determine it	1% of Total Expenses
Rationale for the materiality benchmark applied	We have selected total expenses as our materiality benchmark because, in our view, it most appropriately reflects the operations of the Authority. It is a benchmark against which the performance of the Authority would be most relevant to users of the financial statements given the fact that it is a non-profit- oriented entity. We chose 1% which is consistent with the quantitative materiality thresholds that we would typically apply when using this benchmark to compute materiality.

INDEPENDENT AUDITOR'S REPORT

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How audit addressed the key audit matter
<i>First time adoption of Generally Recognised Accounting Principles ("GRAP")</i> KOBWA has adopted GRAP as its accounting framework for the first time in the 2019 financial year. to report under GRAP. The decision to convert from International Financial Reporting Standards ("IFRS") to GRAP was made after management prepared an analysis in accordance with Directive 12, paragraph 11 of GRAP. This included an assessment of whether the entity: 1. is a financial institution 2. has listed shares 3. has a commercial objective 4. is mainly government funded Management concluded that KOBWA is not a financial institution and does not have listed shares. It is government funded and does not have a commercial objective, and can therefore apply the GRAP framework. The adoption of GRAP required management to consider the differences between IFRS and GRAP for each balance sheet and income statement line item.	The Treaty provides KOBWA with the ability to control the resources in order to deliver its service potential. As such, we concluded that the definition of control was also met, and that an asset is recognised. We evaluated management's analysis under Directive 12, paragraph 11 as to whether KOBWA can adopt GRAP as its accounting framework. We were satisfied that KOBWA met the criteria in order to report under GRAP. We performed an independent analysis of KOBWA's accounting policies under IFRS and GRAP. In doing so, we developed an expectation of what impact the conversion to GRAP would have on the entity's financial performance, financial position and cashflows. We compared our analysis to that of management and assessed the completeness and accuracy of management's assessment and calculations. We found our analysis to be consistent with management's. We paid particular attention to the definition of an asset under GRAP, given the difference between GRAP and IFRS. We considered whether management's assessment of service potential and control is in accordance with GRAP and specifically GRAP 17. The service potential of the dam and weir infrastructure is the conservation of

<i>Key audit matter</i>	<i>How audit addressed the key audit matter</i>
Where differences in accounting practice were identified, management calculated the impact of the difference and presented this in the table in note 30 of the financial statements as an adjustment to the opening balance of the 2018 financial year and as an adjustment to the balances of 2018 financial year end. One of the key differences between IFRS and GRAP is the definition of an asset. The assessment of whether the dam and weir infrastructure resources meet the definition of an asset under GRAP required judgement. The judgement included whether these resources have service potential and whether these are under KOBWA's control. The service potential of these resources is linked to the objective and mandate of KOBWA as per the Treaty, which is the conservation of water resources in the Komati Basin. The Treaty entered into between the Parties, provides KOBWA with control over the resources in order for it to deliver on its objective. The assessment of the impact of the change to GRAP has required significant management time and, in some cases, judgement as noted above. As a result, we considered the first time adoption of GRAP to be a matter of most significance in our audit of the financial statements.	water resources in the Komati Basin. This is the objective and mandate of KOBWA per the Treaty and as such we concluded with management's assessment that the service potential criteria were met. We recalculated the impact of changes to the opening balance of the prior period, the impact on the prior period results and the closing balances as at 31 March 2018, with no material exceptions noted. We tested the disclosure in the financial statements in note 30 for completeness and accuracy and for compliance with GRAP 3. We are satisfied that the adoption of GRAP is appropriately disclosed in the financial statements.

INDEPENDENT AUDITOR'S REPORT - CONTINUED

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Komati Basin Water Authority Financial Statements for the Year ended March 31, 2019", which we obtained prior to the date of this auditor's report, and the other sections of the document titled "Komati Basin Water Authority Annual Report 2019", which is expected to be made available to us after that date. The other information does not include the financial statements and our auditor's report thereon.

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

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

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

Responsibilities of the directors for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with Generally Recognised Accounting Practice and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and a reconsidered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority'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 consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Authority to cease to continue 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.

We communicate with the directors 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.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

INDEPENDENT AUDITOR'S REPORT - CONTINUED

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of Komati Basin Water Authority for 3 years.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.

Director: Schalk Barnard

Registered Auditor

Block 5 Riverside Office Park, Nelspruit, 1200

14 November 2019

DIRECTORS' REPORT

The directors have pleasure in submitting their report for the Komati Basin Water Authority for the year ended 31 March 2019.

1. Constitution and Corporate Profile

The Komati Basin Water Authority (KOBWA) was established as a bi-national agency in terms of the Treaty for the utilisation of the water resources within the Komati basin comprising of the Komati river and the Lomati river. KOBWA's mandate is to implement Phase 1 of the treaty which comprises the design, construction, operation and maintenance of the Driekoppies Dam on the Lomati River in RSA (phase 1a), and the Maguga Dam on the Komati River in Eswatini (phase 1b).

2. Review of activities

Main business and operations

As outlined earlier, KOBWA receives no income for the delivery of water to the two countries, it is however the responsibility of the Republic of South Africa and the Kingdom of Eswatini in terms of the Treaty to provide funding for KOBWA operations mainly through the grant system.

The annual financial statements have been prepared in terms of Generally Recognised Accounting Practice (GRAP). KOBWA has for the first time adopted GRAP as a reporting framework in 2019. Prior year financial statements have been updated to reflect the change in accounting policies consistent with GRAP from the transition date.

Full details of financial position, performance and cash flows is set out in these financial statements.

3. Going concern

The financial statements have been prepared on the going concern assumption which is underpinned by a commitment from the Parties to continue funding the Authority with a budget having already been approved for the following financial year.

In light of the above and to the best knowledge of the directors, there is no known reason which may negatively impact on the continued existence of the Authority, therefore the annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

4. Events after the reporting date

The directors are not aware of any matter or circumstance arising since the end of the financial year and up to the date of the publishing of these financial statements.

DIRECTORS' REPORT - CONTINUED

5. Board

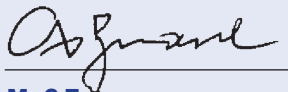
The directors in office at the date of this report are as follows:

Directors	Nationality	Designation
Ms E Magagula	Eswatini	Chairperson - Non Exec
Mr B Singwane	South Africa	Vice Chairperson - Non Exec
Mr A Thobejane	South Africa	Non - Exec
Mr L Mzizi	Eswatini	Non - Exec (Chair HRRC)
Dr T Gyedu-Ababio	South Africa	Non - Exec (Chair FRAC)
Ms N Mabuza	Eswatini	Non - Exec
Mr C Zwane	South Africa	Ex Officio (CEO)

6. Secretary

The secretary of the authority is Mr M Simelane.

The annual financial statements set out on page 83-129, which have been prepared on the going concern basis, were approved by the board on 14 November 2019 and were signed on its behalf by:



Mr C Zwane

Chief Executive Officer

STATEMENT OF FINANCIAL POSITION - AS AT 31 MARCH 2019

Figures in Rand / Emalangeni	Note(s)	2019	2018 (Restated)	2017 (Restated)
Assets				
Non-Current Assets				
Investment property	3	13,362,608	13,865,033	14,367,459
Property, plant and equipment	4	4,482,145,022	4,534,286,143	4,585,475,031
Intangible assets	5	7	7	7
Guaranteed Grant Income	6	384,849,468	481,212,763	623,579,054
		4,880,357,105	5,029,363,946	5,223,421,551
Current Assets				
Guaranteed Grant Income receivable	6	96,363,295	142,366,291	137,040,001
Receivables from Exchange Transactions	9	1,514,691	1,218,529	3,097,361
VAT	11	1,494,838	953,884	0
Receivables from Non-Exchange Transactions	10	34,712,476	63,444,145	9,023,345
Prepayments	8	250,319	248,487	135,901
Cash and Cash Equivalence	12	35,626,623	19,317,218	59,652,383
		169,962,242	227,548,554	208,948,991
Total Assets		5,050,319,347	5,256,912,500	5,432,370,542
Non-Current Liabilities				
Financial Liabilities amortised cost	15	400,401,447	506,644,146	619,526,317
		400,401,447	506,644,146	619,526,317
Liabilities				
Current Liabilities				
Other financial liabilities	15	91,944,070	130,565,962	106,985,504
Designated Project Funds	7	8,949,730	2,849,730	2,849,730
Payables from exchange transactions	18	2,882,321	4,316,727	2,204,151
Payables from non-exchange transactions	19	6,393,931	11,774,891	17,281,335
Unspent Conditional Grant	14	4,480,962	2,631,237	4,325,820
Provisions	16	0	50,416	30,916
Accruals	17	1,068,194	2,805,323	1,079,556
		115,719,208	154,994,286	134,757,012
Total Liabilities		516,120,655	661,638,432	754,283,329
Net Assets		4,534,198,692	4,595,274,068	4,678,087,213
Reserves				
Maintenance Reserves	13	5,532,330	5,532,330	5,532,330
Accumulated surplus	30	4,528,666,362	4,589,741,738	4,672,554,883
Total Net Assets		4,534,198,692	4,595,274,068	4,678,087,213

STATEMENT OF FINANCIAL PERFORMANCE

Figures in Rand / Emalangeni	Note(s)	2019	2018 (Restated*)
Revenue			
Revenue from non-exchange transactions			
Conditional Grant Income	20	47,513,144	39,941,606
Finance Income	20	55,107,449	58,414,517
Total revenue from non-exchange transactions		102,620,593	98,356,123
Expenditure			
Employee related costs	21	(18,671,895)	(16,500,068)
Depreciation and amortisation	22	(54,453,372)	(54,279,715)
Finance costs	23	(71,212,326)	(84,965,781)
Debt Impairment		-	(1,849,390)
Operating and administration Expenses	24	(19,358,373)	(23,574,314)
Total expenditure		(163,695,966)	(181,169,268)
Deficit for the year		(61,075,373)	(82,813,145)

STATEMENT OF CHANGES IN NET ASSETS

Figures in Rand	Maintenance Reserves	Accumulated surplus	Total net assets
Opening balance as previously reported	5,532,330	3,803,130,872	3,808,663,202
Adjustments			
Change in accounting framework	-	869,424,010	869,424,010
Balance at 01 April 2017 as restated*	5,532,330	4,672,554,883	4,678,087,213
Changes in net assets			
Surplus for the year	-	(82,813,145)	(82,813,145)
Total changes	-	(82,813,145)	(82,813,145)
Restated* Balance at 01 April 2018	5,532,330	4,589,741,735	4,595,274,065
Changes in net assets			
Surplus for the year	-	(61,075,373)	(61,075,373)
Total changes	-	(61,075,373)	(61,075,373)
Balance at 31 March 2019	5,532,330	4,528,666,362	4,534,198,692
Note(s)	13		

CASH FLOW STATEMENT

Figures in Rand / Emalangeni	Note(s)	2019	2018 (Restated*)
Cash flows from operating activities			
Receipts			
Grants		274,731,160	178,356,291
Payments			
Employee costs		(18,671,895)	(16,500,068)
Suppliers		(21,861,420)	(25,335,495)
Finance costs		(71,212,325)	(84,965,780)
		(111,745,640)	(126,801,343)
Net cash flows from operating activities	26	162,985,520	51,554,948
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(1,811,522)	(2,588,401)
Net cash flows from investing activities		(1,811,524)	(2,588,401)
Cash flows from financing activities			
Repayment of other financial liabilities		(144,864,591)	(89,301,712)
Net cash flows from financing activities		(144,864,591)	(89,301,712)
Net increase/(decrease) in cash and cash equivalents		16,309,405	(40,335,165)
Cash and cash equivalents at the beginning of the year		19,317,218	59,652,383
Cash and cash equivalents at the end of the year	12	35,626,623	19,317,218

ACCOUNTING POLICIES

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board.

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rands (R) and Eswatini Emalangeni (E).

The entity has for the first time in the current financial year adopted GRAP as a reporting framework from IFRS. The prior year annual financial statements have been restated so accounting policies and amounts are consistent with GRAP. The changes have been accounted for in accordance with directive 2 and Directive 12.

1.1 Presentation currency

These annual financial statements are presented in South African Rands and Eswatini Emalangeni, which are the functional currencies of KOBWA. The exchange rate between the two currencies is 1:1.

1.2 Going concern assumption

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

1.3 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements and in conformity with GRAP, management is required to make judgements, estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. These estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances. 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. The underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Critical Judgements in applying accounting policies

The critical judgements made by management in applying accounting policies, apart from those involving estimations, that have significant effect on the amounts recognised in the financial statements are outlined as follows:

Key sources of estimation and uncertainty

Useful lives of property plant and equipment

Management assesses the appropriateness of the useful lives of property, plant and equipment at the end of each reporting period. The useful lives are determined based on the Authority's asset management and disposal policies for the different

ACCOUNTING POLICIES - CONTINUED

1.3 Significant judgements and sources of estimation uncertainty (continued)

asset classes. Individual assets within these classes which have a significant carrying amount are assessed separately to consider whether replacement will be necessary outside of the normal replacement parameters.

When the estimated useful life of an asset differs from the previous estimates, the change is applied prospectively in the determination of depreciation charge.

Control

GRAP Conceptual Framework 5.10 explains control as follows; 'control of the resource entails the ability of the entity to use the resource (or direct other Parties on its use) so as to derive the benefit of the service potential or economic benefits embodied in the resource in the achievement of its service delivery or other objectives.

KOBWA assessed its business model and set up in light of the element of control and came to the conclusion that the Treaty gives it control over the ownership and use of its assets as defined by GRAP.

Impairment testing

The fair value for non-cash generating assets is not determined at each reporting date but KOBWA assess at each reporting date whether there is an indication that the value of the asset may be impaired since the last reporting date. Impairment, therefore, reflects a decline in the utility of an asset to the Authority. In so doing the Authority looks at the indications of impairment as stipulated by the standard and in terms of general understanding of asset usage and maintenance plan.

An asset is impaired when the carrying amount of the asset exceeds its recoverable service amount. KOBWA assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the Authority makes a formal estimate of the recoverable service amount of the asset. If no indication of a potential impairment loss is present, the GRAP does not require KOBWA to make a formal estimate of recoverable service amount.

This GRAP defines the value in use of a non-cash-generating asset as the present value of the asset's remaining service potential. The recoverable service amount is the higher of an asset's fair value less costs to sell and its value in use. KOBWA reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable.

Provisions

Provisions are inherently raised based on assumptions and estimates based on the best information available. Additional disclosure of these estimates of provisions are included in note 16 - Provisions.

Selection of an appropriate reporting framework by KOBWA

KOBWA assessed whether it meets the criteria in paragraph 11 of Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities.

ACCOUNTING POLICIES - CONTINUED

This assessment was performed in the financial period 2018/19 for the first time. This was after assessment was made to determine if the IFRS framework was the most suitable framework for KOBWA given its business model.

In making the assessment, management applied its judgement and considered all relevant facts and KOBWA mandate as enshrined in the KOBWA Treaty, the KOBWA business model, as well as prospective information, ensuring a holistic assessment over an extended period of time.

In its assessment, KOBWA concluded that it is not a commercial entity, it was formed to provide services of a public nature, it is substantially funded by the Government of South Africa and the Kingdom of Eswatini, and it is not a financial institution. As such the most appropriate framework is GRAP.

1.4 Investment property

Investment property is property held to earn rentals or for capital appreciation or both.

Investment property is recognised as an asset when, and only when it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

The residual value, useful life and depreciation method of each asset are reviewed at the end of each year. If expectations differ from previous estimates, the change is accounted prospectively as a change in accounting estimate. The depreciation charge is recognised in the surplus and deficit unless it is included in the carrying amount of another asset.

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

ACCOUNTING POLICIES - CONTINUED

1.4 Investment property (continued)

Depreciation is provided to write down the cost, less estimated residual value by equal installments over the useful life of the property, which is as follows:

Item	Percentage
Investment Property - Buildings	2%

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal. The entity separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements under administration expenses.

1.5 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to or replace part of 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.

ACCOUNTING POLICIES - CONTINUED

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

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

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

Item	Depreciation method	Percentage
Buildings	Straight line	2%
Furniture and fixtures	Straight line	20%
Motor vehicles	Straight line	20%
Office equipment	Straight line	20%
Computer Equipment	Straight line	33.33%
Mobile Units	Straight line	5%
Infrastructure	Straight line	2-5%
Dams and Weirs	Straight line	1%
Dam Equipment and Pipelines	Straight line	2%
Sundry Equipment	Straight line	20%
Implements	Straight line	20%

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the entity. The residual value, useful life and depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

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

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

The entity separately discloses expenditure to repair and maintain property, plant and equipment in the expenses section of the statement of surplus and deficit.

ACCOUNTING POLICIES - CONTINUED

1.6 Intangible assets

An intangible asset is recognised when:

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

The entity assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date. Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

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

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

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

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

Item	Depreciation method	Percentage
Computer software	Straight line	20%

ACCOUNTING POLICIES - CONTINUED

1.7 Guaranteed Income Receivable

Grant Income Receivable represents the guaranteed future grants (cash) receivable from the South African and Eswatini governments. The two Governments have guaranteed KOBWA's debt, and in accordance with the Treaty are legally obligated to fund KOBWA for the servicing and repayment of its debt.

The grants from the governments are paid to KOBWA to enable it to pay its lenders in accordance with the terms and conditions of its loan agreements. Therefore the grants are fixed, determinable and guaranteed.

The receivable is discounted to its present value. As the receivable reaches maturity over time, the interest effect of unwinding the discount is recorded to the statement of financial performance. When KOBWA receives the grant, it is recorded against the receivable and therefore reduces the balance.

1.8 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

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

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

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.

ACCOUNTING POLICIES - CONTINUED

1.8 Financial instruments (continued)

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
 - receive cash or another financial asset from another entity; or
 - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Classification

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

Class

Guaranteed Income Receivable
Cash and cash equivalent
Receivable from exchange transactions
Receivables from non-exchange transactions

Category

Financial asset measured at amortised cost
Financial asset measured at amortised cost
Financial asset measured at amortised cost
Financial asset measured at amortised cost

ACCOUNTING POLICIES - CONTINUED

1.8 Financial instruments (continued)

Financial Liabilities

KOBWA upon assesment of GRAP 104 (Financial instruments), categorises all its long term loans at amortised costs and the following are the names and category in terms of treament of the loans as reflected in the notes to financial statments as follows:

Name	Category
HAMBORS Bond Notes	Financial asset measured at amortised cost
NEDCOR Loan	Financial asset measured at amortised cost
RMB Loan	Financial asset measured at amortised cost
DBSA Loan	Financial asset measured at amortised cost

Class	Category
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Initial recognition

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

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at amortised cost.

Impairment and uncollectibility of financial assets

The entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

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

ACCOUNTING POLICIES - CONTINUED

1.8 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

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

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continues to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

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

ACCOUNTING POLICIES - CONTINUED

1.8 Financial instruments (continued)

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

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

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in the statement of Financial performance.

1.9 Impairment of non-cash-generating assets

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

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing Parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. Useful life is either:

- the period of time over which an asset is expected to be used by the entity; or
 - the number of production or similar units expected to be obtained from the asset by the entity.
- Judgements made by management in applying the criteria to designate assets as non-cash-generating assets or cashgenerating assets, are as follows:

ACCOUNTING POLICIES - CONTINUED

1.9 Impairment of non-cash-generating assets (continued)

Identification

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

The entity assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired.

If any such indication exists, the entity estimates the recoverable service amount of the asset.

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the entity recognises a liability only to the extent that is a requirement in the Standards of GRAP.

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

Reversal of an impairment loss

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

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised.

ACCOUNTING POLICIES - CONTINUED

1.9 Impairment of non-cash-generating assets (continued)

The carrying amount of the asset is increased to its recoverable service amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

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

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

1.10 Employee benefits

Short-term employee benefits

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

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

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

1.11 Provisions and contingencies

Provisions are recognised when:

- the Authority has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation. Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures 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 is recognised when, and only when, it is virtually certain that reimbursement will be received if the Authority settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

ACCOUNTING POLICIES - CONTINUED

1.11 Provisions and contingencies (continued)

Provisions are not recognised for future operating surplus (deficit). If KOBWA has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 27.

1.12 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by KOBWA, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the Authority can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, KOBWA either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting entity. These can either be conditions or restrictions.

Where the Authority receives other revenue from other sources like rental income, or interest, such revenue does not transfer to the Authority. In terms of the Treaty such funds are for the Parties who allocate and authorise their use. Until such funds have been approved for use by the Authority, they are treated as liabilities payable to the Parties in their ratio of contribution.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

Unspent Conditional Grant

KOBWA recognises a liability in respect of that portion of the Grant Revenue which would not have been spent in the financial year. Such grant will be payable to the Parties in proportion to their contribution. Should KOBWA wish to have access to such funds, she has to seek approval for its use and then can it be re-designated after such approval.

ACCOUNTING POLICIES - CONTINUED

1.12 Revenue from non-exchange transactions (continued)

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by KOBWA. When, as a result of a non-exchange transaction, the Authority recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability.

Transfers

KOBWA recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset. KOBWA only needs to have the right to receive such asset for the asset to be recognised but does not necessarily need to have received the actual asset. Transferred assets are measured at their fair value as at the date of acquisition.

1.13 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use of sale.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset when it is probable that they will result in future economic benefits or service potential to the KOBWA, and the costs can be measured reliably. KOBWA applies this consistently to all borrowing costs that are directly attributable to the acquisition, construction, or production of all qualifying assets of KOBWA. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any investment income on the temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the KOBWA on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when all the following conditions have been met:

- expenditures for the asset have been incurred;
- borrowing costs have been incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are undertaken.

Capitalisation is suspended during extended periods in which active development is suspended.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

ACCOUNTING POLICIES - CONTINUED

1.14 Segment information

A segment is an activity of an entity:

- that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same entity);
- whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing its performance; and
- for which separate financial information is available.

KOBWA is managed as one segment and as such there is no separate segment disclosure.

1.15 Budget information

In terms of GRAP 24, entities required either through legislation or some instrument are mandated to report on budget information. Entities may elect to report on the same even when they are not mandated. KOBWA's policy is that there will be no budget disclosure in the financial statements.

1.16 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The Authority will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

1.17 Related Parties

Related Parties for KOBWA is in respect of the two Governments to the treaty, the Government of South Africa and the Kingdom of Eswatini and this also covers transactions relating to the Board of directors as well as key management employees.

1.18 Water in Dams

KOBWA does not attribute any value to the water stored in its dams. The water is accumulated through natural phenomenon which KOBWA does not pay for, and furthermore KOBWA does not charge for the water delivered.

NOTES TO ANNUAL FINANCIAL STATEMENTS

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year and as part of its conversion to GRAP, the entity adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations.

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
- GRAP 16 (as amended 2016): Investment Property - GRAP 17 (as amended 2016): Property, Plant and Equipment	01 April 2018 01 April 2018	The impact of the is not material. The adoption of this has not had a material impact on the results of the company, but has resulted in more disclosure.
GRAP 21 (as amended 2016): Impairment of non-cash generating assets	01 April 2018	The impact of the is not material.
GRAP 27 (as amended 2016): Agriculture	01 April 2018	Not applicable to KOBWA
GRAP 31 (as amended 2016): Intangible Assets	01 April 2018	The impact of the is not material.
GRAP 103 (as amended 2016): Heritage Assets	01 April 2018	Not applicable to KOBWA
Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities	01 April 2018	Refer to note 1.3

2.2 Standards and interpretations issued, but not yet effective

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
GRAP 104 (amended): Financial Instruments	TBD	Expected impact is material.
Guideline: Guideline on the Application of Materiality to Financial Statements	TBD	Unlikely there will be a material impact
GRAP 1 (amended): Presentation of Financial Statements	01 April 2020	Unlikely there will be a material impact
IGRAP 1 (revised): Applying the Probability Test on Initial Recognition of Revenue	01 April 2020	Unlikely there will be a material impact
Directive 7 (revised): The Application of Deemed Cost	01 April 2019	Unlikely there will be a material impact
GRAP 20: Related parties	01 April 2019	Unlikely there will be a material impact

NOTES TO ANNUAL FINANCIAL STATEMENTS - CONTINUED

3. Investment property

	2019			2018		
	Cost/ Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	14,869,885	(1,507,277)	13,362,608	14,869,885	(1,004,852)	13,865,033

Reconciliation of investment property - 2019

	Opening balance	Depreciation	Total
Investment property	13,865,033	(502,425)	13,362,608

Reconciliation of investment property 2018

	Opening balance	Depreciation	Total
Investment property	14,367,459	(502,426)	13,865,033

The carrying amount of the investment property at each reporting date approximate fair value.

Register with details of the land and buildings which constitute the investment properties is available for inspection by authorised personnel or entities and other stakeholders or their duly authorised representatives at the Maguga office of KOBWA. The investment property relates to houses located at the Glen Village in Pigg's Peak town of Eswatini and are houses rented to third Parties at market rates therefore do not qualify to be classified as owner occupied.

There is no restrictions or encumbrances on the investment property.

There are no commitments in the foreseeable future to buy or build any investment properties.

The total repairs and maintenance to investment property can not be reliably disclosed separately from PPE as they are budgeted from the same code. Therefore for such costs please refer to the PPE note 4 below.

The rental income fluctuates annually depending on the houses available for rent and those occupied as this is not core business for KOBWA. However the estimated rental income annually is R/E 0.4 million for all the houses available for rent. The rental income is credited against payables to the Parties as KOBWA does not have right to the funds. Such funds can only be given to KOBWA through a decision by the JWC at which point revenue shall be raised.

NOTES TO ANNUAL FINANCIAL STATEMENTS - CONTINUED

4. Property, plant and equipment

	2019			2018		
	Cost/ Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Buildings	63,970,840	(6,318,628)	57,652,212	63,970,840	(4,192,906)	59,777,934
Furniture and fixtures	1,619,013	(948,167)	670,846	1,586,875	(699,078)	887,797
Motor vehicles	3,295,094	(2,038,576)	1,256,518	2,579,799	(1,547,555)	1,032,244
Office equipment	404,463	(353,742)	50,721	385,081	(340,658)	44,423
Computer Equipment	1,750,209	(1,461,376)	288,833	1,570,007	(1,271,342)	298,665
Mobile Units	792,964	(792,936)	28	792,964	(792,936)	28
Infrastructure	68,519,140	(12,336,224)	56,182,916	67,940,406	(8,123,312)	59,817,094
Dams and Weirs	4,474,825,171	(134,305,220)	4,340,519,951	4,474,825,171	(89,503,690)	4,385,321,481
Dam Equipment and Pipelines	27,969,830	(3,880,975)	24,088,855	27,969,830	(2,587,317)	25,382,513
Sundry Equipment	6,603,315	(5,222,975)	1,380,340	6,319,240	(4,672,938)	1,646,302
Implements	1,026,278	(972,476)	53,802	1,026,278	(948,616)	77,662
Total	4,650,776,317	(168,631,295)	4,482,145,022	4,648,966,491	(114,680,348)	4,534,286,143

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Disposals	Depreciation	Total
Buildings	59,777,934	-	-	(2,125,722)	57,652,212
Furniture and fixtures	887,797	32,138	-	(249,089)	670,846
Motor vehicles	1,032,244	715,294	-	(491,020)	1,256,518
Office equipment	44,423	21,080	(1,696)	(13,086)	50,721
Computer Equipment	298,665	180,202	-	(190,034)	288,833
Mobile Units	28	-	-	-	28
Infrastructure	59,817,094	578,734	-	(4,212,912)	56,182,916
Dams and Weirs	4,385,321,481	1	-	(44,801,531)	4,340,519,951
Dam Equipment and Pipelines	25,382,513	-	-	(1,293,658)	24,088,855
Sundry Equipment	1,646,302	284,073	-	(550,035)	1,380,340
Implements	77,662	-	-	(23,860)	53,802
	4,534,286,143	1,811,522	(1,696)	(53,950,947)	4,482,145,022

NOTES TO ANNUAL FINANCIAL STATEMENTS - CONTINUED

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Depreciation	Total
Buildings	61,893,716	-	(2,115,782)	59,777,934
Furniture and fixtures	887,797	171,593	(171,593)	887,797
Motor vehicles	1,183,428	217,105	(368,289)	1,032,244
Office equipment	14,356	43,153	(13,086)	44,423
Computer Equipment	314,487	181,938	(197,760)	298,665
Mobile Units	28	-	-	28
Infrastructure	62,718,794	1,159,956	(4,061,656)	59,817,094
Dams and Weirs	4,430,073,326	-	(44,751,845)	4,385,321,481
Dam Equipment and Pipelines	26,234,017	442,155	(1,293,659)	25,382,513
Sundry Equipment	2,070,746	352,455	(776,899)	1,646,302
Implements	84,336	20,046	(26,720)	77,662
	4,585,475,031	2,588,401	(53,777,289)	4,534,286,143

Expenditure incurred to repair and maintain property, plant and equipment as well as Investment property

Included in Statement of Financial Performance

Operating and administration costs	3,868,500	4,962,482
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The asset register in terms of the detailed assets is available for review at the KOBWA Maguga office during normal working days between 7:30am and 4pm.

There are no commitments in respect of major assets or projects resulting in infrastructure. The only budget is in terms of movable assets and small infrastructure around the offices.

In the current or prior year additions, there is no capitalised interest that was included.

NOTES TO ANNUAL FINANCIAL STATEMENTS - CONTINUED

5. Intangible assets

	2019			2018		
	Cost/ Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	175,252	(175,245)	7	175,252	(175,245)	7

Reconciliation of intangible assets - 2019

	Opening balance	Total
Computer software	7	7

Reconciliation of intangible assets - 2018

	Opening balance	Total
Computer software	7	7

Other information

The intangible assets relate to software which is due for replacement but has not yet been replaced. Due to the fact that it is still being utilised it can not be derecognised, however its replacement by a newer version would be in the next 12 months.

Such software does not have resale value and any previous patches were expensed as they were not considered as upgrades.

The software shall be derecognised once replaced. The expected cost of replacement plus other additional software being acquired in the next financial year is budgeted at R/E 3 million, a budget of which has been made and funds have been set aside and the procurement process is underway.

NOTES TO ANNUAL FINANCIAL STATEMENTS - CONTINUED

6. Guaranteed grant receivable

Figures in Rand / Emalangeni	2019	2018
Designated at amortised cost		
Guaranteed Grant Income - Capital Loans 100% guaranteed by the Government of South Africa and back to back 40% by the Kingdom of Eswatini. The loans repayment amounts are paid to KOBWA as part of the conditional grant towards payment of the loans and the amounts are known. Guaranteed grant income is the present value of the funds receivable from the Governments.	231,527,346	341,139,036
Guaranteed Grant Income - Interest Loans 100% guaranteed by the Government of South Africa and 40% by the Kingdom of Eswatini. The interest relating to the loans are paid to KOBWA as part of the conditional grant towards payment of the loans interest and the amounts are known. Guaranteed grant income is the present value of the funds receivable from the Governments.	249,685,417	282,440,018
	481,212,763	623,579,054
Non-current assets		
At amortised cost	384,849,468	481,212,763
Current assets		
At amortised cost	96,363,295	142,366,291

NOTES TO ANNUAL FINANCIAL STATEMENTS - CONTINUED

6. Guaranteed grant receivable (continued)

Designated at amortised cost

Guaranteed grant receivable is in respect of the Long term loans which KOBWA borrowed for the construction of the dams.

The loans are guaranteed 100% by the Government of South Africa and a 40% back to back guarantee by the Kingdom of Eswatini.

On an annual basis, the Parties fund KOBWA an amount equal to the repayment of capital and interest of the loans. These amounts are fixed, determinable and guaranteed. The cashflows have been discounted to the net present value and disclosed as either capital or interest, being amounts received to service capital loan repayments and interest on loans.

KOBWA has not reclassified any financial assets from cost or amortised cost to fair value, or from fair value to cost or amortised cost during the current or prior year. There is no creation and release of provision for impairment receivables as these financial assets are for the repayment of the financial liabilities.

2019	HAMBROS Bank Loan	Nedbank Loan	RMB Loan	DBSA Loan	Total
Opening balance	353,774,615	50,221,836	80,802,349	138,780,254	623,579,054
Cash Funding from parties	(50,625,000)	(33,734,516)	(54,819,307)	(58,294,917)	(197,473,740)
Unwinding finance income	52,124,508	339,940	1,298,751	1,344,250	55,107,449
Total	355,274,123	16,827,260	27,281,793	81,829,587	481,212,763

2018	HAMBROS Bank Loan	Nedbank Loan	RMB Loan	DBSA Loan	Total
Opening Balance	352,413,178	83,070,162	132,414,219	192,721,495	760,619,054
Cash funding from parties	(50,625,000)	(33,734,516)	(54,643,364)	(56,451,637)	(195,454,517)
Unwinding finance income	51,986,438	886,190	3,031,494	2,510,395	58,414,517
Total	353,774,616	50,221,836	80,802,349	138,780,253	623,579,054

7. Designated Project Funds

Current liabilities	8,949,730	2,849,730
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NOTES TO ANNUAL FINANCIAL STATEMENTS - CONTINUED

7. Designated Project Funds (continued)

Designated Funds arise as a result of KOBWA being selected as an implementing agent for projects on behalf of the Department of Water and Sanitation South Africa. Further funds are from approved funds by the parties from money payable to them for the implementation of specific projects or acquisition of key KOBWA assets. Such funds may be allocated at the request of KOBWA. The funds are either paid in advance into the KOBWA account or they are already in the custody of KOBWA at the time of approval of such projects or acquisitions. As the projects are delivered, and all conditions are met, the funds are transferred to revenue.

8. Prepayments

Prepayments represent amounts paid to Eswatini Electricity Company, prepaid insurance amounts covering a portion of the following financial year as well as some portion of pastel licence renewal.

Figures in Rand/Emalangen	2019	2018
Prepayments	250,319	248,487
9. Other Receivables		
Trade debtors	206,072	7,864
Employee costs in advance	196,537	98,583
Deposits	1,112,082	1,112,082
	1,514,691	1,218,529

The advances to employees are non-interest bearing and are repayable over an agreed period with the employee. The agreed period does not exceed a period of 9 months. The repayment of the advances are recovered through payroll. The advances are provided to employees to assist in furthering their studies.

Deposits

Deposits are in respect of a revolving fund deposited and managed by FINCORP R/E 1 million, as well as for ESKOM R/E 112,083. The revolving fund is for the benefit of people within the basin established as part of the dam construction and the affected communities borrow for projects based on a set criteria. The managing fund is an authorised financial services organisation in terms of Eswatini and charge interest on the borrowings which cover the running costs of the fund. The fund is still 1 million from the reports submitted by the fund managers. There has been no movement in the current year.

The trade and other receivables were reviewed at the reporting date for impairment and it was viewed that none were impaired.

NOTES TO ANNUAL FINANCIAL STATEMENTS - CONTINUED

Figures in Rand/Emalangen	2019	2018
10. Receivables from non-exchange transactions		
Government of South Africa	33,634,051	60,556,202
Kingdom of Eswatini	1,078,425	2,887,943
	34,712,476	63,444,145

The Balance represents grant receivable not yet paid by the Parties at the reporting date. The Governments have a bilateral agreement through the treaty which is open ended. Previously the Government have always paid up the outstanding amounts.

The amounts therefore do not have a credit risk as the Governments have always honoured the provisions of the treaty.

Figures in Rand/Emalangen	2019	2018
11. VAT receivable		
VAT	3,344,228	2,803,274
Provision for impairment	(1,849,390)	(1,849,390)
Balance	1,494,838	953,884

The Balance represents grant receivable not yet paid by the Parties at the reporting date. The Governments have a bilateral agreement through the treaty which is open ended. Previously the Government have always paid up the outstanding amounts.

Included in this balance is an amount equal to R/E 1 849 390 (2018: R/E 1 849 390) that was considered doubtful and a provision was raised. Recoverability of this VAT receivable is doubtful although not definitely irrecoverable and has been impaired. Prudence requires an allowance be created to recognise the potential loss arising from the possibility of incurring bad debts. The allowance for doubtful debts reduces the receivable balance to the amount that KOBWA prudently estimates to recover in the future.

NOTES TO ANNUAL FINANCIAL STATEMENTS - CONTINUED

Figures in Rand/Emalangen	2019	2018
12. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	17,500	14,914
Bank balances	19,581,528	9,131,616
Short-term deposits	16,027,595	10,170,688
	35,626,623	19,317,218

All funds are under the management of KOBWA, however the Authority may not use beyond the amounts due to her.

Therefore designated funds, unspent grants, amounts payable to the Parties and reserves may not be used unless if such funds have been allocated to a project to be implemented by KOBWA. However KOBWA may place such funds in short term investments for the purposes of bearing interest.

13. Maintenance Reserve

The maintenance reserve was approved by the Board of Directors and the Joint Water Commission as an initiative to create, over a period of time a Rehabilitation Fund with a maximum capital contribution of R/E 5 000 000. This viewed as one of the components of the business continuity plan aimed to rehabilitate the dams when required. The fund was initiated with the approved amount of R/E 2 650 000 during October 2006. A second transfer of R/E 2 350 000 was approved by the board at their meeting held on 2 July 2007. Between 1 April 2007 and April 2010 interest earned on the fund was not reflected in the summary income statement but credited directly to the statement of financial position to escalate the Rehabilitation Fund. However, the Board of directors passed a resolution on 19 April 2010 that future interest earned from Rehabilitation Fund be reflected as income and not used further escalate the rehabilitation Fund. The rehabilitation process commenced in the 2014 financial period. No additional amount has been spent on rehabilitaion since then. This reserve relates to refurbishment and replacement of capital dam assets and components.

14. Unspent Conditional Grant

Unspent grants represent conditional grants that remain unspent at the reporting period. These are payable back to the Government of South Africa and the Kingdom of Eswatini in proportion to their contribution and is recognised as a liability in the financial statements. In the following financial year, such grants are only utilised upon approval by the JWC as the condition can only be met in the respective financial year in which the budget relates. Such approval would be either for other projects designated by the JWC in which case revenue would be recognised to the extent of the amounts approved for reducing the amount payable by the Parties in future financial years or the Parties may request the funds to be paid back.

NOTES TO ANNUAL FINANCIAL STATEMENTS - CONTINUED

Figures in Rand/Emalangen	2019	2018
14. Unspent Conditional Grant (continued)		
Movement during the year		
Balance at the beginning of the year	2,631,237	4,325,820
Utilised during the year	-	(2,115,973)
Additions during the year	1,849,725	421,390
	4,480,962	2,631,237
15. Other financial liabilities		
At amortised cost		
HAMBROS Bank Limited Loan	375,000,000	375,000,000
Rand Merchant Bank Holdings Limited Loan	25,571,625	72,263,398
Nedbank Limited Loan	15,978,511	45,462,826
Development Bank of South Africa Loan	75,795,381	144,483,884
	492,345,517	637,210,108
Total other financial liabilities	492,345,517	637,210,108

Hambros Bank Limited

The Loan consists of registered bonds with a face value of R/E 1 million each. The bond's coupon rate is 13.5% with an effective interest rate of 14.87% per annum. The coupon is payable bi-annually in arrears. The balance of the unpaid interest is accumulated with the capital and is payable on the maturity date on 31 October 2027 to the amount of R/E 375 million. The loan is explicitly guaranteed 100% by the South African government. The Kingdom of Eswatini guarantees 40% of the loan to the government of South Africa.

Nedbank Limited

The loan is an additional facility secured to complete the construction of the Maguga Dam. The loan bears interest at 9.425% per annum. The interest and capital is repayable in monthly installments commencing on 30 September 2003. The liability is guaranteed 100% by the South African Government and has a back guarantee of 40% from the Kingdom of Eswatini. The total loan value of R/E 233 million is structured by promissory notes as agreed to by both Parties. The loan is payable on the maturity date in September 2019.

NOTES TO ANNUAL FINANCIAL STATEMENTS - CONTINUED

15. Other financial liabilities (continued)

Rand Merchant Bank Holdings Limited

The loan is an additional facility secured to complete the construction of the Maguga Dam. The loan bears interest at 11.24% per annum. The interest and capital is repayable in monthly installments commencing on 6 August 2002. The liability is guaranteed 100% by the South African Government and has a back guarantee of 40% from the Kingdom of Eswatini. The total loan value of R/E 380 million is structured by promissory notes as agreed to by both Parties. The loan is payable on the maturity date on the 6th of August 2019.

Development Bank of South Africa

The loan is an additional facility secured to complete the construction of the Driekoppies Dam. The loan bears interest at 10% per annum. The interest and capital is repayable in six-monthly installments payable on the first day of the half year. The liability is guaranteed 100% by the South African Government. The total loan value of R/E 488 401 000 is structured by promissory notes as agreed to by both Parties. The loan is payable on the maturity date on the 30th of September 2020.

Figures in Rand/Emalangen	2019	2018
Non-current liabilities		
At amortised cost	400,401,447	506,644,146
Current liabilities		
At amortised cost	91,944,070	130,565,962

16. Provisions

Reconciliation of provisions - 2019

	Opening Balance	Utilised during the year	Total
Severance pay	50,416	(50,416)	-

Reconciliation of provisions - 2018

	Opening Balance	Utilised during the year	Total
Severance pay	30,916	19,500	50,416

NOTES TO ANNUAL FINANCIAL STATEMENTS - CONTINUED

Figures in Rand/Emalangen	2019	2018
17. Accruals		
Bonus & 13 th Cheque	306,383	270,002
Leave Pay	244,474	302,978
Accruals	517,337	2,232,343
	1,068,194	2,805,323
18. Payables from exchange transactions		
Trade payables	2,550,285	3,579,663
Employee related payables	94,632	62,143
Interest on Loans	237,404	674,921
	2,882,321	4,316,727

19. Government Payables (non - exchange)

This represents income received by KOBWA other than grants that are in the process of being declared to the Joint Water Committee. In accordance with the Treaty, all non-grant income must be declared to the JWC which will approve and allocate these funds. Until such time that this process is complete, KOBWA is not entitled to the funds. Instead, these funds are payable to the respective governments of RSA and Kingdom of Eswatini. The general ratio of contribution between the Government of South Africa and the Kingdom of Eswatini is 60:40, however the allocation also considers actual contributions made, funds specific to one government as well as draw downs made by each party.

Figures in Rand/Emalangen	2019	2018
Reconciliation of Government Payables		
Opening Balance	11,774,891	17,281,335
Additions during the year	3,944,105	-
Approved and Allocated to projects	(9,325,065)	(5,506,444)
	6,393,931	11,774,891
Bank Interest Payable	1,265,808	7,906,369
Rental Payable to Governments	4,386,080	3,320,448
Gate Entrance fees Payable to Governments	585,068	449,015
Other Government Payables	156,975	99,059
	6,393,931	11,774,891

NOTES TO ANNUAL FINANCIAL STATEMENTS - CONTINUED

20. Government grants and subsidies

Revenue

KOBWA receives grant funding from the Parties on an annual basis to fund its operations and to enable it to repay its debt. The condition of this funding is for KOBWA to utilise it in the year in which it is receivable. The portion of grant that is not utilised is recorded as Unspent grant in the Statement of Financial Position.

Only the portion of the grant that relates to operations is recorded as revenue.

The grant portion that relates to servicing of KOBWA loans is recorded against Guaranteed receivable income in the Statement of Financial Position.

Figures in Rand/Emalangen	2019	2018
Conditional Grant Income		
Conditional Operation grants received - RSA	36,440,225	29,998,851
Conditional Operational grant received - SD	10,851,520	9,942,755
Miscellaneous other income	221,399	-
	47,513,144	39,941,606
Other income R/E 221,399 relates to funds in respect of profit on sale of vehicles which was approved by the JWC to add to the purchase of replacement vehicles. Such funds would ordinarily be repayable to the Parties. The funds were recognised as e approval of the funds to be utilised by KOBWA.		
Cash flow statement: Grants Receivable		
The grant receipts disclosed in the cash flow statement includes the total funding/grants received from the Parties, both operational and debt servicing. The table below reconciles the total grant receivable for the year and where it has been recognised in these financial statements.		
Total cash receivable	246,615,210	235,817,512
Recognised as Revenue in the Statement of Financial Performance	(47,291,745)	(39,941,605)
Recognised as reduction in Guaranteed Income	(197,473,740)	(195,454,517)
Unspent Grant	(1,849,725)	(421,390)
	-	-

NOTES TO ANNUAL FINANCIAL STATEMENTS - CONTINUED

Figures in Rand/Emalangi	2019	2018
21. Employee related costs		
Basic	18,581,875	16,429,114
Staff Workman's Compensation	42,761	5,029
Skills Development Levy	47,259	65,925
	18,671,895	16,500,068
Chief Executive Officer		
Annual Remuneration	1,487,070	1,464,872
Finance Director - appointed 01/09/2017		
Annual Remuneration	916,728	499,154
Acting Allowance	105,552	-
	1,022,280	499,154
Director Operations - resigned 04/01/2019		
Annual Remuneration	759,207	890,130
Terminal benefits	70,270	-
	829,477	890,130
Director Operations - Appointed 1/03/2019		
Annual Remuneration	73,405	-
Director Corporate Services - Appointed 01 January 2019		
Annual Remuneration	214,490	-
Director Corporate Services - resigned 31/03/2018		
Annual Remuneration	-	869,730
22. Depreciation and amortisation		
Description		
Depreciation Property Plant & Equipment	53,950,946	53,777,289
Depreciation Investment Property	502,426	502,426
	54,453,372	54,279,715
23. Finance costs		
Non-current borrowings	71,180,602	84,963,005
Other interest paid	31,724	2,776
	71,212,326	84,965,781

NOTES TO ANNUAL FINANCIAL STATEMENTS - CONTINUED

Figures in Rand/Emalangení	2019	2018
23. Finance costs (continued)		
Reconciliation of Finance Cost from non-current borrowings		
HAMBROS Loan	50,625,000	50,625,000
Development Bank of South Africa	9,880,582	15,477,635
Rand Merchant Bank	6,424,818	11,592,728
Nedbank	4,250,201	7,267,641
	71,180,601	84,963,004
24. Operating and administration expenses		
ISO Certification	95,543	119,862
Advertising, Marketing and Publicity	623,853	1,662,469
Assessment rates & municipal charges	840,995	859,404
Auditors remuneration	319,015	211,445
Bank charges	208,252	148,374
Computer expenses	474,962	632,546
Consulting and professional fees	258,185	183,072
Corporate Social Responsibility	344,025	586,698
Entertainment	48,203	22,932
Loans Management Costs	130,374	184,346
Office Maintenance Costs	1,013,784	1,146,493
Insurance Costs	802,980	982,139
Consulting Costs	58,440	1,065,558
Vehicle Costs	1,108,398	1,182,259
Travel Costs	362,927	485,455
Honorarium	77,599	71,000
Staff Recruitment Costs	511,157	368,785
Postage and courier	30,533	39,464
Printing and stationery	299,456	456,070
Protective clothing	141,174	239,163
Secretarial fees	242,856	306,971
Security (Guarding of property)	2,233,421	2,352,507
Staff welfare	319,875	316,429
Subscriptions and membership fees	145,270	130,496
Telephone and fax	1,552,463	890,711
Training	1,192,623	950,832
Dams Ops & Maintenance	109,583	98,570
Communication - Dam Management	63,590	154,041
Electricity	841,212	871,934

NOTES TO ANNUAL FINANCIAL STATEMENTS - CONTINUED

Figures in Rand/Emalangeni	2019	2018
24. Operating and administration expenses (continued)		
Treaty review costs	164,121	175,865
LMPC Allowance	231,591	167,715
Dam Maintenance General	430,816	583,493
Dam Structure Maintenance	1,730,695	2,329,992
Dam enclosure - fencing	14,624	14,008
Tractors and trailers maintenance	43,144	79,801
Generators and other equipment	351,733	233,223
Information centre management	289,239	283,241
Boats and trailers	34,786	102,133
Motorbikes maintenance	13,694	8,568
KOBWA houses maintenance	526,784	715,565
Water quality and dam risk management	1,076,398	2,041,055
Projects Other costs	-	119,630
	19,358,373	23,574,314

25. Taxation

No provision for income taxation is made as Komati Basin Water Authority is exempt from income tax in both South Africa and Eswatini.

NOTES TO ANNUAL FINANCIAL STATEMENTS - CONTINUED

Figures in Rand/Emalangen	2019	2018
26. Cash generated from operations		
Deficit	(61,075,373)	(82,813,145)
Adjustments for:		
Depreciation and amortisation	54,453,372	54,279,715
Debt impairment	-	1,849,390
Movements in provisions	(50,416)	19,500
Changes in working capital:		
Receivables from exchange transactions	(296,162)	883,835
Receivables from non-exchange transactions	28,731,669	(54,420,800)
Prepayments	(1,832)	(112,586)
Payables from exchange transactions	(1,434,408)	546,221
VAT	(540,954)	(241,917)
Payables from non-exchange transactions	720,738	(5,506,444)
Unspent Conditional Grant	1,849,725	(1,694,583)
Guaranteed grant income	142,366,290	137,039,995
Accruals	(1,737,129)	1,725,767
	162,985,520	51,554,948

27. Contingencies

In 1996 the Authority entered into an agreement with Maguga Power Joint Venture ("MPJV"), which contained a clause that Komati Basin Water Authority ("KOBWA") would refund the MPJV any withholding invoices received by KOBWA from the MPJV in terms of a contract entered into between the two Parties. KOBWA, through the use of a memorandum of understanding delegated the responsibility for paying the refunds to Eswatini Electricity Company ("EEC") in 2004. Since then, MPJV has been demanding a refund from EEC of all withholding taxes on the contract. Having delegated the responsibility to make any further payments, KOBWA is disputing the claim as the directors are of the view that the Authority has not breached its agreements with MPJV. There are ongoing negotiations between KOBWA and EEC to respond to the demand made by MPJV. The total amount claimed by MPJV is R/E 4 589 623. KOBWA has not recognised any liabilities relating to the matter as the negotiations are ongoing and at this point it is improbable that it will result in a payment, therefore due to the unlikelihood of KOBWA being required to settle, a liability is not recorded.

NOTES TO ANNUAL FINANCIAL STATEMENTS - CONTINUED

Figures in Rand/Emalangen	2019	2018
28. Related parties		
Relationships		
Directors of KOBWA Refer to note 29		
Government of South Africa		
Kingdom of Eswatini		
Key management and employees Refer to employee related costs note 21		
Related party balances		
Grants receivable at year end		
Grants receivable at year end	34,712,476	63,444,145
Payables - Designated Funds		
Designated Funds	8,949,730	2,849,730
Loans to employees		
Loans to employees	196,537	98,583
Unspent grants		
Unspent grants	4,480,962	2,631,237
Guaranteed Income receivable		
Guaranteed Income receivable - non-current	384,849,468	481,212,763
Guaranteed Income receivable - current	96,363,295	142,366,295
Related party transactions		
Revenue		
Conditional operational grant Income for the year	47,513,144	39,941,606
Finance Income	55,107,449	58,414,517
Refer to note 20 for a reconciliation of total actual grants received for the year.		
Compensation to key Management		
Compensation to key Management	3,626,722	3,723,886
Compensation to directors		
Directors fees	689,064	558,598
Key Management information		
Remuneration of Management		
Executive Management		

NOTES TO ANNUAL FINANCIAL STATEMENTS - CONTINUED

29. Directors' emoluments

Non-executive

2019	Directors' Fees	Subsistence and Travel	Total
Ms E Magagula	112,193	32,426	144,619
Mr B Singwane	72,077	33,621	105,698
Mr A Thobejane	68,977	34,720	103,697
Mr L Mzizi	119,453	47,531	166,984
Dr T Gyedu-Ababio	72,459	13,791	86,250
Ms N Mabuza	56,293	25,523	81,816
	501,452	187,612	689,064

2018	Directors' Fees	Subsistence and Travel	Total
Ms E Magagula	46,598	26,694	73,292
Mr B Singwane	45,748	3,747	49,495
Mr A Thobejane	50,380	48,147	98,527
Mr L Mzizi	86,303	46,878	133,181
Dr T Gyedu-Ababio	33,020	26,808	59,828
Ms N Mabuza	75,177	69,098	144,275
	337,226	221,372	558,598

Company Secretary

2019

	Secretarial	Total
Mr M Simelane	242,856	242,856

2018

	Secretarial	Total
Mr M Simelane	306,971	306,971

NOTES TO ANNUAL FINANCIAL STATEMENTS - CONTINUED

30. Change in accounting framework

As noted at note 1.3, the KOBWA Board resolved to adopt GRAP as the reporting framework for the entity. In previous years, KOBWA reported under IFRS.

KOBWA is not a commercial entity and is wholly funded by the South African and Eswatini governments. It manages infrastructure assets under the Treaty in order to achieve its objective, being the conservation and management of water resources in the Komati Basin. Whilst KOBWA is not regulated by a governmental administration act in South Africa or Eswatini, it is regarded as a government organisation.

The application of GRAP as a reporting framework eliminates some of the complexities under IFRS such as the different definition of an asset between the two frameworks.

The application of GRAP has retrospectively been applied to the Statement of Financial Position as at 1 April 2017 and 30 March 2018. The Statement of Financial Performance for the 2018 financial year has been restated.

These financial statements therefore supersede the financial statements previously issued under IFRS.

The following tables present the adjustments made to the Statement of Financial Position to report under GRAP as at 1 April 2017 and 30 March 2018. Only the impacted balances have been disclosed.

Statement of financial position

2017	Note	As previously reported	Change in accounting framework	Restated
Guaranteed income receivable		-	760,619,055	760,619,055
Financial Liabilities		(721,862,392)	102,336,075	(619,526,317)
Deferred Income		(6,468,880)	6,468,880	-
Accumulated Surplus		(3,803,130,873)	(869,424,010)	(4,672,554,883)

NOTES TO ANNUAL FINANCIAL STATEMENTS - CONTINUED

30. Change in accounting framework (continued)

Statement of financial position (continued)

2018	Note	As previously reported	Change in accounting framework	Reclassification	Restated
Property, plant and equipment	4	4,534,284,446	-	1,697	4,534,286,143
Non-current assets held for sale		1,697	-	(1,697)	-
Guaranteed income receivable - current	6	-	142,366,291	-	142,366,291
Guaranteed income receivable - non-current	6	-	481,212,767	-	481,212,767
Other Receivables	9	2,173,261	-	(954,732)	1,218,529
VAT Receivable	11	-	-	953,884	953,884
Financial liabilities - non-current	15	(600,215,533)	93,571,387	-	(506,644,146)
Deferred income		(7,467,183)	7,467,183	-	-
Payables from exchange transactions	18	(2,751,221)	(1,566,359)	848	(4,316,732)
Accumulated surplus (opening balance)		(3,866,690,469)	(723,051,269)	-	(4,589,741,738)

Statement of financial performance

2018	Note	As previously reported	Change in accounting framework	Reclassification	Restated
Revenue from non-exchange transactions	20	235,964,180	(196,022,574)	-	39,941,606
Finance Income	20	-	58,414,517	-	58,414,517
Fair Value Adjustments		8,764,688	(8,764,688)	-	-
Finance costs	23	(84,963,004)	-	(2,776)	(84,965,780)
Operating and administration expenses	24	(40,077,163)	5	16,502,844	(23,574,314)
Depreciation and amortisation	22	(54,279,715)	-	-	(54,279,715)
Debt impairment		(1,849,390)	-	-	(1,849,390)
Employee related costs	21	-	-	(16,500,068)	(16,500,068)
Deficit for the year		63,559,596	(146,372,740)	-	(82,813,144)

NOTES TO ANNUAL FINANCIAL STATEMENTS - CONTINUED

30. Change in accounting framework (continued)

Cash flow statement

2018	Note	As previously reported	Change in accounting framework	Reclassification	Restated
Cash flow from operating activities					
Cash received from grants	26	179,921,811	(1,565,520)	-	178,356,291
Cash paid to suppliers and employees	26	(43,403,858)	-	43,403,858	-
Finance costs	26	(84,288,083)	(674,921)	(2,775)	(84,965,779)
Cash paid to suppliers	26	-	1,565,519	(26,901,014)	(25,335,495)
Cash paid to employees	26	-	-	(16,500,068)	(16,500,068)
		52,229,870	(674,922)	1	51,554,949
Cash flow from investing activities					
Purchase of Property Plant & Equipment		(2,588,402)	-	-	(2,588,402)
Cash flow from financing activities					
Repayment of financial liabilities		(89,976,633)	674,921	-	(89,301,712)

NOTES TO ANNUAL FINANCIAL STATEMENTS - CONTINUED

30. Change in accounting framework (continued)

Change in accounting framework

The entity adopted GRAP accounting framework for the first time in the current financial year from IFRS. The prior year reported amounts have been restated to comply with the GRAP requirements. The following changes have been effected as a result of changes in accounting policies:

Guaranteed grant income asset

KOBWA acquired loans at its inception for the construction of dams which are fully guaranteed by the Parties. KOBWA receives funding from the Parties to service the loans. Given that this funding is guaranteed, a financial asset has been recorded (refer to note 1.9). On conversion to GRAP, an asset was raised at transition date, with a corresponding credit to the retained income to account for the present value of the remaining guaranteed payments from the Parties. The impact of this change at transition is R/E 760,619,055 and in 2018 is R/E 623,579,055. As time passes, the unwinding of interest on the present value of the assets, are recorded as finance income (refer to revenue from non-exchange transactions below).

Financial liabilities

All loans under GRAP are stated at amortised cost. The HAMBROS loan was previously recorded at fair value. An adjustment was made to bring the HAMBROS loan balance to its amortised cost with a corresponding adjustment to accumulated surplus for an amount of R/E 102,336,075 in 2017 and in 2018 of R/E 93,571,387.

The 2018 Statement of Financial Performance has been adjusted by reversing the 2018 current year fair value measurement on the HAMBROS loan of R/E 8,764,688.

Deferred income

Under IFRS, grant relating to assets (PPE) is recognised through use which would be through the depreciation of the assets. Therefore a deferred income asset was raised under IFRS, which was adjusted annually with the effect of depreciation and additions and the corresponding amounts against grant income. With the adoption of GRAP, all the grant income accrues to KOBWA as the conditions are met immediately the grant becomes payable to KOBWA except for the unspent grant. To that effect the deferred income amount of R/E 6,468,880 at transition date R/E 7,467,183 at 2018 has been released to accumulated surplus.

Accumulated surplus

As a result of the above changes and in terms of the transition to GRAP, the accumulated surplus was adjusted accordingly in respect to the changes as per the 2017 and 2018 tables above. The net effect of such changes to the accumulated surplus in 2017 is R/E 869,424,010 and in 2018 is R/E 723,051,269.

Revenue from non-exchange transactions

Grant income as previously reported in 2018 has been reduced by R/E 196,022,574 which is the portion of the grant received for the servicing of the KOBWA debt. This amount has been recorded against Guaranteed income receivable. Finance income has been increased by R/E 58,414,517 which is the unwinding of interest on the guaranteed grant receivable noted above.

NOTES TO ANNUAL FINANCIAL STATEMENTS - CONTINUED

30. Change in accounting framework (continued)

Reclassifications

Property, plant and equipment

In financial year 2018, KOBWA recorded assets held for sale in terms of IFRS 5 to the value of R/E 1,698. However GRAP 100 caters for discontinued operations and not for assets held for sale. As such, those assets have been reclassified back to PPE in terms of GRAP increasing the value of PPE. Other than that, there is no changes to PPE. To bring more clarity on disclosure of PPE, the Furniture and Fittings was split into Furniture and Fittings, Office Equipment and Sundry equipment.

Non-current assets held for sale

In financial year 2018, KOBWA recorded assets held for sale in terms of IFRS 5 to the value of R/E 1,698. However GRAP 100 caters for discontinued operations and not for assets held for sale. As such, the assets have been reclassified back to PPE in terms of GRAP. The effect being that this line is taken off the financial statements.

VAT receivable

VAT has been reclassified out of receivables from exchange transactions and are now separately disclosed.

Employee related costs

Employee related costs have been separately disclosed on the face of the statement of financial performance out of operating expenses.

Operating and administration costs

All the operating and administration expenses have been grouped together and the employee related costs have been reclassified.

NOTES TO ANNUAL FINANCIAL STATEMENTS - CONTINUED

31. Comparative figures

Comparative figures as presented in the financial statements have been restated to be in line with the requirements of GRAP. The financial statements were previously presented using IFRS and have adopted GRAP for the first time in the current year.

32. Risk management

Financial risk management

The entity's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk), credit risk and liquidity risk.

The entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the entity's financial performance. The board of directors provides written principles for overall risk management, as well as written policies covering specific areas.

Liquidity risk

Prudent liquidity risk management for KOBWA implies maintaining sufficient cash and easily convertible deposits, the availability of timely funding through grant from Governments following submission and approval of budget as well as reminder letters in respect of such budget. As enshrined by the treaty, it also includes the availability of surplus funds or access to short term credit facilities to mitigate for late payment of subventions.

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared two months before the beginning of each quarter and request or reminder letters sent to the Governments to allow them to follow internal processes to pay the grant by the beginning of each quarter.

Credit risk

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

Receivables comprise deposits, employee advances as well as grants receivables. The utilisation of credit limit is regularly monitored based on the performance by Governments in meeting their subventions. Most of this is limited to delay in funding than actual non-payment and this is monitored through the risk register and financial reports to both Board and JWC.

NOTES TO ANNUAL FINANCIAL STATEMENTS - CONTINUED

33. Going concern

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

The Parties honor their commitment to the operations of the entity and have ensured contribution of their subventions. The directors have satisfied themselves that the entity is in sound financial position and its foreseeable cash requirements for operational costs and loan repayments are guaranteed by the Parties as disclosed in the notes to the financial statements. The directors are not aware of any new material changes that may adversely impact the entity. The directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the entity. Accordingly, the financial statements have been prepared on a going concern basis.

34. Events after the reporting date

No material transactions occurred from year end to the date the annual financial statements were authorised for issue that may necessitate disclosure in the current financial statements.



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